HORIZONTAL RELATIONSHIPS EFFECT ON COMPANIES INTERNATIONALIZATION

Competitive paper

"Understanding internationalization of the firm in an internationalizing network context"

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ABSTRACT

This paper aims to address the effects of company horizontal interactions on the internationalization process, particularly on new market entries. Internationalization is frequently referred as one of the benefits of cooperative horizontal relationships, namely of competitors strategic alliances. Research often neglects how intercompetitor interaction takes place and how it affects a new market entry. Taking the IMP approach, this study focuses mainly three interaction processes: informational and social exchange, adaptation and coordination.

A multiple case study strategy was conducted in order to pursue the objective of this study. It considers the Portuguese pharmaceutical industry. Data was collected mainly through interviews and complemented by observation and secondary data. Through a multiple case study focusing on intercompetitor interaction, this research reveals new insights on the internationalization of partner companies. Companies' interaction includes cooperating practices, ranging from the definition of target markets or regions to the strategy of entry in a new market. Nevertheless, opportunistic behaviour may occur after the entry of a compatriot producer in the new market. Companies also interact aiming to reduce costs and overcoming foreign countries' entry barriers.

Keywords: internationalization, horizontal relationships, intercompetitor interaction

INTRODUCTION

Within the network, each actor develops direct relationships with customers, suppliers, distributors, competitors, complementary suppliers, universities, trade and professional associations, government bodies and consultants, assuming a variety of roles, such as, customer, supplier or competitor (Easton & Araujo, 1992). Forsgren & Johanson (1992) 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. All these interactions are as important as economic business relationships. “One category of counterpart which might have been thought especially interesting of technical development comprises universities or other general/independent/non-commercial knowledge-based institutions” (Håkansson & Henders, 1992, p. 38).

Relationships are frequently characterized as being either vertical (upstream or downstream of the value chain) or horizontal (same level of the value chain) (Wallenburg & Schäffler, 2014; Schmoltzi & Wallenburg, 2012; European_Commission, 2011; Swaminathan & Moorman, 2009). Horizontal relationships include business relationships with firms operating at the same market level, as competitors or complementors, who produce substitutable or complementary products (or services) (Riccobono et al., 2014). Belderbos et al. (2004) consider the heterogeneity in R&D cooperation and adopt three different types of cooperation: horizontal, vertical and institutional, i.e. respectively, with competitors, with suppliers or customers and with universities or research institutes.

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). Non-economic relationships may have repercussions in other network relationships. Relationships with third parties, i.e. consultants, independent research institutes, universities, government bodies and trade or professional associations have a continuing impact on the operation of the network as a whole (Easton & Araujo, 1992).

“Suppliers and customers were the most widely engaged co-operation partners, but significant proportions also engaged competitors, consultants, universities and other organisations as partners in these arrangements” (Tether, 2002, p. 950). Few studies address horizontal relationships. “The majority of studies into business networking production and operations management investigates strategic decisions concerning the vertical dimension of a firm’s relationships (i.e. buyer–supplier relationships)” (Riccobono et al., 2014, p. 4731). Within the IMP perspective, some initial research was also conducted on horizontal settings, such as, on relationships between competitors. Concerning vertical and horizontal relationships resemblances and differences can be found (Bengtsson & Kock, 1999).

Within all the existing non-economic relationships, the most important is the intercompetitor relationship (Easton & Araujo, 1992). Adopting the IMP perspective, this research focuses on the intercompetitor interaction and its association with the internationalization of the company. Internationalization is viewed as a possible important consequence of interaction. Thus, stems of research such as those related to the internationalization process (e.g. Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) or other relevant International Business (IB) studies are not enclosed in the literature review since the analytical focus will be on the interaction processes of exchange, adaptation and coordination. Hence, this paper presents a literature review focusing on these interaction processes. Presented subsequently, the empirical study, encompasses methodology, context, intercompetitor interaction and network effects. Finally, findings are discussed and conclusions put forward.

INTERACTION PROCESSES

“Interaction has been the core of business since people started to trade with each other” (Ritter & Ford, 2004, p. 99) and is typically associated with adaptations and interdependencies (Ford & Håkansson, 2012). Interaction tends also to have a time dimension. “Past and expected future interactions tend to bind selectively specific actors and create specific interdependencies” (Snehota, 2004, p. 24).

