

# **HORIZONTAL RELATIONSHIPS DEVELOPMENT: THEORETICAL MODEL ON STRATEGIC ALLIANCES PROGRESS**

Competitive Paper

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## **ABSTRACT**

The interaction and network approach has been focused on cooperative relationships between buyers and sellers. Yet, non-economic relationships, such as strategic alliances, can generate important effects in both the network and the parties directly involved in the relationship. New insights are needed in horizontal relationship development.

The network is the result of a cumulative process where the company's relationships are in constant evolvement in order to ensure the company's long-term survival and development. The projected theoretical model for horizontal relationship development is originated in concepts of both vertical and horizontal relationships. Based on reviewed relationship development models, the proposed horizontal relationship development is expected to have five phases: searching, formation, development, dissolution and co-existence or inertia. Through dissolution processes, parties can entail themselves in restoring actions or proceed to relationship disengagement. After dissolving the relationship, parties co-exist until they eventually restore the strategic alliance. Particularly, in the realm of horizontal relationships between competitors it is expected that the continuity of the relationship is entailed affecting the network as a whole.

## **Keywords**

Horizontal relationships, strategic alliances, relationship development model

## INTRODUCTION

The network perspective is the outcome of a research program dealing primarily with the functioning of business markets. The interaction and network approach has been focused on cooperative relationships between buyers and sellers (Håkansson & Snehota, 2006). However, industrial networks approach scope has further been enlarged to encompass all forms of interactions and relationships in organization markets (Araujo & Easton, 1996). “The essence of the network approach is to view the network as a whole” (Easton & Araujo, 1992, p. 62).

### Network as a whole

Each actor develops direct relationships with customers, suppliers, distributors, competitors, complementary suppliers, universities, trade and professional associations, government bodies and consultants, among others, assuming a variety of roles - customer, supplier or competitor (Easton & Araujo, 1992). Government actions, direct competitors and non-profit-making organizations can generate important effects in the focal company’s ability to create value (Blois, 2004). Forsgren & Johanson (1992a) consider that suppliers, customers and competitors are seen as actors who take part directly in the current economic transactions. Government or local authorities, trade unions, industrial federations and private-interest associations are examples of non business actors influencing economic transactions. Thus, all these interactions are as important as economic business relationships.

Easton & Araujo (1992) also argue that non-economic relationships are likely to have repercussions in other network relationships. Complementary suppliers do not have economic exchanges but may require coordination. Relationships with third parties, i.e. consultants, independent research institutes, universities, government bodies, as well as trade and professional associations “have a continuing impact on the operation of the network as a whole” (Easton & Araujo, 1992, p. 68).

### Strategic Alliances and Horizontal Relationships

Strategic alliances are inter-company formal and cooperative long-term agreements carried out with the aim of capturing a mutual economic benefit (Inkpen, 2001; Gulati et al., 2000). Strategic alliances are usually formed to explore mutually compatible interests and goals (Möller & Halinen, 1999; Webster, 1992) and enhance individual competitiveness (Webster, 1992).

“Manufacturing companies are increasingly outsourcing their business activities, except those providing core competencies” (Möller & Halinen, 1999, p. 414). Webster (1992) states that strategic alliances allow firms to concentrate on their core competencies. Companies need to avoid trying to do everything on their own and should concentrate their business on activities

they can perform better. The definition of core competencies, those to which the firm will devote resources, leaves other areas to be performed by others, building up strategic partners.

In network relationships where direct economic exchange is absent, e.g. between competitors, other forms of relationship may exist, primarily informational (Easton, 1992). Horizontal relationships are more informal and invisible, since they are built mainly on information and social exchanges and do not involve economic exchanges (Bengtsson & Kock, 1999). Social relationships between competitors are relevant for success in joint activities (Bengtsson et al., 2003).

Non-economic relationships may be found between buyers, suppliers, complementary suppliers, buying with selling actors, and suppliers with end consumers or third parties. Of those, the most important are the intercompetitor relationships, i.e. between suppliers (Easton & Araujo, 1992). Cooperation occurs when two or more parties have objectives that are mutually dependent. Easton & Araujo (1992) argue that the less evident cooperation in network relationships takes place between competitors. Cooperative relationships are mainly developed by suppliers and customers. After those relationships, horizontal relationships are the most common ones (Håkansson & Henders, 1992).

