

# **VILIFICATION: DYSFUNCTIONAL DYNAMICS IN INTERORGANIZATIONAL COLLABORATIONS\*\***

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## VILIFICATION: DYSFUNCTIONAL DYNAMICS IN INTERORGANIZATIONAL COLLABORATIONS

### *ABSTRACT*

While there has been a tremendous amount of interest in the buildup of close, relational exchanges between buyers and their suppliers, *there is little systematic understanding of how these collaborations slip into decline*. This research investigates one explanation – *vilification*, the ascription of bad-faith to a counterpart – and examines whether and how relationships suffer when one or both sides of an organizational dyad vilifies the other. A longitudinal survey of over 200 business-to-business buyer-supplier dyads indicates that the mere attribution of bad-faith to a counterpart has real, adverse effects on the collective functioning and performance of a dyad and individual outcomes *up to one year later* in the relationship. We also observe simultaneity of the vilification process across the dyad, and find that a counterpart's vilification process fuels the focal party's vilification process in the short-term, but does not impact relational outcomes over time. Collectively, the results underscore the persistent and adverse effects of vilification processes on relational outcomes, even after controlling for various environmental and interorganizational aspects of the collaboration.

# VILIFICATION: DYSFUNCTIONAL DYNAMICS IN INTERORGANIZATIONAL COLLABORATIONS

## *INTRODUCTION*

Crafting and managing collaborations with suppliers and buyers has become an important issue for both marketing practitioners and academics. Much of the attention in this area has focused on the *development and buildup* of collaborative exchange. Less frequently mentioned are the downside risks of such close relationships. These relationships typically involve extensive sharing of sensitive information and substantial investments. Hence, the cost and potential losses that are incurred if the collaboration should go awry are substantial for both firms. Despite this reality, *there is little systematic understanding of how close collaborations break down between buyers and suppliers*. One possibility is that a focal firm detects negative behavior in its counterpart. Initially, the focal firm may try to explain the negative behavior or negative relational outcomes in a positive light or make situational attributions. It might also come to view the counterpart's behavior in the most negative light and may attribute an enduring negative disposition or traits to the other firm, traits such as dishonesty, or, more generally, bad faith in the relationship. We call this *ascription of an enduring unfavorable pattern of behavior to the other party* the focal party's *vilification* of the counterpart in the exchange and we examine its impact in ongoing collaborations between buyers and suppliers in the marketplace.

Specifically, we examine the degree to which vilification:

- affects behaviors (such as style of responses to problems and problem frequency),
- affects dyadic aspects of the relationship (such as joint effort to exploit relationship distinctiveness),
- affects expectations about the future,

- and affects economically significant outcomes (such as the relationship's profit performance, realized competitive advantages, and the focal party's evaluation of the performance of the counterpart in the relationship). We do not examine in detail why one side denigrates the other, or whether these criticisms are accurate. We focus on *whether and how relationships suffer when one side (or both sides) vilifies the other*.

Vilification is not the equivalent of conflict or distrust, although vilification may be an important antecedent to both. Vilification involves dispositional attributions of one's counterpart in the collaboration; as such, it may not appear to be of economic importance. Indeed, it can be argued that in the short-run, working with a counterpart organization that one denigrates is merely unpleasant for the individuals involved ("that's just business"), and vilification should have no real impact on the relationship's ability to achieve performance outcomes over time. Using a longitudinal methodology, we provide empirical evidence that *the ascription of bad-faith to a counterpart has real, adverse effects on the collective functioning and performance of a buyer-supplier dyad, as well as on the outcomes derived separately from the relationship by each side of the dyad up to one year later in the relationship*. In fact, we find that these adverse effects on performance are not due to environmental factors residing outside the dyad.

This research informs our understanding of the "dark side" of collaboration – how close, relational exchanges go awry; it also tests the importance of *dyadic and individual perceptions* in the breakdown of collaborative relationships. Is *each* party's perceptions critical to the decline of these relationships? In order for vilification to poison a relationship, do *both* parties have to vilify the other or just one? Can something that one party *doesn't perceive* affect outcomes that it does observe? Alternatively, is it possible for vilification to be present in one side of the dyad with no consequential impact on relational outcomes? The answers to these questions have

important implications for channel management practice and research. Some scholars would maintain that channel phenomena cannot be fully understood without considering both sides of the dyad, which suggests that what happens to a focal party cannot be understood without knowledge of the perceptions of the counterpart. Others would maintain that each side operates in its own world, reacting to its perceived environment regardless of a true reality, which suggests that one side may be insulated from what happens with the other. Still other scholars would maintain that subjective perceptions on either side have a minimal role in interorganizational outcomes and should have no effect whatsoever. The results of this research suggest that *a counterpart's vilification process has an immediate, short-term effect on the focal party's vilification process, but does not have an effect on relational outcomes over time.* The counterpart's vilification process thus affects relational outcomes over time only indirectly, by fueling the focal party's vilification process in the short-run. Hence, we see that over time, the focal party's outcomes are relatively insulated from the counterpart's negative ascriptions of bad-faith.

The vilification process is a creeping phenomenon; it takes time before its adverse effects are observable within the dyad. By using a longitudinal methodology, we are better able to isolate and understand the direction of causation relative to past channel research. Using a survey of over 200 buyer-supplier dyads, we measure vilification processes in the buildup and maturity phases of their relationship lifecycle. We then examine the effects of these perceptions on strategic outcomes, processes, and attitudes *one year later.* *The results underscore the persistent and adverse effects of vilification processes on relational outcomes, even after controlling for various environmental and interorganizational aspects of the collaboration context.*

The paper is organized as follows. In the next section, we present a model of vilification and its effects on several relational outcomes. We draw on past work in social exchange and organizational behavior and pre-study interviews to provide an understanding of how vilification poisons collaborations and how these exchanges go awry. We then provide a description of our methodology and empirical analyses. We conclude with a discussion of key results, managerial implications, limitations, and directions for future research.

### *CONCEPTUAL FRAMEWORK*

Throughout the discussion, our unit of analysis is the *buyer-supplier dyad* in which both are participants in a common exchange. For ease of exposition, we will refer to the organizations on each side of the dyad as the “focal party” and its “counterpart,” recognizing that either side of the dyad could be the focal firm at any point in time. Our focus is on the perceptions, expectations, outcomes, and behaviors of the individual parties in the dyad as well as what they do together. Although the firms differ in the functions they perform, symmetry is expected in the *nature and pattern of causation* of the behavioral constructs that underlie their relationship. The context is ongoing, vertical collaborations between financially independent manufacturers and their suppliers. Hence, joint ventures, horizontal relationships, and vertically integrated relationships are beyond the scope of this study. In this section, we briefly overview relevant research streams in organizational theory and social exchange theory and describe a conceptual framework of how vilification impacts *relational outcomes* over time. An overview of the conceptual framework is displayed in Figure 1.

### *RELEVANT LITERATURES*

The process of *interorganizational collaboration* decline is related to similar decline phenomena investigated in the organizational and social psychology literatures. Organizational

theory provides some understanding at the organizational level, while social psychology provides insights at the dyad level. We turn to these literatures for guidance, acknowledging that the decline of collaborations between organizations may differ in important ways, which we consider in building our conceptual framework.

*Organizational theory.* The issues of organizational decline and death has been examined from many perspectives in the organizational literature, although empirical examinations are sparse (see Weitzel & Jonsson 1989 for a review). Much of the work in this area is *intraorganizational* in nature and examines the *general decline* of an organization, but not the specific issue of decline in collaborations. This literature also focuses on *the interface between a firm's internal needs and the external environment* (cf., Greenhalgh 1983; Thompson 1967), whereas the current research is primarily concerned with the interface between organizations.

Research on *interorganizational* relationship decline has received relatively little theoretical or empirical attention. Although some have examined the antecedents to interorganizational dissolution and termination (e.g., Seabright, Levinthal & Fichman 1992; Ping 1995) there is little that examines the decline process that occurs between the firms. Ping & Dwyer (1991) propose a seven stage process by which interorganizational collaborations break down: positive and negative affect regarding the other partner, intrapersonal, intracompany, intercompany, public, and aftermath. Our research examines select aspects of the negative affect and intercompany stages. We do not delve into aspects of the other stages.

Equity joint ventures, in which firms join together to create another entity and share in its ownership, contain both intra- and interorganizational properties. A recent review and empirical examination indicates that joint venture decline is more likely to be due to internal than to external forces and calls for an examination of *what goes on among the partners* once the venture

is formed (Park and Russo 1996). We would agree that the dyad is a critical starting point for considering decline in interorganizational collaboration. The interactions that occur between them, the history that is developed, and the collaboration context all play important roles in the decline of these close, relational exchanges.

*Social exchange theory.* In psychology, the social exchange literature extensively considers decline processes at the dyad level, both theoretically and empirically. In this literature, relational decline is a phenomena in its own right – conceptually, it cannot be construed as simply the buildup or development process in reverse. Buildup and decline differ in several important ways. Relationship buildup requires two parties, each making an effort, while relationship breakdown only requires one party to provoke a breakdown. Relationship buildup involves the creation of a shared history, while relationship breakdown involves managing the effects of a shared history that has already been built. Relationship buildup is focused on joint growth and closeness, while relationship breakdown is concerned with individual survival and distance. Relationship buildup may involve unambiguous announcements of intention to invest in and expand the relationship, while relationship breakdown may involve subtle, ambiguous attempts to undermine the relationship. In short, buildup occurs against a backdrop of relatively little joint context and is mutual, effortful, and relatively transparent. Decline has the opposite properties. The literature in this area has explored many aspects of decline, including: the causes of decline (Graziano & Musser 1982), the internal attributions among the parties (Baucom 1987), interaction patterns across the dyad (Baxter 1979a, Baxter & Philpott 1982), strategies for termination (Baxter 1984), and even the creation of acceptable, personal accounts that make the dissolution of the relationship understandable (Duck 1982; Hagestad & Smyer 1982).

How do close relationships go awry? Contrary to popular belief, dissatisfaction is often not the triggering factor in relationship decline; the causes are far more complex and multifaceted (Graziano & Musser 1982). One striking aspect in both literatures is that *decline appears to turn heavily on the perceptions of one party's withdrawing and deceptive behaviors*. In our pre-study interviews with buyers and suppliers in ongoing collaborations, informants also underscored this critical aspect as a general response to business problems. Consider the following example, which was shared with us:

A personal computer manufacturer has developed a unique inventory system with a supplier. Over time, technology advances require that the supplier upgrade a significant portion of its information systems to keep the joint system working. For whatever reasons, the supplier is reluctant to make this investment and would prefer not to be so tightly integrated with the manufacturer into the long-term future. However, because of the history that has developed and the significant investments already made, the supplier does not want to confront the manufacturer openly and incur the possibility of major conflict. Instead, *the supplier begins behaving in a negative manner by refusing to accept its share of the upgrade responsibility, making hollow promises, making false accusations, and demanding that the manufacturer pay for the majority of the upgrade costs of the supplier's own systems.*<sup>1</sup>

Lorange and Nelson (1987) point to behaviors such as: tolerance of incompetence, replacement of substance with form, scarcity of clear goals and decision benchmarks, and loss of effective communication, as evidence of some of the first observable signals of decline. Initially, the focal party may be oblivious to the possibility of relational decline between the firms (cf., Weitzel & Jonsson 1989). The counterpart's negative behaviors may thus serve as a "wake-up call," that triggers a search for a causal explanation of the counterpart's behavior. Since the manufacturer is unable to observe the supplier's reason for its negative behaviors, the manufacturer infers it from the intertemporal and intersituational consistency in the supplier's observable behaviors and expressed attitudes.

