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POWER, GOVERNANCE, AND VALUE IN COLLABORATION: DIFFERENCES BETWEEN BUYER AND SUPPLIER PERSPECTIVES

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Early research on buyer–supplier relationships was based on two cornerstones: relational governance mechanisms and superior value creation for the whole supply chain. Relational governance mechanisms, based on trust and informal safeguards, can lead to higher value creation, while lack of trust and opportunism can be controlled by contractual governance mechanisms. To date, however, few studies have investigated the role of power asymmetry in collaboration and how the total value is distributed between buyer and supplier. The amount each partner appropriates depends on their relative power in the relationship, which has further implications in governance and relationship continuation, yet that has not been thoroughly explored in the literature. To fill this gap, this study investigates the influence of power asymmetry on governance and value appropriation in collaborative relationships, from both the buyers' and suppliers' perspectives. This article contributes to the buyer–supplier literature by exploring the gains of both the stronger and weaker partners in the dyad. Based on in-depth case studies with buyers and suppliers of the personal care and cosmetics (PC&C), and food and beverage (F&B) industries in Brazil, we found insights concerning the influence of power asymmetry and interdependence on governance mechanisms, as well as the complementarity of value appropriation inside and outside the dyad. We also propose a framework to represent the interplay between perceived justice and power asymmetry in long-term relationships.

Keywords: *power asymmetry; relational governance; contractual governance; case studies; qualitative data analysis*

INTRODUCTION

The literature regarding buyer–supplier relationships (BSRs) emphasizes the importance of collaboration as a source of resource development and value creation for firms (Cooper, Lambert & Pagh, 1997; Mentzer et al., 2001; Wagner, Eggert & Lindemann, 2010). Collaboration between a buyer and supplier involves joint planning and investments in relationship-specific assets, repeated transactions, and a complex governance structure to promote exchange (Cheung, Myers & Mentzer, 2011; Dyer, 1997; Nyaga, Lynch, Marshall & Ambrose, 2013; Terpend, Tyler, Krause & Handfield, 2008). For this reason, in the literature, collaboration is often associated with relational governance, which is based on trust, transparency, and shared knowledge between firms (Cao & Lumineau, 2015; Whipple, Lynch & Nyaga, 2010).

However, there are still some important unexplored issues regarding collaborative BSR. The first regards the acknowledgment that BSRs are characterized by power asymmetry (Caniëls & Gelderman, 2007; Hingley, 2005; Ireland & Webb, 2007; Maloni & Benton, 2000; McCarter & Northcraft, 2007). Power asymmetry has implications in the distribution of value created, and, therefore, it is not plausible to expect that collaborative relationships provide balanced gains to all participants. Yet, to date, few studies have investigated how the total value created is appropriated by firms in collaborative BSRs (Adegbesan & Higgins, 2010; Crook & Combs, 2007).

The second point concerns the existence of conflicting interests in BSRs (Kim & Choi, 2015), which, in turn, influences the governance approach of each partner in the dyad. Recent research has provided evidence that both contractual and relational governance mechanisms are applied in collaboration as complementary mechanisms to maximize value creation (Cao & Lumineau, 2015; Liu, Luo & Liu, 2009; Villena, Revilla & Choi, 2011); however, that does not necessarily benefit both members of the dyad.

One of the reasons those issues have not yet been addressed is because the majority of empirical research on BSRs focuses on one perspective in the dyad, and often, on the buyer's side (Spina, Caniato, Luzzini & Ronchi, 2013). Few have investigated both sides of the relationship (Cheung et al., 2011; Nyaga, Whipple & Lynch, 2010; Whipple, Wiedmer & Boyer, 2015). The supply chain literature is grounded in the dominant view of procurement and supply management, where buyers are responsible for coordinating and developing their suppliers (Cox, 2001; Terpend et al., 2008), overlooking the implications of power asymmetry. Thus, if governance and imbalanced value distribution hampers the realization of collaborative efforts (McCarter & Northcraft, 2007; Zhang, Henke & Griffith, 2009), there is a need to investigate components of continuity in collaborative relationships.

Our study aims to fill these gaps by analyzing both buyers' and suppliers' perspectives on governance, value creation and appropriation in a collaborative relationship. Here, we address three research questions: (1) In a context of power asymmetry, what are the drivers for different governance mechanisms? (2) How do buyers and suppliers appropriate value? and (3) How do the governance mechanisms and value appropriation affect the perceived justice and the continuity of the relationship? As the use of power and governance mechanisms affects the relationship experience, and value distribution affects the perception of fairness, it is important to investigate the interplay among those concepts.

To accomplish these goals, we conducted a qualitative analysis of 24 case studies in two industry sectors, personal care and cosmetics (PC&C) and food and beverage (F&B), in the Brazilian context.

There are three main contributions of our research. First, our findings suggest that the preference for distinct governance mechanisms in power asymmetry is an attempt to manage different interdependence objectives. Second, our results demonstrate the complementary role of value appropriation inside and outside the dyad in a power asymmetry context. Finally, we analyze the interplay between justice and perceived fairness and unfairness in the relationship continuity.

THEORETICAL BACKGROUND

Buyer–Supplier Relationships

BSRs are a unique form of alliance. Such alliances are complex and have three primary characteristics relative to our study: vertical relationships, power asymmetry, and connections with direct (first tier) or indirect (higher tier) partners (McCarter & Northcraft, 2007). In BSRs, companies may adopt different forms of governance mechanisms that range between two extremes: contractual and relational (Cao & Lumineau, 2015; Dyer & Singh, 1998; Williamson, 1979, 2008).

Contractual governance is based on formal contracts (Poppo & Zenger, 2002), unilateral investments in assets (Liu et al., 2009), and short-term gains (Kim, Choi & Skilton, 2015). Contracts have two functions: to control opportunism, which stems from misaligned incentives, and to coordinate the expectations and behavior of the partners (Malhotra & Lumineau, 2011).

Relational governance, on the other hand, implies long-term agreements based on personal relationships and social norms, such as trust and mutual commitment (Cheung et al., 2011; Dyer & Singh, 1998; Poppo & Zenger, 2002). Typically, there is an expectation of relationship continuity, greater knowledge sharing, development of asset specificity, and complementarity between partners (Dyer & Singh, 1998; Mentzer et al., 2001; Poppo & Zenger, 2002). Both parties dedicate effort and joint resources to common projects to create more value (Cooper et al., 1997; Mentzer et al., 2001; Ulaga & Eggert, 2006).

Between these two extremes, there are the interplay and the complementarity of contractual–relational governance (Cao & Lumineau, 2015; Poppo & Zenger, 2002). In fact, both governance mechanisms can be adopted to create value and to improve the satisfaction and performance of the relationship (Cao & Lumineau, 2015; Liu et al., 2009).

In a context of dependence asymmetry, the collaborative BSR, as a long-term alliance, can reduce environmental uncertainty (Crook & Combs, 2007; Gulati & Gargiulo, 1999), but, in this case, it requires more formal control mechanisms (Mahapatra, Narasimhan & Barbieri, 2010). Therefore, to determine the appropriate governance mechanisms in long-term relationships, organizations need to periodically assess their interdependence and power position relative to their suppliers and customers (Dyer & Singh, 1998; Lazzarini, Claro & Mesquita, 2008; Poppo & Zenger, 2002). Thus, the concepts of interdependence and power are intrinsically related, as explained below.

Interdependence and Power

Dependence between two organizations occurs when one party does not control all the conditions necessary for achieving a certain goal or outcome and depends on a scarce resource from another firm (Emerson, 1976; Pfeffer & Salancik, 2003, p. 40). The importance of the resource and the availability of alternatives in the market will then determine how dependent one organization is upon the other (Emerson, 1976; Pfeffer & Salancik, 2003) and define the power of one organization over the other (Caniëls & Gelderman, 2007).

Interfirm power is the ability of one firm to influence the way the other party will act (Emerson, 1976; Ireland & Webb, 2007; Maloni & Benton, 2000). Although power is commonly associated with negative behavior, there are different types of power bases, as shown in Table 1. These power bases, which are based on French and Raven (1959), can be grouped as mediated (reward, coercion, and legal legitimate) and nonmediated (expert, referent, and legitimate) sources of power (Maloni & Benton, 2000). In the first group, the strong partner deliberately influences the other using positive or negative reinforcements; in the second group, the influence is exerted in an indirect way and is less manipulative (Maloni & Benton, 2000; Terpend & Ashenbaum, 2012).

Different power bases affect BSRs in distinct ways. The use of coercive power in collaborative relationships may affect the commitment to the relationship (Hingley, 2005; Ireland & Webb, 2007; Maloni & Benton, 2000), which may cause the withdrawal of the weaker partner (Crook & Combs, 2007; Emerson, 1976). On the other hand, empirical evidence suggests that the use of reward, expert, and referent power has a positive effect on commitment and strength in the relationship (Benton & Maloni, 2005; Maloni & Benton, 2000; Zhao, Huo, Flynn & Yeung, 2008).

Empirical research regarding the effect of power on performance is not yet conclusive. There is evidence that noncoercive power bases (that includes reward power and nonmediated sources of power) have a positive effect on both the relationship and performance, while coercive power bases have a detrimental effect on the relationship (Maloni & Benton, 2000). On the other hand, Zhao et al. (2008) suggested that the appropriate use of power can result in more commitment to the relationship, improving integration and reducing transaction costs and opportunistic behaviors. Terpend and Ashenbaum (2012) suggested that different power sources have distinct effects on the different dimensions of suppliers' performance. Terpend and Krause (2015) found evidence that the unequal exercise of power in BSRs can, in fact, improve suppliers' delivery, quality, innovation, and flexibility.

TABLE 1

Types of Power Bases

Power Bases	Description
Mediated	
Reward	Stronger partner has the ability to reward (positive benefit) the other when weaker partner acts as expected
Coercion	Stronger partner has the ability to punish the other, if the weaker partner does not act in desired way
Legal Legitimate	Stronger partner has judiciary rights to influence the other party
Nonmediated	
Expert	Strong partner has knowledge and skills that are targeted by the other firm
Referent	Weaker partner wants to be identified with the strong partner
Legitimate	Weaker partner believes that strong partner has natural (or legal) right to exert influence

Source: Adapted from French and Raven (1959), Maloni and Benton (2000), and Terpend and Ashenbaum (2012).

