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Information exchange within horizontal relationships: A fuzzy-set approach to companies' characteristics role[☆]

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ABSTRACT

This study aims at exploring the causal link between information exchange and companies' characteristics, in horizontal business relationships. Cooperative horizontal relationships, such as strategic alliances, are a growing phenomenon with important benefits, like the ability of participants to accumulate knowledge through information exchange over time. Data collection encompasses mainly in-depth interviews with the international or the procurement departments of all Portuguese pharmaceutical companies with production facilities in Portugal. The paper addresses 23 intercompetitor relationships and pursues the study's objective by combining a case study strategy with a fuzzy-set qualitative comparative analysis (fsQCA). This research incorporates three company's characteristics: the number of employees, the annual turnover and the companies' age. The information exchange entails, as expected, several alternative paths. Configurations that are either part of the solution for the outcome (information exchange) or its negation include all or almost all the causal conditions considered.

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1. Introduction

Within the scope of intercompetitor's relationships, this study examines the relation between information exchange and the key organization's characteristics, such as the number of employees, the annual turnover and the firm's age.

Previous research frequently characterizes relationships as being either vertical (upstream or downstream of the value chain) or horizontal (same level of the value chain) (Schmoltzi & Wallenburg, 2012; Sluyts, Matthyssens, Martens, & Streukens, 2011; Swaminathan & Moorman, 2009; Wallenburg & Schäffler, 2014). Horizontal relationships include business relationships with firms operating in the same market level, as competitors or as complementors, that is, producing substitutable or complementary products (or services) (Riccobono, Bruccoleri, Harrigan, & Perrone, 2014). Belderbos, Carree, Diederer, Lokshin, and Veugelers (2004) consider the heterogeneity in R&D cooperation and adopt three different types of cooperation: horizontal (with competitors), vertical (with suppliers or customers) and institutional (with universities or research institutes).

Cooperative horizontal relationships, such as strategic alliances, entail important features, like the ability of participant companies to accumulate knowledge through information exchange over time. These

business relationships are mainly non-economic, highlighting the information and social exchanges. In contrast, vertical relationships entail also significant economic exchanges (Easton & Araujo, 1992).

The characteristics of the parties in the relationship are contextual factors that play an important role. Gomes-Casseres, Hagedoorn, and Jaffe (2006) suggest the need for further work to grasp the relation between the knowledge sharing and the companies' characteristics. In particular, "few previous researches have dissected the influence of company characteristics on inter-organizational information exchange" (Peng, Trienekens, Omta, & Wang, 2014, p. 310). The existing literature does not provide a clear expectation of the relation between information exchange and the company's characteristics. The firm size and the company age are core factors included in business relationships research (Baptista, 2013; Campbell, 1985; Håkansson, Snehota, Ford, Cunningham, & Hallen, 1982; Hult, Ketchen, & Arrfelt, 2007; Santos & Baptista, 2015; Turnbull & Valla, 1986; Wang & Zajac, 2007). Strategic alliances between competitors are of increasing importance and prevalence (Hitt, Dacin, Levitas, Arregle, & Borza, 2000; Leischnig, Geigenmueller, & Lohmann, 2014; Li, Boulding, & Staelin, 2010; Luo, Rindfleisch, & Tse, 2007; Shah & Swaminathan, 2008; Sluyts et al., 2011; Wallenburg & Schäffler, 2014; Wu, 2014). This research aims at establishing a causal association between the companies' characteristics and the information exchange degree.

The present research objective is to enhance the understanding of the association of the parties' context with the information exchange, inside existent relationships between competitors. Business relationships established between competitors are a growing phenomenon that may entail many benefits to those involved in these relationships. Still, horizontal relationships need further investigation. Using a fuzzy-

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set approach combined with a case study research strategy enlarges the view of the intercompetitor relationships, particularly when taking into consideration the companies' characteristics.

The present paper presents a review of previous research on information exchange and its relation with the companies' characteristics in Section 2. Section 3 describes the methodology. Section 4 contains the research results and discussion of the 23 case studies. Finally, Section 5 offers the research conclusions.

2. Information exchange and context

2.1. Information exchange and knowledge in horizontal relationships

Communication or information exchange continually shapes up inter-organizational contact patterns and relationships. Key individual contacts establish and preserve business relationships. Exchanging technical, commercial, and organizational information lessens both the uncertainty and the possible adverse consequences surrounding the decision of placing an order for a product or service. Informational exchange through personal contacts also provides concerned companies with the dynamic necessary to respond to new opportunities and threats (Cunningham & Turnbull, 1982).

The exchange and transmission of informal and formal information is common to all interfirm relations. Information is a collectable and a storable investment as knowledge (Easton, 1992). High communication levels between actors promote information exchange, leading to a better knowledge about the other actor's activities. With this knowledge, actors can enhance their effectiveness, by identifying a combination of resources and activities (Hertz, 1992).

