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The Role of Firm-Level PDO in Asymmetrically Dependent Marketing Channel Relationships

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The Role of Firm-Level PDO in Asymmetrically Dependent Marketing Channel Relationships

Yuerong Liu

Dissertation Submitted
to the John Chambers College of Business and Economics
at West Virginia University

in partial fulfillment of the requirements for the degree of
Doctor of Philosophy in
Business Administration-Marketing

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2022

Keywords: Dependence asymmetry, Power distance orientation (PDO), PDO symmetry, PDO asymmetry, Conflict, Compliance

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ABSTRACT

The Role of Firm-Level PDO in Asymmetrically Dependent Marketing Channel Relationships

Yuerong Liu

This dissertation introduces power distance orientation (PDO) at firm level to extend the traditional view of power/dependence asymmetry. The traditional view suggests that the powerful firm will exploit its power for its own interest, and the dependent firm will engage in a preemptive strike (e.g., engage in self-interested, guileful behaviors before the powerful partner exploits them) due to its fear of being exploited. As a result, power/dependence asymmetry leads to deleterious relationship outcomes. Yet, power dependence theory does not consider the role of power dependence orientation, which is a firm's acceptance of unequally distributed power. This dissertation consists of three essays developed to investigate the role of firm-level PDO in asymmetrically dependent marketing channel relationships.

The first essay is a conceptual piece that examines both powerful and less powerful firms' PDO. Specifically, this essay proposes that a powerful firm's high (low) PDO is positively (negatively) related to its power usage, and that a less powerful firm's high (low) PDO is positively (negatively) related to its tolerance of its powerful partner's power usage. This essay also proposes four concepts—*symmetry on high PDO*, *symmetry on low PDO*, *negative PDO asymmetry*, and *positive PDO asymmetry*—to capture four different scenarios of firm PDO across both sides of the power dyad. This essay argues, in contrast to traditional power research, that PDO asymmetry can lead to desirable channel outcomes as positive PDO asymmetry reduces conflict in channel relationships.

The second essay argues that a dependent firm's PDO is not a static construct, but rather a malleable construct that varies over time and across situations. This essay argues that dependence asymmetry can increase the dependent firm's PDO. This represents the benevolence perspective of dependence asymmetry. This essay uses an experimental study and a survey study to test the conceptual model. Study One, the experimental study, finds that dependence asymmetry increases dependent firm's PDO. By contrast, Study Two, the survey study, finds that dependence asymmetry reduces dependent firm's PDO. The latter finding is in line with the opportunistic perspective of dependence asymmetry. This essay also proposes two potential moderators (e.g., goal congruence and financial performance) of the positive effect of dependence asymmetry on the dependent firm's PDO. Specially, both goal congruence and financial performance will strengthen the positive dependence-asymmetry → dependent firm PDO relationship. The empirical results from Study Two, however, suggest that goal congruence weakens the negative impact of dependence asymmetry on PDO ($\beta = .18, p < .05$).

The third essay examines the different motivations (e.g., relationship value and switching cost) behind dependence asymmetry and their effect on dependent firm PDO. Whereas relationship value dependence asymmetry is based on benefits and positive motivation and thus encourages the dependent firm to increase its PDO, switching cost dependence asymmetry is based on costs and negative motivation, which compels the dependent firm to decrease its PDO. This essay also investigates the impact of the dependent firm's PDO on its behaviors. A dependent firm's high (low) PDO will decrease (increase) conflict and increase (decrease) compliance with its powerful partner. Finally, this essay examines the moderating effects of the powerful partner's PDO on the above relationships. This essay uses a longitudinal study to test

above relationships as well as the impacts of four scenarios outlined in Essay One (e.g., symmetry on high PDO, symmetry on low PDO, negative PDO asymmetry, and positive PDO asymmetry) on dependent firm's behaviors (e.g., conflict and compliance). The empirical results suggest that switching cost dependence decreases the dependent firm's PDO. The results also support the argument in Essay One that PDO asymmetry is not necessarily bad in terms of compliance: positive PDO asymmetry and two scenarios of PDO symmetry have a higher level of compliance than negative PDO asymmetry.

DEDICATION

The author wishes to dedicate this research to Jesus Christ, who led her to this academic path, and her parents, who have always supported her unconditionally during this journey.

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INTRODUCTION

1. Overview of Research Context

In channel relationships, one firm may be very powerful, like Walmart, while the other firm may hold less power, like Walmart's supplier, Rubbermaid. The power disparity in this relationship led to undesirable results for Rubbermaid. When the price of Rubbermaid's raw material, resin, skyrocketed, Walmart forced Rubbermaid to maintain the original low price by threatening to relegate its products to an undesirable shelf space and drop its orders (Kaufman 2000). Rubbermaid did not give in to Walmart, and this resulted in Rubbermaid's bankruptcy (Norman 2000). This Walmart-Rubbermaid example aligns with the traditional view of power/dependence asymmetry; namely, channel relationships characterized with asymmetrical power or dependence tend to generate undesirable results (e.g., higher conflicts and lower trust) (Kumar, Scheer, and Steenkamp 1995). Therefore, power/dependence asymmetry is viewed as an aversive state.

Some other research, however, suggests that firms may seek dependence on their channel partners (Zhuang and Zhou 2004). Research finds that suppliers seek dependence on key retail accounts (KRAs), such as Walmart and Target, to achieve better financial performance (Hofer et al. 2012). For example, Rubbermaid's rival Sterilite (the less powerful firm) tends to comply with Walmart's (the more powerful firm) requirement on low price. Sterilite's dependence on and compliance with Walmart led to Walmart's promotion of its products (Kaufman 2000). This Walmart-Sterilite example challenges the traditional view of power/dependence asymmetry and demonstrates that power disparity does not necessarily lead to undesirable results.

This dissertation argues that the above conflicting phenomena can be explained by the channel firm's power distance orientation (PDO). PDO refers to a firm's level of acceptance of

unequally distributed power in a channel relationship (Wuyts and Geyskens 2005). Most channel studies do not examine the role of PDO, but rather they assume that powerful firms have high PDO and that less powerful firms have low PDO (e.g., Kumar, Scheer, and Steenkamp 1995). The Walmart-Rubbermaid example aligns with this view, with Rubbermaid not accepting the power disparity. However, the less powerful firm, like Sterilite, may accept the power disparity in its channel relationship, resulting in better outcomes. This dissertation, therefore, will introduce firm PDO to power-dependence theory and examine its impacts on channel firms' behaviors and explain the above conflicting phenomena.

2. Theoretical Contribution

This dissertation aims to contribute to the power-dependence literature in three ways. First, this dissertation introduces firm-level PDO to power-dependence theory and examines it on both sides of a dyad. This dissertation argues that a powerful firm's PDO is related positively to its power usage and that less powerful firm's PDO is related positively to its tolerance of its partner's power usage. Second, this dissertation proposes four new concepts to capture four scenarios of dyadic PDO: symmetry on high PDO, symmetry on low PDO, negative PDO asymmetry, and positive PDO asymmetry. Contrary to the extant literature, this paper argues that PDO asymmetry (e.g., positive PDO asymmetry) can yield positive outcomes since the less powerful firm is tolerant of its powerful partner's power usage. Third, this dissertation argues that a firm's PDO is malleable instead of static and examines its potential antecedents: overall dependence asymmetry, relationship value dependence asymmetry, and switching cost dependence asymmetry.

In sum, this research extends power-dependence theory by challenging the traditional, narrow view of power by introducing PDO logic, identifying four PDO scenarios that broaden

our view of how power operates in dyadic channel relationships, and examining the potential antecedents of a firm's PDO.

3. Structure of the Dissertation

This dissertation includes three essays. Essay One is a conceptual paper that examines both more powerful and less powerful firms' PDO, and PDO's key role in channel relationships with power disparity. It contributes to the power literature in the following two ways. First, Essay One applies PDO at the firm level to challenge the traditional view of power (i.e. unequally distributed power between channel partners leads to undesirable results, such as high conflict and low trust and commitment) (Kumar, Scheer, and Steenkamp 1995). Previous research suggests that a firm's power leads to its use of power for its own interest since it has low fear of retaliation from its less powerful partner (Carson and Ghosh 2019; Kumar, Scheer, and Steenkamp 1995; Zhuang, Herndon, and Zhou 2006). By contrast, this essay argues that a powerful firm with low PDO tends not to use its power for its own interest because it values equality with its less powerful partner. In this way, the effect of PDO on power usage challenges the positive correlation between power and power usage reported in extant research (Gaski and Nevin 1985).

Moreover, previous research suggests that the less powerful firm tends to conduct a preemptive strike to rebel against its powerful partner due to its (the less powerful firm's) high expectation of being exploited (Kumar, Scheer, and Steenkamp 1995). Essay One, however, argues that a less powerful firm with high PDO is more tolerant of its powerful partner's potential power usage. Further, it tends not to react negatively even if treated unfairly (Lund, Scheer, and Kozlenkova 2013).

Second, Essay One contributes to the power literature by examining firm PDO on both sides of a dyad and suggesting that PDO asymmetry is not necessarily bad. This essay also proposes four concepts: symmetry on high PDO, symmetry on low PDO, negative PDO asymmetry, and positive PDO asymmetry, to capture four different scenarios of firm PDO across both sides of the power dyad. Essay One argues that positive PDO asymmetry (i.e., a low-PDO powerful firm working with a high-PDO less powerful firm) can generate desirable outcomes in a channel relationship. In this scenario, the powerful firm with low PDO values equality, thus not using its power for its own interest (Lund, Scheer, and Kozlenkova 2013). Moreover, the less powerful firm tends to view its partner as superior, thus following and complying with its partner (Samaha, Beck, and Palmatier 2014). As a result, the less powerful firm tends not to rebel against its partner or engage in a preemptive strike.

Essay Two contributes to channel literature by positing that a firm's PDO is malleable. In other words, a firm's PDO is not a static construct, but rather it varies over time and/or across different channel relationships. Further, this research identifies variables—dependence asymmetry, goal congruence, and financial performance—that may affect a firm's PDO. Specifically, this research suggests that dependence asymmetry may increase a dependent firm's PDO (i.e., acceptance of power disparity) rather than leading to pre-emptive strikes and retaliation. It is posited that the benevolent, collaborative perspective emphasizes mutual interests and benefits that encourage a dependent firm to accept this unequally distributed power favoring its partner (Hofer 2015; Hofer et al. 2012).

