The Antecedents of Relationship Phase Affect in Alliances

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Abstract The primary aim of this paper is to extend the interfirm exchange relationships' literature by examining antecedents of the transitions that take place in the life cycles of business relationships. While making an appeal to the relational exchange theory, transaction cost economics, (network) bargaining power theory, and the organizational control model, the author proposes a (theoretical) model that takes an account of the antecedents of changes that take place in the firms' states of affect during different phases of the development/evolution of their exchange relationships with other firms. It has been theorized that the varying extents of relational governance, relationship quality, interorganizational commitment, relational investments, behavioral uncertainty, bargaining influence, and perceived control affect changes in the affective states of exchange partners across different phases/stages of development/evolution of their exchange relationships. The paper sets an agenda for the future research to regard phases of business relationship life cycle as a (behavioral) outcome construct and explain its antecedents instead of merely considering it as a moderating condition as has been done in the interfirm relationships' literature in the last few decades.

1 Introduction

Evolutionary relationship theorists agree that constructing a cooperative relationship takes time (Jap and Anderson 2007). Macneil (1978) argues that a relational exchange transpires over time; each transaction is viewed in terms of its history and its anticipated future. According to Dwyer et al. (1987), the valuation of the (individual and/or mutual) outcomes of the cooperative exchange relationships among the exchange partners fluctuates due to the changes in their needs, requirements, desires, and/or preferences. According to Flint et al. (2002), a value change over the course of time may lead the exchange partners to explore, maintain, or abandon a cooperative business relationship. According to Hamel et al. (1989), for

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the cooperative (business) relationships to perpetuate, each party must contribute something distinctive. According to Lazzarini et al. (2008), forces that once drove to take a partner into a cooperative business relationship can also cause it to decide the other way around when preferences change.

By their content, (dyadic) business relationships consist of series of episodes that take place over a period of time between the business partners, with each episode comprising of specific interactions among these actors. The exchange parties continuously assess the overall costs and rewards from an association against the level of outcomes available from alternatives outsides the association, and the moment it starts feeling like a zero or a negative sum affair with no expectations of reversal, the spirit of association begins to wear out (Park and Ungson 2001). Though there is a widespread consensus among researchers and practitioners over the dynamic nature of cooperative business relationships (Holmlund 2004; Johnson and Selnes 2004; Medlin 2004), for a number of reasons, they have mostly treated such relationships in static terms, whereas in fact they characterize a dynamic process. Even though interorganizational relationships research has mushroomed (Koza and Lewin 1998), relatively little is known about how interorganizational relationships evolve over time (Ariño and de la Torré 1998; Jap and Anderson 2007). Though some studies have assessed the changing nature of key variables during the life cycles of business relationships, the dynamics of business relationships remain an under-researched topic (Eggert et al. 2006; Wilson 1995).

According to Jap and Anderson (2007), an appreciation of the dynamics associated with business relationships requires a processual understanding of how and why such relationships develop, evolve, and/or dissolve over time. They propound that the business relationship life cycle (hereafter BRLC) is a powerful theoretical mechanism that could profoundly capture and reflect transitions, over time, in the business (exchange) relationships. Even though Jap and Anderson (2007) have revealed the relationship life cycle as a useful concept for understanding how business relationships begin, evolve, and/or dissolve over time, in their opinion, constructing a lifetime theory of business relationships is exceptionally difficult. The (theoretical) challenge is to sacrifice descriptive richness judiciously to highlight processes that are general and robust and that offer falsifiable implications. Empirically, the challenge is to trace ongoing processes (often unnoticed by the participants themselves) over a long time period as cooperation between organizations usually builds slowly. That is why, despite the fact that the pioneering model (Dwyer et al. 1987) of the BRLC was proposed nearly three decades ago, the research in this tradition has failed to grab that attention, interest, momentum, and progress as the contemporary and similar concepts like product life cycle, customer lifetime value, customer loyalty, etc., have gained over the years.

The author agrees to the notion that despite being considered a vital construct in the contemporary strategy literature, BRLC has always been an under-researched phenomenon in business research. He argues that the fragile and complex nature of this phenomena, lack of an appropriate constitution/structure, methodological complexity, as well as the time and cost constraints associated with longitudinal studies may have been the major constraints responsible for the lack of (especially the empirical) research in this area. Despite this failure to kick off, the fact of the matter remains that inter-temporal nature of the business relationships is one of their most salient characteristics and it is significantly important (from both the theoretical and the managerial standpoints) to get to know the dynamics associated with the changes taking place (in the affects/behaviors of the exchange partners) across different stages of their relationships' evolution. As such, there exist significant research gaps, at both the theoretical and the empirical levels that need to be addressed in future research. The theoretical research needs to dig out more about the nature, scope, constitution, definition, description, and dynamics of the BRLC phenomenon (as an affect/behavior), whereas the empirical research may focus on the development of an exhaustive explanation of the antecedents of this higher-order behavioral construct/phenomenon. Besides advancing the theory, the insights gained through a research aiming at developing an exhaustive and explicit understanding of these dynamic processes can profoundly enable business managers to develop highly efficient and efficacious business models for designing, developing, maintaining, leveraging, and/or successfully concluding (cooperative) exchange relationships. With these considerations in mind, this paper aims at synthesizing and extending the contemporary understanding of the phenomena by making an appeal to the theoretical frameworks such as relational exchange theory, transaction cost economics, (network) bargaining power theory, and the organizational control model. More specifically, it intends to set an agenda for the future research to regard phases of business relationship life cycle as a (behavioral) outcome construct (more specifically a state of affect) and explain its antecedents instead of merely considering it as a moderating condition as has been done in the interfirm relationships' literature in the last few decades.

The paper is divided into three parts. The first part discusses the nature, scope, and structure of business relationship life cycle as has been revealed in the relevant literature. The second part discusses BRLC as a behavioral construct (a state of affect), whereas the third part presents a (theoretical) framework that reveals some important antecedents of the relationship phase affect.

