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# AN INTEGRATIVE FRAMEWORK OF BUYER-SUPPLIER NEGATIVE RELATIONSHIP QUALITY AND DYSFUNCTIONAL INTERFIRM CONFLICT

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# AN INTEGRATIVE FRAMEWORK OF BUYER-SUPPLIER NEGATIVE RELATIONSHIP QUALITY AND DYSFUNCTIONAL INTERFIRM CONFLICT

### STRUCTURED ABSTRACT

Purpose: Problems of relationship quality and interfirm conflict in business to business settings are serious concerns that need to be addressed. Thus, the authors have engaged in an extensive review to promote an understanding of these complex issues. This paper develops an integrated framework for analyzing wide-ranging relations between individual representatives and patterns of interfirm incompatibility for managerial control.

Methodology/Approach: The review involves numerous sources that include articles and monographs. A theoretical framework is constructed to integrate fragmented empirical data. In particular, social identity and commitment-trust theories are mobilized for this framework.

Findings: The review of studies has a substantial consistency with the theoretical framework. The paper outlines a causal chain from interpersonal agent dissimilarities to dysfunctional buyer-supplier relations, culminating in interfirm pathological conflict. Moderating factors in the causal chain are: agent identity differentiation (for interpersonal dissimilarity), supplier relations mismanagement (for buyer-supplier relationship quality), and interfirm opportunism (for interfirm pathological conflict). Buyer-supplier interfirm incompatibility mediates the causal link between interpersonal dissimilarity and buyer-supplier relationship quality. Identity differentiation, *the validation of one's self*-image, is introduced as a process that determines buyer-supplier agent interpersonal dissimilarity judgments. This framework employs a contextual perspective. It describes interactions between observations of micro-level phenomena of interpersonal dissimilarities and macro-level models of interfirm fit. From a managerial perspective, interpersonal relations between individual buyer and supplier agents may be further strengthened by such strategies as expanding the scope of the interpersonal relationship, relaxation of role responsibilities, and volunteering business-related contact referrals.

Originality/Value: A new theoretical framework has been devised to predict and explain relationship quality and interfirm pathological conflict in the B to B context. The framework contributes to the value of the knowledge base by serving as a means for building new diagnostic tools for assessment of interfirm behavioral issues affecting exchanges. New concepts are introduced to enhance current literature on B to B marketing. The framework provides concrete indicators that operationally define ideas and enable or improve measurement for empirical modeling.

KEYWORDS supplier compatibility, similarity, relationship quality

# INTERPERSONAL DISSIMILARITY, INTERFIRM INCOMPATIBILITY, BUYER-SUPPLIER NEGATIVE RELATIONSHIP QUALITY AND DYSFUNCTIONAL INTERFIRM CONFLICT: REVIEW AND INTEGRATIVE FRAMEWORK

#### INTRODUCTION

Relationship quality is a construct that represents the overall direction and strength of the buyersupplier relationship, including risk for buyers and sellers (Peterson 1995), relational ties (Palmatier 2008) and intentions to remain within a relationship (Morgan and Hunt 1994). Previous work in the area of relationship quality has primarily focused on positive aspects, with scant attention to the dark side, including negative relations and interfirm dysfunctional conflict. This paper addresses an original perspective with benefits for academics and practitioners by introducing guidelines for reducing uncertainty between buyer-supplier partner actions, avoidance or minimization of dysfunctional conflict, and mechanisms for relationship turnaround that will result in enhanced value co-creation.

In forming greater insight into the causes of relationships' dark sides, relationship partners can take steps toward more effective managerial control. This can be achieved through avoiding mistrust.: a negative relational quality indicator. Since positive relational quality is costly to cultivate but relatively easy to break, firms must identify their antecedents toward disenfranchisement, avoiding dark sides to B2B relationships wherever possible.

To fill this gap, the aim of this work is to develop a new integrative framework of the dark side of buyer-supplier interfirm processes. This framework employs a contextual perspective. For example, it examines buyer-supplier incompatibility at the firm level as a moderating influence on the relationship between interpersonal dissimilarity of buyer-supplier agents and buyer-supplier interorganizational relationship quality.

A major focus of this paper is on interpersonal buyer-supplier dissimilarity and its consequences. In principle, information about similarity adds little to the understanding of dissimilarity and its ramifications. The rationale for the emphasis on the dissimilarity sector of the logical continuum is that, empirically, perceptual and evaluative criteria for personal judgments of similarity and the differential weights associated with these criteria may obfuscate or confound the understanding of qualitatively different criteria employed for judgments of dissimilarity.

The framework describes interactions between observations of micro-level phenomena and macro-level models of interfirm fit along the lines outlined by Cornelissen, Haslam, and Balmer (2007). Buyer-supplier interfirm relationships are clearly sensitive to corporate policies and judgments, especially when such policies are specified and enforced by the firms involved (Cousins & Spekman, 2003; Emberson & Storey, 2006).

In this paper, general principles are explained by which agent interpersonal dissimilarity judgments are evoked, together with consequences of these judgments for buyer-seller organization relationships. Identity differentiation, the validation of one's self-image, is introduced as a process that determines buyer-supplier agent interpersonal dissimilarity judgments.

