

Strategic Responses to Power Dominance in Buyer-Supplier Relationships: A Weaker Actor's Perspective

Abstract

Purpose – This paper identifies the strategic options available to a weaker actor to counteract the dominance of a stronger actor in a buyer-supplier relationship, and identifies those factors that influence the choice of individual options.

Design/methodology/approach – Following a systematic literature review methodology, a five-phase approach of planning, searching, screening, extraction and synthesis was rigorously employed. 48 studies were used to draw conclusions about the phenomena of interest.

Findings – Captured in an integrated conceptual framework, this study identified five strategic options available to the weaker actor in order to counteract a power dominance of a stronger player, which were underpinned by seven influencing factors.

Research limitations/implications – The proposed conceptual framework requires first qualitative empirical validation using an abductive multi-case strategy, followed by a theory testing phase, employing a configurational approach.

Practical implications – The proposed framework suggested that the weaker actor in a buyer-supplier relationship has five options to address power dominance. These options were available within as well as beyond a focal dyadic relationship. For the stronger actor, we showed that power dominance is a temporary state rather than permanent.

Originality/value – This study marks one of the first attempts to present a coherent set of strategic options and underpinning factors to counteract power dominance in a buyer-supplier relationship from the perspective of a weaker actor. Given the underexplored nature of the topic, the study also provides guidelines for further research.

Keywords: Buyer-supplier relationships, power, weaker actor, strategic choices, systematic literature review

Paper type: Literature Review

1. INTRODUCTION

Power imbalance between buyers and suppliers is one of the defining characteristics of any supply network (Bastl, et al., 2013). Existing studies have focused mainly on more powerful actors that control and influence behaviours and exchanges in buyer-supplier relationships. These have investigated the role of trust and power (Benton and Maloni, 2005), the role of bargaining power (Crook and Combs, 2007), relationship commitment and power (Zhao et al., 2008) and how a buying company exerts power to influence the relationship between suppliers (Wu et al., 2010).

Here we draw attention to the dilemma of the *weaker actor* in a buyer-supplier relationship in how to respond to the power dominance of the stronger actor. Firms in supply chains seek to control each other, mostly over the possession and access to critical resources (Pfeffer and Salancik, 1978). The dominance of one actor over another is a function of relative dependence - i.e. the difference between a firm's dependence on its partner and its partner's dependence on the firm (Anderson and Narus, 1990). The primary consequence of relative dependence is indicated as power (Caniels and Gelderman, 2007). Dominant firms in supply chains are not only able to create dependent suppliers (Cox, 1999), but they will actually seek to attain a dominant position (Cox, 2001). This need for dominance and tendency to control exists in all tiers of supply chains and it is an issue that requires firms' constant attention in order to effectively manage inter-firm relationships.

Nevertheless power imbalance in buyer-supplier relationship does not automatically imply difficulties between the weaker and stronger actor. Power can provide an effective coordination of exchange relationships as the distribution of power becomes legitimate over time (Maloni and Benton, 2000). In these buyer-supplier relationships both actors invest in developing strong long-term partnerships based on their individual and/or joint motivations (e.g. entering new markets (Akpınar and Zettinig, 2008) or developing new products based on joint research (Anderson et al., 1994)). However the issues arise when the stronger actor misuses and exploits its power position in a way that it goes against the weaker actor's business objectives (Caniels and Gelderman, 2007). This can lead to unproductive relationships (Bobot, 2010) resulting in the erosion of any benefit that the weaker actor may possess and consequently cause permanent damage to a relationship (Gulati, et al., 2008).

From a weaker actor's perspective, these situations require an answer to the strategic question "what to do"? For example, how can a *weaker supplier* deal with a powerful buyer who demands year on year price reductions, which could result in the supplier's bankruptcy? Or what can a *weaker buyer* do when a dominant supplier dictates unreasonable customer service levels and controls pricing policies? Using a systematic literature review methodology, we bring together a fragmented body of literature shedding light on these dilemmas in an under explored context (Bastl et al., 2013).

With this study we make two contributions: *First*, the study is a first attempt to present coherent insights into what options are available to a weaker player, either buyer or supplier, to counteract the power dominance of a stronger actor in a buyer-supplier relationship. Most options (collaboration, compromise, diversification and coalition building) result in

continuation of the focal relationship. The other option (exit) brings a focal buyer-supplier relationship to an end. *Second*, this study showed that the choice of a particular strategic option is influenced by seven underpinning factors that exist at the dyadic and network levels. Both strategic options and the underpinning factors are captured in an integrated conceptual framework.

The remainder of the paper is structured as follows: a description of the systematic literature review methodology is followed by descriptive and thematic findings. The thematic findings first identify the strategic options, and then those factors that influence the choice of options. We then discuss the study's theoretical and practical contributions and finally close with agenda for further research.

2. METHODOLOGY

In seeking to address field problems (i.e. problems of significance to managers, Denyer et al., 2008) we adopt a systematic literature review methodology (Tranfield et al., 2003), in which there is a comprehensive search for relevant studies on a specific topic, which are then appraised and synthesized according to a pre-determined explicit method (Klassen et al., 1998). Providing comprehensive coverage of the literature and ensuring comparability for repeated future searches, this method follows a series of ten steps that can be grouped into five main phases (Planning, Searching, Screening, Extraction, Synthesis including Reporting).

In the *planning* phase through discussion with colleagues the authors defined the review question as:

1. "What are the options available to a weaker actor to counteract the dominance of a stronger actor in a buyer-supplier relationship?"

This suggested an important additional question:

2. "What influences the choice of strategic options available to a weaker actor to counteract the dominance of a stronger actor in a buyer-supplier relationship?"

These two questions were addressed following the *search* process outlined by Tranfield et al. (2003). Relevant literature found in a variety of disciplines (including marketing, supply chain, strategy and organisational behaviour) was identified through:

- Keywords used in the different literature streams. These keywords were later used to build search strings which were applied to two bibliographic databases (Web of Knowledge and Scopus) and three content databases (EBSCO, Proquest and Wiley-Blackwell).
- The review of references in relevant articles identified by the keyword search. Together these two approaches identified 10,223 items.
- Discovering influential authors in the field (e.g. Cox, Caniels and Pressey) and examining their publications. An additional ten articles resulted.

- Conversation with colleagues and *ad hoc* searching resulted in the addition of 13 articles.

The specification of the search terms (Table 1) aimed to generate a list of articles that would be “both wide enough to recall a sufficient quantity of references and precise enough, in the light of information explosion, to eliminate unnecessary material” (Duff, 1996, p.15). The selected keywords were then used to construct search strings with Boolean connectors (AND, OR, AND NOT).

