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Antecedents and Consequences of Power Imbalance in Supply Networks: A Conceptual Framework

ABSTRACT

Studies on power typically focus on the influences of power in supply networks. This paper draws a distinction between power as a phenomenon that exists in business and power usage as overt actions by power holders. A third power concept, power imbalance, which can encourage power usage and is a more fundamental issue in supply networks, constitutes the focus of this paper. Specifically, antecedents of power imbalance are explored from a social stratification perspective given that power is originally a social concept. With an integrated overview of the literature, a conceptual framework is built and propositions are developed.

KEYWORDS: Power Imbalance, Stratification Theory, Socioeconomic Status, Power Usage, and Theory Building

INTRODUCTION

Power is a concept that originated from social and political sciences (Bierstedt, 1950; Dahl, 1957; Emerson, 1962). It is recognized as a universal phenomenon in human societies and in all social relationships (Bierstedt, 1950). Power is a ubiquitous phenomenon in the business world as well. Business researchers have long realized the importance of power and started to study power in channel relationships in early 1970s (e.g., El-Ansary & Stern, 1972; Hunt & Nevin, 1974; Wilkinson, 1974). In the supply chain management field, power is typically studied in buyer-supplier relationships (hereafter abbreviated as BSRs). Researchers have focused on the effects of power on BSR quality and supply chain performance (e.g., Maloni & Benton, 2000; Benton & Maloni, 2005; Zhao, Huo, Flynn, & Yeung, 2008). It has been found that power usage generally negates cooperation, commitment, and trust in BSRs (Kumar, 1996; Doney & Cannon, 1997; Kumar, Scheer, & Steenkamp, 1998; Maloni & Benton, 2000) and is negatively related to supplier satisfaction (Benton & Maloni, 2005) and supply chain performance (Maloni & Benton, 2000; Handley & Benton, 2012b). Less attention has been paid to the fundamental cause of power usage—power imbalance.

In a BSR, the buyer and its supplier don't necessarily have the same amount of power, which causes a power imbalance between them. The party who has more power is able to exercise power and influence decisions of the weaker party. A rather extreme case could be found in a relationship where a monopolist supplier has much more power than its buyer, where the buyer will have to comply with the monopolist supplier's many terms and conditions, some of which could be unfair. The huge power imbalance between the buyer and its supplier in this example makes it possible for the buyer to impose terms on the supplier; whereas in a case where two parties in a BSR have similar levels of power, it might not be easy for one party to ask the other for whatever it wants. Therefore, power imbalance makes power usage easier and more effective.

However, it is not accurate to argue that wherever there is power imbalance, there is power usage. There are factors that can deter power usage. For instance, the strategic importance of the outsourced service to the buyer and the buyer's switching difficulties are both negatively correlated to buyer power usage (Handley & Benton, 2012b). Despite the close association between power imbalance and power usage, the concept of power imbalance has not been examined by many researchers. While previous research on the effects of power usage advanced knowledge of power in supply networks, a closer look at how power imbalance is formed in a relationship and how it affects power usage is much needed at this point.

In order to understand the perplexing dynamics of power imbalance, we turn to the sociology literature as power is originally a social concept (Bierstedt, 1950) and buyer-supplier relationships are similar to marriages (Levitt, 1983). In marriages, social classes of husband and wife matter (McDowell et al., 2013). Drawing on the theory of stratification (Blau & Duncan, 1967; Pandey, 1983; Scott, 1996) and the concept of socioeconomic status (Mueller & Parcel, 1981; Nam & Powers, 1983; Campbell, Marsden, & Hurlbert, 1986), we explore how socioeconomic status disparity between a buyer and its supplier can cause power imbalance. We also make use of the literature on power in sociology and marketing. Through these theoretical lenses, we develop a theoretical framework from which propositions about the antecedents and consequences of power imbalance are generated. The contributions of this paper and the managerial implications of these propositions are also discussed.

LITERATURE REVIEW

In this section, we first review the literature on power, power usage and power imbalance to make a distinction between the three concepts. We then focus on the sociology literature to explore the relationship between a firm's socioeconomic status and its relative power in a buyer-supplier dyad. Following that, we look for clues in the marketing literature to facilitate our understanding of how firms' relationship orientation can affect power structures and power usage in BSRs. A complete conceptual framework is built after the review.

Power, Power Usage and Power Imbalance

Power has long been the focus of study in such fields as political science, sociology, management, marketing, and supply chain management. Definitions of power thus abound in the literature. One of the earliest versions by the German sociologist and philosopher Max Weber conceptualized power as "the chance of a man or of a number of men to realize their own will in a communal action even against the resistance of others who are participating in the action" (Gerth & Mills, 1962). Robert Dahl, a political theorist, thought of power as a relation among people or groups and defined power as the ability of one individual or group to get another unit to do something that it would not otherwise have done (Dahl, 1957). In his seminal work on power which developed a theory of power relations, Richard M. Emerson, the distinguished sociologist, recognized power as potential influence and defined power as the amount of resistance on the part of one actor which can be potentially overcome by another

(Emerson, 1962). El-Ansary and Stern (1972) applied Dahl's definition to distribution channels by operationally defining power as the ability of a channel member to control the decision variables in the marketing strategy of another member. Supply chain management scholars adopted similar definitions that were used in marketing studies (Zhao et al., 2008). Though the wordings of these definitions are not all the same, understanding of the concept seems to be consistent in those fields and they all imply two important characteristics of power.