Easton & Araujo (1992) argue that non-economic relationships are also likely to have repercussions in other network relationships. Complementary suppliers do not have economic exchanges but may require coordination. Easton (1992) considers that horizontal indirect relationships, i.e. a firm to a competitor through a common customer, may provide the context and strongly influence the direct relationships.

### Relationship Development

Due to its limited resources, one firm is only able to adapt and invest in a few relationships (Ford & Håkansson, 2006). Business relationships are established and developed by investing time and resources in interaction with each other (Forsgren & Johanson, 1992b). Resource investments can be in the form of technical, commercial, social or financial adaptations. Establishing a new relationship or extending an existent one is often caused by a change in a supplier or a customer and involves considerable resource losses in the form of time, money and effort (Sandström, 1992).

Actors pursue their own goals while they manage relationships interactions based on their past experience (Håkansson & Snehota, 2006). Relationship development between two companies depends on what has happened in the past in the relationship, on what each entity has previously learned in its other relationships, on what currently happens in the precise relationship and in other ones in which it is involved, on the expectations of both actors and on what happens in the wider network of relationships in which it is not directly involved (Håkansson & Ford, 2002).

## Aim and Paper Outline

Mainly supported in the theoretical framework of industrial networks, this paper's objective is to develop a conceptual model on the evolution of strategic alliances between competitors. While significant research has been carried out on strategic alliances, focusing motivations, antecedents, formation, and outcome, researchers have paid far less attention to the developmental processes of strategic alliances (Das & Teng, 2002). "Studies of strategic alliances as evolutionary processes are scarce" (Doz, 1996, p. 55).

Classical marketing and strategic management thinking, explicitly or implicitly, assumes that horizontal and vertical relationships are completely different types of business relationships. Although differences are found, namely the absence of direct economic exchange and the relationship's nature in the intercompetitor relationship, both horizontal and vertical relationships share many similarities (Bengtsson et al., 2003; Bengtsson & Kock, 1999; Easton & Araujo, 1992). Concepts and frameworks of vertical relationship interaction strongly sustain the proposed theoretical model.

The paper is outlined as follows: (1) in the theoretical background, relationship development models originating essentially from the IMP literature are presented, complemented by some models specific to strategic alliances development; (2) a typology and characterization of the relationship phases of strategic alliances' development between competitors is proposed; (3) a conceptual model is presented, visually aligning the drawn considerations; (4) concluding remarks towards the application and contribution of this model are put forward.

## THEORETICAL BACKGROUND

Interorganizational relationships over time emerge, evolve, grow and dissolve (Ring & Van de Ven, 1994). A process theory consists of statements that clarify how and why a process discloses over time (Van de Ven, 1992). Based on Van de Ven (1992) work, Backhaus & Büschken (1997) argue that relationship development can be viewed as a life cycle or as an evolutionary development without definite stages. The life cycle approach assumes that business relationship develops in consecutive stages determined to a large degree by age. On the contrary, evolutionary approach regards relationship progress not following a specific path over time.

Batonda & Perry (2003) identify the stages theory that embodies change progress through sequential stages, and the states theory that supports a relationship development unstructured and unpredictable at any point in time. The stages theory encompasses two model sets of inter-firm relationships: life cycle models and growth stages models (Batonda & Perry, 2003). Life cycle models emphasize a number of predetermined stages, such as, birth, growth, maturity and decline. Growth stages models focus the sequential development of the relationship between firms and it consists of five stages: searching, starting, development, maintenance and termination. On the other hand, the states theory assumes that change process in an evolution of unpredictable states, i.e. "relationship development process is not necessarily orderly nor progressive over time" (Batonda & Perry, 2003, p. 1466).