Insert Table 1 about here

The string was used to search five databases for titles and abstracts of scholarly articles published between January 1980 and December 2012. After the removal of duplicates from the items generated by the databases, 4760 articles were identified. The title and abstract of these articles were then *screened* against a set of pre-determined inclusion and exclusion criteria (Table 2). 4192 articles were rejected principally because they focused on whole networks rather than dyads. The remaining 568 articles plus the 23 items identified by other means were then read in full and subject to the same inclusion and exclusion criteria. A further 509 articles were rejected because they did not clearly identify a weaker actor. The remaining 82 papers were screened according to pre-determined quality criteria covering alignment between research questions, chosen methods, execution of the research and methodological rigour (Miles and Huberman, 1994). 34 articles were rejected; leaving 48 studies (see Appendix A) that focused on the buyer-supplier relationship at a dyadic level and clearly identified a weaker actor.

Insert Table 2 about here

The content of each paper was *extracted* and recorded on a spread-sheet organized under descriptive, methodological and thematic categories. Specifically this identified the weaker actor and the perspective adopted in the paper, which could be supplier, buyer or both. The identification of these actors and the perspective was cross-validated by the three authors in an iterative fashion until agreement was reached on final classification; a practice adopted in other literature reviews (Armstrong et al., 2012). A list of five discrete options available to the weaker actor operating either within the dyad or beyond emerged inductively; a practice adopted in other literature reviews (Müller-Seitz, 2012). According to their particular focus, papers were then allocated to these option categories; some were allocated to more than one category because they considered more than one option. Cross-validation by the three authors ensured agreement. Similarly a list of seven factors that influenced the choice of individual strategic options inductively emerged from the analysis. Based on frequency of occurrence of

each factor in the reviewed papers and a qualitative assessment of the conceptual clarity of each factor the initial list of 36 was collapsed into seven factors after discussion amongst the three authors. This aggregation process was cross-validated by the authors until agreement was reached.

There are a number of alternative approaches to *synthesis* when reviewing literature systematically. Heterogeneous data, which form the basis of this review, are not amenable to aggregative synthesis methods (Rousseau et al., 2008), but more amenable to interpretive and explanatory synthesis which extract descriptive data and exemplars from individual studies to provide a feasible explanation and answer to the review question (Denyer et al., 2008). Here we report the findings in response to each of the questions separately before considering in the discussion how these may be integrated. A summary of the systematic selection process is presented in Figure 1.

Insert Figure 1 about here

3. DESCRIPTIVE FINDINGS

We now summarize the descriptive findings from the literature review and reflect on these later in the agenda for further research. Table 3 allocates papers to different descriptive categories. The literature is a mixture of analytical (9) and empirical (39) papers utilizing predominantly quantitative methods (25). Although issues of power imbalance affect both actors in a buyer-supplier relationship, researchers mainly focus on one side only. From 48 studies, only 16 adopted a dyadic perspective (e.g. Pressey and Qiu, 2007; Wyld et al., 2012). Different studies identified different weaker actors: 15 studied suppliers, 14 studied buyers, eight studied both, and 16 studies explored situations where an actor is in a weaker position in one relationship yet simultaneously a stronger player in another relationship (e.g. Caniels and Gelderman, 2007; Bobot, 2010).

Insert Table 3 about here

Table 4 identifies which papers consider a particular strategic option or influencing factor. Some papers explored multiple options and factors. Collaboration was the most frequently considered of the five options (e.g. Mukherji and Francis, 2008; Schmoltzi and Wu, 2012). Papers were more uniformly allocated to the seven influencing factors, although there was a preponderance of studies exploring interdependence and conflict.

Insert Table 4 about here

4. THEMATIC FINDINGS

In the first part of this section we identify the strategic options available to a weaker actor to counteract the dominance of a stronger actor in a buyer-supplier relationship, addressing review question 1. In the second part we answer review question 2 identifying those factors that influence the weaker actor's choice of strategic option.

4.1. *Question 1: Strategic options for counteracting dominance*

From our analysis of the literature five strategic options emerged, which were available to the weaker actor to counteract the stronger actor's dominance. The options were: 1) collaboration; 2) compromise; 3) diversification; 4) coalition, 5) exit. An examination of the properties of these five options revealed that they fall into one of three categories: a) exiting the relationship; b) addressing the dominance of the stronger actor and continuing with the existing relationship; or c) addressing the dominance of the stronger actor by reaching out into the network of relationships in which the focal buyer-supplier relationship is embedded. These categories are defined by whether the relationship will continue or end, and whether the dominance is addressed within or beyond the focal dyad, i.e. at the dyadic or network level. The categorization of the five strategic options is illustrated in Figure 2. Given the possibility of responding at either a dyadic or a network level, we differentiated collaboration between these two levels, although we discuss it as a single option.

Insert Figure 2 about here

4.1.1 Collaboration

The first strategic option for the weaker actor to counteract the dominance of a strong actor was collaboration (Schmoltzi and Wu, 2012). Collaboration encourages the pursuit of a solution that fully satisfies the concerns of both actors (Thomas, 1992). By adopting this strategy a weaker actor attempts to counterbalance the power dominance by enhancing the importance of its resources for the stronger actor (Caniels et al., 2010). A weaker actor can achieve this objective by collaborating either within a focal dyad (i.e. dyadic collaboration) or at the network level (i.e. network collaboration) (Wyld et al., 2012). The objective of both types of collaboration is the same - to enhance the importance of a weaker actor's resources for the stronger actor – only the means are different.

An example from the US automotive industry illustrates how weaker players are able to address power asymmetry through collaboration within the dyad (Akpınar and Zettinig, 2008). While dealing with powerful automobile manufacturers, an automobile parts supplier (weaker actor) adopted an innovation-driven growth strategy to increase the importance of its resources. The weaker actor reinvested at least 7% of its before-tax profit for research and

development to regularly introduce patented innovations, which resulted in annual sales growth of more than 20% for over a decade. In doing so the weaker actor changed the nature of the interdependence between the firms from a transactional to a collaborative one.

However, there are situations when a weaker actor does not possess all the necessary resources to develop a collaborative relationship within the focal dyad (Cai and Yang, 2008). In such situations the weaker actor could tie itself more closely to the stronger actor in the focal relationship as well as other actors present in the network that possess the required resources (Mukherji and Francis, 2008), i.e. display network collaboration. Anderson et al. (1994) present an example from the Danish printing industry where a small label printer (weaker actor) simultaneously used collaborative relationships both within and outside the focal relationship to improve its power position with the stronger actor (a large beverage producer). For the label printer, this relationship was important not only because of the sales volume involved but also because of the status and legitimacy gained by association with the beverage producer. The closure of the factory supplying paper to the printer risked jeopardizing the relationship between the label printer and the beverage company. In response, the printer initiated a collaborative product development program between the beverage producer and a different paper manufacturer resulting in the development of alternative label paper. This improved the printer's power position in the relationship with the beverage producer by strengthening its reputation as a capable and reliable partner for the future.

