

The Role of Dark Side Characteristics in B2B and B2G Buyer-Manufacturer Relationships – An Empirical Study of European Cases

Abstract:

Recent research challenges trends in business-to-business (B2B) marketing and confirms the value of business relationships. This paper investigates the influence of dark side characteristics on buyer-manufacturer relationships, complementing previous research on customer dissatisfaction. Prior relationship-related research tends to focus on bright side characteristics. However, the influence of dark side characteristics such as *power imbalance* or *dependence* is underrepresented in marketing research. Based on an empirical study of 190 European cases, this paper investigates and empirically confirms that dark side characteristics have a strong impact in B2B and business-to-government (B2G) relationships dealing with customized capital goods. A weaker impact of these characteristics is confirmed in B2B relationships dealing with standardized products. The authors empirically demonstrate that *dependence* and *power imbalance* influence the majority of B2B and B2G relationships and identify these features as significant drivers of customer dissatisfaction in both B2B and B2G customized capital goods contexts. We confirm their volatile nature during the duration of these relationships. The authors also enhance prevailing research models on relationship quality and customer satisfaction and dissatisfaction with these empirical results, including the perspective of dark side characteristics.

Keywords: Dark Side Characteristics, Customer Relationships, Customer Dissatisfaction

Competitive Paper

INTRODUCTION AND RESEARCH OBJECTIVES

Recent research challenges future trends in B2B marketing and confirms the value of business relationships (Lilien, 2016; Mora Cortez & Johnston, 2017). Dark side relationship characteristics in general, and dependence and power imbalance in particular are expected to influence buyer-manufacturer relationships (Qiu 2018; Johnsen & Lacoste 2016). Research into dark side characteristics in marketing remains in a preliminary state, because empirical evidence on their impact on customer relationships is still missing (Johnsen & Lacoste, 2016; Munksgaard et al., 2015; Qiu, 2018; Vázquez-Casielles et al., 2017; Kähkönen 2014; Olsen et al., 2014). A recent research stream develops a better understanding of the importance and the impact of dark side characteristics in relationships (Qiu, 2018; Schmitz et al., 2016; Munksgaard et al., 2015). This research paper focuses on the dark side characteristics *power imbalance* and *dependence*, since the authors believe that these items have an impact on perceived dissatisfaction in buyer-manufacturer relationships (Froch et al., 2018). Therefore, this paper addresses the task of investigating and empirically confirming the relevance and influence of dark side characteristics on manufacturer-customer relationships in a B2B and B2G customized capital goods context as well as in the context of B2B standardized products. Existing customer relationship research needs to be enhanced by including dark side relationship characteristics. The authors develop and discuss a research approach to answer the following research questions:

- Do dark side characteristics have an impact on buyer-manufacturer relationships?
- Is there a difference in the influence of dark side characteristics on perceived dissatisfaction between buyer-manufacturer relationships in B2B contexts and B2G contexts?
- Considering different business fields (customized capital goods, standardized products), is there a difference with respect to the influence of dark side characteristics on perceived dissatisfaction?
- Does the impact of dark side characteristics change during buyer-manufacturer relationships?

Based on qualitative research data, the authors develop and discuss a conceptual frame for dark side characteristics in B2B and B2G buyer-manufacturer relationships. Empirical data provide evidence about the relevance and impact of dependence and power imbalance. This paper is structured as follows: First, the theoretical background as well as dark side characteristics are briefly described. Next, the business fields are discussed, and a model of relationship phases is presented. Then, the research gap and research propositions are introduced. In the following section, our research methodology is introduced. Findings are presented and discussed. Finally, considering the feedback of buyers and manufacturers, the authors conclude by discussing implications and presenting a new comprehensive research model as well as by providing perspectives for future research.

THEORETICAL BACKGROUND ON DARK SIDE CHARACTERISTICS

Findings of Morgan and Hunt (1994) Ganesan (1994) and Moorman et al., (1993) imply that commitment and trust are key characteristics to understanding relationships and their development process between buyers and manufacturers. According to the literature, dependence and power imbalance have an impact on both commitment and trust (Johnsen & Lacoste, 2016; Lages, Lancastre, & Lages, 2008).