In general, extant literature emphasizes that power has a cumulative effect on long-term relationships and, consequently, on value creation (Cao & Lumineau, 2015), as discussed in the next section.

Value Creation and Appropriation in Buyer–Supplier Relationships

A firm creates value in its interactions with buyers and suppliers. In a value chain, value is created within the boundaries of the supplier's opportunity cost and the customer's willingness to pay (WTP) (Brandenburger & Stuart, 1996). Customers' WTP is a subjective concept and depends on the perception of each user concerning the benefits of a product or service. WTP varies between customers and contexts, and can be influenced by innovation as well as by the performance of the products or services (Lindgreen & Wynstra, 2005). Similarly, the supplier's opportunity cost depends on expectations based on previous experience with the buyer, as well as on the alternative transactions a supplier has in the market. A supplier should consider all the costs involved in the process of supplying to a buyer (materials, production, infrastructure, etc.), as well as the possibility of using the resource for another purpose (Lippman & Rumelt, 2003). In this economic perspective, in each transaction organizations compare the exchange value of products and services, that is, the price, to their respective use value, that is, the perceived qualities of the products and services in relation to the given needs (Bowman & Ambrosini, 2000).

Lindgreen and Wynstra (2005), however, argue that value creation in a BSR cannot be evaluated only in terms of economic value. Considering that, in a buyer–supplier context, organizations engage in repeated transactions, firms need to contemplate other gains, such as social results, reputation, innovation, and technical capabilities development that might not result in profitable gains in the short term but rather in the long term. Additionally, both buyer and supplier need to evaluate opportunities for increasing their bargaining power outside the dyad (Lindgreen & Wynstra, 2005).

As a consequence of collaboration, the total value created in a BSR is higher than the sum of the value created by the internal resources of each firm. A value surplus is created by complementarity and the joint effort of both companies (Adegbesan & Higgins, 2010; Crook & Combs, 2007). The greater the contribution of both partners to the relationship, the greater the surplus value generated in that dyad. On the other hand, in cases of redundancy of resources, the value created in the relationship will be lower. In this sense, different types of relationships will have different impacts on value creation.

The value created in a relationship needs to be further divided into different value shares (Adegbesan & Higgins, 2010; Crook & Combs, 2007). Each player's share depends on its internal resources and on resource interdependence, as well as on the bargaining power in the relationship (Bowman & Ambrosini, 2000; Brandenburger & Stuart, 1996). If relationship continuity is not a priority, stronger partners can appropriate a larger share of the value created. On the other hand, whenever stronger organizations are dependent on the other's resource, and there is a greater need for coordination, the more powerful company will forego the exercise of its bargaining power and share the gains with the weaker firm to avoid conflict (Crook & Combs, 2007). In the bargaining process, partners should make sure that the division of surplus will not limit commitment and new investments in the relationship, obstructing the ability to create value in the future (Blau, 1964; Griffith, Harvey & Lusch, 2006; Homans, 1958), hence the need for a fair distribution of value.

Justice in BSRs

Justice in BSRs refers to perceived fairness in a specific context and encompasses four dimensions: distributive, procedural, informational, and interpersonal aspects (Ellis, Reus & Lamont, 2009; Liu, Huang, Luo & Zhao, 2012).

Distributive justice relates to perceived fairness in terms of gains, and is directly associated with the balance between the investment made (cost) and its outcomes (Ellis et al., 2009; Griffith et al., 2006; Liu et al., 2012). Procedural justice refers to the process of decision making in BSRs (Ellis et al., 2009; Griffith et al., 2006; Liu et al., 2012). The other two dimensions of justice are related to human reaction in social interactions, such as the treatment of communication and interpersonal relationships (Liu et al., 2012).

Justice is an important concept in BSRs, considering that fair sharing of the value created is supposed to preserve collaboration. If the perceived return of the transaction is equal or higher than expected, the players are motivated to engage in new transactions and to allocate more efforts and resources to continue the relationship (Griffith et al., 2006). On the other hand, if results fall below expectations, one firm may quit the relationship.

In the context of power asymmetry, value appropriation may not be symmetric in the dyad, resulting in the perception of unfairness. The weaker partner's perspective in continued collaboration is yet to be explained in the BSR literature. To date, empirical research has not investigated how the total value created in a BSR is distributed between buyers and suppliers in a context of power asymmetry, or how the perceived justice affects collaboration. In the context of relationship continuity, tolerance of power also needs to be better understood. We sought to address these gaps with an in-depth investigation into collaborative relationships.

METHODS

This study aims to investigate and build theory concerning the effect of power asymmetry in collaborative relationships. To understand the phenomena of power, value, and governance in BSRs, we conducted qualitative research with buyers and suppliers in a business-to-business context. We compared buyers' and suppliers' perspectives within the same industrial context as well as between two different industrial sectors in Brazil. We adopted an embedded multiple case study design in which we considered the firms as subunits of buyer and supplier groups (Yin, 1989).

The Brazilian context was appropriate for our study, considering that during the last decade economic growth increased competition and fostered innovation in several sectors, such as the consumer goods industry.

Data Collection

We have adopted a theoretical sampling approach (i.e., the process of jointly collecting, codifying, and analyzing data) to determine whom to interview and which data to collect (Eisenhardt & Graebner, 2007). Firms were selected from two industrial sectors to enable comparison between different contexts and to control for external influences, such as demand for innovation. Personal Care and Cosmetics (PC&C) and Food and Beverage (F&B) are two well-developed industry sectors that present different approaches toward product development. The two industries are dominated by a few leading companies (buyers) that are responsible for most of the sector revenues.

To better understand the industries, we started interviewing three representative associations of the cosmetics, food, and fragrances sectors (*ABIHPEC—Associação Brasileira da Indústria de Higiene Pessoal, Perfumaria e Cosméticos; ABIA—Associação Brasileira das Indústrias da Alimentação*; and *ABIFRA—Associação Brasileira da Indústria de Fragrâncias e Aromas*). Data collection was also supplemented with annual industry sector reports and written reports about the interviewed firms (Internet data, annual reports). The information provided by the associations guided our sample coverage in terms of diversity and representativeness in each industry, thereby enhancing the transferability of the study's results (Kaufmann & Denk, 2011).

The PC&C industry is known for product innovation to enhance customers' WTP. There is a need for the early involvement of suppliers, as the final product depends heavily on attributes such as packaging and fragrance. Among its main players, we investigated six PC&C manufacturers as buyers. Those companies can be grouped into two distinct categories: specialist companies that focus on product development and innovation and generic companies that prioritize economies of scale and efficiency.

The F&B industry, on the other hand, has prioritized product standardization and faces increasing pressure to reduce costs, as it is a price-taking industry. Our sample of buyers was composed of four large manufacturers of processed products, who are the primary innovators in the industry (ABIA, 2010).

In addition to the 10 buyers (coded from A to J), we also investigated a group of 14 suppliers (coded from 1 to 14). The selection of suppliers followed two strategies: (1) after each interview with a buyer, we asked for supplier contact names, and (2) we contacted additional suppliers, who were recommended by the representative associations, to triangulate data and avoid bias. New suppliers were included in the sampling up to the point of theoretical saturation, where no new insights were provided (Glaser & Strauss, 1967).

The main suppliers of the PC&C industry are chemical firms, fragrance firms, equipment manufacturers, and packaging companies (ABIHPEC, 2011). The F&B supply chain also includes packaging, chemical and fragrances suppliers, and the total supplier sample included a variety of industries, such as chemicals, fragrances, glass containers, packaging (plastic, paper, and others), grains, and services (outsourced manufacturing and design). Some suppliers, such as packaging and fragrances, were common to both the PC&C and F&B industries, enhancing the comparability of our data. In terms of power asymmetry, both industries are characterized by a few leading buyers (manufacturers) that have power over suppliers, and that was reflected in our sample.

The interviews occurred between July and December of 2011, and were conducted with managers or directors of the procurement and supply chain of buyers' firms, and with the sales and supply chain, in the case of suppliers. Most of the interviews were face-to-face (lasting one to two hours) and recorded upon agreement. In cases where recording was not possible, researchers took notes for data analysis. In three cases (buyers B and I, and supplier 2), a second interview was conducted for further data collection.

We used a semistructured interview protocol, based on the literature review, to guide our data collection and to ensure comparability between cases (Yin, 1989). The protocol included questions regarding BSR development, trust, conflict resolution, expectations, and benefits perceived in those relationships. We also asked respondents to provide examples to illustrate their comments whenever possible. Table 2 presents the respondents by industry with a description of each firm's activity, size, and level of internationalization.

In our research, we identified a BSR as collaborative when firms were involved in the development of interfirm asset specificity (Cheung et al., 2011; Dyer, 1997). We found evidence of interfirm asset specificity in the investments in product and process development as well as in innovation in both industries.

Most buyers operated in a context of supplier abundance. In general, buyers had a set of qualified suppliers and, whenever possible, had at least two alternative suppliers for each material provided. In terms of global sourcing, our sample included multinational enterprises (MNEs) that used global procurement systems to ensure competitive prices. Meanwhile, suppliers perceived the effect of global procurement and increased market rivalry.

Data Analysis

In the process of analysis and interpretation of the data collected, we used grounded theory technique to develop an inductive model and move from our data to theoretical interpretation (Strauss & Corbin, 1998).