4.1.2 Compromise

The second strategic option for the weaker actor to continue the relationship within the dyad was compromise (Hausman and Johnston, 2010). The objective of compromise is to find a quick and mutually agreeable solution that partially satisfies everyone in the hope of gaining mutual benefits in the future from continuing the relationship (Bobot, 2010). The weak actor's decision to compromise is influenced by the extent to which it feels powerless in a buyer-supplier relationship (Cox et al., 2004) simply accepting the prevailing power asymmetry in the relationship (Hausman and Johnston, 2010). Compromise is identified typically with statements such as "splitting the difference," "exchanging concessions," or "seeking the middle ground" (Caniels and Gelderman, 2005).

This strategic option occurs when the weaker actor is subjected to unfavourable conditions by the stronger actor (e.g. inflexible contracts) and has no choice but to accept the status quo if it wants the relationship with the stronger actor to continue (Gelderman et al., 2008). In monopolistic markets for example weaker actors are often left with no choice but to compromise when dealing with a stronger actor. Caniels and Gelderman (2005) illustrated this using the Dutch natural gas market. A monopolistic supplier forced its buyers (weaker actors) to comply with the strict contractual terms and conditions. In cases of non-compliance, the dominant supplier made it impossible for the buying organization to continue doing business as usual. As the dominant supplier had the power to execute the threats, with generally large financial penalties, the weaker buyers had no option but to sign and comply

with a detailed and inflexible contract, thereby accepting the existing power imbalance in the focal relationship.

4.1.3 Diversification

The third strategic option available to a weaker actor was diversification (Bruyaka and Durand, 2012). Diversification indicates a weaker actor's intent to establish one or more long-term relationships beyond the dyad without actually damaging the focal relationship with the stronger actor (Anderson and Jap, 2005). This option allows the weaker actor to neutralize the power dominance of the stronger actor by engaging with alternative business partners thereby minimizing its reliance on the specific partner (Mukherji and Francis, 2008). For example, suppliers in the traditionally buyer-dominated US automotive industry (Handley and Benton, 2012b) may adopt diversification strategies. By entering new markets suppliers increase their number of buyers, and so reduce their dependence on any single buyer and conversely increase their power in that particular relationship (Handley and Benton, 2012a). Moreover, pursuing related diversification enabled suppliers to improve the cumulative importance of their resources by becoming system's integrators (Akpınar and Zettinig, 2008).

While diversification brings more visibility and legitimacy to the weaker actor it also increased the costs involved in managing time and resource requirements of partners in a more diverse portfolio of relationships (Helm et al., 2006). These costs may affect the survival of the weaker actor as Bruyaka and Durand (2012) showed in the French biotechnological industry. Dealing with a portfolio of powerful partners requires smaller (less powerful) organizations to balance diverse interests and goals (Wyld et al., 2012). This places considerable strain on the resources and capabilities of smaller organizations. Weaker actors should be self-critical evaluating the costs and benefits of diversification before forming relationships with stronger actors (Lindgreen and Pels, 2002).

4.1.4 Coalition

Coalition building with others beyond the focal dyad was the fourth strategic option (Choi and Linton, 2011). Coalition is a temporary, means-oriented alliance among players with different goals and is distinctly different from collaborative alliances formed through diversification. Coalitions have a short-term focus and can take place between two competing actors – e.g. two suppliers or two buyers (Bastl et al., 2013). A typical coalition relationship is usually informal, non-contractual and less enduring as opposed to long-term strategic alliances that are formalized and where actors pursue goals which are aligned with the goals of allies (Bastl et al., 2013).

The case of LG Electronics (Choi and Linton, 2011) represents an example of coalition building to counteract the dominance of a stronger player. LGE established an informal coalition relationship with TSMC of Taiwan, and a supplier to Qualcomm. This coalition was being used to leverage the stronger actor (Qualcomm) for more favourable delivery terms.

4.1.5 Exit

The fifth strategic option available to the weaker actor was exit (Gulati et al., 2008). Exit indicates the weaker actor's willingness to terminate the existing relationship (Hirschman, 1970) and occurs when the expected costs of staying in the relationship outweigh the benefits (Gulati, et al., 2008). It describes a situation where one actor no longer views the relationship with another actor as continuing, and where the interdependency between them has ended. By exiting from a relationship, a weaker actor breaks the links (exchange of goods, personal relationships, contracts, bonds of trust, and commitment) with its powerful counterpart (Tahtinen, 2002). It represents the ultimate and most destructive response to power imbalance in a buyer-supplier relationship (Tjemkes and Furrer, 2010), where the focus is towards changing the partner instead of improving the existing relationship (Alajoutsijarvi et al., 2000).

However, not all exits are the same. The analysis of the literature identified 4 types of exit strategies: silent, communicated, negotiated and disguised. *Silent exit* occurs when the weaker actor has no need to communicate its exit wishes to its stronger partner (Pressey and Mathews, 2003). Silent exit is often observed in project-based relationships with an accepted finite life (Alajoutsijarvi, et al., 2000). In such situations the weaker actor can silently exit from a relationship once the pre-determined relationship ending date is reached. *Communicated exit* is a second type of exit and occurs when the weaker actor informs the dominant partner about its inability or unwillingness to continue an unsatisfactory relationship. This can lead to hostility and a largely irrevocable breakdown in the relationship. A clothing firm (weaker actor) in the US apparel industry had been given the license to sell the products by a clothes manufacturer (stronger actor) in the US market. The clothes manufacturer failed in its relationships with another subsidiary of the clothing firm in Canada. As a consequence, the US clothing firm communicated to the clothing manufacturer that "the contract has expired, we're not doing business with you anymore" (Pressey and Mathews, 2003; p.146). *Negotiated Exit* is an option where the weaker actor negotiates without hostility or argument with the stronger actor about relationship disengagement. Both partners acknowledge that disengagement is inevitable and can therefore discuss the matter with mutual understanding (Alajoutsijarvi et al., 2000). Lastly *disguised exit* occurs when a weaker actor does not directly indicate to the stronger actor a desire to exit the relationship but nevertheless creates a situation where the relationship becomes unsustainable. This indirect approach may take the form of a supplier deliberately increasing the input costs or a buyer not fulfilling its payment obligations on time (Alajoutsijarvi et al., 2000). In the US automotive industry Bendix (weaker actor) worked with Ford (stronger actor) to design brakes. Ford reneged several times on implicit commitments to Bendix, for example by sourcing the production of brakes designed by Bendix to a different, cheaper firm. Fear that Ford would renege again caused Bendix to demand extremely fast paybacks on its relationship specific automobile investments with Ford, thereby ensuring that the relationship ended (Pressey and Mathews, 2003).