2 The Business Relationship Life Cycle Theory

The scholars who have studied the evolution of exchange relationships in various business contexts have discussed the notion of business relationships' life cycle differently. However, the pioneering model proposed by Dwyer et al. (1987) has dominated the BRLC research throughout the last three decades. They describe BRLC as a discrete linear process spread over five distinct phases of relationship evolution, i.e., awareness, exploration, expansion, commitment, and dissolution. According to them, a multitude of properties follow the same path, rising and falling tidily because many are related over time. These properties are low in the exploration phase, rise in the buildup phase, reach their climax at maturity, and then fall, reaching their nadir as the relationship dissolves. Researchers like

Chattopadhyay (2001), Heffernan (2004), Hsieh et al. (2008), Jap (2001), Jap and Anderson (2007), Jap and Ganesan (2000), and Redendo and Fierro (2006) have used a similar typology of relationship phases (with little adaptations) in their respective research endeavors. However, Jap and Anderson (2007) regarded the DSO model to be predicatively valid but overly complex and advocated the Rousseau et al. (1998) model as an appropriate simplification of it. Rousseau et al. (1998) espouse that the boundaries between the buildup and maturity phases may blur, particularly after the dyads develop a history, trust, harmony, and a comparison level of alternatives. Consequently, they simplify the development of (trusting) business relationships to include only three stages, i.e., building, stability, and dissolution. Eggert et al. (2006) and Jap and Anderson (2007) used a similar approach in their respective studies. However, on the contrary, Crosby et al. (2009) expanded the BRLC into seven phases, i.e., awareness, exploration, expansion/buildup, commitment, maturity, decline, and dissolution.

Whereas the DSO framework has focused on the dynamics of *close* relationships, a number of researchers like Claycomb and Frankwick (2005), Croteau et al. (2008), Hafsi et al. (1987), Ring and Van de Ven (1994), Spekman et al. (1998), and Zineldin (1996, 2002) have treated them as *ongoing* (with no decline/abandonment) in their descriptions of the evolution of business relationships. Ring and Van de Ven (1992, 1994) (the pioneers of this thought) contend that interfirm relationships evolve in successive collaboration cycles through a process of *negotiations-commitment-execution*. However, they explicitly reveal that these continuous cycles of events occur and recur within each of the stages proposed by DSO.

In the supply chain context, two groups of authors have proposed similar frameworks that clearly distinguish different stages of interorganizational relationships among supply chain partners. In a study involving networks of learning in biotechnology, Powell et al. (1996) propose that major steps in the business relationship life cycle are the relationship development, settling, routinization, and dissolution. However, in another study, Spekman et al. (1998) use a classification scheme that includes five stages (i.e., open market, negotiation, cooperation, coordination, collaboration) while examining differences in practices and processes between buyers and sellers along the supply chain. Later, in an empirical study aiming at explaining the role of life cycle concepts in the assessment of interorganizational alignment, Croteau et al. (2008) used the same classification scheme as introduced earlier by Spekman et al. (1998). However, by eliminating the negotiation stage, they have reduced it to a four-stage model.

Besides the mainstream frameworks like Dwyer et al. (1987), Ring and Van de Ven (1994), and Rousseau et al. (1998), there exist some (contextualized) explanations about the evolution of business relationships over time. Hafsi et al. (1987) in an endeavor to explore the factors that shape the state-owned enterprise (SOE)-government relationships linked the three relationship stages (cooperative, adversarial, autonomy) to five configurations (infant, wafer, flower pot, asparagus, autonomous) of top management in SOEs, which differed in composition and structure, performance criteria, and critical tasks. Zineldin (1996) used a four-stage model—i.e., early stage, development stage, long-term stage, and final or ongoing stage—in his research explaining the dynamics of bank-corporate partnerships. Later, Zineldin (2002) described the evolution of strategic business relationships akin to a relation between people or as a love affair and/or a commitment to marriage that is ideally based on shared interest, love, mutual trustworthiness, and commitment to continue the relationship. His classification of relationship phases comprised of four elements, i.e., discovery (romance), development/basic relationship (engagement), commitment (marriage), and loyalty (old married).

The author contests that the existing (theoretical) frameworks like DSO, RV, and their other offspring though offer some useful insights into the evolution of business relationships, they offer little explanations about the factors that lead to the changes which take place in the perceptions, attitudes, affects, and/or behaviors of actors across different phases/stages of the development/evolution of their interorganizational exchange relationships. Moreover, he also contends that much of the empirical research (e.g., Claycomb and Frankwick 2005; Crosby et al. 2009; Eggert et al. 2006; Heffernan 2004; Hsieh et al. 2008; Jap 2001; Jap and Anderson 2007; Jap and Ganesan 2000; Redendo and Fierro 2006) on this subject has been limited to investigating only the moderating role of relationship phase(s) among various causes and their respective effects in a variety of business contexts. It has not at all addressed the proposition that, if, for example, regarded as a behavioral/relational construct of a higher order, BRLC can also be a subject of research as an antecedent, a mediator, or even as an outcome in its own respect. The model extended in this paper has primarily endeavored to bridge this research gap in the strategic management literature. But before starting any discussion on it, let us have a look at the author's conceptualization of the BRLC as a behavioral construct, more specifically, as a state of affect.

3 BRLC as a Behavioral Construct

Rousseau et al. (1998) argue that in times where we are witnessing the breaking up of large firms into smaller units, it is eventually the dynamics of relationships at the micro (dyadic and/or interpersonal) levels that determine directions of the organizations at the macro levels. The scholars like Doz (1996), Larson (1992), Ring and Van de Ven (1992, 1994), and Zaheer and Venkatraman (1995) contend that the interpersonal relationships formed between the boundary spanners (or alliance managers) play a critical role in the evolution of interorganizational exchange relationships. Quite consistently, the author maintains that it is the changes (any progression or regression) taking place in the perceptions, beliefs, orientations, affects, mind-sets, etc., of the boundary spanners (or alliance managers) that mark the beginning/end of the different phases of relationship evolution for, after all, it is the people not the inanimate organizational entities who make decisions (Cetinkaya et al. 2011). Consequently, BRLC is designated to be a *complex* higher-order behavioral construct, more precisely a state of affect. The complexity depends upon if the entity dispelling the boundary spanner's (or alliance management) role is an individual, few individuals, or a relatively bigger group(s) of individuals featuring significant diversity especially in their beliefs and affects toward a specific dyadic business relationship. When there are several actors involved, even the dynamics of behavior of an individual may change as we feel, perceive, and react differently to the same objects while being in personal capacity compared to being members of a group primarily due to the in-group pressures—the group-think (Luthans 2006). We can also not neglect the instrumentality of personalization in the business relationships in that it is not unlikely that the person(s) in boundary spanner's (alliance management) role(s) would be reluctant to part ways with their "friends" in the partner firms, even if it is in the best interest of their respective organization(s) and/or the cooperative relationship altogether (Anderson and Jap 2005).