Essay Two uses a multi-method approach (i.e., lab experiment and cross-sectional survey) to test the causal relationship between dependence asymmetry and a firm's power distance orientation. The lab study measured respondents' PDO both before and after

dependence asymmetry manipulation and their interaction via negotiation. The lab study finds that dependent firms' PDO increased by 1.23 (on a 7-point scale) (t-value: 6.08, $p < .001$) from the pre- and post-measure of PDO, suggesting that their dependent position increased their acceptance of unequally distributed power (i.e., PDO). Essay Two also used a cross-sectional survey from manufacturers' representatives to test the proposed model and hypotheses. This study finds that the empirical evidence of the opportunistic perspective of dependence asymmetry: dependence asymmetry decreases the dependent firm's PDO ($\beta = -.83$, $p < .05$). Also, under the condition of goal congruence, the impact of dependence asymmetry on PDO is weakened ($\beta = .18$, $p < .05$). These two studies confirm that a firm's PDO is malleable and is influenced by dependence asymmetry.

Essay Three contributes to channel relationship literature by empirically examining different types of dependence asymmetry, namely relationship value and switching cost dependence asymmetry, separately because the two types of dependence asymmetry may have different effects on PDO (due to their different motivations for maintaining the relationship, e.g., cost vs. benefit). This essay proposes two paths of how dependence asymmetry affects PDO. The first path is a self-interest seeking path. Because firms are self-interest seeking and relationship value dependence asymmetry provides benefits, firms tend to accept the unequally distributed power when they have relationship value dependence asymmetry (Scheer, Miao, and Garrett 2010; Williamson 1981), resulting in a higher PDO. The second path is the reactance path. When a firm is locked into a channel relationship by its switching cost dependence, it decreases its PDO and adjusts its behaviors (e.g., increasing conflict and decreasing compliance).

Essay Three also considers the powerful partner's acceptance of the unequally distributed power because this may affect its power usage. This essay argues that the powerful partner's

PDO will moderate the relationship between dependent firm's PDO and its (a) conflict and (b) compliance. The conceptual model and hypotheses in the essay are tested by a longitudinal survey from manufacturers' representatives from various industries (e.g., automobile, construction, and agriculture) in the United States. This study finds that switching cost dependence asymmetry decreases dependent firm's PDO ($\beta = -.16, p < .05$). This essay also finds that negative PDO asymmetry has the lowest compliance, and other three scenarios of the interaction of dependent firm PDO and powerful firm PDO have a high level of compliance.

To conclude, this research underscores the importance of examining firm PDO in channel relationships. Firm PDO influences its acceptance of and reactions to power disparity in channel relationships. Furthermore, this research demonstrates that firm PDO is a malleable construct, influenced by the dependence structure of the relationship. Theoretical and managerial implications of this research, as well as future research directions, are discussed.

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Essay One: Power and Power Distance Orientation in Channel Relationships:

PDO Symmetry and PDO Asymmetry

1. Introduction

Marketing theory and practice recognize that power plays a key role in channel relationships (Brown, Lusch, and Nicholson 1995; Hunt and Nevin 1974; Lusch 1976). Whereas some research suggests that power can be wielded to benefit the channel (Kiyak, Roath, and Schatzel 2001; Yeung et al. 2009), most research suggests that the powerful partner will use its power to exploit its less powerful channel partner(s). The powerful firm has low fear of retaliation from its less powerful partner, which facilitates its power exploitation (Kumar, Scheer, and Steenkamp 1995; Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006). Knowing that the powerful partner has little motivation or incentive to refrain from using its power to its advantage, the less powerful partner expects to be exploited and therefore may engage in a preemptive strike (e.g., engage in self-interested, guileful behaviors before the powerful partner exploits them) (Gaski and Nevin 1985; Kumar, Scheer, and Steenkamp 1995). In sum, research suggests that both the powerful partner and the weaker partner are increasingly likely to engage in conflict when power is asymmetrically distributed in the relationship (Kumar, Scheer, and Steenkamp 1995), which results in undesirable channel outcomes (e.g., lower trust and lower satisfaction) (Jain et al. 2014; Kumar, Scheer, and Steenkamp 1995).

This traditional view, however, does not consider the role of power distance orientation (PDO), which refers to a firm's acceptance of unequally distributed power (Wuyts and Geyskens 2005). For example, a powerful firm with low PDO may value more equality between it and its less powerful partner and thus will refrain from using power for its self-interest (Nakata and Sivakumar 1996). Additionally, a less powerful firm with high PDO will be more accepting of

the power differential and thus will refrain from a preemptive strike (Hofstede 2011). PDO, therefore, is key to understanding how power dynamics within a channel relationship affects channel outcomes. Therefore, this essay will examine PDO at the firm level to investigate how firms with different levels of PDO react differently to power asymmetry.

Only a few studies have examined PDO at the firm level (e.g., Lund, Scheer, and Kozlenkova 2013; Samaha, Beck, and Palmatier 2014; Wuyts and Geyskens 2005). Wuyts and Geyskens (2005), for example, find that firms with high PDO tend to use more specific contracts. Further, Lund, Scheer, and Kozlenkova (2013) report that the importance of both outcome and procedural fairness decrease as firms' PDO increases. Lastly, Samaha, Beck, and Palmatier (2014) examine the moderating role of PDO on relationship marketing; they find that a firm's PDO enhances the positive impact of its partner's expertise on the firm's trust and commitment. While these studies provide important insights on the role of firm's PDO in channel relationships, they only examine the PDO of one side of the channel dyad¹.

To my best knowledge, only one study has examined firm PDO at a dyadic level (Huang, Zhu, and Brass 2017). Huang, Zhu, and Brass (2017) find that when the two firms' PDOs diverge, they experience more conflict and lower post-acquisition performance compared to firms whose PDOs are aligned. In general, these scholars argue that PDO differences between firms have a negative impact on the relationship. While this research study underscores the importance of examining firm PDO on both sides of a dyad, it has some limitations. First, it uses the country PDO index as a proxy for firm-level PDO. Second, it does not explicitly examine how firm PDO impacts power usage and/or acceptance of power usage.

¹ Whereas Lund, Scheer, and Kozlenkova (2013) and Samaha, Beck, and Palmatier (2014) examine the less powerful firm's PDO, Wuyts and Geyskens (2005) focus on the more powerful partner's PDO.

This essay will attempt to address the gaps of current research on firm-level PDO. First, this essay introduces PDO at the firm level and examines its impacts on power usage and/or acceptance of power usage. In doing so, this essay will challenge two assumptions of traditional power research, namely, that power leads to exploitation and lack of power leads to rebellion (Kumar, Scheer, and Steenkamp 1995; Zhuang, Herndon, and Zhou 2006). Second, this essay will examine firm PDO on both sides of a dyad. Specially, this essay will introduce four scenarios capturing different levels of channel members' PDOs: symmetry on low PDO, symmetry on high PDO, positive PDO asymmetry, and negative PDO asymmetry. Third, this essay will also challenge the view that PDO asymmetry (i.e., difference in the level of firm PDO between channel members) is undesirable. While research has shown that differences in firm PDO may adversely affect performance (Huang, Zhu, and Brass 2017), I argue that there are situations in which differences in the level of firm PDO will yield desirable outcomes.

Specifically, this essay argues that a less powerful firm with high PDO working with a more powerful partner with low PDO will experience low to moderate conflict rather than high conflict. In this scenario, the more powerful partner with low PDO will likely refrain from using power for its own interest because it values equality with its partner (Wuyts and Geyskens 2005). As a result, the less powerful firm has less fear of being exploited, and, therefore, is less likely to engage in a preemptive strike or rebellion against its partner (Kumar, Scheer, and Steenkamp 1995). In sum, PDO asymmetry may not always lead to undesirable outcomes.

In the following sections, this essay will first review literature on power, power versus power usage, power distance orientation as both a cultural dimension and a firm-level construct, cultural distance, and PDO difference. Then this essay will suggest several propositions about

PDO symmetry and asymmetry. Finally, this essay will discuss its theoretical contributions, managerial implications, limitations, and future research directions.

2. Literature Review

2.1 Power

Power in channel relationships refers to a firm's ability to get its partners to do something that the partners otherwise would not do (Gaski 1984). It is often considered the opposite construct of dependence: a firm's power over its exchange partner is equal to this partner's dependence upon the firm (Emerson 1962). Therefore, a channel firm has a high level of power if (1) it owns the resources that are critical to its partner; (2) there are few alternatives that can provide these important resources; and (3) it is costly for its partner to replace this firm (Emerson 1962; Frazier 1983; Pfeffer and Salancik 1978).

Power scholars have identified five sources of power: coercive, reward, expertise, legitimate, and referent (see Table 1 or next paragraph for definitions). There are three main dichotomies of these power sources: coercive versus noncoercive power, economic versus non-economic power, and mediated versus non-mediated power (see Table 2 for definitions)². The most prevalent dichotomy of the above sources of power is coercive versus noncoercive power, which will be discussed further in the following sections.

² Table 2 lists the definitions and representative studies of power under the three dichotomies. While coercive versus noncoercive dichotomy regards reward power as noncoercive power, the other two dichotomies categorize reward power into economic/mediated power, which leads to negative results (e.g., conflict, Brown, Lusch, and Muehling 1983). Moreover, economic versus non-economic power and mediated versus non-mediated power distinguish legitimate power into legal legitimate and traditional legitimate power. Legal legitimate power arises from contractual agreements, and it belongs to economic/mediated power (Brown, Lusch, and Muehling 1983; Brown, Lusch, and Nicholson 1995; Elgar 1978). Traditional legitimate stems from the perceived hierarchies in the channel relationship (Brown, Lusch, and Muehling 1983). Traditional legitimate power belongs to non-economic/non-mediated power that decreases channel conflict (Brown, Lusch, and Muehling 1983). Finally, these two dichotomies identify information power, a new power source, and view it as non-economic/mediated power. Information power refers to a firm's ability to provide or interpret information that is beneficial to its channel partners (Brown, Lusch, and Muehling 1983).

Insert Table 1 and 2

Coercive power refers to a firm's ability to exert punishment over its channel partner, whereas noncoercive power refers a firm's ability to provide potential benefits to its channel partner (French and Raven 1959). Noncoercive power stems from (1) reward: a firm's ability to mediate rewards to its partner (e.g., wider gross margin); (2) expert: a firm's specific knowledge (e.g., sales training programs); (3) legitimate: a firm's legitimate right to influence others (e.g., franchise contract); and (4) referent: a firm's desirable identification with its partner (e.g., franchisee's desire to identify with a successful franchisor) (French and Raven 1959; Hunt and Nevin 1974). The benefits from noncoercive power encourage the less powerful firm's cooperation and its willingness to yield to its powerful partners (Hunt and Nevin 1974; Lusch 1976). Therefore, noncoercive power usually leads to desirable results, such as increased satisfaction, reduced conflict, and reduced opportunism (see Table 2, Hunt and Nevin 1974; Huo et al. 2016; Lusch 1976; Wang et al. 2015).

