

The influence of time and space on changes from cooperation to competition in business relationships

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Abstract

Within the IMP-group there has been a call for more research about time. Based on existing research both time and space should be considered when analyzing interaction between companies. Horizontally time is often related to past, present and future (e.g. Andersson and Mattsson 2006; Hedaa and Törnroos 2002; Medlin 2002; 2004). Events in the past have an impact on present and the present is moreover influenced by expectations about the future. In addition to considering events in time, we also need to take into account the space within which interaction occurs. The space is for example related to connected relationships (e.g. Håkansson et al. 2009). Although there has been some research about time and its role in business relationships and networks, research is still needed in this field, in order to explain the impact of time on business relationships. Much of the existing research is merely on a conceptual level, exploring the definition and nature of time from the perspective of business interaction. There is clearly a need for more empirical research related to time in relation to changes in business relationships. Moreover existing research tends to consider time as having a strengthening effect on business relationships, increasing the level of cooperation.

Traditionally research within the IMP-group has mainly focused on cooperation and competition has been more or less ignored (Ford, Mouzas and Spencer 2009). There is a need for more studies related to competition (e.g. Cunningham 2008). It has been stated (e.g. Bengtsson and Kock 1999; Easton 1990) that business relationships consist of both cooperation and competition. Business relationships are not stable, but also dynamic, and therefore it would be interesting to study changes from cooperation to competition and vice versa. Moreover, it would be relevant to explore these changes in the light of time.

The purpose of the paper is to study the influence of time and space on changes from cooperation to competition in business relationships. The empirical part of this study is based on qualitative studies of four business relationships. Three relationships represent cases that have evolved from being cooperative to becoming competitive. One case involves a dyadic business relationship that has evolved from being both cooperative and competitive (i.e. coopetitive) to becoming purely competitive.

The findings of the study indicate that both time and space influence changes from cooperation to competition in business relationships. Past events influencing competition are

relationship-, external- and company related. Relationship related events seem to represent the root event for competition. External events related to actions by external actors tend to mediate competition. Final events leading to competition have here been identified on a company-level. As far as space is concerned, it can be either external or internal. Externally it is related to industry conditions, while it on an internal level concerns both company similarity and distance.

Introduction

The nature of business relationships is complex and develops over time. It is too simple to say that a business relationship is based on either cooperation or competition. Instead it is more reasonable to argue that a business relationship usually contains elements of both cooperation and competition (e.g. Young and Wilkinson 1997). Traditionally the focus of IMP-research has been on cooperation within business relationships and networks. Some scholars (e.g. Bengtsson and Kock 1999; Easton and Araujo 1992; Tidström 2006) have, however, focused on the simultaneous existence of cooperation and competition, i.e. co-competition. There is still a call for more research about competitive and co-competitive business relationships (e.g. Cunningham 2008).

Also within strategic management research there is a gap in the existing research especially related to the dynamics and process of cooperation and competition. According to Dagnino and Padula (2002) “scientific investigation on the issue of co-competition has not gone much father (sic) beyond naming, claiming and evoking it” and as a consequence it “is clearly an under researched theme”. Co-competition is a new field of research and at present we are only at the start of its investigation (Padula and Dagnino 2007). Yami, Lehmann-Ortega and Naro (2008) stress that co-competition research needs a stronger theoretical base that moves beyond a simple report of the simultaneous existence of competition and cooperation.

Within the IMP-group there is moreover a call for more research related to time. According to Ford and Håkansson (2006, p. 7) “Time is the first and probably most important issue when analyzing interaction”. Although there exists some literature within this field (e.g. Ford and Håkansson, 2006; Hedaa and Törnroos 2002; Halinen and Törnroos 2005; Medlin 2002; 2004) it is mostly concentrated on the meaning of time on a more conceptual level. There is clearly a need for more research on time within different empirical contexts. Moreover existing research tends to consider time as having a strengthening effect on business relationships, increasing the level of cooperation. This is not in line with the argument that business relationships are dynamic and may contain elements of both cooperation and competition.

The purpose of the paper is to study the influence of time and space on changes from cooperation to competition in business relationships. The empirical part of this study is based on qualitative studies of four business relationships. Three relationships represent cases that have evolved from being cooperative to becoming competitive. One case involves a dyadic business relationship that has evolved from being both cooperative and competitive (i.e. co-competitive) to becoming purely competitive.

The structure of the paper is as follows: In the next section the theoretical reference frame is presented. This section is divided into two parts: the first part is about time from the perspective of business relationships and the second part is on changes from cooperation to competition and vice versa in business relationships. The theoretical part ends with a

summary and a presentation of the theoretical reference frame. The following section describes the methodology and thereafter the findings of the study are outlined. The study ends with some conclusions, together with a presentation of the limitations of the study and suggestion for further research.

Time in relation to changes from cooperation to competition

Time and its influence in business

There are several different meanings and connotations of time (see Halinen 1998). Time can be thought of as chronologic ranging from past to present and future. Time can be seen from an operational point of view, such as time-to-market and lead-time. Furthermore, time can be divided into types of time, for example leisure time and quality time. Moreover, time can be divided into episodes, moments, events or epochs. Time can also be understood and analyzed in light of its suitability, meaning that the time is right or wrong. Another possibility of understanding time is to relate it to timing, which indicates a managerial perspective on time (see e.g. Andersson and Mattsson 2006; Hedaa and Törnroos 2002).

Within the IMP-group, Håkansson et al. (2009:35) write as follows: “Interaction in a business relationship is strongly connected within time.” Business interaction in relation with time has been treated differently among different researchers. Different approaches are presented by Ford et al. (2006). One way is to consider each episode in time as independent of other episodes. This approach characterizes transaction-costs economics. Another way is to consider episodes in time as related to each other. This represents a life-cycle view of interaction. A third possibility is to assume that the process of interaction over time has a cumulative effect. A fourth way is to study the process of interaction over time by taking a longer-term historical view.