Relationship marketing was first established as an approach to attract, maintain and enhance customer relationships (Berry, 1995; Parasuraman et al., 1993). It includes activities directed toward establishing, developing, maintaining, and retaining successful relationships (e.g., Morgan & Hunt, 1994). The authors follow the definition of Palmatier (2008, p. 22) who argues that relationship quality is the “overall caliber of relationship ties and their overall impact on outcomes”.

According to resource dependence theory, most organizations are dependent on other parties to obtain critical resources from their external environment (Pfeffer & Salancik, 1978). The nature of dependence is defined by its two key elements, benefits and replaceability (Heide and

John 1988; Tellefsen & Thomas 2005). Dependence is often the price that a firm must pay for the advantages it enjoys as a result of its relationships (Easton, 2002).

Dark side relationship characteristics—dependence and power imbalance in particular—are expected to influence customer relationships (Qiu 2018; Johnsen & Lacoste 2016). Power is an ability to get another person or organization to do something that he or she would not otherwise have done (Dahl, 1961). Early power research focuses on individual power, whereas subsequent research deals with other types of organizational entities as well. In line with Blois and Hopkinson (2013) this paper focuses on the inter-organizational aspects of power, understanding power as something that is wielded by an entity as a force. Building upon previous research results (Bacharach & Lawler, 1980; Brass & Burkhardt, 1993; Zulauf & Wagner, 2012) the authors expect there to be a distinction between potential power, meaning one party has more power compared to the other party but does not use this power, and the exercise of that power.

To understand dissatisfaction, the authors have adopted the definition of Anderson and Narus (1984) and propose the following modified definition: Dissatisfaction in business relationships is the misappraisal of aspects of a firm's working relationship with another firm. With respect to the drivers of satisfaction and dissatisfaction, this paper adopts the research methodology from Cadotte & Turgeon (1988) in regards to the general classification between dissatisfiers, satisfiers, criticals and neutrals. In line with Oliver (1997) this paper understands *satisfiers* as constructs that increase satisfaction when present, but do not increase dissatisfaction when absent, *dissatisfiers* as constructs that increase dissatisfaction when absent, but do not increase satisfaction when present, *criticals* as constructs that impact both satisfaction and dissatisfaction and negative evaluations to the extent that they are present or absent, and finally, *neutrals*, which are constructs with no impact on satisfaction and dissatisfaction. In a recent study Froch et al. (2018) identified the following items as dissatisfiers: opportunistic behavior, dependence, weak value for money, disrespect, unpredictability, and arrogance.

BUSINESS-TO-BUSINESS VS. BUSINESS-TO-GOVERNMENT RELATIONSHIPS

The companies who facilitated this study by providing access to their customer data are German-based international technology firms, specialized in electrical and mechanical engineering. Their product portfolio include internationally sold standardized goods as well as customized capital goods. The customers include OEMs in the automotive and aerospace industry, and governmental organizations such as ministries or procurement departments. Using these business sectors and the distinction between customized capital goods and standardized goods, the authors adopt the following understanding of B2B and B2G relationships.

B2B relationships are characterized by their focus on interactions and the exchange of goods or services between two or more business parties (Geiger et al., 2015; Kleinaltenkamp, 2010; Huang & Wilkinson, 2013). B2B customized capital goods markets are non-anonymous, demand is derived, processes are effective and efficient, these markets increase flexibility, adapt systems to suit long-term goals, and create an atmosphere of trust and commitment (Wang & Bunn, 2004). These relationships refer to financial performance, are focused on profit maximization, and are characterized by long-term orientation (Purchase et al., 2009). B2B standardized goods markets can also be distinguished by highly competitive environments, and a harsh focus on performance related aspects, and not on relationship aspects (Van Der Wal et al., 2008).

In line with Froch et al. (2017), B2G relationships referring to customized capital goods are defined as long-term relationships based on the exchange of products between private enterprises and public sector institutions. These relationships are characterized by non-anonymous markets, derived demand, bureaucratic processes and high standards for transparency, accountability and ethical processes (Stake, 2016; Purchase et al., 2009). The focus is not primarily set on profit maximization but on but on sustainable and effective allocation of resources, governmental goals, and political relationships (Froch et al., 2017).

