

# Static and dynamic approach to the power issue in business-to-business relationships

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## Abstract

Nowadays, business is evolving faster and faster. Enterprises are looking for different ways to grow by acquiring additional resources. Hence arises the need to look for other companies that have resources or information, which could be shared with the other party achieving a defined, mutual benefit. An important issue to consider in business-to-business relationships is power and power asymmetry. This theoretical study focuses on the concept of power as one of the main concepts in business-to-business relationships. The paper aims at identifying various approaches to defining power in a business-business relationship and at identifying methods of researching power in changing organizational relationships. The research method used in this article is a literature review. The outcomes of the research show the potential and importance of a dynamic approach in power asymmetry management. Other findings reveal the advantages as well as the impact of power balance practices from both sides of the business-to-business relation.

## Key words

power asymmetry, B2B relations, power dynamics

## Introduction

Nowadays, business is evolving faster and faster. Enterprises are looking for different ways to grow by acquiring additional resources. To create opportunities for the exchange of desired resources, companies establish cooperation, relations, and alliances, most often formed as dyadic partnerships or networks such as supply chains. The cooperation between organizations, mostly of different types and sizes,

can lead to additional value creation or even synergy effects (e.g. increasing R&D, product development potential, or having a bigger impact on the supply chain as a coalition) [Siemieniako and Mitrega, 2018]. The difference in companies' size is the key factor of different levels of power which can be seen as the potential to influence the other party behavior [Emerson, 1962].

Companies establish long-term business-to-business relationships, which means that various changes may occur during this relationship (e.g. in the external environment or inside the organization). This leads to changes in the distribution of power between the parties to the relationship, which translates into the need to manage the relationship by the management staff. Balancing the power in B2B relationships over time is therefore a kind of dynamism that is influenced by the behavior of each of the partners [Lacoste and Johnsen, 2015]. Therefore, considering the aspect of time, the power asymmetry can be considered in two ways, in terms of static (not considering changes in time) or dynamic (using time as a variable). This work presents the characteristics of both approaches as well as the development of the dynamic approach and changing power methods during the relationship.

The research of business-to-business relations has many threads requiring attention from the scientists focused on this area. Although the subject of power asymmetry is already known and has been analysed by many researchers [Nyaga et al., 2013; Wang, 2011], there is still a need to distinguish and investigate two approaches of power concept based on a static and dynamic framework. This need arises because of the time-specified environment where the relationships take place. In line with the long-term nature of business-to-business relationships, the dynamic approach will play a much greater role. Moreover, the aspect of power dynamics remains an under-investigated area of business research.

The aim of the article is to identify various approaches to defining power and to identify methods of researching power in changing business-to-business relationships. The structure of the article shows the theoretical background of business relationships, defines the power in business-to-business relations as well as the conception of power asymmetry and its consequences. The next subsections contain the analysis of the static and dynamic approach, the ways of researching the power in the relationships, and the conclusions of the study.

## **1. Business-to-business relationships – theoretical background**

Business-to-business relationships are established to achieve the goals of the organization, primarily consisting in acquiring specific resources between partner par-

ties. The literature of the subject describes the definition of business-to-business relations as an interdependent process of constant exchange and interaction between at least two parties in the context of a business network [Holmlund and Törnroos, 1997]. Organizations most often create dyadic relationships, i.e., partnerships where the actors of the relationship are two companies. In this type of relationship, the supplier-recipient relationship is the most common, and the focus is mostly on a purely transactional approach. It can also be seen how dyadic relationships develop into network relationships where more actors create indirect connections. An example is the creation of the entire supply chain, where often the end partner may not have direct interaction with the party at the beginning of the relationship, and still the actions of the organization at the beginning of the chain may be reflected at the end of the chain. A business network can be understood as a community of interconnected actors who perform different types of business activities in interaction with each member of that community [Holmlund and Törnroos, 1997].

The worth mentioned feature of the business-to-business relationships is the social impact that is created by the sides of the partnership. The cooperating organizations by gaining extra benefits through the relation, can also positively influence the society on different levels by changing e.g. quality of life, fastening entrepreneurship or infrastructure development, improving labor practices (working conditions, remuneration), and facilitating access to healthcare [Siemieniako et al., 2021].

Establishing relationships with other entities is aimed at achieving specific benefits and creating additional value by using these benefits in relationships with the end customer. The main prerequisites for creating and maintaining good relationships are emotional aspects that shape the behavior of individual parties to a business relationship. No relationship can arise without mutual trust, commitment, and a community of goals [Andersen and Kumar, 2006]. Most often, companies look for partners to obtain specific resources, reduce costs (e.g., by sharing them with a partner), gain access to foreign markets, develop products or services by obtaining information from partners [Cowan et al., 2015]. The existence of relationships, in addition to benefits for each party, may also cause some problems and risks resulting from the long-term feature of these relationships. Even in very precisely and effectively managed relationships, conflicts, opportunistic behavior and differences in the power of business partners can occur, which leads to the concept of power asymmetry in B2B relationships.