Next, the basic framework of buyer-supplier interfirm negative relationship quality is formalized. This is followed by an analysis of supplier relationship mismanagement, which is another antecedent to buyer-supplier interfirm negative relationship quality. This framework specifies theoretical causal linkages at work between buyer-supplier agent interpersonal dissimilarity and two negative relational quality indicator variables of supplier distrust. Finally, the linkage between negative relational quality and dysfunctional interfirm conflict is discussed. Researchers have previously examined the interplay of organizational and personal relationships in a given buyer-seller relationship in specific contexts (see for example, Tellefsen and Thomas 2005; Gaur, Herjanto and Bathula 2012). The present framework is an advance in that linkage. It builds on previous work in that it addresses frontiers of knowledge and illuminates a general and context independent pathway bridging micro-level theories of buyer-supplier interactions, status and values, and the broader, macro-level theories concerning interrelationships among buyer and supplier organizations. The article closes with an exposition of conclusions and future research directions.

#### **Buyer-supplier Dissimilarity Processes**

Persons sharing dissimilar characteristics are assumed to hold dissimilar beliefs. This leads to conflicting interaction during exchange of views and attitudes. Conflicting interaction reinforces emotional instability, and offers doubts, uncertainty and questions of validity to their counterparts' views (Berscheid and Walster, 1978; Thibaut and Kelley, 1959; Tedeshi and Lindskold, 1976). Further, disagreeable interaction can bring mutual misunderstanding, while increasing stress and anxiety. The outcome will be more less comfortable and unpleasant relationships (Ellegaard 2012).

Attribute dissimilarity that facilitates mutual misunderstanding is an antecedent of interpersonal unattractiveness (Dwyer, Schurr and Oh, 1987). Disliking brings an unrewarding sense of disrespect and rejection of the unattractive party during interaction. Unattracted individuals are prone to disregard the values of their attractor (Tedeschi and Bonoma, 1972). Value dissimilarity excludes personal elements from the business relationship. Cooperation depends upon interpersonal relations that seek common interests, values, goals, joint decision-making, and interdependence (Cannon et al. 2000; Kraus, 1980)..

Dissimilarity facilitates negative relationship quality to a greater extent under special circumstances. In the presence of negative organizational constraints on partners, repulsion of dissimilar individuals is more likely. Organizational constraints can take many forms that may generate animosity. (Klein, Ettenson and Morris, 1998). Such constraints may include buyer organizational explicit policies antagonistic toward organizations from selected countries of origin, and organizational histories of customer responses to foreign country labeling.

Dissimilarity can also increase transaction costs (Williamson, 1985), by (a) conversing in a different language—intensifying search and information effort, (b) holding dissimilar beliefs from belonging to a dissimilar culture—making bargaining more problematic, and (c) not sharing stories from a similar genre—leading to confusion over enforcement of agreements. Repulsion between individuals will more likely emerge from people sharing dissimilar backgrounds and working practices, since these dissimilarities help to suppress value within relationships (Wilkinson, Freytag and Young, 2005).

#### **Levels of Analysis**

The landmark contribution of the commitment-trust theory by Morgan and Hunt (1994) provides a macro-buyer perspective on interfirm negative relationship quality. A key construct of this theory relies on one business partner's interorganizational trust of the other. Distrust influences the buyer's antipathy to the relationship between the firms. In commitment-trust theory, these focal constructs serve as mediating variables in which exist several antecedents such as communication levels, and several relational process outcomes, including cooperation or conflict and ease or difficulty in decision-making. Conceptually and operationally, all variables in commitment-trust theory and its hypotheses lie exclusively at the inter-organizational level, and more specifically, in buyer and supplier organizations.

The micro buyer perspective presented here refers to the association between an individual buyer or purchasing agent in a client firm and the individual sales representative in a corresponding supplier firm. Lichtenthal and Tellefsen (2001) reviewed studies which examined the dyadic similarities affecting a salesperson's performance. They developed a framework that is supportive of negative sales outcomes of buyer-seller agent interpersonal dissimilarity based on their review.

Commitment-trust theory avoids dyadic relations and agent interpersonal dissimilarity assessments between boundary spanners in the industrial buying context. Lichtenthal and Tellefsen's buyer-seller agent interpersonal similarity or dissimilarity framework is silent about issues of interfirm relationship quality and its organizational level determinants. A framework that spans the two levels is an urgent need for explanation and prediction of buyer-supplier relationships.

#### SOCIAL IDENTITY THEORY AND THE FRAMEWORK

Buyer-supplier relationship quality is based, in large measure, on social identity, or a sense of consciousness of kind and an attitude of social distance. Identity differentiation is the process by which a profile of significant characteristics is used to form a social identity which may be used to locate oneself in an in-group and to separate oneself from out-groups.Mutual identity differentiation between buyers and suppliers determines whether such partners will bond, and the strength of their mutual commitment.