Business "relationships may involve an economic exchange or they may not", usually intercompetitor relationships do not involve economic exchange (Easton & Araujo, 1992, p. 63). Horizontal relationships build on information and social exchanges (Bengtsson & Kock, 1999; Easton & Araujo, 1992). Shah and Swaminathan (2008, p. 471), state that "alliances between organizations are becoming increasingly popular as a way to extract greater value from the marketplace". Several benefits arise from competitor alliances, such as enhanced learning, cost savings and shared resources (Luo et al., 2007).

The exchange of information is relevant to knowledge acquisition. Organizations try to learn and develop their knowledge in alliances between competitors. One of the most important reasons for companies to cooperate within business relationships with competitors is the acquisition, sharing and development of knowledge (Soekijad & Andriessen, 2003). Alliances also facilitate the transfer of experience (Ingram & Simons, 2002).

However, knowledge may be the source of tension. Companies may use shared knowledge to pursue common interests or employed to obtain private gains in an attempt to outperform partners. Power and dependence, and opportunism can also generate tensions in cooperative relationships (Tidström, 2014). According to Ingram and Simons (2002) organization groups bestow advances for involved companies mainly through transferred experience. Yet, "as an organization advances through experience, the relative position of its competitors worsens" (Ingram & Simons, 2002, p. 1529).

2.2. Information exchange and company characteristics

Business relationships and interaction are not context free (Gummesson, 2006). Studies relating information exchange and contextual features of companies involved in business relationships are scarce. This subsection addresses the relation between information exchange and company's characteristics.

Contextual factors, such as organizational factors, affect knowledge sharing, that is, affect the transfer of conceptual and operational knowledge, as well as experiences between companies (Du, Ai, & Ren, 2007). Still, no set of agreed-upon factors compose the context of business

relationships (e.g. Möller & Wilson, 1995). This paper focuses on the features of the companies that are part of horizontal relationships. Reviewing studies that focus on party characteristics and information exchange allows the identification of three frequent company features, say, the number of employees, annual turnover and company age (Baptista, 2013; Campbell, 1985; Håkansson et al., 1982; Santos & Baptista, 2015; Turnbull & Valla, 1986).

Company size usually matches the company turnover, the number of employees or both features (cf. Gomes-Casseres et al., 2006; Kaminski, de Oliveira, & Lopes, 2008; Marsh & Stock, 2006; Redondo & Fierro, 2007). Company size influences business relationships (Redondo & Fierro, 2007; Xin & Pearce, 1996). For small and medium size companies is important to obtain knowledge from other companies (Kaminski et al., 2008). Gomes-Casseres et al. (2006, p. 7) find that "large firms (as measured by sales) appear to share knowledge within alliances more than smaller firms". Peng et al. (2014) argue that companies' characteristics influence the information exchange. Considering the relationship between buyers and sellers, Peng et al. (2014) concluded that the company size affects primarily the company's communication with main suppliers. The company age did not necessarily affect the company's communication with its main suppliers or customers.

3. The empirical study

The primary concern in this empirical study was the identification of an empirical setting for the pursuit of the investigation. The Portuguese pharmaceutical industry provides fruitful examples of relationships between competitors. This section comprises the adopted methodology addressing the information exchange within the dyadic intercompetitor relationship.

3.1. Data collection

Given that industrial markets encompass a limited number of suppliers, customers and competitors (Håkansson & Snehota, 2006; Håkansson et al., 1982), the initial selection was the existing population of Portuguese pharmaceutical companies with production facilities in Portugal. The authors identified 11 companies matching this criterion. Intercompetitor business relationships can be regarded as a sensitive topic (Tidström & Hagberg-Andersson, 2009) and with limited visibility, due to the absence of economic exchange (Easton & Araujo, 1992). However, "horizontal alliances often are multilateral and entail three or more firms" (Wallenburg & Schäffler, 2014, p. 42). Portuguese pharmaceutical companies develop multiplayer partnerships with competitors aiming, among others, at promoting their internationalization or enhancing the procurement efficiency. Addressing horizontal relationships within a multiplayer alliance provided the visibility required to study intercompetitor relationships.

In the present study, interviews with individuals who take part in the focal horizontal relationship provided most of the collected primary data. Semi-structured face-to-face interviews comprised 15 in-depth interviewees with all 11 companies. Interviews included top managers from two company departments: international sales and procurement. Archival written material provided clues on who seemed to have played a key role in the existent horizontal relationships. The interviewees also suggested additional participants. Each interviewee chose around some competitors with whom cooperative business relationships existed. In-depth interviews also included top managers of government regulatory agencies, who hold close contact with the pharmaceutical industry. The present research involved a total of 24 in-depth interviews to 18 participants. All the interviews conducted were one-to-one, semi-structured and non-standardized. Interviews were carried out in the offices of the informants' companies and lasted more than 2 h. The researchers took notes during and after the interview and prepared a summary in the 24 h period after the interview, following Bourgeois and Eisenhardt

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