## **2. Power in business relationships**

The power in business-to-business relationships is a very important phenomenon, although often underestimated by managers. Frequently the concept of power in business-to-business relations is a reason for the controlled use of the resources of the organization with less power by the one with much more power. On the other hand, many experts in the subject of business-to-business relationships believe that good management of power in a relationship may lead to receiving benefits from both parties, including those with less power. An organization's power may relate to its relationship with another business partner or the organization's structural position in the supply chain. According to [Cuevas et al., 2015] power is the reference to activities that can influence the potential attitudes and actions of others. In turn, [Cowan et al., 2015] argue that power is the potential to influence another person's behavior when a firm demands something incompatible with the other firm's desire and the firm receiving the request shows resistance". Having power is also the company's ability to control the behavior of other members of the distribution chain [Wilkinson, 1979]. On the other hand, it has been defined as the ability to influence the other actors in the relationship to act as if they did not do otherwise [Emerson, 1962]. Power can be seen also through different levels as personal (internal), organizational and indirect power (focused in a network) [Zolkiewski, 2001].

French and Raven [1959], proposed the power sources concept, meaning that power is based on these sources: coercive, reward, expert, referent, and legitimate. It was used extensively by many researchers [Benton and Maloni, 2005; Siemieniako and Mitrega, 2018; Cowan et al., 2015]. The power sources concept refers to the structural power of possessing and using it. Each company strives to strengthen its potential in terms of power sources to gain an advantage in the relationship, or to equalize the power in relation to a stronger partner. Once, the organization will come into possession of power, it can use it to obtain desired outcomes from the relationship [Kim et al., 2005]. Enterprises with greater power use it most often in situations where the weaker partner shows resistance or reluctance to perform the desired actions in the connection with business cooperation.

The coercive source of power might be used in B2B relationships that are not based on partnership. Coercive techniques most often take the form of threats of not receiving certain means of the remuneration if the demand of the stronger party is not complied with. The opposite is the case with the power of reward, where a party can get an additional payment for performing the activities requested by the other party (for example, an additional piecework bonus for more efficient work). Expert power comes when one of the parties has the skills, knowledge, and experience that

the other side wants. When a relatively smaller company can use the position and status of a larger company for profit this states for power which comes from reference (also when the bigger partner is satisfied from the value provided by the smaller company, then it can give the good references which can have a positive impact to increase the smaller company power). The legitimate power refers to the natural perception of the other party as stronger in terms of its authority among other companies. The mentioned power sources can be also grouped into mediated and non-mediated e.g. Benton, Maloni [2005] which have been presented in table 1.

**Tab. 1.** Mediated and non-mediated power sources

<b>Mediated</b>	<b>Non-mediated</b>
Coercive	Expert
Legitimate	Referent
Reward	Informational

Source: [French, Raven, 1959, s. 3-6].

Another approach to defining structural power is proposed by [Oukes et al., 2019], who distinguishes three types of structural power as control over resources, network, and formal position. Control over resources refers to the power of a company to the resources it controls and that are desired by other parties to the relationship. The main resources influencing the power in a relationship are human, financial, and material resources. If one party has the resources the other party needs, its power will increase radically. Many smaller companies, especially start-ups, are looking for business partners with an established position on the market [Ahuja et al., 2009]. Control over resources leads to the second source – network position. Therefore, the better reputation a given company has among other players in the industry, the greater power in the relationship. The third source of structural power is the influence that comes from having a formal position in the network of relationships. This involves authorization to make decisions on behalf of all participants in the relationship, as well as the allocation of resources [Astley and Sachdeva, 1984].

### **3. The asymmetry of power in business-to-business relationships and its consequences**

Power asymmetry is the imbalance between the power which occurs in any type of relationship, regardless of the industry or region, as well as time [Rindt and Mouzas 2015], mainly due to the different sizes of enterprises and the resources they own and control. Often, having a lot of resources causes the desire of the other side of

a potential relationship to have them and the willingness to make sacrifices. This creates the asymmetry effect of one side on the other, which gives a power advantage to the partner with more resources. The mentioned effect is the result of the Resource Based View (RBV) approach which says that the main aspect of having power are the company's resources, which are the key to a competitive advantage. According to RBV, the most important resources are the company's assets, knowledge, information, and organizational processes [Auh and Menguc, 2009]. In asymmetric relationships, the stronger party can dominate and influence the partner when concluding contracts, sharing profit, controlling processes, or appropriating the results of the relationship. The asymmetry of power is also the result of relationships that create interdependencies between companies influencing global competition, mergers, acquisitions, as well as rapid changes taking place in the industry in which the companies operate [Rindt and Mouzas, 2015].