4.2 Question 2: Underpinning factors affecting strategic choice

From the analysis of the literature, seven underpinning factors emerged that influence the choice of strategic options available to the weaker actor to counteract the dominance of the stronger actor. These factors were: 1) nature of interdependence; 2) relationship governance; 3) sources of power; 4) switching cost; 5) type of conflict; 6) relationship closeness; and 7) available alternatives. In this section we introduce each underpinning factor and show how they may affect the weaker actor's choice of strategic options either at the dyadic or network level (see Figure 3).

Insert Figure 3 about here

4.2.1 Nature of Interdependence

The nature of interdependence may influence the choice of a strategic option. As Caniels and Gelderman (2007) stated (p. 220) "firms always depend, to varying extents, on their trading partner". Dependence has been described as a firm's need to maintain a relationship with the partner to achieve its goals (Frazier and Summers, 1984). A high level of interdependence is an indicator of an intense, strong, often cooperative, and long-term relationship between two actors. However, interdependence between two trading actors is rarely completely symmetric. Rather it is asymmetric - known also as relative dependence - and defined as the difference in level of dependence of the two participating actors (Anderson and Narus, 1990). Relative dependence results in power differences in a buyer-supplier relationship, or as Pfeffer and Salancik (1978) posited, if actor A depends on actor B's resources more than B depends on A's resources, then B has power over A.

From a weaker actor's perspective, the level of importance of its resources for the strong actor improves its relative power position. The importance of its resources increases the more these resources exhibit VRIN properties (Barney, 1991). For example, in the US retail sector weak retailers were successful in counteracting the dominance of Wal-Mart (stronger actor) only when they were proactive in enhancing the importance of their resources through brand equity; market knowledge and granting of certain concessions. As a result these retailers established collaborative long-term relationships with Wal-Mart, which acted as an entry barrier for other competitors. On the other hand, weak retailers which remained passive and did not possess, or were unable to develop, resources with VRIN characteristics, had no choice but to compromise and comply with the strict terms and conditions set by Wal-Mart (Bloom and Perry, 2001).

4.2.2 Relationship Governance

Relationship governance refers to institutional instruments or formal and informal mechanisms that buyers and suppliers put in place as safeguards to enable them to establish, structure, and govern inter-firm exchanges (Pilbeam et al., 2012).

Relationship governance influences the choice of strategic options available to a weaker actor to counteract the dominance of the stronger actor. For instance, the design of formal contracts can influence exit pathways which maybe either symmetric (equally easy or difficult exit for both partners) or asymmetric (easy exit for one and difficult exit for the other partner) (Gulati et al., 2008). “Difficult” exit could be advantageous because it makes partners more likely to remain dedicated to the relationship during rough times, and to build trust and a deeper commitment in general. In such situations, the weaker actor negotiates the terms and conditions to end the relationship with its stronger actor. In comparison, “easy” exit brings flexibility with regard to strategic decision making and resource allocation (Harrison, 2004). For example, “easy” exit provides the weaker actor with an opportunity to disengage from the unsatisfactory relationship silently, in disguised form, or by communicating its intentions to its stronger partner (Pressey and Qiu, 2007).

Because of their flexible nature, informal relationship governance can persuade weaker actors to accept the power dominance of the stronger actor and develop a long-term relationship (Wu et al., 2010). However, informal relationship governance does not provide the mechanisms necessary to safeguard any investments made by the weaker actor in the focal relationship. For example, with no formal contracts in place, a US-based paint manufacturer (weaker actor) had to file for bankruptcy once its stronger partner - a powerful Japanese car manufacturer - decided to exit the relationship without any prior notice (Gulati et al., 2008).

4.2.3 Sources of Power

Different sources of power in a buyer-supplier relationship influence the choice of strategic option. Power may be either mediated (reward; coercion and legal legitimate based on formal contracts), or non-mediated (referent; expert; and traditional legitimate) (French and Raven, 1959). Mediated power represents competitive and negative uses of power while non-mediated power sources are more relational and positive in orientation (Benton and Maloni, 2005). While exercising mediated power, a stronger actor typically applies coercive tactics (e.g. financial penalties) on the weaker actor, whereas no such tactics are applied in the use of non-mediated power (Maloni and Benton, 2000). For example, in the Dutch public-utility sector, suppliers (stronger actor) used both reward and coercive tactics to control the payment behaviour of their buyers (weaker actor). In this situation, the weaker actor was left with the choice of either compromising and continuing the relationship by accepting the existing power imbalance or discontinuing the relationship and finding an alternate source of energy (Gelderman et al., 2008).

In contrast, the use of non-mediated power in the Japanese automotive industry allowed the development of long-term partnerships. Encouraged by the positive relationship building approach of their stronger partners like Chrysler and Honda, the weaker suppliers attempted to establish close ties by participating in joint new product development initiatives. This approach enabled the weaker suppliers to gain access to industry intelligence created by these collaborative business relationships. Because of the importance of this newly acquired skill,

the weaker actors were able to shift the power imbalance in their favour (Maloni and Benton, 2000).

4.2.4 Switching Costs

The fourth underpinning factor was switching costs. Switching costs refer to the difficulties or costs associated with changing a firm's current trading partner. There are two types of switching costs: a) break-off costs, which form a barrier to ending old business relationships, and b) set-up costs, which form a barrier to engaging in new business relationships (Harrison, 2004). When deciding whether to continue with the same partner or terminate the relationship, the weaker actor has to consider the various costs (e.g. legal costs) of shifting from one partner to another. Higher switching costs increase the dependency of a weaker actor in the relationship, resulting in a widening of the power differential between actors in the relationship. Switching costs are typically either relationship specific assets (Pressey and Mathews, 2003) or legal costs (Rossetti and Choi, 2008).

Relationship specific assets refer to those investments that are sunk costs and that cannot be redeployed easily to another relationship without some sacrifice in the productivity of the assets or some cost incurred in adapting them to the new context (Anderson and Jap, 2005). Such investments make it difficult for the weaker actor to switch partners (Harrison, 2004) thereby encouraging it to either collaborate to improve its power position in the relationship or to accept the status quo by compromising and complying with the terms and conditions set by the stronger actor.

Harrison (2004) chronicled the evolution of the relationship between a UK clothing manufacturer (William Baird) and a large UK retailer (Marks and Spencer – M&S) from its beginning in 1969. At that time William Baird had business contracts with several large UK retailers. However, by 1995 William Baird had adapted its assets to a degree that it could only supply M&S and was highly dependent upon it. When M&S began to reduce its dependence on UK manufacturers in 1999 due to poor trading performance, William Baird was compromised because of its relationship specific assessments. It had no option but to comply with M&S's wishes and continue the relationship at much lower business volumes.

