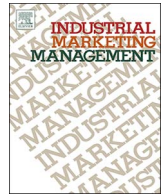




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Contents lists available at ScienceDirect

Industrial Marketing Management

journal homepage: www.elsevier.com/locate/indmarman

Exiting and entering relationships: A framework for re-encounters in business networks

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ARTICLE INFO

Keywords:

Business network
Exit
Relationship termination
Re-encounter
Reactivation

ABSTRACT

In the networked business environment, the same actors come together and part in various situations. Addressing this, existing research describes the lifecycle of business relationships and network participation: stages from relationship formation to termination and network exits have been covered. Less is known about the phases following a termination of relationships in networks. Especially, literature is relatively silent on those situations where the actors' paths cross again after a past exit. That is, re-encounters remain poorly understood.

Building on existing literature and illustrative examples on business networks and relationships, this conceptual study suggests that a longitudinally integrated view connecting the exit and post-exit developments to later encounters is needed. This study points out that the crossing of paths may, or may not, give start to the re-establishment of business relations, depending on the re-encounter itself and the preceding steps. Moreover, it is suggested that these antecedents derive from individual, organizational, relationship, and network levels. Therefore a vertically integrated approach further explains the re-encounter outcomes. The aim is to capture dynamics behind re-encounter outcomes – categorized here as (1) refraining from future interaction, (2) retribution, (3) reactivation characterized by reframing, or (4) full reactivation of relationships and collaboration – to assist future research.

1. Introduction

Inter-organizational business and innovation networks (see, e.g., Möller & Rajala, 2007; Uzzi, 1997) are in a constant state of more or less rapid change: Connections are created, become activated and go dormant (Hadjikhani, 1996; Skaates, Tikkanen, & Lindblom, 2002; Vorley, Mould, & Courtney, 2012), relationships change their nature, new commitments are made, and actors move between central and more peripheral positions (Chou & Zolkiewski, 2012; Fors & Nyström, 2009; Möller & Rajala, 2007). Accordingly, considerable amount research has been done on initiation, evolution, and the endings of relationships (Gidhagen & Havila, 2014, 2016). Earlier research covers, for example, the building of various types of business networks, network orchestration and antecedents of relationship termination, and it emerges in a range of research streams, from social psychology to organizational and network theories (see, e.g., Barlow, Roehrich, & Wright, 2013; Dhanaraj & Parkhe, 2006; Halinen & Tähtinen, 2002; Håkansson & Ford, 2002; Grayson & Ambler, 1999; Gulati, Sych, & Mehrotra, 2008; Oliver & Ebers, 1998; Provan, Fish, & Sydow, 2007; Ritter, 1999; Ritter, Wilkinson, & Johnston, 2004).

However, gaps still exist in the current knowledge on network dynamics. Mitrega et al. (2012, 739) refer to one of them when they note

that “the main focus [of inter-organizational marketing and supply chain management] is on tools to strengthen *existing relationships* with suppliers and buyers. Managing the *origins* of business relationships, as well as the *ending* of relationships, does not receive the same amount of attention (Edvardsson, Holmlund, & Strandvik, 2008; Halinen & Tähtinen, 2002; Joshi & Stump, 1999)” [emphases in the original]. Relatedly, research devoted to understanding the ways of dealing with different relational shifts (e.g., Brattström, Carlsson-Wall, Faems, & Mähring, 2013; Faems, Janssens, Madhok, & van Looy, 2008; Tähtinen & Vaaland, 2006) seems to hold specific emphases: As the building of relationships is costly and challenging, attention has often been paid to figuring out how networks can be managed so as to overcome problems and ensure continuation, rather than to effects of exits (Ariño & De La Torre, 1998; Garland, 1990; Guler, 2007; Halinen & Tähtinen, 2002; Zhang, Griffith, & Cavusgil, 2006). In line with this, Gidhagen and Havila (2016) suggest that the so-called *aftermath stage* following relationship termination is poorly covered in the existing literature. Various consequences from positive to negative (e.g., gaining freedom to focus on utilizing the strengths of the organization; loss of access to markets), from direct to indirect, and from immediate to delayed (e.g., delivery problems; effects on innovativeness or new relationship formation) may result from relationship

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<http://dx.doi.org/10.1016/j.indmarman.2017.07.010>

Received 15 October 2016; Received in revised form 16 June 2017; Accepted 20 July 2017
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termination and network exit (see, e.g., Dirks, Lewicki, & Zaheer, 2009; Halinen & Tähtinen, 2002), but the related dynamics are not necessarily clear.