Anyways, if we regard BRLC as a (higher-order) state of affect (or a behavior), then we would also have to appreciate the fact that some antecedents or determinants could also exist for this state of affect. A similar account had earlier been made by Jap and Anderson (2007) after making an empirical examination of the evolution of cooperative interorganizational relationships as revealed by the DSO and RV models, when they noted (p. 273): "Much about relationship dynamics remains to be explored and understood. For example, one un-researched area involves the drivers that move the relationship from one phase to the next. What factors prod the relationship from an exploratory phase into build-up? From awareness to exploration? .... How do firms manage to put aside a disappointing history to renew their relationships?" Despite such an explicit realization for the need for further research, no (theoretical and/or empirical) investigation (to date) has endeavored to give an integrated and exhaustive explanation as to why and how do the business relationships evolve over time through the different stages/phases of their respective life cycles. Much of the (empirical) research, rather, has focused on what difference does it make when the beliefs, perceptions, affects, etc., of the exchange partners change while assuming that "something" creates and moderates the effects of these changes. Therefore, there exists a profound need to investigate the drivers that move an ongoing exchange relationship from one phase to the next (especially from stability to dissolution). This paper specifically contributes to the relationship evolution (life cycle) theory by bridging this research gap by discussing some antecedents of the BRLC as a state of affect while making an appeal to the relational exchange theory, transaction cost economics, (network) bargaining power theory, and the organizational control model. The reason for selecting these frameworks has been their (perceived) higher relevance and instrumentality in arriving at an exhaustive explanation about our phenomena of interest.

4 The Theoretical Model

In order to arrive at an exhaustive explanation about our phenomena of interest, we have integrated the relational *view of networks* with three other theoretical frameworks, namely, transaction cost economics, bargaining power perspective, and the organizational control model. The bases for choosing these theoretical frameworks have been their relevance and higher efficacy in rendering exhaustive explanations about the constructs that have constituted our (conceptual) model. Figure 1 shows the framework about the evolution of the (closed and/or ongoing) business relationships through different phases.

It has been postulated that the extent(s) of relational governance, perceived quality of relationships, appropriation of relational investments, behavioral uncertainty, bargaining influence, and the perceived control affect the changes in the affective state(s) of the actors across different phases of the development/evolution of their respective exchange relationships. These (higher-order) affects influence a host of transitional behaviors which eventually determine the direction, modalities, and fate of the business relationships by influencing the strategic and operational decisions of the exchange partners. The following sections discuss the nature, scope, and relationships among the various constructs (along with their respective theoretical foundations) constituting the framework presented in Fig. 1.

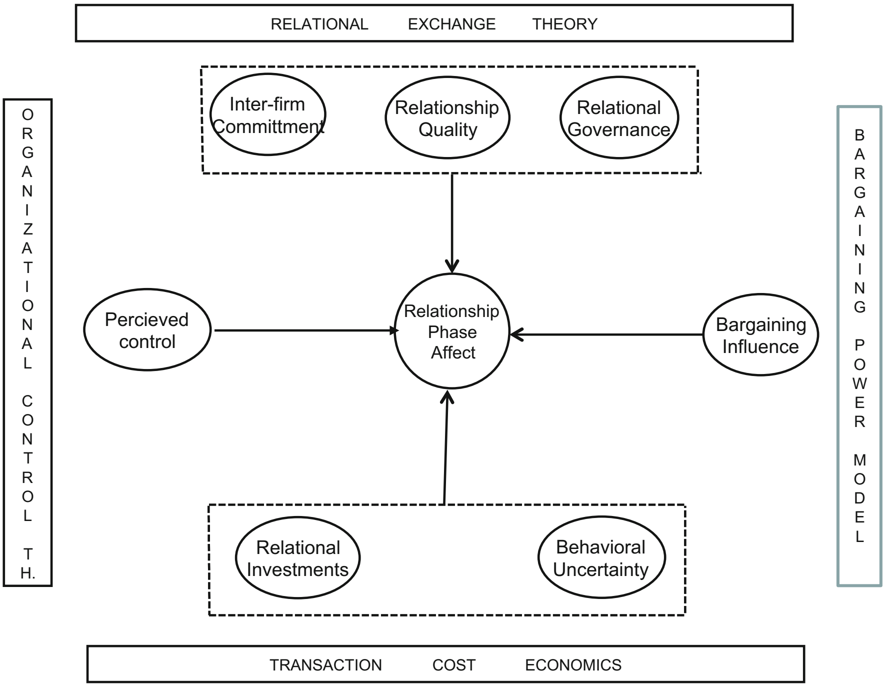

Fig. 1 The theoretical framework

4.1 (Business) Relationship Life Cycle Theory

Jap and Anderson (2007) have revealed BRLC model as a powerful theoretical mechanism that captures and reflects transitions, over time, in the business (exchange) relationships. It leads to an explicit understanding of how the interaction history between the exchange partners forms a context that differently influences their perceptions, attitudes, and orientations (Boyle et al. 1992; Dwyer et al. 1987). It argues that business relationships develop over time via distinct phases that exhibit systematic differences in behaviors, orientations, and processes (Dwyer et al. 1987; Ring and Van de Ven 1994). Relevant studies have termed these stages as "relationship phases" (Dwyer et al. 1987) or "relationship life cycles" (Jap and Ganesan 2000). The author has postulated the same as an outcome construct and has endeavored to explain its antecedents through the model shown in Fig. 1. This stands in sharp contrast to the past research/literature that has mostly treated it as a contingency only.

4.1.1 Relationship Phase Affect

Dwyer et al. (1987) describe BRLC as a discrete linear process spread over five distinct phases of relationship evolution, i.e., awareness, exploration, expansion, commitment, and dissolution. *Awareness* refers to a realization to Party A that it is feasible to exchange with Party B. In this phase, situational proximity plays a vital role in ensuring future collaborations, as it is more likely that parties physically closer to each other will come across. Any type of bilateral interaction—even tacit coordination—marks the beginning of the next phase, i.e., *exploration*. Here, each party gauges and tests the goal compatibility, integrity, and performance of the other to determine if it is (or is not) worthwhile to collaborate. This stage is highly fragile in that minimal investment and interdependence make it easy to terminate the relationship. *Expansion* marks a continual increase in benefits to the cooperating exchange partners that leads to an increased interdependence. The higher level of outcomes realized by the partners reduces the number of alternatives sought. The rudiments of trust and joint satisfaction established in the exploration stage now lead to an increased risk-taking within the dyad. *Commitment* refers to an implicit or explicit pledge of relational continuity between exchange partners. Because they do not vigorously seek alternatives anymore, the parties consistently provide relatively high levels of input to the association. Durability and trust encourage continued (mutual) investments. *Dissolution* of relationship is more likely if at least one party perceives that the cost of continuing or modifying the relationship outweighs the benefits accruing from it, not just at present, but the same is likely to continue in the future. Although the possibility of withdrawal or disengagement is implicit throughout the relationship life cycle, it is difficult and highly consequential if it takes place after the high interdependence characterizing phases of expansion and commitment. Sometimes, the declining/dissolution phase can escalate surprisingly long with no parties terminating, possibly due to inertia, others' orientation, compassion, etc. The framework contained in Fig. 1 has, while postulating relationship life cycle/relationship phase as a dynamic behavioral construct (more specifically a state of affect), endeavored to take an account of the factors that act as antecedents of moving the exchange relationships forth and back in this awareness-dissolution continuum while attributing these movements to the changes in the state of affect of the exchange partners. The following sections present a detailed discussion on all such factors as shown in our model (see Fig. 1).