Legal Costs: When considering changing partners a weaker actor needs to consider the probable legal costs involved in switching. Violating contractual obligations may incur heavy legal costs. Rossetti and Choi (2008) provided examples of copyright infringements from the US aerospace industry. Boeing (a strong actor) sued Sierracin (their weaker supplier) when it was successfully proved that the supplier was unable to design windows without Boeing's copyrighted drawings. Similarly, a protracted battle between United Technologies Corporation (UTC) and Chromalloy involved law suits and counter law suits with each side alleging damages. The costs of defence and loss of reputation for the weaker supplier were large.

4.2.5 Type of Conflict

Conflict in a buyer-supplier relationship is defined as the disagreements between the two partners regarding the tasks being performed. Conflicts between buyers and suppliers take two forms:

Functional conflict occurs when actors have different viewpoints (Bobot, 2010). Functional conflict may produce positive as well as the more frequently anticipated negative outcomes. Positive outcomes arise because functional conflict allows buyers and suppliers to identify and discuss alternative perspectives, enabling the efficient removal of impediments and enhancing the prospect of a long-term relationship. A Swedish saw-equipment producer overcame a source of contention with a large saw mill, and strengthened its ties with the same mill by collaborating on a joint program to develop specialized saws that cut frozen timber. As a result of this initiative, both partners successfully overcame this functional conflict by developing the required equipment through technical collaboration (Anderson et al., 1994).

Dysfunctional conflict arising from dysfunctional behaviors, dissatisfaction, and poor individual or group performance produces tension and antagonism, and distracts people from their task performance (Bobot, 2010). While facing a dysfunctional conflict, a weaker actor can opt to exit the relationship in order to counteract the dominance of the stronger actor. In response to a buyer (strong actor) who habitually switched suppliers to get a better deal, a supplier (weak actor) in the UK fashion industry opted to exit the relationship (Pressey and Mathews, 2003).

4.2.6 Relationship Closeness

Relationship closeness, the sixth underpinning factor refers to the level of trust and extent of information sharing between the partners in a power asymmetric relationship. *Trust* is defined as the “willingness to rely on an exchange partner in whom one has confidence” (Moorman et al, 1993; p. 82). The literature on trust suggests that confidence in one’s partner in a buyer-supplier relationship results from the established belief that the partner is reliable and will perform according to expectations even if it is not monitored or controlled. Levels of trust often increase as the duration of a relationship increase, giving rise to sustainable long-term benefits (Anderson and Narus, 1990). Relationship specific assets increase the level of trust and tend to increase the longevity of the relationship to the benefit of the weaker actor (Caniels and Gelderman, 2010).

Christiansen and Maltz (2002) showed how a weaker actor in the Danish electronics sector was able to improve its power position by focusing on the level of closeness with its stronger partner. Grundolig Electronics Limited (GEL), recognizing its small size, specialized in electromechanical controls for pumps and pump motors and through extensive and prolonged face-to-face contact developed a “special” relationship normally reserved for large customers with a major electronics supplier (NEC). Using its specialist knowledge, GEL worked in collaboration with NEC to develop innovative products. GEL had the patent to use the new

technology for its pumps and pump motors while NEC benefited from GEL's knowledge to upgrade its other commercial products.

Extent of information sharing refers to the level of detail and the frequency of information exchanged between the partners (Lindgreen and Pels, 2002). For example, close relationships based on information exchange developed between small suppliers (weaker actors) and powerful automobile makers (stronger actors) in the Japanese car industry to solve shared problems. Higher levels of information sharing and commitment encouraged suppliers to make investments enabling improved quality, just-in-time delivery and product and process innovation (Helper and Sako, 1991).

4.2.7 Available Alternatives

The last factor that can influence the choice of a strategic option is the number and quality of alternative partners. A greater number and better quality of available alternatives provides the weaker actor with the necessary leverage to counteract the power differential (Caniels and Gelderman, 2007) by establishing links with other actors outside the focal relationship. In such situations a weaker actor can reduce its reliance on a particular partner by managing a portfolio of relationships (Caniels and Gelderman, 2010). The greater the number of partners a weaker actor (e.g. supplier or a buyer) has (both inside and outside a particular industry), the greater is its power in any specific buyer relationship. For example, to counteract the dominance of powerful aerospace buyers (stronger actors), a Canadian-based parts manufacturer (weaker actor) producing precision instruments for the aerospace industry, diversified into the automotive industry (Akpinar and Zettinig, 2008).

A weaker actor may be forced to compromise where it is difficult to acquire alternative resources from outside the focal relationship (Sanderson, 2001). Provan and Gassenheimer (1994) reported that in the US office furniture industry market leaders (stronger actors) visible to customers could offer a wide variety of products and services, and had a major impact on industry structure. Dealers (weaker actors) had few alternative suppliers to choose from, and thus, tended to be highly dependent on a single supplier. Although dealers could represent many suppliers, in practice the top suppliers placed strong constraints on which alternative suppliers their dealers could represent. Consequently, dealers generally developed close ties with the dominant suppliers. When these top suppliers established long-term, co-operative ties with individual dealers, the need for actively controlling these particular dealers decreased since they were then considered as trusted business partners.

5. DISCUSSION AND CONCLUSIONS

In this review we have focused on the weaker actor in a buyer-supplier context. To date, most of the literature on power is written from the perspective of a stronger actor that leads and controls a relationship (Benton and Maloni 2005). This work is a first attempt to synthesize

the literature, dealing with a weaker actor and consequently we make two primary contributions to the literature on power in buyer-supplier relationships.

First, we identified five strategic options that are available to a weaker actor to counteract a dominant stronger actor, namely collaboration, compromise, diversification, coalition and exit. This inclusive view contrasts starkly with other work that typically considers these options in isolation. The five options differ along three dimensions: a) context in which power dominance is addressed – i.e. dyad or network, b) continuation or termination of a focal relationship, and c) reasons for the power shift once an individual option is chosen and implemented.

We showed that in spite of the existence of the power dominance in a focal buyer-supplier relationship, strategic choices to address this dominance are not limited to a dyadic context. While collaboration and compromise would be two typical dyadic strategies, the weaker actor should not overlook the fact that its dyadic relationship with a stronger actor is embedded in a wider network (Choi and Kim, 2008). Where collaboration or compromise are not viable options, the weaker actor can reach beyond the focal dyad into the wider network to engage with alternative trading partners through diversification or coalition building. Moreover, the identified options do not presuppose that the focal relationship with a stronger actor will continue. While four of the choices result in the continuation of the focal relationship (although its nature may change), this is not the case for exit. Exit represents the most radical option in addressing power dominance. Here the weaker actor focuses on terminating the focal relationship. It is noteworthy that not all choices alter power relations in the same way. When opting for collaboration for example, the weaker actor attempts to reduce the power imbalance by increasing the importance of its resources for the stronger actor, meaning it is ‘moving’ closer to the stronger actor (Christiansen and Maltz, 2002). In contrast, with options such as diversification or coalition building the weaker actor ‘moves’ away from the stronger one, as it tries to decrease the importance of the stronger actor’s resources for itself (Bruyaka and Durand, 2012).