By contrast, coercive power tends to lead to undesirable outcomes in channel relationships because of the psychological pressure arising from potential punishment and sanctions (Lawler, Ford, and Blegen 1988). Research has shown, for example, that coercive power reduces the less powerful firm's satisfaction, which refers to a firm's positive affective or emotional response to its partner or channel relationship (see Table 3, Hunt and Nevin 1974; Palmatier et al. 2006; Schul, Little, and Pride 1985). A less powerful firm's fear of punishment will decrease its satisfaction with its powerful partner (Hunt and Nevin 1974).

Insert Table 3

Furthermore, coercive power increases channel conflict, which “occurs when one party perceives another as interfering with its goal attainment” (Samaha, Palmatier, and Dant 2011, p. 100). Coercive power is driven by force and negative punishment, which may give rise to conflict (Skinner, Gassenheimer, and Kelley 1992).

In addition to decreasing satisfaction and increasing conflict, coercive power may also increase less powerful firm’s reactance: for example, feeling constraint, the less powerful firm may engage in opportunism, which refers to a channel firm’s self-interest seeking with guile (Brehm 1966; Wang et al. 2015; Williamson 1985). The threat and potential punishment from coercive power may lead the less powerful firm engage in opportunism to rebel against this negative influence (Wang et al. 2015).

Finally, coercive power also hinders a less powerful firm’s cooperation, or “the joint effort aimed at achieving individual or systemic goals” (Brown 1981, p. 7; Skinner, Gassenheimer, and Kelley 1992; Zhuang, Xi, and Tsang 2010). Coercive power comes at the expense of long-term relationships (Morgan and Hunt 1994); it undermines cooperation (Hunt and Nevin 1974; Lusch 1976) and discourages the sharing of information with its powerful partner (Huo et al. 2016). In short, empirical research consistently demonstrates that coercive power has deleterious effects (e.g., increased conflict and lower cooperation), which ultimately will undermine channel performance (Ambler, Styles, and Wang 1999; Eshghi and Ray 2021). This essay challenges this negative perspective of coercive power. Henceforth, this essay will use the term power when discussing coercive power.

2.2 Power versus Power Usage

As mentioned above, power refers to the *ability* to get a partner to do something that it otherwise would not do (Gaski 1984). For example, a powerful firm may have the *ability* to punish its partners for “slow delivery” or delayed payment (Lusch 1976, p. 386). Power usage refers to the actual *exercise* of power (Gaski and Nevin 1985). The firm enacting a punishment (e.g., penalty) for late delivery is the usage of its power. Note the firm may choose not to exercise its power and refrain from administering a penalty. Hence, power and power usage are two different constructs. Even so, some studies use power and power usage interchangeably, particularly in the measurement of the power. For example, Wang et al. (2015, p. 6307) use the following power usage item to measure power: “[w]e will not give the suppliers necessary service if they do not meet our requests.”

These terms are generally used interchangeably because it is assumed that a powerful partner will use its power (often for its own advantage). Empirical research supports this view. When examined separately, empirical research shows that power leads to power usage (Brito and Miguel 2017; Gaski and Nevin 1985), and power usage yields undesirable results, such as conflict and opportunism (see Table 4, Huo et al. 2019; Leonidou, Talias, and Leonidou 2008). Furthermore, it has been found that power usage decreases the less powerful firm’s trust (Jain et al. 2014) and leads the firm to perceive low cooperation on the part of its powerful partner (Zhuang, Xi, and Tsang 2010). This is because power usage forces the less powerful firm to comply with its powerful partner via threat of loss or punishment (Kumar 2005; Lusch 1976; Zhuang, Xi, and Tsang 2010). Therefore, even though power usage may lead a dependent firm to begrudgingly yield to its powerful partner, the dependent firm will feel vulnerable (Hunt and Nevin 1974) and may experience psychological reactance (Brehm 1966). Furthermore, the

dependent firm may perceive its powerful partner's power usage as self-interest seeking rather than promoting mutual interests (Jain et al. 2014).

Insert Table 4

To minimize power exploitation, research has identified some mechanisms to restrain the use of power, such as explicit and normative contracts (Brown, Grzeskowiak, and Chekitan 2009; Heide and John 1992; Macneil 1980; MacNeil 1980). Both specify permissible behaviors--the former through contractual terms and the latter through relational norms³. This essay identifies a fascinating yet overlooked mechanism that can restrain a firm's use of power: power distance orientation (PDO). PDO is defined as a party's acceptance of unequally distributed power (Hofstede 1984a). When a powerful firm does not accept unequally distributed power (i.e., low PDO), it will refrain from using its power for self-gain (Lund, Scheer, and Kozlenkova 2013).

As for the less powerful firms, research suggests that those from high PDO countries tend to tolerate, instead of rebel against, their powerful partner's power usage. Case studies from Brazil (PDO index⁴: 69/100, United States PDO index: 40/100), for example, shows that a less powerful firm has high levels of tolerance to power usage with the expectation to materialize its gains in the long run (Brito and Miguel 2017). Similarly, an empirical study conducted in China (PDO index: 80/100) suggests that power usage improves a less powerful firm's cooperation

³ In channel relationships, some firms use contracts to restrain power (i.e., limit the power firm's power usage) (MacNeil 1980). Firms may also use relational norms, which are channel members' shared expectations about firms' behaviors, to prevent channel members from power usage for self gain (Brown, Grzeskowiak, and Chekitan 2009; Heide and John 1992). When a channel relationship is characterized by relational norms, the dependent a firm will not expect its powerful partner to exploit its power for its own (Brown, Grzeskowiak, and Chekitan 2009).

⁴ The power distance cultural index is from Hofstede Insight database: <https://www.hofstede-insights.com/country-comparison/>.

(Yeung et al. 2009). Finally, data from China also show that power usage does not decrease the less powerful firm's satisfaction with its powerful partner; the authors discuss the possibility that power usage may be viewed as legitimate (Ramaseshan, Yip, and Pae 2006).

Although these studies did not examine PDO specifically, they demonstrate that power usage and acceptance of power usage varies, lending credence to the examination of PDO as a mechanism to restrain power exploitation. Therefore, this essay investigates the role of PDO on powerful firm's power usage and less powerful firm's compliance with power usage. In the next section, this essay will review PDO as both a cultural dimension and a firm-level construct.

2.3 Power Distance Orientation

2.3.1 Power Distance Orientation as a Cultural Dimension

Power distance orientation (PDO), which is one of Hofstede's cultural dimensions, refers to the individuals' acceptance of power disparity (i.e., inequalities in power distribution) in a society or an organization (Hofstede 1984b). The difference between high- and low-PDO lies in the focal party's *acceptance* of the unequal distribution of power. This essay will first review the differences between high- and low-PDO on the following facets: hierarchical system, wealth and status, power and authority, decision-making, relationship focus, and compliance (see Table 5), followed by a review of PDO at firm level.

Insert Table 5

First, for hierarchical systems (e.g., the corporate ladder, military rankings), focal parties⁵

⁵ In section 2.2.1, this essay uses focal parties to refer both powerful and less powerful parties in a relationship. This essay uses party/parties versus firm(s) here because the literature is from papers investigating PDO as cultural dimension instead of a firm-level construct.

with high PDO emphasize hierarchical systems and accept or even desire inequality in the hierarchy (Kirca, Jayachandran, and Bearden 2005; Paharia and Swaminathan 2019). By contrast, focal parties with low PDO value equality and democratic participation, thus focusing less on the hierarchical system (Nakata and Sivakumar 1996). Second, focal parties with high PDO, especially the powerful ones, value and desire superior status and wealth (Chan, Yim, and Lam 2010; Roth 1995), while focal parties with low PDO tend to avoid privileges and status (Samaha, Beck, and Palmatier 2014). Third, focal parties with different levels of PDO also hold different views on power and authority. Focal parties with high PDO accept the differences in power distribution; powerful parties tend to maintain and retain power and authority, and less powerful parties tend to follow authority figures (Auh et al. 2016; Paharia and Swaminathan 2019; Roth 1995). In contrast, focal parties with low PDO do not favor unequal power distribution (Winterich, Gangwar, and Grewal 2018).

Further, focal parties from high-PDO culture accept and value the powerful parties' superior role in the decision-making process (Chan, Yim, and Lam 2010). They believe that powerful parties should have more power in making decisions than less powerful ones (Paharia and Swaminathan 2019). In other words, they believe that powerful parties should make decisions without consulting their less powerful partners (Hofstede 2011). By contrast, focal parties with low PDO believe that they have equal power in the decision-making process and have rights to express their different opinions (Nakata and Sivakumar 1996; Paharia and Swaminathan 2019). Therefore, powerful parties should consult their less powerful partners and respect their different opinions in the decision-making process (Chan, Yim, and Lam 2010; Hofstede 2011).

Next, focal parties with high PDO would seek to build relationships with powerful

partners who can support them and bring them power outside the relationships (Hohenberg and Homburg 2016). Therefore, they desire to seek affiliation with powerful parties who have high status (Keller, Dekimpe, and Geyskens 2016; Samaha, Beck, and Palmatier 2014). In contrast, focal parties with low PDO, compared to those with high PDO, focus less on building relationships with powerful partners (Hohenberg and Homburg 2016). Finally, focal parties with high PDO have high levels of obedience and tend to conform with social norms (Steenkamp and Geyskens 2012; Zhang, Winterich, and Mittal 2010). In contrast, focal parties with low PDO value their right to express themselves and behave differently. Therefore, they do not feel the need to comply with socially constructed norms (Zhang, Winterich, and Mittal 2010).

2.3.2 Firm's Power Distance Orientation

Extant literature examining firm-level PDO tends to use country PDO index as a proxy. This approach cannot distinguish channel partners' PDOs when they come from the same country. Therefore, to gain a more nuanced view, this essay suggests measuring a firm's PDO instead of assuming all firms from one country share same level of PDO. Furthermore, previous research on PDO focuses more on the less powerful party's (rather than the powerful party's) acceptance of the unequally distributed power. Yet PDO affects both the powerful and less powerful parties' acceptance of the unequal distribution of power (Hofstede 1984a; b). One contribution of this research is that it examines PDO of both powerful and less powerful firms and proposes that unequal power between channel partners may yield positive rather than negative outcomes.