As a result of interaction processes, structures are dynamic. The structure depends on the history, the existing situation and the future expectations of those involved (Ford & Håkansson, 2006). “Buyer-seller relationships are results of the interaction processes. Relationships are developed, maintained, and terminated through these processes” (Möller & Wilson, 1988, p. 401).

Johanson & Mattsson (1987), as well as Easton (1992), distinguish two types of interaction, specifically, exchange processes and adaptation processes, while Ruekert & Walker Jr (1987) consider exchange and coordination processes. Möller & Wilson (1988, 1995) argue that buyer-seller interaction at the most elementary level can be better described through three basic processes: exchange, adaptation and coordination.

Exchange Processes

Wilson (1976, p. 395) argues that, in a buyer-seller dyad, each party “develops a bundle of attributes that can be exchanged” and which can have utility to both buyers and sellers. “The successful dyad exchanges these bundles of attributes at a profit”, e.g. in the simplest situation the buyer receives product and gives payment.

Exchange relationships drive actors to move towards each other and interact. “Exchange relationships also link actors indirectly to other actors with whom they do not have any such relationship. Evidently, actors in the industrial system also use resources which are interdependent without the actors having exchange relationships with each other. This is typically the case with competing actors" (Johanson & Mattsson, 1992, p. 208). Interdependencies between actors are not exclusive of exchange relationships, as is the case of complementary suppliers. Actors not engaged in an exchange relationship start interacting when they consider important such interdependencies (Johanson & Mattsson, 1992).

The exchange between two actors affects directly and indirectly other actors, since it is never an isolated and independent event (Håkansson, 1992). "Exchange does not take place in a vacuum but as part of a buyer-seller interaction process" (Wilson, 1976, p. 394). Organizations are involved in products or services, information, money and social exchanges. Products or services exchange is highly dependent on the product or service characteristics and on the capacity to identify and fulfil a buyer's need. Information exchange involves distinct width and depth of technical, economical, or organizational issues, which can be performed by impersonal or personal communication in different formality degrees (Håkansson et al., 1982).

Economic exchange is a highly visible evidence of a relationship (Easton, 1992). Yet, exchange can engage different components rather than economical, i.e. technical, planning, knowledge, social or legal. Relationships may or may not involve an economic exchange, and usually intercompetitor relationships do not involve economic exchange (Easton & Araujo, 1992). Exchange processes can be divided into resource exchange (e.g. product, service, technology, information, financial resources) and social exchange (e.g. beliefs, attitudes, values, norms, goals) (Möller & Wilson, 1988, 1995).

"In most cases, contacts and information exchange precedes the exchange of money and products, and these contacts between individuals in two organizations are not independent of other variables in the interaction model" (Cunningham & Turnbull, 1982, p. 305). The evaluation, not only of the interactant characteristics, but also of the features and complexity of the supplier's product may predetermine the amount, type, and level of personal contacts. That is, profound amounts of information exchange may be required to exchange other resources, like products (Cunningham & Turnbull, 1982).

Key individual contacts establish and preserve business relationships. "These contacts enable information which is exchanged to reduce certain types of risk which are perceived by one or other of the parties" (Cunningham & Turnbull, 1982, p. 305). Exchanging technical, commercial, and organizational information lessens both the uncertainty and the possible adverse consequences surrounding the decision of placing an order for a product or service. Informational exchange through personal contacts also provides both companies with the dynamic necessary to respond to new opportunities and threats. Information exchange provides both companies feed-back for action to change the relationship (Cunningham & Turnbull, 1982).

The exchange and transmission of informal and formal information is common to all interfirm relations. Information may be regarded as an investment that can be collected and stocked; it is knowledge (Easton, 1992). Higher communication levels between actors promote information exchange, leading to a better knowledge about the other actor's activities. With this knowledge, actors can enhance their effectiveness, by identifying a combination of resources and activities (Hertz, 1992). Yet, "through the combination of economic and social relationships in the networks, the information becomes rich, redundant and cheap" (Hertz, 1992, p. 110). There is leakage or spillover risk of information, as well as the possibility of reducing contacts and opportunities' development with other actors (Hertz, 1992).