TABLE 2

Cases Studied

Firm Code	Size	Buyers Activity	Intl	Industry	Firm Code	Size	Suppliers Activity	Intl	Industry
A	L	Specialist	D	PC&C	1	L	Fragrance	MNE	PC&C
B	L	Specialist	MNE	PC&C	2	L	Fragrance	MNE	PC&C
C	M	Specialist	D	PC&C	3	M	Glass	D	PC&C
D	L	Generic	MNE	PC&C	4	L	Glass	MNE	PC&C/F&B
E	L	Generic	MNE	PC&C	5	L	Packaging	D	PC&C/F&B
F	L	Generic	MNE	PC&C	6	L	Packaging	D	PC&C/F&B
G	L	Food	MNE	F&B	7	L	Packaging	MNE	F&B
H	L	Beverage	MNE	F&B	8	L	Packaging	MNE	PC&C/F&B
I	L	Food	D	F&B	9	S	Packaging	D	PC&C/F&B
J	L	Beverage	MNE	F&B	10	S	Packaging	D	F&B
					11	M	Grains	D	F&B
					12	L	Chemical	MNE	PC&C/F&B
					13	S	Services	D	PC&C
					14	S	Services	D	PC&C

Size: L = large, M = medium, S = small (classification according to *SEBRAE*); Internationalization: MNE = multinational enterprise, D = domestic; Industry: PC&C = personal care and cosmetics, F&B = food and beverage.

During data collection, the main findings were summarized immediately after each interview and the emerging themes were explored in the following interviews. We applied the constant comparison technique in which the collected data are compared to existing literature to determine whether or not each identified category should be expanded (Eisenhardt & Graebner, 2007).

Each researcher coded the interviews separately, sharing and discussing the coding schemes afterward. We started the analysis with the identification of major concepts within each group (among buyers and suppliers) and then moved to the comparison across cases (Yin, 1989). We treated buyers and suppliers as multiple sources and analyzed the similarities and differences among informants within each group (Miles & Huberman, 1994). During coding, we used *in vivo* codes, keeping informants' terms and expressions, and as new codes were introduced, the previously coded interviews were reviewed.

After coding the interviews, we started the analysis of differences and similarities among the categories of information and defined first-order categories, maintaining the informant's own language, whenever possible (Gioia, Corley & Hamilton, 2013). This process reduced the over 50 categories initially detected to 29 first-order categories. Moving forward, we looked for broader categories that could link the themes and that would lead to more abstract concepts; there we developed 11 second-order themes. Finally, we aggregated the second-order themes into five broader theoretical dimensions (Strauss & Corbin, 1998). At this last point we interchanged data analysis with the review of existing literature, to confirm the basis of our findings and to verify the emergence of new concepts (Gioia et al., 2013). The data structure is presented in Figure 1.

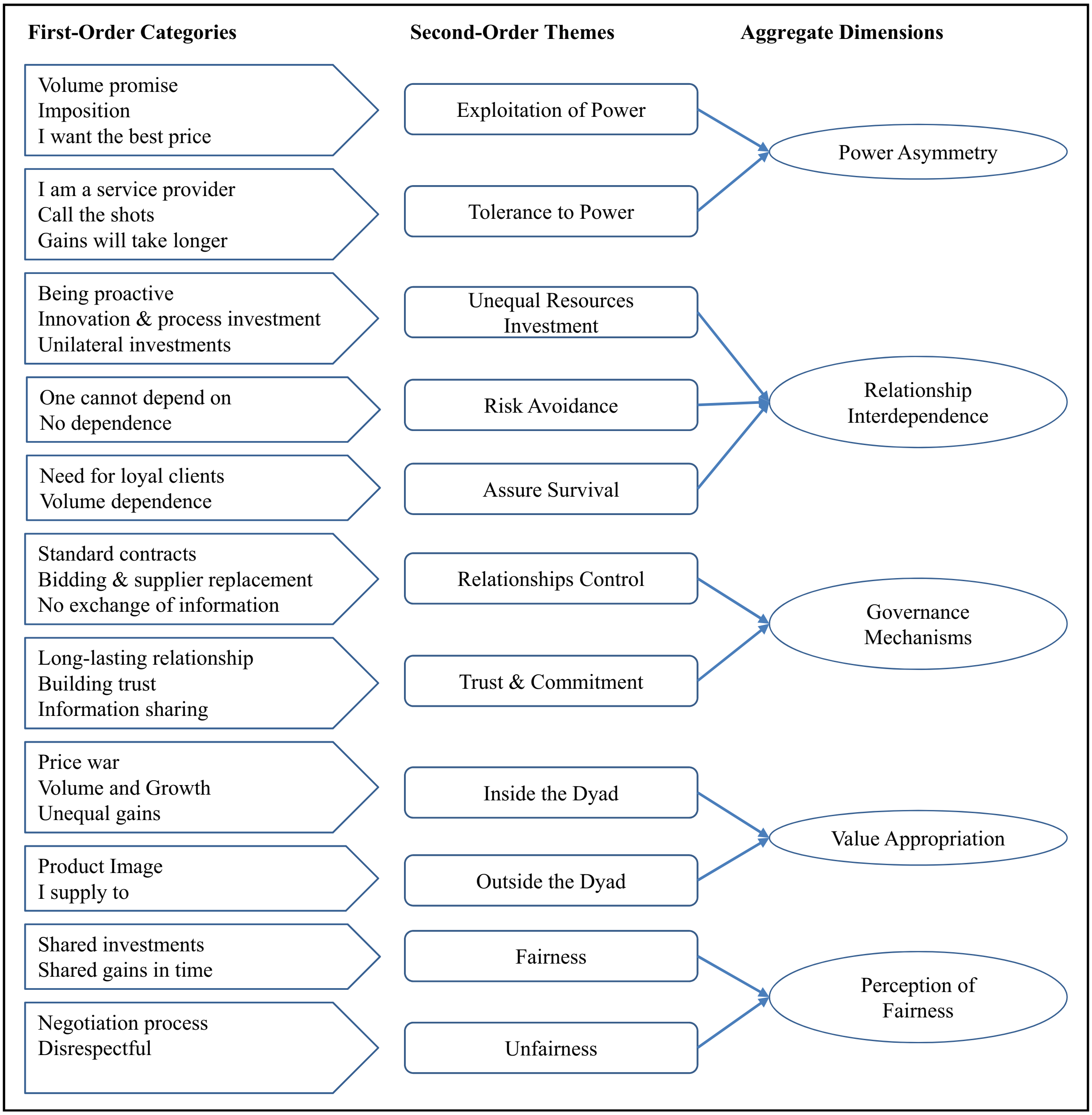
Next, we moved to the discussion of the data structure, searching for the interrelation dynamics between the emergent concepts and consulting the collected data for confirmation (Gioia et al., 2013). In this process, we developed the model of Collaboration Dynamics in the Context of Power Asymmetry (Figure 2).

Data were rigorously collected and analyzed to ensure the credibility of our findings. We used multiple respondent sources of information as well as firms' reports to triangulate data and substantiate our analysis (Eisenhardt, 1989). Additionally, to overcome discrepancies and to enhance the confirmability of our interpretations, we examined additional evidence in the data and discussed our findings with researchers outside the project (Kaufmann & Denk, 2011). Finally, we also searched for alternative explanations for the characteristics of the companies as well as in the institutional context as a way of enhancing the dependability of our findings (Kaufmann & Denk, 2011).

FINDINGS

The emergent model indicates five theoretical aggregate dimensions that describe the dynamics of BSRs: power asymmetry, relationship interdependence, governance mechanism, value appropriation, and justice. Our analysis indicated distinct approaches to collaborative relationships between buyers and suppliers. The

FIGURE 1
Data Structure [Color figure can be viewed at wileyonlinelibrary.com]

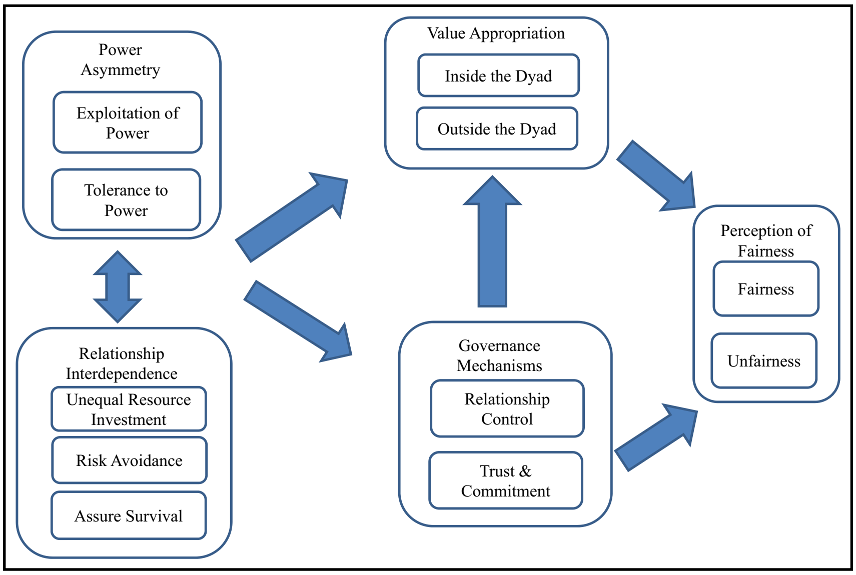


respondents started describing their relationships in the value chain (upstream-suppliers and downstream-buyers), assuming different roles in the BSR collaboration. The five dimensions are explained in the following sections.

Power Asymmetry

The different voices (buyers and suppliers) gave rise to two complementary perspectives inside power asymmetry dynamics: *exploitation of power* (by buyers) and *tolerance to power* (by suppliers). Evidence of exploitation of power in the relationship was illustrated in the demands, impositions, and negotiation schemes by which dominant firms pursued their agenda in the relationship. Assuming the dominant role, buyers expressed the need to "encourage" suppliers to seek improvements in products, processes, and innovation. Buyers were aware of their capacity to

FIGURE 2
A Model of Collaboration Dynamics in the Context of Power Asymmetry [Color figure can be viewed at wileyonlinelibrary.com]



reward suppliers with large-volume orders for which suppliers made long-term efforts and investments. Moreover, buyers had the power to impose standards on suppliers with the threat of punishment or withdrawal of future business, reducing suppliers' volume.

Exploitation of power was also evident in the negotiation and bargaining between buyers and suppliers. Because the buyers had information from several competing suppliers, they were able to put pressure on suppliers in order to get the lower price and the best conditions. Our findings reveal the existence of coercive power (ability to punish) and reward power (ability to compensate with volume), both forms of mediated power (Maloni & Benton, 2000).