PDO is vital to channel relationships because it influences firms' reactions to power or power usage. First, a powerful firm with low PDO will be less likely to use its power because it values equality with its less powerful partner (Chan, Yim, and Lam 2010). Second, a less

powerful firm with high PDO tends to accept the unequally distributed power in its channel relationship. As a result, it will not rebel against its powerful partner; rather it will increase its own cooperation⁶ (Yeung et al. 2009). By contrast, a less powerful firm with low PDO does not accept the power disparity in its channel relationship. Consequently, it may engage in a pre-emptive strike to rebel against its partner's power usage, thus generating channel conflict and decreasing trust and commitment (Kumar, Scheer, and Steenkamp 1995).

Despite the importance of PDO in channel relationships, only a few channels studies have investigated PDO at the firm level, such as Lund, Scheer, and Kozlenkova (2013) and Wuyts and Geyskens (2005). Both studies regard PDO as firm or organizational culture. Lund, Scheer, and Kozlenkova (2013) examine less powerful firms' PDO and find that both outcome and procedural fairness importance decrease when firms have high PDO. Outcome fairness importance refers to the importance of fairness of a firm's outputs (e.g., benefits) and inputs (e.g., burdens) from its channel relationships; whereas procedural fairness importance refers to the importance of fairness of procedures used by channel members to distribute the outcomes in channel relationships (Kumar, Scheer, and Steenkamp 1995; Lund, Scheer, and Kozlenkova 2013).

Firms with high PDO accept that they should not question the outcomes, which should be viewed as legitimate (Lund, Scheer, and Kozlenkova 2013). Therefore, the importance of outcome fairness decreases for firms with high PDO. Firms with high PDO do not value the right to voice their different opinions or concerns (e.g., procedure fairness) because they do not think they should affect their powerful partners' decision making (Lund, Scheer, and Kozlenkova

⁶ Some firms seek dependence on and increase their cooperation and loyalty to their powerful partners to gain access to the critical and rare resources controlled by the partners (Skinner, Gassenheimer, and Kelley 1992; Zhuang and Zhou 2004).

2013). Therefore, the importance of procedure fairness also decreases for firms with high PDO.

Wuyts and Geyskens (2005) investigate powerful firms' PDO and finds that PDO positively affects channel partners' detailed contract drafting (Wuyts and Geyskens 2005). A powerful firm with high PDO favors a detailed contract because detailed instructions provide the firm tight control over its channel partner's behaviors (Hohenberg and Homburg 2016; Shane 1994; Wuyts and Geyskens 2005). In other words, the detailed contract, which codifies roles and responsibilities clearly, is aligned with the high-PDO party's desire for hierarchical structure with legitimate authority (Heide 1994; Kashyap, Antia, and Frazier 2012; Wuyts and Geyskens 2005).

A study in international marketing also investigates PDO at firm level. This study uses the country PDO index to represent the firms' PDO instead of measuring the firm's own PDO (e.g., Samaha, Beck, and Palmatier 2014). Samaha, Beck, and Palmatier's (2014) meta-analysis investigates the moderating impacts of PDO on relationship marketing variables. They find that a less powerful firm's high PDO enhances the positive impact of partner expertise on its trust and commitment, suggesting a firm with high PDO values the authority from expertise more than a firm with low PDO (Samaha, Beck, and Palmatier 2014). Furthermore, they report that a less powerful firm's high PDO strengthens the positive effects of its trust and commitment on performance (Samaha, Beck, and Palmatier 2014).

Even though the above studies enrich the research on PDO at firm level and offer insights on the role of PDO in channel relationships, none of them investigates PDO for both powerful and less powerful firms simultaneously. Nor do these studies investigate the difference in PDO of dyadic channel partners. In the following section, this essay will review international

marketing research on firms' cultural distance, of which PDO is one dimension, and PDO difference.

2.4 Cultural Distance and PDO Difference

Cultural distance refers to the difference in cultural values (e.g., collectivism versus individualism, high versus low power distance, etc.) between two different countries where the firm partners are from (Beugelsdijk et al. 2018). Empirical research on cultural distance suggests that cultural distance⁷ has a negative impact on performance. First, a meta-analytic review finds that cultural distance is negatively related to performance (Beugelsdijk et al. 2018). The authors argue that complexity and uncertainty arising from cultural distance hinder performance (Beugelsdijk et al. 2018). Cultural distance may also impede communication and understandability of shared information, thus negatively affecting performance (e.g., sales value) (Beugelsdijk et al. 2018; Reus and Lamont 2009). One drawback of these studies is that they focus on cultural distance rather than PDO specifically. Examining PDO (and other cultural dimensions) individually will provide more nuanced insights on managing channel relationships.

To the best of my knowledge, only one study examines PDO difference instead of incorporating all the dimensions of culture into cultural distance (Huang, Zhu, and Brass 2017). Huang, Zhu, and Brass (2017) find that PDO difference generates two types of conflict that affect post-acquisition performance negatively. The first type of conflict is generated when the less powerful firm with high PDO tends to be submissive, but the powerful partner with low PDO expects to interact equally. The second type of conflict stems from the situation where the less powerful firm with low PDO seeks equality, but its powerful partner with high PDO tends to

⁷ Cultural difference is typically measured by averaging five cultural dimensions of Hofstede index or nine cultural dimensions of GLOBE project (Beugelsdijk et al. 2018; Reus and Lamont 2009). Both these two types of cultural dimensions include PDO.

exert its superiority. Moreover, the study finds that PDO difference in which the less powerful firm has low PDO and powerful firm has high PDO generates a stronger negative effect on performance than the PDO difference in the opposite case (Huang, Zhu, and Brass 2017).

While the above studies have investigated firm PDO on both sides of a dyad, they have some limitations. First, they use the country PDO index as a proxy for firms' PDO. Second, they do not explicitly examine how firm PDO impacts power usage and/or acceptance of power usage. To address these gaps in the literature, this essay will examine PDO at firm level without assuming that firm PDO is equivalent to its country PDO index. Also, this essay will consider the influence of firm PDO on power usage and/or acceptance of power usage to examine situations where PDO difference leads to desirable results (e.g., high performance).

3. Propositions

The Effect of Firm PDO on Power Usage

Extant research assumes that power leads to power usage because once a firm has power, it will use the power to induce its partner's compliance for its (the powerful party's) own self-interest (Carson and Ghosh 2019). Empirical research also confirms the above assumption by showing a positive correlation between power and power usage (Gaski and Nevin 1985). While current literature suggests contract or relational norms can serve as power restraints to prevent a powerful firm from using power for its own interest, it overlooks the role of a powerful firm's PDO (i.e., its acceptance of the superiority of its powerful position) on power usage (Brown, Grzeskowiak, and Chekitan 2009; Heide and John 1992; Macneil 1980; MacNeil 1980).

This essay argues that a powerful firm with high PDO may use its power for its own gain for two reasons. First, a powerful firm with high PDO views itself as superior, justifying its dominant role in the decision making process (Huang, Zhu, and Brass 2017; Wuyts and

Geyskens 2005). In other words, it believes that its powerful position brings it legitimacy to make decisions without consulting its less powerful partner. Furthermore, a powerful firm with high PDO tends to view differences in outcome allocations between channel partners as acceptable (Lund, Scheer, and Kozlenkova 2013). A powerful firm with high PDO believes it “should legitimately determine the procedures used to allocate those outcomes” (Lund, Scheer, and Kozlenkova 2013, p. 27). Taken together, this research suggests that a powerful firm with high PDO will believe it is acceptable to use its power to influence the decision-making and allocation processes for its own gain.

Second, it desires tight control over its less powerful partner and expects the partner to comply with its control (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). As a result, a powerful firm’s high PDO will have low fear of retaliation and tend to use its power for its own interest. A powerful firm with high PDO may believe that it is acceptable to take advantage of its powerful position in a channel relationship.

By contrast, a powerful firm with low PDO may not use its powerful position for its own interest. A powerful firm with low PDO does not value the hierarchy favoring its superior position (Huang, Zhu, and Brass 2017). Rather, it values equality with its less powerful partner and believes that a powerful firm has obligations to its partner rather than treating it unfairly (Lund, Scheer, and Kozlenkova 2013; Wuyts and Geyskens 2005). Therefore, a powerful firm’s low PDO may restrain itself from using power for its own gain. Therefore, this essay suggests:

Proposition 1a: A powerful firm’s high PDO is related positively to its power usage for self-gain.

Proposition 1b: A powerful firm’s low PDO is related negatively to its power usage for self-gain.

The Effect of Firm PDO on Tolerance of Power Usage

Previous research suggests that a less powerful firm may engage in a preemptive strike due to its fear of being exploited by its powerful partner (Kumar, Scheer, and Steenkamp 1995; Zhuang, Herndon, and Zhou 2006). This essay argues that the less powerful firm's PDO may influence its reaction to its less powerful position.

First, a less powerful firm with high PDO will be more accepting of its partner's power usage than a firm with low PDO. A less powerful firm with high PDO tends to view its position in the channel relationship as inferior (Huang, Zhu, and Brass 2017). In other words, it believes that its powerful partner is superior to itself, so it should comply with and rely on this partner (Huang, Zhu, and Brass 2017; Samaha, Beck, and Palmatier 2014). Also, it expects clear and specific instructions or orders from its powerful partner, and it tends to be submissive to these orders instead of emphasizing its equal right in the decision-making process (Huang, Zhu, and Brass 2017). Finally, it tends not to react negatively if it is treated unfairly because it believes doing so would not have a meaningful impact (Lund, Scheer, and Kozlenkova 2013). Therefore, a less powerful firm with high PDO will be more tolerant of its partner's power usage than a firm with low PDO.

Second, a less powerful firm with low PDO may rebel against its powerful partner's power usage. A less powerful firm with low PDO does not treat its position in the channel relationship as inferior, so it values its right to question its powerful partner and voice its concerns (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013). It also values the equality between itself and its powerful partner, so it tends to rebel against its partner if being treated unfairly (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013). Therefore, a less powerful firm with low PDO will be less tolerant of its partner's power usage than a firm

with high PDO. Therefore, this essay argues:

Proposition 2a: A less powerful firm's high PDO is related positively to its tolerance of its partner's power usage.

Proposition 2b: A less powerful firm's low PDO is related negatively to its tolerance of its partner's power usage.

PDO Symmetry

Since channel firms in a dyad interact with each other, their respective levels of PDO may also affect channel outcomes. This essay, thus, examines firm PDO on both sides of a dyad to investigate their effects on relationship outcomes (e.g., conflict). In order to do so, this essay proposes four new concepts to capture four different scenarios of channel members' PDO (see Figure 1). The first two scenarios are for PDO symmetry, which implies that powerful and less powerful channel partners have similar levels of PDO. The second two scenarios are for PDO asymmetry, which implies that powerful and less powerful channel partners have different levels of PDO.