"Social exchange refers to the human communication through which meanings are communicated and values potentially interpreted and learned, although conceptually distinguishable resource and social exchange are practically interrelated. Most forms of resource exchange presume social exchange" (Möller & Wilson, 1995, p. 26). Social exchanges develop over time and are the result of the relations between the involved individuals. They can transcend and even replace economic exchange (Easton, 1992).

Business relationships that go further than the simple business-specific features also comprise behaviours and subjective values, such as, personal bonds and convictions. These later characteristics are always present and play an important role in relationship formation and development. Business relationship development is generally a social exchange process. Thus, the individuals who take part in the relationships become committed beyond strictly task content (Håkansson & Snehota, 1995).

Personal contacts are at the heart of interactions and make possible other interaction elements, such as, the adaptations. "Adaptations to the product, manufacturing processes and delivery systems are discussed and agreements reached through personal discussions between interested specialist groups from each company" (Cunningham & Turnbull, 1982, p. 308). The extent of adaptation affects significantly the exchange (Baptista, 2013). "The more intensive the exchange process among firms, the stronger will be the reasons to make adaptations" (Easton, 1992, p. 15).

In sum, there seems to exist a consensus in the importance of information exchanges as an exchange process within business relationships. Further, the degree of its formality is also core to the understanding of such processes, as referred by several authors (e.g. Easton, 1992; Håkansson et al., 1982). Further, social exchanges are key to relationship development (Håkansson & Snehota, 1995) and the nature of the personal contacts and bonds established affect significantly the exchanges occurring and the adaptations that take place within the relationship.

Adaptation Processes

In industrial markets, all actors (buyers or sellers) are involved in a search to find suitable partners. This process implies initiative and adaptations from both parties, such as requirements or offerings specifications (Håkansson et al., 1982). "If two partners were merely to transact business between each other under standard terms and conditions, at standard prices, buying and selling standard products using standard commercial procedures, then it would hardly be a partnership" (Brennan et al., 2003, p. 1638).

Interaction takes place within a pre-existing structure of relatedness and leads to continuum adaptation (Ford & Håkansson, 2012) by one, both or several actors in the network (Håkansson & Johansson, 1988). Repeated interactions or long lasting relationships lead to adaptations from those involved. Adaptations can also occur during the process of a single exchange or over the time of a relationship involving individual transactions (Håkansson et al., 1982). "Adaptation process can be started independently or by the initiation of the other party, or by mutual consent. It can involve one or both parties" (Möller & Wilson, 1988, p. 401). Turnbull & Valla (1986) distinguish between adaptations that can suit the needs of many customers and unusual adaptations that only can suit a specific customer.

Although mutual adaptations are generally a prerequisite of the development and continued existence of a relationship (Håkansson & Snehota, 1995), Brennan et al. (2003) argue that adaptations are not positively associated with relationship age. Moreover, the age of the relationship is not related with the adaptation degree (Baptista, 2013).

The company's relationships with important customers and suppliers tend to be close, complex, long-term and with significant mutual adaptation by both parties. Supplier's adaptations are likely to be associated with similar adaptations by customers (Ford & Håkansson, 2012). Supplier adaptations often lead to customer adaptations and vice versa, i.e. adaptations have a considerable degree of reciprocity (Brennan et al., 2003; Hallen et al., 1991). Adaptations are a consequence of a matching process between the operations of two companies involved in a relationship (Schmidt et al., 2007; Hallen et al., 1991). Thus, adaptation is a continuous process which results in changes in products or services, in manufacture processes or routines and in administrative procedures (Easton, 1992).

Firms can adapt product specification, product design, manufacturing processes; planning, delivery procedures, stockholding, administrative procedures and financial procedures (Håkansson et al., 1982). Adaptations on production planning and scheduling, stockholding and delivery, or on the product feature itself are frequently considered. Brennan et al. (2003) conclude that information exchange and organization structure are also regular adaptations performed by customers and suppliers. Schmidt et al. (2007) highlight that adaptations in personnel / human resources tend to be made only after a firm has already made other adaptations and appear to be dependent on those previous adaptations. Product or production process's adaptations are more likely to be motivated by operational requirements, while personnel adaptations are expected to be motivated by the desire to build trust and commitment (Schmidt et al., 2007).