The acknowledgment of power asymmetry in the relationship also came from the suppliers' *tolerance to power*. Suppliers described themselves as service providers and conceded that they needed to fulfill buyers' expectations and "give in" in the relationship. Given their need for large-volume orders, suppliers generally accepted the imposed power of buyers who "called the shots" in the relationship. Thus, suppliers accepted that they did not have the advantage in the negotiation and that their gains in the relationship would take longer to materialize. Table 3 shows the first-order data that led to the development of the power asymmetry aggregate dimension.

Relationship Interdependence

The aggregate concept emerged from the data, revealing different dimensions of buyer–supplier interdependence (Table 4). We identified *unilateral resource investments* as the major source of interdependence; we also identified *risk avoidance* and *survival assurance* as the two different objectives of firms upon the acknowledgment of interdependence.

The sample revealed that resource investment was unbalanced and that suppliers often made *unilateral resource investments*. Some suppliers sought to be proactive to create opportunities in the relationship and assumed it as their "role" in the relationship. Others focused on the challenge of bringing innovation to clients: "The company's goal is to bring three new products per year" (Supplier 6). Additionally, suppliers were also responsible for product and process customization; those initiatives were believed to create a "stronger bond" with buyers.

The interdependence was not always perceived as a positive issue by managers, and we identified *risk avoidance* strategies among buyers, whereas suppliers were more concerned about *assuring survival* through BSR. As the number of transactions increased, so did the perception of dependence in the relationship. These were instances when buyers searched for alternative suppliers in the market to minimize risks. On the other hand, suppliers acknowledge the need for loyal buyers and the importance of large-volume orders for their survival.

Governance Mechanisms

Power and interdependence are main elements in a BSR, and it is expected that they would influence

TABLE 3

Power Asymmetry

Source	Representative Quotes	First-Order Categories	Second-Order Themes
Buyer E	It's assumed that it is a long-term relationship; we will increase volume for that supplier.	Volume promise	Exploitation of Power
Supplier 2	We worked for five years, a lot, for this partnership thing, bringing ideas, and everything we had to be able to be in this position [strong participation in sales].		
Supplier 12	It is a client demand that the supplier searches for information. It's an imposition that the supplier brings improvements.	Imposition	
Buyer J	It's not an imposition, but the supplier that does not offer this type of gain is penalized in the evaluation.		
Buyer B	I push him, "get your equipment." He subcontracts. He hires someone to work. I'm not concerned about his union problems; the problem is his.		
Buyer I	The supplier already knows the pattern of negotiation. We buy cheap [products] within specification and on time.	I want the best price	
Buyer B	We have a global negotiation and at the time you close the deal don't tell me you did not know it. I want the best price, the best price in global negotiation.		
Supplier 14	I am here to work with the client, despite selling a product, I am a service provider.	I am a service provider	Tolerance to Power
Supplier 2	Look, we are suppliers. Being supplier says it all. The client is expecting [offers] he just opens the doors.		
Supplier 5	The supplier has to give in so [he does] not lose the sale.		
Supplier 2	We can try to negotiate, but [you can] not always negotiate. Depends on the executive, and what the executive [buyer] wants to do, because, in fact, it is the executive who calls the shots.	Call the shots	
Supplier 8	The procurement departments use bargaining power a lot.		
Supplier 9	When you already have a contract, it is easier to renovate. Of course, to renovate one always has to give something [in exchange]. That's life, there's no way out.		
Supplier 2	If I get lost on the way [bad investment], I have to try to find a solution myself. I have to recover from the losses on my own.		
Supplier 9	It will take me much longer to have this gain, the return [on investments].	Gains will take longer	
Supplier 2	Even if we work a lot, carefully, devoting so much to them [buyers], gains will not necessarily return in the same order.		

the governance as well as the manner in which a transaction is decided. In our analysis of the governance mechanisms applied in collaborative relationships, we found the use of *control mechanisms* as well as of *mechanisms based on trust and commitment* (Table 5).

TABLE 4

Interdependence

Source	Representative Quotes	First-Order Categories	Second-Order Themes
Supplier 10	We always try to see if there is an opportunity for improvement, so we can help. This [is] our function, that I see the function, the role of the supplier.	Being proactive	Unilateral Resource Investment
Supplier 13	The reactive supplier is the most common, [but] being proactive is more important. I cannot wait [for] the client to ask me, I have to show [the innovation].		
Supplier 2	We promote twice a year with them a "day of innovation," as we call it. There they send the marketing team and we spend the day updating [them] about the latest trends.	Innovation & process investment	
Supplier 9	Each client sends us the file to be used in the product in a different way; each client determines a process, a product, the approval flow; each client has a different story. So we cannot standardize.		
Supplier 3	Today, the company is responsible for the development of [product] molds, glass manufacturing, and the final decoration of the package.		
Supplier 6	The investment in machinery and printing, [even] specific paints for the client, is unilateral.	Unilateral investments	
Supplier 9	It's unilateral. We believe it's important that the supplier works that way with the client. We imagine that the client appreciates it.		
Buyer I	Large suppliers offer more services and minimize risk. One cannot depend only on small (suppliers).	One cannot depend on	Risk Avoidance
Buyer I	The search for alternatives [for] the small supplier aims to reduce dependence on the large ones, but they [the smaller] are not yet fully reliable.		
Supplier 7	We notice that there are some companies that are somewhat averse to this kind of cooperation because they prefer to have a price competition strategy. They don't want to be dependent.	No dependence	
Buyer J	New factories have pre-signed contracts [with suppliers]; it's important. That does not mean dependence because there are several suppliers even when the product is very specific.		
Supplier 9	Today, the most important thing for us is that to stay in the market, we need to have 90 loyal clients.	Need for loyal clients	Assure Survival
Buyer C	A former supplier of Buyer A, which was under pressure, offered us the lowest price to gain volume and decrease dependence.	Volume dependence	
Supplier 2	So Buyer C, which is a medium client, has great potential. We already have volume of sales		

(continued)

TABLE 4 (continued)

Source	Representative Quotes	First-Order Categories	Second-Order Themes
	[with them], so we allocate a bit more resources because the resources are very expensive.		
Supplier 12	The supplier has to secure volume.		
Buyer A	There is this concern not to kill a supplier, not to change drastically the orders in a way that can affect them.		

Control mechanisms in the relationship between buyer and supplier included short-term contracts, bureaucratic controls, and standardized procedures. Arms-length procedures were applied to long-term contracts and did not foster information exchanges between partners. Moreover, there was an explicit need for safeguards to control opportunism and manage responsibilities in shared investments. Buyers were always looking for alternative suppliers, using frequent requests for quotations, and that changed the attractiveness of suppliers over time, raising concerns about relationship continuity. Attractiveness as "a force that pushes a buyer and a supplier closer together in a dyadic relationship" is a function of expected value, trust and dependence (Hald, Cordón & Vollmann, 2009, p. 961). Thus, the access to new suppliers (alternatives) in the market affected the expected value in the relationship.

On the other hand, some respondents revealed the capacity or willingness to manage the relationship with *mechanisms based on trust and commitment*. In those cases, there was an acknowledgment that trust is necessary for mutual growth and that long-term partners are a reliable source of products and information. Interpersonal relations take the place of formal mechanisms, when there are open communication channels. Thus, once there is trust, firms can exchange information and share strategies, and collaborative relationships can be more successful. The relationship built upon a long-term commitment resembles that of a "marriage," meaning the existence of strong bonds and need of careful management.

In the interviews, buyers described the application of control mechanisms, whereas suppliers emphasized the importance of trust and commitment in collaboration, which were not always applied in the relationships. Although we have aggregated the governance mechanisms into two-second-order themes, we found the coexistence of relational and contractual characteristics in the buyer–supplier dyad (Cao & Lumineau, 2015; Poppo & Zenger, 2002).

Value Appropriation

Our analysis indicates that collaborative BSRs create value by reducing opportunity costs and increasing customers' WTP. However, it is in the value appropriation that our findings bring stronger revelations. We found different ways of appropriating the value created in the relationships, and that appropriation was not always inside the dyad.

Value appropriation inside the dyad primarily benefited the buyers who were guaranteed reduced costs as a result of fierce competition among suppliers and their price wars. Additionally, suppliers internalized some costs using their own cash flow to invest in the relationship, which decreased the investment cost for buyers. Suppliers' gains were given in volume. Their increased share in the buyers' total sales resulted in economies of scale; however, value appropriation inside the dyad tended to take longer to materialize for suppliers.

It is important to realize that value created in a given BSR can create spillover results that generate influences beyond the given dyad and firms could appropriate this *value outside the dyad*. Most notably, the investments made in such collaborations were often transferred to the image of the final product and even to the image of the firms (buyers). Table 6 provides some examples of this benefit, such as:

> Well, do the customers perceive it [the supplier influence]? They do see it; [because] it has a differentiated development from other products, in the design, the effect, in the art and in the packaging...Wow, whether their [suppliers] input is there in the process? No doubt. (Buyer A)

Likewise, a supplier's reputation was improved when they were associated with the buyers' brand name. Their sales speech included "I supply to..." and that enhanced their attractiveness to other buyers, given that the market recognized value in the relationship with the focal firm (Wagner, Coley & Lindemann, 2011). That reputational result was particularly effective in relationships with smaller buyers with whom

TABLE 5

Relationship Governance

Source	Representative Quotes	First-Order Categories	Second-Order Themes
Supplier 14	So, we have to report to many people inside Buyer B...Ends up being more bureaucratic.	Standard Contracts	Control Mechanisms
Buyer D	This leads to some limitations due to lack of autonomy, but, on the other hand, the processes are more standardized.		
Buyer H	One has to safeguard. One has to perceive the risk beforehand, when the operation [investment] is shared.		
Supplier 1	Briefings are processes in which we participate with other competitors, and we are pressed to provide a response within a certain time [frame].	Bid & supplier replacement	
Buyer G	If he [the supplier] doesn't provide good service, I'm going to switch. Just like a bakery, if the bakery is bad, one changes the bakery.		
Buyer F	This relationship with suppliers is very dynamic, sometimes a vendor that is not strategic, becomes [strategic].		
Buyer G	Whether we exchange information? No, we do not exchange information.	No exchange of information	
Buyer C	There is no exchange of knowledge.		
Supplier 11	We try to build long-lasting relationships with the clients.	Long-lasting relationship	Mechanisms of Trust & Commitment
Supplier 4	We have the idea of building a long-term relationship.		
Supplier 2	Since we started this very strong relationship with Buyer A, a fragrance relationship, it is a relationship, like a marriage.		
Supplier 9	It has created a trust and a workflow, very fast, because we have two people here who know exactly what Buyer D wants.	Building trust	
Supplier 10	We created a relationship of trust; he [the buyer] starts to see us as a source of information, consulting us for a number of other things.		
Buyer H	Today, there is an open channel, I give him my [mobile] number. Even on Mother's Day, he calls "Mrs. Bia, Happy Mother's Day."		
Buyer A	I share my strategies with suppliers as [we] start working a little more collaboratively.	Information sharing	
Supplier 7	The collaborative relationships with the sharing of information tend to be more successful.		

the information gap, in terms of experience, was more favorable to suppliers and with whom the division of gains was more equitable. In this way, *value outside the dyad,* as spillover of the value created in the dyad, offered more opportunities for value appropriation.