The manufacturer may initially interpret the supplier's behavior non-negatively and explain it away to circumstance or to transient factors (e.g., a misunderstanding or a communication failure). If the supplier's behavior continues, the manufacturer may come to

view it in the most negative light (e.g., infer that the supplier is lying) and make an internal, stable attribution regarding the supplier's disposition and intentions (e.g., this is a dishonest supplier, operating in bad faith, that wants to cheat us). It is difficult for the manufacturer to distinguish the difference between the supplier's genuine opportunism (self-interest seeking with guile) and genuine misunderstanding (for example, when the manufacturer believes that the supplier is holding back, perhaps renegeing on an implicit agreement when the counterpart merely has a different understanding of the agreement). The two behaviors (opportunism and holding back) appear quite similar and can be classed under the rubric of operating in bad faith. This throws the spotlight on vilification.

#### *VILIFICATION*

Vilification is *the ascription (accurate or not) of bad faith to one's business counterpart*; it is grounded in the observation of a counterpart's observable, general response to problems that occur within the dyad. It is difficult to determine the accuracy of attributions across the dyad; this is an unresolved issue in the social exchange literature (Bradbury & Fincham 1990; Fincham & Bradbury 1991).<sup>2</sup> Williamson (1996) stresses that *actual* bad faith often is not necessary to destroy a relationship: suspicion will suffice.<sup>3</sup> Vilification is more than a suspicion in that the ascription of bad faith is a process involving a decision, or conclusion, regarding the other party; a suspicion may be a transitory consideration. Vilification is not the same thing as conflict, which refers to a current state of disagreement that is issue specific (Brown and Day 1981).

Some might argue that vilification is merely the converse of trust. However, trust is a broad "meso," or meta, concept, with many facets and levels. Rousseau, Sitkin, Burt, and Camerer (1998) review the trust literature across multiple disciplines and conclude that scholars fundamentally do not agree on the meaning of trust. They offer a composite working definition

of trust as a willingness to be vulnerable under conditions of risk and interdependence, and label it a psychological trait that can characterize interorganizational relations; it is not a behavior (e.g., cooperation) or a choice (e.g., risk taking). In contrast, vilification is more delimited and more grounded in observable business behavior. A party that vilifies its counterpart should be less trusting of its counterpart. Thus, vilification should create reduced attributions of trust. However, the sources of trust are many, complex, and ill understood (Lewicki, McAllister, and Bies 1998). Trust is a larger phenomenon than vilification.

*Vilification across the dyad.* When a focal firm vilifies its counterpart, the focal firm may respond in several ways. It may partially withdraw from the relationship, reciprocate the counterpart's negative behaviors, or respond constructively to solve the problem and set the relationship aright. From a normative standpoint, one could argue that a constructive response to the counterpart's negative behavior is the best way to stop the focal party's vilification process. In close collaborations, both parties are typically heavily invested in the relationship; by taking a constructive approach, the focal party is better able to protect its investments and may be able to salvage the relationship (Buchanan 1992). Despite the obvious value of this approach, there is substantial evidence to suggest that exchange participants actually do the opposite – *they tend to reciprocate the negative behavior of the counterpart*. Olson, Roese & Zanna (1996) review the demonstrations of this principle in various domains.

Axelrod (1984) observed that exchange participants tend to follow a tit-for-tat strategy – a practice of reciprocating the behavior of the other party. If one party makes a cooperative move, the other party cooperates. If one party makes a competitive (win-lose) move, the other party responds competitively. When the counterpart engages in negative behaviors, it may incite similar competitive moves from the focal party. As the focal party reciprocates the counterpart's

negative behaviors, this facilitates the counterpart's vilification of the focal firm! Even if the focal firm makes an incorrect attribution, the effect may be to create a self-fulfilling prophecy (Merton 1948) of a dysfunctional relationship; the counterpart may actually begin to operate in bad faith or deepen existing negative behavior, as this is what the focal firm appears to see and to expect in any case. Hence, each party's vilification process facilitates reciprocity of negative behaviors and attitudes that it perceives from the other. The reciprocity between the attitudes and actions reinforces each party's attribution of bad faith on the part of the other such that we would expect:

H1: The focal party's vilification of the counterpart and the counterpart's vilification of the focal party at time 1 have positive, simultaneous effects on each other.

### *CONSEQUENCES OF VILIFICATION*

In this research, we expect that vilification processes across the dyad have a causal effect on relational outcomes at a subsequent point in time. In both the organizational and social exchange literatures, decline is seen as a dynamic process of creeping disenchantment. The process is latent in the early stages, and over time, subtly undermines the relationship, poisoning the relationship, and facilitating its subsequent demise (Weitzel & Jonsson 1989). Surra (1990) has demonstrated that relationships spiral downward, via a process of attributing negative traits to each other, with a resultant decline in the quality of communication (Baxter 1979). This has been labeled the cascade model of dissolution (Gottman and Levenson 1992). Hence, *the poisonous effects of vilification on relational outcomes may require a period of time before they become readily observable and manifested in the relationship.*

It is possible that vilification may have an indirect effect on subsequent relational outcomes through intervening attitudes and behaviors. Over time, there are an infinite number of ways in which viewpoints can affect intervening states and behaviors and even intermediate

outcomes. We offer the conceptual model of Figure 1 as a partial test. If our results are powerful, the intervening processes, states, and behaviors between vilification at time 1 and the outcomes at time 2 are worth investigating in future research.

The literature on close, interorganizational relationships point to the numerous benefits of these relationships over arm's-length market contracting (Heide and John 1992; Smith, Carroll, and Ashford 1995; Weitz and Jap 1995). These benefits include improvements in: (1) critical relationship processes such as problem frequency and handling, and the dyad's efforts to exploit relationship distinctiveness; (2) economically significant outcomes such as realized competitive advantages, profit performance, and evaluations of the counterpart's performance, and (3) expectations of relationship continuity. We examine the impact of vilification on each of these outcomes in turn.

*Relational processes.* An important aspect of collaborative exchange is the ability to form *constructive responses to problems* as they arise over the course of the relationship. Constructive responses (as opposed to non responses or responses which are destructive or neutral) involve taking action to resolve problems satisfactorily. Collaborative exchanges are also typically marked by *less frequent problems*, relative to arms-length exchanges. Both problem frequency and constructive responses are important outcomes that enhance the viability of the relationship and help protect and assure each firm's returns into the future (Ring and Van de Ven 1992).

Another critical aspect of collaboration is the ability to identify and pursue opportunities for the creation of synergy between the parties and extra-normal returns (Weitz and Jap 1995). In order for the collaboration to be successful, the dyad must creatively consider how to leverage the distinctive aspects of its environment, respective competencies, and human resources

available in the relationship. We refer to this joint endeavor as the *dyad's effort to exploit relationship distinctiveness*. This may be manifested in the formation of joint projects tailored to the dyad's needs and an ongoing effort to exploit existing synergies and idiosyncratic opportunities between the firms.

When the focal party vilifies its counterpart, the focal party may lose its motivation to make the relationship successful through reducing problem frequency and developing constructive responses to problems. In research on interpersonal relationships, Baxter (1979a) and Baxter & Wilmot (1982) found that parties in disengagement tend to display significantly less intimacy of disclosure in their interactions than do those with an intention to continue the relationship. The focal party might also begin to reduce its contributions to dyadic efforts to exploit the distinctive aspects of their relationship. This process requires the sharing of sensitive information about each other in order to identify opportunities for joint success. When vilification is present, the focal party may infer that the counterpart will exploit its knowledge of the focal party's sensitive information and act opportunistically. As such, we expect:

- H2: The focal party's vilification at time 1 will have a negative effect on low problem frequency in the relationship at time 2.
- H3: The focal party's vilification at time 1 will have a negative effect on constructive responses to problems in the relationship at time 2.
- H4: The focal party's vilification at time 1 will have a negative effect on dyadic efforts to exploit relationship distinctiveness in the relationship at time 2.

*Relational outcomes.* One of the primary motivations for close collaborations is the achievement of competitive advantages. The *dyad's competitive advantages realized to date* are benefits, including strategic advantages, gained over competitors. These benefits enable the dyad to compete more effectively in the marketplace (Sethuraman, Anderson, and Narus 1988). In order for competitors to duplicate the benefits of the dyad's collaboration, they must expend

considerable time and effort trying to duplicate a collaboration process that is not readily observable. They must also move along a learning curve in their ability to manage and coordinate the collaboration process. As a result, the unique, deep relationship that is created between the buyer and supplier enables the dyad to compete more effectively against other firms, including competing dyads.

The *dyad's profit performance to date* results from joint collaborative efforts. It is not merely a summation of the two firm's individually realizable profits, but instead indexes financial outcomes that result from the interdependence of effort and investments that reside within the dyad. These dyadic outcomes (i.e., realized competitive advantages and dyadic profit performance), along with dyadic effort to exploit relationship distinctiveness, reflect important relational process and outcomes not typically found in everyday, arms-length exchange relationships. The dyadic nature implies that they reflect not only the perception of the focal firm's own behaviors and outcomes, but its perception of what the dyad is doing jointly. Hence these constructs incorporate the counterpart's behavior and outcomes as well. Emphasizing dyadic aspects is consistent with our focus on the dyad as the relevant unit of analysis and our interest in the processes and outcomes that occur between them.

Once the focal party has attributed bad faith to its counterpart, it may deliberately or unconsciously undermine the joint returns and competitive advantages available to the dyad. For example, the focal party may reduce its investments, time, and energy devoted to the relationship, which undermines the dyad's capability to achieve competitive advantages or enhanced profit performance. An attribution of bad faith in the context of an ongoing collaboration threatens the stability and overall success of the relationship. Hence, we expect that:

- H5: The focal party's vilification at time 1 will have a negative effect on the dyad's competitive advantages realized at time 2.

H6: The focal party's vilification at time 1 will have a negative effect on the dyad's profit performance at time 2.

*Evaluation and expectations.* The focal firm's *evaluation of their counterpart's performance* is an economically significant outcome. A positive evaluation justifies involvement in a collaboration. This is a one-sided outcome rather than a dyadic outcome, reflecting the view of the focal firm. The focal firm's *expectation of relationship continuity* speaks to the long-term viability of the relationship. When a firm expects that the relationship will continue into the future, it may be more willing to engage in processes and make investments that will enhance the relationship into the long run (Anderson and Weitz 1989, Heide and Miner 1992).