Most of the existing IMP-related studies on time seem to apply a life-cycle approach as they recognize time as consisting of different phases in past, present and future. According to Araujo (1994) past, present and future is merged into a continuum where they can use and take into account the learning in past interactions. Scholars refer to different concepts concerning phases in time; episodes (e.g. Håkansson et al. 2009), events (e.g. Hedaa and Törnroos 2002), moments (Medlin 2002). In this study we use “events” in order to describe phases in time. According to Oxford English Dictionary an event is defined as “The (actual or contemplated) fact of anything happening.” It is relevant to notice that not all events are considered as important (Hedaa and Törnroos 2001; Håkansson et al. 2009). However, these “unimportant”, routine events may still have an impact on important events (Håkansson et al. 2009).

Companies seldom invest into relationships, which are not aimed at some kind of future value creation (Halinen and Törnroos 2005). Companies look into the future and plan for different kinds of projects, rewarding relationships or an improved position in the market. In their strategy work companies plan for the future while still in the present. Different events in the past are the base for the managers’ strategic decisions. According to Medlin (2002:5) “...future time is composed of many possibilities, each of which shapes the present to some degree and in turn the new possible futures. That is, future time is unbounded and forever changing as present time streams past.”

Ford and Håkansson (2006:8) write that “The interaction between two actors will evolve over time through processes of learning and experience.” According to IMP-literature (e.g. Håkansson et al. 2009) each episode or event in time involves specific actors, activities and resources. Each episode moreover involves learning, adaptation, commitment and distance-reduction over time (Ford et al. 2003). According to Ford and Håkansson (2006) it is important that scholars look behind current patterns of interaction and analyze what has preceded them and framed their evolution. However, it is difficult, if not even impossible to identify the beginning and end of an event. Medlin (2002; 2004), Ford and Håkansson (2006) as well as Håkansson et al. (2009) recognize the difficulties of distinguishing between past, present and future. According to Medlin (2002:3) “...certain incidents change the nature of interaction from the participants’ perspective and it is these that mark transitions in time. These events may arise from either inside or outside the interaction context, but importantly they change human perspectives of the nature of the present interaction.” In this study the present is constrained to some moments or hours in line with Medlin (2002).

Hedaa and Törnroos (2002) extend the idea of events by introducing the concept of event networks, which they define as time-based connected event relationships (p. 35). This is in line with the business network approach according to which no business relationship is an island. From a time-perspective the surrounding environment of a business relationship has also recently been stressed by some scholars (e.g. Ford et al 2006; Håkansson et al. 2009). These connected relationships are referred to as the space within which interaction between focal actors takes place. Hedaa and Törnroos (2002:33) write as follows: “Time is also always related to space. What takes place in time is having a spatial implication (existence in real world or in the mindsets of humans). What exists in space is also affecting and relating to time and temporal processes.” According to Håkansson et al. (2009:38) space “...positions each single interaction in relation to others and provides the focal interaction with an extended context.”

Ford et al. (2006) relate space to the fact that what occurs in a single interaction process cannot be understood in isolation without also considering other related relationships. Ford et al. (2006) and Håkansson et al. (2009) models business interaction in relation to time and space. According to the model resource constellations are related to path in time and heterogeneity in space. Actor webs are related to co-evolution in time and jointness in space. Activity patterns are connected with specialization in time and interdependency in space. According to the authors the ability to analyze and cope with changes in relation to space dimensions is a central issue for actors.

Space can be related to context and according to Medlin (2002) events may arise from either inside or outside the interaction context. Each event takes place in a particular context (Håkansson et al. 2009). Also Halinen and Törnroos (2005) argue that changes can be seen as contextuality of time. One example of a study of business relationships that have applied both the perspective of time and space is Gressetvold and Wedin (2005) who relate space to suppliers, customers and other cooperative partners existing within the same networks as the focal organizations. Andersson and Mattsson (2009) relate contexts to a) financial and political and b) business network structures and processes. These are then related to temporality in business networks. Andersson and Mattsson (2009) also suggest that we should look at both time and space and how these interact.

To sum up it is possible to say that within the IMP-group there has recently been an increasing interest in the meaning of time in business interaction and networks. In existing research time is usually divided based on a horizontal, life-cycle approach into past, present and future. Time is divided into episodes or events involving certain interaction patterns between actors. Moreover, scholars have recently recognized space as an important additional aspect to concern. Most of the existing research on time within the IMP-group is on a conceptual level. In addition to this existing research is focused on cooperative business relationships, stressing aspects such as jointness, closeness, continuity and commitment. There is a gap in our existing knowledge related to time in business relationships containing of more or less negative elements such as conflict and competition. Håkansson et al. (2009) criticize lifecycle models of time of being rather deterministic, unidirectional, leading to “an ever closer union” (p. 35). There is little empirical evidence on time and its influence on changes in business relationships. In this study we will contribute to this field by exploring time (as events in past, present and future) and space in relation to cooperation and competition in business relationships.

From cooperation to competition

Business networks have always existed, but their form, number and complexity has varied (Halinen and Törnroos 2005). Networks evolve and develop in relation to the context, within which they exist. The network actors’ motives and goals also decide in which direction and in which form the relationships should evolve. Mutual attraction is an important element for the progressive development of a relationship (Halinen 1994). The environment pressures the actors to adapt to the challenges and possibilities in the market (Hagberg-Andersson 2006). New challenges may imply new ways of cooperating and creating value in business relationships.

