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Negative consequences of deep relationships with suppliers: An exploratory study in Poland ☆

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ABSTRACT

The dark side of buyer–seller relationships may be treated as an under investigated field of research. The main objective of this paper was to explore the negative consequences of being involved in deep supplier relationships. The data gathered from 92 in-depth interviews with purchasing managers were used for the qualitative data analysis. The negative relationship consequences identified in the study were assigned to six categories: supplier-specific forces, buyer-specific forces, relationship-specific forces, product-specific forces, network-specific forces and environment-specific forces.

The study extends our knowledge about the negative consequences of deep supplier relationships in Eastern Europe by illustrating the complexity of the factors involved and the complex interactions that influence the context. An exploratory approach was taken which means that findings cannot be generalized to other contexts. However, this creates an avenue for further research.

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1. Introduction

Relationships are now recognized as the sine qua non of business-to-business marketing. However, while acknowledging the importance of relationships is crucial for both academic researchers and managers alike, it is also important to be aware that relationships are not homogeneous (Ford, Gadde, Håkansson, & Snehota, 2003; Wilson, 2000) and can be burdensome (Håkansson & Snehota, 1998) as well as beneficial (Anderson, Hakansson, & Johanson, 1994; Holmlund & Törnroos, 1997; Morgan & Hunt, 1999). The nature, antecedents and effects of relational phenomena in business-to-business marketing continue to receive attention (Johnston & Hausman, 2006) and there have been a significant number of studies investigating the benefits of maintaining relationships for a company both on the demand side (e.g. Ganesan, 1994; Morgan & Hunt, 1994; Palmatier, Dant, & Grewal, 2007) and on the supply side (e.g. Cannon & Homburg, 2001). These studies have motivated business practitioners and scholars to give priority to the management of inter-organizational relationships.

The growing popularization of relational phenomena is stimulated not only by the potential for acquiring relational profits for the company but also because business relationships are extremely complex and, consequently, difficult to study and manage (Ford, 1997; Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Möller & Halinen, 1999). Indeed, benefiting from business relationships is never automatic, because there are many factors determining relationship development (Dwyer, Schurr, & Oh, 1987; Ford, 1980; Håkansson, 1982). If having relationships with other firms is often unconscious for managers (Håkansson et al., 2009), it may be that many companies are simply stuck in business relationships where the profit–loss balance is questionable (Vilgon & Hertz, 2003; Walter, Auer, & Ritter, 2006; Zolkiewski & Turnbull, 2002). Reinartz, Thomas, and Kumar (2005) suggest that to recognize profits fully, relationship depth should be treated as one of most important success indicators. We follow this idea by focusing on deep relationships which we perceive as those relationships where both buyers and sellers perceive each other as key suppliers/key customers (Ulaga & Eggert, 2006; Yli-Renko, Sapienza, & Hay, 2001).

Corresponding with other authors (Cannon & Perreault, 1999; Hibbard, Brunel, Dant, & Iacobucci, 2001; Holmlund & Strandvik, 2005; Saren & Tzokas, 1998; Smith & Higgins, 2000) we argue that knowledge about exchange relationships is too unilateral in terms of too much focus being placed upon positive aspects of these relationships We follow the call by Hibbard et al. (2001, p. 30) that "…a more nuanced understanding of marketing relationships is needed" and focus on negative aspects of deep buyer–seller relationships.

Previous studies of negative aspects of inter-firm relationships have tended to refer to partners' opportunism (Das & Rahman, 2010), inter-organizational conflicts (Duarte & Davies, 2003), exit barriers (Lam, Shankar, Erramilli, & Murthy, 2004) and relationship ending (Tähtinen & Halinen, 2002). Our study is complementary to these streams of research; it explores the negative aspects of deep

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buyer–seller relationships from the buyers' perspective.[1] Additionally, because most of the conceptualizations and empirical studies of buyer–seller relationships were derived in the context of Western economies (Palmatier, Dant, Grewal, & Evans, 2006; Palmatier et al., 2007; Palmer, 1996), we argue that there is also a contextual gap in the existing theory. By conducting the study in the context of the Polish post-communist economy, we contribute to understanding of business relationships in a different context. The main objective of the paper is to explore the negative consequences of being involved in deep supplier relationships in an Eastern European context.

The structure of the paper is as follows. Firstly, the literature review is presented. This is followed by a description of the research context, Poland, and the research design is then elaborated. Following this, the research findings are presented and, finally, theoretical and managerial implications are discussed.

2. Literature review

It seems that many long-term relationships are maintained mainly because of dependence of one or both sides of the relationship (Ganesan, 1994); this is illustrated by the dichotomy between dedication-based and constraint-based buyer–seller relationships (Bendapudi & Berry, 1997). Companies can become stuck in a relationship or wider network structure (Baraldi, 2008; Gulati, Nohria, & Zaheer, 2000; Håkansson & Snehota, 1998; Vilgon & Hertz, 2003; Walter et al., 2006). Exit barriers can also bee seen to be influential in this (Dwyer et al., 1987) as is dependency (Barnes, Naudé, & Michell, 2005; Caniëls & Gelderman, 2007; Emerson, 1962).