The focal party's vilification of its counterpart may taint its evaluation of the counterpart's performance in the relationship. Research in social exchange suggests that for negative behaviors, distressed spouses perceive greater negative intentions, more selfish motivations and assign greater blame to their partner compared to nondistressed spouses (Fincham, Beach & Nelson 1987). As performance assessment is subjective to some degree, it is an easy matter to downgrade the performance evaluation of a party thought to operate in bad faith.<sup>4</sup> Once the focal party has attributed an enduring disposition of the counterpart's negative response to problems, it is unlikely that the focal party will be motivated to remain in the relationship. Collaborations are impossible to build if the firms do not feel that the other party will operate in good faith. As such, we expect that:

H7: The focal party's vilification at time 1 will have a negative effect on the focal firm's evaluation of the counterpart's performance at time 2.

H8: The focal party's vilification at time 1 will have a negative effect on the focal firm's expectation of relational continuity at time 2.

We expect symmetric effects of the vilification process across the dyad. When the counterpart attributes bad faith to the focal party it may also deliberately or unconsciously

respond in a way that undermines relational outcomes and heightens dysfunctionality in the exchange. Once the counterpart perceives bad faith and negative behavior on the part of the focal party, it may reciprocate the behavior, heightening problem frequency within the dyad, responding non-constructively to problems, and withdrawing its effort to create synergies with the focal party. The counterpart's vilification of the focal party may similarly undermine the competitive advantages and profit performance of the dyad realized to date and lower the expectation of relationship continuity. In sum, we expect that:

- H9: The counterpart's vilification of the focal party at time 1 will have negative effects on the focal party's reports at time 2 of:
- a. low problem frequency in the relationship,
  - b. constructive response to problems in the relationship,
  - c. the dyad's effort to exploit relationship distinctiveness,
  - d. evaluation of the counterpart's performance,
  - e. the dyad's competitive advantages realized to date,
  - f. the dyad's profit performance to date,
  - g. expectations of relational continuity.

Notably, it is not necessary for the focal party to be aware that it is being vilified for these effects to occur. The focal party may merely notice the impact, which is that the dyad is achieving less, that the counterpart is performing at a lower level, and that problems occur more often. And when the counterpart is engaging in vilification, the focal party may sense that the relationship has a limited future (continuing a relationship requires both parties to participate). The focal party may also sense that it is being vilified and respond by being less constructive in its own responses to problems, even if the focal party does not reciprocate by vilifying the counterpart.

It may be argued that the seven relational outcomes are interrelated in some sort of causal ordering. Although it is beyond the scope of this research to examine these possibilities, if such is the case, then a very large number of orderings are plausible and it is not apparent which one(s) would be superior. Geyskens, Steenkamp, and Kumar (1998), in a meta-analysis of studies

employing trust in marketing channel relationships, point out that researchers typically sidestep this problem. They do so either by studying a single, limited indicator of performance (such as selling effectiveness) or by asking the respondent to report an aggregated, overall index, which often incorporates some sort of baseline (e.g. the comparison level of alternatives or the firm's expectations). Thus, channel relationship outcomes can be readily treated as "performance" and treated as unidimensional. As these studies almost invariably use cross-sectional data, performance is then embedded in a causal chain that is assumed rather than tested. In contrast, our approach employs longitudinal data: we examine "performance" one year after the vilification process has occurred. We allow for possible inter-relationships among the relational outcomes in the estimation procedure without assuming or imposing a causal structure among the seven outcomes.

#### *MODEL COVARIATES*

Our principal interest in this research is upon whether there is an impact of vilification on relational outcomes. However, we recognize that these effects do not occur in a void; there are important organizational and environmental factors operative in the collaboration context that may impact our conceptual model in various ways. Although we realize that it is impossible to account for all of these factors, we consider some aspects and represent them here as critical covariates of vilification processes and relational consequences.

*Vilification process covariates.* The causes of vilification are undoubtedly complex and multifaceted. However, since it is an organizational process, characteristics of the interorganizational relationship are likely to have direct effects on vilification. Extant theory in marketing suggests two such organizational aspects: *idiosyncratic investments* and *perceived goal congruence*.

Idiosyncratic investments are typically required to achieve the supernormal returns associated with collaboration. These investments may be tangible (e.g., capital equipment or information systems) or intangible (e.g., specific strategies or processes) and are tailor-made to the channel relationship. Therefore, they are difficult to redeploy to another relationship without a substantial loss in value (Williamson 1985). These investments expose the investing party to opportunistic behaviors from the other firm (Gundlach, Achrol & Mentzer 1995; Stump & Heide 1996). This sense of vulnerability facilitates suspicions of opportunism (Klein, Crawford, and Alchian 1978; Ross, Anderson and Weitz 1997; Williamson 1996). Such suspicions may lead firms to be more sensitive, and quicker to suspect bad faith in the other party. Hence, each firm's idiosyncratic investments should be positively related to the degree to which it vilifies the other.

Goal congruence is the extent to which firms perceive their goals to be common, or at least compatible (Stern, El-Ansary, and Coughlan 1996, Eliashberg & Michie 1984, John & Reve 1982, Schmidt & Kochan 1977); it is a factor which features prominently in discussions of the efficacy of franchising (Kaufman and Rangan 1990). If each party has the same interests and objectives; opportunistic behaviors in this context would be detrimental to their returns. As such, goal congruence may lead the focal firm to be more benevolent when assigning attributions to the counterpart, reducing the likelihood of vilification.

*Relational outcomes covariates.* In examining the consequences of vilification, we recognize that there exist significant other factors that impact relational outcomes over time. One important aspect suggested by the literature on organizational decline is the external environment. Decline is viewed as the result of a firm's inability to adapt to its external environment. Two environmental factors that have received considerable attention in the literature are environmental dynamism and demand (Lawrence & Lorsch 1967). By including

environmental covariates at time 2, we include the possibility that it is factors *outside* the dyad that are accounting for any effects on performance at time 2. The environment is also useful to consider because it sets a bound on the potential limitations and opportunities for exploiting the idiosyncratic combination of capabilities, assets, and knowledge that exist within the collaboration.

*Dynamism in the dyad's business environment* describes changes in product and competitor strategies or in environmental demands on the firm that occur frequently and are difficult to predict (Achrol & Stern 1988). In dynamic environments, decision-making and coordination becomes increasingly difficult, providing an incentive to develop closer relations and make the specific investments and decision structures necessary to cope (Dwyer & Welsh 1985; Hall 1993; Porter 1985).

*Environmental demand* is the extent to which the buyer and supplier outputs are requested by the environment (Dwyer and Oh 1987; Castrogiovanni 1991). When environmental demand is high, there is an incentive to collaborate so as to effectively exploit resources and opportunities because there is much to be gained. Indeed, potential gains are so high that incumbent firms are less reactive to new entrants in their industries: there is enough business for everyone (Gatignon, Robertson, and Fein 1997). Hence, we would expect that dynamism in the dyad's business environment and a high level of demand would motivate the buyer and supplier to create closer, stronger links with each other and have a facilitating effect on relational outcomes, including inhibiting problem frequency in the course of the collaboration.

#### *METHOD*

The structural model in Figure 1 was tested using a longitudinal survey methodology on the procurement divisions of four *Fortune 50* manufacturing companies: a computer (PC)

manufacturer, a photography equipment manufacturer, a chemical manufacturer, and a brewery.<sup>5</sup> Each firm was offered an executive summary, presentation of results, and customized analyses in return for their participation.

### *PRE-STUDY INTERVIEWS*

Extensive interviews and pretest sessions were conducted with informants from these firms to understand the interorganizational decline phenomenon and familiarize the researchers with the exchange context, language, internal and external demands, and nature of their tasks. Another purpose was to insure the quality of key informant reports by designing a survey instrument in the language of the informants, drawing upon their experience. Such instruments have been shown to elicit responses which accurately reflected the organization's viewpoint (Campbell 1955). Depth interviews with ten business managers across several firms and positions revealed their perceptions of the decline process – the factors that contributed to dysfunctionality and how circumstances were handled – across a range of situations. Their descriptions became the basis for the vilification scale (see Appendix 1). An eight-item scale of vilification was constructed, including aspects such as “window-dressed” efforts to improve, hollow promises, unwillingness to accept responsibility, and the provision of false information. All of the scales used in this research are listed in Appendix 2.

### *DATA COLLECTION*

Utilizing longitudinal data permits better isolation of the direction of causation relative to past work in the area. While no scientific approach can completely assure isolation between these variables or demonstrate unquestionable causality, this approach we use provides a probabilistic assessment of the degree of association between perceptions at time 1 and relational outcomes at time two. A one-year lag was used in this study because pretest interviews

suggested that considerable variation in outcomes is possible within this time frame.<sup>6</sup> Some informants told of disintegrating relationships while others reported little change over the course of one year.

*Sampling procedure.* In order to maximize the sample size and minimize potential attrition effects at time two, two hundred buyers from across the four firms were asked to report on two different supply relationships, creating an initial sampling frame of 400 dyadic relationships.<sup>7</sup> Upper management at the four participating firms was particularly interested in understanding how to better manage collaborations with suppliers. Approximately 60% of the respondent names that they provided were buyers involved in ongoing close, collaborative relationships with suppliers. Twenty percent of the buyers were in ongoing relationships that were contemplating increased closeness. These buyers were directed to complete their questionnaire in reference to the specific supplier. The remaining 20% (80 dyads) were given the following directions for selecting a referent supplier:

The supplier does not necessarily have to be your ‘most important’ or ‘most favored’ supplier, although it can be. We would like to sample from a wide variety of relationships so that comparisons can be made across different types.

In this way, we were able to insure that we had the heterogeneity necessary to capture statistical variation among our constructs and increase the representativeness of the relationships studied, while still permitting observation of an adequate number of close relational exchanges.

The questionnaires were mailed to the buyers along with a pre-addressed, postage-paid envelope, a cover letter from the researchers, and a memorandum from corporate executives requesting participation and assuring the confidentiality of their individual responses. The buyer was asked to identify an individual at the supplier firm with whom it was currently working with and had experienced at least one year of frequent interaction.<sup>8</sup> When the buyer surveys were

returned, a parallel survey was sent to the individuals in the supplier firms along with a pre-addressed, postage-paid envelope, a cover letter from the researchers, and a memorandum from corporate executives requesting participation and assuring the confidentiality of their individual responses. This survey identified the buyer firm and individual respondent and instructed the supplier to complete all items and questions in reference to the buyer firm. Thus, both the buyer and supplier used the other as a reference point for their respective surveys, such that the data collected reflect the same relationship as viewed by each side. One year later, the buyer and supplier were asked to complete similar surveys with respect to the same firm.