Traditionally the focus of IMP-research has been on cooperation within business relationships and networks. “Some of the early writings using the interaction approach seem to have over-emphasized the closeness and co-operative aspects of business relationships.” (Ford 1998:8). There has been a call for more research about competition (e.g. Cunningham 2008). Some scholars (e.g. Easton and Araujo 1992; Bengtsson and Kock 1999; 2000) have, however, focused on competition or the simultaneous existence of cooperation and competition. These studies have mainly been focused on distinguishing between different degrees of cooperation and competition.

Business relationships are not static, but dynamic and therefore changes from cooperation to competition or vice versa can be considered as natural. As cooperation and competition by definition are opposite, the process of change from one to the other may consist of several challenging events. Anderson and Narus (1990, p. 45) define cooperation as follows: “...similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time.” Competition occurs when two actors have objectives that are in conflict, but a third party controls the focus of the objectives. Competition aims at securing demand and competing for resources. (Easton and Araujo, 1992) Cunningham (1995) defines competition as a dynamic process in which there is active rivalry between companies.

In business-to business marketing trust has been presented as a fundamental cornerstone of cooperation (Dwyer, Schurr and Oh, 1987; Håkansson, Harrison and Waluszewski, 2004; Mouzas, Henneberg and Naudé, 2007). Trust can be defined as the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm (Anderson and Narus, 1990, p. 45). Although trust may be essential for cooperation, it is not always necessary. Long-term business relationships that are characterized by collaboration and trust can exist despite there being a lack of trust (Mouzas et al. 2007). Lewicki, Mcallister and Bies (1998) argue that it is possible for parties to both trust and distrust one another. They continue by calling for more research on the function of distrust. Distrust can be seen as natural in competition.

The nature of cooperation and competition within a business relationship may vary over time. According to Luo (2007) the levels of cooperation and competition may change as a consequence of changes in their external and internal environments. Padula and Dagnino (2007) recognize different degrees of cooperation and competition within a business relationship and propose that "The more changing and unstable the environmental conditions are, the higher will be the intrusion of the competitive issues in a cooperative relationship". According to this argument, business relationships tend to move towards competition when market conditions are changing and unstable. On the reverse it may be possible to state that stable market conditions may foster cooperation. There is a gap in the existing research especially related to business relationships that evolve from cooperation to competition.

Summary and theoretical framework

Most of the existing research on time within the IMP-group is conceptual and deals with exploring the nature and definition of time in relation to business interaction and networks. Moreover, existing research within the IMP-group is by tradition mostly focused on cooperation. There is consequently a research gap consisting of empirical studies related to time in business relationships consisting of competition. This study aims at filling a part of this gap by focusing on time and its influence on changes from cooperation to competition in business relationships. The tentative theoretical framework of the study is illustrated in Figure 1 and it is described below.

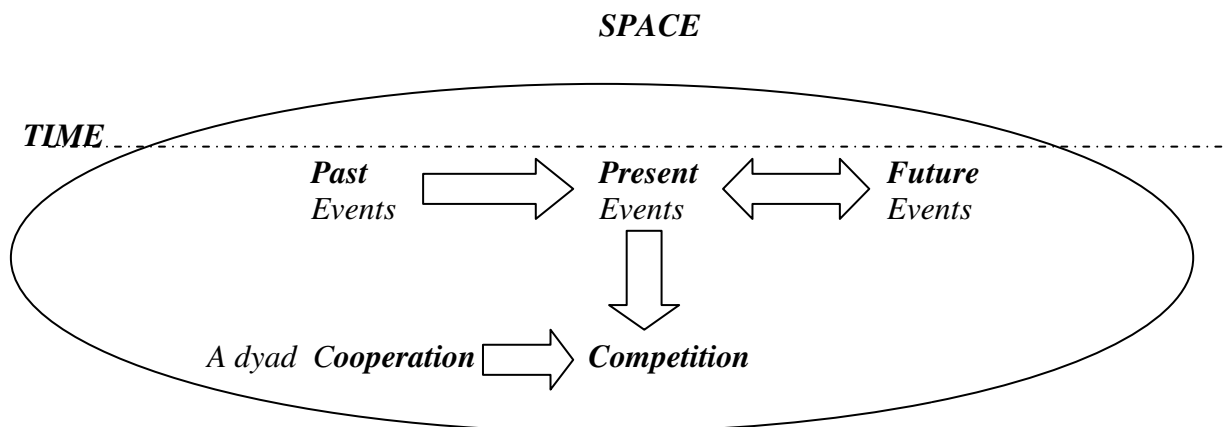


Figure 1 Time and space in relation to change from cooperation to competition

This study is focused on the change from cooperation to competition in dyadic business relationships. The change from cooperation to competition is related to both time and space. Time is defined horizontally, but not necessarily life-cycle based, into past, present and future. The present is defined as the change in a dyadic relationship from cooperation to competition. Events in past are defined as selected critical or important events that has influenced this change. Future events are here understood in light of the change from cooperation to competition, in such a way that expected future events may influence the change and the change may also influence expected future events. All events are here related to change and according to Håkansson and Snehota (1995) change in networks can be of three general types: company internal factors, interaction in the relationship or external developments.

In addition to events in time, this study focuses on space and its influence on the change from cooperation to competition in a dyadic business relationship. Space can be related to the context within which the dyadic business relationship exists. According to existing research it involves both connected business relationships (e.g. Håkansson et al. 2009) but also market conditions such as political and financial issues (e.g. Andersson and Mattsson 2009).