According to Hogg and Terry (2000) social identity processes can be motivated by subjective uncertainty reduction about one's perceptions and behaviors which can confer confidence in what to expect from their social environment. In Social Identity Theory, people are able to judge others according to whether they are prototypical of in-group members, graduating from central to marginal prototypicality, with in-group members more liked than out-group members. Applied to a buyer-seller relationship, a buyer's uncertainty is reduced by preferring clear prototypes that represent in-group acceptability. These prototypes are categorized as sharing common features or values with the buyer, thus constituting an in-group.

When supply needs are complex, reflecting difficulty in evaluating purchases, the buyer will seek a closer relationship with suppliers (Hutt and Speh, 2004: 97). Buyers will seek cues of closeness that inspire confidence and make their task easier. Some cues are negotiating in the same language, or more globally, trading under similar cultural norms such as a shared political or colonial history (Bythe, 2003: 117).

Another reason for studying social identity is its linkage to attraction in buyer-supplier relationships (Harris, O'Malley and Patterson, 2003). Attractiveness maintains voluntary motivation and commitment between buyers and suppliers. Also, it is a consequence of relationship quality, value and dependence (Hald, Cordon, and Vollman, 2009).

. Applying social identity theory, classifications of in-groups and out-groups trace from perceived similarities with self and others determined from previous interaction histories between buyer and supplier—either at the firm, brand, or representative level, or through reputation in the public domain. Perceived similarity can also be inferred from interpersonal behavior, and is associated with liking (Stotland & Canon, 1972).

When two sides hold congruent cognitions, potential conflict is avoided. Since more attention is allocated to culturally congruent information than culturally incongruent information (Hwang, Jung & Haugtvedt, 2006) buyers are more likely to use the former in their evaluations. When one's own culture is assumed the appropriate benchmark for evaluation, this reflects ethnocentrism.<sup>1</sup> Similarity is associated with the sharing of common product or country experiences, norms and values. Accentuating similarity will therefore encourage buyers to evaluate their purchases more positively. The selling benefits of buyer-seller similarity have been noted for some time.

According to Bonoma and Johnson (1978: 215) group and social factors outweigh rational, economic ones for influencing buyer-supplier decisions consequent to interpersonal interaction.

#### Interoganizational Context of Agent Interpersonal Dissimilarity Judgments

Status and values are two particular dimensions of buyer-supplier agent interpersonal similarities (Crosby, Evans, & Cowles, 1990). Status is defined as holding particular societal or organizational rank and position typically by virtue of access to resources, important for predicting expectations of behavior (Solomon, Bamossy and Askegaard, 1999).

Within buyer-supplier relationships, agent status can be determined by levels of experience, expertise, or cultural expectations. In technical markets, expertise conferred may be tacit and strategically invaluable, facilitating the decision-making process (i.e., whether to accept or reject advice of the buyer). Supplier agent seniority within the organizational hierarchy might indicate authority to legitimize specific product benefits offered for consideration by the supplier. Cross-cultural differences between agents can exaggerate status level evaluations of agents. Proxy indicators of status include life stage, age, gender, nationality, race, education, income and cultural distance.

Values are based on enduring beliefs about a preferable state manifested in lifestyle choices (Pollay, 1983). Values provide clues about how agents approach their commercial world on a daily basis (ranging from passion to indifference), and on how they perform (from excellent to poor). Values indicators include: interests, hobbies, political opinions, product usage, product preferences, and work attitudes (Merton & Lazarsfeld, 1982). While status characteristics may be simple and quickly ascertained, values are understood over time through sustained buyer-supplier interactions. Elaboration Likelihood Theory has been used as a paradigm for examining the relative importance of agent interpersonal dissimilarity for buyer-supplier interfirm negative relationship quality (Lichtenthal & Tellefsen, 2001). Status enables peripherally processed inferences about group membership identification. These judgments evoke short-lived effects on interpersonal perceptions and evaluations, as well as on the buyer-supplier relationship. Values, however, are associated with extended and reasoned processing, resulting in stronger, more long-term buyersupplier relationship perceptions and evaluations at the supplier level.

However, Elaboration Likelihood Theory fails to take relationship stages into account. In the formative stages, when the relationship is more fragile, interpersonal dissimilarity founded on agent status will make a greater impact than values agent interpersonal dissimilarity. In later stages, as values become more verifiable, values will overtake status as the key indicator of interpersonal dissimilarity. This is because values are more stable than status as an indicator of dissimilarity, and by implication, values become more appropriate markers of unattraction and future behavioral intentions.

#### **CONCEPTUAL FRAMEWORK**

Morgan and Hunt (1994) discussed the concept of shared values, relevant to agent interorganizational dissimilarity judgments. Shared values are common beliefs about the importance and appropriateness of behaviors, goals, and policies. Dissimilarities in agent interpersonal values may be due to selection of business partners or may transfer from internalization of another party's values, resulting in incongruent attitudes and behaviors.

Dissimilar values are positively associated with in-role behaviors, as well as extra-role behaviors which are not supportive of interfirm exchanges (Kashyap & Sivadas, 2012). In-role

behaviors are based on formally prescribed roles and role requirements. Extra-role behaviors go beyond in-role behaviors and are initiated voluntarily in the interests of the other party.