## Relationship Development Models

For organizations it is essential their capability to deal with different relationships stages, i.e. creating, managing and terminating, strategic relationships (Möller et al., 2005). Table 1 summarizes several relationship development models presented by different authors.

| <b>Author</b>              | <b>Stages, States or Phases</b>   | <b>Model Brief Description</b>  |
|----------------------------|---|---|
| Guillet de Monthoux (1975) | Romance<br>Affair<br>Marriage<br>Divorce  | Divorce may lead to romance restoration with the same organization, i.e. a temporary stage, or it may involve new romance with a new partner  |
| Ford (1980)                | Pre-relationship stage<br>Early stage<br>Development stage<br>Long-term stage<br>Final stage              | The final stage is characterized by institutionalization processes. At any stage, relationships can fail to develop, regress or be discontinued   |
| Ford & Rosson (1982)       | New<br>Growing<br>Trouble<br>Static<br>Inert  | Relationships progress from new toward inert. Dyads are not necessarily orderly or progressive over time. The inert state represents relationships that had a past useful purpose. Relationship termination may also be considered by parties |
| Frazier (1983)             | Initiation<br>Implementation<br>Outcome   | Implementation begins with the actual exchange. The outcome will be determined mainly by how well parties carried out their role  |
| Dwyer et al. (1987)        | Awareness<br>Exploration<br>Expansion<br>Commitment<br>Dissolution  | The possibility of dissolution is present since the beginning of the relationship. Dissolution is commonly initiated unilaterally. Through interaction parties can negotiate their unbonding  |
| D'Aunno & Zuckerman (1987) | Emergence of a coalition<br>Transition to a federation<br>Maturity of a federation<br>Critical crossroads | Federations consist of three or more organizations that intentionally pool resources and their activities are guided by a management group  |
| Wackman et al. (1987)      | Pre-relationship stage<br>Development stage<br>Maintenance stage<br>Termination stage                     | Life cycle model with termination (voluntary or involuntary) as an ever present possibility   |
| Kanter (1994)              | Courtship<br>Engagement<br>Housekeeping<br>Marriage<br>Old-marriage                                       | Relationships between companies begin, grow and develop or fail – similar to relationships between people   |
| Wilkinson & Young (1994)   | Walking<br>Line Dancing   | Authors employ a dancing metaphor and compare those states with the marriage  |

|                            |   |   |
|----------------------------|---|---|
|                            | Salsa<br>Inept “New Vougue”<br>Latin Medley (tango)<br>Ballet<br>Waltz or Rumba<br>Cha-Cha-Cha                              | metaphor: just met or getting divorce, placid and occasional affair, stormy affair, unhappy marriage, tempestuous devoted marriage, dual career marriage, marriage made in heaven, newlyweds or semi-committed relationship   |
| Ring & Van de Ven (1994)   | Negotiations<br>Commitments<br>Executions   | Stages moderated by continuous assessments of efficiency and equity   |
| Millman & Wilson (1995)    | Pre-KAM stage<br>Early-KAM stage<br>Mid-KAM stage<br>Partnership-KAM stage<br>Synergistic-KAM stage<br>Uncoupling-KAM stage | The model explores the development of key account relationships within already existent customer relationships  |
| Doz (1996)                 | Initial conditions<br>Learning<br>Reevaluation<br>Readjustment  | Alliances develop through learning cycles. Readjustments lead to revised conditions followed by another learning cycle  |
| Ali et al. (1997)          | Supplier selection procedure<br>Procedures for managing<br>Development and maintenance<br>Future of the relationship        | Based in a case study this model encompasses four phases. The last phase comprises parties’ expectations to consolidate and develop a long-term relationship  |
| Ariño & De La Torre (1998) | Negotiation and commitment<br>Executions<br>Reevaluation<br>Dissolution   | Negotiation and commitment lead to initial conditions. Learning processes originate from executions and lead to reevaluation. Readjustments that may lead to revised conditions. Dissolution may follow reevaluation. Feedback loops are critical for the evolutionary process of an alliance |
| Andersen (2001)            | Pre-relationship<br>Negotiation<br>Development<br>Termination   | Communication leads to the gradual development of the relationship  |
| Das & Teng (2002)          | Formation<br>Operation<br>Outcome   | Alliance outcome may be: stabilization, reformation, declination or termination. Outcomes combination, e.g. reformation followed by termination is also possible  |
| Zineldin (2002)            | Discovery<br>Development<br>Commitment<br>Loyalty   | Relationship evolves over time throughout four phases. Relationship is vulnerable to termination in every phase   |
| Batonda & Perry (2003)     | Searching<br>Starting<br>Development<br>Maintenance<br>Dormant<br>Termination   | Relationships evolve unpredictably over time through six states. Dormant processes include the relationship’s inactive state and potential re-activation  |