Insert Figure 1

The first scenario of PDO symmetry occurs when both powerful and less powerful firms have high PDOs (i.e., symmetry on high PDO). In this situation, the powerful firm with high PDO views its powerful position as superior and expects its less powerful partner to comply (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). Therefore, the powerful firm with high PDO will have low fear of retaliation from its less powerful partner and tend not to refrain itself from using its power for its own interest (Carson and Ghosh 2019; Lund, Scheer, and

Kozlenkova 2013; Zhuang, Herndon, and Zhou 2006). The less powerful firm with high PDO may have the expectation of being exploited, but it tends to follow its powerful partner's lead (Huang, Zhu, and Brass 2017; Kumar, Scheer, and Steenkamp 1995; Samaha, Beck, and Palmatier 2014). Therefore, the less powerful firm tends not to engage in a preemptive strike or rebel against the powerful firm. Rather, the less powerful firm will have a high level of compliance, which refers to "acting in accordance with an influence attempt" (Payan and McFarland 2005, p. 72).

Moreover, when both channel partners have high PDO, they may encounter less friction during interactions due to their similar attitudes toward unequally distributed power between them (Huang, Zhu, and Brass 2017). They both accept hierarchy and view the powerful position as superior and less powerful position as inferior (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013; Wuyts and Geyskens 2005). Therefore, symmetry on high PDO may decrease channel conflict and increase the less powerful firm's compliance or adherence to its partner's influence attempts (Huang, Zhu, and Brass 2017). Yet, since the powerful partner with high PDO does not refrain power usage for its own gain, the less powerful firm's financial performance may be affected negatively (Brown, Lusch, and Nicholson 1995). Therefore, this essay posits

Proposition 3: Symmetry on high PDO will be related negatively to the less powerful firm's perceived conflict and positively to its compliance.

Proposition 4: Symmetry on high PDO will yield moderate financial performance for the less powerful firm.

The second scenario of PDO symmetry occurs when both powerful and less powerful firms have low PDOs (i.e., symmetry on low PDO). In this situation, the powerful firm with low

PDO may refrain from using power for its own gain because it values equality, which will deter it from treating its less powerful partner unfairly (Lund, Scheer, and Kozlenkova 2013; Wuyts and Geyskens 2005). Accordingly, when the less powerful firm recognizes its powerful partner's low PDO, it may decrease its expectation of being exploited and thus refrain from engaging in a preemptive strike. Additionally, the two channel partners' convergent views on unequally distributed power (i.e., similar PDOs) may decrease conflict during their interactions because they both value equality and tend to treat each other fairly (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013; Wuyts and Geyskens 2005). Therefore, symmetry on low PDO may also decrease channel conflict and facilitate the less powerful firm's compliance and financial performance. Hence, this essay proposes the following:

Proposition 5: Symmetry on low PDO will be related negatively to the less powerful firm's perceived conflict and positively to its compliance.

Proposition 6: Symmetry on low PDO will yield high financial performance for the less powerful firm.

PDO Asymmetry

The last two scenarios of dyadic channel partners' PDO involve PDO asymmetry. The first scenario of PDO asymmetry occurs when a less powerful firm's PDO is low, but the powerful partner's PDO is high (i.e., negative PDO asymmetry). In this scenario, channel partners are likely to experience a high level of conflict.

First, a powerful firm with high PDO values hierarchy and views itself as superior to its partner (Huang, Zhu, and Brass 2017), and it expects its partner's obedience to its superiority (Wuyts and Geyskens 2005). Second, the powerful firm with high PDO believes it should determine the procedures used to allocate outcomes, and it thinks that it is acceptable to divide

outcomes unequally (Lund, Scheer, and Kozlenkova 2013). Third, it tends not to restrain its use of power for its own gain (Carson and Ghosh 2019; Lund, Scheer, and Kozlenkova 2013), which may affect the financial performance of the less powerful partner negatively (Brown, Lusch, and Nicholson 1995; Kumar, Scheer, and Steenkamp 1995). Moreover, the less powerful partner with low PDO values equality and will react negatively if treated unfairly (Lund, Scheer, and Kozlenkova 2013). The less powerful firm with low PDO will rebel against instead of complying with its partner, who tends to take advantage of its powerful position.

Finally, the powerful and less powerful firms' divergent views on unequally distributed power may also create friction in their interactions (Huang, Zhu, and Brass 2017). For example, the powerful firm with high PDO tends to give assertive orders to its partner and expects the partner to be submissive to these orders (Huang, Zhu, and Brass 2017). By contrast, the less powerful firm with low PDO values its voice and equality in a channel relationship, and may thus resist its powerful partner's orders (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). Then the powerful partner will perceive that its authority is under attack, which is not acceptable due to its high PDO. The ensuing conflict and noncompliance are likely to further hinder the financial performance of the less powerful partner. Therefore, this essay proposes:

Proposition 7: Negative PDO asymmetry will be related positively to the less powerful firm's perceived conflict and negatively to its compliance.

Proposition 8: Negative PDO asymmetry will yield low financial performance for the less powerful firm.

The second scenario of PDO asymmetry occurs when a less powerful firm's PDO is high, but the powerful partner's PDO is low (i.e., positive PDO asymmetry). In this scenario, a powerful firm with low PDO values equality with its partner and tends not to use its power for its

own gain (Lund, Scheer, and Kozlenkova 2013). Accordingly, the less powerful firm will have a low expectation of being exploited, and will not engage in a preemptive strike (e.g., initiating conflict) (Kumar, Scheer, and Steenkamp 1995; Zhuang, Herndon, and Zhou 2006). Moreover, a less powerful firm with high PDO tends to comply with its powerful partner (Huang, Zhu, and Brass 2017; Samaha, Beck, and Palmatier 2014). In this way, positive PDO asymmetry may decrease conflict and increase the less powerful firm's compliance.

Extant research, however, suggests that positive PDO asymmetry may lead to conflict and lower performance (Huang, Zhu, and Brass 2017). Conflict may arise when the less powerful firm with high PDO tends to be submissive, but the powerful partner with low PDO expects to interact equally (Huang, Zhu, and Brass 2017). Furthermore, the less powerful firm with high PDO prefers codified and specific orders. Yet, the powerful firm with low PDO values equality with its partner, thus it is less likely to provide specific orders or implement tight control (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). The lack of specific orders and guidance from the powerful firm may give rise to channel conflict and low performance. The less powerful firm may be frustrated by the lack of guidance and direction or even confused about how to meet the powerful partner's operational requirements (Crosno and Tong 2018).

Despite this potential drawback, the restraint of power usage will outweigh the negative effects of lack of specific orders and guidance in the positive PDO asymmetry scenario⁸, particularly over time. First, research suggests that a powerful firm with low PDO tends to be more transparent and thus shares information with its partner (Jain and Jain 2018). A powerful

⁸ The powerful partner's low PDO moves the relationship away from the unilateral power system, (i.e., the powerful partner changes the less powerful partner's behavior "through the provision of some influence stimulus") and more toward the mixed power system, where powerful partner has normative restraints on its power usage (Bonoma 1976, p. 501). Under the mixed power system, both partners provide input with the goal of joint utility maximization (see Table 1 in Bonoma 1976).

firm with low PDO values equality and thus is not motivated to preserve its power through information withholding. On the contrary, a firm with high PDO seeks to preserve its power or superiority by hiding its valuable information (Jain and Jain 2018). A powerful firm with low PDO also values the input of its partner and encourages open communication and information sharing (Wuyts and Geyskens 2005). Over time, a less powerful firm with high PDO will be open to sharing information instead of being concerned about expressing itself or voicing its opinions. Furthermore, the less powerful partner will be open to asking for guidance when needed. The open lines of communication will provide direction and guidance to the less powerful firm, offsetting its need for specific and codified orders⁹.

Second, research suggests that a powerful firm with low PDO¹⁰ prefers close relationships guided by relational norms (Wuyts and Geyskens 2005). These norms provide guidance and set permissible limits on behavior (Heide and John 1992), including restraint in use of power. Furthermore, a less powerful firm with high PDO desires a close relationship with a powerful partner. It tends to “value, accept, and rely on” its powerful partner to achieve status¹¹, and therefore, works hard to build and maintain a close relationship with this partner (Samaha, Beck, and Palmatier 2014, p. 83; Zhuang and Zhou 2004). As mentioned above, close relationships with established norms provide guidance, which offsets the need for specific and codified orders. Therefore, the conflict stemming from channel firms’ divergent views on specific orders will be resolved because they will rely on relational norms to guide their behaviors and interactions.

⁹ Research suggests relational contracts can be a substitute for specific contracts (Lumineau and Henderson 2012).

¹⁰ In contrast, a powerful firm with high PDO “dislike[s] relationships that are characterized by consultative decision making and adherence to informal norms” (Wuyts and Geyskens 2005, p. 106). Relationships with relational norms are less attractive to a powerful firm with high PDO because it requires the restraint in the use of power (Wuyts and Geyskens 2005).

¹¹ A relationship with a powerful firm will enhance the less powerful firm’s power or status in the eyes of a third party (Zhuang and Zhou 2004).

Given this, the less powerful firm's performance will vary over the course of the relationship. At the beginning of the relationship, the less powerful firm with high PDO expects direction and experiences the frustration and conflict from the lack of specific orders (Huang, Zhu, and Brass 2017). This will affect its performance negatively but only moderately because the powerful partner with low PDO will operate with a focus on joint outcomes and mutual interest, which will benefit the less powerful partner (Wuyts and Geyskens 2005). Moreover, the partners will develop a shared understanding over time. As a result, the divergent views of specific orders will be overcome by the information sharing and open communication (Jain and Jain 2018). With this, performance should improve over the course of the relationship. Therefore, this essay suggests:

Proposition 9: Positive PDO asymmetry will be related positively yet moderately to the less powerful firm's perceived conflict and positively to its compliance.

Proposition 10: Positive PDO asymmetry will yield moderate financial performance for the less powerful firm initially, but over time positive PDO asymmetry will yield higher financial performance.

4. Discussion

4.1 Theoretical Contributions

This essay contributes to power literature in the following two ways. First, this essay applies PDO at firm level to challenge the traditional view of power (i.e. unequally distributed power between channel partners leads to undesirable results, such as high conflict) (Kumar, Scheer, and Steenkamp 1995). Previous research suggests that a firm's power leads to its use of power for its own interest since it has low fear of retaliation from its less powerful partner (Carson and Ghosh 2019; Kumar, Scheer, and Steenkamp 1995; Zhuang, Herndon, and Zhou

2006). By contrast, this essay argues that a powerful firm with low PDO tends not to use its power for its own interest because it values equality with its less powerful partner. In this way, the effect of PDO on power usage challenges the positive correlation between power and power usage reported in extant research (Gaski and Nevin 1985).