Our *second* contribution lies in the identification of underpinning factors that influence the choice of an individual strategic option. The underpinning factors have been previously considered in isolation (Pressey and Qiu, 2007), and it is this work that brings them together in a unified framework (Figure 3) and shows how they may influence the choice of an individual strategic option. We showed that the weaker actor’s choices are influenced by the underpinning factors that exist at the dyadic level (i.e. nature of dyadic interdependence, relational governance, sources of power, switching costs, type of conflict and relationship closeness), and at the network level (i.e. available alternatives and nature of network interdependence). While we were able to show in the results that at least one factor influences a specific strategic option, we speculate that the interplay between the factors and the choices is more complex. Individual options may be influenced by more than one factor and each factor may influence more than one strategic choice.

Our study has important practical implications. First, we suggest a sequence of decisions (Figure 4) that a weak actor can make to select an appropriate option in response to a stronger

actor in a buyer-supplier relationship. Each decision is informed by consideration of the influencing factors. Second, these alternative scenarios indicate that a weaker actor does have options even when in a relationship with a dominant actor who is controlling the relationship in ways inimical to the weaker actor's interests. This has implications for both parties. Strong actors in a buyer-supplier relationship should not treat their power positions as permanent but rather as temporary, and something that requires continuous attention to maintain. Moreover, weak actors need not accept the status quo.

Insert Figure 4 about here

6. AGENDA FOR FURTHER RESEARCH

To advance this work and drawing on both descriptive and thematic findings we suggest a number of avenues for further research. Our proposed framework (Figure 3) requires empirical validation and we suggest that future investigations may take the following path.

First, by adopting a qualitative, multi-case study strategy, we suggest the examination and validation of the linkages between individual options and underpinning factors. Exposing an entire framework to a single field study may prove an overwhelming task and so we suggest that the framework is broken into three parts. Researchers could explore links first between the underpinning factors and strategic options within a dyad, then between factors and options within a network and third, between factors and the exit option. This study would greatly benefit from the utilization of an abductive approach, which would allow researchers to cycle between theory (i.e. the proposed framework) and empirical data through 'systematic combining' (*cf.* Dubois and Gadde, 2002). Abduction allows researchers to anchor their findings to an initial theory that is then developed – and possibly extended - through each round of data collection and analysis (Kovacs and Spens, 2005).

Second, to overcome the limitations of the current literature that served as a basis for the development of the proposed framework we would encourage researchers to collect data in the dyadic context from the perspectives of both weaker and stronger actor, and in the network context to collect data from at least three actors – the weaker and stronger actors and the weaker actor's new network partner.

Third, as a logical continuation in theory development we propose a theory-testing phase. The adoption of a configurational approach – i.e. QCA (Qualitative Comparative Analysis) and its subset fsQCA (fuzzy set Qualitative Comparative Analysis) - would yield valuable insights (Ragin, 2008). fsQCA is particularly advantageous in situations with complex causality (which we believe the first phase will uncover) and allows for equifinality, where multiple solutions can lead to the same outcome.

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Table 1. Keywords and search terms used in the systematic review

Buyer		Supplier		Interaction		Not related terms
Buyer* OR Customer*	AND	Supplier* OR Seller OR Vendor*	AND	Collaborat* OR Advers* OR *depend*OR Alliance* OR Balanc* OR Bargain* OR Compl* OR Conflict* OR Control* OR Cooperat* OR Domina* OR Dyad* OR Power OR Relation*	AND NOT	System* OR Multimedia OR Computer OR Health OR Med* OR Tech* OR Scien* OR Consum*

Table 2. Criteria for including and excluding papers in the systematic review

Criteria	Rationale
<i>Inclusion</i>	
Publications in peer reviewed journals only	These are likely to be of higher quality than conference papers or working papers etc.
Publications since 1980	Giunipero et al., (2008) suggest there is limited supply chain research before 1980
Business-to-Business dyadic relationships	Focus is on dyadic buyer-supplier relationships
Identifiable weak actor	Focus of study is weaker actors
Firm level studies	Focus on organizations not individuals or networks.
<i>Exclusion</i>	
Non-English language journals	Language capability of authors
Intra-organizational relationships, inter-personal relationships or business to consumer relationships	The study focused on firm level dyadic buyer-supplier relationships
Natural Sciences, Computer Sciences and Engineering	The discipline of study is Business and Management augmented by findings in other social science disciplines

Table 3: Number of papers allocated to each descriptive category

Descriptive Category	Sub Categories		Number of papers
Paper Type	Analytical	Conceptual	8
		Mathematical	1
		Statistical	-
	Empirical	Experimental Design	-
		Statistical sampling	25
		Mixed Method	1
		Case Studies	13
Literature Review		-	
Studies over time	Before 1990		-
	From 1990 till 1994		3
	From 1995 till 1999		4
	From 2000 till 2004		14
	From 2005 till 2009		15
	From 2010 till 2013		12
Theoretical Lens	Social Exchange Theory (SET)		15
	Transaction Cost Economics (TCE)		3
	Resource Dependence Theory (RDT)		3
	Resource Based View (RBV)		3
	Combination of SET, TCE, RDT, RBV		19
	Agency Theory		3
	Other		2
Research Perspective	Cross-sectional approach (Variance Study)		36
	Longitudinal study (Process Study)		3
Geographical Location of study	Europe		18
	N. America		14
	Other		7
Industry Sector	Manufacturing		27
	Service		8
	Both		4
Research Methodology	Quantitative		25
	Qualitative		13

	Mixed Methods	1
Dyadic Perspective	Buyer	20
	Supplier	12
	Both	16
Weaker Actor ¹	Supplier	15
	Buyer	14
	Variable	12
	Both	8
Organization Field	Strategic Management	16
	Supply Chain Management	15
	Industrial Marketing	13
	Operations Management	4

¹ “Variable” indicates that an actor is in a weaker position in one relationship while simultaneously it is in a stronger position in another relationship.

“Both” indicates that power dominance was examined from both perspectives (buyer/supplier) in the same article.