*Characteristics of the sample.* Two hundred seventy-five buyer surveys were returned at time 1 (a 69% response rate) and of the 275 buyer surveys returned, 220 corresponding supplier surveys were completed (an 80% response rate), creating 220 matched pairs of dyads. At time two, 167 buyer surveys and 154 supplier surveys were returned. This represents a 61% and 70% response rate at time two among buyers and suppliers respectively. Non-response bias at times one and two was assessed using Armstrong & Overton's (1977) early and late respondent comparison; no significant differences were found. Annual transactions between the buyer and supplier involved over \$63 million in materials and services, such as capital equipment, components, services, and maintenance, repair and operating supplies.

*Characteristics of the collaboration context.* A number of controls were incorporated to ensure sampling of ongoing, close collaborations between buyers and suppliers. First, the length of the relationship was examined. The dyads had worked with each other an average of 3.7 years, indicating that they had a significant base of past history and transaction experience.<sup>9</sup> Second, a measure of relationship phase was taken at time 1, based on the framework of Dwyer, Schurr & Oh (1987). Over 80% of respondents identified themselves as being in the buildup and

maturity phases of their collaboration. This means that their firms were receiving increasing or acceptable levels of satisfaction benefits from the relationship, and the collaboration was relatively established in trust and commitment. Third, dyadic effort to exploit relationship distinctiveness at time 1 was assessed as an indicator of closeness between the organizations. The mean of dyadic effort was 5.1 (sd=1.1, range 1 to 7) and the median was 5.3 which is located well above 4, the scale midpoint. Collectively, *these various indicators provide an assurance that the sampled dyads were at a point in their relationship that is consistent with our conceptualization.*

*Respondent competence.* Both global and specific measures were used to assess the respondent's competency and knowledge of the relationship. The global measure was the respondent's tenure with a firm. Buyer respondents averaged 11.2 years of experience in their area and had been with their companies 20.9 years on average. Supplier respondents averaged 15.1 years of experience and 14.2 years of employment with their companies.

The respondent's knowledge of major issues was assessed via a battery of specific items at the conclusion of the time two questionnaire (cf., Cusumano & Takeishi 1991). The respondents were told, "As a final wrap-up to this study, please tell us the following about yourself. How knowledgeable are you about the following in your firm's relationship with the buyer/supplier firm?" Below were listed items such as "what they commonly do when a problem occurs between them," "the degree to which they work closely to develop strategic advantages," "the nature of unique investments that are used in the relationship," or "the level of joint profits earned from the relationship." Responses were indicated on a seven-point Likert scale (1=Not Very Knowledgeable, 7=Very Knowledgeable). The average response to these scales was 5.6; and there were no significant differences between buyers and suppliers. Discussions with upper

management also assured us that the buyer respondents were specifically selected because of their considerable knowledge and participation in supplier relationships.

### *QUESTIONNAIRE DEVELOPMENT*

Several rounds of questionnaire pretesting were conducted to improve the readability, wording, and relevance of the instruments. Survey items were identically worded, multiple-item, seven-point Likert scale measures designed to tap current aspects of the organizational relationship between the firms. Consensus on the buyer and supplier responses was neither required or expected. Differences in means can stem from a number of factors, including differences in scale usage or differences in the parties' situations, tasks, and environments (John and Reve 1982). The analytical approach used here explicitly accounts for this possibility, allowing each side of the dyad to disclose its unique perception, without masking insights regarding the nature and pattern of causation *between* constructs. This is because the structural model estimation relies on covariances between the constructs, which are not affected by mean differences. Hence, lack of symmetry in responses does not materially affect the degree to which a construct affects other constructs in the model.

Scale items from previous research in the channels literature were adapted and used whenever possible. Specifically, the scales for environmental dynamism and demand were adapted from Achrol & Stern (1988), the scale for idiosyncratic investments was based on Cannon (1992), and the scale for global performance was as developed by Kumar, Stern & Achrol (1992). All other scales were created for the purpose of this study. Dyadic profit performance was a perceptual measure of profits resulting from dyadic effort (the information expressed in currency was judged as too sensitive). Problem frequency is a one-item question,

“how frequently do problems arise between your firm and this firm?” (1=hardly ever, 7=very often).

Scale reliabilities are presented in Appendix 2. The reliabilities are high, averaging .85, with a range of .71 to .91. Construct means, standard deviations, and correlations are presented in Table 1. The constructs exhibit a 5.5 to 6 point range in values on a scale of 1 to 7. There is also a relatively wide variance (average=1.20; range .63 to 2.4) around the construct means. Collectively, there appears to be significant heterogeneity in the range of values reflected by these measurements.

#### *MEASUREMENT MODEL ESTIMATION*

Confirmatory factor analysis (CFA) techniques are used to estimate a measurement model on all the observations using full-information maximum-likelihood (FIML) in LISREL 8.03 (Jöreskog & Sörbom 1993). This model consists of 11 first-order factors, 41 observable indicators, 41 measurement errors, and a matrix of correlations among the factors. The chi-square for this model is 2014 (724 df,  $p < .00$ ). We examine three fit indices: the comparative fit index (CFI), incremental fit index (IFI), and Tucker-Lewis fit index (TLI); values of .90 to 1 indicate a satisfactory fit of the model to the data. This model has a CFI=.90, IFI=.90, and TLI=.89. Since high fit indices can give the false impression that the model explains much when it really is the result of freeing more parameters to be estimated, we also examine the root mean square error of approximation (RMSEA). This is a parsimony measure that accounts for potential artificial inflation due to the estimation of many parameters. Values between .05 to .08 are indicative of a satisfactory fit of the model in relation to its degrees of freedom, 0 to .05 indicate a close fit, and values greater than .1 indicate a very poor fit (Steiger 1980; Steiger & Lind 1980). The RMSEA for this model is .056.

The factor loadings and measurement errors are listed with their respective item in Appendix 2. The loadings range from .62 to .93 and are significant at  $\alpha=.001$ , the latter indicating convergent validity of the measures (Anderson & Gerbing 1988). Discriminant validity among the constructs is examined between every possible pair of factors using the stringent procedure recommended by Fornell & Larcker (1981). This involves examining the amount of variance extracted by each construct (taking measurement error into account) relative to the squared-correlation between a pair of constructs. This is considered to be a more stringent test of discriminant validity than Campbell (1959) or Jöreskog (1971) because it recognizes the possibility that measurement error can vary in magnitude across items. *All possible pairs of factors passed the Fornell & Larcker test, evidencing discriminant validity between the measures.*

#### *STRUCTURAL MODEL ESTIMATION*

The structural model of the conceptual framework is displayed in Figure 2. This is comprised of 15 latent variables, the hypothesized structural relationships between these variables, and intercorrelations between the constructs. The following correlations between constructs are allowed to be freely estimated: (i) covariates of the focal party's perception of vilification at time 1, (ii) covariates of the counterpart's perception of vilification at time 1, (iii) relational outcomes at time two,<sup>10</sup> and (iv) environmental covariates at time two. These correlations are freed in recognition of the fact that these aspects are likely to be related in the research context. We do not include the outcomes at time 1 as regressors in the model, because the coefficient for the effects of vilification on outcomes represents the direct marginal effect of vilification and all omitted indirect effects of time 1 regressors (Goldberger 1968).

This model is estimated on 440 dyads using FIML techniques in LISREL 8.03. Each observation involves a buyer-supplier dyad in which one is the focal party and the other is the counterpart. Hence, in half the observations, the buyer is the focal party and the supplier is the counterpart, and in the other half of the observations, the supplier is the focal party and the buyer is the counterpart. Thus, the focal party supplies data at time 1 and 2, while the counterpart supplies data at time 1. The chi-square for the model is 3828 (1772 df), with a CFI=.90, IFI=.90, TLI=.89, and RMSEA=.045. The fit indices reach or approximate the .9 benchmark, and the RMSEA indicates a close fit of the data to the model.

*Vilification at time 1.* Table 2 and Figure 3 overviews the parameter estimates for the structural model. There are significant simultaneous effects between each party's vilification of the other at time 1. The focal party's (F) vilification of its counterpart (C) has a positive effect on C's vilification of F ( $\beta_{21} = .21, p < .01$ ), while C's vilification of F has a positive effect on F's vilification of C ( $\beta_{12} = .22, p < .01$ ); this provides support for hypothesis 1. Hence, it appears that *each party's vilification process reinforces the other party's vilification process in a simultaneous, reciprocal manner at time 1.* How does this happen? One possibility may be that each party reciprocates the negative behavior across the dyad. In fact, the correlation between each party's report of its constructive response to problems at time 1 is positive and significant ( $r = .23, p < .001$ ), indicating that behaviors across the dyad appear to co-occur. Another possibility is that the focal party's vilification process may directly evoke negative behaviors from the counterpart, creating a self-fulfilling prophecy. The correlation between the focal party's vilification of the counterpart and the counterpart's constructive response to problems at time 1 is negative and significant ( $r = -.12, p < .01$ ), which is supportive of this possibility.

*Vilification consequences at time 2.* F's vilification of C clearly has dysfunctional effects on relational outcomes. Specifically, F's vilification of C has a significant negative effect on each of the seven relational outcomes of interest: low frequency of problems noted by F ( $\beta_{31} = -.36, p < .01$ ), F's constructive response to problems ( $\beta_{41} = -.31, p < .01$ ), the dyad's effort to exploit relationship distinctiveness ( $\beta_{51} = -.27, p < .01$ ), F's evaluation of C's performance ( $\beta_{61} = -.41, p < .01$ ), the dyad's competitive advantages realized to date ( $\beta_{71} = -.15, p < .01$ ), the dyad's profit performance to date ( $\beta_{81} = -.23, p < .01$ ), and F's expectation of relationship continuity ( $\beta_{91} = -.25, p < .01$ ). Collectively, *these results underscore the adverse effects of F's vilification process at time 1 on outcomes at time 2*, supporting hypotheses 2-8.

What accounts for this? One possibility is that the focal party holds back or withdraws from the relationship, behaving in ways that hurt the relationship (cf., McCall 1982, Rubin 1980). It's interesting to note that the correlation between F's vilification of C at time 1 and F's constructive response to problems at time 2 is  $-.29 (p < .001)$ , which is supportive of this possibility. Alternatively, the focal party may conclude that the relationship will deteriorate regardless of its actions and not attempt to reverse the downhill trend. At time 1, the focal party's perception of a "downhill" trend in the relationship was collected. The correlation between perception of a decline trend and F's vilification of C is  $.53 (p < .001)$ , indicating some face evidence of this possibility.

The counterpart's vilification of the focal party plays a minimal direct role in contributing to relationship dysfunctionality. C's vilification of F has a nonsignificant effect on low frequency of problems noted by F ( $\beta_{32} = -.05$  n.s.), F's constructive response to problems ( $\beta_{42} = .02$  n.s.), the dyad's effort to exploit relationship distinctiveness ( $\beta_{52} = .01$  n.s.), F's evaluation of C's performance ( $\beta_{62} = -.03$  n.s.), the dyad's competitive advantages realized to date ( $\beta_{72} = .04$

n.s.), the dyad's profit performance to date ( $\beta_{82} = .03$  n.s.), and F's expectation of relationship continuity ( $\beta_{92} = .00$  n.s.). Thus, *these results indicate that C's vilification of F at time 1 has no effect on F's relational outcomes at time 2*. Hence, there is no support for hypothesis 9.