RESEARCH GAP AND RESEARCH PROPOSITIONS

Empirical evidence on the impact of dark side characteristics on buyer-manufacturer relationships is scarce in scholarly research (Johnsen & Lacoste 2016). Therefore, this study aims to enhance the understanding of the impact of dark side characteristics in both B2B and B2G customized capital goods contexts as well as in the B2B standardized goods context, by means of qualitative interviews. The authors expect the factors *dependence* and *power imbalance* and their impact on relationships to vary between the parties, to differ according to the business contexts, and also to change during different phases of a buyer-manufacturer relationship. The following research propositions were developed along with an associated questionnaire.

Recent research argues that dark side characteristics influence relationships, and are a common phenomenon in business relationships. (Qiu, 2018; Vázquez-Casielles et al., 2017). According to Schmitz et al., (2016), Munksgaard et al. (2015) and Zulauf and Wagner (2012), dependence and power imbalance are expected to have a predominant influence on business relationships and their outcomes. In line with Jiang et al., (2013) the authors argue that dependence is one of the influencing factors in business relationships. Furthermore, following Blois and Hopkinson (2013), the authors claim that power is one of a firm's means to secure its interests in business relationships. Based on this, the following research propositions are introduced.

RP1a: *Dark side characteristics impact B2B buyer-manufacturer relationships.*

RP1b: *Dark side characteristics impact B2G buyer-manufacturer relationships.*

In addition to well-researched B2B characteristics, dark side relationship characteristics and in particular dependence and power imbalance are expected to influence customer satisfaction and dissatisfaction (Jiang et al., 2013; Nyaga et al., 2013). Relationships between buyers and manufacturers are not always symmetrical—therefore, characteristics such as power, conflict or dependence need to be considered (Qiu 2018; Johnsen & Lacoste 2016). Froch et al. (2018) identify dependence and power imbalance as drivers of dissatisfaction in B2B and B2G buyer-manufacturer relationships. Following Froch et al., (2017) arguing that compared to a B2B context in a B2G context relationship items are of higher importance than economic items. Therefore the authors expect a stronger impact of dark side characteristics on dissatisfaction in a B2G context. Furthermore, in line with Van der Wal et al. (2008) the authors argue that B2B standardized goods markets put a focus on performance related aspects instead on relationship aspects. Therefore, the impact of dark side characteristics is significantly lower compared to a B2B customized capital goods contexts. Taking this into account, the following research propositions are derived.

RP2a: *Dark side characteristics have an impact on perceived dissatisfaction in buyer-manufacturer relationships dealing with standardized goods as well as customized capital goods.*

RP2b: *Dark side characteristics have a stronger impact on perceived dissatisfaction in B2G relationships compared to B2B relationships.*

RP2c: *In a B2B standardized goods context the impact of dark side characteristics on perceived dissatisfaction is less significant compared to a B2B customized capital goods context.*

Buyer-manufacturer relationships are divided into different phases that represent the lifecycle of a relationship (Cortez & Johnston, 2016; Homburg et al., 2015). Existing research describes the different phases of the buyer-manufacturer relationship life cycle, e.g., pre-purchase, purchase, and post-purchase or search, consumption, and after-sales (Verhoef et al., 2009). The authors adopt the product-centric model of Cortez and Johnston (2016), but enhance it in line with e.g., Homburg et al., (2015) by adding a pre-purchase phase. This additional phase highlights the importance activities in the pre-purchase phase have on future business success and buyer-manufacturer relationships. This phase starts in the very beginning of a prospective relationship and it includes business development and sales activities such as individual sales contact, responding to tenders or product presentations. If successful, this phase concludes with

the submission of the offer. With respect to the different phases of buyer-manufacturer relationships we argue that both dependence and power imbalance constructs are considered to be dynamic concepts and that they change during relationships. Furthermore, we expect a difference in the volatile character of these constructs comparing buyer-manufacturer relationships dealing with customized capital goods when compared to standardized goods. Consequently we introduce the following research propositions.

