REVISITING THE DARK SIDE OF INTERDEPENDENCE IN BUSINESS-TO-BUSINESS RELATIONSHIPS

Gert Human
(Stellenbosch University)

Peter Naudé
(Manchester Metropolitan University)

ABSTRACT
Interdependence is a key feature of business-to-business networks and relationships – and particularly central to the IMP conceptualisation of such interactions. It is known that many of the constructs assisting researchers in explaining business interdependencies harbour positive and negative dimensions. The negative (dark) side of business-to-business interdependence is the focus of this conceptual paper. We construct a theoretical framework to consider the role of opportunistic behaviour in interdependent business relationships. The framework include elements, consequences and manifestations of opportunistic behaviour and we discuss moderating effects important to business interdependencies. Specific attention is devoted to contextual influences and the role of social capital as a managerial capabilities to mitigate against the negative effects of opportunism. We hope to offer more clarity on the dark side of interdependence in business-to-business relationships and elevate the importance of the collaboration-opportunism paradox.

Keywords: Interdependence, Dark Side, Business-to-Business Relationships, Opportunistic Behaviour

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INTRODUCTION

Interdependence is often described in terms of a degree (Capaldo, 2007; Scheer et al., 2015), a condition (Capaldo, 2007; Mahapatra et al., 2010; Lenox et al., 2009) and a phenomena that affects, or being affected by, the interaction in business relationships. Notably, interdependence is mostly conceptualised as an industry-level attribute that confronts all actors in the industry. Recently, however, authors started to incorporate more firm level attributes when they describe business interdependencies. Examples include strategy (Mahapatra et al., 2010), asymmetry (Scheer et al., 2015) and value creation (Gatti, et al., 2015; Lenox, et al., 2009). Some of the definitions, expectedly, incorporates dependence as a key aspect of business-to-business the interaction (Capaldo, 2007; Lenox, et al., 2009 and Gatti, et al., 2015). This sharpened focus on the dark side finds its motivation in a few key arguments: First, it is argued that social capital, a primary building block of interdependence and interaction, has a dark side that may operate in a covert manner and can yield negative consequences for interdependent firms (Chung, et al. 2016; Anderson & Jap, 2005; Pressey & Vanharanta, 2016). Secondly, the dark side of inter-firm relationships and the associated interdependency has not benefitted from research as much as the bright side has (Villena et al., 2011; Abosag et al., 2016; Chowdhury et al., 2016; Heirati et al., 2016). Third, the literature also suggests that by understanding the dark side of relationships, scholars and practitioners are in a better position to respond to and advance the bright side of relationships (Abosag et al., 2016; Pressey & Vanharanta, 2016). Fourth, various authors (Pressey & Vanharanta, 2016; Villena et al., 2011; Mitręga & Zolkiewski, 2012) demonstrated that the dark side of business relationships negatively affects value creation in the interdependency. Fifth, the dark side of interdependence brings about misalignment which may cause conflict, spur communication problems, and reduce trust (Hambrick et al., 1996; Miller et al., 1998). Therefore this paper aims to contribute towards establishing an agenda for dark side research in managing business-to-business relationships. The dark side is simply conceived as a term to describe the negative aspects associated with inter-firm relationships. We furthermore attempted to position this conjectural study in the domain of complex networks relying largely, but not exclusively on the contribution flowing from IMP scholars. However, our positioning is by no means crisp, as the interdependence theory benefits from many related streams of research in business relationships, collaboration, alliances, joint ventures, cooperation, etc. Rather, interdependence is employed as a quasi-umbrella term in an attempt to capture all these permutations. The main feature of the paper is to introduce a theoretical framework that can assist in advancing future research on the dark side of interdependence in business-to-business relationships.

INTERDEPENDENCE

Interdependence can be considered in terms of magnitude and its degree of asymmetry (Kumar et al., 1995). While magnitude deals with the sum total of interdependencies (similar to the number of nodes and linkages in a network), degree deals with the variance between actors. In dyadic terms interdependence confronts the question of for how many resources and activities is a focal firm dependent on another firm, and visa versa, as well as what is the difference between the two parties in terms of size and scope? The notion of magnitude and degree of interdependence allowed Kumar et al. (1995) to report that (a) as total dependence of one party on another increases the conflict between them decreases, (b) as interdependence asymmetry
increases conflict also increases, (c) as the total interdependence increases, trust and commitment also increases and (d) as the interdependence asymmetry in a channel relationship increases, trust and commitment decreases.