*Model covariates.* The time 1 covariates play a role in facilitating each party's vilification of the other. F's perceived goal congruence has a significant negative effect ( $\gamma_{12} = -.58$ ,  $p < .01$ ) on its vilification of C. Similarly, C's perceived goal congruence has a significant negative effect ( $\gamma_{24} = -.58$ ,  $p < .01$ ) on its vilification of F. Collectively, this suggests that *as each party perceives the dyad to have similar goals, each side's vilification of the other decreases*. The focal party's investments idiosyncratic to the counterpart also have a significant positive effect ( $\gamma_{11} = .22$ ,  $p < .01$ ) on its vilification of C. The counterpart's investments idiosyncratic to the focal party have a significant positive effect ( $\gamma_{12} = .22$ ,  $p < .01$ ) on its vilification of F. Hence, it appears that *as each party's idiosyncratic investments in the relationship increases, each side's vilification of the other also increases*.

The environment appears to *facilitate* relational outcomes. Specifically, environmental dynamism has significant, positive effects on relational outcomes -- F's evaluation of C's performance ( $\gamma_{65} = .14$ ,  $p < .05$ ) and the dyad's competitive advantages realized to date ( $\gamma_{75} = .14$ ,  $p < .05$ ), with less pronounced effects on relationship processes and expectations. Although its effect on problem frequency is non-significant ( $\gamma_{36} = .02$ , n.s.), environmental demand has a significant positive effect on all other outcomes: F's constructive response to problems ( $\gamma_{46} = .36$ ,  $p < .01$ ), the dyad's effort to exploit relationship distinctiveness ( $\gamma_{56} = .42$ ,  $p < .01$ ), F's evaluation of C's performance ( $\gamma_{66} = .28$ ,  $p < .01$ ), the dyad's competitive advantages realized to date ( $\gamma_{76} = .51$ ,  $p < .01$ ), the dyad's profit performance to date ( $\gamma_{86} = .30$ ,  $p < .01$ ), and F's expectation of relationship

continuity ( $\gamma_6=.36, p<.01$ ). Collectively, these results suggest that the environment acts as a catalyst for good outcomes in the relationship.

### *DISCUSSION AND CONCLUSIONS*

In examining the impact of vilification processes in ongoing, close collaborations, this research advances our understanding of how these relationships unravel and how managers should strategically manage such exchanges. The results underscore the dysfunctional effects of bad-faith attributions by either side of the dyad in ongoing supply collaborations. Essentially, the data indicates that a focal party's vilification process (i) is heavily influenced by organizational aspects of the relationship and the counterpart's own vilification processes in the short-term, and (ii) has a demonstrable, adverse effect on *relational outcomes* up to one-year later, even after controlling for the immediate influence of the external environment. This investigation clearly indicates that *mere perceptions of the focal party are capable of poisoning collaborations and sending the relationship into decline over time*. Rather than being simply a source of psychological discomfort, vilification has economic consequences that endure. This suggests that *coming to a conclusion that the other side has begun operating in bad faith is quite dangerous to the relationship*.

This research increases our understanding of "structured cognition"--the impact of perceptions and evaluations -- in interorganizational processes. In a recent commentary, Selznick (1996, p. 274) notes, "These and other insights help us look closely at organizational processes, thereby identifying very *specific ways of thinking and acting*. As we do so, we gain a better understanding of *how minds are formed in organizational contexts with significant consequences for interaction and decision making*." The results of this study advance our understanding of the economic and relational consequences of the participants' cognitions of the other. Bad-faith

attributions in ongoing, interorganizational collaborations are shown to have a detrimental impact on processes such as problem frequency and constructive resolution behavior, as well as effort to create synergies and the ability to achieve enhanced competitive advantages and profits.

Vilification is spurred by the perception of negative behavior in the other party. It is more likely to occur if the vilifying party has made idiosyncratic investments in the relationship, but is likely to be inhibited when the two firms have similar goals. It appears that idiosyncratic investments, by exposing a firm to opportunism, facilitates a firm's vilification process. In contrast, similarity of goals appears to offer reassurance of non-opportunism, thereby inhibiting the vilification process.

What is the impact of vilification processes across the dyad? The results indicate that *a counterpart's vilification process accelerates the relationship's decline by reinforcing the focal party's vilification process in the short-term*, but has surprisingly minimal impact on the focal party's outcomes over time. The short-term effect may be due to the fact that each party behaves in a manner consistent with their expectations about the other (e.g., the other party is dishonest, operating in bad-faith). Each firm expects negative behavior from the other and responds negatively as well. This self-perpetuating interaction pattern was first noted in interpersonal interactions by Terman, Bittenweiser, Ferguson, Johnson and Wilson (1938). They observed that each party reacts not only to the concrete aspects of the other's behavior, but what it symbolizes in the broad context of the relationship (e.g., bad-faith intentions). In particular, each party views the other party's behavior as critical in defining the causal structure of the situation and each party considers the other as the instigator and itself as the victim. The results of this research provides clear evidence of this dysfunctional reciprocal cycle across an interorganizational dyad.

What is the role of the other firm in contributing to relationship breakdown? The results suggest that the counterpart's vilification of the focal party may not impact the focal party's relationship outcomes directly. However, it may be that the focal party's vilification process create a self-fulfilling prophecy, in which its expectations elicit behaviors from the counterpart that confirms the expectancy and that might not have occurred otherwise. A self-fulfilling prophecy may have been operative on our sample, although difficult to detect within the set of measures that were employed.

We also note that explicit communication of bad-faith attributions may not be necessary for this self-perpetuating, reciprocal process of dysfunctionality to occur. In research on intrinsic motivation with subject surveillance, Enzle & Anderson (1993) show that even if a surveillant's controlling intentions are unstated, subjects will infer both evaluating and distrusting surveillant intentions from context cues. They demonstrate that this inference has a strong undermining influence on intrinsic motivation and perceived personal autonomy. Hence, it is possible that collaboration partners might never explicitly communicate their individual vilification conclusions of bad-faith; despite this, whether willingly or unwillingly, this conclusion is communicated to the other party, with adverse consequences.

Do mere attributions have a real effect on dyadic functioning and performance over time? The results indicate that *the essential explanation of the outcomes experienced by one side resides in the vilification carried out by that party itself*. The outcomes of a firm are driven heavily by what that firm experiences. Specifically, we find that fully one year after vilifying its counterpart, the focal party:

- experiences higher problem frequency in the relationship,
- offers less constructive responses to problems,

- reduces its confidence in the continuity of the relationship,
- experiences lowered performance from the focal party,
- observes that the dyad is reducing its efforts to exploit the pair's distinctiveness,
- observes that the dyad is reducing the realization of dyadic competitive advantages,
- and observes that the relationship is reducing the realization of dyadic profits.

In short, vilification hurts performance. Collectively, these results indicate that mere “rumblings” in a relationship – negative attributions and affect that might be construed as the everyday “cost of doing business” – are likely to have a significantly negative impact on the relationship down the road. These results cannot be attributed to major differences in the business environment of the dyads.

What does the focal party do that accounts for these performance results? One possibility is that over time, the focal party withdraws or holds back in the relationship, behaving in ways that are detrimental to the collaboration. Another possibility is that over time, the focal party comes to believe that it is unable to influence the counterpart’s negative behavior and subsequent negative outcomes. This has a demotivating effect on its effort to engage in relational processes that build the relationship or strive for joint outcomes. This is the central notion of learned helplessness theory (Abramson, Seligman & Teasdale 1978; Seligman 1975), which postulates that expectancies of uncontrollability induce apathy and giving up.<sup>11</sup>

We also note that the immediate environment has a beneficial effect on relational outcome. In fact, environmental dynamism and demand enhances relationship evaluations, the achievement of competitive advantages, and enhanced profit performance while environmental demand creates opportunities for cooperation, a positive light and future expectations. It is interesting to note that *the observed, adverse effects on relational outcomes is due to factors and*

*processes that reside within the dyad, and not to factors in the local environment, external to the dyad and beyond their control.*

This research also advances our understanding of the causal relationship between vilification processes and its consequential impact on dyad performance and functioning over time. The longitudinal data collection is consistent with the theoretical position that the effects of vilification require time to observe. A cross-sectional design would have focused on the correlation between vilification and the outcomes in one time period. In this case, an observed significant result might have many sources of explanation and may even be spurious, in light of the theoretical prediction that the consequence of vilification require time to observe. By incorporating a longitudinal design in our test of theory, we provide a more consistent representation of the theory to data and are better able to isolate the causal relationship between these factors.

#### *IMPLICATIONS FOR MANAGEMENT*

In reviewing the research on organizational decline, Weitzel & Jonsson (1989) make the following conclusion:

It is clear that the development of a system of diagnostic tools for the early identification of conditions leading to decline is important in order to stimulate early response to conditions that are deleterious to the organization's long-term survival. Adequate preparation for coping with decline-producing conditions is really an on-going attention to activities that sensitize organizations to internal and external change and that are simply part of the repertoire of effective organizational governance. (p. 107)

This research identifies a diagnostic indicator of the conditions leading to decline in interorganizational collaboration. However, its successful use in organizations is contingent on a firm's willingness to be sensitive to the subtle nature of vilification. Specifically, the findings suggest that managers should monitor the extent of complaining in their own organizations about their counterparts and pay particular attention to enduring negative behaviors on the part of the

other firm. When these things arise, they should be investigated and settled quickly. Letting problems continue on can lead to the attribution of bad faith, thereby accelerating the cycle of vilification by both sides. Particular sensitivity to complaints and negative organizational behavior is called for in relationships in which the focal organization has invested heavily in idiosyncratic assets or holds goals divergent from the counterpart's. Further, complaints from the counterpart should not be minimized. If vilification begins in the counterpart organization, it is likely to spread to the focal party and set in motion a process of mutual attribution of bad faith. Left to grow, this phenomenon will have deleterious effects on the performance of the dyad, even a dyad which has experienced great success in the past.

Vilification creates an expectancy about the future state of affairs in the collaboration. This expectancy forms the basis for virtually all of the firm's subsequent attitudes, behaviors, and self-fulfilling prophecies. One way to break out of a dysfunctional cycle of vilification is to regularly introduce a *disconfirmation of a firm's negative expectancy*. Olson, Roese, and Zanna (1996) develop a conceptual model of how expectancies operate in social exchange; they indicate that when disconfirming information or behavior is introduced, it is initially aversive, but will produce systematic processing, inferential reasoning, and subsequently, a decision to maintain or revise the original expectancy. This suggests that regular demonstrations of disconfirming behavior (e.g., credible commitments, follow-through on promises, and relational norms) on the part of the vilified party may break the dysfunctional cycle and reverse the downhill trend.