Table 4: Listing of papers contributing to strategic options or underpinning factors

		Total	Reviewed Papers**
Options	Collaboration	33	1,3,5,6-8,10-12,14-21,24,31-35,38-41,43-48
	Compromise	5	7,11,16,21,22
	Diversification	3	1,9,11
	Coalition	3	1,2,4
	Exit	9	9,11,24,26,28-30,36,37
	Total*	53	
Factors	Nature of interdependence	32	1-5,7-9,11-15,18-23,26-28,33-38,40-42,45
	Relationship governance	18	2,4,10,13,16,23-26,30-33,36,42,44,46,47
	Source of power	21	1-7,11,13-16,21-27,33,45
	Switching costs	17	1,3,5,10-16,19,28,30-32,36,38,43
	Type of conflict	29	1-9,14-18,21-26,36-41,46-48
	Relationship closeness	26	1,3,5,10-13,19-23,25-27,31-35,40-44,47
	Available alternatives	15	1,3,9,10,12,19,21,23,24,26,28,29,34,38,48
	Total*	158	

* Indicates multiple options and factors discussed in the paper

** See Appendix A for complete reference of the numbered articles

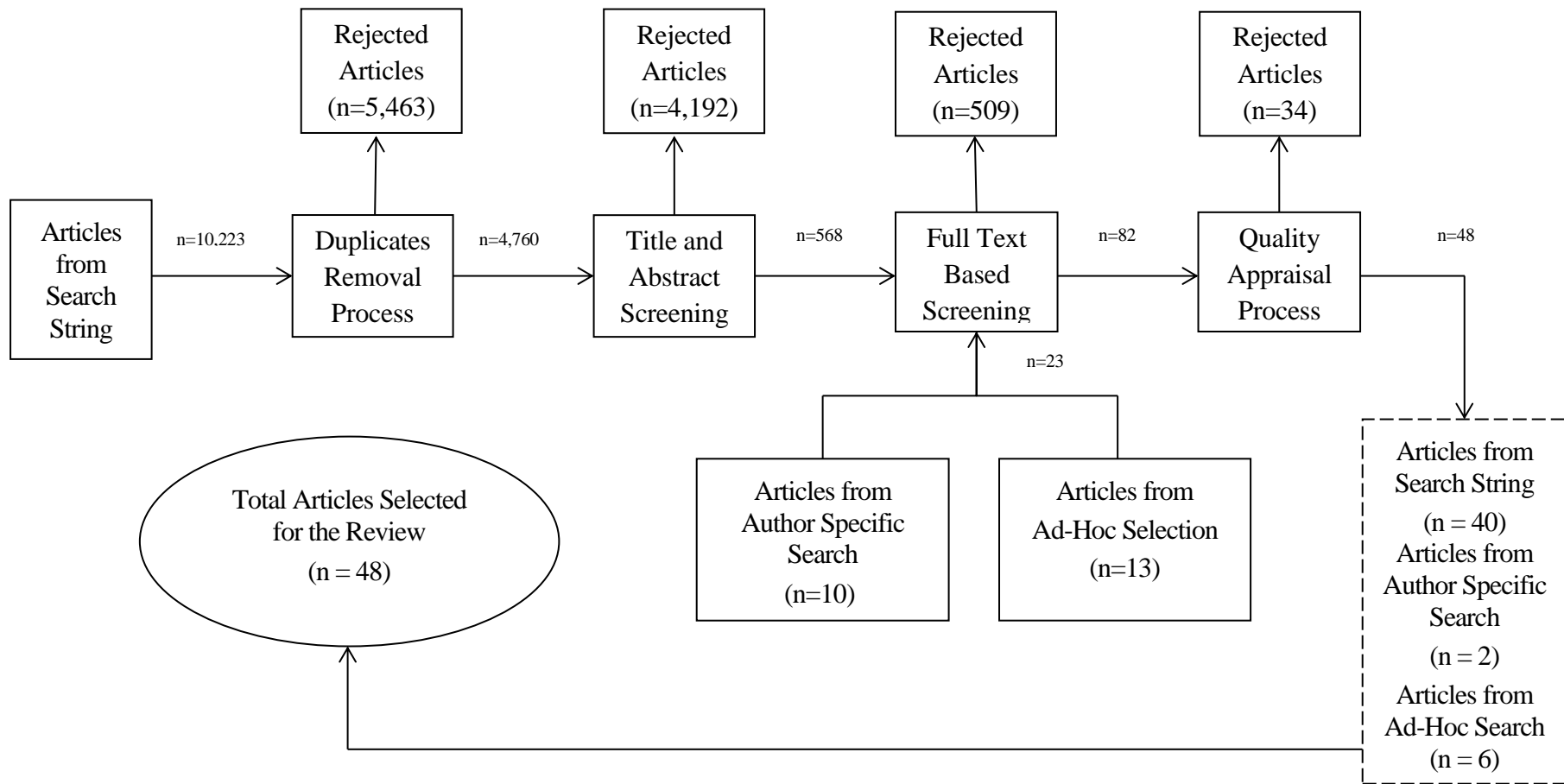
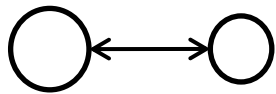


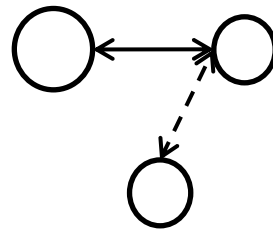
Figure 1: Summary Diagram of the Selection Process

Power dominance
addressed within a dyad and
relationship continues



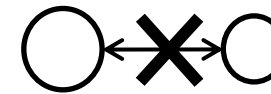
- Strategic Options:
- Dyadic collaboration
 - Compromise

Power dominance
addressed within a network
and relationship continues



- Strategic Options:
- Network collaboration
 - Diversification
 - Coalition

Power dominance
addressed within a dyad but
relationship is terminated



- Strategic Options:
- Exit

Figure 2: Weaker actor's strategic options for counteracting a power dominance of a stronger actor in a buyer-supplier relationship