- RP3a: *Power imbalance and dependence are volatile in buyer-manufacturer relationships dealing with customized capital goods and may shift from one party to the other.*
- RP3b: *In buyer-manufacturer relationships dealing with standardized goods power imbalance does not shift between parties but remains stable.*

METHODOLOGY

Since only a limited amount of prior research in the dissatisfaction domain is used as the foundation of this study, the research design follows an inductive approach aiming to enlarge and develop the theory by means of a collective case study. The design of this study is carefully configured to minimize method bias effects (MacKenzie & Podsakoff, 2012; Eisenhardt & Graebner, 2007; Welch & Piekkari, 2011; Creswell 2013). To select qualified participants, the authors followed the advice of Eisenhardt and Graebner (2007) using only highly knowledgeable informants. Participants in this study were based in Germany, Sweden, Norway, the United Kingdom or France. The participants came from different functional areas and job hierarchies including heads of programs, commercial directors or heads of purchasing or project managers. A qualitative sample of 190 in-depth interviews was used; the numerical distribution of participant specifications is seen in table 1.

B2B relationship standardized goods	30
B2B relationship customized capital goods	80
B2G relationship customized capital goods	80

Table 1. Summary of external sample composition.

All the in-depth interviews were conducted face-to-face. The interviewer took notes during the interview and recorded the interview for subsequent validation (Kowal & O'Connell, 2003; Kuckartz et al., 2008; Mayring, 2015). The authors informed all interviewees about the nature of the study and the objectives of the research prior to conducting the interview. All interviewees were encouraged to describe their perceptions and experiences associated with dark side characteristics.

FINDINGS

Data has been analyzed in a content analysis and by inductive category building according to Mayring (2015); a rule-guided qualitative text analysis has been carried out based on the recorded interview outcomes. Causality and the direction of causality have been analyzed following the qualitative comparative analysis approach (Marx et al., 2014; Ragin, 1993; Ragin, 2000). This analysis approach is developed to compare different cases (Kelle, 2003; Ragin, 1993; Schneider & Wagemann, 2010).

Selected core findings of the study are presented in this section. The empirical findings support the research propositions RP1a and RP1b. The qualitative research results confirm that dark side characteristics and power imbalance and dependence in particular have been experienced in a majority of business relationships in all the contexts that were researched. 93% of the survey participants associated with the B2B standardized products context experienced dependence in business relationships, and 83% already experienced relationships with unbalanced power. Participants working in a B2B (or B2G) customized capital goods context have experienced dependence in 83% (88%) of the cases, and 78% (81%) of the survey participants have experienced unbalanced power.

Based on these qualitative results, the authors find support for RP2a, RP2b and RP2c. First, the results of this study show that dependence and power imbalance have an impact on

dissatisfaction in buyer-manufacturer relationships in all researched contexts, B2B standardized goods as well as B2B and B2G customized goods. Furthermore, the results allow the conclusions with respect to our research propositions RP2b and RP2c that differences between the strength of the impact between B2B and B2G as well as between standardized goods and customized capital goods exist. Our findings confirm, that the strength of the impact is higher in B2G buyer-manufacturer relationships compared to B2B ones. Last, the qualitative results confirm that compared to a B2B customized capital goods context the impact of dark side characteristics is less significant in a B2B standardized goods context. The percentages to what degree participants expect dark side characteristics having an influence on dissatisfaction are expressed as percentages in table 2.

Context	Value
B2B, standardized goods	47%
B2B, customized capital goods	71%
B2G, customized capital goods	83%

Table 2. Percentage of Agreement that dark side characteristics impact dissatisfaction

The qualitative research indicates that these dark side drivers are of substantial importance in both B2B and B2G relationships dealing with customized capital goods, and, therefore, impact perceived dissatisfaction and relationship quality. Our qualitative results also indicate that the influence of dark side characteristics is significantly lower in a B2B standardized goods context.

With respect to our research propositions RP3a and RP3b, our qualitative results show that dependence and power imbalance are dynamic concepts in certain contexts. Considering the long duration of B2B and B2G relationships, survey participants in the customized capital goods business argue that both dependence and power imbalance may shift from one party to the other or may also be balanced for some period of time. Furthermore, the empirical results indicate that changes in this balance between parties are connected to the phases of buyer-manufacturer relationships. These findings support our research proposition RP3a. No such effects were found in B2B relationships dealing with standardized goods, which supports the research proposition RP3b. The following figure 1 shows the development of power and dependence from a buyer perspective.