Johansson and Mattsson (1988) claim that companies adapt in order to strength the bonds between them. "Exchange relationships in networks may become lasting, especially if the heterogeneous resources controlled by the actors become adapted to each other and become highly specialized" (Johanson & Mattsson, 1992, p. 208).

Often, parties adapt motivated by the desire to build trust and commitment (Schmidt et al., 2007). Ford (1980) highlights that informal adaptations are often important commitment indicators. Hallen et al. (1991) argue that reciprocal adaptations can be means of trust-building within the relationship, while unilateral adaptation constitutes a response to asymmetric resource dependence or imbalanced power. Brennan et al. (2003) state that, in a relationship, asymmetrical power can lead to adaptations. Baptista (2014, p. 84) also asserts that "the corroboration of product importance, complexity and market concentration and resource dependency" are adaptation' drivers. Adaptation may demonstrate the actor's flexibility, commitment, trust and confidence in the other. These features have all been observed to be decisive for the achievement of a common goal and/or stability of strategic alliances (Gebrekidan & Awuah, 2002).

Adaptation implies resource commitment (Easton, 1992). Adaptation may even imply extensive investments by one or both relationship partners (Brennan et al., 2003). Adaptation costs are usually considered by organizations, yet they do not carry out an explicit analysis. Adaptation costs can be divided in opportunity costs, i.e. the ones of engaging closely with one partner who may provide the chance of building a relationship with another in the future, and switching costs, i.e. the ones that are sunk costs and cannot be recovered if the relationship ends (Schmidt et al., 2007). Costs that originate relationship specific assets can only be recouped over time and thus can place the firm at risk of opportunistic behaviour (Brennan et al., 2003).

Due to a relationship's specific investments and adaptations made by the participant actors, relationships are likely to last in the long-term (Ford & Håkansson, 2012). Specific adaptations provide tangible benefits, such as a revenue gain or a cost reduction. Beyond those, adaptations also grant new skills acquisition, bond strengthening and customer retention improvement, often lead to personal relationships and mutual trust, and generally provide considerable efficiency gains (Schmidt et al., 2007). Cooperation through adaptation processes increases efficiency of both parties (Håkansson & Henders, 1992).

All in all, adaptations occur between companies involved in business relationships and, commonly, they tend to be mutual. A wide array of adaptations can be present, e.g., from product or process adaptations, stockholding, to administrative, financial procedures (e.g. Håkansson et al., 1982). The motives to such adaptations can be compulsory (when one of the actors has significant power) but building trust and commitment is referred by several authors as key drivers (Schmidt et al., 2007; Easton, 1992; Hallen et al., 1991). Further, actors need to consider and weight adaptation costs such as opportunity and switching costs.

Coordination Processes

Early marketing and channel literature mention coordination of economical and social forces. The process that takes place between actors to get commodities from the producer to the consumer involves coordination across the boundaries of the firm (Ford & Håkansson, 2012).

Coordination is not achieved by a great strategic plan or by quasi hierarchy. Nor are firms independent enough from each other to prevent the market from dictating and controlling their actions (Easton, 1992). Continuous interaction is common and useful for the coordination of organizations (Snehota, 2004). Still, actors coordinate their activities in the network through interaction (Lundgren, 1992). "Coordination refers to the development and use of mechanisms that facilitate the control of exchange processes" (Möller & Wilson, 1995, p. 27) and often involves semiautomatic processes (Ford & Håkansson, 2012).

Coordination processes refer to the extent to which the work between parties reflects good and effective functioning. Coordination is constituted by control and follow-up procedures related to the exchange and adaptation processes, i.e., mechanisms developed to facilitate the control exchange and adaptation processes, and it can be also regarded as the degree of institutionalization (Baptista, 2013). Coordination processes embrace not only a combination of efficiency enhancing mechanisms but also include decisions on the terms of trade between firms. Parties develop norms, rules and procedures concerning exchange processes execution, monitoring and evaluating results (e.g. revenue and losses sharing) and conflict resolution (Möller & Wilson, 1988, 1995).

