Journal of Business Research xxx (2017) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

Benevolent dictatorship and buyer-supplier exchange☆

Qiong Wang [a,*], Sandy Jap [b]

[a] Price College of Business, University of Oklahoma, Norman, OK 73069, United States
[b] Goizueta Business School, Emory University, Atlanta, GA 30322-2710, United States

ARTICLE INFO

Article history:
Received 1 August 2015
Received in revised form 1 September 2016
Accepted 1 December 2016
Available online xxxx

Keywords:
Asymmetric power
Benevolence
Buyer-supplier relationships

ABSTRACT

In this research, we identify and advance the concept of benevolence as a key social exchange mechanism in buyer-supplier exchange. Specifically, we (1) advance a theoretical model of benevolence to include affective, calculative, and normative dimensions, (2) highlight specific actions and resources that a focal firm uses to promote the perception of benevolence, including concessions, idiosyncratic investments, and reputation, and (3) identify how these perceptions, mediated by its own rising commitment to the exchange, impact the focal firm's economic response (i.e., concessions and idiosyncratic investments). In particular, we explore the possibility of "benevolent dictators" in exchanges marked by power asymmetry. Our model and conclusions are drawn from the confidential reports of over 500 informants at the boundaries of firms across multiple industries. Our results demonstrate the differential effects of a partner firm's actions and reputation on the three forms of benevolence and find evidence for how powerful partner firms can signal their benevolence to weaker firms through the use of concessions, dedicated investments and marketplace reputation. Moreover, we show that the responses of the partner firm to the focal firm's benevolence are not simply a reciprocation of the focal firm's actions, but are instead mediated through the enhanced commitment of the focal firm with implications for theory and management practice.

1. Introduction

In marketing, there is vast literature on the nature and management of asymmetrical power relationships between firms. The prevailing assumption in this literature is that such relationships are inherently unstable because the powerful party is unconstrained in its opportunism toward the weaker party (Anderson & Weitz, 1989; Bleeke & Ernst, 1991; Buchanan, 1992; Dwyer, Schurr, & Oh, 1987; Frazier, Grill, & Kale, 1989; Stern & Reve, 1980). This tendency creates conflict and a desire on the part of the weaker party to manage its dependence by counter "balancing," or making offsetting unique investments that mitigate the other party's power and influence (Brown, Lusch, & Muehling, 1983; Emerson, 1962; Heide & John, 1988). Thus, it seems that the weaker party in exchange is a type of hostage, inevitably bound to the more powerful party, and doing its best to tolerate these circumstances (albeit unhappily). An alternative reality, yet to be explored, is that such asymmetrical power relationships are *desirable*, and the resulting commitment and actions that support the more powerful party are not strong-armed, but are voluntarily given as a result of the belief that the powerful party might in fact be *benevolent*, or mutually interested in the joint welfare of both firms.

To this point, Bloom and Perry (2001) analyze data over a 6-year period and find that small suppliers can become beneficiaries of Wal-Mart's power and not just victims to it. This is because working with a powerful player can translate into a stable source of income over the long-term and a shield from significant risk. For small suppliers, being associated with high power buyers can be a financially attractive proposition despite the power imbalance (Corsten & Kumar, 2005). For powerful firms, the gain from avoiding turnover in the supply base allows for the possibility of coordinated activities, investments, and other collaborative efforts that can lead to unique competitive advantages on the part of the powerful party. Conversely, an asymmetric exchange and partnership without benevolence can be damaging to long-term prospects. Consider the case of once powerful US automakers, such as Ford, GM, and Chrysler, who attempted to adopt the Japanese partnering model with limited suppliers and long-term contracts, but failed to make the exchange mutually beneficial or to communicate concern and value to their smaller partners (Liker & Choi, 2004). By failing to transform the fundamental nature of their exchange, these powerful firms lost a tremendous opportunity to improve their financial performance as their dependence on outside partners grew. However, there are no theoretical mechanisms that explain the existence of such relationships and their sustainment over the long run.

We propose that powerful firms may act as benevolent dictators, or "enlightened despots," to the exchange. In political science, a benevolent dictator is an undemocratic or authoritarian leader who is focused

☆ Data support is provided by the Institute for Supply Management, Tempe, AZ.

* Corresponding author.
E-mail addresses: qiongwang@ou.edu (Q. Wang), sjap@emory.edu (S. Jap).

http://dx.doi.org/10.1016/j.jbusres.2016.12.016
0148-2963/© 2017 Elsevier Inc. All rights reserved.

on the gain of *both* parties rather than its exclusive self-interest. A benevolent dictator has dominant power, which refers to its influence over the other party (Frazier, 1999; Frazier & Summers, 1984; Lusch & Brown, 1996), but is also committed to peaceful relations because such relations serve the best interests of *both* parties. Hence, our thesis is that high power firms establish their dictatorships, not through acts of force and opportunism, but through acts of *benevolence* that provide reassurances that it will act in the best interests of the joint exchange. This stand reduces moral hazard and adverse selection risks, and motivates the low power firm to stay in the relationship, avoid dissolution, and ultimately reciprocate in a way that is mutually beneficial to the exchange.

To this end, we propose a multidimensional view of benevolence, where benevolence denotes a concern for the welfare of both parties. Using the confidential reports of over 500 organizational respondents, we estimate a structural model of the specific actions and resources (e.g., concessions, specific investments, and reputation) that a focal firm might use to signal various forms of benevolence to a partner firm (affective, calculative, and normative benevolence) and show that these actions take on even greater meaning when the focal firm is more powerful than the partner. Perceived benevolence, in turn, motivates the partner firm to reciprocate with attitudinal (commitment), behavioral (concessions) and economic stakes (idiosyncratic investments). Note that throughout the manuscript, we assume that the constructs in our conceptualization are as perceived by the partner firm. Additionally, we do not consider the possibility that the direction of these perceptions or accuracy (cf., Ross, Anderson, & Weitz, 1997; Vosgerau, Anderson, & Ross, 2008) relative to reality might differ; however, we do encourage future research to explore these possibilities.