The empirical study

Methodology

The empirical part of the study is based on four qualitative interviews with managing directors of small companies in Finland. The unit of analysis is four dyadic business relationships. Each dyadic business relationship is here considered as a case. From a business network perspective it would have been desirable to carry out interviews in both companies within a dyad. For practical reasons (such as geographical distance and access to informants) this was however not possible to do in this study. In order to try and overcome this one-sidedness, the analysis of the data was based on content analysis (focus on themes) with the relationship and interaction in focus.

The criteria for selecting companies was that they should have no more than about 50 employees and have experience from business relationships that has included both cooperation and competition. Moreover we choose to focus on relationships that do not only include informal exchanges, but have at least some formality. The cases have been purposefully selected in order to shed light on the research phenomenon from certain perspectives. Three cases (1a, 1b and 2) concern dyadic business relationships that have changed from being cooperative to becoming competitive, while one case (3) involves a business relationship that have involved both competition and cooperation (coopetition) and has evolved towards pure competition. In this way we will be able to compare similarities and differences between these two empirical settings.

Business relationships which consist of both cooperation and competition can be regarded as a sensitive topic, because of the general suspiciousness related to intercompetitor cooperation

and cartels. Therefore the empirical study is of a qualitative nature. Walker (1985) writes that qualitative research is suitable when the topic studied can be regarded as sensitive.

The interviews were carried out from January to March 2009, and they lasted from 50 minutes to 1 hour 20. The interviews were carried out in the offices of the informants' companies. All interviews have been tape recorded and transcribed. The interviews contained questions related to the company's cooperative business relationships, such as the dynamics of cooperation and competition within the relationships, benefits and drawbacks within these kinds of relationships as well as the nature of the cooperation and competition within these relationships.

Findings

Case descriptions and analysis

Case 1a

Company A manufactures tools, machines and interior design for technical handwork in schools. It was established in 1970 and today it employs 7 persons and has a turnover of about 2 Million Euros. In relation to cooperation with competitors, the informant says that the company operates within a very small sector and that it mostly cooperates with competitors by buying from them. The industry is within public procurement, which means that the offerings are public. Therefore it is easy for a company to copy another company.

About ten years ago, Company A cooperated with another company (Company B) that was operating within another industry, by selling cupboards to it. According to the manager from Company B, the cupboards were meant for a certain school. However, Company A later on found out that Company B had bought the cupboards only to be able to develop a similar product itself. According to the informant from Company A this was not disturbing. What was really upsetting was the fact that Company A's most important supplier in Sweden, with whom it had cooperated for 30 years, started selling also to Company B. As a consequence of this, Company B received important information about the content of the products. According to the agreement between Company A and the supplier, Company A should have exclusive rights of selling the products on the Finnish market. Because the sector is so small, this arrangement would be best for both parties. In addition to this, in the beginning of the cooperation Company A had helped the supplier to develop products that would be suitable for schools in Finland. The informant says:

Perhaps we did not in the start say that you are not allowed to give this concept to anyone else. Because it is totally clear that if a competitor in Finland is allowed to buy the same thing that we have developed with x (the supplier), it is evident that there our competitive position has become worse. *(The managing director of Company A)*

According to the informant, the supplier is a large company and Company B got hold of important product information by contacting several divisions of the supplier. Company A contacted the supplier that did not first seem to understand the problem. The relationship between Company A and the supplier had previously been great. According to the informant the supplier said that it had to sell to Company B because of the open nature of the industry sector. The manager of Company B also went to schools and took pictures of Company A's

products. According to the informant Company B has copied Company A to 100 per cent. Company B even uses the same concepts as Company A has used for 15 years.

According to the informant, the manager of Company B has also earlier tried to cooperate with Company A against customers. The manager of Company B appeals all decisions and brings issues to court. The informant perceives the manager of Company B as unserious in relation to the customers. According to the informant, the manager of Company B only delivers what the customer has asked for in the contract and not what the customer really needs. According to the informant the manager of Company B also threatens other suppliers by saying that if they do not agree to sell to him, he will bring the matter to court.

Comments

In this particular case there are several events leading to the fact that Companies A and B became competitors. The first event occurred almost 30 years ago and it was in the beginning of the cooperation between Company A and the supplier in Sweden. For some reason there was no agreement between Company A and the supplier concerning the protection of product knowledge and the exclusiveness of Company A on the Finnish market. This can be seen as an underlying event that easily could pave the way for a competitor. The following event is Company B's attempts to try and buy the particular product from the supplier. The next event leading to a competitive relationship between Companies A and B was that the supplier started to sell the product to Company B. Thereafter Company B started to manufacture and sell the products on the market and consequently became a competitor to Company A.

The events leading from cooperation to competition in this case can be related to *external-*, relational and company specific events. The lack of agreement between Company A and the supplier can be seen as relational. Company B's attempts to get hold of the product can be seen as a company specific event. The fact that the supplier started to sell to Company B is here interpreted as an external event, where the supplier as a third actor intervenes and contributes to competition between Companies A and B.

As far as space in time is concerned, it is possible to identify both an internal and an external space influencing the relationship between Companies A and B. Firstly, on an external level, it is possible to point out the particular industry sector, which is characterized by its smallness and openness. Information about product offerings is public, which facilitates the spread and utilization of knowledge related to core competences needed in order to succeed in the business. Secondly, on an internal level, there is the philosophy of Company B. Company B really tries to benefit from the fact that the industry sector is public. It uses threats and the court in its operations. It focuses on individualism, instead of what would be best for the customer or the industry as a whole.

Case 1b

Company A also has another business relationship (with Company C) that has evolved from cooperation to competition. The development of this relationship is considered as very important for Company A. The relationship with Company C started 15 years ago. The manager of Company C started the company in cooperation with Company A that needed a certain product, a workbench. In the development of this product Company C was able to use its social relationships and previous experiences. The product was developed in close

relationship between the customers, Company A and Company C. Since the start of Company C it has functioned as a sales channel for Company A.