The extent of cultural agent interpersonal dissimilarity depends on the level of prototypicality or on how a variety of features differ from others within the referent out-group. Gefen and Straub (2001) found that client attitudes toward software vendors could be attributed to generalized perceptions of cultural agent interpersonal dissimilarity. This example shows that culture can permeate both interpersonal and interorganizational levels.

Sheth (1976) theorized that the quality of buyer-seller interactions is be a function of interpersonal dissimilarity and incompatibility between buyer and the seller organizations. Later, Kale and Barnes (1992) and Lichtenthal and Tellefsen (2001) argued that, following an appraisal of both the buyer and the supplier as individuals with a diverse range of attributes, an assessment should be made to identify and understand the dimensions on which the individuals are either similar or dissimilar, and to make actual buyer-seller dissimilarity assessments. Buyer-supplier distrust predisposes antagonism and dysfunctional conflict.

Figure 1 summarizes the system of agent interpersonal dissimilarity, buyer-supplier interfirm incompatibility, relationship mismanagement in buyer-supplier interfirm negative relationship quality and interfirm conflict. Propositions that reflect the system are shown below:

Note that the direction of each proposed relationship is such that it directly or indirectly presupposes increased negativity of relationship quality or states of conflict. The sections that follow elaborate the characteristics of the model.

# **INSERT FIGURE 1**

\_\_\_\_\_

#### **Identity Differentiation**

Identity differentiation exists when the meanings of behavior are consistent with those of the identity standard. Individuals will create a supportive verification context since they are motivated to verify self-views (Burke & Stets, 1999). This enables identity differentiation feedback and increases predictability from others to self-identity. Identity differentiation is premised on principles of social comparison and social categorization. Under these notions, organizations and individuals perceived as in-groups, as well as groups with congruent identities, are preferred over out-groups (Swann, Jetten, Gomez, Whitehouse, & Bastian, 2012). Classifications of in-groups and out-groups affect perceived similarities from previous interaction histories between individual buyers and suppliers. Perceived agent interpersonal dissimilarity can also be inferred independently from interpersonal behavior (Stotland & Canon, 1972).

Distinctive standards for agent interpersonal dissimilarity judgments are salient in the identity differentiation stage. These standards place a positive value on the attributes ascribed to one's own group, including status and values which differentiate group members from outsiders (Blau, 1964). These standards govern orientations to parties in social relationships.

The use of distinctive standards in buyer-supplier interpersonal relations reinforces group identity and strengthens group cohesion. This enables bonding of social attraction and friendly relations between the parties. Based on the explanation that interpersonal dissimilarity is comprised of cultural and value differences, it could be argued that dual causation exists: interpersonal dissimilarity leads to agent-identity differentiation and agent-identity differentiation leads to interpersonal dissimilarity. Thus, it is reasonable to suggest: P1: Identity differentiation generates perceptions of interpersonal dissimilarity

P2: Interpersonal dissimilarity generates negative interfirm relationship quality

#### **Buyer-Supplier Interfirm Incompatibility**

Interfirm incompatibility is defined as a state wherein two firms cannot achieve a sense of unity, and do not mutually work for the well being of the partner firm. Interfirm incompatibility consists of two dimensions based on: (1) societal culture, and (2) organizational culture. The former involves failures of communications and procedural frustrations. The latter involves the mismatch of managerial philosophies and sophistication between the firms.

Luo (2001) argues that increased cultural differences reduce the ability of boundary spanners to form personal attachments. Societal culture involves the system of ideas and social norms associated with institutions that represent a society's social structure. Organizational culture is a set of shared beliefs about the organization's purpose, how it generally behaves, and for what it stands, all in regards to facilitating business norms (Beugelsdijk, Koen, & Noorderhaven, 2009). Table 1 defines and describes constructs involved in buyer-supplier interfirm incompatibility. Societal culture and organizational culture are operationalized as multidimensional constructs.

# 10.1 Societal Culture

Societal culture is comprised of three dimensions, namely communication sources and openness (Jean, Sincovics, & Kim, 2010; Griffith, 2002), psychic distance (Johanson & Wildersheim-Paul, 1975; Conway & Swift, 2000), political distance and temporal orientation (Parkhe, 1993).

Table 1. Buyer-Supplier Interfirm Incompatibility Constructs

Conintal	Communication	Courses employed to	(Criffith 2002, Icon at
Societal		Sources employed to	(Griffith, 2002; Jean et
Culture	openness	gain and share	al. 2010)
		information	
	Communication		Hall (1976)
	source		
	Psychic distance	Comfort with	(Conway & Swift,
		specific cultural	2000; Johanson &
		contacts	Widersheim-Paul,
			1975)
	Political distance	Assessment of	(Roy and Sivakumar,
		political barriers	2007)
	Temporal	Expectations of task	(Parkhe, 1993)
	orientation	performance, pace	(1 arkie, 1993)
	onentation	and completion	
Organizational	Quality standarda	L	(Donthy & Voc. 1009)
Organizational	Quality standards	Acceptance levels of	(Donthu & Yoo, 1998; Malhatra et al. 2005;
Culture		service and product	Malhotra et al. 2005;
		quality	Verlegh et al. 1999)
		Under-investment in	Porter, 1990; Smaoui,
		technology	2003
	Risk tolerance	Avoidance of	(Kale & Barnes, 1992;
		uncertainty in	Singh, 1990)
		decision-making	
	Managerial	Knowledge and	(Filatotchev et al. 1996;
	capabilities	mindset for effective	Lyles & Baird, 1994;
	-	partnering	Trimarchi et al. 2010)
	Geographic	Common	(Peterson, 2011)
	proximity	understanding of	
	r	cultural context	
		Cartara Content	
	Cultural capital	Cultural fluency and	(Lane & Bachmann,
	Cultural Suplia	knowledge with	1996; Oyserman, 2011)
		exposure to cultural	1770, Oyserman, 2011)
		-	
		diversity.	