In doing so, we contribute to our understanding of effective interorganizational exchange in several ways. First, we provide an expanded view of benevolence, clarifying various depictions of it in the marketing, philosophy, and organizational theory literatures, and we identify the paths by which benevolence can be built and reinforced in exchange. In other words, the individual parts matter. Second, we take a novel approach to the extensive literature on power asymmetry, and we show that benevolence can be a viable mechanism for the powerful party despite the obvious opportunism expected from such firms. And finally, we show that benevolence as a social exchange mechanism is not all "up-side." As predicted by past literature, benevolence can also invite opportunism or non-constructive responses on the part of the partner firm. In the pages to follow, we introduce our conceptualization of benevolence as a key social exchange mechanism and describe the interrelationships between the focal firm's actions and resources and the partner's responses. This section is followed by a description of the empirical test and key results. We conclude with a discussion of our findings, limitations, managerial implications and future research directions.

2. Literature review, model, and research hypotheses

Departing from existing social psychology literature, which focuses on the antecedents of benevolence as a function of individual differences (De Dreu, Weingart, & Van Lange, 1995) or circumstances (i.e. the level of competition between the individuals, the task nature, or decision rules such as majority or unanimity) (Beersma & De Dreu, 2002), we construe benevolence as an *interorganizational* phenomenon, multidimensional in nature, which can be systematically developed through the focal firm's specific actions and resources. At the heart of benevolence is partner firms acting in ways that protect and refrain from exploiting focal firms' interests (Atuahene-Gima & Li, 2002).

2.1. What benevolence is not

The concept of benevolence has been extensively investigated at the interpersonal level in social psychology literature, where it is termed "social motives." Through the lens of cooperation (Deutsch, 1949, 1973) or dual concern (Blake & Mouton, 1964) theory, research on benevolence suggests that negotiators who are mutually oriented or socially motivated are less contentious, engage in more problem-solving, and achieve higher joint outcomes than negotiators who are not mutually oriented. In general, the structure of this literature has investigated the antecedents of benevolence as a function of individual differences (De Dreu et al., 1995; Deutsch, 1982) or circumstances (e.g., the level of competition between the individuals, the task nature, and decision rules such as majority or unanimity) (Beersma & De Dreu, 2002; De Dreu, Weingart, & Kwon, 2000). We depart from this literature in that we construe benevolence as an *interorganizational* phenomenon that is multidimensional in nature and can be systematically developed through the focal firm's specific actions and resources.

We also distinguish benevolence from concepts of altruism. Altruism, which is examined in economics and social psychology, involves engaging in potentially self-destructive behaviors for the benefit of others (Monroe, 1996). More generally, altruistic behaviors typically benefit the recipient more than the giver (Piliavin & Charng, 1990). However, benevolence does not *necessarily* have to negatively affect the giver's utility or *necessarily* imply self-sacrifice. As opposed to altruism, benevolence has the potential to increase the utility of *both* parties (cf., De Drew & Boles, 1998).

Benevolence further differs dramatically from trust, another concept widely discussed in the literature on interorganizational relationships (McEvily, Perrone, & Zaheer, 2003; Zaheer, McEvily, & Perrone, 1998). Trust refers to "a psychological state that provides a representation of how individuals understand their relationship with another party in situations that involve risk or vulnerability" (Dirks & Ferrin, 2001, p. 456). However, trust includes honesty, integrity, expertise, and dependence, none of which necessarily imply benevolent action (see Hill, Eckerd, Wilson, & Greer, 2009). While a relationship of trust has specific features of effective partnering based in good will, benevolence is neither identical to, nor necessary for trusting relationships.

Finally, we distinguish benevolence from relational norms broadly, which speaks to a mutual state of expectations held by two parties, such as solidarity or mutuality (Macneil, 1980). Solidarity is a bilateral expectation of each party that success comes from working cooperatively together (Gold, 1989), while mutuality emphasizes the joint returns from exchange – including the benefits and anticipation of distribution of those joint benefits. By contrast, benevolence requires only the efforts of one party in anticipation of potential gain, rather than joint activity. While solidarity and mutuality produce reciprocity, benevolence signals unilateral action which anticipates the benefit of reciprocity without its guarantee.

2.2. A three-part view of benevolence

We propose a three dimensional view of benevolence reflecting (i) a desire (affective benevolence), (ii) a need (calculative benevolence), and (iii) an obligation (normative benevolence) to maintain exchange continuity. We suggest that benevolence can arise from an affective, a self-interest, and/or a duty cause (Felin & Foss, 2009). In fact, this proposition is consistent with past conceptualizations of benevolence in philosophy (Kant, 1785; Livnat, 2004) and the approach taken by Meyer and Allen (1991), who advance a similar, three pronged view of organizational commitment. They highlight the fundamental pillars of behavioral theory, attitude and behavior, and then add a view of normative obligation. The overview of this conceptualization along with its resulting effects are depicted in Fig. 1. We now explore each of these three dimensions of benevolence in turn.

2.2.1. Affective benevolence

Across political science, organizational, and marketing literatures, the dominant view of benevolence has been as an affective orientation (emphasis added):

Please cite this article as: Wang, Q., & Jap, S., Benevolent dictatorship and buyer-supplier exchange, *Journal of Business Research* (2017), http://dx.doi.org/10.1016/j.jbusres.2016.12.016