Moreover, previous research suggests that the less powerful firm tends to conduct a preemptive strike to rebel against its powerful partner due to its high expectation of being exploited (Kumar, Scheer, and Steenkamp 1995). This essay, however, argues that a less powerful firm with high PDO is more tolerant of its powerful partner's potential power usage. Furthermore, it tends not to react negatively even if treated unfairly (Lund, Scheer, and Kozlenkova 2013).

Second, this essay contributes to the power literature by examining firm PDO on both sides of a dyad and suggesting that PDO asymmetry is not necessarily bad. This essay argues that positive PDO asymmetry (i.e., a low-PDO powerful firm working with a high-PDO less powerful firm) can generate desirable outcomes in a channel relationship. In this scenario, the powerful firm with low PDO values equality, thus not using its power for its own interest (Lund, Scheer, and Kozlenkova 2013). Moreover, the less powerful firm tends to view its partner as superior, thus following and complying with its partner (Samaha, Beck, and Palmatier 2014). As a result, the less powerful firm tends not to rebel against its partner or engage in a preemptive strike.

In sum, this research extends power-dependence theory by challenging the traditional, narrow view of power by introducing PDO logic and identifying four PDO scenarios that broaden our view of how power operates in dyadic channel relationships.

4.2 Managerial Implications

The propositions of this essay have two main implications for managers. First, the findings of PDO symmetry and asymmetry give firms some guidance on selecting their partners for new channel relationships. Partner selection plays an important role in relationship governance, so it is vital to select partners carefully (Wathne et al. 2018). The propositions in general suggest firms select a partner who has a similar PDO since PDO symmetry tends to lead to desirable results in a channel relationship. Yet, a less powerful firm with high PDO could also select a partner with low PDO, who tends to restrain itself from using power for its own interest. According to the propositions, this positive PDO asymmetry may lead to desirable outcomes in a channel relationship. To assess PDO at the selection and/or negotiation stage, a firm could probe its potential partner's opinions toward hierarchy, decision-making and allocation processes, openness to input and differing opinions, etc. In addition, a firm can review the contractual clauses for indicators of PDO; for example, a one-sided, highly specific contract with stern penalties for noncompliance may be indicative of a high PDO.

Second, this research provides guidance on managing existing relationships. For relationships with negative PDO asymmetry, which tends to lead to power usage and retaliation, channel firms should implement additional control mechanisms to: (1) restrain the use of power and/or (2) ensure compliance. In this case, the less powerful firm with low PDO should strive to build close relationships and use relational norms to encourage the more powerful party to restrain its use of power for its own interest. Alternatively, specific contracts can be drafted to limit the powerful firm's use of power at the expense of its less powerful partner (MacNeil 1980).

A powerful firm with high PDO will prefer to use a specific contract over relational norms to govern its relationship with the less powerful partner (Wuyts and Geyskens 2005). The powerful partner with high PDO should design the contract in a way to alleviate its less powerful partner's fear of being exploited (and thereby, averting a preemptive strike). For example, the powerful partner should refrain from using a one-sided contract¹². Even if the contract is designed to alleviate the less powerful firm's fear of being exploited, there still may be residual fears remaining given its less powerful position. This could lead to reactance effects (Brehm 1966). Therefore, a powerful firm with high PDO may benefit from a specific contract¹³, outlining expected behaviors, rights, obligations, punishment of contract violation, and contingency plans, which ensures compliance of its partner (even when it is using its power for its own gain) (Crosno et al. 2021).

4.3 Limitations and Further Research Directions

This essay has five limitations and proposes five future research directions based on these limitations. First, this essay develops a set of propositions without examining them empirically. Essay Three will empirically examine a subset of these propositions, but future research should examine all of them.

Second, previous research and this essay assume that firm PDO is enduring, which means that it does not change across situations (Lund, Scheer, and Kozlenkova 2013; Wuyts and Geyskens 2005). Thus, this essay assumes that firm PDO is static. By contrast, research in consumer behavior and international marketing suggests that PDO is more malleable than

¹² One-sided contract means that the contractual terms favor a firm over the other in a dyad (Kashyap, Antia, and Frazier 2012).

¹³ A powerful firm having a specific contract in place may not need to utilize the contract to yield its benefits. In fact, the powerful firm utilizing its specific contract may damage its relationship (Macaulay 1963) and increase partner opportunism (Crosno et al. 2021).

enduring (McGrath et al. 1992; Zhang, Winterich, and Mittal 2010). Therefore, Essay Two will examine if firm PDO changes over time or across the firm's different relationships. Specifically, it will investigate the potential antecedents of firm PDO, such as dependence asymmetry.

Third, future research should examine the nomological network of firm PDO. Essay Three will empirically investigate some of firm PDO's antecedents (e.g., relationship value and switching cost dependence asymmetry) and consequences (e.g., conflict and compliance). Future research should examine additional constructs to provide a better understanding of the dynamics of firm PDO.

Next, this essay proposes that negative PDO asymmetry between channel dyads generates undesirable outcomes (e.g., high conflict) in channel relationships without examining the boundaries conditions that mitigate these undesirable results. Future research will investigate the moderators (e.g., power restraint) of relationships between negative PDO asymmetry and channel outcomes (e.g., compliance). Power restraint refers to "the degree to which the parties typically refrain from exploiting each other, given the opportunity to do so" (Heide and Miner 1992, p. 275). Power restraint would prevent a powerful firm with high PDO from using its power for its own gain. As a result, it may mitigate the positive effect of negative PDO asymmetry on conflict.

Finally, this essay only examines general compliance and conflict and assumes that high compliance and low conflict are desirable results. By contrast, there are different types of conflict (i.e., task and relational conflicts) and compliance (i.e., perfunctory and consummate compliance) (Crosno and Tong 2018; Tjosvold, Law, and Sun 2006), and they have different effects on channel relationships. For example, task conflicts, which are opposing opinions on a decision, may be useful, whereas relational conflicts, which are interpersonal frictions, may hurt

the dependent firm's performance (Luo, Liu, and Xue 2009; Tjosvold, Law, and Sun 2006). Similarly, perfunctory and consummate compliance can yield different outcomes for the less powerful firm. For example, research finds that perfunctory compliance yields higher financial outcomes yet may increase conflict (Crosno and Tong 2018). Therefore, future research should investigate whether the four scenarios of power structure and PDO have differential effects on the different types of compliance and conflict.

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Tables

Table 1: The Definitions of Different Power Sources

Table 1. The Definitions of Different Power Sources	
Power Sources	Definitions
Coercive power	A firm's ability to exert punishment over its channel partner.
Reward power	A firm's ability to mediate rewards to its channel partner.
Expert power	A firm's specific knowledge that enables it to influence its channel partner.
Legitimate power	A firm's legitimate right to influence its channel partner.
Referent power	A firm's desirable identification that helps it influence its channel partner.

Note: The above definitions are from French and Raven (1959) and Hunt and Nevin (1974).

Table 2: A Typology of Power Sources

Table 2. A Typology of Power Sources			
Dichotomization	Power Sources	Definitions	Representative Studies
Coercive versus Noncoercive power	Coercive power Noncoercive power: expert, legitimate, referent, and reward	The coercive power involves potential punishment that may lead a firm to begrudgingly yield to its powerful party. The noncoercive power involves potential benefits that may lead a firm to willingly yield to its powerful party.	Frazier and Rody (1991); Hunt and Nevin (1974); Jain et al. (2014)
Economic versus Non-economic power	Economic power: coercive, reward, and legal legitimate Non-economic power: traditional legitimate, referent, and information	The economic power mediates economic incentives and disincentives towards the less powerful channel partners. The non-economic power mediates non-economic incentives upon the less powerful channel partners.	Brown et al. (1983)
Mediate versus Non- mediated power	Mediate power: reward, coercion, and legal legitimate Non-mediate power: expert, referent, information, and traditional legitimate	The mediated power implies that a firm meditates the reinforcements guiding its less powerful channel partners. The non-mediated power implies that a firm does not meditate the reinforcements guiding its less powerful channel partners.	Brown et al. (1995); Elgar (1978)

Table 3: Summary of Selected Empirical Findings for Coercive versus Noncoercive Power

Study	Empirical Findings for Coercive Power Source (e.g., punishment)	Empirical Findings for Noncoercive Power Source (e.g., Reward, Expertise, Legitimacy, and Referent)
Hunt and Nevin (1974)	A firm's coercive power is <i>negatively</i> related to its partner's <i>satisfaction</i> .	A firm's noncoercive power is <i>positively</i> related to its partner's <i>satisfaction</i> .
Lusch (1976)	A firm's coercive power is <i>positively</i> related to its partner's <i>conflict</i> with it.	A firm's noncoercive power is <i>negatively</i> related to its partner's <i>conflict</i> with it.
Skinner et al. (1992)	A firm's coercive power is <i>positively</i> related to <i>channel conflict</i> and <i>negatively</i> related to its partner's <i>cooperation</i> .	A firm's noncoercive power is <i>negatively</i> related to <i>channel conflict</i> and <i>positively</i> related to its partner's <i>cooperation</i> .
Wang et al. (2015)	Buyer coercive power <i>leads to</i> its supplier's <i>opportunism</i> .	Buyer noncoercive power <i>decreases</i> its supplier's <i>opportunism</i> .
Huo et al. (2016)	A firm's coercive power <i>inhibits its partner from using information system</i> .	A firm's reward power <i>promotes its partner to use information system</i> .

Table 4: Summary of Selected Empirical Findings for Coercive versus Noncoercive Power Usage

Study	Empirical Findings for Coercive Power Usage (E.G., Punishment)	Empirical Findings for Noncoercive Power Usage (E.G., Reward, Expertise, Legitimacy, and Referent)
Leonidou et al. (2008)	Coercive power usage <i>increases conflict</i> and <i>decreases satisfaction</i> .	Noncoercive power usage <i>decreases conflict</i> .
Zhuang et al. (2010)	A firm's coercive power usage <i>decreases</i> its <i>cooperation</i> perceived by its partner.	A firm's noncoercive power usage <i>leads to</i> its <i>cooperation</i> perceived by its partner.
Jain et al. (2014)	A firm's coercive power usage <i>decreases</i> its partner's <i>trust</i> .	A firm's noncoercive power usage <i>leads to</i> its partner's <i>trust</i> .
Huo et al. (2019)	A firm's coercive power usage is <i>positively</i> related to its own and its partner's <i>opportunism</i> .	A firm's noncoercive power usage is <i>negatively</i> related to its own and its partner's <i>opportunism</i> .