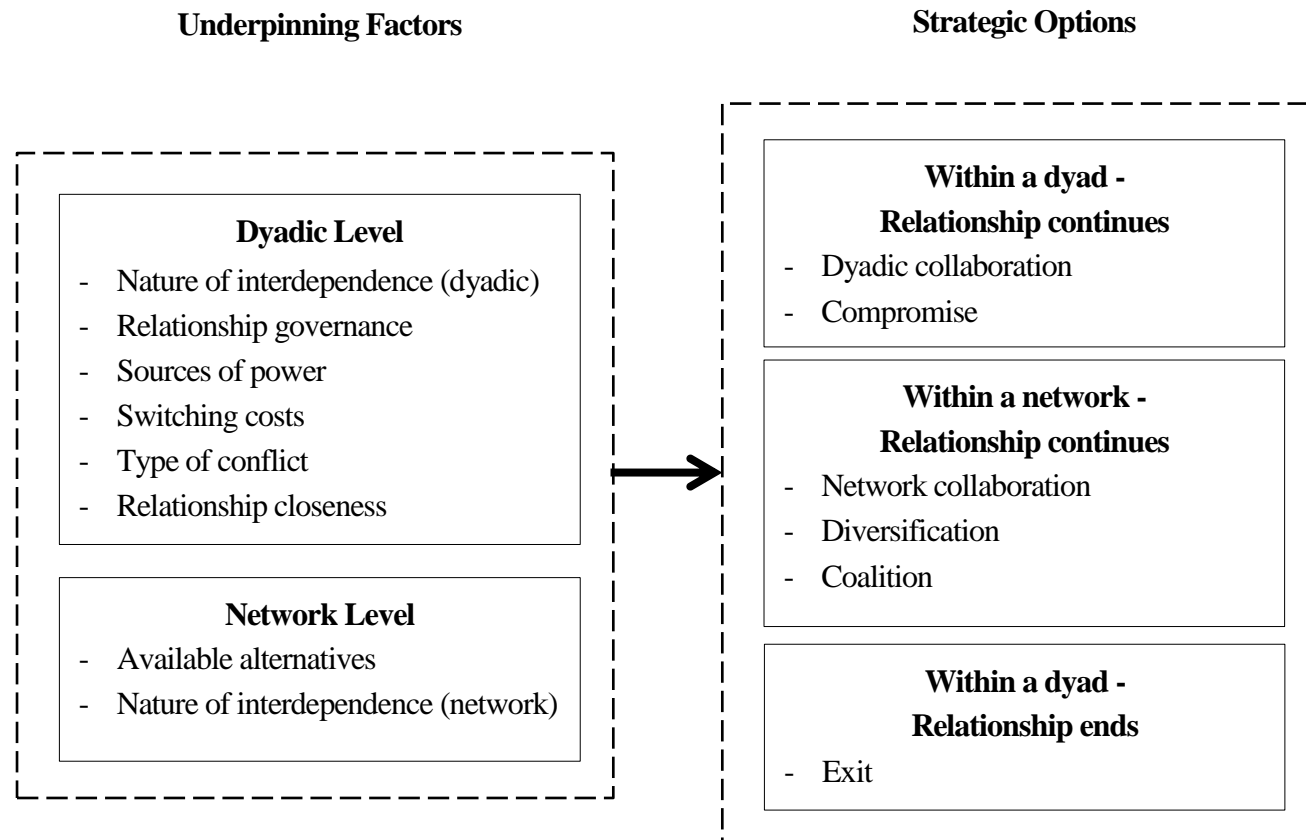


Figure 3: Factors underpinning the strategic options available to a weaker actor to counteract the dominance of a stronger actor in a buyer-supplier relationship

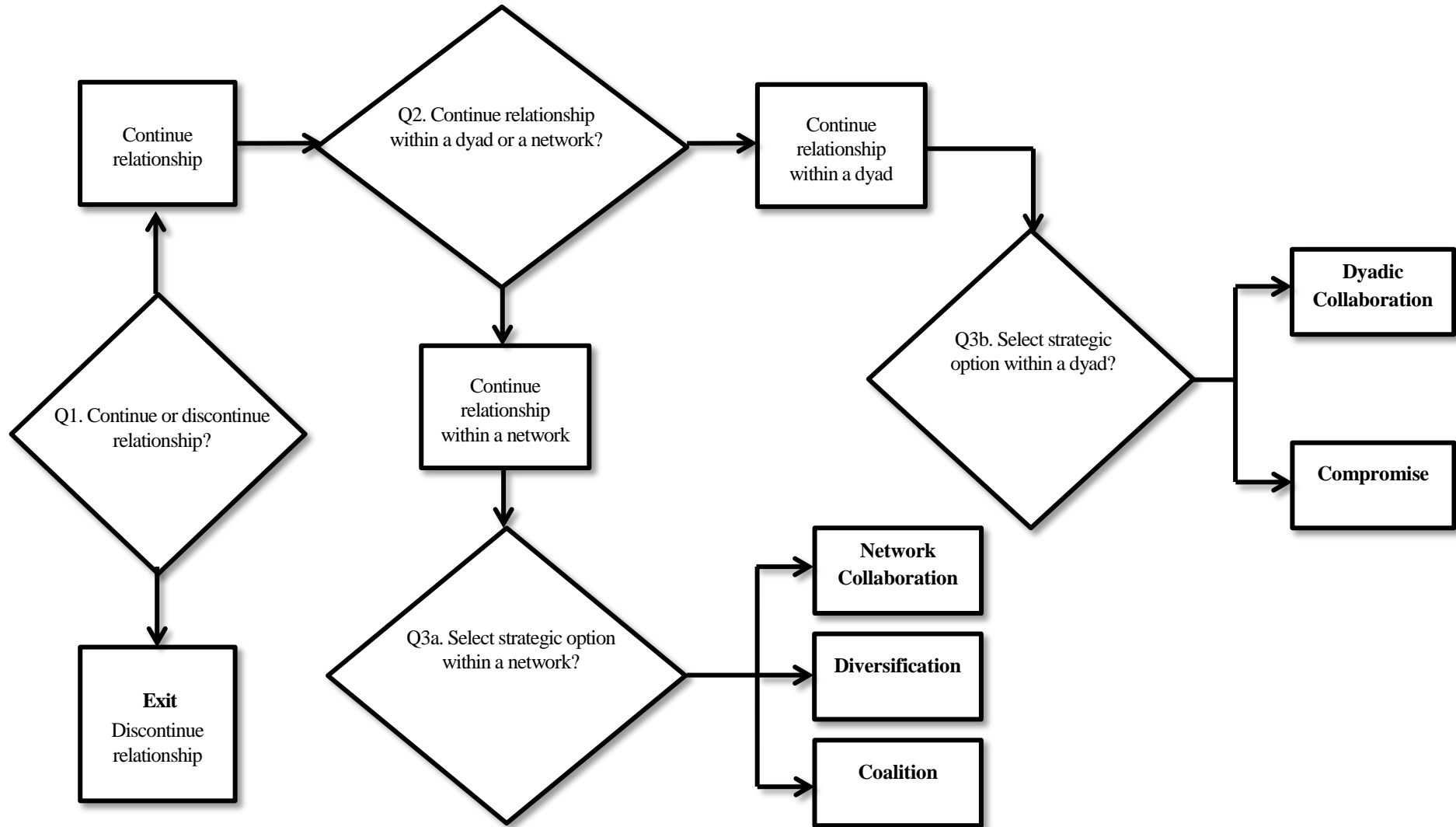


Figure 4: Decision tree for weaker actors' selection of strategic options in power asymmetric buyer-supplier relationships

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Strategic responses to power dominance in buyer-supplier relationships: a weaker actor's perspective

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Emerald

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