# **Organizational Culture**

Organizational culture is operationalized with four dimensions, namely product quality standards (Donthu & Yoo, 1998; Lane and Bachmann 1996; Malhotra, Ulgado, Agarwal, Shainesh, & Wu, 2005; Porter, 1990; Smaoui, 2003; Trimarchi, Liesch and Tamaschke, 2010; Verlegh,

Steenkamp, & Jan-Benedict, 1999; ), risk tolerance (Kale & Barnes, 1992; Singh, 1990), managerial capabilities (Filatotchev, Hoskisson, Buck, & Wright, 1996; Lyles & Baird, 1994; Trimarchi **et al. 2010**), cultural capital (Lane & Bachmann, 1996; Oyserman, 2011) and geographic proximity (Peterson, 2011).

#### **Interfirm Power Imbalance**

An interfirm power imbalance, the ability of a firm to assert its will over another firm, is caused by economic disparities between firms. Factors affecting such economic disparities are: relative size of partner firms, and the level of business dependence upon the relational partner. In the latter case, dependence may be attributable to the proportion of the organization's revenue or profit that is dependent upon that particular partner.

# Moderating Effects of Buyer-Supplier Incompatibility on Connection Between Agent Interpersonal Dissimilarity and Negative Interfirm Relationship Quality

Agent interpersonal dissimilarity between partners will help induce dissensus and reluctance to share information. As a result, perceived agent interpersonal dissimilarity contributes to interfirm distrust. In turn, distrust and communication failure foster business climates conducive to partner conflict (Insko, Kirchner, Pinter, Efaw, & Wildschut, 2005).

Interfirm relationship incompatibility moderates the impact of interpersonal agent dissimilarity of status and values on the relational factors of interfirm distrust. This is mainly because identity differentiation is conditional on (a) identification with one's own organization, (b) affecting interpersonal agent dissimilarity judgments, and (c) whether supplier relationship mismanagement is responsive to interfirm incompatibility in buyer-seller transfer of values, attitudes, and knowledge.

Given incompatibility between buyer and seller firms, dissimilar statuses between buying agent and sellers decreases the prospects of securing common interests and experiences,

increases recognition of dissimilarities between parties, discourages openness in negotiating and co-created decision-making, and weakens relational ties, introducing the interfirm distrust. In the event that there are major perceived corporate level incompatibility differences between buyers and suppliers, partner intentions and capabilities may be ambiguous. This will diminish relational benefits. Glaring differences in national and corporate cultures may present conflicting and incompatible buying and selling protocols, as well as ethical incongruities. Additionally, language differences may inhibit the flow of information and limit the pursuit of close relationships (Cunningham, 1982, p. 363-364). When corresponding expectations based on interfirm incompatibility are divergent, distrust will lead to misalignment and negative relations between partners (Zaheer & Zaheer, 2006). This misalignment will impose detrimental effects on interfirm relations. Thus, it is reasonable to suggest:

P3: Interfirm incompatibility moderates relations between identity differentiation and interpersonal similarity.

### **Supplier Relationship Mismanagement**

Supplier relationship mismanagement involves indifference to the value of close relations and establishing a unity of purpose. Failure of relationship management is attributable to insufficient relationship investment, relational indifference and low relational visibility (Smith, 1998). That is to say, effort to improve buyer-supplier relations (making relationship investments) is insufficient. Additionally, relationship partners are inattentive and uncaring (exhibiting relational indifference) about the business problems of the other organization. Finally, there are problems of transparency (or relational visibility) of buyer and supplier activities.

#### Supplier Relationship Mismanagement and Negative Interfirm Relationship Quality

Relationship mismanagement intensifies the effects of buyer-supplier agent interpersonal dissimilarity and interfirm relationship quality. We define negative interfirm relationship quality as negative relational factors represented by mistrust and alienation with an exchange partner. Agent interpersonal dissimilarity degrades the quality of buyer-supplier interactions through less comfortable information exchange, individual problem solving, and difficulty of conflict resolution, because divergent values among dissimilar actors promotes misunderstanding and hardens other differences. Suppliers feel disenfranchised when relationship management efforts make them (a) feel they are unfairly rewarded for their efforts, (b) buyers are not reciprocating in sharing work responsibilities, and (c) not all parties are sharing important objectives (Cordon & Vollman, 2008, p. 110).