4.2 Relational Exchange Theory (RET)

Relational exchange theory has been revealed in the literature as the most appropriate theoretical framework to study interorganizational behaviors (Blau 1964; Emerson 1972). It is based on the notion that the exchanging partners are in some sort of mutual agreement about expecting better outcomes from their association than from any other forms of exchange (Goles and Chin 2002). According to Xu and Meyer (2013), the relational exchange view of networks focuses on the inner working of networks and social relations among the actors involved in exchange relationships and their implications for strategy. Using research from social psychology, sociology, and law, the RET provides foundation for the two prevalent perspectives—relational norms perspective and the relationship quality model—that discuss the role of a number of (relational) antecedents to successful interfirm exchange relationships. The relational norms perspective or relationalism (Macneil 1980) suggests that the strength of relational norms prevalent in the exchange environment affects the level of cooperative behavior (Cannon et al. 2000). The relationship quality model holds that the exchange partners' perceptions of the appropriateness of exchange relationships influence their decisions to stay in or exit from those exchange relationships (Yaqub 2013a, b; Yaqub and Vetschera 2011). By elaborating upon the central tenets of relational norms perspective and the relationship quality model, RET explains the essence of relational norms/governance as being an *impetus to successful exchange relationship*s (Yaqub and Vetschera 2011). According to Blios and Ivens (2006), relational governance envisages the creation of a highly *relational environment* by putting in place a social contract based on a multitude of relationship-preserving norms. The criterion for the successful culmination of such an environment is its ability to enhance relationship quality among the exchanging parties (Ivens 2004, 2006). Consequently, RET suggests that firms should consider the development and promotion of trust-based commitment through promoting an adherence to relational norms as one of their key strategic objectives (Ivens 2004; Yaqub 2013a, b).

4.2.1 Relational Governance

Norms are expectations about behavior that are partially shared by a group of decision makers and are directed toward collective goals (Jap and Ganesan 2000; Macneil 1980). They constitute the expectations shared by exchange partners about what constitutes the "right" behavior within the environment of their (exchange) relationship (Morgan and Hunt 1994). While management can put in place the directives and/or incentives to develop cooperative norms, these mainly emerge from complex social processes that the management cannot fully control (Bercovitz et al. 2006). Even though, in early phases of the development of business relationships, the level of expected relational norms in an exchange can be the result of a calculative process facilitated by transaction attributes like joint transaction-specific investments and/or observe ability (Bercovitz et al. 2006), these norms, at large, evolve over time as a consequence of partners' transacting experiences (Ring and Van de Ven 1992; Zaheer and Venkatraman 1995). According to Kaufman and Stern (1988), norms that govern exchange behaviors in discrete transactions are different from those in the relational exchange. According to Blois and Ivens (2006), norms associated with discrete exchanges are more likely to create an environment where an exchange partner will give his own interests priority over those of the other party or even the cooperative gains. According to Bercovitz et al. (2006, p. 725), ". . . . . with discrete norms, partners adjust terms of trade through bargaining before entering short-term exchange arrangements (Macneil 1978, 1980). On the other hand, at the relational end of the spectrum norms support cooperative adaptation by stressing behaviors that will preserve and continue the relationship even when pure self-interest might suggest otherwise (Macneil 1980)."

Relational exchange theory (RET) reveals relational norms as a distinct form of governance (the relational governance) that prescribes commitment and proscribes opportunism in exchange relationships (Blios and Ivens 2006; Joshi and Stump 1999; Morgan and Hunt 1994). Relational governance refers to a state of affairs where the exchange relationships are governed by a social contract based on relationship-preserving norms of behavior (Macneil 1978). The extent of relational governance is gauged through the strength of relational norms prevalent in the exchange environment (Noordewier et al. 1990) where strength refers to the rigor of the norms mix along with the degree of "normative compliance" exhibited by the exchange partners (Yaqub and Vetschera 2011). Low levels of rigor and compliance with relational norms are equated with transactional or contractual governance (Ferguson et al. 2005)—the polar opposite of relational governance. In an operational sense, relational governance is usually regarded as a higher-order construct in a second-order factor model where the first-order factors are a number of correlated (relational) norms (Noordewier et al. 1990).

According to Roehrich et al. (2002), the stability and success of an exchange relationship, to a substantial extent, are determined by conductivity of the overall atmosphere of that exchange. According to Blios and Ivens (2006), Macneil (1978), and Yaqub and Vetschera (2011), the key to the development of such an atmosphere is to put in place (as governance mechanism) a relational contract based on an adaptive mix of relationship-preserving norms. Bercovitz et al. (2006) find that an adequate compliance to the relational norms leads to benefits like smoother coordination, increased adaptability within the exchange relationship, reduced opportunism, and increased efforts from transacting parties. Yaqub and Vetschera (2011) argue that an adequate compliance to the relationship-preserving norms not only reduces transaction costs by substituting more elaborate governance but also contributes to the revenue/value by promoting a trust-inspired commitment. A number of studies such as Ivens (2004, 2006), Joshi and Stump (1999), Kaufman and Stern (1988), Zhang et al. (2003), and Yaqub (2013a, b) have, in a variety of business contexts, shown a positive association between adherence to relational norms and the success of these structural arrangements.