#### *LIMITATIONS*

There are several limitations to note in this research. First, the survey methodology may have created common method variance that could have inflated construct relationships. This could be particularly threatening if the respondents had provided responses that they felt were

socially acceptable. However, the respondents were never told that relationship decline and vilification were the specific issues of interest in this study. Most of the construct items were separated and mixed so that no one respondent would be able to detect readily which items were affecting which factors. Hence, it is reasonable to expect that common method variance bias was minimized.

This study is one of only a few that take a dyadic approach in testing hypotheses about relationship development. Also few are the studies which are longitudinal. Extremely rare are studies, such as this one, which are both dyadic and longitudinal. Dyadic model specification, particularly in the area of relationship decline, is still at an early stage. Although care was taken to develop conceptual arguments based on past research in marketing, organizational behavior, and social psychology, specification error or omission of an important variable cannot be ruled out. This study does not attempt or claim to exhaust all possible factors at work in relationship decline. Instead, this research is an attempt to study a subset of these possible variables and represents an incremental step toward better understanding a rich interorganizational phenomenon.

#### *FUTURE RESEARCH*

This study suggests that vilification is an economically powerful phenomenon that merits further research attention. A number of future research issues are evident. A natural first step would be to examine other factors predictive of vilification. In particular, process descriptions would be of value to address questions such as what precipitates the process. How accurate are these attributions? What biases exist that influence their formation? Are attributions initially positive? If so, then what causes them to become negative? Is there a turning point or a "straw that breaks the camel's back"? Another interesting avenue of research concerns the impact of the

relational context on attributions. For example, does the amount or nature of relationship history matter? Would vilification effects vary across relationship phase? Further consequences of vilification merit examination as well, such as explicit or indirect withdrawal from the relationship.

This research constitutes a first step towards the understanding of the impact of attributions upon relational outcomes in ongoing collaborative supply relationships. Hopefully, future research will further establish the nature, causes, and effects of this pervasive phenomenon.

FIGURE 1  
CONCEPTUAL FRAMEWORK

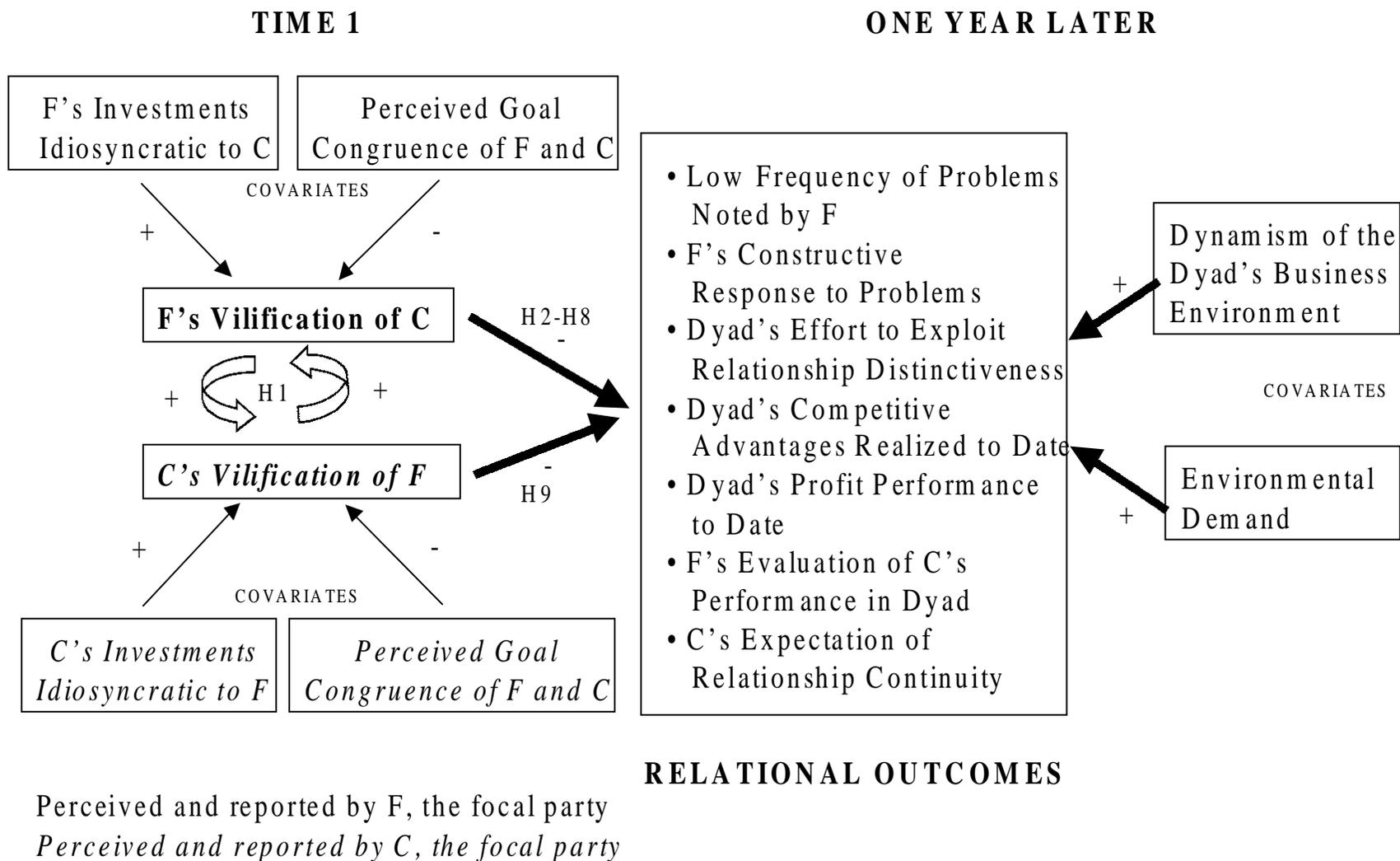
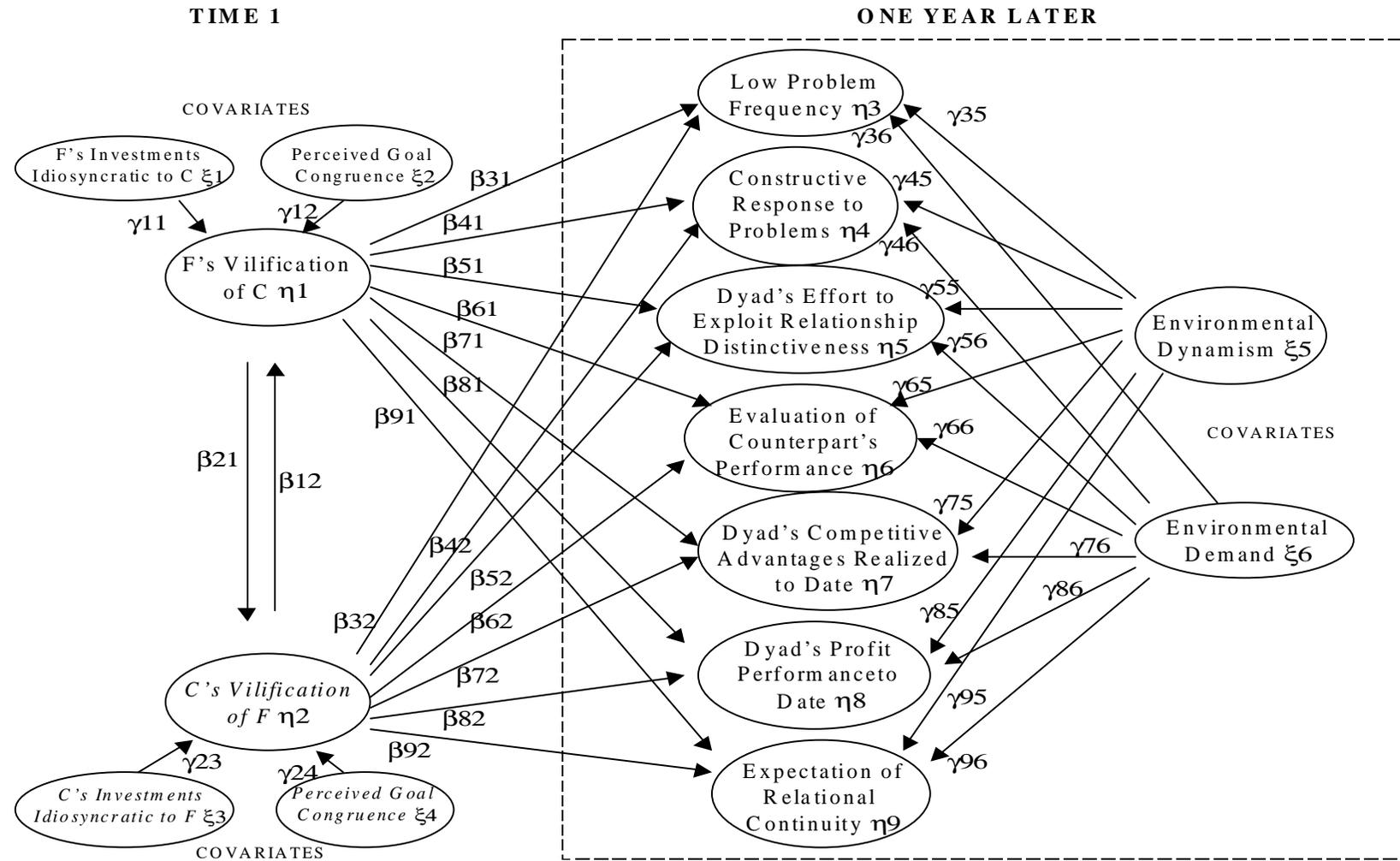