Cordon and Vollman offer the following observations about buyer and supplier perceptions:

"Perceptions are what really matter in collaboration, so let this be a key part in how you evaluate the results. In the end, it is the opinions of individuals that matter, and you need be continually on the lookout for bad stories, as well as for complacency. In order to truly achieve the power of two, it is critical for the personnel in both customer and supplier firms to remain passionate and committed to enhancing the relationship." (2008, p. 42). Thus, it is reasonable to suggest:

P4: Supplier relations mismanagement generates negative interfirm relationship quality

#### **Buyer-Supplier Distrust as Part of Negative Relationship Quality**

Perceived dissimilarity between buyer and supplier promotes distrust (Dwyer, Schurr and Oh, 1987). It facilitates the confirmation of conflicting identities. When different identities are

confirmed between parties, they become more distrusting of one another and desire to discontinue their business relationship (Burke & Stets, 2009). Distrust is widely considered to involve two components: a cognitive element and a behavioral element (Wright & Tedeschi, 1975). Interfirm buyer-supplier relations involve both competence distrust and contractual distrust, or integrity. Davies, Lassar, Manolis, Prince, and Winsor (2011) demonstrate the distinct impacts of both of these types of distrust in interfirm associations.

Since distrust can also develop interpersonally through experience, limited and incompatible communication between buyers and suppliers reduces the window of opportunity for assessing partners' intentions, and competencies. This restricts the conditions for cultivating distrust (Doney, Cannon, & Mullen, 1998).

#### Interfirm Opportunism

Interfirm opportunism is defined as self-interest seeking with guile (Williamson, 1975). Examples of such opportunism include: stealing, cheating, dishonesty, falsification of data, cutting corners, cover-ups and deception. In their research synthesis (Hawkins, et al, 2008) antecedents to opportunism were identified: (1) dependence, where rewards of the relationship are unavailable elsewhere, (2) formalization, involving systematic efforts directed at administrative control of exchange members, (3) relational norms, or shared expectations between interacting exchange partners and (4) uncertainty, based on information inadequacy, outcomes unpredictability and diffidence (Lee, 1998). In summarizing their research review (Hawkins, et al, 2008), opportunism is rarely the key focus of empirical research and research in this area should be a priority.

# Interfirm Opportunism and Interfirm Pathological Conflict

Pathological conflict between firms involves hostility, suspicion, lack of transparency,

and general lack of cooperation. Perceptions of opportunistic behavior in the buyer supplier relationship may be expected to lead to interfirm pathological conflict. Theory and research support this argument (Morgan and Hunt, 1994). Indeed, a study of electronic reverse auctions involving suppliers found a significant direct positive link between supplier opportunism and dysfunctional conflict (Carter and Kaufman, 2007). Finally, cooperation between buyers and suppliers has been demonstrated to deteriorate when preceded by opportunism (Dahlstrom and Nygaard, 1999). Thus, it is reasonable to suggest:

P5: Interfirm opportunism generates interfirm pathological conflict

# Interpersonal Dissimilarity of Buyer-Supplier Agents

The importance of a group identity may vary according to context (Roccas & Brewer, 2002). In regards to buyers and suppliers, this might vary according to the representatives of the buying team or sales team. When several categorizations are obvious, such as an instance in which categorized vendors are both members of Asian-speaking and English-speaking cultures, an additive pattern of evaluating them based on their multiple group memberships is expected (Brown & Turner, 1979). Professional buyers with conservative values will be less tolerant of complex identities and more likely to accept prevailing norms. Those with more experiential values may be more willing to adapt to changes from the status quo.

Perceptions of agent interpersonal dissimilarity create intergroup attitudes and in-group favoritism. Based on considerations of categorization and motivation, these perceptual comparisons of similarities and differences carry self-evaluative benefits of being identified as a member of a positively valued group.From the buyer agent's point of view, perceptions of agent interpersonal dissimilarity involve the degree of incongruence of the agent's lifestyle values with supplier representatives. These personal characteristics of inter-organizational contacts may then affect perceptions and attitudes about the overall organization.

Values and attitudes can be inferred from personal characteristics. Individuals can identify with their own occupational fields through strong values that regulate the conduct of trades and can signal cues of competency, etiquette, and integrity, through training and qualifications (Zucker 1986). Buyers and suppliers trained in different business functions can suffer from blind spots from their specialized cognitive frames (Hitt et al. 1999: 150), and exhibit fundamental differences in beliefs about their respective functions (Dewsnap and Jobber 2000, Beverland, Steel and Dapiran 2006). Perceptual differences in values restrict integration (De Long and Fahey 2000), impede communication between professionals, and restrict the scope for cooperation (Beverland et al. 2006; Hitt et al. 1999).

Status comparisons, such as by age, education, gender, and socio-economic background can facilitate perceptions of agent interpersonal dissimilarity. Such similarities or differences can then be expected to positively or negatively impact interfirm relationship quality between business organizations (Cheung, Myers, & Mentzer, 2011).