TABLE 6

Value Appropriation

Source	Representative Quotes	First-Order Categories	Second-Order Themes
Supplier 13	Competition in this sector is a price war.	Price war	Inside the Dyad
Supplier 5	The market is very competitive and what matters to the client is the price.		
Supplier 9	There was a reduction [of margin] not because of some internal problem, but [as a result of] a very strong price war.		
Supplier 14	I gain in volume and always try to be competitive in terms of costs, so I have the demand of more products.	Volume and growth	
Supplier 1	In the process, we give discount[s] and rebates to foster [sales] growth and economies of scale.		
Supplier 6	We gained in shares [in the sales]. There is no price negotiation, which is calculated on [a] pre-set margin.		
Supplier 9	He [buyer] will profit more and faster than me. It will take me much longer to have this gain, the return.	Unequal gains	
Supplier 13	The gains are not equal for all firms in the chain. In the long run, the result is positive for both sides, but not necessarily the monetary gain. At one point, the gain is unilateral.		
Buyer D	Part of the work with suppliers is reflected [on] the supermarket shelf [product quality and image].	Product image	Outside the Dyad
Buyer J	To build a company image, you need to create a structure in [the] supply chain.		
Supplier 4	Because this market is small, right? If you are strong [with] Buyer B, other companies realize it.	I supply to	
Supplier 14	He [smaller buyer] likes [us] because we were approved by Buyer B and Buyer C. In his head, we're good.		
Supplier 9	It is excellent to have [in the portfolio], "I supply to Buyer X."		
Buyer J	The benefits for the supplier are secured sales, survival, the [Buyer J's] name, less risk, and predictability.		

Justice in BSRs

Justice, as the perceived fairness in BSRs, refers to the expectations and outcomes of the collaboration. The justice in the relationship is supposed to affect the long-term success of BSRs (Griffith et al., 2006) and, therefore, reflects its importance to long-term collaboration between buyers and suppliers. We found evidence of perception of justice in governance processes and distribution of gains in the collaboration. However, procedures and negotiations were not always considered fair. *Fairness* was related to shared investments that involved both sides of the dyad and to the distribution of gains between the partners. Shared gains in the collaborative relationship were not equalitarian or concurrent, but were perceived as fair by buyers and suppliers individually.

On the other hand, the perception of *unfairness* started with misaligned goals between buyers and suppliers in terms of relationship objectives and the timing of expected results. For suppliers, the rush for commercial profit and short-term results was not aligned with the idea of collaboration. Careless procedures and blind bureaucracy also undermined the sense of justice in BSRs, bringing emotional distress. A lack of clear communication and unwillingness to share information raised discomfort levels in the relationship and increased suspicious feelings among partners. Unexplained and apparently opportunistic behaviors were considered disrespectful. Suppliers acknowledged the shared responsibility of both partners and complained about buyers' misuse of information and concepts that were developed within the scope of the relationship. Altogether, there were concerns about the threat of opportunism in BSRs (Table 7).

A MODEL OF COLLABORATION DYNAMICS IN THE CONTEXT OF POWER ASYMMETRY

The analysis of our data structure and interviews resulted in the model shown in Figure 2. In this section, we explain the pathways between the theoretical dimensions, and Table 8 provides additional quotes to enrich our analysis.

Interplay between Power Asymmetry, Interdependence, and Governance Mechanisms

The connection between interdependence and power asymmetry has been strongly explored in the literature (Caniëls & Roeleveld, 2009; Crook & Combs, 2007). As expected, we found evidence of these relationships in our research (Figure 3). In particular, we identified the intense exploitation of power by buyers (stronger partners) resulting in unequal and even unilateral investments from suppliers (such as process customization and innovation).

> There are two ways that I develop [innovation]. One is the supplier's innovation that brings new technology; and the other is when I say "I have an idea for doing this [project], but do not know who is capable of executing it." Then, one of the suppliers [accepts the challenge and] says, "I will do it, I will invest for you." (Buyer B)

Stronger partners also exploited power in the multi-supplier strategy as a way to avoid risk, to reduce dependence on a single supplier, and to foster competition among suppliers.

> We seek the best in the market and are always comparing the alternatives so we do not run the risk of relying on one supplier. (Buyer D)

Buyers tended to be large firms and represented great opportunities of volume and cash flow for suppliers (weaker partners). Therefore, suppliers tolerated power asymmetry and complied with buyers' requests, acting in a very proactive manner and trying to build loyalty to ensure survival in a long-term collaborative relationship (Crook & Combs, 2007; Gulati & Gargiulo, 1999).

> It's an imposition!... The supplier must meet a minimum percentage of the requirements [certification requirements]; if not, they say, "if you don't do it, you'll no longer be able to take orders." (Supplier 9)

The interaction between power and interdependence affected other dimensions of BSRs, notably the relationship governance. Our data highlight different perspectives of how governance mechanisms are used. Buyers—the stronger partners—preferred to adopt more control mechanisms, while suppliers tended to favor mechanisms based on trust and commitment. Governance had the double function of building and avoiding dependence in asymmetric BSRs (Figure 3).

By exploiting power asymmetry, the stronger-positioned buyers were able to dictate the rules and procedures in BSRs. Buyers applied control mechanisms to avoid dependence and to protect their interest in the innovations resulting from the resource investments made by the suppliers. Using frequent requests for quotations, buyers were able to develop and replace suppliers. Applying contract safeguards, they ensured supply delivery (dependability and reliability) and maintained priority in the benefits of suppliers' investments.

> As the company made investments, we want[ed] safeguards. The contract establishes the right of priority over other investments and volume. (Buyer J)

> We segregate our suppliers according to risk and impact. In the case of strategic suppliers, we only collaborate when needed. Collaborative relationships require great efforts from our organization and involve different departments. It is not always our objective to develop a strategic partnership. (Buyer F)

Suppliers, on the other hand, were eager to comply with the buyers' requests, acting in a very proactive manner to assure buyers' loyalty and to reduce uncertainties (Crook & Combs, 2007; Gulati & Gargiulo, 1999). For them, a relationship based on trust would result in more commitment from both sides and that would ensure relationship continuity, decrease uncertainty, and improve financial survival (Figures 4 and 5).

TABLE 7

Perception of Fairness

Source	Representative Quotes	First-Order Categories	Second-Order Themes
Buyer J	There was a settlement to split the amount of investment in a contract of 10 years, in order to write off this investment.	Shared investments	Fairness
Supplier 7	It's not 100%, but [it] reduces [the burden] when we share [investments]. [It] is an investment in [the] future, we must do [it]. We probably will minimize the risks for both sides.		
Buyer E	He presented [a] project of efficiency [by] reducing weight [packaging]. Some of these savings are shared for a period.	Shared gains in time	
Supplier 10	This will require investment, and [it] will pay out in time.		
Buyer G	He [the supplier] gains speed. It's much easier [to manage]. He has to capture these gains. If he capture[s them] or not, I don't know. He should capture these gains.		
Supplier 11	Everybody has to participate, negotiate. Imposition no one accepts, it is an important thing... But I know that our attitude is always correct, to fulfill everything that we promise. We do it [on] our side, and we expect the same from the other side.	Negotiation process	Unfairness
Supplier 7	In the negotiations, [buyers] put commercial objectives ahead... That inhibit[s] this process of collaboration.		
Supplier 5	Many clients are very greedy. They want short-term results. Investment and partnership results come in the long run.		
Supplier 14	Look, considering the negotiation, it can be a poker game with buyers. "Wow, your [price] is higher." I don't know the competitor's offer, but I keep it [my offer] because it [the negotiation] is not fair, it's not right.		
Supplier 2	We are classified as [a] Gold Supplier to Buyer Y, but suddenly there is a new product on the market. I was not aware that the briefing [with the other supplier] ever existed, [and] I find it disrespectful.	Disrespectful	
Supplier 9	Most of the time, it's in their own handling that they tear, cut, and then want to return [the products] to us. We received products that were not even produced by of our graphic[s]. It's distressing; (they) hold the invoice [and] make confusion. It's horrible.		
Supplier 1	The relationship with clients involves responsibility, but it [has] happened that some clients use [a] concept developed by us and [go] to another supplier.	Responsibility	
Supplier 10	If one feels used in a relationship, one starts acting without care.		