First, power is latent. Power is an ability to cause someone to do something that they would not have done otherwise (Gaski, 1984). It signifies potential influence (French & Raven, 1959; Emerson, 1962), which is not necessarily realized. To say that one has power is one thing, but to say one has wielded power is different. Power can be regarded as the predisposition or prior ability which makes the application of power possible (Bierstedt, 1950), but power in itself is different from power usage. This point can be more easily driven home by considering that a firm can have power without using it (Frazier, 1983; Gaski & Nevin, 1985). The power of an actor, whether individual or collective, is measured by the chance that they have of realizing their will (Scott, 1996). So power is not necessarily evident or active. It is not always visible.

Second, power is relative. For power to be a meaningful concept, there should be at least two parties and a relation between them (Dahl, 1957). Normally, firms can report their sales revenue or profit margins in a specific fiscal year or how many employees they currently employ. However, they can't report exactly how much power they have at a given time. A firm can only know how much power it possesses when a specific relationship is referred to, for example, with a certain supplier or client. Tech behemoth Apple Inc. is certainly more powerful compared with many of its suppliers, but its power in one dyad is not necessarily the same as that in another. What's more, for a small local restaurant in Tanzania that has nothing to do with Apple, we are not able to compare its power with Apple's and determine who is more powerful because they are not directly related to each other in any way. Apple thus does not have any power over the restaurant and cannot command it to make changes or do anything. A firm’s absolute power is thus unknown unless a relationship is specified and its power is different in different BSRs. Emerson (1962) illustrated this point by stating that saying that "X has power" is vacant, unless we specify "over whom."

From these two characteristics of power, we can infer that power itself is neither harmful nor helpful. It is not the mere possession of power that may pose a threat to a relationship; rather, it is power usage that can leave the weaker party unhappy. Power is latent while power usage is manifest. As Emerson (1962) pointed out, power exists only as a potential to be occasionally employed by the participants. Power is thus not visible but power usage is. Power is actualized through power usage.

Another concept that is derived from power is power imbalance or power asymmetry (we will use the term power imbalance for this paper). Dahl (1957) developed a statement of power comparability, which is the relative degree of power held by two or more persons or groups. He maintained that if two actors are power comparable, they can be ranked according to the amount of power they each possess. It can be inferred from the definition of power that as long as there is a relationship between two actors, the two are power comparable. As a result, we can know how much relative power each party has in a certain relationship. Emerson (1962) defined power advantage as Pab (i.e., Power of A over B), minus Pba, which can be a power disadvantage if the value is negative. Intuitively, whenever the amount of power possessed by two parties in a relationship is different, there is power imbalance in the relationship. Power imbalance, caused by the unequal distribution of power between partners in a relationship, represents a situation or status. Unlike power, it is an attribute specific to relations.

Power imbalance does not necessarily portend conflict in supply chain relationships, but it does create greater risks and challenges for the weaker party (Nyaga, Lynch, Marshall, & Ambrose, 2013). This is due to the fact that an unbalanced relation is unstable and it encourages the use of power (Emerson, 1962). Power imbalance in a buyer-supplier dyad thus significantly shapes inter-firm relationships and inter-firm governance (Xiao, Xie, & Hu, 2013). Table 1 summarizes the differences between power, power imbalance, and power usage.

In spite of the importance of power imbalance in buyer-supplier relationships, only a few papers have mentioned the linkage between power imbalance and power usage (e.g., Anderson & Weitz, 1989; Brown, Lusch, & Nicholson, 1995). Even less attention has been directed to the antecedents of power imbalance. This paper will thus fill the gap and aim to understand the nature, antecedents, and effects of power imbalance in supply chain relationships, to deepen our understanding of the power phenomenon in BSRs.

Table 1
Comparisons Of Power, Power Usage And Power Imbalance

Concepts	Definition	Unit of Study	Relativity	Visibility
power	potential ability of exerting influence over another party	individual	relative	latent
power imbalance	situation where parties in a relationship have different levels of power	relation	absolute	N/A
power usage	application of power	individual	N/A	manifest

Power as Studied in the SCM Literature

In the SCM literature, there are plentiful studies on power. Many of them empirically examined the effects of power usage on BSR quality and supply chain performance. See Table 2 for a list of some example studies.

Table 2.
Examples of Power Studies in SCM

Title	Authors	Year published	Power-related key construct
Power influences in the supply chain	Maloni and Benton	2000	Power usage
The influence of power driven buyer/seller relationships on supply chain satisfaction	Benton and Maloni	2005	Power usage
The impact of power and relationship commitment on the integration between manufacturers and customers in a supply chain	Zhao, Huo, Flynn, and Yeung	2008	Power usage
The effects of trust and coercive power on supplier integration	Yeung, Selen, Zhang, and Huo	2009	Coercive power usage
Mediated power and outsourcing relationships	Handley, and Benton	2012	Mediated power usage
The influence of exchange hazards and power on opportunism in outsourcing relationships	Handley, and Benton	2012	Power usage
Power asymmetry, adaptation and collaboration in dyadic relationships involving a powerful partner	Nyaga, Lynch, Marshall, and Ambrose	2013	Power usage

Note that except Nyaga et al. (2013) all these papers use the word “power” in the titles, instead of “power usage”. But a close examination of the measurements these studies use to measure power reflects the fact that most if not all of these studies were actually measuring *power usage*, rather than *power*. For example, in Maloni and Benton (2000), the following items were used to measure reward power and coercive power.