Coordination processes include the use of rules and standard operating procedures to increase the efficiency of repetitive interactions. Increased interaction is associated with bigger incidence of formalized rules and standard operating procedures. "The degree to which rules or standard operating procedures are used to govern the interaction between two individuals in different functional areas can be referred to as formalization" (Ruekert & Walker Jr, 1987, p. 6). These coordination processes are important conflict resolution mechanisms (Ruekert & Walker Jr, 1987). Baptista (2013) blames the lack of coordination for the emergence of many conflicts in the relationship.

"Successful management of relationships requires the co-ordination of all aspects of commercial and technical interactions within each relationship" (Håkansson et al., 1982, p. 301). The execution of coordination processes influences the perceived relationship atmosphere. Since each relationship involves both competitive and cooperative elements, "the question is how conflicts are resolved and managed" (Möller & Wilson, 1995, p. 27).

Ruekert & Walker Jr (1987) argue that relationship management and effectiveness is enhanced when the individuals who are engaged in a dispute are allowed to work out their differences between themselves. Cooperation is often used to hold together alliances or to reconcile differences between them (Håkansson & Johansson, 1988). Rather than integrating and strengthening, coordination processes may have a dividing and weakening effect (Håkansson & Johansson, 1988).

Coordination emerges when gains can be expected to specific actors (Forsgren & Johanson, 1992). Coordination allows actors to achieve a higher output, technological development and a more effective production and consumption. Actors obtain knowledge on how to combine activities over time, usually learning by doing, in a process of trial and error (Lundgren, 1992). Organizations also frequently overcome problems, such as, insufficient information and scarce resources through coordination of activities and resources with other actors (Hertz, 1992). Coordination processes in networks become routines and then norms and values intrinsic to the interacting actors. Coordination processes also lead to increased actor interdependence and network structuring (Lundgren, 1992).

In sum, coordination involves the development of mechanisms that facilitate the control of exchange and adaptation processes, and entails institutionalization of procedures. Emphasized by several authors (e.g. Baptista, 2013; Ruekert & Walker Jr, 1987) is its importance in conflict resolution and alliance strengthening (Håkansson & Johansson, 1988).

THE EMPIRICAL STUDY

This section comprises the adopted methodology, a brief note on the empirical setting context and findings addressing the intercompetitor relationship and network effects. The analysis is presented in the next section.

Methodology

Each individual case is equivalent to the unit of analysis (cf. Miles et al., 2014) and each individual case addresses one dyadic intercompetitor relationship. Sampling is strongly related with the research purpose (Yin, 2009; Patton, 2002). Stake (2005) argues that sampling is an important step in case study design. Multiple case studies demand clear choices on which types of cases to include.

According to Eisenhardt (1989, p. 537) “the concept of a population is crucial, because the population defines the set of entities from which the research sample is to be drawn”. The research population considered in this study is the set of the existent horizontal relationships between Portuguese pharmaceutical companies that are involved in a multiplayer alliance to promote internationalization, named PharmaPortugal. This multiplayer alliance encloses eleven Portuguese pharmaceutical companies and the national regulatory agency.

Qualitative samples tend to be strategic and purposive, in contrast with the random selection and are not wholly pre-specified, that is, usually they evolve after the fieldwork begins (Miles et al., 2014). All parties of the multiplayer partnership were invited to participate in the research and efforts were made to ensure their involvement in the study. Semi-structured face-to-face interviews were conducted with seven companies and the national regulatory agency. Ten interviewees from seven companies and from the regulatory agency participated in the study. Interviews lasted two hours on average and were carried out in the offices of the informants’ facilities. Interview notes were taken during and after the interview. It was followed the 24-hour rule, that is, “required that detailed interview notes and impressions were completed within one day of the interview” (Bourgeois & Eisenhardt, 1988, p. 819).

Topics regarding the intercompetitor relationship were suggested. Questions were put forward to initiate conversation and to guide data collection. Data from interviews was complemented with secondary data and with interviews to industry specialists of the national regulatory agency. In the beginning of the interview process, each interviewee was invited to pick up four competitors with whom business relationships prevail. In order to accomplish the goal of having both counterparts addressing each other, after some interviews the choice of counterparts was sometimes suggested by the interviewer. Cases were built considering the existing relationships and the full involvement of the seven companies interviewed. Six cases matching six intercompetitor relationships are addressed. MaxQda11 has been used as the selected tool for organizing and analyzing the empirical data collected from interviews.