FIGURE 2  
STRUCTURAL MODEL

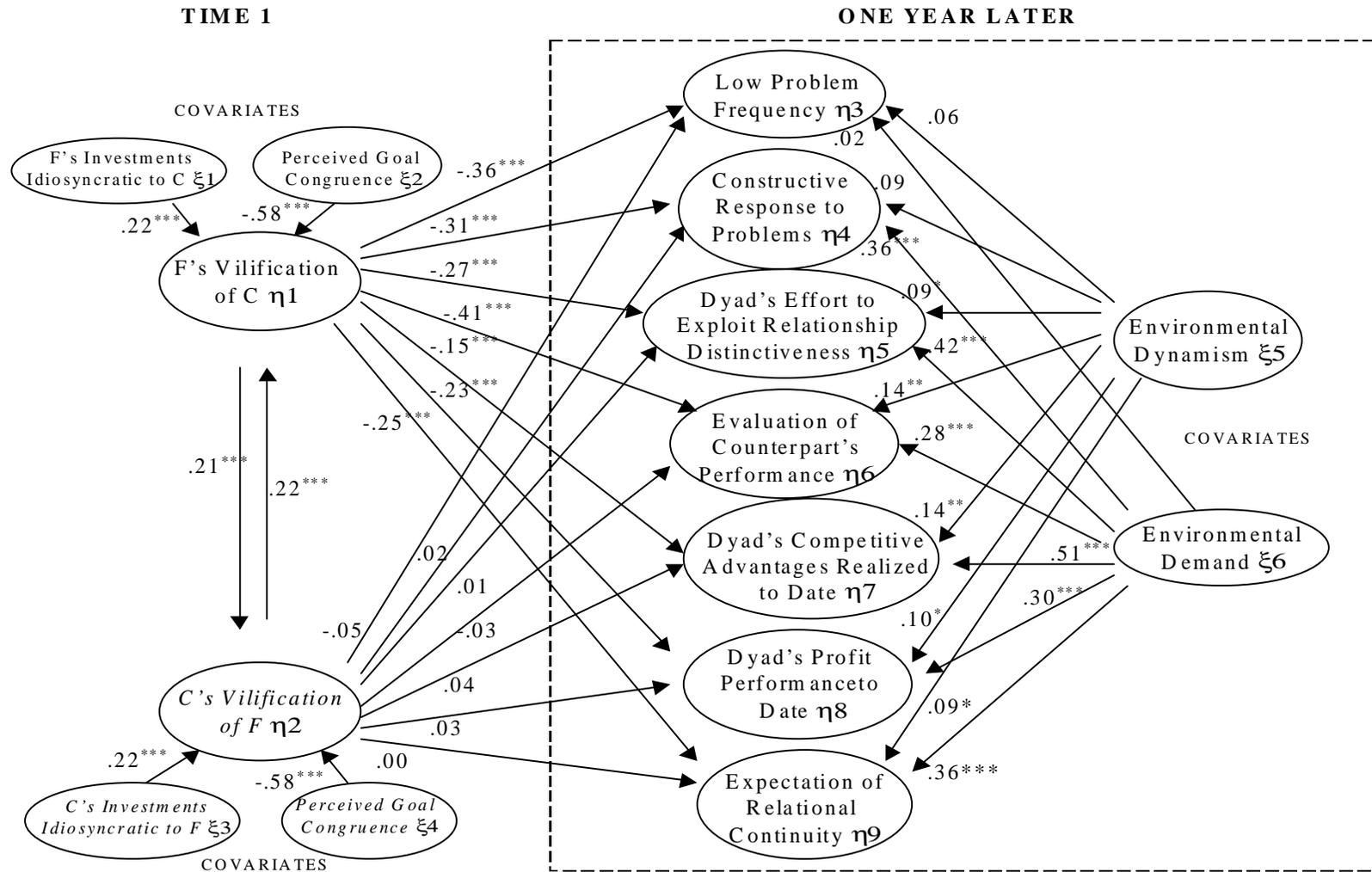


Perceived and reported by F, the focal party  
Perceived and reported by C, the counterpart

Intercorrelations between factors are not depicted for simplicity of presentation.

FIGURE 3

ESTIMATED STRUCTURAL MODEL



Perceived and reported by the focal party (F)  
 Perceived and reported by the counterpart (C)

\*  $\alpha=.1$ , \*\*  $\alpha=.05$ , \*\*\*  $\alpha=.01$

Intercorrelations between factors are not depicted for simplicity of presentation.

TABLE 1  
MEANS, STANDARD DEVIATIONS, AND CORRELATIONS

Standard deviations are in parentheses.

|   | MEAN (SD) | MIN | MAX | 1            | 2           | 3          | 4           | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  |
|---|-----------|-----|-----|--------------|-------------|------------|-------------|-----|-----|-----|-----|-----|-----|-----|-----|
| <b>TIME 1</b>   |           |     |     | <b>N=495</b> |             |            |             |     |     |     |     |     |     |     |     |
| 1 Vilification of Dyad Partner                          | 2.1 (.97) | 1.0 | 6.6 | ---          |             |            |             |     |     |     |     |     |     |     |     |
| 2 Perception of Goal Congruence with Dyad Partner       | 5.0 (1.1) | 2.0 | 7.0 | -.55         | ---         |            |             |     |     |     |     |     |     |     |     |
| 3 Investments Idiosyncratic to Dyad Partner             | 2.0 (1.0) | 1.0 | 5.3 | .21          | <b>-.00</b> | ---        |             |     |     |     |     |     |     |     |     |
| <b>TIME 2</b>   |           |     |     | <b>N=321</b> |             |            |             |     |     |     |     |     |     |     |     |
| 4 Low Problem Frequency Noted by F                      | 2.9 (1.2) | 1.0 | 6.0 | .35          | -.30        | <b>.04</b> | ---         |     |     |     |     |     |     |     |     |
| 5 F's Constructive Response to Problems                 | 5.8 (.74) | 2.5 | 7.0 | -.29         | .39         | .19        | -.24        | --- |     |     |     |     |     |     |     |
| 6 Dyad's Effort to Exploit Relationship Distinctiveness | 5.0 (.89) | 2.0 | 7.0 | -.26         | .32         | .12        | -.19        | .55 | --- |     |     |     |     |     |     |
| 7 F's Evaluation of C's Performance                     | 5.2 (1.1) | 1.7 | 7.0 | -.42         | .37         | .12        | -.42        | .58 | .63 | --- |     |     |     |     |     |
| 8 Dyad's Competitive Advantages Realized to Date        | 4.8 (.94) | 1.0 | 7.0 | -.13         | .26         | .30        | -.15        | .46 | .62 | .53 | --- |     |     |     |     |
| 9 Dyad's Profit Performance to Date                     | 4.5 (.97) | 1.0 | 7.0 | -.22         | .22         | <b>.08</b> | <b>-.09</b> | .28 | .54 | .47 | .58 | --- |     |     |     |
| 10 F's Expectation of Relationship Continuity           | 5.2 (.98) | 1.8 | 7.0 | -.25         | .33         | .23        | -.29        | .62 | .62 | .71 | .58 | .40 | --- |     |     |
| 11 Environmental Dynamism                               | 4.9 (.90) | 1.3 | 7.0 | <b>.02</b>   | .13         | .14        | <b>-.00</b> | .27 | .32 | .22 | .38 | .22 | .28 | --- |     |
| 12 Environmental Demand                                 | 5.0 (.87) | 1.3 | 7.0 | .01          | -.06        | -.03       | -.03        | .12 | .15 | .16 | .21 | .14 | .15 | .16 | --- |

Correlations in bold are not significant at  $\alpha = .05$

TABLE 2  
STRUCTURAL MODEL ESTIMATES

$\chi^2=3828$  (1772 df),  $p<0$   
RMSEA=.045

CFI = .90  
IFI = .90  
TLI = .89

| H                       | Effect  | Estimate |
|-------------------------|---|----------|
| <b>Structural Model</b> |   |          |
|                         | F's Vilification of C -> Low Frequency of Problems Noted by F [ $\beta_{31}$ ]                                | -.36***  |
|                         | F's Vilification of C -> F's Constructive Response to Problems [ $\beta_{41}$ ]                               | -.31***  |
|                         | F's Vilification of C -> Dyad's Effort to Exploit Relationship Distinctiveness [ $\beta_{51}$ ]               | -.27***  |
|                         | F's Vilification of C -> F's Evaluation of C's Performance [ $\beta_{61}$ ]                                   | -.41***  |
|                         | F's Vilification of C -> Dyad's Competitive Advantages Realized to Date [ $\beta_{71}$ ]                      | -.15***  |
|                         | F's Vilification of C -> Dyad's Profit Performance to Date [ $\beta_{81}$ ]                                   | -.23***  |
|                         | F's Vilification of C -> F's Expectation of Relationship Continuity [ $\beta_{91}$ ]                          | -.25***  |
|                         | C's Vilification of F -> Low Frequency of Problems Noted by F [ $\beta_{32}$ ]                                | -.05     |
|                         | C's Vilification of F -> F's Constructive Response to Problems [ $\beta_{42}$ ]                               | .02      |
|                         | C's Vilification of F -> Dyad's Effort to Exploit Relationship Distinctiveness [ $\beta_{52}$ ]               | .01      |
|                         | C's Vilification of F -> F's Evaluation of C's Performance [ $\beta_{62}$ ]                                   | -.03     |
|                         | C's Vilification of F -> Dyad's Competitive Advantages Realized to Date [ $\beta_{72}$ ]                      | .04      |
|                         | C's Vilification of F -> Dyad's Profit Performance to Date [ $\beta_{82}$ ]                                   | .03      |
|                         | C's Vilification of F -> F's Expectation of Relationship Continuity [ $\beta_{92}$ ]                          | .00      |
|                         | F's Vilification of C -> C's Vilification of F [ $\beta_{21}$ ]   | .21***   |
|                         | C's Vilification of F -> F's Vilification of C [ $\beta_{12}$ ]   | .22***   |
| <b>Covariates</b>       |   |          |
|                         | F's Investments Idiosyncratic to C -> F's Vilification of C [ $\gamma_{11}$ ]                                 | .22***   |
|                         | F's Perceived Goal Congruence -> F's Vilification of C [ $\gamma_{12}$ ]                                      | -.58***  |
|                         | C's Investments Idiosyncratic to F -> C's Vilification of F [ $\gamma_{23}$ ]                                 | .22***   |
|                         | C's Perceived Goal Congruence -> C's Vilification of F [ $\gamma_{24}$ ]                                      | -.58***  |
|                         | Dynamism of the Dyad's Environment -> Low Frequency of Problems Noted by F [ $\gamma_{35}$ ]                  | .06      |
|                         | Dynamism of the Dyad's Environment -> F's Constructive Response to Problems [ $\gamma_{45}$ ]                 | .09      |
|                         | Dynamism of the Dyad's Environment -> Dyad's Effort to Exploit Relationship Distinctiveness [ $\gamma_{55}$ ] | .09*     |
|                         | Dynamism of the Dyad's Environment -> F's Evaluation of C's Performance [ $\gamma_{65}$ ]                     | .14**    |
|                         | Dynamism of the Dyad's Environment -> Dyad's Competitive Advantages Realized to Date [ $\gamma_{75}$ ]        | .14**    |
|                         | Dynamism of the Dyad's Environment -> Dyad's Profit Performance to Date [ $\gamma_{85}$ ]                     | .10*     |
|                         | Dynamism of the Dyad's Environment -> F's Expectation of Relationship Continuity [ $\gamma_{95}$ ]            | .09*     |
|                         | Environmental Demand -> Low Frequency of Problems Noted by F [ $\gamma_{36}$ ]                                | .02      |
|                         | Environmental Demand -> F's Constructive Response to Problems [ $\gamma_{46}$ ]                               | .36***   |
|                         | Environmental Demand -> Dyad's Effort to Exploit Relationship Distinctiveness [ $\gamma_{56}$ ]               | .42***   |
|                         | Environmental Demand -> F's Evaluation of C's Performance [ $\gamma_{66}$ ]                                   | .28***   |
|                         | Environmental Demand -> Dyad's Competitive Advantages Realized to Date [ $\gamma_{76}$ ]                      | .51***   |
|                         | Environmental Demand -> Dyad's Profit Performance to Date [ $\gamma_{86}$ ]                                   | .30***   |
|                         | Environmental Demand -> F's Expectation of Relationship Continuity [ $\gamma_{96}$ ]                          | .36***   |

\*  $\alpha=.1$ , \*\*  $\alpha=.05$ , \*\*\*  $\alpha=.01$

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APPENDIX 1:  
REPRESENTATIVE EXCERPTS FROM PRE-STUDY INTERVIEWS

Italics indicate direct quotations used as basis for vilification scale.