## Negative Buyer-Supplier Relationship Quality and Interfirm Dysfunctional Conflict

Negative effects of dysfunctional buyer-supplier conflict can be destructive. Dysfunctional conflict has as its roots the indirect effect of interpersonal dissimilarity and the direct effect of negative relationship quality. Interpersonal sources of conflict tracing to dissimilarities may be substantive, personalized, or the result of miscommunication. Working with dissimilar partners creates distrust at both personal and organizational levels. Distrust, in turn, motivates the exercise of coercive power which leads to conflict (Lui et al 2005). Negative buyer-supplier relationships are a source of tensions between firms. Tensions may be evoked on behavioral, structural and psychological levels (Fang et al 2011). Conflict based on negative relations between firms involve more players, as well as complex issues and controversy which, if unattended, can escalate out of control.

Interfirm conflict may result from differing goals, roles of respective organizations and perceptions of realities regarding relationships. (Rosenberg and Stern 1970). Power and its manner of utilization will also generate dysfunctional conflict (Gaski 1984; Zhou et al 2007)). Finally, dysfunctional conflict leads to opportunistic behavior (Winsor et al 2012). Excessive dysfunctional conflict may result in the dissipation of resources or lead to the dissolution of relationships.

Thus, it is reasonable to suggest:

P6: negative interfirm relationship quality generates interfirm pathological conflict

## **CONCEPTUAL FRAMEWORK REVISITED**

The conceptual framework of buyer-supplier interfirm relationship negativity integrates elements from both dissimilarity at the interpersonal agent level with incompatibility at the interfirm level, and how all of this impacts on interfirm relationship quality. The conceptual scheme invites further inquiry into theory verification. Variables will be salient and buried as error terms.

The dual emphasis on the dark side of buyer supplier relationships and dysfunctional conflicts involving interacting individual agents and interorganizational dynamics is reminiscent of the Webster and Wind general model (1972)—which focused on variables influencing organizational buying decisions. Variables in that model focused on both task and non-task functions affecting buying decisions. Buying tasks are directly related to a buying problem, while those that extend beyond the buying problem are non-task variables. The Webster and

Wind model also has micro (individual and social) and macro (organizational and environmental) foci. Interestingly, this early theoretical sketch of examples of non-task variables at several levels of analysis, although rudimentary and limited to buying decisions, is consistent with the integrated framework of buyer-seller relationships and dysfunctional conflict in this paper.

Beginning with the interfirm level, it is important to understand that some perceptions of agent interpersonal dissimilarity will lead to uncooperative behavior. Under our framework, the agent interpersonal dissimilarity-negative relations link is based on dyadic differences in value and status as perceptual cues. Negative buyer-seller relationships are evidenced by distrust. Interfirm incompatibility moderates the interpersonal dissimilarity-negative relations link. If members of a buying-selling dyad hold dissimilar intentions for short-term goals because of their national identities and culture, they are unlikely to conform to relational norms associated with more committed relationships. Over time, future relationships within the dyad will be directed by the nature of and implications of the type of agent interpersonal dissimilarity and its impact on values and norms, and not purely by the extent of or degree of interpersonal dissimilarity.

# **DIRECTIONS FOR FUTURE RESEARCH**

The objective of the present study was to develop a conceptual framework of relationship quality in the buyer-supplier context. The framework models mechanisms of agent interpersonal dissimilarity, interfirm incompatibility and relationship mismanagement to arguably the two most critical relational factors of interfirm relationship quality: distrust.

Interpersonal dissimilarity, interfirm incompatibility, and buyer-supplier relationship quality are central concepts in business-to-business academic research and practice. We

examined the extensive literature on these concepts and build an integrated multidisciplinary framework. Contributions of this work include:

- development of an integrated framework that unifies the multidisciplinary literature on major factors affecting buyer-supplier relationship quality (see Figure 1),
- provision of directions for application of our integrated framework to future theory and research in this area,
- presentation of new insights to practitioners seeking to enhance buyer-supplier relationship quality,
- explanation of how agent dissimilarity perceptions are formed, especially when multiple identities are concerned,
- linkage of agent identity differentiation processes to buyer-supplier organizational relations,
- generation of a broader view of micro-level and macro-level variables affecting buyer-supplier relationship quality.

Based on existing literature, the integrated framework of buyer-supplier relationship quality presented here sows the seeds for researchers and managers to develop a more comprehensive understanding of buyer-supplier relationship quality.

Interfirm relationship quality at its best functions to reduce complexity of procurement decisions, offers organizational legitimacy, and contributes toward cooperative sentiments and behaviors between parties.

Theoretically-driven propositions cannot be verified without concepts that are rigorously measured. Further research is required in order to develop measures of buyer and supplier agent interpersonal dissimilarity in an operationally-relevant manner. Once such measures are

available, future research can test (a) how the salience of agent interpersonal dissimilarity impacts buyers and suppliers over varying types of relationship conditions, (b) the effects of agent interpersonal dissimilarity on negative buyer-supplier relations over various stages of relationship development, and finally, and (c) whether particular aspects of agent interpersonal dissimilarity become more salient in particular industries. The relationships explored in future research may or may not be linear, and consideration should be given to higher order moment modeling, beyond mean and covariance structure approaches. For example, Singh and Teoh (1999) argue from their research finding that dissimilar attitudes carry greater weight than similar attitudes in determination of interpersonal attractiveness that the relationship between similar attitudes and attraction is nonlinear.