Reward Power

XXX offers incentives when we were initially reluctant to cooperate with a new program.
We feel that by going along with BBB, we will be favored on other occasions.
XXX offers rewards so that we will go along with their wishes.

Coercive Power

If we do not do as asked, we will not receive very good treatment from XXX.
If we do not agree to their suggestions, XXX could make things difficult for us.
XXX makes it clear that failing to comply with their requests will result in penalties against us.

In Zhao et al. (2008), similar items were adopted to measure reward power and coercive power.

Reward Power

REW1: If we did not do what as the major customer asked, we would not have received very good treatment from them.
REW2: We felt that by going along with the major customer, we would have been favored on some other occasions.
REW3: By going along with the major customer's requests, we avoided some of the problems other suppliers face.
REW4: Our major customer often rewarded us to get our company to go along with their wishes.

Coercive Power

COE1: The major customer's personnel would somehow get back at us if we did not do as they asked and they would have found out.
COE2: The major customer often hinted that they would take certain actions that would reduce our profits if we did not go along with their requests.
COE3: The major customer might have withdrawn certain needed services from us if we did not go along with them.
COE4: If our company did not agree to their suggestions, the major customer could have made things more difficult for us.

It can be seen that these questions generally ask the respondents whether their buyers have exercised reward or coercive power in their interactions. Therefore, to be accurate, it is the effects of different kinds of *power usage* that were examined in these studies rather than the effects of *power*. The reason why we make this distinction is that as we have demonstrated before, power and power usage are different concepts and should not be confused with each other. In the SCM literature, such a distinction is either not realized or researchers simply prefer using the two concepts interchangeably, which is potentially confusing given the differences between the two. In this paper, we will strictly follow the definitions of the two concepts.

Effects of Power Usage on Supply Chain Relationships

Though a firm's use of power may result in the partner's short-term compliance (Leet-Pellegrini & Rubin, 1974; Kasulis & Spekman, 1980; Handley & Benton, 2012b), power usage is generally considered an obstacle to the effective workings of BSRs and negatively related to BSR quality and supply chain performance. Power usage negates cooperation, commitment, and trust (Kumar, 1996; Doney & Cannon, 1997; Kumar et al., 1998). Maloni and Benton (2000) empirically showed that exploitation of the supply chain by the powerful party may lead to dissension and underperformance, thus hurting the power holder. Coercive power usage was found to maintain significant negative effects on supply chain buyer–supplier relationships (Benton & Maloni, 2005) and have a negative impact on supplier commitment (Zhao et al., 2008). The use of mediated power, namely, reward power, coercive power and legal legitimate power (hereafter referred to as "legal power"), "represents the competitive and negative use of power" (Benton & Maloni, 2005) and establishes an adversarial environment in the buyer-supplier relationship. Buying firms' mediated power usage is associated with an increased risk of opportunistic behaviors by their service providers (Handley & Benton, 2012a). Yeung, Selen, Zhang, and Huo (2009) have found that though power has no direct effect on internal integration, it would manifest itself through the interaction with trust and as such, supply chains should build a climate of trust before relying on power usage. Nyaga et al. (2013) showed that exercise of coercive power and legal power has a strong negative effect on buyers' and suppliers' collaborative behavior in buyer-supplier relationships. These studies offer consistent evidence that power usage, especially mediated power usage, has a negative impact on the quality of inter-organizational relationships. But still there are firms who rely on heavy-handed use of power to coordinate supply chains (Handley & Benton, 2012b). In view of the negative effects of power usage, it is imperative that a better understanding of the antecedents of power imbalance and the deterrents to power usage be developed.

Thus far, we have reviewed the concepts of power, power usage and power imbalance. Comparisons are made and their measurements are reviewed as well. We were able to recognize the important role of power imbalance in encouraging power usage. Next, we move on to the sociology literature to explore the antecedents of power imbalance.

Theory of Stratification

The power phenomenon in a society is closely related to the phenomenon of social stratification (Scott, 1996), which like power, is also an integral element of all human organizations (Lenski, 1966). In sociology, researchers have long been studying social stratification to understand inequalities in the society. Different dimensions have been used to measure social stratification on different hierarchies. For individuals, people can be divided into different socioeconomic strata, based on occupation and income, wealth and social status, or derived power (Scott, 1996). Stratification thus speaks of the relative social position of individuals within a social group or geographic region. The intellectual origins of the 'multi-dimensional" approach to stratification were usually traced to the work of Max Weber (Pandey, 1983). In his three-component theory of stratification, Weber argued that economic order alone is not adequate for an effective stratification approach. He maintained that power can take a variety of forms and a person's power can be shown in the social order through their status, in the economic order through their class, and in the political order through their party (Scott, 1996; Hurst, 1998). As the theory of stratification sheds light on the connection between power and social and economic orders and helps us understand what causes power differences in relationships, we will introduce this theory to the supply chain management field so that we can explore the association between power and social and economic orders in the context of buyer-supplier dyads. The concept of socioeconomic status (SES), which is a combination of social and economic orders, will thus be a key construct to investigate in this study.