Gulati and Singh (1998) distinguishes between three types of interdependence. Pooled interdependence refers to situations in which each party renders a discreet contribution to the whole and in turn each party is supported by the whole. Sequential interdependence refers to situation where the activities of each actor are distinct and serially arranged so that the activities of one actor precedes those of another, resulting in a higher degree of coordination compared to pooled interdependence. The increased demand for control as the complexity of an interdependence grows, is based on the assumption that the association between control and performance is positive. (Guidice & Cullen, 2007). In situations where actors come together to simultaneously exchange outputs reciprocal interdependence (Gulati & Singh, 1998) can be observed. In this case the classical pooling of resources also takes place, but (in addition) each actor is simultaneously dependent on other actors.

Mahapatra et al. (2010) posits that inter-organisational interdependence is informed primarily by resource dependence theory. Interdependence is therefore viewed as a condition where the strategies and outcomes of an individual actor is affected by the joint behaviour of the parties involved in the interdependence. The higher the independence the greater the potential for uncertainty of outcomes and therefore the greater the need for a control regime. In addition, Mahapatra et al. (2010) argue that it is possible to distinguish between competitive interdependence and symbiotic interdependence. While the competition for an identical resource explains competitive interdependence, symbiotic interdependence refers to the source that is the result of reciprocal contributions of the parties involved.

Another typology of interdependence is offered by Sambasivan et al., (2011) who considers reward, goal and task interdependence. It is argued that together these types of interdependencies influence relational capital (communication, trust and commitment) which in turn drives alliance outcomes (goal achievement, value creation, re-evaluation). Capaldo and Giannoccaro (2015) approaches the issue of interdependence from a supply chain management perspective and argue that two types of interdependence can be considered. On the one hand there is the degree or intensity of interdependence which suggests that the more interconnected firms in a supply chain is, the greater the risk that they behave opportunistically. On the other hand the overall pattern of interdependence that characterizes the supply chain is influencing the risk of opportunistic behaviour of supply chain participants (Capaldo & Giannoccaro, 2015).

Gatti et al. (2015) investigated how the level of interdependence and decomposability at the industry level moderate the contribution of exploration and exploitation strategies to firms’ long-run financial performance. Notably and consistent with Capaldo (2007), Guidice and Cullen (2007). This implies that higher industry interdependence increases trade-offs between the productive activities of firms, enhances any constraints that comes with combining of activities (Lenox et al., 2006), and increase the dependence on past choices made in the interdependencies (Levinthal, 1997). The result is a phenomena all too familiar in business relationships: High levels of interdependence increases the risk for an organization of becoming prematurely locked into a neighbouring combination of productive activities that has inferior long-run potential. In support of various authors (Ethiraj et al., 2008; Rivkin & Siggelkow 2007, Yayavaram & Ahuja, 2008 and Zhou, 2013) decomposability is conceptualised as the distribution pattern of interdependencies. When interdependencies among individual groups of activities are limited in number and weak in intensity compared to
those occurring within each group, which are many in number and strong in intensity, the set of productive capabilities are considered highly disposable (Gatti et al., 2015). Dosed heavily with complexity theory Gatti et al. (2015) then argue that when activities are decomposed it promotes the use of an explorative approach that will generate more alternatives, but also increases complexity of the interdependence. Employing these arguments, Gatti et al. (2015) showed that high interdependence moderates the relationship between explorative strategy and firm performance, while low interdependence moderates the relationship between exploitative strategies and firm performance. Similarly high levels of decomposability moderates the relationship between exploitative strategy and performance while low decomposability moderates the relationship between explorative strategies and firm performance.

THE DARK SIDE OF INTERDEPENDENCE: A THEORETICAL FRAMEWORK

The health of inter-organisational interdependencies like other aspects of relationships is subject to the perceptions of the participants, and over time these perceptions grow more accurate (Kumar et al., 1995). Regardless of perceptions, researchers has reported on the dark side of business relationships and these problems often manifest in coordination and integration problems at a strategic level (Corsaro, 2005), emphasising the need for a systematic framework to think about dark interdependence. To establish such a systematic approach the theoretical framework proposed in Figure 1 guides our discussion.