About three years ago, Company C started offering the same product directly to the customers and therefore became a competitor to Company A. According to the informant from Company A the market for this particular kind of product is small and therefore there were times when sales were poor. Company C was allowed to market its product, but in practice Company A took care of all marketing.

Suddenly, Company A got problems with its supplier of cupboards and asked Company C if it would be interested in starting to deliver cupboards to Company A. However, this turned out to be “a total catastrophe”, to quote the informant. Company C was not capable of manufacturing cupboards, so Company A stopped buying cupboards from it. At that point of time, Company C had all the resources, such as machinery, needed for manufacturing cupboard. The market for cupboards is also greater than the market for workbenches. According to the informant, Company C got into trouble and at one occasion the manager of the company phoned Company A and asked if it could sell workbenches directly to a customer. The former managing director of Company A gave his approval this one time because both companies were facing declining demand of these products. The managing director also felt sorry for Company C and thought that it had to live too, says the informant. After this, Company C started to sell everything they could themselves, although the former managing director of Company A has tried to convince the company that this is not the way a relationship should work.

According to the informant the reason for the fact that the cooperation between the companies turned out bad is that when Company A asked Company C to start manufacturing cupboards, it wanted Company C to sign a written contract in order to protect its product. Moreover, Company A had bad experiences of losing knowledge related to core competences from another business relationship. However, the managing director of Company C could not approve a written contract, says the informant. According to the informant, Company A was not allowed to demand anything from Company C. Company A even allowed Company C to develop the contract as it would prefer. Nothing worked. The manager from Company C perceived that Company A did not trust him. Moreover, the informant says that the manager of Company C has a relative standing behind him, who gives him strength and tells him that Company A has destroyed the relationship.

The result of this is that today the relationship between Company A and Company C is very bad, says the informant. Company A has started to develop a workbench of their own, but they still cooperate with Company C and buy workbenches from it. According to the informant, Company C has a product of very good quality and it also values the customers in the same way as Company A. According to the informant, Company A has done everything in order to improve its relationship with Company C. In practice, Company A is in constant contact with Company C and it still sells Company C’s workbenches. However, nowadays Company C somewhat delays deliveries to Company A and cooperation is not easy. Company A still feels that the quality/price ratio of Company C’s product is the best on the market so they will continue cooperating until they have developed a product of their own.

Comments

There are several events in past that has lead to a change in the relationship between Company A and Company C to evolve towards competition. After several years of being a supplier to Company A, at one occasion Company C asked for approval to sell the product directly to a customer. At this time the industry was facing an overall decline in sales. After this occasion, Company C started to sell regularly directly to customers. It was consequently a decisive relationship related event to once give approval to Company C.

From the beginning, the relationship between the companies was based on an oral agreement. Oral agreements are often called gentlemen's agreements that are based on trust. Company A got into difficulties with one of its suppliers and asked Company C to start manufacturing the particular product. However, this turned out to be a failure. Company A had bad experience from a relationship with another company that copied Company A. After that, Company A decided to suggest a written contract in their cooperation with Company C. In this case the bad experience from a relationship with another supplier can be considered as an external event. The fact that Company C was unable to manufacture the product is here interpreted as a company-specific event.

The external space surrounding the relationship between Company A and Company C is characterized by its smallness. Therefore it is tempting to sell if you get an opportunity and have the operational capabilities. This was exactly what Company C did and thereby became a competitor to Company A. As far as the internal space is concerned, there is a certain person connected with Company C, who warns Company C of Company A and thinks that Company A has destroyed the relationship between the companies.

Case 2

Company D operates within the packing industry. The company was established in 1984 and has 54 employees. The company develops and sells solutions for their customers within food-, beauty-, construction-, paint- and oil industry. According to the manager/owner, the company actually lack competition within their industry. Its solutions are unique and this is something that the customers are aware of. It is very expensive and time consuming to start cooperating with a customer in order to find a new packaging solution. Company D has developed close relationships with many customers. The company manager explains that just one third of their product consists of the hard ware. The equipment that comes with the hardware is the second part and the last third part consists of the know-how. Company D expands this know-how and develops it with all its customers. Case 2 consists of a relationship between Company D and a distributor, Company E that evolved from cooperation to competition. Company E was about 50 times bigger than Company D. The company had a good reputation on the market. It was known for being active and the future looked promising.

In the past the companies cooperated within distribution. Company E had know-how, i.e. "the ingredients that we needed", and that was why we chose to cooperate, says the informant from Company D. Company E could also provide access to market channels in Germany in terms of sales, marketing and after-sales. The informant considered Company E as a long-term partner because of this know-how. He continues by saying that together the companies could have been stronger than anyone else in the business.

The process leading from cooperation to competition took about five years. This process included transfer of know-how between the companies, access to future distribution channels, production possibilities and moreover, Company D did not have to make any investments of its own. The companies got more and more involved in the cooperation. Company E saw great possibilities in the cooperation with Company D that was smaller, but as time went by it also realized that everything would take more time than they had expected. Company D saw no fast money in line for them, and this started to disappoint it. This gave rise to a situation where the first cracks in the cooperation started to appear. In the following stages Company D started to realize that Company E did not openly share important information related to technical knowledge, marketing, purchasing and sales. Eventually Company E started to create its own relation to a common customer. Company E picked the best pieces from the product of Company D and then started to develop its own product.

The market situation is described as tough and the companies' products had passed the level of growth. Because of the fact that Company E's own product was not successful and the margins were not enough anymore it needed something radically new. Therefore it developed a product of its own and started to sell to the customers of Company D. The informant from Company D describes Company E as ruthless.