Socioeconomic Status and Power

Few concepts are as central to sociology as socioeconomic status (SES) (Bollen, Glanville, & Stecklov, 2001; Bradley & Corwyn, 2002). SES holds such a vital role in sociological studies because the study of social stratification can help researchers understand various social phenomena. SES is commonly conceptualized as the social standing or class of an individual or group (Lavaine, 2015). More specifically, it refers to "the position of individuals, families, households, or other aggregates on one or more dimensions of stratification" (Bollen et al., 2001). These dimensions could be income, education, occupation, wealth, prestige, or other aspects of standing that members of society deem salient (Bollen et al., 2001). Because SES variation is pertinent to many research issues, SES has been introduced to many disciplines, including psychology, medical studies, education studies, etc., even though there is no consensus among researchers from different fields about what dimensions should be included or whether some dimensions are more important than others (Mueller & Parcel, 1981; Bollen et al., 2001). At times, its measures differ from field to field (Mueller & Parcel, 1981). Nevertheless, SES is popular with researchers in different fields and shows good applicability and compatibility. Despite SES's versatility, at best we can tell SES has not been introduced to the field of supply chain management thus far.

In the business world, there are some emergent or purposeful categorizations of companies that serve to establish or reinforce corporate differences in relative economic worth. For instance, the FORBES Global 2000 is "a comprehensive list of the world's largest, most powerful public companies, as measured by revenues, profits, assets and market value", each of which are given equal weight (Chen, 2015). Companies are ranked by total revenues for their respective fiscal years for the Fortune 500 lists ("Global 500," 2015). Such categorizations only emphasize the economic dimension though they use different metrics. Similar rankings of the social worth of these companies are not readily available. But the creation of social values and the need to understand firms' social values are topics that currently receive great attention (Hess, Rogovsky, & Dunfee, 2002; Selsky & Parker, 2005; Felício, Gonçalves, & Gonçalves, 2013). A composite measure such as SES will thus qualify as a more promising measure than those single-dimension measures.

SCM scholars have also realized that asymmetrical distribution of power among partners in supply chain relationships is attributable to firms' differences in size, expertise, dependence, contract structure, etc. (Nyaga et al., 2013). This coincides with Max Weber's point that power is rooted in economic and social relations, from which we can arrive at the conclusion that SES as an aggregate measure of individual or group's capabilities and resources is an antecedent of power. Difference in the SES of partners causes difference in amount of power they each possess. Therefore, difference in SES between supply chain partners will portend power imbalance in the buyer-supplier dyad.

Relationship Orientation and Power

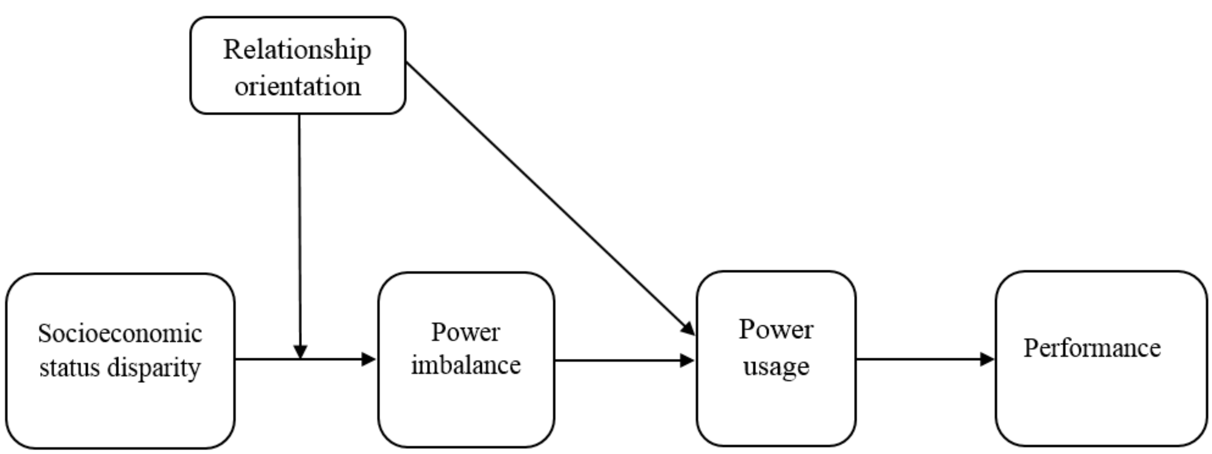
Relationship orientation is related to firms' decisions on the types of partnering they want to accomplish with their supply chain partners. Some supply chain relationships are strategic and some are merely transactional (Mentzer, Min, & Zacharia, 2000). With strategic partners, firms usually have a long-term relationship orientation. In such relationships, firms aim to achieve long-term strategic goals and gain competitive advantage by forming strategic alliance with their partners. Long-term orientation is "the culture of viewing time holistically, valuing both the past and the future rather than deeming actions important only for their effects in the short term" (Bearden, Money, & Nevins, 2006). Literature on buyer-supplier relationships has consistently noted that more strategic inter-organizational relationships are characterized by increased commitment and a longer-term relationship orientation (Handley & Benton, 2012b). A firm with a long-term orientation towards their relationship with a specific partner will value cooperation for future benefit, rather than exploit the relationship for short-term benefits. A firm with a short-term relationship orientation relies on the efficiencies of market exchanges to maximize their gains in a transaction (Ganesan, 1994). Dependence, trust, commitment and transaction-specific investment have been considered antecedents of relationship orientation (Ganesan, 1994; Mentzer et al., 2000; Cannon, Doney, Mullen, & Petersen, 2010).