Figure 1: Theoretical framework of dark interdependence

The framework suggest that certain elements in particular (among others) constructs dark opportunism in interdependent in business relationships. Note that we refer to elements in a configurational sense that means these elements are seen as building blocks of opportunistic behaviour. We refer to dark opportunism to reflect the negative impact of the behaviour on the interdependency under consideration, but acknowledge that not all opportunistic behavioural choices are perceived in a negative light when they were made. Weakening or reduced trust, commitment, cooperation, embeddedness, knowledge sharing and rising transaction cost is the
result of opportunistic behaviour that is detrimental or impacts the interdependence adversely. In turn the opportunistic behaviour manifests in the ill-conceived actions relating to undesirable communication, adverse manipulation of alternatives options for customers and other side effects beyond the scope of this study. We suggest that the consequences and manifestations of dark side opportunism is subject to contextual influences. Environmental conditions, interdependence specific conditions and cultural aspects moderates or mediates contribution of the elements on dark opportunism. In addition, firms can mitigate against the direct effects of the drivers and the indirect effects of contextual condition on opportunistic behaviour by relying on the benefits of building and maintaining strong social capital and ensure that appropriate relational governance is exercised.

Elements of the dark side

Referring to the dark side of interdependence is not considered the same as business relationships which were born dysfunctional or has grown to be dysfunctional and is therefore likely to be dissolved (Anderson & Jap, 2005). Rather, the dark side of interdependent relationships is an attempt to describe relationships in which the actors maintain the collaboration, but they have become suspicious of the future of the relationship and started to lose their motivation for participating (Heirati et al., 2016). This approach allows Abosag et al. (2016) to discern tolerable and intolerable sides of the dark side. As such a severe dark side is considered intolerable for most firms and consistent with the observations by Crosno and Dahlstrom (2008) and that of Yang and Wang (2013), are prone to dissolution. Abosag et al. (2016) also argue that if firms can learn from conflict situations and are aware of their origins they may develop the ability to tolerate certain dark side effects by calibrating their expectations of a relationship. Our focus is limited to the intolerable drivers: Dependence (see for example: Johnsen & Lacoste, 2016; Gopalakrishnan & Zhang, 2017; Kim et al., 2015), Asymmetry (see for example: Cuevas et al., 2015; Mallapragada et al., 2015), Power (see for example: Zhuang et al., 2010; Yukl, 2006), Conflict (see for example: Duarte & Davies, 2003; McLeod et al., 2009; Abosag et al., 2016), and Uncertainty (see for example: Achrol & Stern, 1988; Håkansson & Snehota, 1998).

Consequences of dark interdependence

The elements listed above give rise to opportunistic behaviour in business interdependencies (Crosno & Dahlstrom, 2008; Abosag et al., 2016; Zolkiewski, 2011; Das & Rahman, 2010; Jap et al., 2013). Opportunism reduces knowledge sharing in relationships, but it also reduces transaction cost for the opportunist. Thus in business relationships both these aspects can rise simultaneously as one feeds of the other (Zaheer et al., 1998; Nooteboom, 2000). Opportunism can also be described as the deliberate seeking of self-interest (Williamson, 1985) and manifests in behaviours such as distorting the truth and over exaggerating actor specific difficulties (Brown et al., 2000). To the contrary, Moorman, Zaltman and Desphande, (1992) maintained that opportunistic behaviours arise as the result of increased commitment and involvement, given that firms lose their ability to remain objectivity when evaluating exchange partners. This observation is consistent with Anderson and Jap (2005) who posits that close personal relationships enable opportunism by increasing expectations between exchange partners. In addition Ulaga and Eggert (2006) reported that buyers faced increasing risks (because of higher levels of dependence) associated with supply chain disruptions and opportunism. The opportunism in business relationships, is alleged to be always present to some degree, and managers who understand this proactively mobilise resources to effect successful outcomes (Park & Ungson, 2001) Therefore, Wathne and Heide (2000) suggested attempting to eradicate opportunism is perhaps a futile exercise. Rather, managers should
develop a tolerance for opportunistic behaviour. However, maintaining relationships with opportunistic partners is difficult. Therefore, with the support offered by Johnsen & Lacoste (2016), it is proposed that:

**Proposition 1:** In interdependent business relationships undesirable levels of (a) dependence, (b) asymmetry, (c) uncertainty, (d) conflict, and the (e) disproportionate distribution of power are necessary and sufficient conditions for negative opportunistic behaviour to occur in business relationships.