Multiplayer Partnership Context

The visibility of the intercompetitor relationship was a central feature for the initial selection of organizations. Easton & Araujo (1992, p. 65) state that "for practical purposes, economic exchange relationships are easier to deal with empirically than relationships not of that type. An economic exchange requires visible transactions among and between participants. It demands a minimum level of cooperation in order to take place". Within the pharmaceutical industry, the multiplayer partnership exposed several cooperative business relationships between competitors.

In 2002 and 2003, before this partnership set-up, the Portuguese pharmaceutical industry has performed a road show within Portugal to publicize its characteristics to public authorities and media. Aiming to promote pharmaceutical exports and internationalization, in 2004, the regulatory agency, the trade and investment agency and 15 pharmaceutical companies were involved. Over the years, PharmaPortugal partnership protocol has been restructured to accommodate changes in the industry, such as ownership transfers, with some companies ceasing to be Portuguese owned, as a consequence of an acquisition by foreign multinational pharmaceutical companies. Nowadays this partnership involves the regulatory agency and eleven Portuguese pharmaceutical companies.

PharmaPortugal primarily aims at promoting the internationalization of Portuguese pharmaceutical companies that produce and export medicines and other health products. In addition, this partnership seeks to promote the external image of the pharmaceutical industry based in Portugal and to increase the cooperation between Portuguese and foreign companies.

Intercompetitor Relationship

Companies involved in intercompetitor relationships have low restrictions perception and expect high benefits. A strong restriction perception could precipitate the end of the intercompetitor relationship. The objective of the focal relationship, ultimately to increase individual economical gain, is connected with the interaction processes between companies. This intercompetitor interaction affects mainly company's internationalization. Herein are presented features from the context, relationship nature and interaction processes targeting the company's export capacity.

Highly regulated domestic and international markets, poor domestic market dynamism and companies having a similar individual goal or a shared one are regarded as main drivers of the relationship between competitors aiming to boost internationalization. The company's own goal is linked to the shared goal. Most common companies' goals aim at ensuring their presence in more foreign countries or at increasing their exports, addressing market entry barriers (mainly regulatory barriers) and decreasing their domestic market dependence, from its potential loss.

Three interaction processes were considered: exchange, adaptation and coordination. Exchange between companies is mainly informational and social. Companies mainly exchange information on foreign market regulation and internal "problems", but they also share experiences of internationalization. Foreign market selection is generally a companies' decision, however frequently influenced by the trade and investment agency. Social exchange frequently occurs subsequent to the information exchange and supports the progress of information exchange.

Hence, companies' interaction includes cooperating practices, ranging from the definition of target markets or regions to the market entry strategy. Nevertheless, opportunistic behaviour may occur after the entry of a compatriot pharmaceutical company in a new market. Frequently, cooperation turns into competition after overcoming the new market entry barriers. Competitors also interact with the purpose of obtaining changes both in the domestic and in the foreign markets. That is, frequently companies, at the national level, pursue the reduction of context costs by lobbying the domestic regulatory agency. Abroad, companies seek to facilitate the internationalization by overcoming foreign country's entry barriers.

Information exchange was crucial for intercompetitor relationship development. Sharing information, and framing both common goals and problems often led to adaptations, mainly outside the relationship. In other words, adaptation within the intercompetitor relationship was scarce and it was perceived as limited by both companies involved in the relationship. Yet, company's adaptation made by or to a third party (e.g. regulatory agency, mutual suppliers or customers) is fairly performed.

Coordination takes a major role within the intercompetitor relationship. Mainly, companies coordinate informational exchange procedures and internal work to improve exchange and accommodate counterpart needs. Aiming to reduce costs, companies coordinate efforts to share the exhibition stand in international fairs and trade shows. Coordination is recurrent in the search of a common ground to be communicated with third parties. Coordination is also necessary to find complementarities, to make concessions, to schedule foreign missions and, not the least, to find a solution for problems, should they arise.

Network Effects

The development of the intercompetitor relationship leads to network effects. Companies involve themselves in intercompetitor interactions, within a multiplayer partnership, to improve their internationalization and pool their know-how to improve medicine exports. As a consequence of the interaction already in place, companies had identified among themselves several common difficulties that were holding back their internationalization. Thus, the industry had previously identified shared problems and had proposed methods to overcome those problems. Proposals considered several organizations (mainly governmental) beyond the involved pharmaceutical companies, i.e. improvement suggestions were also targeting the national regulatory agency, the trade and investment agency, the ministry of foreign affairs (through embassies) and the customhouse.