When a firm has a long-term relationship orientation for a specific partner, it is more dependent on the partner and expects the relationship in question to last longer. More relationship-specific investments are usually made and more importance is assigned to the partner. The power positions of the two will be different compared to when the focal firm does not have a long-term relationship orientation. This is due to the power dependence relations proposed by Emerson (1962), which has been followed by marketing researchers when studying channel relationships (e.g., El-Ansary, 1975; Brown, Lusch, & Muehling, 1983; Frazier, 1983). It has been posited that one firm's power over its partner derives from the partner's dependence on the firm (Emerson, 1962; El-Ansary and Stern, 1972, Frazier, 1983). Specifically, suppose the focal firm is the power holder and has more power over the partner, if the focal firm is dependent on the partner and has a long-term orientation, the relative power its partner holds will increase. The power imbalance will hence be smaller. Relationship orientation moderates the association between SES disparity and power imbalance.

In spite of the presence of a power imbalance in a buyer-supplier dyad, power usage can be deterred to some extent. This is why power imbalance can sometimes exist but is unobservable. That is to say, even though one party has more power than its partner in the relationship, it might not use the surplus power to manipulate its partner's decisions or actions. Power can exist without being exercised (Gaski & Nevin, 1985). As both practitioners and researchers began to acknowledge the role of collaboration in organizational success, long-term relationship relationships based on trust and cooperation became more favored than arms-length adversarial relationships (Hoyt & Huq, 2000). Closer long-term relationships between buyers and suppliers have had beneficial effects on performance in a number of areas (Helper & Sako, 1995). Therefore, some firms choose to treat their partners equally and strive to maintain long-term relationships with key partners. Some of these partners might be at a power disadvantage compared with the focal firm. But they won't necessarily be influenced by the focal firm since the focal firm will refrain from wielding power over the weak partners so that an environment of trust and commitment can be established. Therefore, firms' long-term orientation will deter power usage. Relationship orientation thus has a direct effect on power usage. Specifically, the power holder's long-term relationship orientation can deter its power usage.

Taken altogether, we complete our theoretical framework below (Figure 1).

Figure 1
Theoretical Framework



PROPOSTION GENERATION

With an exposition of the pertinent conceptual background, we have built a theoretical framework. In this section, we develop propositions from the framework. We first present the SES measure for firms. Following that we visualize the association between SES disparity and power imbalance with two continuums, which are used to show different BSR scenarios. One proposition is proposed for each scenario. A separate proposition is developed for the effects of power usage on supply chain performance.

Firm SES

Socioeconomic status (SES), the key concept that comes into play here, is an aggregate concept comprising both resource-based (i.e., material and social resources) and prestige-based (individual's rank or status) indicators of socioeconomic position and can be measured across societal levels (individual and group) and at different periods in time (Krieger, Williams, & Moss, 1997). SES is a powerful construct that is related to many social phenomena and can help explain them. It is commonly implicated in sociological studies as predictors of inequalities in health, both physical and mental (e.g., Smith, 1998; Goodman, 1999, Bollen et al., 2001, Jean-Christophe & Kuate-Defo, 2005), education (Sewell & Shah, 1967; Bradley & Corwyn, 2002) and marital or relationship stability (Tzeng, 1992; Jalovaara, 2003).

Firms can be measured in terms of both social value and economic value. Combining the two dimensions, we can get the SES measure for firms. Economic measures have generally received more attention than social measures and there are many established economic or financial measures of firms such as revenue, profit margin, cost of goods sold, assets, return on sales, return on assets, return on equity, etc. But firms are also organic parts of the society. In fact, firms' social role goes above and beyond meeting legal requirements, complying with ethical standards, creating jobs and paying taxes (Strandberg, 2014). Firms have been increasingly under pressure from both customers and stakeholders to incorporate "the triplebottom line of social, environmental and economic responsibility considerations" into operations and supply chain management strategies (Tate, Ellram, & Kirchoff, 2010). Therefore, this paper take into consideration the social measures and combine them with the economic measures and form a composite measure for firms' SES, which will be linked to power based on the social stratification theory.