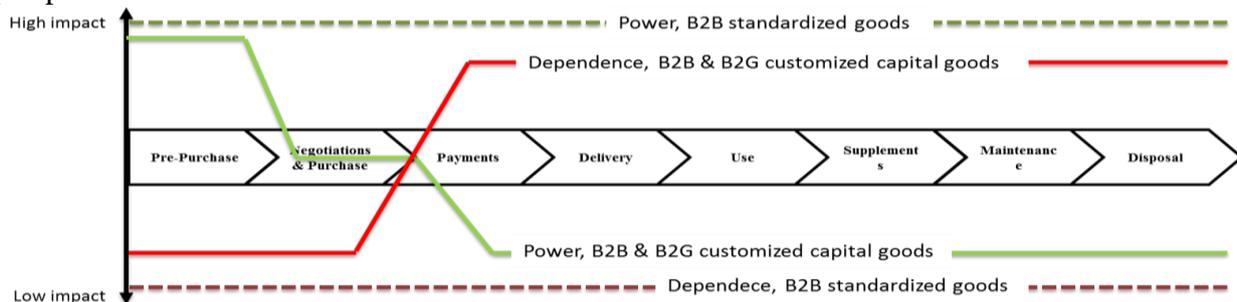


Figure 1. Development and stages of dependence and power in a business relationship

This figure represents a single purchasing decision dealing with a B2B or B2G customized capital good. In line with Van der Wal et al. (2008), arguing that B2B standardized goods markets are defined by an highly competitive environment, and a cruel focus on performance related aspects (e.g., costs or failure-rates not on relationship aspects (e.g., trust, communication), our findings indicate that with respect to B2B standardized goods buyer-manufacturer relationships no changes with respect to the distribution of dependence and power imbalance occur. Buyers remain independent and more powerful during the whole relationship (see dotted lines in figure 3). Manufacturers can only escape this situation when offering unique selling propositions to set apart from their competitors. Compared to this, in a B2B and B2G customized capital goods context the distribution of dependence and unbalanced power is more volatile. The research results indicate that during the pre-purchase phase the buyer is more powerful and is not yet dependent on manufacturers. Reasons include the competition among manufacturers or multiple sourcing strategies. After the selection is reduced to only few or even a single

manufacturer, the relationship drivers change. Manufacturers become more powerful during negotiations and buyers become dependent on the manufacturers' willingness to cooperate (see red and grey lines included in figure 3). After contract closure, buyers are dependent on the performance of the manufacturers and have limited options to intervene due to factors such as high transaction costs when switching to another supplier. In case of consecutive purchasing decisions, the initial distribution of power and dependence might be re-established.

The following table sums up the results with respect to the discussed research propositions.

RP1a	<i>Dark side characteristics impact B2B buyer-manufacturer relationships.</i>	Supported
RP1b	<i>Dark side characteristics impact B2G buyer-manufacturer relationships.</i>	Supported
RP2a	<i>Dark side characteristics have an impact on perceived dissatisfaction in buyer-manufacturer relationships dealing with standardized goods as well as customized capital goods.</i>	Supported
RP2b	<i>Dark side characteristics have a stronger impact on perceived dissatisfaction in B2G relationships compared to B2B relationships.</i>	Supported
RP2c	<i>In a B2B standardized goods context the impact of dark side characteristics on perceived dissatisfaction is less significant compared to a B2B customized capital goods context.</i>	Supported
RP3a	<i>Power imbalance and dependence are volatile in buyer-manufacturer relationships dealing with customized capital goods and may shift from one party to the other.</i>	Supported
RP3b	<i>In buyer-manufacturer relationships dealing with standardized goods power imbalance does not shift between parties, it remains stable.</i>	Supported

Table 3. Evaluation of research propositions.

Based on the findings of this study we enhance existing research with a comprehensive research model for relationship quality and customer satisfaction/dissatisfaction. This model considers the dark side characteristics *power imbalance* and *dependence* as dimensions of customer satisfaction/dissatisfaction that can either act as a satisfier, a critical, a dissatisfier or a neutral. Depending on the classification the items either lead to satisfaction or to dissatisfaction. According to Jiang et al. (2016) satisfaction is one of the core drivers of relationship quality. We argue that consequently dissatisfaction also significantly impacts perceived relationship quality. Therefore, in our model both satisfaction and dissatisfaction are linked to relationship quality. Last, based on the perceived relationship quality diverse behavioral responses either positive or negative are possible. Since this paper focuses on dark side characteristics we do not describe these outcomes any further. The following figure represents our new, comprehensive research model.