|                             |  |  |
|-----------------------------|--|--|
| Andersen & Kumar (2006)     | Initiation<br>Development<br>Termination<br>Re-establishment                                 | The possibility of withdrawal or disengagement from the relationship is present at any stage. Termination encompasses both voluntary and forced termination. At later state relationships may be re-established.                   |
| Palmer (2007)               | Transaction<br>Sustained transaction<br>Relational   | Relationship do not necessarily develop or adapt over time   |
| Chang & Lin (2008)          | Formation<br>Operation<br>Maintenance<br>Dissolution   | Information exchange is high and has an equal frequency across the formation, operation and maintenance  |
| Ng (2009)                   | Pre-relationship stage<br>Early stage<br>Development stage<br>Long-term stage<br>Final stage | In the early stage organizations emphasized the importance of product and service quality. Trust, co-operation, commitments, social and structural bonds were regarded as critical in the later stages of the relationship process |
| Schreiner et al. (2009)     | Formation phase<br>Design phase<br>Management  | Strategic alliances evolve through a life cycle that consists of three different phases or stages  |
| Claycomb & Frankwick (2010) | Awareness<br>Exploration<br>Expansion<br>Commitment  | During the exploration phase sellers with weaker reputations must perform more communication efforts   |

Relationship development models mainly assume that business relationship progress follows a specific path over time and that relationship age has a major influence on relationship evolution. However, some authors argue that relationship progress is unstructured and unpredictable, e.g. Batonda & Perry (2003) and Ford & Rosson (1982).

One can denote four main sections in relationship development models: (1) organizations gather information on the possible partner and evaluate potential counterparts; (2) parties establish initial contact and negotiations, testing also personal and goal compatibility; (3) through interaction processes, parties may develop the relationship (in different levels); (4) relationships can fail to develop, regress or even be discontinued by either relationship party or by outsiders' actions.

Essentially, models presented above focus on relationship between buyers and sellers and are deeply influenced by the IMP Group research. Yet, some models represent strategic alliances development, e.g. Das & Teng (2002), Doz (1996), Kanter (1994) and Schreiner et al. (2009).

## A MODEL FOR STRATEGIC ALLIANCE'S DEVELOPMENT BETWEEN COMPETITORS

As referred, a number of common activities and issues can be identified throughout the reviewed studies. These shared aspects are taken in consideration when proposing the stages that are enclosed in the developed model. Additionally, the proposed model considers horizontal relationships specificities in the following way:

- (1) Following several frameworks, (e.g. Batonda & Perry (2003), Dwyer et al. (1987), Ford (1980)) it is relevant to identify and distinguish two autonomous phases in the relationship establishment, namely: the searching phase and the formation phase;
- (2) Relationships, either vertical or horizontal, develop through interaction processes and this is consensual among most of the reviewed authors. Thus, a development stage with its potential activities is incorporated;
- (3) Relationship dissolution is focused by a number of scholars in the field and is commonly enclosed in relationship development models. The eventual ending process with its unbonding, still, with the maintenance of social bonds created needs further investigation (e.g. Halinen & Tähtinen (2002), Havila & Wilkinson (2002));
- (4) Finally, co-existence and inertia are considered since it is an important aspect that may directly relate to the nature of our aim, namely, competitors and their co-existence in a potential market. These aspects have been emphasized by Bengtsson & Kock (1999), Bengtsson et al. (2003) and Easton & Araujo (1992), among others.