Understanding the effects of the exit and post-exit stages is important especially considering that business relationships can become activated again after a more silent period, and that beneficial outcomes may be related to re-establishing relationships (Gidhagen & Havila, 2016; Mariotti & Delbridge, 2012).¹ However, earlier research does not really go beyond acknowledging that earlier connections are somehow relevant in partner selection and further collaboration (see Levin, Walter, & Murnighan, 2011; Li, Eden, Hitt, & Ireland, 2008; Zhelyazkov & Gulati, 2016). It seems that a disconnection exists between exit and entry studies.

Due to the tendency to consider the start and end of relationships to reside at opposite ends of a continuum (and to emerge chronologically in this order), temporal gaps and their role in inter-actor connections are not always fully acknowledged (Michailova & Paul, 2014). In particular, a lack of knowledge seems to burden understanding of the full range of situations in which the paths of actors that have been involved in an earlier exit cross again; these are labelled in this study as *re-encounters*. Other alternatives than network participation and relationship reactivation resulting from these situations, such as turning down an offer to start collaboration, and the factors driving them are rarely addressed (see e.g., Zhelyazkov & Gulati, 2016). Taking a step toward filling this gap, a re-encounter is understood here widely. It is suggested that re-encounters can cover not only the reactivation of earlier relationships, but also include situations where relationships are not re-established; the parties briefly meet/interact, and then continue on separate paths. Networks are not necessarily entered again after exit. Noteworthy is that even in these cases, the re-encounter may change the direction of business operations for one or all of the parties (e.g. making opportunities available or denying them), but such effects are not self-evident: it may be that re-encounters have no visible effect on later developments. *Re-encounter* outcomes vary.

This study takes the initiative in examining re-encounter-related outcomes conceptually. In particular, it aims to describe *how different re-encounter outcomes develop from earlier network exits and relationship terminations*. It is argued that each step forward after an exit could turn the direction toward a different re-encounter outcome. The approach taken is deliberately broad, and the terms ‘relationship ending’ or ‘termination’ and ‘exit from a network’ are used interchangeably: while it is acknowledged that exiting networks and individual relationships are conceptually different – with network exit necessitating relationship ending(s),² but relationship termination not necessarily meaning that exit from a network would occur – this study focuses more on the general patterns. Likewise, while it is likely that variation in network dynamics exists when different networks are considered,³ here ‘networks’ refer to strategic business and/or innovation networks where actors are identifiable and where the existing ties are strategically important (see Alajoutsijärvi, Möller, & Rosenbröijer, 1999; Gulati, Nohria, & Zaheer, 2000; Jarillo, 1988).

In line with the broad view, it is further suggested that the re-encounter outcomes can derive from different levels, with the organizational level reflecting individuals’ perceptions and behavior,

¹ Acknowledging this, some research covers reactivation of inactive relationships and identifies the related benefits, such as faster start of efficient business exchange, enhanced access to potentially critical resources, or relatively low relationship development investments (see, e.g., Hadjikhani, 1996; Pressey & Mathews, 2003; Pick, 2010; Poblete, Bengtson, & Havila, 2014; Skaates et al., 2002; Tidström & Åhman, 2006; Tokman, Davis, & Lemon, 2007; Tähtinen, 2002; Vorley et al., 2012).

² Relationship termination may cause multiple chain reactions of different strength.