In asymmetric relationships, power takes two forms. The first is the perception of power as potential, i.e., how one side only perceives their power and their partner's, most often considering only the subjective aspects of the assessment. Thus, it is likely that a given enterprise misjudges its power position as well as the potential power of its partner. This type of situation may lead to tensions and communication problems between partners, most often already in the initial phase of the relationship. The second form of having power is to use it [Kim et al., 2005]. The mere possession of power is insufficient if it is not used. Also, the perceived power will remain the only potential until it is used in the relationship [Brass and Burkhardt 1993].

Enterprises with greater power identify themselves with greater control of the created community, thus focusing attention on their interests and benefits, often neglecting the needs of the other party. When the weaker party feels undervalued by the relationship, it begins to use opportunistic behavior, which adversely affects the development of the partnership. When the stronger party begins to feel these behaviors, the coercive power is used more often, causing an atmosphere of repression on the other party [Siemieniako and Mitrega 2018], which may lead to a decrease of satisfaction with the relationship of both parties. The power of one side increases the need for boosting the power of the other side. This gives an impulse for even faster development of a weaker organization and the use of practices balancing power concerning increasing resources or striving to increase the level of expertise in the most important areas of activity.

#### **4. Static and dynamic approach to the power and power asymmetry in business relationships**

In business, establishing relationships consists in long-term interaction of parties to reap the benefits that result in the development of enterprises, and thus, offering added value for the market, including the end customer. So far in the literature, there is a possibility to find a lot of information about the power and the resulting asymmetry caused by the dissimilarity of the organizations. The concept of power itself is static because the time factor is not taken into account. This precludes the possibility of influencing power shifts during the relationship [Basov, 2005].

The static approach is characterized as the constant power that the enterprise may or may not have and does not change over the time of the relationship. It is different when considering the dynamic approach. It characterizes power as a variable during the time of the relationship. This approach uses methods to increase or balance the power of all sides in terms of the structural power sources concept from French and Raven [1959].

A characteristic feature of the relationship is its long duration, therefore the dynamic approach in B2B relations is supported by the fact that the power of an organization may be different at particular stages of the partnership, while the static approach does not reflect these changes.

Due to the asymmetry, the enterprises with less power most often must be more active in the relationship and are indirectly forced to act for development and increase of their power. Often the weaker side of the relationship, being dependent on its partner, has to pay some kind of cost (e.g. making extraordinary actions) for the benefits of staying in a partnership with a stronger counterpart.

Certain systematized shifts of power forms can be found in the literature on the subject. The tactics of influencing the change of power proposed by [Oukes et al., 2019] show the importance of influencing the increase in the availability and quality of alternatives and the contribution of values to a given relationship, while reducing the same properties of the partner.

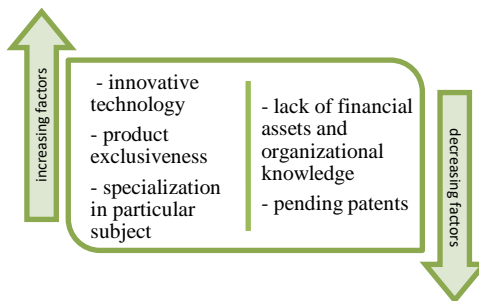
When one of the parties has much greater power in a relationship, the weaker party may show various actions aimed at balancing the asymmetry of power in the alliance. The practices described by [Lacoste, 2015] and [Siemieniako and Mitrega, 2018; 2019] presented in Figure 1 show examples of such activities.



**Fig. 1.** Examples of power balancing related practices

Source: own study based on [Lacoste, 2015; Siemieniako, Mitrega, 2018; Siemieniako, Mitrega 2019].

In the work of [Oukes et al., 2019] and [Wang, 2011] a case study of a newly established enterprise in the form of a start-up was presented. A start-up was characterized by high expert power thanks to the use of innovative technological solutions. The company had limited financial and material resources, but was assets such as people and information (including technology and knowledge about its use). To obtain the missing resources, the presented startup seek to find a partner who would cover the demand for financial resources in the first place. In such cases, they are most often large technology companies or private investors. When a much larger company started cooperation with a small startup, their power was relatively high due to large financial resources as well as the knowledge they already had about the technology market [Wang, 2011]. Figure no. 2 shows the potential factors influencing the change in the power of a newly created organization based on a start-up.



**Fig. 1.** Factors influencing startup’s power

Source: own study based on [Oukes et al., 2019; Wang, 2011].



Thanks to the appropriate management of organization power, resources and know-how acquired from the bigger partner, the company can increase their power based on power sources concept, not only in terms of present dyadic relation but also in the future network relations. The change of power can only take place during the time of the business-to-business relationship, i.e. referring to the aspect of time. This shows how the dynamics of power asymmetry relate to the time issue.