It is assumed that relationships evolve over time through a set of consecutive stages, hence it is posited that a life-cycle approach is assumed. Moreover, time is an important variable in studies of relationship development and change (Backhaus & Büschken, 1997). The conceptual model for strategic alliance development considers time to be a central element. Hence, aiming to present a model on horizontal relationship progress between relationships, five phases are proposed and described below: searching, formation, development, dissolution and inertia or co-existence.

### Searching phase

Although employing different designations Batonda & Perry (2003), Claycomb & Frankwick (2010), Dwyer et al. (1987), Ford (1980), Kanter (1994), Schreiner et al. (2009), among others, consider that searching phase is characterized by seeking a new potential partner. In addition, this phase includes the recognition of a relationship purpose, gathering information on the possible partner and evaluation of potential counterparts.

The searching phase occurs before the establishment of a formal contact or agreement and is where both parties tend to learn about each other (Wackman et al., 1987). It is an unilateral process (Andersen, 2001; Dwyer et al., 1987) and there is no commitment by the parties (Ford, 1980).

In this searching phase, communication is planned and unidirectional. Communication embraces information exchange, conversation and customized dialogue, among others.



Communication can include traditional forms, not only of advertising and branding, but also of reputation and referrals management. “Bidirectional communication surrounding relationship formation does not necessarily imply direct dialogue between the potential buyer and supplier. In order to obtain information about the nature of the selling firm, the buying firm in question may very well engage in conversation with informants from other customers of the potential supplier and with the supplier's distributors, suppliers and even competitors” (Andersen, 2001, p. 173).

The evaluation of the counterpart is conditioned by the experience of previous and ongoing relationships, by the uncertainty about potential costs and benefits of the new relationship and by the social, cultural, technological, temporal and geographical distance of the new party (Ford, 1980). Ali et al. (1997) argues that customers search suppliers using criteria of industry reputation, quality, delivery, technological and R&D capabilities, manufacturing capacity, financial status, previous experience, among others.

### Formation phase

Parties establish initial contact and test personal and goal compatibility (Batonda & Perry, 2003). The formation phase is mainly characterized by negotiations between counterparts (Claycomb & Frankwick, 2010; Schreiner et al., 2009; Das & Teng, 2002; Andersen, 2001; Ali et al., 1997; Ford, 1980). Through negotiation processes, parties can reconcile incompatible goals (Ford & Håkansson, 2012), settle contracts and relationship terms, overcome first problems, start to adapt to each other (Ali et al., 1997). In this phase, parties discuss and bargain their interests, goals, norms, expectations, activities, resources. Incompatibilities may lead to the breakdown of the negotiations. If an agreement is reached, parties develop the relationship (Andersen, 2001).

At this stage parties have limited experience about each other, high uncertainty, considerable distance and low commitment (that is also perceived as low). Over time, parties develop the relationship, building experience, increasing commitment, and reducing both uncertainty and distance (Ford, 1980). Through interaction, buyers and sellers also develop power-dependence relations, norms, collective goals and expectations. In this phase parties also develop rudiments of trust and joint satisfaction that lead to risk taking increase within the dyad (Dwyer et al., 1987).

### Development phase

In the development phase, uncertainty and distance is reduced while parties increase their experience and commitment. Through interaction, commitment is demonstrated and perceived by the counterpart (Ford, 1980). Parties develop and achieve a high level of interdependence and satisfaction. Participants are aware of alternatives but cease to quest other possible partners (Dwyer et al., 1987). In the development phase parties are expected to

increase their experience, benefits, interdependence (Andersen, 2001) and trust (Andersen & Kumar, 2006).

Adaptation processes allow parties to fortify their relationship. This phase includes other interaction processes, such as, exchange processes, that are also expected to increase (Ford, 1980). Coordination processes are required to operate the alliance. Parties must coordinate tasks' execution, sharing not only knowledge but also relevant information and, most difficult, solving conflicts (Schreiner et al., 2009). Continued communication leads to the gradual development communications norms, such as, rules for guiding conversation in the relationship, shared technical language and understanding and response to information (Andersen, 2001).