Though most of the scholars and the practitioners would assume that creating a highly relational environment through effective relationship management (RM) efforts from the exchange partners generates stronger interfirm relationships which eventually enhance their longevity and the performance outcomes (Crosby et al. 1990; Morgan and Hunt 1994), still some business executives have embraced nothing more than sheer disappointment from their RM efforts of creating a higher relationality in the exchange environment (Colgate and Danaher 2000). Some researchers have gone even farther by suggesting that in certain situations, RM efforts may even have a negative impact on the performance (De Wulf et al. 2001; Hibbard et al. 2001). Paulin et al. (1999) and Yaqub and Hussain (2013) argue that the context of exchange may influence instrumentality, relevance, and relative efficacy of individual norms in ensuring a strong relational bonding in interfirm exchange relationships. According to Bercovitz et al. (2006) and Yaqub (2013a), relational governance becomes more effective when the relationship-specific norms are perceived by the exchange partners to be increasingly instrumental for the attainment of their individual as well as collective goals. However, it is important to note that the perceived level of relational norms can deviate from the expected level as the development of such norms is the result of complex social processes which management in focal firm(s) cannot directly and/or fully control (Bercovitz et al. 2006). From a survey of 182 R&D collaborative alliances, Bercovitz et al. (2006, p. 724) concluded: "exchange performance suffers when the realized level of cooperative exchange norms falls below the expected level, but overshooting expectations lays a critical groundwork for repeat transactions."

4.2.2 Relationship Quality

According to Henning-Thurau and Klee (1997), relationship quality refers to the exchange partners' perceptions of the appropriateness of an exchange relationship to fulfill their needs, desires, and/or objective to become a part of that cooperative association. Garbarino and Johnson (1999) have designated it to be the overall assessment of the strength of a (business) relationship. Even though researchers like

Crosby et al. (1990), Henning-Thurau et al. (2002), Storbacka et al. (1994), and Wong and Sohal (2002) use a bidimensional model of relationship quality, however, others like Baker et al. (1999), Garbarino and Johnson (1999), Ivens (2004), Ulaga and Eggert (2006), and Walter et al. (2003) use a multidimensional model of relationship quality with satisfaction, trust, and commitment being the three dimensions.

The relationship quality model basically assumes that an actor's perceptions of the appropriateness of a relationship influence its decision to join, stay in, or exit from that exchange relationship. According to Finn (2005), RQ model plays a critical role in the study of the maintenance of long-term relationships. According to Jap et al. (1999), Rajaobelina and Bergeron (2009), and Ural (2007), it captures the essence of relationship management efforts. A number of studies conducted in various business contexts (e.g., Crosby et al. 1990; Garbarino and Johnson 1999; Henning-Thurau et al. 2002; Rajaobelina and Bergeron 2009; Storbacka et al. 1994; Ulaga and Eggert 2006; Wong and Sohal 2002) have shown the instrumentality of relationship quality in ensuring longevity and success of exchange relationships.

Yaqub and Vetschera (2011) argue that if the actors perceive relationships with other partners to be of sufficiently high quality, the recurring transactions take place automatically. According to Crosby et al. (1990), these perceptions (of high relationship quality) emerge from experiencing higher satisfaction and trust in previous exchange episodes. Schul et al. (1985) argue that satisfaction positively affects the morale of exchanging parties and induces them to actively participate in collective activities in the successive cooperation cycles. Similarly, Spekman (1988) has postulated the relational trust that emerges from mutually beneficent successive collaboration cycles among the exchanging parties, as the *cornerstone of cooperative relationships*. The *principle of generalized reciprocity* in social exchange theory holds that *mistrust breeds mistrust* that hampers the continuity of exchange relationships and/or shifts the transaction to one of more short-term exchanges (McDonald 1981). Hence, we postulate satisfaction and trust (together, the relationship quality) as important determinants of the continuity and superior performance of exchange relationships over time by positively affecting the partners' affective states across different phases of the development/evolution of their respective exchange relationships.

4.2.3 Interorganizational Commitment

Quite consistent with the pioneers Crosby et al. (1990), majority of the researchers such as Leuthesser (1997), Rajaobelina and Bergeron (2009), Selnes (1998), Sun (2010), Wray et al. (1994), and Woo and Cha (2002) have treated relationship quality as a two-dimensional higher-order construct with satisfaction and trust being those two dimensions. Even though researchers like Henning-Thurau et al. (2002), Storbacka et al. (1994), and Wong and Sohal (2002) have also used a bidimensional model of relationship quality, they paired commitment (instead of trust) with the satisfaction. Some researchers like Baker et al. (1999), Garbarino and

Johnson (1999), Ivens (2004), Ulaga and Eggert (2006), and Walter et al. (2003) have used a multidimensional model of relationship quality with satisfaction, trust, and commitment being the three dimensions. However, considerable conceptual and empirical evidence in research concludes that commitment is the ultimate outcome, whereas satisfaction and trust are its causal precedents (Anderson and Weitz 1992; Bloemer et al. 2003; Hess and Story 2005; Morgan and Hunt 1994). Geyskens et al. (1996) have rather propounded a sequential link among the three relational constructs by saying that over the time, satisfaction develops first, trust develops in the medium term, and commitment emerges only in the long term. As a significant body of empirical research has espoused satisfaction and trust to be the drivers of commitment (Morgan and Hunt 1994), therefore, we have regarded relationship quality to be a bidimensional construct with satisfaction and trust being its two dimensions, whereas the interfirm commitment has been regarded as its natural consequence.

Defined as an attitude that reflects the desire to continue a valued relationship (Moorman et al. 1992) and a willingness to make short-term sacrifices to maintain that relationship (Anderson and Weitz 1992), commitment has been examined quite extensively in consumer contexts (Verhoef et al. 2002), workplace contexts (Allen and Meyer 1990), and business-to-business contexts (Gruen et al. 2000; Morgan and Hunt 1994). Extending Luthans's (2006) view of workplace commitment to an exchange relationship context, we define commitment as a predisposition that comprises of an exchange partner's willingness to (1) stay long in the relationship, (2) accept the norms and values that govern the relationship, and (3) contribute maximally for the welfare of the exchange relationship. Whereas organizational researchers like Garbarino and Johnson (1999) and Morgan and Hunt (1994) viewed commitment as a unidimensional construct, a vast majority of researchers has, however, regarded it as a multidimensional construct in a variety of business contexts (Allen and Meyer 1990, Geyskens et al. 1996; Gundlach et al. 1995). If Geyskens et al. (1996) differentiate between affective commitment and calculative commitment, Allen and Meyer (1990), on the other hand, have revealed three dimensions of commitment that include continuance commitment (cost-based attachment), affective commitment (desire-based attachment), and normative commitment (obligation-based attachment).

