When business and pleasure mix

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According to Qiong Wang, assistant professor of marketing at the Penn State Smeal College of Business, firms have cultures and personalities that mimic human beings. Firms, like people, have history together. Rooted in this history, beliefs are constructed based on how a business partner acts in certain situations. However, if this partner behaves either better or worse than expected, uncertainties arise. This incoherence has the power to damage the relationship.

Companies want to know what they can do to prevent this from happening. Wang says the answer lies in the history of the relationship.

Wang and her coauthors, Ujwal Kayande of Australian National University and Sandy Jap of Emory University, study this dark side of relationships in their paper, "The Seeds of Dissolution: Discrepancy and Incoherence in Buyer-Supplier Relationships," forthcoming in *Marketing Science*.

They urge relationship managers and top-level management teams, especially in a business-to-business environment, to be aware of the beliefs rooted in the company's past. Wang explains that this is especially important for top managers who are new to a company, adding that they should not only be aware of the facts and the history, but also of the shared beliefs held between them and their partners.

"You have to understand how your partner expects you to perform and know the tolerance zone of their expectations," said Wang. "If you surpass this threshold and behave either too well or too badly, this

variation will generate a lot of damaging uncertainty."

The researchers find that any uncertainty damages the relationship implicitly and, under certain circumstances, a firm behaving better than expected could be more damaging to the relationship than a firm behaving worse than expected.

Finding Common Ground

While both firms should aim to share a common goal, Wang knows that this is not always the case, admitting that firms are opportunistic and concerned with profits.

"If two firms have a strong common goal, they will be less opportunistic and less likely to exploit one another," she says. "If they share a weak common goal, then they will be more likely to exploit one another and behave opportunistically."

Managers can study goal congruence and the level of opportunistic behavior to determine if their partners are exhibiting behaviors that are out of the ordinary.

Repairing the Damage

Firms can do one of three things to help repair or prevent the damage caused by these uncertainties. First, they can look at the level of dependence they have on one another. If one firm is more dependent on the other firm, then it is most likely more tolerant of the other's behavior. Firms can work on equalizing this dependence to decrease the likelihood of hurting the relationship.

Secondly, Wang notes that firms that have been doing business for

longer periods of time have more mature relationships. When this is the case, incoherence becomes more damaging to a relationship because both firms are more familiar with the other's behavior. Deviating from this expectation can create problems.

"If you've been in a relationship for a long time, then you should be very careful of how you behave," says Wang. "Do not deviate too much from what you have done in the past."

Lastly, the researchers suggest that both companies make more relationship-based investments. For example, a buyer could build a warehouse closer to its supplier to improve the relationship. In return, the supplier could send some of their employees to the buyer for training, creating joint value for both firms.

"This is the most preferable strategy," says Wang. "If both parties invest a lot in the relationship, then they will become more tolerant of one another when uncertainties surface."

Provided by Pennsylvania State University

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