TABLE 8

Pathways Quotes

Model Pathways	Representative Quotes
Interplay between Power Asymmetry and Interdependence affecting Governance Mechanisms	
A Stronger partner exploits power to: Foster resources investments (by other side)	It is a client demand that the supplier searches for information. It's an imposition that the supplier brings improvements. (Supplier 12) But it is a fact, we ask for a lot! We ask for social and environmental standards and every three months they have to provide us a report with socio-environmental details. (Buyer A) Suppliers are constantly encouraged to seek innovation. (Buyer D)
A Stronger partner exploits power to: Reduce risk in BSR	Exclusivity does not mean dependence, such as the case of packaging; there are several suppliers, even when the product is specific. (Buyer J) I say, "I understand that in the city you [supplier] are in, the union doesn't let you work [on Sundays]. Fine, except for [the fact] your competitor does it, so set up the factory in another city; I don't even want to know it." That's the day-to-day life. (Buyer B) Often, they [suppliers] bring the innovation first to us, we have preference. Of course, we cannot, especially in the Brazilian cosmetic market; talk about exclusivity, there is a risk of dependency. (Buyer A)
B Tolerance to power aims at assuring survival of the weaker part	I'm looking at the photo and [think] "thank God I made this contract." Suddenly it's not the same person who made the contract and that's another problem. Who's aware of the history [of the relationship] inside the company [buyer]? (Supplier 11) Today, the most important thing for us is that, to stay in the market, we need to have 90 loyal clients. Even if we have to gain a little less at this point now, but keeping those customers, I believe they'll be growing. (Supplier 9) When the client is very representative [in the supplier portfolio], we seek other solutions to reach the stipulated amount [price]. Often, we squeeze our margins. (Supplier 3)
C Control mechanisms were used by stronger partners to: Assure return from investments	There is a [price] renegotiation clause in the contract, if I'm not mistaken it's after 4 years, the contract of logistics operation is long-term. (Buyer G) The large suppliers guarantee the confidentiality of projects and [they] work with an open cost spreadsheets. (Buyer D) There are specific operations with some clients in which we make in-house [buyer's house] manufacturing investments. For these operations, there are contracts to determine volume and time [of supply]. (Supplier 5) When there is a briefing, clients have already a total cost objective and usually fragrance represents a maximum of 15%. Customers should invest more in fragrances. (Supplier 1)

(continued)

TABLE 8 (continued)

Model Pathways	Representative Quotes
Interplay between Power Asymmetry and Interdependence affecting Governance Mechanisms	
C Control mechanisms were used by stronger partners to: Reduce dependence risk	We have 25 suppliers to outsource manufacturing. It is an absurd number. Why do we have 25 suppliers? Because I have to have the flexibility to go to the market to buy some item to absorb some variation of the sale that we have. (Buyer B)
	There is no fixed term for the contracts. It depends on the [buyer's] interest. They [contracts] are usually with the same suppliers. Sometimes there is a reallocation of volume among suppliers or inclusion of new suppliers. (Buyer I)
	In case of long-term relationships, there are agreements for 2–3 years. Depending on what happens, we make new biddings. This relationship with suppliers is very dynamic, sometimes a vendor that is not strategic, becomes [strategic]. (Buyer F)
D Trust and commitment were used to assure survival and reliability in BSR	Long-time suppliers do not make decisions hastily. There is a path of growth together, with the idea of survival in the medium term. (Buyer D)
	The relationship that was built was based on trust. The volume in the initial contract did not materialize, but Buyer A had it [volume promise] as a liability with us. It was as if he held a debt to the company. (Supplier 8)
	So it's like an exclusive project... We just had a response about a project after 4 years [of investment]. Since we started this very strong relationship with Buyer A, a fragrance relationship, it is a relationship, like a marriage. (Supplier 2)
Influence of Power in Governance Mechanisms and Value Appropriation	
E Both governance mechanisms were used by stronger partners to appropriate value inside the dyad	He [the supplier] assumes the costs at that moment, "let's make it feasible because we are partners and I [the supplier] see it as a medium, long-term relationship" (Buyer A)
	The contracts are signed for medium term with clauses regarding price and volumes. While the contracts are in force, there is a partnership between the parties, with interconnected of routines and planning. (Buyer I)
	Recently we invested in two machines for Buyer I, which reduced costs to the client..., all the gains went to Buyer I, as per the contract. (Supplier 6)
F Trust and commitment mechanisms were used by weaker part to enhance value appropriation inside and outside the dyad	We trust in the work we did together. Now it will be presented... We imagine that this work with the client will give a positive return to our brand. (Supplier 9)
	For us to say "I supply to..., it is excellent. But to work with a company of this level is horrible because we have a specified price... Sometimes they ask for a thousand pieces or 50 thousand

(continued)

TABLE 8 (continued)

Model Pathways	Representative Quotes
	pieces, and we have to keep the same price, deliver in a squeezed period of time and with high quality requirements." (Supplier 10) So if he [buyer] is open to suggestions I will add value and share my knowledge. But for the small client I am much more creative, he asks me, I deliver. (Supplier 2) In the case of Buyer J, in particular, we have a partnership with Buyer J which is strategic to both sides… If Buyer J brings an advantage that helps in the contract we have, it is an advantage that I will be able to use with all my other clients as well. (Supplier 11)
Justice in Value Appropriation and Governance	
G Trust mechanisms were related to the perception of fairness	As of today, it's been 20 years since we have the factory, Buyer C was the first [buyer] to call all suppliers in a room and talk, explain what is happening, something that with Buyer B is a lot of trouble to solve, not only with me, but with all suppliers. (Supplier 14) But the discussion is very open with suppliers. "Can you [supplier] do it, is it easy? Is it difficult, you need help?" (Buyer A) As the supplier offers solutions for the company, it enhances trust and reliability, the spirit of collaboration; he's not only concerned about the basics. He asks, "Can I offer something better?" (Buyer I)
H Shared value inside the dyad was considered fair	With minimum volume, maybe a lease of the equipment, and all arranged to be a good deal for both sides. (Supplier 10) Cause the good partnership is not to sell. I gain [supply of] a fragrance and sell a pre-estimated volume, but he [buyer] will sell much more [products] than he planned to, which obviously will reflect on me too. (Supplier 2) When the supplier brings a project to reduce costs, the gains are shared. 50% [to each partner] is already composed in the price. (Buyer J)
I Control mechanisms were perceived as unfair by weaker partners	Sometimes, they use us to improve, to try to improve the price they already have, or to have a better market price. (Supplier 9) It is not a balanced [negotiation]… And there is a tone of threatening that does not make sense for a partner that supplies $15 million today in fragrance. (Supplier 2) The stronger part uses his power a lot and the supplier has to give in order not to give up. (Supplier 5)

(continued)

TABLE 8 (continued)

Model Pathways	Representative Quotes
J Appropriation of value outside the dyad (for weaker) was perceived as fair reward by stronger partner	...a packaging supplier makes cartridge for a perfume, a relatively small company that is growing. It went there to Mexico, started 5 years ago, [and] today [it] supplies to all of Latin America. [It] began with small sales to the US and what [happened]? [He] became global. Three years ago [he] was regional, now it is selling to the US. (Buyer B) The prized supplier feels prestigious and uses this reputation with other clients; it enhances their bargaining power in the network. (Buyer J) You can sell this to someone else... Will I leave it [volume] to the competitor? I will let the guy [supplier] make his money, cause he produced and did not receive, he is buying [more inputs] to sell to me. (Buyer I)

> Partnerships provide business sustainability, supplier survival, and client success. The client does not want the supplier to go bankrupt...Both work for the continuity of the relationship, though in different ways. (Supplier 13)

> For example, even though he [the supplier] could get a bridge finance for 30 days, we will not force it; we will pay him in 10 days. Then, this differential treatment [has the objective] to favor the supplier contrasts with the hostile treatment of the market. (Buyer H)

Our findings suggest that buyers and suppliers differ in their preference for governance mechanisms, depending on their relative power perspective in the relationship. As the stronger partner, buyers preferred control mechanisms that reduced dependence risk, promoted more competition, improved their processes and products, and assured return on asset investments.

As the weaker partner, suppliers invested in asset specificities and tried to implement some relational mechanisms unilaterally as a remedy for the BSR difficulties (McCarter & Northcraft, 2007). The asset investments may be seen as an attempt to make it more difficult for buyers to change suppliers by incorporating switching costs and additional obstacles into the BSR (Crook & Combs, 2007). Meanwhile, relational governance based on trust and commitment tried to minimize the interdependence asymmetry (Gulati & Gargiulo, 1999).

Our analysis suggests that the preference for different governance mechanisms in BSRs is related to different interdependence objectives: Buyers wanted to reduce dependence, and suppliers sought to build it. Therefore, our propositions are as follows.

> **Proposition 1:** In power asymmetry, the stronger buyer will prefer contractual mechanisms to reduce risk and dependence.

> **Proposition 2:** In power asymmetry, the weaker supplier will prefer relational governance mechanisms as a way to reduce uncertainty and ensure survival.

Influence of Power in Governance Mechanisms and Value Appropriation

Both asymmetry and governance influenced value appropriation in BSRs. Control mechanisms (short-term contracts, bids, and selection criteria) were intrinsically related to stronger partners' interests, such as reducing costs and maximizing value appropriation inside the dyad. Stronger buyers also used commitment mechanisms to exploit reward power in the relationship and to favor their position in the bargaining process. Unquestionably, governance mechanisms were exploited by powerful partners as a way to appropriate value inside the dyad.