Social scientists across a wide range of literature have examined the effects of commitment on continuity- and performance-related outcomes of exchange relationships (Jap 2001; Skarmeas et al. 2002; Voss et al. 2006). Commitment has been shown to be positively associated with cooperation (Morgan and Hunt 1994), relationship longevity (Ryu et al. 2007), and satisfaction (Mohr and Spekman 1994) in structural arrangements like joint ventures, strategic alliances, buyer-supplier partnerships, etc. Chaturvedi and Gaur (2009) argue that the ultimate outcomes of a cooperative relationship depend on the culmination of interorganizational commitment over time, which in itself depends on the motives/expectations with which actors enter into those relationships. Seppänen et al. (2007) have also revealed the development of mutual commitment to be an important prerequisite for the culmination of relationship capital that consists of the sociopsychological aspects of an alliance that are positive and beneficial to the alliance. Hwang (2006) concludes that commitment attenuates the fear of exploitation due to higher TSIs. Axelrod (1984) argues that long-term commitments can generate a state of cooperation between partners due to the "shadow of the future." With each partner anticipating doing business with the other well into the future, cooperation among them is more likely to occur and recur (Alstyne 1997). Game theorists also suggest that committed relationships establish an expectation of repeated exchange that discourages opportunistic behavior since parties in exchange perceive (or expect) that the payoffs from continued exchange would surpass short-term gains from defection (Abreu 1988; Axelrod 1984).

4.3 Transaction Cost Economics (TCE)

With its roots in the new institutional economics, transaction cost economics perspective (Williamson 1975, 1985), which centers on the role of transaction-specific investments (TSIs) and the opportunism to predict governance and exchange performance, has received consistent research attention in the last few decades (Heide and John 1990; Wathne and Heide 2000). It suggests that firms should vertically integrate in the face of higher TSIs and opportunistic concerns (Williamson 1985). Making TSIs (especially when it is asymmetric) by an exchange partner though sometimes proves to be instrumental in inducing commitment in other partners (Ganesan 1994), it also increases the investing party's vulnerability to an opportunistic exploitation by the latter (Heide and John 1990; Yaqub 2013a, b). However, if the TSIs are made mutually and complemented with the instruments such as common ownership, muted incentives, enhanced monitoring, and/or the threat of sanctions (Williamson 1985; Yaqub and Vetschera 2011), the concern for such an opportunistic exploitation is minimized and so is the need (and cost) to monitor performance and/or employ additional safeguards. With fewer opportunistic concerns and lower monitoring and safeguarding costs, the exchange relationship becomes more efficient, becomes more prone to joint action, and exhibits greater expectations of continuity, all of which eventually lead to its continuity and superior performance (Heide and John 1990; Parkhe 1993). Transaction (or relationship)-specific investments and the surrounding environmental uncertainty are the two key constructs debated in the transaction cost economics literature.

4.3.1 Relational Investments

Relational investment refers to the time, effort, and resources that a focal actor expends in building stronger relationships with the other parties in exchange. Research in TCE has long established that the investment of idiosyncratic assets by exchange partners leads to longevity of relationships (Anderson and Weitz 1989, 1992; Ganesan 1994; Palmatier et al. 2006; Yaqub 2013a, b). However, the focus in most of these studies has been on developing long-term relationships through creating dependence and "locking in" the exchange partners by getting them to invest in transaction-specific assets (TSAs). Yaqub (2013a, b) argues that exchange-specific investments should not be limited just to those investments made by a focal supplier to increase its asset specificity in the relational space so as to signal a "hostageship" to the buyer(s). Rather, these should also include the investments aimed at enhancing the value-creation-ability of the other partners so that they could contribute more surpluses to the cooperation. Palmatier et al. (2007, p. 191) also suggest "the focus on investments and asset specificity should shift from a transaction cost perspective of safeguarding and monitoring to a focus on improving the effectiveness and efficacy of relationship value creation."

Hwang (2006) argues that firms can get greater productivity gains from cooperation when they are willing to commit relationship-specific investments and combine resources in unique ways. Palmatier et al. (2006) found that relational investments improve financial and relational outcomes by improving the ability of an exchange relationship to create value by either increasing benefits or reducing costs. Anderson and Weitz (1992) argue that mutual investments positively affect the actors' commitment to the relationship by acting as "potent pledges." Ganesan (1994) found that a vendor's relational investments increase its credibility in the eyes of retailer(s) by signaling that the vendor cares for the relationship and is willing to make sacrifices for its continuation. Similarly, Yaqub and Hussain (2013) found that relational investments made by focal actors create economic satisfaction by positively affecting the economic outcomes (like sales, revenue, profits) and create social satisfaction by signaling (to the partners) the presence of a *sense of comradeship* in the focal actors. Anderson and Weitz (1989), Ganesan (1994), Palmatier et al. (2006), and Yaqub and Vetschera (2011) argue that relational investments help in maintaining and/or strengthening exchange relationship(s) by positively influencing relational mediators primarily through creating expectations of reciprocation, a positive affect, and/or fear of losing the subsequent appropriations of such investments.

4.3.2 Behavioral Uncertainty

Transaction cost economics has revealed uncertainty as an important contingency to be accounted for while making the governance choices in order to safeguard one's dedicated investments against the opportunism risk. Whereas the early TCE literature (Williamson 1979) does not distinguish between different forms of uncertainty, there has been, however, a wide array of uncertainties like environmental uncertainty, behavioral uncertainty, technological uncertainty, competitive uncertainty, decision uncertainty, social uncertainty, etc., that has been debated extensively in the later research. Behavioral type of uncertainty has quite often been revealed as the most important form of uncertainty relevant to the context of exchange (Sutcliffe and Zaheer 1998; Williamson 1979, 1985). According to

Zhou and Poppo (2010), exchange hazards triggered by high behavioral uncertainty may lead to increased transaction costs that could undermine the efficiency of economic exchange. Verbeke and Greidanus (2009) pinpoint that due to the lack of explicit information (owing to information asymmetry fostered by behavioral uncertainty), parties cannot readily determine courses of actions should preference reversals occur. To mitigate these concerns, they draft more explicit (detailed) contracts regarding nonperformance, incentives, roles and responsibilities of each party, and periodic monitoring or reviews (Krishnan et al. 2006), all of which leads to high contracting and monitoring costs (in sum, the transaction costs).

In previous research, a host of scholars have extended multiple views about the behavioral uncertainty. Williamson (1985) has viewed behavioral uncertainty as the strategic nondisclosure, disguise, or distortion of information from the exchange partners. According to him, such opportunistic behaviors can occur both ex ante and/or ex post. John and Weitz (1988) referred to it as the difficulty in ascertaining exchange partners' adherence to contractual agreements. Carson et al. (2006) have regarded it as the difficulty in separating "honest" errors or differences of opinion from "guileful" and self-interested behaviors. Finally, according to Zhou and Poppo (2010), behavioral uncertainty occurs when one party cannot effectively monitor or assess contributions of the other partner(s) in the collective performance of the exchange relationship.