- The order came in incomplete; when we called the supplier up and asked for the rest of the order, *they'd accuse us of stealing...* when we refused to pay for what we didn't get, *they would be rude to our invoicing clerk and charge us higher prices than we should have been...* We'd call up when we had a problem and for some reason, *always ended up with the secretary*, or we'd have to call late order and *listen to their promises to ship*.
- *You couldn't get a hold of the person you wanted to, they would tell you one thing and do another.*
- They weren't willing to invest in updating systems; *they expected us to pay for everything...didn't consider anything to be their responsibility...they "window-dressed" their efforts to improve themselves*, without hitting the meat of the problem...*they tried to fool us into thinking they were making changes when they really weren't...their prepared quotes did not meet the necessary requirements and were not properly prepared*, we kept having to go back and ask more and more questions *while receiving answers that were increasingly vague*.
- So we notified them 2-3 times that there was a problem that needed to be fixed. They assured us that they'd fix it, we're not so sure that the guy running the branch was not a little shady – *seemed to do things under the table* – when we talked to him and asked him for something and he talked to us, *it always came back that he didn't say that or he didn't do that, and we knew that he did. And he was always putting the monkey on someone else's back --...* we had left it open, telling them that they could write us a letter and state how they would correct the situation so that they could get back in our favor. *They instead chose to complain about how we were trying to eliminate them.*
- The rep changed, but there was no indication to us that it was changed..*no notice whatsoever.*
- When they were about to quote, *they'd give our buyers false deadlines*, telling them the copiers would not be available if they didn't make a decision soon.
- Their *answers weren't satisfactory* – they'd make test samples and heat them and do different things to them and run a lot of statistical data through, but *the statistical data just seemed to have hid a lot of the problems we think. It was their talk that they gave us to try and hide something or satisfy us or make us happy.*

**APPENDIX 2:  
SCALE ITEMS AND RELIABILITIES**

$\alpha$  = Cronbach alpha scale reliability.

Likert Scales (1=Strongly Disagree; 7=Strongly Agree)

**TIME 1**

| <b>VILIFICATION OF THE FOCAL FIRM OR COUNTERPART (<math>\alpha = .90</math>)</b>                           | Factor<br>Loading | Meas<br>Error |
|--|-------------------|---------------|
| When a problem occurs, how often will the buyer (supplier) do the following? (1=Hardly Ever, 7=Very Often) |                   |               |
| They make hollow promises.   | .73               | .47           |
| They are aloof toward us.  | .74               | .46           |
| They “window dress” their efforts to improve.  | .75               | .44           |
| They expect us to pay for more than our fair share of the costs to correct the problem.                    | .68               | .53           |
| They are unwilling to accept responsibility.   | .67               | .55           |
| They make false accusations.   | .80               | .36           |
| They provide false information.  | .74               | .46           |
| They fail to provide proper notification.  | .75               | .43           |

| <b>PERCEIVED GOAL CONGRUENCE (<math>\alpha = .87</math>)</b> | Factor<br>Loading | Meas<br>Error |
|--|-------------------|---------------|
| The firms share the same goals in the relationship.          |                   |               |
| They have compatible goals.                                  | .84               | .29           |
| They support each other's objectives.                        | .86               | .26           |
| They have different goals. (R)                               | .85               | .28           |
|  | .64               | .59           |

| <b>INVESTMENTS IDIOSYNCRATIC TO THE FOCAL FIRM OR COUNTERPART (<math>\alpha = .91</math>)</b>   | Factor<br>Loading | Meas<br>Error |
|---|-------------------|---------------|
| Your firm may have made investments in time, energy and/or money specifically to accommodate this buyer/supplier and its products. These investments would be lost if your firm switched to another buyer/supplier. Please indicate the extent to which your firm has made investments or changes specifically to accommodate X. (1=None, 7=A Great Deal) |                   |               |
| Just for this buyer/supplier, we have changed our...  |                   |               |
| 1. Product requirements   | .66               | .56           |
| 2. Sales personnel  | .76               | .42           |
| 3. Inventory and distribution procedures  | .80               | .51           |
| 4. Policies   | .76               | .42           |
| 5. Retailing strategy   | .74               | .45           |
| 6. Information systems  | .83               | .31           |

**TIME 2**

| <b>FOCAL FIRM'S EVALUATION OF COUNTERPART'S PERFORMANCE IN DYAD (<math>\alpha = .88</math>)</b>         | Factor<br>Loading | Meas<br>Error |
|---|-------------------|---------------|
| Our association with this buyer/supplier has been a successful one.                                     | .83               | .31           |
| The buyer/supplier leaves a lot to be desired from an overall performance standpoint. (R)               | .77               | .40           |
| If we had to give the buyer/supplier a performance appraisal, it would be outstanding.                  | .79               | .38           |
| Overall, the results of our relationship with the buyer/supplier have fallen short of expectations. (R) | .80               | .37           |

|   | Factor Loading | Meas Error |
|---|----------------|------------|
| <b>FOCAL FIRM'S EXPECTATION OF RELATIONSHIP CONTINUITY</b>                                      |                |            |
| Our relationship with this firm will last far in to the future.                                 | .92            | .15        |
| We expect to continue working with this firm on a long-term basis.                              | .91            | .18        |
| <b>FOCAL FIRM'S CONSTRUCTIVE RESPONSE TO PROBLEMS</b>   |                |            |
| We try to repair problems that occur between us.  | .83            | .31        |
| We try to work things out when a problem arises.  | .66            | .57        |
| <b>PROBLEM FREQUENCY NOTED BY FOCAL FIRM</b>  |                |            |
| How frequently do problems arise between your firm and this firm? (1=hardly ever, 7=very often) |                |            |
| <b>DYAD'S EFFORT TO EXPLOIT RELATIONSHIP DISTINCTIVENESS (<math>\alpha = .82</math>)</b>        |                |            |
| They work on joint projects tailored to their needs.  | .76            | .42        |
| They work together to exploit unique opportunities.   | .79            | .37        |
| Both companies are always looking for synergistic ways to do business together.                 | .76            | .43        |
| <b>DYAD'S COMPETITIVE ADVANTAGES REALIZED TO DATE</b>   |                |            |
| They have both gained strategic advantages over their competitors.                              | .85            | .28        |
| They have gained benefits that enable them to compete more effectively in the marketplace.      | .79            | .37        |
| <b>DYAD'S PROFIT PERFORMANCE TO DATE</b>  |                |            |
| They have achieved a high level of joint profits between them.                                  | .92            | .15        |
| They have generated a lot of profits together.  | .82            | .34        |
| <b>DYNAMISM OF THE DYAD'S BUSINESS ENVIRONMENT (<math>\alpha = .71</math>)</b>                  |                |            |
| The environmental demands on us are constantly changing.  | .62            | .61        |
| Marketing practices in our industry are constantly changing.                                    | .78            | .40        |
| The product mixes in our industry change frequently.  | .63            | .60        |
| <b>ENVIRONMENTAL DEMAND</b>   |                |            |
| The demand for the supplier's product(s) is high.   | .70            | .52        |
| The demand for the buyer's product(s) is high.  | .64            | .60        |

## CONTROL MEASURES AT TIME 1

### RELATIONSHIP PHASE

Relationships typically evolve through a number of phases over time. Which of the following best describes your firm's current relationship with this buyer/supplier? (Check only one)

- Exploration - Both firms are discovering and testing the goal compatibility, integrity, and performance of the other as well as potential obligations, benefits, and burdens involved with working together on a long-term basis.
- Buildup - Both firms are receiving increasing benefits from the relationship and a level of trust and satisfaction has been developed such that they are more willing to become committed to the relationship on a long-term basis.
- Maturity - Both firms have an on-going, long-term relationship in which both are receiving acceptable levels of satisfaction and benefits from the relationship.

- Decline - One or both members have begun to experience dissatisfaction and is contemplating relationship termination, considering alternative manufacturers or customers, and is beginning to communicate an intent to end the relationship.
- Deterioration - The firms have begun to negotiate terms for ending the relationship and/or are currently in the process of dissolving the relationship.

| DYAD'S EFFORT TO EXPLOIT RELATIONSHIP DISTINCTIVENESS ( $\alpha = .83$ )        | Factor Loading | Meas Error |
|---|----------------|------------|
| They work on joint projects tailored to their needs.                            | .72            | .69        |
| They work together to exploit unique opportunities.                             | .85            | .53        |
| Both companies are always looking for synergistic ways to do business together. | .76            | .65        |

#### CONTROL MEASURE AT TIME 2

| FOCAL FIRM'S PERCEPTION OF DOWNHILL RELATIONSHIP TREND ( $\alpha = .90$ ) | Factor Loading | Meas Error |
|---|----------------|------------|
| Our relationship with this firm is getting worse.                         | .72            | .70        |
| Our relationship with this firm is getting better. (R)                    | .95            | .31        |
| Our relationship with this firm is improving. (R)                         | .93            | .37        |

## ENDNOTES

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<sup>1</sup> Appendix 1 contains direct quotations of additional withdrawing and deceptive behaviors that typified reports of relationship breakdown gathered in the pre-study phase of this research.

<sup>2</sup> Observer ratings cannot be used because observers are unfamiliar with the history of the relationship.

<sup>3</sup> Empirical evidence for this assertion can be found in Ross, Anderson, and Weitz (1997).

<sup>4</sup> Of course, the effect may also be real: if the counterpart is indeed holding back or being opportunistic, its performance will suffer. However, our focus here is on whether vilification occurs; we do not examine to what extent it is justified by facts.

<sup>5</sup> The identities of these four firms are disguised for confidentiality reasons.

<sup>6</sup> A review of 27 longitudinal studies in organizational management indicates little consistency concerning an appropriate time interval (Williams & Podsakoff 1989). Typically, lags are chosen out of convenience, not theory.

<sup>7</sup> Potentially biasing interdyad correlation effects were tested and found to be nonsignificant.

<sup>8</sup> Preliminary interviews with buyers indicated that they typically required at least one year of involvement with a supplier to feel comfortable about making reports on the nature of the interorganizational relationship between the firms.

<sup>9</sup> Pre-study interviews and anecdotal evidence suggests that firms require approximately four years of exchange before they feel comfortable enough to begin building collaborative relationships (cf., Spekman, Isabella, MacAvoy and Forbes 1994).

<sup>10</sup> In order to assess the degree to which these particular intercorrelations among the dependent variables impacted the overall model fit, the model was also estimated with no intercorrelations. There was no significant impact on model fit. This indicates the minimal role that these intercorrelations play in the model's ability to explain the data and provides confidence in the theoretical specification.

<sup>11</sup> See Olson, Roese & Zanna (1996) for a review of the empirical evidence in this area.