When analyzing what led to competition in the relationship, the informant says: "Children that are alike play best". He says that you should have the same background, the same size, language and culture. On the other hand, if the internal characteristics of the companies are exactly the same – then you do not complete each other in the same way. The informant describes it as "you seek for a partner that can provide the things that you are weak in". The informant wonders if Company E regrets what it did. "If he would have settled on being a supplier instead of choosing to become a competitor we could both have been fine. But..."

Comments

A relationship related event leading from cooperation to competition is the lack of information sharing at least from one of the companies to the other. An event on company level that led from cooperation to competition was that Company E needed something new and "radical" and therefore it developed a competing product and started selling to the customers of Company D. This was done by directly copying the product concept of Company D.

The internal space leading from cooperation to competition can be related to the relationship between the individual managers. According to the informant there was a lack of trust within the relationship. When the former partners meet today the relationship is not especially warm. Another issue related to the internal space is the similarity related to the strategic goals of the companies. The informant says that if the internal characteristics are exactly the same – then you do not complete each other.

The external space leading from cooperation to cooperation consists of a market situation where the companies' product had passed the level of growth. The informant described the market situation as tough with only a few players. This "monopoly" on the market may also have contributed to the fact that the relationship turned from cooperation to competition.

Case 3

Company F is a vehicle manufacturer. It was established in 1957 and today it has about 35 employees and a turnover of 15 M €. It sells its vehicles all over the world, but Europe is its main market. The development of the products in this industry is expensive and times of deliveries are long. Company F has cooperated with a competitor, Company G, within sales. This cooperation started about ten years ago and it involved products that completed each other. The companies had a common sales man who sold their products on the European market. The products are expensive and it usually takes many years to sell them. By establishing a good and steady relationship with the customers the chances increase that the customers will purchase new vehicles when it is time to renew the old ones. The informant from Company F describes a relationship with a competitor as a relationship that is very difficult. One of the most difficult issues is jealousy. Moreover, division of work was difficult and it led to the conclusion that cooperation become almost impossible. When the manager is asked to analyze what it is that makes cooperation with the competitor work, he mentions the fact that one need to complement each other. This is possible within different niches and areas.

The companies did not have a written agreement. According to the informant cooperation would have been easier with a written agreement and he also felt that they still should have gone through several things in the arrangements before it started. Company F felt a bit insecure about the fact that a third actor, i.e. the salesman, is the link to a competitor. At several occasions the salesman talked about the competitor in such a way that Company F felt it was about to lose control of the situation. Moreover the market where the companies operate is very tough. Because of climate conditions the need of the products is fluctuating from year to year. It also means that the customers in this market are decreasing in terms of number, and as customers are feeling forced to close down their business the market for the products is decreasing.

As time went by, the manager felt more and more strongly that the cooperation would not work. Company F was the stronger party and started to feel that cooperation had no future. The risks were too big and the rewards were not enough. They knew that the competitor could take over the customers and gain economic benefits from the cooperation. The cooperation ended and instead Company F started to sell some of their products on the internet.

Comments

The lack of a written agreement can be seen as a relational specific event leading from cooperation to competition. Another relationship related event was the difficulty of dividing the work between the companies. On a company level, the manager of Company F felt that the company did not benefit enough from the cooperation with Company G. Company F felt the whole time that Company G was the weaker actor. However, Company F would have preferred to continue with the cooperation. An external event that seemingly occurred several times is related to the influence and talk by the salesman.

The internal space leading from cooperation to competition can be related to lack of trust and jealousy. Suddenly the manager of Company F started to feel that the competitor was going to take over customers and that it would benefit too much from the cooperation. This is here related to jealousy. The manager felt that Company G wanted to keep certain things to itself

and he had a general feeling of a lack of security concerning the Company G. There was consequently also a lack of trust between the companies.

Analysis

Events in past

Relationship related

Division of roles

Based on the findings of the study it is possible to argue that one of the root events leading to competition between actors is the division of roles between them. Case 3 involves a change in a relationship from being cooperative to becoming purely competitive. The actors were competitors to begin with, which naturally makes the basis for cooperation more difficult. The roles between the actors were too similar and division of work was difficult.

In the other cases the cooperation between the actors had started as a buyer-supplier relationship, where the supplier has been strongly connected into the operations of the buyer. Herein lays a natural risk or opportunity for vertical integration of the supplier. It is important for companies to try and protect knowledge that is related to its core competences. One possibility for trying to protect important knowledge is to use contracts.

Formulation of contracts

The second relationship related event that leads to competition is related to contracts. According to the findings of the study the use of oral contracts seems to have a positive influence on the change from cooperation to competition in business relationships. This seems to concern both business relationships that evolve from cooperation to competition and cooperation to competition. However, there seems to be two sides to this. Written contracts are essential in order to protect important know-how and preserve the competitive advantage of the company. Written contracts may however be perceived as a threat if the cooperation formerly has been based on an oral agreement. The findings of the study also indicate that the use of contracts may be connected with external events and especially actions by third actors.

External

Actions by third actors

According to Ford et al. (2008:16) "Each new actor or relationship is always related to others that already exist". Based on the findings of the empirical study it is possible to argue that actions by third actors both directly and indirectly influence the change from cooperation to competition in a dyadic business relationship. A third actor, i.e. a supplier to one of the companies in a dyad, may "introduce" competition between the companies by starting to distribute the similar product to both companies. Moreover the findings of the study show that the actions by a third actor may indirectly "introduce" competition between formerly cooperating companies. This was the case in one of the relationships described in this study,

where the actions of a company with whom the focal actor cooperated, contributed to competition between the focal actor and another company. The findings also indicate that actions by individuals connected with focal companies may influence the relationship between the companies towards competition. From the empirical study it became apparent that an individual related to one of the companies warned the company from cooperating with the other company, which leads to a more competitive relationship between the companies. The findings of the study also indicate that actions by a common salesperson may cause the relationship between competitors to evolve from cooperation to competition.

