Industrial Marketing Management 48 (2015) 149–159

Contents lists available at ScienceDirect

Industrial Marketing Management

Power symmetry and the development of trust in interdependent relationships: The mediating role of goal congruence☆

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ARTICLE INFO

Article history:
Received 2 December 2013
Received in revised form 14 October 2014
Accepted 14 November 2014
Available online 26 March 2015

Keywords:
Power
Trust
Cooperation
Business-to-business relationships

ABSTRACT

Power in business-to-business relationships has been a core theme in industrial marketing research. However, diverging approaches have been used to study power resulting in inconsistent empirical findings. In this paper we explore the complexities of establishing, nurturing and sustaining cooperative relations, investigating the interplay between power symmetry, trust and goal congruence. We draw on the narrative approach in research to understand interorganizational relationships as shared meanings and how these evolve over time. We study two cases where organizations seek to achieve seamless interorganizational relationships but find themselves engaged in rather antagonistic or unpredictable positions. We show how goal congruence mediates the relationship between power symmetry or asymmetry, and the respective development of trust within organizational structures, processes and formal roles. We make a contribution to business-to-business marketing literature by showing that goal congruence becomes a prerequisite for the development of trust, irrespective of whether symmetrical power dependence predominates. We discuss how this novel insight may inform the strategies for developing interorganizational relationship in practice.

1. Introduction

Power is a central issue in business-to-business relationships. However, it has received differing consideration, resulting in inconclusive evidence within the industrial marketing field (Hingley, 2005a, 2005b). Power is ubiquitous in business relationships regardless of whether the parties involved use it in the pursuit of their respective aims. Ultimately, power derives from the dependence of the parties on each other (Emerson, 1962). The role of power in fostering or hindering cooperative business relationships is still insufficiently understood and on occasion confused with other constructs such as trust (Dapiran & Hogarth-Scott, 2003). Despite the numerous benefits cooperation may bring about in business, cooperation is complex and involves a number of risks (Vlaar, Van Den Bosch, & Volberda, 2007a). Particularly problematic have been relationships where power asymmetry exists between partner organizations (Dwyer, Schurr, & Oh, 1987; Johnsen & Ford, 2008), which in earlier research has largely been shown to lead to low development of trust. Trust emerges when one partner has confidence in an exchange partner's reliability and integrity and this increases the commitment to their relationship (Morgan & Hunt, 1994). In cooperative relationships it is expected that symmetry in power would foster the development of well-trusted relationships, whereas in asymmetrical power relationships the opposite would occur. These assumptions do not necessarily hold true as revealed by the case studies reported in this article.

In this study, we present two paradoxical cases where power symmetry influences the development of cooperation and organizational trust in a manner opposite to what earlier research would have predicted (Anderson & Weitz, 1989; Hingley, 2005b). Under asymmetric relationships, it has been found that the development of trust is constrained (Lusch & Brown, 1996). However, whether an asymmetric relationship could develop into a trusted and well-motivated one remains an unanswered question. The exploration of the two cases and the search for a possible solution explaining paradoxical findings revealed that the goal congruence between the partners may have an important role as being a mediator in the relationship between power and trust. With regard to goal congruence, we refer to the extent to which firms perceive the possibility of achieving compatible, if not identical, objectives (Jap & Anderson, 2003). We sought to explore this argument further by addressing the research question: 'How does goal congruence mediate the interplay between power symmetry and trust in an interorganizational relationship?'

This study is based on the analysis of the relationships of two of large business dyads. The first, the retail case, refers to a leading retail

☆ The authors would like to thank Mark Jenkins (Cranfield School of Management) and three anonymous reviewers for their helpful comments to earlier versions of this article.
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http://dx.doi.org/10.1016/j.indmarman.2015.03.015
0019-8501/

corporation (hereafter the Retail Corporation) with its network of hypermarket and supermarket outlets (hereafter the Outlets). The second case, the aerospace case, consists of an Aerospace Company (hereafter the Aerospace Company) and one of its key suppliers. Both cases were selected based on their revelatory nature and theoretical interest as explained in the Approach and methods section. The authors found that power symmetry and asymmetry influenced trust development in a counterintuitive way and that goal congruence had an effect on this interaction. The asymmetrical power created by the chain model introduced by the Retail Corporation developed into a trusted relationship between the Retail Corporation itself and the Outlets. Conversely, the Aerospace Company and the key supplier whose relationship was characterized by a symmetric power balance and strong willingness to cooperate became fundamentally antagonistic with a low degree of trust. The cases were selected based on their similarity on the following points: Both cases refer to collaborative business-to-business relationships with a high degree of interdependence that makes the cases comparable. The theoretical phenomenon of interest in both cases is analogous, with the evolution of power dynamics from a position of asymmetry to symmetry in one case and from a position of symmetry to asymmetry in the other. The partners in both cases are independent and contract-based and none of them were vertically integrated. Hence, the case selection was theory based and not driven by intent to generalize to any specific industry.