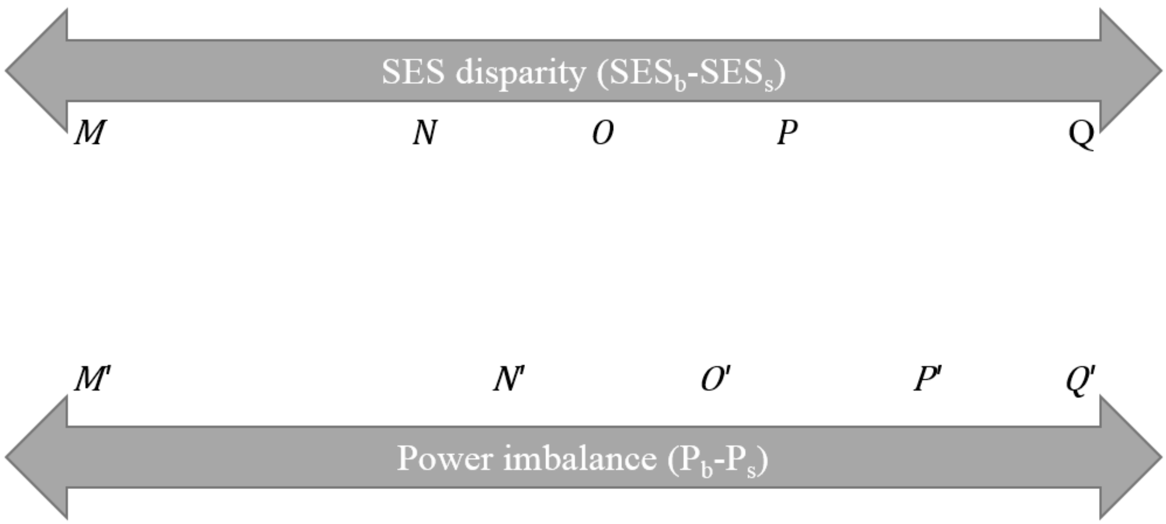
Two Continuums

The current literature on power and the theory of social stratification provides theoretical basis for the link between socioeconomic status disparity and power imbalance—since socioeconomic status can predict individual or an organization's power position, socioeconomic status disparity will portend power difference between the two parties in a relationship, namely power imbalance. Next, we will use two continuums (SES disparity continuum and power imbalance continuum, see Figure 2) to facilitate our development of propositions.

Suppose b is the buyer in a buyer-supplier relationship and s is the supplier. b's socioeconomic status is SES_b and s's socioeconomic status is SES_s. b's power is P_b and s's power is P_s. Therefore, socioeconomic status disparity is SES_b-SES_s, and power imbalance is P_b-P_s.

Note that both SES disparity and power imbalance can be negative. We can denote different values in the two continuums. The values at the ends of the continuums represent situations where SES differences are extremely large or there is insurmountable power imbalance. The two continuums function as parallel coordinates.

Figure 2
The Two Continuums



Point M of the SES Disparity Continuum. For SES, point *M* corresponds to an extreme case where the supplier's socioeconomic status is much higher than that of the buyer. That could happen when the buying firm is a very small firm and the supplier is in a monopoly or oligopoly market where it is the only seller or one of the few sellers of a certain kind of product or service. The firm dominates the industry and controls a large market share in the industry, thereby gaining the ability to set price. Aside from price, the supplier also has control regarding other policies, for example, inventory policy, order size, distribution policies, etc. The buyer has to accept these policies since it has no alternative or very few alternatives. Even when there are a few alternatives, they are no better because these few firms control the whole market. In this situation, the power imbalance between the two is insurmountable. As a result, the supplier might rely on heavy use of power to control the behaviors of its buyer. So point *M* at the left end of the SES disparity continuum corresponds to point *M′* at the left end of the power imbalance continuum where the supplier has much more power than the buyer. Relationship orientation will not have a strong influence on their power relative positions since the gap between the two is huge. But the supplier's relationship orientation can still affect its power usage. So we propose the following.

> Proposition 1. When SES_b<<SES_s, namely supplier's socioeconomic status is much higher than that of the buyer, the supplier will be much more powerful than the buyer. Supplier's relationship orientation will have a weak moderating effect. Supplier's long-term relationship orientation will reduce its power usage.

<u>From Point M to N.</u> As we move from *M* toward the right side, the socioeconomic status difference becomes smaller. For a certain segment on the continuum, the supplier still has a substantially higher socioeconomic status than the buyer. This could apply to any market structure as long as the supplier enjoys a substantially higher socioeconomic status than the buyer in question. We illustrate such a point at *N*. From point *M* to *N*, the supplier has more power than the buyer because of its higher socioeconomic status. This positive association between SES disparity and power imbalance is moderated by supplier's relationship orientation. The supplier might also use power to make the buyer yield to its requests depending on its relationship orientation. We will discuss *N*'s corresponding point on the power imbalance continuum later. For this range, we have the proposition below.

> Proposition 2. When SES_b<SES_s, namely supplier's socioeconomic status is substantially higher than that of the buyer, the supplier will be more powerful than the buyer. Relationship orientation of the supplier will have a moderating effect on the link. Supplier's long-term relationship orientation will deter its power usage.

<u>From Point N to O.</u> Moving from point *N* to *O*, the midpoint, before the value of SES_b-SES_s approaches zero, the supplier is in a slightly higher socioeconomic position. But it's difficult to tell whether the supplier will have more power in the relationship or not, especially when their SESs are very similar. Relationship orientation becomes more important here. The buying firm in question might be an important one (the business volume that the buyer trades with the

supplier takes up a big proportion of the supplier's total business) and thus the supplier values its relationship with the buying firm. The supplier's long-term relationship orientation will therefore reduce the power imbalance between them. It will also suppress the supplier's urge to wield power. On the contrary, if the buyer is not an important client to the supplier, the supplier may care less about how long this relationship can last. Power imbalance is as determined by SES disparity. Since SES disparity is small here, power imbalance will also be less noticeable. There may not be a lot of power usage involved in this case since both parties' power positions are similar. Relationship orientation will play a more important role for this range compared with the previous two scenarios.

> Proposition 3. When SES_b is a bit lower than SES_s, the two parties' power positions will be similar if they both have the same relationship orientation. Supplier's relationship orientation will have a strong moderating effect on the relationship between SES disparity and power imbalance. Each firm's long-term relationship orientation will reduce their power usage.