Parties may further develop their relationship, executing major exchanges, reaching high experience and commitment and low uncertainty and distance. Parties can adopt extensive adaptations and institutionalization may take place, which further allows cost-savings (Ford, 1980). Actors institutionalize values, rules and procedures (Claycomb & Frankwick, 2010). Hertz (1992) concludes that the increase of relationship intensity enhances the rules, policies, procedures and formalization. Rules assume the form of unspoken, spoken, unwritten or written agreements. Although rules result from previous interaction, they create the frame for future activities and influence activity interdependence. Institutionalized rules can minimize the possibility of relationship discontinuity (Sandström, 1992).

### Dissolution phase

At any phase, relationships can fail to develop or even regress, depending on the actions of involved parties or of competing buyers or sellers. Relationships can also be discontinued by either relationship party or by actions of outsiders (Ford, 1980). A business relationship is vulnerable to termination in every phase and it might be either voluntary or involuntary (Andersen & Kumar, 2006; Zineldin, 2002; Dwyer et al., 1987; Wackman et al., 1987; Ford, 1980; Guillet de Monthoux, 1975).

In dissolution processes, actors weigh costs and benefits of preserving a relationship and handle eventual relationship dissolution (Batonda & Perry, 2003). Thus, the outcome is tied with performance evaluation and expectations. The alliance outcome may be: stabilization, reformation, declination or termination. Outcomes combination, such as, reformation followed by termination is also possible (Das & Teng, 2002).

Halinen & Tähtinen (2002) argue that relationships dissolution can encompass itself several stages and depends on the type of relationship and different endings, the factors that influence the process, and the actual ending process in terms of activities and events. The history and potential future of the relationship has a major importance in the dissolution process. Hence, parties can entail themselves in restoring actions or proceed to relationship disengagement (Halinen & Tähtinen, 2002). Guillet de Monthoux (1975) argues that dissolution may lead to relationship restoration with the same organization, i.e. dissolution may be a temporary state, or it may involve new romance with a new partner.

Informal interpersonal bonds play a major role in the re-activation of relationships (Andersen & Kumar, 2006). Parties can withdraw or disengage after concluding that relationship's maintenance costs outweigh its benefits, when personnel or organizational needs change, or obstacles to interact with alternative partners cease to exist. Dissolution is commonly initiated unilaterally and, through interaction, buyers and sellers can initiate and negotiate their unbonding (Dwyer et al., 1987).

Havila & Wilkinson (2002, p. 192) "argue that the social bonds created over time through a relationship cannot be destroyed (except through neglect) but are transferred and transformed in various ways, manifesting themselves in different relationship contexts". Trade ceasing is a common criteria used to typify relationship termination. Further, actor bonds, including economic, technical, legal and administrative bonds cease to exist when trading stops. However, trading can stop completely and continue social and business interaction. Social bonds, personal relationships and knowledge remain and can be taken up later.

### Co-existence and Inertia

Before the searching phase, actors' inertia may exist (Ford, 1980). An endless number of relations is not exploited and generally actors have a great number of undeveloped relations (Håkansson & Johansson, 1988). Historical reasons may also lead actors to more or less sleeping relationships with other partners (Johanson & Mattsson, 1992). Relationships can be undeveloped when actors conclude that relationship development costs are greater than any potential benefit or / and that legal constraints are on "collusion" (Ford & Håkansson, 2012).

Actors may co-exist when they have independent goals and objectives. Co-existence main driver is distance, whether it is geographical, technological, psychological or market based (Easton & Araujo, 1992). Competitors often have relationships of co-existence (Bengtsson et al., 2003). One can classify competitors as having a coexisting status when they do not interact directly with each other, do not have bonds and usually are only aware of the other's existence (Bengtsson & Kock, 1999).

However, Bengtsson & Kock (1999) consider that two coexisting competitors can have information and social exchanges. When co-existing, network position of the actor determines power. Trust is regarded as high and informal, as one actor is dependent on the other actor not interfering with him. Norms are also informal and goals are determined independently.

Co-existent relationships are not permanent. Co-existing competitors may cooperate or even compete when one of them feels threatened by the other or sees an opportunity to expand their business into the competitor's domain (Bengtsson et al., 2003).