Companies had identified several issues that were hardening their internationalization, mainly: the low level of external recognition of the Portuguese pharmaceutical industry quality standards, the difficulties in addressing the trade and investment agency, the duplication of registries and other bureaucratic problems, the short validity period of export certificates and the lack of up to date knowledge of the domestic customhouse. Companies involved in intercompetitor relationships have lobbied governmental organizations to improve their internationalization.

Joint missions to foreign countries were proposed by companies to publicize the Portuguese pharmaceutical industry compliance with the European Medicines Agency quality standards. Through the joint efforts of the companies, the national regulatory agency, the trade and investment agency, and the embassies, the companies expect to increase their medicine exports to Latin America and to Arabic Countries. Companies also proposed changes in the internal organization of the trade and investment agency to expedite internationalization procedures for Portuguese pharmaceutical companies.

Suggestions were also addressed to the national regulatory agency aiming either at increasing exports or at reducing cost associated with exports, namely expediting the issuance of medicine export certificates or enlarging their validity and adapting their language. Intercompetitor interaction is of paramount importance, since the national regulatory agency does not adapt or coordinate efforts to improve the internationalization capacity of one particular company, only to satisfy joint needs or goals expressed by all companies, in order to improve the internationalization of the industry.

Both pharmaceutical companies and the government share the objective of improving internationalization. The national regulatory agency, following government's orientation, supported companies' internationalization by pledging to establish the contact with foreign regulatory agencies, to participate in business foreign missions, to assist companies with technical and regulatory expertise, and not only to simplify but also to adapt procedures of issuing export documents requested by foreign regulatory agencies. The national regulatory agency responsibility in PharmaPortugal is in line with the government defined goal for the pharmaceutical sector.

The pharmaceutical market is heavily regulated. The establishment of institutional relationships within the multiplayer partnership leads to multiple enhancements that entail benefits to the companies' internationalization. The national regulatory agency nowadays does issue an export certificate in just a few days and companies are thus able to rapidly present their offers and materialize their exports. Not only joint missions to new potential markets (with companies, the regulatory agency, the trade and investment agency and the ministry of foreign affairs), but also the cooperation agreements between regulatory agencies have shorten the time required to market products in foreign countries.

DISCUSION AND CONCLUSIONS

"Horizontal alliances often are multilateral and entail three or more firms" (Wallenburg & Schäffler, 2014, p. 42). That is the reason why addressing horizontal relationships within a multiplayer alliance has provided the visibility required to study of intercompetitor relationships within an internationalizing context. This multiplayer alliance entails several key partake companies and others that are more self-isolated. For the latter, case visibility can be more important than the stated purpose of the cooperation, condition that is in line with Håkansson & Johansson (1988). Parties can signal other actors, such as, distributors, suppliers, customers, competitors, consultants, public authorities, to name only some (Håkansson & Johansson, 1988). Companies involved in intercompetitor relationships have low restrictions perception and expect high benefits. The perception of restrictions inexistence promotes the horizontal relationship. On the contrary, buyer-seller relationships comprise both opportunities and restrictions. A stronger relationship also leads to a superior restriction of companies' freedom to change (Håkansson & Ford, 2002).

Relationships and interaction are not context free (Gummesson, 2006). Horizontal relationships influence and are influenced by the context. Both individual and shared goals play an important role in the establishment and development of intercompetitor relationship. Håkansson et al. (1982) and Möller & Wilson (1995) consider that organizational factors that affect business relationship and interaction include, among others, strategy and goal compatibility. Even when having compatible goals, the nature of the intercompetitor relationship is dynamic, effect that is supported by Bengtsson & Kock (1999). Easton & Araujo (1992) argue that companies can compete after cooperative R&D when the research outcome becomes exploitable. Often, cooperation turns into competition after sales start in a new market by a compatriot company.

Economical exchange is absent of the described intercompetitor relationships. Informational and social exchange, on the contrary, are present, highlighted and of major importance for the horizontal relationship development. Through the exchange of information, companies are able to respond to new opportunities and threats (Cunningham & Turnbull, 1982). Information exchange allows companies to achieve individual and shared goals related with their internationalization.