At Point O. We use the example of point *O* to describe why *N′* and *O′* are offset to the right on the Power Imbalance Continuum relative to their corresponding points on the SES Disparity Continuum. At the midpoint *O*, the supplier and the buyer have the same socioeconomic status. They should have similar amount of power, but they will not because of the nature of buyer-supplier relationships. Buyers purchase from suppliers and are the customers. Because of the long-held belief in the importance of customer satisfaction and customer loyalty, which is considered an important source of competitive advantage (Woodruff, 1997), firms tend to try their best to please their customers. Customer loyalty. Organizations are thus dependent upon their customers. Without customers the organization would not exist. In the US, "the customer is king (Wahhab, 2012)" and in Japan, "the customer is God (Orr, 1995)." Because it is important that customers' needs be met and customers be pleased and satisfied, customers can take advantage of firms' commitment to them. Naturally, when two firms are equal or very close in socioeconomic status and they are equally important to each other, the buyer will still have more power because as the customer, who is granted the privilege to ask for more. This actually corresponds to legitimate power as described by French and Raven (1959). Legitimate power is defined by them as the kind of power that stems from internalized values in the supplier which dictates that the buyer has a legitimate right to influence the supplier and that the supplier has an obligation to accept this influence. Therefore, at point *O*, where socioeconomic status disparity is zero, there will still be a power imbalance favoring the buyer. That means when SES disparity is zero, there is still a power imbalance because of the buyer's legitimate power. In a similar way, *N′* and *P′* are to the right of point *N* and *P*.

Proposition 4. When SES_b=/≈ SES_s and they have the same long-term orientation, buyer will be more powerful because of its legitimate power. Both parties' relationship orientation will have strong moderating effects. Their long-term relationship orientation will reduce their power usage.

<u>From Point O to P.</u> Starting from point *O* and moving on to the right to point *P*, the buyer starts to outrank the supplier in socioeconomic status but the difference is not big. The buyer will have more power than the supplier. But still the amount of power they each have is moderated by their relationship orientation. If the buyer has a long-term orientation, the power imbalance between them will be smaller. If the buyer has a short-term orientation, the power imbalance will be bigger than as determined by SES disparity. If both have the same relationship orientation, power imbalance will be as determined by SES disparity and not big. Buyer's long-term relationship orientation can deter its power usage. On the power imbalance continuum, *P′* is the point that corresponds to *P*.

Proposition 5. When SES_b is a bit higher than SES_s, the buyer will have more power if they both have the same relationship orientation. Buyer's relationship orientation will have a strong moderating effect on the relationship between SES disparity and power imbalance. Buyer's long-term relationship orientation will reduce its power usage.

From Point P to Q. From point *P* until somewhere near the end point *Q*, the buyer is substantially bigger and a more influential company. In such relationships, the buyer will have more power than the supplier. Buyer's relationship orientation will not have a significant impact on the power imbalance between the two. Buyer can use power to make the supplier accommodate its needs depends on its relationship orientation.

> Proposition 6. When SES_b>SES_s, namely buyer's socioeconomic status is substantially higher than that of the supplier, the buyer will be more powerful. Long-term orientation of the buyer will have a moderating effect. Buyer's long-term relationship orientation will deter its power usage.

At Point Q. At point *Q*, the buyer has a much higher SES than the supplier. This could happen in the case of monopsony where there is one single buyer and many sellers. It may be the case that with regard to the percent of business that each side represents to the other the seller is a tiny part of the buyer's total spend whereas the buyer represents a large portion of the seller's revenues. This will give the buyer much more power. In this scenario, no matter whether the buyer has long-term orientation or not, it has much more power over the supplier. But long-term orientation can reduce the buyer's tendency to use power.

> Proposition 7. When SES_b>>SES_s, namely buyer's socioeconomic status is much higher than that of the supplier, the buyer will be much more powerful than the buyer. Buyer's relationship orientation will have a weak moderating effect. Buyer's long-term relationship orientation will reduce its power usage.

Mediated Power Usage

Previous papers have attempted to simplify power research by categorizing the different power bases (French & Raven 1959) into dichotomies such as coercive/non-coercive and mediated/non-mediated (Maloni & Benton, 2000). We use the mediated/non-mediated dichotomy because its symmetry lends parsimony. Each side of the dichotomy has three bases—mediated power bases include coercive, reward and legal power and non-mediated power bases are expert, referent and legitimate power (Johnson, Sakano, Cote & Onzo, 1993).

We only include mediated power usage in our model because non-mediated power usage is an oxymoron. The sources of power identified by French and Raven (1959) assumed that power comes from perceptions, which have analogs in execution or use. Reward, coercive, or legal power can be easily transformed to usage. For instance, reward power is based on focal firm's perception that the partner has the ability to confer rewards; if the partner does confer rewards in their interaction as the focal firm perceived, then the partner engages in reward power usage. Coercive and legal power have similar transformations. But for the other three types of power, it is difficult to transform them into power usage. For example, referent power is based on one firm's identification with the partner. Because the focal firm values its identification with the partner, the partner has referent power. The focal firm's perception makes the partner more powerful but we cannot say that if focal firm values its identification with the partner, the partner has *used* referent power. Instead, referent power when used is actually used as coercive, reward or legal power. It is the same case with legitimate or expert power. So power holders can have power from non-mediated sources but when the power is used, it is used in a mediated way. Non-mediated power bases do not require the power holder's overt action but they stem from the weaker party's perceptions about its partner and the relationship.