> One packaging supplier developed a project to reduce the package weight. The total savings of this project was shared for a specific timeframe. After that, the total savings is ours. The relationship is based on a long-term commitment; there was a volume increase for that supplier. (...) Long-term contracts were signed. There is a very high price (penalty) to undermine the relationship. (Buyer E)

We found evidence that the stronger partner (buyers) prioritized value appropriation inside the dyad. To appropriate value, they applied control mechanisms to encourage competition between suppliers

FIGURE 3
Interplay between Power Asymmetry, Interdependence, and Governance Mechanisms [Color figure can be viewed at wileyonlinelibrary.com]

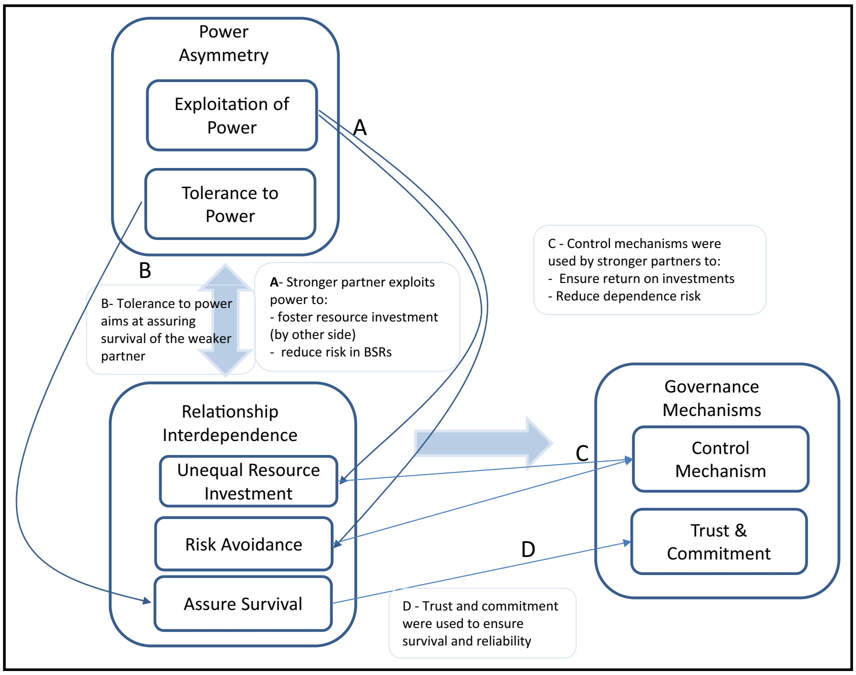


FIGURE 4
Influence of Power in Governance Mechanisms and Value Appropriation [Color figure can be viewed at wileyonlinelibrary.com]

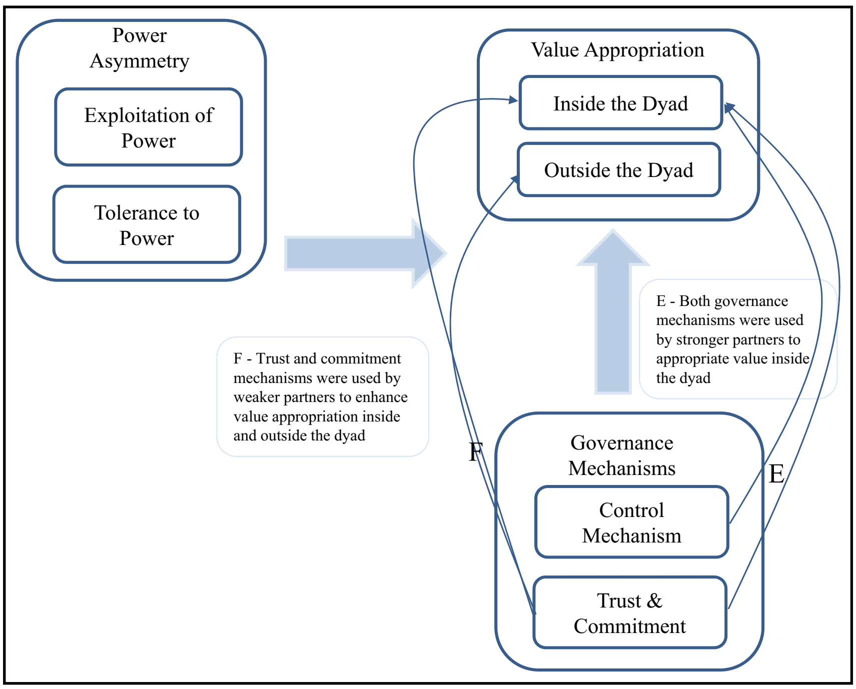
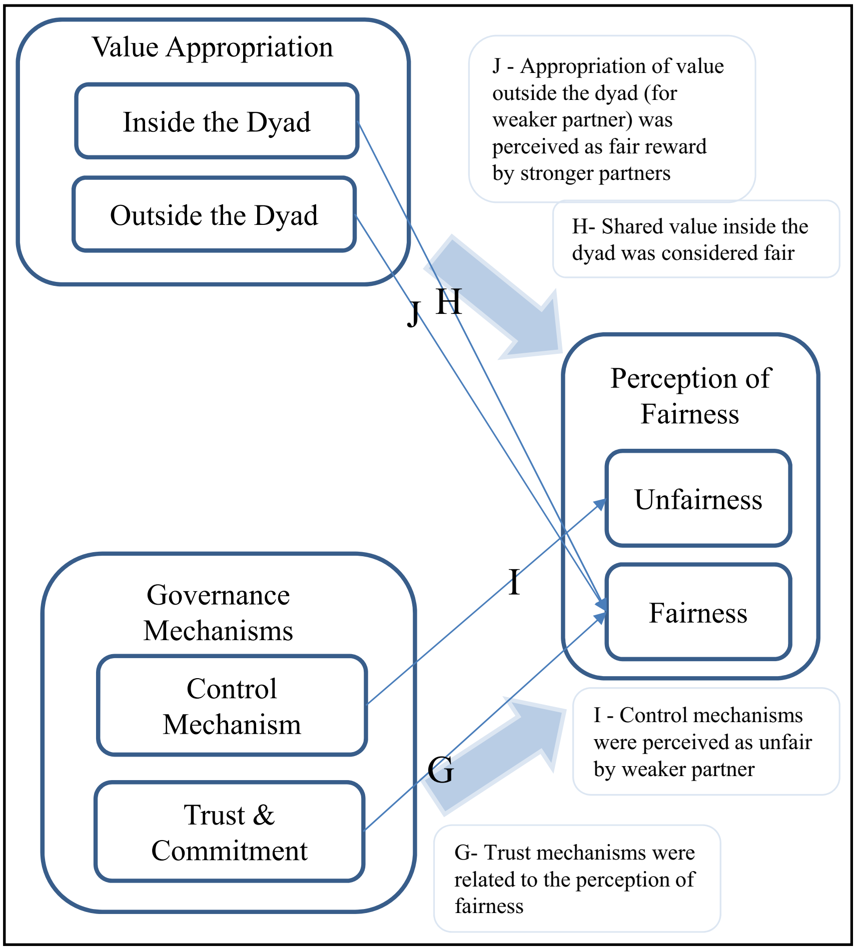


FIGURE 5
Justice in Value Appropriation and Governance [Color figure can be viewed at wileyonlinelibrary.com]



and to promote a competitive reward (Terpend & Krause, 2015). Buyers also acknowledged that control mechanisms could be used as an important tool of supply chain intelligence by helping them to stay updated on new technologies and trends in the market (e.g., supply-and-demand analysis, raw material price evolution, and alternative materials).

Weaker partners (suppliers) focused on trust and commitment to secure volume and future transactions, making economies of scale their value appropriation inside the dyad. Additionally, relational mechanisms secured long-term relationships and enhanced the suppliers' reputation (identification with the buyers' brand name). In this sense, reputation was a value to be further appropriated in transactions with other partners outside the dyad.

> We offered a new resin packaging development for Buyer A at a certain price. The project allowed us to develop technological and financial expertise to offer to other customers. The package did not result in financial gains with Buyer A, but the expertise was used for other clients. (Supplier 8)

Responding to the volume function, suppliers made price concessions to buyers with large purchase orders (Lindgreen & Wynstra, 2005), given that the relationship with these leading companies was extremely important for financial survival. Suppliers were willing to build trust and long-term commitments with leading buyers, which helped them develop technological competencies and a reputation that could be used outside the dyad. As the weaker partner, suppliers did not expect to appropriate a great amount of value in the relationship. They focused outside the dyad where developed competencies could make them more powerful in other relationships.

> **Proposition 3:** In power asymmetry, the stronger buyer will appropriate most of the value inside the dyad and the weaker supplier will seek to appropriate value primarily outside the dyad.

Justice in Value Appropriation and Governance

In long-term collaborative relationships, interactions are often based on expected rewards. The relationship can be seen as a dynamic and evolutionary process where the action of one side influences the reaction of the other (Blau, 1964; Emerson, 1976; Homans, 1958). Therefore, perceived justice influences the continuity of the relationship and expected reciprocity applies to both material and nonmaterial exchanges (Narasimhan et al., 2009; Nyaga et al., 2010; Zhang et al., 2009).

Our results demonstrate that both governance and bargaining procedures affected the perception of justice in the relationship. BSRs were perceived as fair when both parties saw the possibility of value appropriation inside the dyad (shared gains). Additionally, governance mechanisms based on trust and commitment (transparency and information sharing) were also perceived as fair.

> We talked to the supplier so he built a structure... Of course, we will split the cost-benefit of it. It was a win-win project that had [gains] for us and for him. (Buyer G)

> If I can reduce my cost of logistics, I work with an open spreadsheet with my client, my margin is preserved. The gain in logistics is passed on to the client or is divided. (Supplier 11)

In contrast, contractual mechanisms and arms-length procedures (such as short-term transactions and distant communications) were perceived as unfair treatment by weaker partners.

> We give them [buyers] all the attention, right, share with them all the information that we have, all our knowledge, and they do not share [anything] with anyone. They share [the information] with whom they consider appropriate. (Supplier 2)

Both sides of the dyad expected to appropriate value outside the dyad. For buyers, this meant an improved image based on the final product. For suppliers, this meant an improved reputation based on the relationship with the buyer. Aware of these prospects, the stronger partner attributed a distributive justice to the fact that their counterparts could appropriate value outside the dyad.

> The relationship with us guarantees that the supplier pays its fixed costs. The supplier's margin comes from his relationship with other clients in the market. (Buyer J)

In terms of distributive justice, suppliers' main expectations were on volume transactions, recognizing that buyers appropriated more value inside the dyad, and considering that the continuity of the relationship would be compensatory for both partners. Thus, suppliers accepted the mismatch in terms of amount and timing in value appropriation.

Distributive justice also applied to value appropriation opportunities outside the dyad. Buyers could impose conditions and standards on suppliers to develop and improve products or services that are key to helping them compete in global environments (Nadvi, 2008). Aware that suppliers would offer those improvements in other relationships, buyers recognized their own right to appropriate more value from common projects. Thus, we found that partners had realistic expectations about value appropriation in the dyad.