According to John and Weitz (1988), behavioral uncertainty is endogenous and arises within the exchange context itself due to the opportunistic tendencies of the exchange partners. Transaction cost economics suggests that opportunism can arise whenever it is deemed feasible and profitable by the actors involved in economic exchanges. It further posits that the actors engage in opportunistic behaviors to affect both the value creation and the value sharing (Ghosh and John 2005). Wang et al. (2012) argue that behavioral uncertainty has a greater impact on fostering opportunism in exchange partners than do the relationship-specific investments. Carson et al. (2006) maintain that a higher extent of behavioral uncertainty prevalent in the exchange environment leads to increased incentives for partners to act opportunistically.

Williamson (1985) theorizes that behavioral uncertainty stems from difficulties in monitoring the contractual performance of exchange partners. According to Sutcliffe and Zaheer (1998) and Williamson (1985), it characterizes a deliberate nondisclosure of information as well as the strategic misrepresentation of information by the economic agents which according to Ouchi (1980) makes it difficult for the focal actors to evaluate the value added to the relationship by the other partner (s). Amidst such an increased information asymmetry, the focal actors become more vulnerable of being taken advantage of by the other partner(s). A similar argument has been made by Alstyne (1997) and Yaqub (2009) who maintain that the existence of information asymmetry makes it difficult for the focal actors to assess the relativity in contributions, thus making it easy for opportunistic actors to free ride over the efforts of others. Zhou and Poppo (2010) also argue that in the situations where performance is difficult to measure, parties have incentives to limit their efforts, because their partner cannot accurately measure and/or reward productivity. Alstyne (1997) and Yaqub (2009) maintain that if the incentive structure fails to ensure (ex post) distributive justice, the disadvantaged players are negatively reinforced to contribute in the successive episodes of cooperative exchanges (Park and Ungson 2001). However, the reduction of uncertainty due to high asset specificity, more explicit contracting, and/or the culmination of trust-based commitment creates a desirable transaction climate (Reve and Stern 1976). Wang et al. (2012) also reveal that a higher frequency of social interactions and the culmination of shared values between the partner firms may help mitigate the negative impacts of behavioral uncertainty and may lead to the culmination of a desirable exchange environment that has a profound bearing on the mutual states of affect of the exchange partners.

4.4 (Network) Bargaining Power Model

According to Yadong (2007), an actor's bargaining power is its ability to change the bargaining relationship in its favor, win concessions from the other party, and influence the outcomes of negotiation whenever conflicts arise. The notion of bargaining power has been viewed differently in various contexts across multiple disciplines such as economics, sociology, law, and/or political science. Even in strategic management literature, it has been debated differently while making appeals to various theoretical frameworks such as transaction cost economics, resource-based view, relational view, network analysis, etc. Early research in this area mostly concentrated on the bargaining power of actors involved in dyadic exchanges (the *canonical* bargaining power model). However, over the years, bargaining power theory has progressed to appreciate the fact that bargaining often involves multiple actors (Eden and Molot 2002; Ramamurti 2001). Several scholars have expanded the analysis of bargaining beyond dyadic relationships, leading to what is referred to as *augmented* bargaining power (ABP) models (Nebus and Rufin 2010). One variation of these models is the network bargaining power (NBP) model that extends the bargaining power paradigm to the complex business exchange contexts and has consequently lead to the development of a network-based theoretical framework of bargaining power (Nebus and Rufin 2010). It holds that bargaining is power driven, i.e., actors use their (bargaining) power over other actors in the same structural arrangements to achieve their desired outcomes (Boddewyn and Brewer 1994; Gourevitch 1999). *Bargaining influence* has been discussed in much of the NBP literature as the focal (outcome) construct. NBP models the bargaining environment as a system of actors represented as a network and primarily endeavors to explain which actors enjoy the highest bargaining influence and why.

4.4.1 Bargaining Influence

Bargaining influence refers to the degree to which each element in a system of actors influences the overall bargaining outcome (Nebus and Rufin 2010). NBP model reveals three determinants of the bargaining influence of an actor, i.e., the *basis of power*, structural *prominence*, and the *motivation* to exercise the bargaining power (Nebus and Rufin 2010). An actor's *basis of power* refers to its power over other actors in terms of material resources, ability to pass or enforce laws, capital, access to other powerful actors, voting rights, knowledge, or other actors' economic or political dependence on this actor (Burt 1977; Nebus and Rufin 2010). According to Bueno de Mesquita (2006), NBP considers power to be *fundamentally relational* and posits that an actor's basis of power translates into bargaining influence only to the extent that it is greater than (or less than) the power of other actors as mediated by network structure (Nebus and Rufin 2010). *Prominence* reflects the essence of an actor's bargaining influence through its direct and indirect ties to other actors (Knoke 1990). According to Bonacich (1987), an actor's bargaining influence is positively associated with the number of its direct incoming support ties, whereas the number of direct incoming constraint ties reduces its bargaining influence. Finally, according to Mahon et al. (2004), an actor's *motivation* to exercise its power over others in order to embrace its desired outcomes moderates the impact of power on the bargaining influence. According to Brewer (1992), the motivation to exercise the bargaining influence is highly issue specific in that it is unlikely for an actor to "waste" its resources on unimportant issues, whereas the opposite holds true for the issues linked to its survival or legitimacy (Nebus and Rufin 2010).

According to Yaqub and Vetschera (2011), business relationships are formed with the expectations of complementary benefits. According to Palmatier et al. (2006), partners perceive value in exchange relationships only when they are able to consistently materialize these (desired) benefits, which in turn increase their willingness to continue, maintain, and/or strengthen relational bonds with each other. According to Hill (1990) and Parkhe (1993), objectives conformity—the degree to which private objectives of different exchange partners are congruent or consistent—acts as a catalyst for the spirit of cooperation by harmonizing parties' interests, responses, and action. On the other hand, Williamson (1979) has designated goal incongruence to be the key antecedent to the opportunistic pursuits that adversely affect the spirit and outcomes of cooperation. According to Nebus and Rufin (2010), it is quite possible that the exchange partners may be able to establish congruent interests (and goals) at the founding stage of certain collaborative arrangements, but a power disequilibrium may diverge their interests in subsequent stages of their relationship evolution.