Resource dependence and relationship specific investments/adaptations are usually treated as the main exit barriers in buyer–seller relationships (Brennan & Turnbull, 1999; Ford et al., 2003; Lam et al., 2004). These exit barriers, or relational bonds,[2] comprise transaction costs, learning costs, discounts, habits, emotional costs and cognitive efforts, coupled with financial, social, and psychological risk (Fornell, 1992). Storbacka, Strandvik, and Grönroos (1994) propose ten types of exit barrier: legal, economic, technological, geographical, time, knowledge, social, cultural, ideological and psychological bonds. Wendelin (2007) follows the same typology and extends it by adding strategic bonds as a category. In addition to one-sided and relationship specific factors, Ellis (2006) suggests contextual/market factors as a distinct type of switching deterrent. Exit barriers and relationship bonds may exist at two levels: the organizational level and the individual level (Wilson & Mummalaneni, 1986). Potentially, the exit barriers that are perceived by a buyer could be treated as the only negative aspects of deep relationships; however, this neglects other potential negative consequences of B2B relationships. For example, Håkansson and Snehota (1998) suggest that 'unruliness (loss of control), undeterminedness (future uncertainty), energy: the resource demanding nature of relationships and need for adaptation (investments), exclusiveness (the preclusion of others) and stickiness (unexpected demands)' (pp 18–22) can cause a relationship to become a burden. Other work has tended to focus upon opportunism in interfirm relationships (Anderson, 1988; Das & Rahman, 2010; John, 1984; Wathne & Heide, 2000); inter-organizational conflicts (Duarte & Davies, 2003; McLeod, Shaw, & Grant, 2009; Wilkinson, 1981), which may bring both positive and negative consequences (Pondy, 1967; Vaaland & Hakansson, 2003), and relationship ending (Tähtinen & Halinen, 2002; Tähtinen & Halinen-Kaila, 2000; Tidström & Åhman, 2006).

Relationship ending studies have mainly focused on phenomena which cause relationship ending (Tähtinen & Halinen, 2002). Thus, they do not refer directly to the relationships which are maintained but, in which buyers experience serious disadvantages from that relationship. Of course, many negative aspects of relationships may finally lead to relationship termination but this is not always the case, exit barriers may preclude this and firms may simply remain in inefficient relationships as the result of inertia or the need for social stability (Young & Denize, 1994).

There are a number of empirical studies on negative aspects of inter-firm on-going relationships in the area of opportunism (Anderson, 1988; John, 1984; Lado, Dant, & Tekleab, 2008). Opportunism has been defined as self-interest seeking with guile (Williamson, 1975, p. 6) and is assumed to be a permanent feature of market behavior. 'Wathne & Heide (2000) made the distinction between active opportunism (for example taking some actions for self-interest that are forbidden by the relationship contract or existing relational norms) and passive opportunism (for example hiding some information, purposely withholding effort). Das and Rahman (2010) synthesized prior studies and proposed a typology of determinants of partner opportunism which comprises economic, relational and temporal factors. Generally speaking, economic factors are grounded in transaction cost theory. For example, asymmetric relationship-specific investments are stimulators and symmetrical investments are deterrents of partner opportunism. Relational determinants refer to the dyad and consist of cultural diversity and goal incompatibilities. Finally, temporal determinants refer to strategic preferences for benefiting from a relationship in the short-term rather than in the long-term.

It can be seen that there are a number of buyer and seller characteristics and relationship characteristics that determine whether or not negative consequences are experienced in ongoing relationships. However, many of the conceptualizations of negative aspects of inter-firm relationships are not supported empirically which may result from managers' preferring to describe positive, successful aspects of their work rather than problematic issues (Tidström & Åhman, 2006). We contend, therefore, that negative consequences of relationships are under explored and specifically aim to investigate:

1. What negative meanings are associated with relationship exit barriers?
2. What buyers perceive as the negative consequences of staying in deep relationships?

3. Poland as the context of the research

The decision to conduct our study in Poland was based on the observation that Central and Eastern European have been neglected in studies about inter-organizational relationships. We follow the suggestion articulated by Palmatier et al. (2007), Palmatier et al. (2006) and Palmer (1996) that inter-firm relationships occur within an external environment, so exogenous factors may influence the relationship models and concepts which have been developed in the context of a given culture and economy. Most of what we know about relationships between companies was generalized from observations gathered in the context of Western, highly developed economies.[3] Palmer (1996) has noted that prescriptions for relationship marketing based on Western norms of behavior may fail when transplanted to a market which is sustained by a different set of cultural values.

[1] Various terms referring to negative aspects of buyer–seller relationships are used, such as: critical incidents, critical events, negative incidents and critical times. For a review of these terms, see Holmlund and Strandvik (2005) and Edvardsson and Strandvik (2009).

[2] Relational bonds do not have to be treated as synonymous to exit barriers or perceived as the negative effect of relationship development but in fact they may be perceived as the building blocks of business-to-business relationships. For example, according to Wendelin (2007), the sum of the total package of bonds in a relationship equals the total value of the relationship.

[3] Exceptions include, for example, Čater & Čater (2010) and Mitrega and Katrichis (2010). However, these papers refer mostly to positive aspects of buyer–seller relationship development and their organizational/dyadic determinants.

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