Yet, in terms of procedural and informational justice, we found a greater degree of discord between buyers and suppliers. The lack of reciprocity in relationship governance was considered unfair by suppliers, and exemplified the difficulty in building trust in the relationship. However, even without perceiving procedural justice, suppliers maintained the relationship dynamics; the weaker partners did not quit the relationship.

To date, studies of perceived justice confirm that the continuity of the relationship is influenced not only by distributive justice, but also by procedural and informational justice. However, most studies do not segregate the analysis in terms of the asymmetry in the relationships and consider buyer and supplier perspectives as equally empowered to decide about the continuity of the relationship (Liu et al., 2012; Narasimhan, Narayanan & Srinivasan, 2013). Therefore, we propose:

> **Proposition 4:** In cases of power asymmetry, perceived justice will have limited influence on the continuity of the BSR.

DISCUSSION AND CONCLUSION

Collaborative relationships are important interorganizational partnerships that have to be better understood and explained in the supply chain literature (Emberson & Storey, 2006; Fawcett, Fawcett, Watson & Magnan, 2012). While there has been an increasing amount of research about collaboration and BSR governance, studies have focused on common features of the relationship rather than analyzing both sides of the dyad (Cao & Lumineau, 2015; Cao & Zhang, 2010; Poppo & Zenger, 2002; Smals & Smits, 2012; Wagner et al., 2010; Whipple et al., 2010). The existing literature tends to view the buyer as principal and the supplier as agent (Hald et al., 2009), and the conclusions fail to represent the bilateral perception of the dyad (Griffith et al., 2006). Our study bridges this gap and demonstrates that buyers and suppliers have different perspectives of collaboration and that the full picture of the relationship is composed by conflicting perspectives and complementary results.

Starting from the acknowledgment that collaborative BSR in power asymmetry requires more complex governance (Mahapatra et al., 2010), we identified that the preference for different mechanisms in BSRs is related to distinct interdependence objectives: stronger buyers seek to reduce dependence, and weaker suppliers seek to build it. The interdependence that characterizes alliances is a result of the combination of resource investments and uncertainties of outcomes (Mahapatra et al., 2010; McCarter & Northcraft, 2007). In this scenario, powerful buyers are able to exploit control mechanisms to reduce uncertainty and assure the fulfillment of their goals, minimizing the interdependence. Whereas suppliers, as weaker partners hosting resource investments and dependent on the other side for survival, search for commitment. The conflicting views regarding governance mechanisms are rooted in the existence of power asymmetry that affected the capacity of the partners in pursuing their interests with commitment or with compliance.

Power asymmetry and interdependence are relevant not only to governance of the relationships, but also to the regime of value appropriation. Kraljic's (1983) suggests that effective supply management requires companies to classify their suppliers based on the risk for their business and their financial impact, and develop strategic relationships only with a few partners. In this way collaborative relationships lead to supplier development (Cox, 2001) and can result in increased operational performance (Terpend et al., 2008). We found that, in power asymmetry contexts, the buyers' focus on value appropriation is put ahead of relationship development and, consequently limits the potential of improved innovation and technical results in the collaborative relationship.

Our study also highlights the importance of the value appropriation outside the dyad in the composition of total value perceived in the collaboration. This is in line with the logic proposed by Pilbeam, Alvarez and Wilson (2012) that governance and relationship outcomes depend on the supply network context. Most of the BSR literature is focused on buyers, as focal companies that coordinate all collaborative relationships with their partners. However, often the supplier is also interconnected with other organizations in various supply networks and therefore the relationship with a powerful buyer influences its bargaining power outside the dyad (Crook & Combs, 2007). The value created in the BSR is not restricted to a single connection in the chain, but it spills over to other nodes of the chain. In that sense, the possibility of gains in other transactions, with other partners, are complementary to the lower-level gains inside the dyad, and motivates the continuity of collaboration.

Moreover, our findings reinforce the need for a more holistic view of supply networks. The fact that buyers are the stronger partners in the relationship applies to the leading companies only. However, in any industry, leading companies are a minority in terms of number, despite being responsible for the majority of the sector's revenue. The relationship with the leading companies influences distinct dyads (Crook & Combs, 2007; Lindgreen & Wynstra, 2005), and it empowers suppliers in the negotiation with other buyers in the supply chain.

As a consequence, power, value and justice interaction will define the BSR dynamic. Some empirical studies demonstrate that justice, as an exogenous variable, has an impact on the relationship performance, as an endogenous variable (Griffith et al., 2006; Narasimhan et al., 2013). Our findings demonstrate a reciprocal relation, as the relationship performance, in terms of value appropriation (cost, efficiency, economies of scale, customer WTP), influences the perceived justice. Therefore, there is a recursive and bilateral relationship between performance and distributive justice in the continuum of BSRs, which is also referred to as a spiral behavior in the Autry and Golicic (2010) model. Analyzing this spiral allows companies to make adjustments to their investments and behaviors in order to influence future interactions and results. It is important to highlight in this context that justice is a multidimensional construct and not only distributive justice influences the evaluation of the relationship. Even though power asymmetry curbs the influence of perceived justice in the relationship continuation, the latent dissatisfaction, in terms of procedures, communication or interpersonal relationships, defies the sustainability of collaboration.

Ultimately, collaborations between buyers and suppliers were rewarding, despite the noted power asymmetry. Yet, our findings suggest that collaborations often failed to optimize the benefits of cooperation due to relationship stress (Zhang et al., 2009). Successful collaborations are related to the existence of capabilities to deal with nonhierarchical, decentralized management styles (Fawcett et al., 2012; Teece, 2007). However, firms with strong bargaining power may not have the incentive to develop such capabilities and remain in the low spectrum of relationship development. As a result, an effective collaboration, as proposed by Dyer (1997), might be out of reach for some firms, especially those that are used to a more formal and centralized management system. In this sense, our study reinforces the idea of a relational view in which interfirm complementarities may be a rare and valuable resource and a possible source of competitive advantage (Dyer & Singh, 1998).

Managerial Implications

This study aids managers by exploring how different governance mechanisms influence the BSR. Existing models of supplier segmentation and supply management recommend that buyers develop a close relationship with strategic partners only when they may be a source of risk and have high impact on financial results. For managers, our study demonstrates that collaboration can be further developed into a relationship that is more beneficial to both sides even for relationships that are not strategic. For example, stronger firms could consider relaxing some control features of contracts, and focus on the development of complementarities. At the management level, interfirm interactions could also be viewed as a source for learning and for the development of new capabilities.

Our study shows that the risk of opportunism inhibits the development of collaboration. In this case, both sides (buyers and suppliers) fail to share information and to improve the development of asset specificity. Trust, on the other hand, can improve the players' contributions to joint projects. Considering that the interorganizational relationship is an important source of innovation, managers should invest in the development of collaborative relationships as sources of strategic performance improvement and not only diminished costs.

Finally, even though bargaining power is often used as a common business practice, some studies have questioned the ethics behind this exercise of power and the unfair division of value created between partners (Schleper, Blome & Wuttke, 2015). It is worth questioning the ethical implications of common management practices, and the message they convey to both external and internal stakeholders. Particularly with suppliers, managers should pay attention to the perception of fairness as it could result in their withdrawal from the relationship in the long run, in case of new opportunities or alternatives in the market, and that would jeopardize the investments in the dyad.

For sales and supply chain managers, this study also reveals the importance of a holistic view of the supply network instead of focusing only on the dyad. Collaborative BSRs are important for suppliers' development and that has further impact in promoting suppliers' attractiveness in the market.

Limitations and Future Research

We searched for possible alternative explanations that could have influenced our findings, such as a particular institutional context. Our study is based on an emerging economy context in which the unstable institutional environment and lack of property rights can inhibit investments in relationship-specific assets (Hoskisson, Eden, Lau & Wright, 2000). Moreover, informal mechanisms can be used to replace lax regulation and reduce uncertainties (Hoskisson et al., 2000). For that purpose, we compared domestic firms to MNE organizations, which had global procurement (buyers) and global sales (suppliers) and were exposed to different institutional contexts. Our comparative analysis resulted in no differentiation between domestic firms and MNEs; however, future studies could examine the use of power and governance in different institutional environments.

In terms of industry, our research has parallels with other businesses regarding technology and market competition; however, the two industries do not represent all industrial sectors. Industries with longer product development cycles, such as the automotive industry (Dyer, 1997; Lazzarini et al., 2008), may reveal specificities that were not studied here.

Additionally, in terms of method, the case study is appropriate for exploring new areas and for in-depth investigations into complex social behavior, such as trust (Kaufmann & Denk, 2011). However, it is a challenging task to establish the transferability (external validity) of the results to other contexts (Eisenhardt, 1989; Kaufmann & Denk, 2011). We sought to improve transferability by increasing the diversity of our sample with small, medium, and large companies with local and international orientation. We also explored two different industries, PC&C and F&B, which are good representatives of the consumer goods sector. Additionally, the disclosure of data provides transparency of the behavioral patterns and contextual conditions that can be identified and extended to other contexts.

The relevance of power asymmetry is often taken for granted in the models of portfolio management, such as Kraljic's, in which the objective is to diminish supply vulnerability and increase buying power (Caniëls & Gelderman, 2007). Thus, the assumption of enhanced power in the downstream supply chain is a common feature of the field studies and is presented in different industries (Benton & Maloni, 2005; Terpend & Krause, 2015; Zhang et al., 2009; Zhao et al., 2008). The acknowledgment of such aspects should make researchers more aware of the implications in research design, data collection and interpretation. Studies with smaller buyers and nonleading firms may provide new insights.

Beyond testing the propositions, future research should also be able to measure the range of value appropriation by each player in the value chain and consider the context of supply networks to better understand the relationship dynamics. Special attention should be given to those appropriations outside the dyad. Additionally, in terms of power asymmetry, longitudinal studies may investigate its influence in governance mechanisms over time as well as the influence of perceived justice. Finally, it would be important to validate and/or discuss our findings in industries with different structures.

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