³ Consider, for example, interpersonal networks (e.g., Ma, Yao, & Xi, 2009; Peng & Luo, 2000), relatively fuzzy innovation ecosystems (Nätti, Hurmelinna-Laukkanen, & Johnston, 2014), or public-private partnerships, and the related risk allocation, or networks with different emphases on contractual and relational governance (see, e.g., Roehrich, Lewis, & George, 2014; Zheng, Roehrich, & Lewis, 2008).

organizational aspects affecting business relationships, and relationship dynamics influencing whole networks, for example (see e.g., Granovetter, 1985; Halinen, Salmi, & Havila, 1999; Hertz, 1998; Salo, Tähtinen, & Ulkuniemi, 2009). While it is acknowledged in earlier studies that different level factors bear importance – especially since the effects of critical events affecting relations and their development, such as exits, spread from one level to another (e.g., Brattström et al., 2013; Dahlin & Havila, 2008) – how they exactly affect re-encounter outcomes is not well known.⁴

Addressing these issues is of relevance, as conceptual tools for approaching re-encounter outcomes analytically ease the understanding of what is going on in business networks and the relationships within. Likewise, being able to make sense of the links between re-encounter outcomes and earlier developments improves recovery from past problems, or allows actors to efficiently build on the best practices.

The remainder of this paper is structured as follows: First, re-encounter situations and their outcomes are separated conceptually, and their relationship is discussed. *Re-encounters* and their outcomes are then tied to the steps preceding the re-encounter and to the earlier exits, with the underlying attempt to introduce a longitudinal approach that complements the traditional relationship lifecycle. This discussion covers the attributes and antecedents of exits, and the role of post-exit developments. Illustrative examples (see Appendix for a summary table) are provided, and propositions drafted throughout the paper to address the underlying dynamics, and to consider the relevance of influencing factors at different levels of analysis. Such a vertically integrative approach – next to the longitudinal one – allows for the capture of network dynamics from multiple points of view. The concluding remarks close the discussion and provide direction for future research.

2. Prior literature on business relationship dynamics

Re-encounters, i.e., situations in which the paths of actors that have been involved in an earlier exit cross again, are next to inevitable in the networked business environment where organizations can belong to multiple networks, clusters or ecosystems, and where they are connected through complex webs of relationships (Batonda & Perry, 2003; Mariotti & Delbridge, 2012; Shipilov & Li, 2012). Re-encounters include but also go beyond the reactivation of earlier relationships (e.g., Gidhagen & Havila, 2016; Hadjikhani, 1996; Pick, 2010; Poblete et al., 2014; Pressey & Mathews, 2003): They cover a wide range of circumstances where earlier collaborators interrelate in the markets – not just in dyadic relationships, but also in triadic and more complex settings (see, e.g., Salo et al., 2009; Zhelyazkov & Gulati, 2016). In each of these situations, multiple actors are potentially affected directly and/or indirectly, and different outcomes may result from the re-encounters (see Dahlin & Havila, 2008; Fors & Nyström, 2009). Therefore, it is important to understand re-encounters and their premises, especially the earlier exit and the following phases preceding a re-encounter.

It is suggested here that a comprehensive approach is needed to fully understand re-encounters, and that for this, various views need to be combined. Although it is challenging to find studies with wide-ranging descriptions that would focus specifically on re-encounters and the factors affecting their outcomes, pieces of useful information for identifying relevant factors can be found scattered in different streams of research such as network theory (see Håkansson & Snehota, 1989), stage theory (e.g., Dwyer, Schurr, & Oh, 1987), state theory (e.g., Ford & Rosson, 1982), joinings theory (see Batonda & Perry, 2003), organizational theories (see e.g., Gulati, 1998; Zhelyazkov & Gulati,

⁴ Often, existing studies also tend to focus on specific levels of analyses, and vertical integration is missing. Lumineau et al. (2015, 42), for example, note that whereas “interpersonal conflicts have attracted much attention from scholars and practitioners over the last two decades, our understanding of inter-organizational conflicts remains limited” (see also Edvardsson, Kowalkowski, Strandvik, & Voima, 2014).

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