To unravel causes of relational negativity, researchers partners may seek information from buyers' supplier counterparts about dissimilar managerial behavior that can reflect dissimilar values and norms.

#### IMPLICATIONS FOR BUSINESS MARKETING PRACTICE

In general, conduct between buyers and suppliers are less harmonious and relational when the interacting parties are dissimilar compared to partners considered similar. When perceived as dissimilar, relations are distant due to mutual misunderstandings of partners' roles. When perceived as dissimilar, with behavioral transparency compromised, relations are likely to be more distant with uncertain paths. Buyer perceptions of counterpart agent dissimilarity encourage the deliberate calculation of undesirable dyadic partner actions. In turn, this lessens comfort levels of working relationships, and nurtures negative sentiments associated with outgroup mentalities. Conflict under psychologically distant relations tends to be strategically dysfunctional and promotes the dark of relationships. Thus, conflict in more distant psychological relations will invite resentment, disparaging remarks, or antagonistic behavior. Dysfunctional conflict should be expeditiously and skillfully managed, since it may lead to polarization of positions, restricted flow of information, demoralization, inaccurate decision-making, misuse of resources and lowered productivity.

The mismatch of personal contacts between organizations can include incongruence of age, gender, education, and income.

How social identity shapes relationships will also have a bearing on how relational outcomes of distrust may evolve. In the absence of relationship extensive experience, categorization leads to distrust in a cognitively and institutionally based process. As first-hand interpersonal experience grows between partners, reliance on dissimilar categorization will be gradually diminished by relationship processes. This will lead to process-based distrust.

The importance of categorization will re-emerge under uncertain conditions, such as market turbulence or technological revolution. The rationale for reliance on categorization under uncertainty includes the need for legitimacy under imperfect market information, the need to seek comfort in familiarity, and the subconscious tendency to desire what is believed known as opposed to what is unknown. However, using categorization to classify in-groups depends on the classification criteria. Judgments about partners are more confidently ascertained from first-hand experience.

Agent dissimilarity between buyers and suppliers relies on cues drawn from contact persons, organizational cultures, and societal institutions. Incompatibility of buyer-supplier organizations can be assessed on levels of economic development, attitudes toward risk, managerial capabilities and cultural diversity. The fit between societies can be assessed on basis of psychic distance, communication, and temporal orientations, driven by similar political systems and cultural values.

Interpersonal dissimilarity can be a problem, but may represent an opportunity as well. This is because (a) the perception of interpersonal dissimilarity may be confined to perceptual observations and remain irrelevant for interpersonal attitudes and evaluations and (b) dissimilarities that reflect positive abilities will carry more weight than negative counterparts (Jetten and Spears, 2003; Singh and Teoh, 1999). Thus, diversity orientation may inoculate agents against projecting stereotypes from dissimilarities. Additionally, company cultures in addressing interpersonal dissimilarities might prioritize agent competence and intellectuality over sociability concerns in buyer-supplier relationships.

#### Strategies for Buyer-supplier Interpersonal Relationship Building

Following from the principle of identity differentiation between individual buyer and supplier agents, interpersonal relations may be further strengthened by such strategies as expanding the scope of the interpersonal relationship, relaxation of role responsibilities, and volunteering business-related contact referrals.

The scope of interpersonal relationships may be expanded well beyond transactional experiences. Buyer and supplier agents may break bread together, exchange gifts, jointly attend professional meetings and spectator events. Buyers may wish to gently bend company rules to accommodate transaction requirements when this is supportive of the buyer-supplier interpersonal relationship. Referrals may be given to other sources of business for the supplier agent—internally or externally to the company.

Inevitably, conflict between buyers and suppliers will occur directly or indirectly from the conduct of interpersonal relationships. Several principles for maintaining positive relationships under conflict conditions emerge from the framework presented in this paper. Relationship mismanagement. Agreement to share responsibilities between partners will reduce conflict intensity. Assignment of tasks that require cooperation from each partner works well. The negative consequences of dissimilarities will be minimized when a "we" or team perspective is the norm. Another important principle to break down dissimilarity barriers is to employ listening skills. By listening, interfirm contacts are increased. This is because listening promotes quick access, bringing parties together to build relationships. In the end, listening is an investment in the relationship.

#### Interfirm Incompatibility.

Untangle the focus of communications from the people to the problems of coordination. One technique for getting this done is to engage parties in role reversal, whereby each plays the other's part for some duration. This creates a peaceful environment, open to the unfettered flow of information. In turn, this will reduce the swings of relationship quality.

# **Negative Relationship Quality**

In order to strengthen commitment to the relationship, a moratorium on conflict may be declared. This is a valuable tool since it provides time to reassess positions. It provides an opportunity to evaluate the long-term impact of relationship quality on joint operations. Building trust and rapport may be seen as an emotional bank account. Confrontations will be more friendly and less accusatory or challenging. The aim is to immunize parties to handle future conflicts in a functional, rather than dysfunctional manner.

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Figure 1. THE DARK SIDE OF BUYER-SUPPLIER RELATIONSHIPS AND PATHOLOGICAL CONFLICT: AN INTEGRATIVE FRAMEWORK