Social exchange increases over time with frequent resource exchange, like information (Möller & Wilson, 1988). Social process takes time and is dependent on the other exchange elements. Social exchange allows two parties to gradually interlock with each other, reducing uncertainties between them and developing mutual trust (Håkansson et al., 1982). Social exchange affects the possibility of mobilizing the other party in favour of or against a specific development phenomenon (Håkansson & Henders, 1992). Unforeseen discontinuities in terms of personal contacts occurred and this affected contacts between organizations (Cunningham & Turnbull, 1982). This study's findings on social exchange are in line with previous research.

Håkansson & Snehota (1995, p. 194) "argue that a special type of connections exist between companies which we refer to as bonds and that these are important for how they are perceived by others and thus for what they are". Bonds refer to mutual interests between the actors. That is, over time, as a consequence of interaction, bonds of various kinds are formed by firms (Håkansson & Johansson, 1988). Bonds arise from the interaction between actors and reflect that interaction. The process of bonding in a relationship is often taken only as information flow. Yet, the interpretation of actions and counteractions, and not only access to information, enables improved handling of the bonding process (Håkansson & Snehota, 1995). Möller & Wilson (1988) argue that the character or state of a relationship can be assessed, among others, by examining the bonds between companies. Companies within intercompetitor relationships have developed mainly four types of bonds: knowledge, informational, social and economical. These bonds are highly related with the interaction processes.

Adaptation between competitors was scarce and found unnecessary for the development of the horizontal relationship. In contrast, coordination was essential to keep informational exchange and to generate network effects. Through coordination, companies were able to reach common ground for improving their internationalization, particularly direct medicines exports. Subsequently, companies were able to share goals that in turn were compatible with those from the local government. The involvement of governmental organizations is highly associated with the strategy of the national government.

According to the Uppsala internationalization process model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), the strategy to enter a market follows a pattern that entails socio-cultural and geographic distance, as well as knowledge about the foreign market and resource commitment. Thus, the company internationalization has four successive stages: no regular exports, exporting through local agents, sales subsidiary and production subsidiary.

Due to regulation in both domestic and international markets, companies do not start internationalization in a market by performing sporadic exports. Local agents are needed from the beginning and the first sale may only materialize within three to four years after the initial investment in the market. Combining efforts from companies and government expedite the internationalization process (cf. García-Canal et al., 2002) and offer companies the possibility of reducing costs and risks (cf. Contractor & Lorange, 1988). By joining efforts, companies access the knowledge from their competitor counterparts, from the governmental agencies and from the local embassies. Companies lessen the investment risk in a foreign market and reduce useless efforts to enter “difficult” markets.

This research highlights managerial implications associated with the intercompetitor relationship development and the internationalization of involved companies. Companies have to explicitly identify their individual goals and mutually readjust those towards a shared goal. Information exchange is core for goals’ readjustment and is central throughout the alliance development. Managers should consider that both social exchange and coordination processes enhance the information exchange. On the contrary, adaptation processes are not essential to capture benefits of the intercompetitor relationship. Expected benefits encompass the context costs reduction by lobbying the domestic regulatory agency and overcoming foreign countries’ entry barriers.

Future research could focus on the link between the lack of adaptation within the intercompetitor relationship and companies’ ambition to keep low restrictions associated with the relationships. In buyer-seller relationships, company’s adaptation decision may keep relationship parties distant or bring them together and/or heavily dependent on their counterpart (Håkansson et al., 1982).

Increasing exchanges and especially adaptations lead to tight bonding between interaction parties (Möller & Wilson, 1988). Developing and maintaining bonds takes time and is costly, the reason why strong bonds cannot be maintained with everyone (Håkansson & Snehota, 1995). Within relationships, firms are tied together through strong and weak bonds between them. Strong bonding is dependent on the satisfaction with the terms of the current exchange and the presence or the absence of alternatives. Weak bonds generate volatile networks, while strong bonds provide more stable and predictable network structures (Easton, 1992). The relation between adaptation and bonds within the intercompetitor relationship and how those bonds affect internationalization may also be the subject of further investigation.

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