Table 5: Comparison of High- and Low-Power Distance Orientation

Table 5. Comparison of High- and Low-Power Distance Orientation

	High Power Distance Orientation	Low Power Distance Orientation	Represent Studies
Hierarchical System	(1) People value hierarchical system. (2) People accept inequality among them. (3) People accept or even desire inequality.	(1) People value relatively low hierarchical system in which they tend to be productive. (2) People value equality and democratic participation.	Nakata & Sivakumar (1996); Kirca et al. (2005); Chan et al. (2010); Hohenberg and Homburg (2016); Paharia and Swaminathan (2019)
Wealth and Status	(1) Powerful people value their superior status. (2) People in general value and desire status and wealth.	People avoid status and privileges.	Chan et al. (2010); Samaha et al. (2014); Keller et al. (2016)
Power and Authority	(1) People accept the differences in power distribution. (2) People tend to retain and maintain power and authority. (3) People worship and follow authority figures.	People have less favor of unequal power distribution.	Roth (1995); Nakata and Sivakumar (1996); Steenkamp and Geyskens (2012); Auh et al. (2016); Winterich et al. (2018); Paharia and Swaminathan (2019)
Decision-Making	(1) Powerful people value their role in decision-making. (2) The high-power party has more decision-making power than low-power party. (3) Powerful parties should make decisions without consulting the powerless partner.	(1) Low-power members expect to be consulted. (2) People have equal rights to express their view. (3) Powerful people accept others' input and different opinions. (4) People have equal power in decision-making.	Nakata and Sivakumar (1996); Wuyts and Geyskens (2005); Hofstede (2011); Chan et al. (2010); Paharia and Swaminathan (2019)
Relationship Focus	(1) Powerless people value their relationship with powerful people or peers. (2) People emphasize affiliation norms.	Powerless people focus less on building close relationship with powerful people or peers.	Hohenberg and Homburg (2016); Keller et al. (2016)
Compliance	(1) Low-power members expect to be told what to do. (2) Low-power members have high levels of obedience and compliance. (3) People tend to conform to norms and do what is socially correct.	People do not have to display a socially desirable response.	Hofstede (2011); Zhang et al. (2010); Steenkamp and Geyskens (2012); Keller et al. (2016)

Figures

Figure 1: PDO Asymmetry and Symmetry for Essay One

		Powerful Partner's PDO	
		High	Low
Less Powerful firm's PDO	High	<p><u>Symmetry on High PDO</u> (Moderate Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Low) • Compliance (High) • Financial performance (Moderate) 	<p><u>Positive PDO Asymmetry</u> (Moderate to Good Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Moderate to low) • Compliance (High) • Financial performance (Moderate to high)
	Low	<p><u>Negative PDO Asymmetry</u> (Worse Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (High) • Compliance (Low) • Financial performance (Low) 	<p><u>Symmetry on Low PDO</u> (Optimal Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Low) • Compliance (High) • Financial performance (High)

Figure 1. PDO Asymmetry and Symmetry

Essay Two: Is A Firm's Power Distance Orientation Malleable? The Effect of Dependence Asymmetry

1. Introduction

Many marketing channel relationships exhibit significant power disparities, such as big-box retailers and their suppliers or franchisors and franchisees. In franchise relationships, for example, the franchisor is more powerful and exhibits significant control over the franchisees' operations. Franchisees may be accepting this power disparity early in the relationship when they are benefiting from the franchisor's guidance and control (Crosno and Tong 2018). Over time, however, the franchisees may begin to resent this power disparity because they become more knowledgeable and gain expertise (Oxenfeldt and Kelly 1968). Yet current research in channel relationships rarely examines a firm's acceptance of unequally distributed power. This is an important oversight, as a firm's acceptance of and reactions to power disparity will affect its channel relationships.

The extent to which a firm accepts unequally distributed power in a channel relationship refers to the firm's power distance orientation (e.g., PDO) (Hofstede 1984; Wuyts and Geyskens 2005). A firm¹⁴ with high PDO tends to accept the unequal distribution of power, whereas a firm with low PDO does not accept power disparity in a channel relationship (Wuyts and Geyskens 2005). As a result, a firm with high PDO tends to accept hierarchy and the powerful firm's superior role in decision making, so it tends to comply with its powerful partner (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). By contrast, a firm with low PDO does not accept

¹⁴ The firm here can be a dependent firm or a powerful firm. One thing needs to be notified is that channel partners (e.g., a dependent firm and its powerful partner) may have different levels of PDO.

hierarchy but emphasizes equality with its powerful partner and tends to readily express different opinions (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013).

Even though a firm's PDO affects its (un)acceptance of, and consequently its reactions to unequally distributed power in a channel relationship, to the best of my knowledge, there are only four studies investigating PDO at firm level (e.g., Lund, Scheer, and Kozlenkova 2013; Samaha, Beck, and Palmatier 2014). Aligned with the argument from Essay One, this essay argues that it is vital to examine PDO at firm level. This essay contributes to the PDO literature, and beyond Essay One, by investigating whether a firm's PDO varies over time or across different situations. The four extant studies that investigate PDO at firm level have viewed PDO as a static or enduring construct. For example, Wuyts and Geyskens (2005) and Lund, Scheer, and Kozlenkova (2013) measure PDO at the firm level and treat it as organizational culture, assuming that PDO does not vary across different situations. Samaha, Beck, and Palmatier (2014) and Huang, Zhu, and Brass (2016) use the firm's country PDO index to represent the firm's PDO; this index also assumes it to be static across different situations.

More recent research suggests that individuals' PDO can be primed and activated. For example, consumer behavior researchers use a writing tasks to manipulate individuals' PDO (Winterich, Gangwar, and Grewal 2018; Zhang, Winterich, and Mittal 2010). Moreover, research on international marketing finds that executives, who represent their firm, change their cultural norms as they are exposed to other cultural values (Tse et al. 1988). In other words, research suggests that PDO is more malleable than enduring (McGrath et al. 1992). In another empirical study, McGrath and colleagues examine the PDO of Taiwanese entrepreneurs and conclude that entrepreneurs' PDO is malleable when they interact with others who have a different level of PDO (McGrath et al. 1992). Drawing on the above logic, this essay argues that a firm's PDO is

not static but varies across situations and/or over time.

Further, this essay argues that dependence asymmetry, “the difference between the firm’s dependence on its partner and the partner’s dependence on the firm,” impacts a firm’s PDO positively (Kumar, Scheer, and Steenkamp 1995, p. 349). A dependent firm can benefit from its powerful partner’s support and resources, and as a result, it will be more accepting of the power disparity. This essay also proposes two moderators of the relationship between dependency asymmetry and PDO—goal congruence and financial performance—which signal to the dependent firm that it will benefit from this channel relationship despite the power disparity. Due to firm’s self-interest seeking, a dependent firm will be more amendable to the power disparity when receiving these benefits. Another contribution of this study, therefore, is the identification of variables that influence a firm’s PDO.

To investigate PDO at firm level and examine whether PDO is malleable, the remainder of this essay is organized as follows. First, this essay will review dependence and dependence structure in channel relationships. Second, a conceptual model and hypotheses are developed. Third, research methodology and proposed studies are presented. Next, Study One and Study Two results are reported. Lastly, this essay discusses the theoretical and managerial implications, limitations, and future research directions.

2. Literature Review

2.1 Power Distance Orientation

As defined above, power distance orientation (e.g., PDO) refers to the extent to which a firm accepts unequally distributed power in a channel relationship (Hofstede 1984; Wuyts and Geyskens 2005). A firm with a high PDO tends to accept hierarchy, disparity in power distribution, and the powerful firm’s superior role in decision making (Huang, Zhu, and Brass

2017; Wuyts and Geyskens 2005). It also believes that the dependent firm should comply with its powerful partner (Huang, Zhu, and Brass 2017). By contrast, a firm with a low PDO does not accept hierarchy or unequally distributed power but emphasizes equality in decision making and channel partners' right to express different opinions (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013).

As mentioned, extant research on PDO generally assumes that it is a static, exogenous construct (Samaha, Beck, and Palmatier 2014), but some studies have suggested that PDO is malleable and may change over time and situations (McGrath et al. 1992; Winterich, Gangwar, and Grewal 2018). This essay will explore the dynamic nature of PDO by examining dependence asymmetry as a potential antecedent of PDO and two potential moderators (e.g., goal congruence and financial performance) of this relationship. Prior to developing the conceptual model, research on dependence and dependence structure will be reviewed.

2.2 Dependence

Dependence refers to a firm's need to maintain its relationships with a partner to achieve its goals (Scheer, Miao, and Palmatier 2015). According to resource dependence theory, channel partners depend on each other for resources, and, as the importance and irreplaceability of those resources increase, dependence increases (Pfeffer and Salancik 1978). Specifically, specialization and the division of labor among firms lead them to possess different resources and capabilities (Pfeffer and Salancik 1978). A firm will depend on its partner if (1) this partner has resources that are critical to its goals (e.g., resource importance) and (2) there is limited availability of these resources outside the relationship (e.g., irreplaceability) (Emerson 1962; Pfeffer and Salancik 1978). Scholars also suggest that high switching costs can lead to dependence (Frazier 1983; Heide and John 1988; Scheer, Miao, and Garrett 2010). A firm is more dependent on its

channel partner when the firm will incur substantial costs to build a channel relationship with an alternative partner (Frazier 1983).

Therefore, there are three sources of dependence: resource importance, irreplaceability, and switching costs. A firm's dependence is positively proportional to (1) the importance of resource possessed by its channel partner, (2) the irreplaceability of these critical resources outside the relationship, and (3) the costs of switching to a new relationship (Emerson 1962; Frazier 1983; Pfeffer and Salancik 1978). Accordingly, scholars include three dimensions to measure dependence: positive motivation (e.g., dependence stemming from rewards and benefits from critical resources), negative motivation (e.g., dependence stemming from losses associated with switching costs), and global dependence (e.g., dependence stemming from irreplaceability) (Scheer, Miao, and Palmatier 2015; Scheer, Miao, and Garrett 2010).