## 5. Researching power and power asymmetry in business relationships

In business-to-business relations, the aspect of power and its asymmetry has been discussed in many research works. In order to develop the study of power in relations, the techniques using qualitative analysis, i.e., direct interviews or case study analysis [Lacoste and Johnsen, 2015; Siemieniako and Mitrega, 2018; Oukes et al., 2019; Olsen, 2014], were most often used. The study of business-to-business relationship actors behavior is difficult to measure, so researchers focus on obtaining and analyzing empirical data directly from enterprises. The use of qualitative methods is supported by the fact that, thanks to them, the behavior of people managing enterprises can be noticed as well as the impact of actions aimed at recognizing power and its changes.

From the organization side, to assess the power of their company and the other side of the relationship, managers should focus on the aspect of perceived power, which focuses on the potential of power as it is difficult to examine the real power that a given organization has in fact. The helpful feature for assessment can be the presented in table 2 questions based on the concept of structural and behavioral power presented by [Oukes et al., 2019].

**Tab. 2.** Questions proposed to assess the perceived power

Questions about our company	Questions about the partner site
What resources do we have that a partner may need?	What partner resources will we need? Which resources will we benefit most from?
What is our formal position in the supply chain?	What is the partner's position in the network and what is his formal position?
How do we perceive the power of our company? How do we perceive the power of a partner?	How do we think our partner perceives their power? In what aspect does it have the greatest power?
How we have reacted to our partner's influence attempts so far?	How did the partner show his power? Was it an attempt to solve the issue in a friendly way or in a hostile way?

Source: own study based on [Oukes et al., 2019].

The proposed questions in table 2 can be helpful in the process of assessing the power on both sides of the relationship. After power assessment, the company management can focus on the preparation of methods to balance the power asymmetry in a relationship. In terms of perceived power, its size may differ from its actual potential as organizations often lack accurate information. This is mostly caused by the fact that enterprises cannot be aware of everything that is happening in the organization of their partners [Oukes et al., 2019].

Organizations that feel less powerful are often forced to bear higher relationship costs. Therefore, they show a greater need to introduce the learning initiatives about their partner, which may affect a better picture of the partner power sources [Hao and Feng, 2018]. How the company perceives its or the partner's power may affect the level of agreeing to possible tactics of influencing their behavior during the relationship. Thus, the accuracy of the perception of power, especially in the case of a smaller enterprise, turns out to be an important aspect.

## **Conclusions**

The concepts of power, asymmetry and the explication of a dynamic approach discussed in this article demonstrates the need for managers to focus on these aspects during dyadic or network relationships. Management of relations especially with larger partners can bring many benefits, not only for one party but each side. Over time, the relationship based on the buyer-seller approach may turn into a relationship based on partnership, which will increase the satisfaction of each party and help create added value, which will lead to the greater satisfaction of the end customer. The main prerequisite for the development of relations is mutual trust and reciprocity of goals.

The presentation of examples of the power balance shows the possibility of influencing the development of relationships by using various practices of strengthening one's position in the relationship. It is worth noting that not every practice focuses on improving products or services, but also on organizational, joint, or individual development.

Having power is not an easily measurable phenomenon, so most often the assessment should be based on examining how a given organization perceives its power and how a partner is perceived. Accurate power assessment can help to spot asymmetry early, which can be responded to with equalization measures.

For implementing the relationship management, the dynamic approach for power asymmetry will be preferred the most as every alliance is based on time. This leads to the disappearance of the need to rely on a static approach.

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## **Statyczne i dynamiczne podejście do zagadnienia siły w relacjach business-to-business**

### **Streszczenie**

W dzisiejszych czasach biznes rozwija się coraz szybciej. Przedsiębiorstwa szukają różnych sposobów rozwoju, pozyskując dodatkowe zasoby. Stąd potrzeba poszukiwania innych firm, które dysponują zasobami lub informacjami, którymi mogłyby się podzielić z drugą stroną osiągając określoną, obopólną korzyść. Ważną kwestią do rozważenia w relacjach między przedsiębiorstwami jest siła oraz jej asymetria. Niniejsze studium teoretyczne koncentruje się na koncepcji siły jako jednej z głównych koncepcji w relacjach między przedsiębiorstwami. Celem artykułu jest wskazanie różnych podejść do definiowania siły w relacjach biznesowych oraz wskazanie metod badania siły w zmieniających się relacjach organizacyjnych. Zastosowana w artykule metoda badawcza oparta jest na przeglądzie literatury. Wyniki badań wskazują na potencjał i znaczenie dynamicznego podejścia w zarządzaniu asymetrią siły. Inne ustalenia ujawniają zalety, a także wpływ praktyk równoważenia siły między przedsiębiorstwami.

### **Słowa kluczowe**

asymetria siły, relacje B2B, dynamika siły