Parties can engage in opportunism before the actual establishment of the relationship (ex-ante opportunism), or they can exhibit opportunistic behaviour after the relationship has been formed (ex-post opportunism) (Brown, et al., 2000). Opportunism literature, appear to focus on transaction costs, trust, commitment, knowledge sharing, relational ties, functional conflict, and cooperation (Ting et al., 2007; Fynes et al., 2005; Hawkins et al., 2008). As key consequences of opportunistic behaviour in business-to-business interdependencies. Therefore we propose that:

**Proposition 2:** Opportunistic behaviour results in the (a) reduction/weakening of trust, commitment, cooperation, relational ties, knowledge sharing and (b) an undesirable increase in functional conflict and transaction cost.

Frow et al. (2009) considered the dark side of customer relationships from a services marketing perspective and categorises dark side supplier behaviour in to three categories. The first category focus on aspects that disrupt information flows and is aptly referred to as communication-based dark side behaviours. Communication-based dark side behaviours include information misuse (Zwick and Dholakia, 2004), creating customer confusion (Sheth & Sisodia, 2006); deliberate dishonesty which fosters more dishonesty and privacy invasion (Samaha et al., 2011). A second category deals with those behaviours where participants deliberately perform in a manner that constrains others to consider alternatives. This category includes behaviours such as favourable treatment of specific customers (Ramkumar and Saravanan, 2007), customer “lock in” behaviour (Gummesson, 1994), relationship neglect (Anderson and Jap (2005), and financial exploitation (McGovern & Moon, 2007). The third and final category is described as side effects, and may also be conceptualised as networks effects. In this regard Frow et al. (2009) considers spill-over effects, which refer the effect on to customers outside the targeted group that are sometimes impacted by the dark side behaviours (Edwards et al., 2002). Therefore we propose that:

**Proposition 3:** Opportunistic behaviour in business interdependencies manifests in communitive distortions, the manipulation of alternatives for customers and other undesirable side effects that are perceived as disadvantageous by one or more of the participating parties.

**CONTEXTUAL INFLUENCES**

The interdependence literature appear to entertain three main sources of contextual influences that moderates the effect of “dark elements” on opportunistic behaviour. The first category, seemingly attracts the bulk of research attention in empirical studies and denotes the environment specific factors of competitive intensity and market/industry turbulence. Competitive intensity literature is in agreement that it is an attempt to describe the degree of competition (Heirati et al., 2016; Atuahene-Gima, 1995; Briggs & Grisaffi, 2009; Jaworski &
Kohli 1993; Kemper et al., 2013) that is primarily associated with the number of competitors (Jap, 2001; Schilling & Steensma, 2001; Rai & Tang, 2010; Pratono & Mahmood, 2014) in an industry. The conceptualisation of environmental turbulence seems to vary among researchers. Calantone et al. (2003) described a turbulent environment as one where frequent and unpredictable changes occur within an industry so that risks and uncertainty is increased. The changes is especially noticeable in the customers’ preferences (demand side) and technology (supply side). Thus, environmental turbulence refers to market turbulence and technological turbulence (Atuahene-Gima & Li, 2006; Han et al., 1998; Auh & Menguc, 2005). Tsai et al., Shu-Yi (2013) argue for the joint moderating effects of market turbulence and competitive intensity by suggesting that market turbulence and competitive intensity may jointly moderate the performance effect of firm innovativeness.

The second category of influencing conditions, labelled interdependency specific (Figure 1), refers to characteristics of the participating actors (in this case firms) and of the interdependencies itself. One such characteristic is organisational culture (House et al., 2002) while another is firm strategy (Mahapatra et al., 2010). The impact of these firm level constructs is well-researched areas. For example, it is plausible that the occurrence of dark side behaviour and be either promoted or reduce by the strategy choices of participating firms (Khalid & Ali, 2017; Le Roy & Czakon, 2016, Ritale, 2001). Other similar influencers include, life cycle effects (Eggert, et al. 2006) and dependency types (Sambasivan et al., 2013). Against this background it is proposed that:

Proposition 4: The manner and magnitude of the impact that dark side elements exerts on opportunistic behaviour in business-to-business interdependencies is influenced by (a) industry and/or market specific and (b) interdependence specific conditions.