Thus we posit that power can only be used in the form of reward power, coercive power or legal power. These three types have been categorized as meditated power because the use of these three kinds of power represent influence efforts that are deliberately engaged (or threatened) by the power holder to guide its partner's response (Maloni & Benton, 2000). Mediated power usage forces one's partner to agree to some requests not out of their own will. Previous research has shown that one side exercising power has negative effects on their BSR partner

(Kumar, 1996; Doney & Cannon, 1997; Kumar, Scheer, & Steenkamp, 1998; Maloni & Benton, 2000). Building on this, it is intuitive that although through mediated power usage short-term gains can be maximized, mediated power usage is harmful to relationships because it diminishes trust and commitment in the relationship and hurts the party who has been forced to do things that it will not do otherwise. The eighth proposition of our study summarizes these statements.

Proposition 8. Mediated power usage is detrimental to the SC performance of the weaker party and will do harm to the relationship in the long run and hurt supply chain performance.

DISCUSSION

In this paper we concentrate our attention on the antecedents of power imbalance by introducing the concept of socioeconomic status into power research and applying the theory of stratification. We distinguish power, power imbalance, and power usage from each other and maintain that they are different concepts and should be used with caution. We connect the socioeconomic status disparity continuum with the power imbalance continuum in hopes that their link can be presented as manifest propositions. Inclusion of the construct relationship orientation makes these relationships more precise. We make it clear how scholars transfer the typology of French and Raven (1959) into measures of power usage and why non-mediated power usage is an oxymoron. Some proposals for theoretical refinement for the construct of non-mediated power usage are presented. We also emphasized the negative influence of mediated power usage to complete our set of propositions. Thus, this paper builds a complete power theory by revealing the connections between the various power concepts and highlighting the antecedents and consequences of power imbalance.

The propositions generated from the conceptual framework provide guidelines for buyers and suppliers. The managerial implications are multi-fold. First, when buyers are looking for suppliers, they likely hope to have more power over their suppliers so that they can influence the suppliers' decisions and easily get the suppliers' cooperation. They may think the power advantage is beneficial to them. From our propositions, we can see that if buyers want to be more powerful in their relationships with suppliers, they should work with suppliers that are as good as them or a little bit better than them in terms of SES. In other words, they should avoid suppliers who are significantly higher than them in SES. But the reality is sometimes a buying firm has to choose from more powerful suppliers. This might not be satisfactory. But the situation can be changed if the buyer's business volume with the supplier takes up a significant proportion of the supplier's total sales volume. The supplier will thus be more dependent on the buyer and have a long-term relationship orientation. The long-term orientation will deter the supplier's power usage. For buying firms, when they select suppliers, they should be aware of these ideas and look for suppliers that are appropriate for them in terms of SES.

Second, from the suppliers' perspective things are somewhat different. Selling products or services to companies that are more influential than themselves seems beneficial as associations with these big and powerful companies can make their products or services more appealing and help themselves grow bigger and be more competitive. Some suppliers may be willing to cope with the power imbalance in exchange for their long-term development and progress. They often boast of being a supplier of a certain company and refer to such relationships when advertising for themselves. So suppliers need to balance this desire against the possible negative effects of an SES mismatch.

Third, buyers' legitimate power in the buyer-supplier dyad also makes buyers more powerful even though a supplier might have higher SES. This helps us understand that there might be more combinations of strong buyer and weak supplier than other kinds of combinations.

Last but not least, both buyers and suppliers should adopt proper influence strategies and refrain from heavy mediated power usage. Though firms can gain from power usage in the short run, their partners will suffer and in the long-run the relationship quality will decrease and the supply chain performance will be affected. There are different influence tactics power holders can draw upon, aside from wielding power to force weaker partner to give way to them. But it seems some firms are not believers in the other influence strategies and they want to reap as much as they can from the relationships (Handley & Benton, 2012b). Another reason could be that they want the weaker partners to accommodate their needs as soon as possible. Such firms should be aware of the negative effects of power usage, and had better be more patient when dealing with weaker partners and show more respect to them.

The paper has theoretical contributions. First, it distinguishes among the concepts of power, power imbalance and power usage. Researchers have been using these concepts interchangeably and did not pay much attention to their differences. But these three concepts are different and there are relationships among them. The term power usage is often confused with power or types of power. This paper draws a distinction between them and argues that power can be only exercised as mediated power. Non-mediated power usage is in fact an oxymoron. Building on these distinctions, the relationship between power imbalance and power usage is examined. Great power imbalance will encourage power usage.

Second, an important yet understudied antecedent of power imbalance, SES disparity, is proposed. SCM researchers focus more on the effects of power usage and have not tried to understand the fundamental causes of power imbalance. This paper incorporates theory from sociology and look at the phenomenon from a different lens. SES disparity between supply chain partners portents power imbalance in the relationship, which will further cause potential power usage. The important role of relationship orientation comes into play in both these associations. Relationship orientation moderates the association between SES disparity and power imbalance. It can also predict power usage together with power imbalance. The framework is completed by including the effect of mediated power usage on supply chain performance. Future work should test these relationships with empirical data and see whether there are exceptions to these relationships.

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