Our findings related to external actors are somewhat different from previous studies on time within the IMP-group. Existing studies (e.g. Andersson & Mattsson 2009; Ford et al. 2008; Håkansson et al. 2009) relate external actors connected with a focal business relationship to the space surrounding the relationship. The findings of this study indicate that third actors also may be related to events in time, and that these events are found on an external level. Examples of such events are agents, salesmen and suppliers.

Company related

Actions by focal actors

The findings show that a lack of information sharing from one actor to the other may have a positive influence on the fact that the relationship evolves from cooperation to competition.

According to the findings of this study, the final event leading to competition in a cooperative business relationship is when one actor starts selling the same product to the customer as the other actor. Moreover the findings show that in the cooperative business relationship one of the actors decided to terminate the cooperation with the competitor because of the risk that it could start selling to the same customers as the first company. Based on the findings of this study it seems to be possible to distinguish between real and expected threats of competition. An expected threat is reacted on by terminating the cooperation before pure competition exists. This may be caused by a feeling of insecurity as for example in the case that developed from competition to cooperation. A real threat involves pure competition in a situation where one of the actors actually starts to sell to the customers of the other actor.

Events in future

In line with existing research (e.g. Medlin 2002) the findings of this study show that it is hard, if not even impossible to identify future events and their connection with events in present. In this study the present is defined as the event or moment when cooperation turned into competition in a specific business relationship. Every event occurring after this is related to the future. In one of the cases (1a) it is possible to notice a future event of developing a new product. This was a consequence of the change in the relationship from cooperation to competition. In another case (3) one of the companies developed a new sales channel for its products as the cooperation with a competitor ended.

Space

The space dimension is here related to the context within which the change from cooperation to competition takes place in a dyadic business relationship. Space is here considered as

different from events as it is impossible to identify the start and finish of space. Space is a situation or a state in the context within which a focal business relationship exists. According to the findings of the study it is possible to identify both an internal and external space influencing the change from cooperation or coepetition to competition in business relationships.

External

Industry conditions

According to the findings of the study there are certain industry conditions that influence a change from cooperation to competition in dyads. Firstly, there is the situation where the industry sector is both small and open. The smallness is related to the limited number of customers and openness is related to the fact that the industry involves public offerings. In this “space” it seems to be tempting and easy for new entrants (competitors) on the market. Smallness can also be related to a limited number of manufacturers. The findings show that it is tempting for companies to enter an industry if there are only a few existing companies operating within an industry. Secondly there is the situation where the market is described as tough. This situation is related to a change from coepetition to competition and involves an industry that has reached maturity. The findings indicate that this may lead to pure competition between formerly cooperating competitors.

Internal

Company similarity

Especially in coepetitive business relationships the findings show that the similarity between the companies may constitute a threat. By definition, competitors are focusing on selling similar products to the same customers, which naturally makes cooperation difficult. According to an informant creativity is important, and if you become too similar it may constitute a threat to the business. However, the findings of the study also show that similarity is needed for cooperation between competitors to succeed. This similarity is related to organizational aspects such as size and culture.

Company distance

According to the findings of the study dyadic business relationships that move from coepetition to competition is characterized by a lack of trust and jealousy. These are here both related to a distance between the cooperating companies, which eventually seems to lead to pure competition. On the other hand, it was also preferred that the cooperating competitors would keep some distance – in order not to reveal too much information, for example about price issues. Cooperating with a competitor was seen as threatening and the risk of losing too much information was seen as a risk not worth taking. The risk of losing core competence was seen as a challenge.

The findings also show that although the operational foundations for cooperation seem to exist, differing philosophies or fundamental thoughts of the companies may influence a change from cooperation to competition. An internal space like this was here seen in a relationship built on cooperation that turned into competition.

Summary of the findings

The findings of the empirical study are summarized in Figure 2.