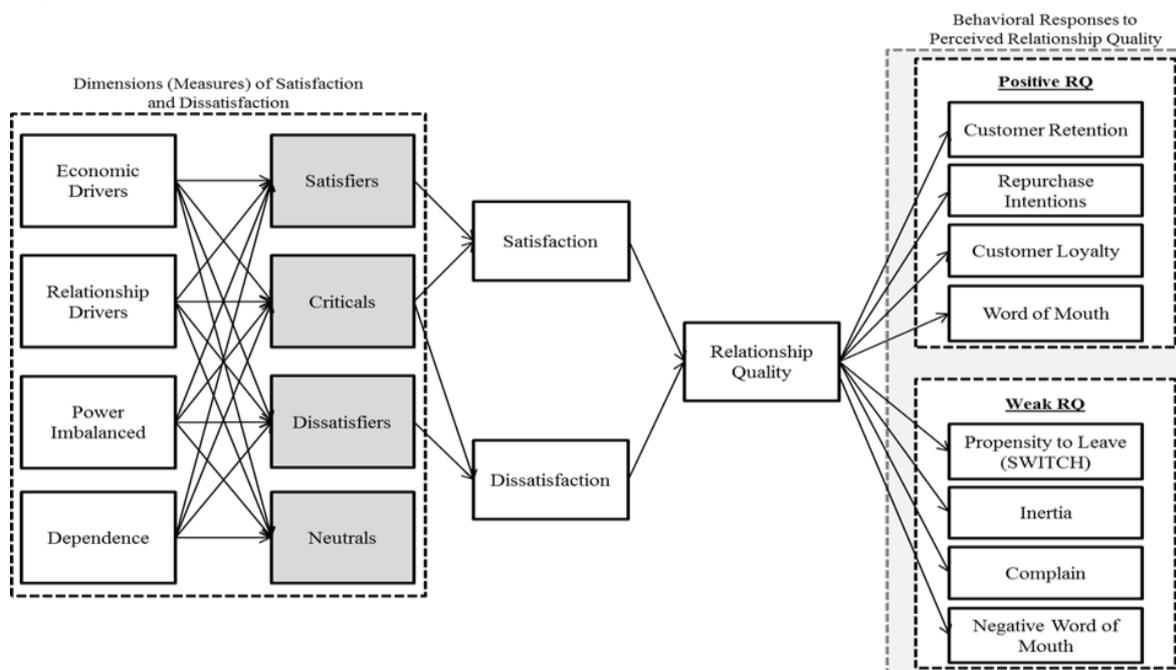


Figure 2. New research model with satisfaction/dissatisfaction, relationship quality and dark side characteristics.

IMPLICATIONS AND OUTLOOK ON FUTURE RESEARCH

This study is the first to empirically confirm the relevance of dark side characteristics on perceived dissatisfaction and relationship quality. The authors investigate three different contexts in B2B and B2G environments. Although this study is limited to European cases, the authors were able to show that dark side characteristics, especially dependence and power imbalance, have an impact on customer relationships and on perceived dissatisfaction. Furthermore, the authors were able to confirm a stronger impact on dissatisfaction in a B2G context compared to B2B buyer-manufacturer relationships. Not limited to this, the authors were also able to identify differences between B2B contexts as well. Compared to B2B customized capital goods relationships, the impact of dark side characteristics is less significant in B2B standardized goods relationships.

Prevailing research models on relationship quality and customer satisfaction/dissatisfaction could be enhanced with these empirical results, considering the additional perspective of dark side characteristics. Furthermore, the commitment-trust theory of Morgan and Hunt (1994) can be complemented by adding the dark side variables into the KMV model. With reference to business relationships in the context of customized capital goods, the results of this study indicate that buyer-manufacturer behavior associated with dependence or power imbalance has a significant impact on trust and commitment.

Since this is the first study on dark side characteristics, further empirical validation by means of replication are proposed (Lynch et al., 2015). Future research may also consider the strength of the impact of dark side characteristics and the development of the relationships over time.

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