## Proposed model summary

Drawing on the aforementioned considerations regarding the proposed relationship phases and building on Easton & Araujo (1992), Ford (1980) and Ford & Rosson (1982), a conceptual model is created to portray the evolution of strategic alliances between competitors. Figure 1 illustrates this theoretical model that takes into consideration the development of the relationship over time and includes concepts of co-existence.

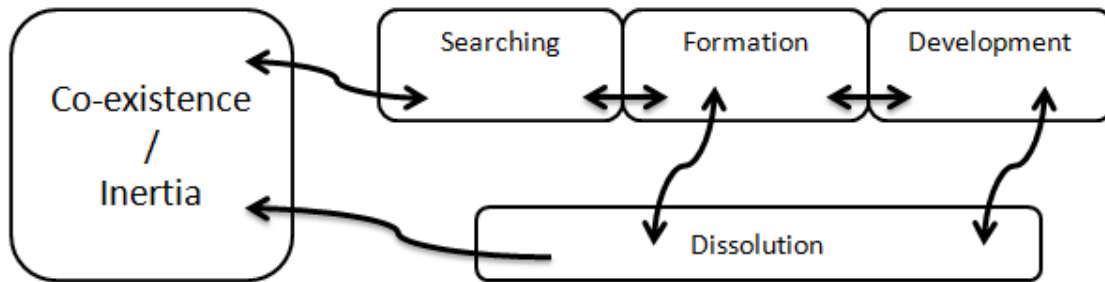


Figure 1: Theoretical model of strategic alliance's development between competitors

A clear distinction between each phase can be made based only in a few characteristics. Parties co-exist when they are just aware of the other's existence without interacting (Bengtsson & Kock, 1999; Easton & Araujo, 1992). In the searching phase, before establishing a formal contact or agreement, parties seek a new potential partner through an unilateral process (Dwyer et al., 1987). In the formation phase parties negotiate relationship terms and align goals. The development phase is characterized by interaction processes held between relationship parties (Ford, 1980). In the dissolution phase parties initiate and negotiate their unbonding (Halinen & Tähtinen, 2002; Dwyer et al., 1987).

It is argued that a strategic alliance between competitors starts, or restores, from the state of co-existence or inertia. The relationship progress takes place over time through a set of consecutive stages. Hence, the model does not presume that in order to form an alliance, parties can skip the searching phase. As well, it is not expected that two parties can achieve the development phase skipping the formation phase. Moreover, without the necessary interaction, parties do not institutionalize routines, within development phase. However, it is assumed that relationships may not necessarily have to evolve i.e. they can have static phases, or even regress. Relationship termination is an ever present possibility.

Competitors may initiate dissolution processes at any stage of relationship development. From dissolution, parties may restore (or continue that relationship) or they may end the alliance. Following trading alliance termination, parties can continue social and business interaction. Social bonds, personal relationships and knowledge remain and can be taken up later. Further, after dissolving the relationship, parties announce their decision to the network and deal with the consequences of break-up.

## CONCLUDING REMARKS

“The industrial network is a product of its history” (Håkansson & Johansson, 1988, p. 371). The network is the result of a cumulative process where the company’s relationships are in constant creation, maintenance, development and termination, in order to ensure the company’s long-term survival and development (Johanson & Mattsson, 1987). The development and maintenance of a strategic relationship can have a positive or negative impact on current and future relationships (Möller et al., 2005; Möller & Halinen, 1999).

The increasing importance of horizontal relationships calls for new insights and empirical testing. A major difference between vertical and horizontal relationships is the absence of economical exchange in horizontal relationships. Personal and social interaction is expected to be enhanced. Taking into account that direct and indirect interaction (e.g. through common customers and suppliers), personal and social bonds persist over time, one may ask: Where does the horizontal relationship end or start? Is it possible to really end a horizontal relationship?

It is expected that the proposed theoretical model will allow further research on the evolution of strategic alliances between competitors. In a business landscape characterized by global interdependencies, this is a growing phenomenon that calls for investigation. Further research on how horizontal relationships develop and affect the network of buyers and sellers is also recommended.

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