In this article, we make a contribution to the literature by extending current research into power in business relationships showing the potential detrimental effects of power balance on cooperative business relationships. It has been suggested that asymmetrical power relations could be used as an effective tool in coordinating relationships and in resolving conflicts (Bachmann, 2001). Alternative views claim that fostering long-term relationships requires a high degree of symmetry (Lusch & Brown, 1996). Our study offers a wider perspective showing that goal congruence becomes a prerequisite for the development of trusted relationships irrespective of whether a symmetrical power balance predominates.

We highlight that central to the continuation of the relationship is the extent to which structural changes in power, trust and goal congruence are shared and accepted between organizational members. Overall, we contribute to the field by arguing that if goal congruence does not develop within the cooperation, then power symmetry will not foster the creation of trusted relationships. Furthermore, we assert that if goal congruence becomes shared among the parties, the relationship may develop into a trusted one even under power asymmetry.

In the remainder of the article, we first outline the key dimensions of power symmetry, trust development and goal congruence in organizational cooperation, followed by a methodology section that includes a detailed description of the cases. We then present the data collection and data analysis procedures before reporting the main findings. Later in the discussion, plausible explanations are offered for the counterintuitive interplay between power symmetry and trust found in the cases. We conclude with suggestions for further research and implications for managers.

2. Theoretical positioning

2.1. Power in interorganizational relationships

Power has been recognized as a core theme in understanding business to business relationships (Hingley, 2005a) and in particular in explaining the dynamics of buyer–supplier interactions (Kumar, 2005; Leonidou, Talias, & Leonidou, 2008; Meehan & Wright, 2012). Power provides a fundamental basis for interorganizational relationships (Harrigan & Newman, 1990) and is a multifaceted construct that often manifests in coercive and non-coercive terms. A classic view of power can be conceptualized as the way in which certain actions may configure the possible actions of others (Foucault, 1982). In the context of our study, the actions of one (powerful) party influence the nature of the responses of the other party. How one party exercises power contributes to creating frames of reference that shape how the relationship functions. Frames of reference such as culture, schemata and values act as informal interorganizational governance systems, complementing formal ones (Pilbeam, Alvarez, & Wilson, 2012).

Sources of power within interorganizational relations are varied and multidimensional. Bargaining power, for instance, is influenced by the benefits and costs of cooperating, the resources contributed, and the extent to which there is a need for cooperation and the alternatives to it (Harrigan & Newman, 1990). These resources, whether tangible assets or intangible inter-connections between actors, provide structural power that can transcend the interorganizational relationships and affect value nets (Kähkönen & Virolainen, 2011).

Meehan and Wright (2012) provide a set of factors contributing to power in buyer–seller relationships, grouped into three dimensions: organizational, individual and relational. Organizational factors are related to the market environment (including the degree of competition and brand awareness), as well as the attractiveness, such as the dependency and strength of the buyer–seller relationship. Individual factors that contribute to power include the skills, knowledge and profile of the persons involved in the dyadic relationship. The relational dimension is characterized by a focus on the interaction and on the outcomes.

Our study is contextualized in two cases of highly interdependent relationships (Lai, 2009; Turner, Hartley, LeMay, & Wood, 2000). Earlier research suggests that interdependence is based on resources which the partners possess and can be understood as investments that have an important impact on the costs of the future transactions between them (Ford & Mcdowell, 1999; Turnbull, Ford, & Cunningham, 1996). The understanding of the interaction of managers across organizational functions from both sides of a relationship is paramount in grasping relationship dynamics, and the opportunity to influence and access the other party's resources, initiatives and innovations (Håkansson & Ford, 2002). The relationship between interdependence and power is an important one. Caniëls and Gelderman (2007) show that even in strategic supplier–customer relationships (Kraljic, 1983) symmetric power positions cannot be assumed. Suppliers may use power when they occupy a dominant position due to the high complexity of the supply market and/or high importance of the purchase. Existing research suggests that asymmetry in power is likely to lead to differences in value appropriation and to lower the trust between the partners (Huxham & Beech, 2008). Conversely, it is believed that equality is likely to foster the development of symmetrical, well-functioning and trusted relationships (Anderson & Weitz, 1989; García-Canal, Valdés-Llaneza, & Ariño, 2003).

2.2. Trust in interorganizational relationships

The interplay between power and trust is a well-established phenomenon in interorganizational relationships, such as buyer–seller exchanges (Terpend & Ashenbaum, 2012). Power and trust can act in complementary ways to provide a foundation to address some of the risks and uncertainties that characterize complex interorganizational relationships. Although trust-based collaboration is described as being fairly risky (Carson, Madhok, & Wu, 2006), it may be a real option for leveraging the resources which are necessary for achieving a competitive advantage (Bijlsma-Frankema & Costa, 2005; McEvily, Perrone, & Zaheer, 2003). Trust has been shown to create, develop and maintain positive interpretations of the partner's behavior, that are conducive to achieving organizational outcomes, such as cooperation and higher performance (McEvily et al., 2003). The institutional frameworks that operate within particular business environments influence the relationship between power and trust, leading to the emergence of two patterns of relationship development (Bachmann, 2001): first, an inter-personal level one, where either trust or power dominates the relationship; second, one which exists between organizations, where power occurs at the level of the structural framework of relationships enabling the