MANAGING DARK INTERDEPENDENCE

Firms have basically two key sets of capabilities available for moderating the effects of dark side elements and thereby limiting opportunistic behaviour. The first of these relates to a firm’s ability to develop social capital to manage the interdependence proactively while the second is about establishing and maintaining the correct governance regime to ensure that participants adhere to the formal and informal guidelines, procedures, policies etc. to have an efficient and effective functioning interdependency. Social Capital has been associated with a number of business themes. Of particular interest to IMP researchers is the role of social capital in the context of business collaboration, networks, buyer-supplier relationships and interaction (Blonska et al., 2013; Levy et al. 2013; Villena et al. 2011; Bürcher & Mayer, 2018; Eklinder-Frick et al, 2011; 2012; Kc et al., 2018; Kontinen & Ojala, 2011; Laud et al., 2015; Parolia et al., 2011; Uhlaner et al., 2015).

Further support for our positioning of social capital can be derived from how social capital were employed as a predictor variable (Bürcher & Mayer, 2018; Eklinder-Frick et al, 2011; 2012; 2014; Filieri et al., 2017; Kc et al. 2018), as a moderating variable (Bhardwaj et al., 2018; Blonska et al., 2013) and as mediating variable (Blonska et al., 2013; Carey et al. Krause, 2011) in the literature. Therefore it is conceivable that:

Proposition 5: Firms can employ (a) bonding, (b) bridging and (c) linking types of social capital across (a) cognitive, (b) relational and (c) structural dimensions to moderate the effect of dark side elements on opportunistic behaviour in business-to-business interdependencies.
Early business relationship researchers noted that despite the growing body of knowledge on governance in the field business relationships, many of the theoretical frameworks makes very different assumptions about inter-firm relationships (Heide, 1994; Ritter, 2007). Drawing on resource dependence theory, transaction cost theory and relational contracting theory, Heide (1994) proposed a governance typology to make sense of interfirm relationships. The proposed typology pivots around three stages of relationships, namely: initiation, maintenance and termination. Each of the stages are then considered in terms of two sources of governance: market governance and non-market governance. The former, market governance is argued to be the result of a bilateral agreement between parties often seen in logistics collaborations (Bowersox, 1990). In these cases the parties jointly develop policies directed toward achieving certain goals. Non-market governance, on the other hand, suggest that some form of authority structure is established to develop rules, give instructions, and in effect impose decisions (Heide, 1994). The resulting ability to govern by means of authority is not limited to intrafirm settings, but can also be achieved between firms by means of contractual provisions, which essentially give rise to the idea of governance hierarchies in interfirm relationships (O’Toole & Donaldson, 2000). The important role of relationship learning (defined as a joint activity between a supplier and a customer in which the two parties share information, which is then jointly interpreted and integrated into a shared relationship-domain) in relationship governance is further explored by Kohtamäki (2010) who showed that balanced hybrid governance structures explain learning in partnerships, thus suggesting that different combinations of relationship governance mechanisms (price, hierarchical, and social mechanism) can produce enhanced learning outcomes in partnerships. There we propose that:

Proposition 6: Firms can employ relationship governance across multiple level of abstraction to moderate the effect of dark side antecedents on opportunistic behaviour in business-to-business interdependencies.

CONCLUSION

We proposed a theoretical framework to consider the dark side of interdependence. The framework suggest that dependence, asymmetry, uncertainty, conflict, and power are elements that drives opportunistic behaviour in interdependent business relationships. This dark opportunism have negative consequences and manifestations. Negative consequences include reduced trust, commitment, cooperation, knowledge sharing, weaker relational ties, and unfavourable changes in functional conflict and transaction cost. Such consequences is manifested in commutative abuses, adverse manipulation of alternatives and other negative side effects. We also propose that the impact of dark elements on opportunistic behaviour is subject to contextual influences. Environmental conditions, interdependence specific conditions and cultural aspects may alter the impact of these dark elements on dark opportunism. In addition we propose that firms can use social capital and relational governance to mitigate against the negative effect of dark opportunism. We particularly focus on the role of social capital and its various types and dimensions and we elevate the importance of the collaboration-opportunism paradox.

REFERENCES