A number of factors like asymmetric resource contributions, lack of attractiveness of certain partner(s), lack of social support, differences in absorptive capacity, size, etc., could lead to bargaining power asymmetries among the actors involved in an exchange relationship (Blodgett 1991; Yan and Gray 1994, 2001). Such asymmetries at times provoke the dominant actor(s) to expect and appropriate a greater share in the pie, which is cocreated. Such actors (especially when they are not inequity averse) quite often manage to grab a (bigger) portion of the pie beyond their equitable share that creates a state of discomfort in the power-recessive partners, and it could cultivate serious conflicts over the pie sharing (Yaqub 2009). If so happens, each actor strives hard to attain (bargaining) outcomes that are as close as possible to its desires. However, the lesser the bargaining influence of an actor, the less likely it is to get its desires materialized. In the absence of distributive justice, the dependent (or disadvantaged) actors are left with no option other than to renegotiate contractual terms to maintain a favorable position, escalate the conflict, or exit the relationship all together (Lazzarini et al. 2008; Yaqub 2009). Even if they do not quite, they are least motivated to contribute in the successive exchange episodes as they begin to dislike and distrust their partners for their opportunistic exploitation.

4.5 Organizational Control Model

Organizational control model has been a useful framework for theoretical development in various fields (Carver and Scheier 1981) primarily because of its dynamic structure that allows an easy integration of this model with other explanatory frameworks (Lord and Hanges 1987). Research on organizational control traces its roots to the very origins of modern organizational and management science research (Cardinal et al. 2004). Extant literature on organizational control reveals it as encompassing all attempts to ensure that the actors behave in a manner that is consistent with meeting their collective goals and objectives (Eisenhardt 1985; Kirsch 1997; Ouchi 1977, 1979, 1980). In an interfirm context, it may reflect the influences exerted by exchange partners over the outcomes and/or functioning of their respective structural arrangements (Geringer and Hebert 1989). Like equity structures and contracts, organizational control is an essential aspect of the governance of interorganizational networks and has a significant bearing on their sustainability and success (Cardinal et al. 2004).

Over the times, control systems have widely been acknowledged to be ubiquitous and critical to how organizations function (Cyert and March 1963). Kirsch (1996), Ouchi (1979), and Turner and Makhija (2006) have discussed various types of formal and informal controls like outcome control, behavioral control, clan control, self-control, etc. However, Turner and Makhija (2006) argue that there are no "pure" forms of control and that organizations generally need to configure various "portfolios of control" (Choudhury and Sabherwal 2003; Kirsch 2004) where different compliance-orientated and values-oriented forms of formal and informal control mechanisms complement each other (Kirsch 1996, 2004; Paine 1995). Chen et al. (2010) and Yadong et al. (2001) note that partners usually exercise strong controls when there is high uncertainty stemming from goal incongruence. However, Rustagi et al. (2008) maintain that a culmination of mutual trust among the exchange partners impacts the need for and the types of organizational controls that could be applied to effectively govern a collaborative arrangement.

Lazonick and O'Sullivan (1996) adopt a revolutionary approach toward organizational control and reveal corporate governance as an organizational issue that concerns primarily with the distribution of decision-making power, i.e., the power to determine the allocation of resources. According to Cardinal et al. (2004), the key issue that the firms involved in cooperative relationships usually face is to decide who should control critical resources. The social exchange perspective holds that control is determined by partners' resource contributions (Chen et al. 2010), i.e., an actor gains more control when its partner(s) depends on its contribution of critical resources (Cardinal et al. 2004; Chen et al. 2010; Steensma and Lyles 2000; Yan and Gray 2001).

4.5.1 Perceived Control

Several authors while recognizing the potential of control model for such endeavors have used it to examine the motivational behaviors in organizations (Campion and Lord 1982; Cooke 1999; Falk and Kosfeld 2006; Baldauf et al. 2001; Yaqub et al. 2010). Control view of intra- and interorganizational network context envisages a positive association between perceived control and the motivation to cooperate (Windsperger et al. 2009). Choi and Beamish (2004) and Kamminga and Van der Meer-Kooistra (2007) note that the actors feel a greater incentive to join, stay, and contribute in an exchange relationship where they feel to have an adequate and/or equitable control over the resources, goal setting, processes, and appropriation of rewards. Yaqub et al. (2009) argue that the (higher) extent of control perceived by the actors most responsible for the particular domain(s) of actions positively contributes to the "spirit of cooperation" and spurs greater motivation in those actors. Sacconi (2007, 2010) reveals that an asymmetry of control leads to an asymmetry in the final surplus distribution due to an inevitable imbalance in the bargaining power. If so happens, the disadvantaged actors may give up fairness and fiduciary duties so as to achieve the most efficient constitution of the collaborative exchange which if not attained could adversely affect their motivation to contribute enthusiastically in the successive exchange episodes of their ongoing exchange relationships.

5 Conclusion

Business relationship life cycle is a powerful theoretical mechanism that captures the transitions in the business (exchange) relationships over different phases of their development/evolution. It reveals that business relationships evolve over time via distinct phases that exhibit systematic differences in behaviors, orientations, and interactions of the actors associated with each other. It allows for an explicit understanding of how the interaction history between the exchange partners forms a context that differently influences the perceptions, attitudes, and orientations of the parties involved in an exchange relationship. Despite a widespread realization of its vitality, BRLC is a much under-researched phenomenon in business research. The fragile and complex nature of this phenomenon, lack of an appropriate constitution/ structure, methodological complexity, as well as the time and cost constraints associated with longitudinal studies are some of the reasons behind this lack of BRLC research. Even though the DSO and RV classification and descriptions of the dynamics of business relationships are quite useful, a universal description of the BRLC that transcends across all the business contexts is still awaited. Moreover, much of the empirical research involving BRLC has mostly concentrated on the moderating role of the BRLC while ignoring the possibility that, being a behavioral construct of a higher order, it could also be a subject of research as antecedent, mediator, or an outcome in its own respect. As such, there exists a need for future research, at both the theoretical and the empirical levels, in this area. The theoretical research should endeavor to dig out more about the nature, scope, constitution, definition, description, and dynamics of this phenomenon while treating the same as a mind-set, a state of affect, a philosophy, etc., whereas the empirical research may focus on the development of an integrative explanation about the antecedents of this higher-order behavioral construct/phenomenon. As a first step in this direction, while making an appeal to the relational exchange theory, transaction cost economics, bargaining power theory, and the organizational control model, a framework has been proposed to take an account of the antecedents of the changes which take place in the firms' states of affect during different phases of the development/ evolution of their exchange relationships with other firms. This pioneering effort is geared to set an agenda for the future research to expand the theoretical account extended herein. Future research may endeavor to empirically substantiate the theoretical argument extended in the model discussed in the paper. Future research may also enhance the explanatory power of this model by integrating insights from other relevant theoretical frameworks such as agency theory, game theory, systems theory, real options view, organizational capabilities theory, etc.

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