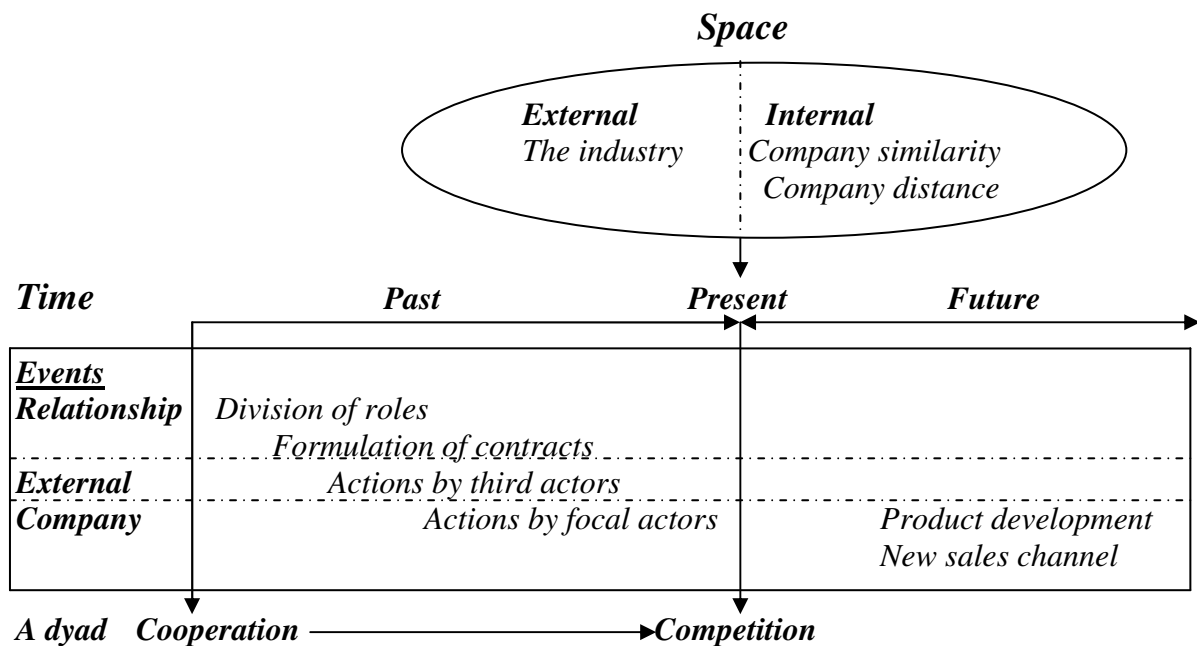


Figure 2 Time and space in relation to change from cooperation to competition

It becomes apparent from the figure that both events in past and future can be related to the change from cooperation to competition in business relationships. Moreover it is necessary to recognize the space within which the change takes place. Past events leading from cooperation/cooperation to competition can be found on relationship-, external- and company levels. It seems like the root event is found on a relationship level that consists of both the division of roles and the formulation of contracts between the actors. These events are followed by external events that are related to actions by third actors connected with the focal relationship. The last events are related to company events and more specifically to actions by focal actors that finally influence changes from cooperation to competition.

Based on the findings of the study it was possible to recognize two future events. Both of these are company related. One of these events concerns product development in one of the companies as a consequence of competition with the other company. The other event is related to a new sales channel which was introduced as a consequence of competition in the focal relationship.

As far as space is concerned the findings indicate that it is possible to distinguish between external and internal space. The external space is related to the industry, for example its small size or high level of competition. On an internal level we have identified both company similarity and company distance that seem to have a positive impact on competition in business relationships. Company similarity is here related to business relationships that have evolved from cooperation to competition and the findings show that both similarity and un-similarity may lead to competition. Company distance includes lack of trust and a perception of jealousy that seems to be particularly related to changes from cooperative to competitive business relationships.

Conclusions

The findings of this study contribute to the IMP-research on time and space in business relationships by introducing competition. To our knowledge, this is the first study that focuses on events in time and space influencing a change from cooperation to competition in business relationships. Based on this study it seems to be relevant to start by identifying events in time and identifying their relationships. However, the study fails to recognize and analyze the durations of different events. Some events may last for only an hour, while others may last for years. This is something that should be considered in future research.

The findings of this study confirm what has been stated in previous research (e.g. Håkansson et al. 2009) related to distinguishing between different events. It seems to be more or less impossible to clearly define starting and finishing moments of events and to outline a clear pattern of events preceding each other. Based on the findings of this study it is too simple to describe development of relationships by focusing on life-cycles of events. It seems to be more relevant to identify events in time on different levels, i.e. relationship-, external- and company- related. As far as the focus of this study is concerned one may argue that it seems like relationship-related events constitute root events. External-related events seem to mediate relationship- and company-related events and company-related events tend to be towards the end in the process of events leading from cooperation to competition. However, the findings of this study indicate that the use of an event networks approach (Hedaa and Törnroos 2002) would be valuable. It would also be relevant to identify potential cumulative effects of the process of interaction over time (Ford et al. 2010).

As far as space is concerned, the findings of the study show that it can be divided into external and internal space. Whereas previous studies on time within the IMP-group (e.g. Ford et al. 2006; Håkansson et al. 2009) have related space to external connected relationships, the findings of this study are somewhat different. According to the findings of this study space can be either external or internal. The external space is related to the environment within which the focal relationship exists. This space was here related to industry conditions. In comparison with existing research third actors and connected business relationships could be identified as events and not as space. Based on the findings of this study space can also be related to an internal dimension, which consists of both company similarity and company distance. Both of these are relevant when it comes to cooperation between companies that change towards pure competition.

The findings of this study raise the question of how to combine time and space from the perspective of past, present and future. An avenue for future research would be to identify different events in time and relate these to the current space at that particular point in time.

A limitation with the study is that only one actor in a dyad has been interviewed. When studying business relationships it is always preferable to study the phenomenon from the perspective of all actors involved. Another limitation of the study is that it does not recognize the fact that the change from cooperation to competition in itself is a process consisting of different events in time and space. This is something that should be considered in future studies.

The empirical study included only one case that evolved from cooperation to competition. At this stage it is not possible to point out clear similarities and differences between business relationships that have evolved from cooperation to competition and cooperation to competition. This is something that should be done in future research. In further research it would also be interesting to compare the findings of this study with literature related to ending or termination of business relationships. Moreover this study takes a fairly narrow perspective on cooperation and competition as these are viewed only in relation to a dyadic business relationship. In reality changes concerning cooperation and competition in dyadic business relationships are related to cooperation and competition on the market. This is also something that should be considered in further studies.

Our knowledge of time in relation to interaction, relationships and business networks is still very limited. As most of the existing research is on a conceptual level, there is a great need for empirical studies. Future research should notice the complex nature of business interaction and not only focus on positive elements leading to “stronger” cooperation. There is a gap in our existing understanding of time in business relationships particularly concerning events in past, present and future. How should we define, select and delimit an event and how are elements connected? There is also a need for introducing a managerial perspective in relation to time concerning managing time and space versus coping with time and space during different circumstances.

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