Research on dependence in channel relationships reports mixed results. For example, research shows that dependence will lead to dependent firm's constructive behaviors, such as cooperation, commitment, trust, long-term orientation, and such (see Table 1, Andaleeb 1995, 1996; Ganesan 1994; Jiang et al. 2013). Furthermore, dependence may increase a channel firm's performance (Palmatier et al. 2006). By contrast, research suggests that dependence creates an aversive state and leads to opportunistic exploitation (Crosno and Dahlstrom 2008; Kumar, Scheer, and Steenkamp 1995). Research also finds that a firm's dependence is related positively to its partner's power usage and negatively to the partner's long-term orientation (Ganesan 1994; Huo et al. 2019).

Insert Table 1

Kumar, Scheer, and Steenkamp (1995) argue that examining the dependence level of one partner paints an incomplete picture. Specifically, they argue that it is not dependence but dependence structure (e.g., interdependence and dependence asymmetry) that affects a firm's behaviors and sentiments (e.g., trust) in its channel relationship. In the next section, this essay, thus, will review dependence structure: interdependence and dependence asymmetry.

Interdependence¹⁵ refers to the sum of two channel partners' dependence on one another (Kumar, Scheer, and Steenkamp 1995), while dependence asymmetry¹⁶ refers to "the difference between the firm's dependence on its partner and the partner's dependence on the firm" (Kumar, Scheer, and Steenkamp 1995, p. 349).

2.3 Dependence Structure: Interdependence and Dependence Asymmetry

The dependence structure between channel firms is based on the extent of their dependence on each other (see Figure 1). First, in the top-left quadrant of Figure 1, both channel partners depend on each other at a low level. This scenario refers to a low level of interdependence (i.e., high independence), such as an arms-length business relationship between a buyer and a supplier with a one-time purchase (Dwyer, Schurr, and Oh 1987).

Insert Figure 1

Second, when a firm and its partner highly depend on each other (e.g., in the bottom-right quadrant of Figure 1), a high level of interdependence occurs. Research suggests that high interdependence will increase performance because channel partners are motivated to maintain

¹⁵ Researchers also use other terms such as joint dependence, mutual dependence, or bilateral dependence to refer to interdependence.

¹⁶ Dependence asymmetry has also been referred to as dependence advantage, asymmetric dependence, interdependence asymmetry, unilateral dependence, or relative dependence.

this relationship and to avoid destructive behaviors (Palmatier, Dant, and Grewal 2007). As a result, interdependence decreases conflict and increases trust and commitment (Kumar, Scheer, and Steenkamp 1995). Finally, dependence asymmetry occurs when a firm is more (or less) dependent on its partner than its partner is dependent on it (e.g., the up-right and bottom-left quadrants in Figure 1). This essay will review two perspectives on the effects of dependence asymmetry—opportunistic perspective and benevolent perspective.

Received View on Dependence Asymmetry: Opportunistic or Bilateral Deterrence

Perspective

The received view on dependence asymmetry in channel relationships is an opportunistic (or bilateral deterrence) perspective (Hofer et al. 2012; Kumar, Scheer, and Steenkamp 1995). This perspective suggests that a powerful partner has low fear of retaliation, thus leading to its power exploitation (Kumar, Scheer, and Steenkamp 1995; Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006). In other words, in a channel relationship with unequal distribution of power, a powerful firm tends to use power for its own interest rather than for mutual interests (Carson and Ghosh 2019; Emerson 1962; Hofer 2015). Accordingly, the dependent firm will have high expectation of being exploited thus engaging to preemptive strike (e.g., engage in self-interested, guileful behaviors before the powerful partner exploits it) (Kumar, Scheer, and Steenkamp 1995; Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006). As a result, research suggests that dependence asymmetry destroys relationships due to the powerful partner's potential power usage for its own gain and dependent firm's fear of exploitation, which may result in preemptive strikes (Andaleeb 1995; Anderson and Narus 1990; Palmatier, Dant, and Grewal 2007).

Therefore, according to the opportunistic (or bilateral deterrence) perspective,

dependence asymmetry is destructive since it leads to undesirable outcomes in a channel relationship (see Table 2, e.g., Kim and Choi 2018). For example, dependence asymmetry is negatively related to the dependent firm's trust, commitment, long-term orientation, long-term collaboration, and dyadic cooperation¹⁷ (Brinkhoff, Özer, and Sargut 2015; Hofer 2015; Kumar, Scheer, and Steenkamp 1995; Scheer, Miao, and Palmatier 2015; Wang et al. 2016). Trust and commitment are two main elements in relationship marketing, with both leading to customer loyalty and high performance (Morgan and Hunt 1994; Palmatier et al. 2006); whereas long-term orientation, long-term collaboration, and dyadic cooperation are desirable behaviors for maintaining channel relationships (Morgan and Hunt 1994; Scheer, Miao, and Palmatier 2015).

Insert Table 2

Furthermore, dependence asymmetry is positively related to channel conflict (Kumar, Scheer, and Steenkamp 1995; Zhou, Zhuang, and Yip 2007). Conflict, a firm's overt disagreements or attempts that prevent its channel partner from achieving its goals, is undesirable in a channel relationship since it leads to poor channel performance (Eshghi and Ray 2021; Kumar, Scheer, and Steenkamp 1995; Morgan and Hunt 1994).

As a result, a dependent firm may seek ways to decrease its dependence on its partner instead of making efforts to maintain this relationship because they may feel vulnerable to uncertainty and its partner's potential power exploitation (Carson and Ghosh 2019; Emerson

¹⁷ Trust in a channel relationship refers to a firm's confidence in its "partner's reliability and integrity", while commitment means a firm's desire to maximize its efforts to maintain the channel relationship with its partner (Morgan and Hunt 1994, p. 23).

Long-term orientation refers to a firm's desire and effort to maintain the continuity of its relationship with its channel partner (Hofer 2015). Long-term collaboration refers to a firm's perceived benefits from its channel relationship in the long run (Wang et al. 2016). Dyadic cooperation refers to "bilateral collaboration, coordination or cooperative behaviors between the focal party and its partner" (Scheer, Miao, and Palmatier 2015, p. 700).

1962). A dependent firm may change its dependence asymmetry favoring its partner by (1) reducing its motivational investment in goals mediated by its powerful partner; (2) exploring and cultivating relationships with alternative partners who have resources for achieving those goals; (3) increasing the powerful firm's motivational investment in goals mediated by its partner; and (4) reducing the powerful firm's alternatives for achieving these goals (Emerson 1962). For example, a dependent firm may increase its effort and investment in a channel relationship to be a more valuable channel partner, thus increasing its irreplaceability (Emerson 1962; Heide and John 1988; Scheer, Miao, and Palmatier 2015). According to Heide and John (1988), the dependent firm may make investments in relationships with its powerful partner's customers to make it more difficult for its partner to replace it. As a result, the dependent firm enhances its relevance to its powerful partner and reduces its replaceability.

Alternative View on Dependence Asymmetry: Benevolent or Collaborative Perspective

Despite the potential negative impacts of dependence asymmetry on channel relationships, an alternative view on dependence asymmetry, i.e., benevolent or collaborative perspective, suggests that dependence asymmetry may lead to desirable results for the dependent firm in a channel relationship (e.g., higher performance for the dependent firm, see Table 3, Hofer 2015; Hofer et al. 2012). This view suggests that the more powerful firm (i.e., the less dependent firm) facilitates coordination, harmony, and efficiency to yield higher channel performance instead of using its power for its own interests (Anderson and Weitz 1992; Hofer 2015). For example, suppliers that are dependent on key retail accounts (KRAs), such as Walmart and Target, tend to achieve better financial performance: "...suppliers may find themselves leveraging their dependency on KRAs rather than their own market power to improve their own financial performance" (Hofer et al. 2012, p. 418). Interestingly, Gulati and

Sytch (2007) find that a firm's dependence asymmetry favoring itself (i.e., the less dependent firm) is related negatively to its own performance. These research studies debunk the assumption that dependence asymmetry leads to the powerful partner's power usage and coercion for its own interest.

Insert Table 3

In fact, research suggests that “firms have started to abandon the heavy-handed use of power” and have moved toward developing collaborative relationships with their partners (Brown, Lusch, and Nicholson 1995, p. 363; Hofer et al. 2012). The dependent firm, thus, has lower fear of being exploited and is encouraged to cooperate with its powerful partner instead of engaging in a preemptive strike. Under this perspective, a dependent firm may use cost reduction to tackle its dependent position. Cost reduction means that a dependent firm changes its values to reduce the pain from meeting the powerful partner's demands (Emerson 1962). For example, the dependent firm may internalize its partner's requirements to mitigate the burden of losing autonomy or freedom of choice (Emerson 1962; Lusch 1976; Lusch and Brown 1982). A dependent firm may be willing to do so especially when it can benefit from its powerful partner (Dwyer, Schurr, and Oh 1987; Lusch and Brown 1982). In this scenario, dependence asymmetry may lead to the development of norms that guide the expected behaviors in the channel relationship (Dwyer, Schurr, and Oh 1987).

Therefore, under the benevolent or collaborative perspective, the powerful partner refrains from using power for its own interest; rather, it facilitates cooperation and improves firm performance. As a result, the dependent firm will receive benefits from the asymmetrically

dependent relationship and will be less concerned about being exploited by the more powerful partner (and thus refrain from a preemptive strike) (Hofer 2015; Hofer et al. 2012). By collaborating, an asymmetrically dependent firm may achieve higher performance in the relationship than it would outside of the relationship (Hofer et al. 2012; Scheer, Miao, and Palmatier 2015). For example, one of the reasons often cited by franchisees (who are dependent on their franchisors) for investing in a franchise is the higher earning potential (Peterson and Dant 1990).

In sum, with the relationship marketing paradigm, there has been a movement away from viewing dependence asymmetry through an adversarial lens in both academic research and practice (Brown, Lusch, and Nicholson 1995; Hofer et al. 2012). Hofer (et al. 2012, p. 418), for example, argues “...that dependency does not necessarily equate to adversarial relationships. In fact, dependency may reflect a successful strategic coordination rather than power struggles...” Hence, dependence asymmetry can lead to desirable results (e.g., low conflict and high cooperation) in channel relationships. As the movement has shifted from power wielding to collaborative relationships, firms tend to build and maintain close relationships with their partners rather than using power to coerce partners (Morgan and Hunt 1994). From this perspective, the goal is to develop collaborative partnerships that can increase the size of the pie for all channel members (Jap 1999). With this goal in mind, firms should be more accepting of power disparities, particularly when they are receiving benefits from the relationship (e.g., franchisees benefit from the established brand name)¹⁸.

¹⁸ Franchise contracts tend to be one-sided in favor of the franchisor (Kashyap, Antia, and Frazier 2012). Yet the franchisee willingly invests in this relationship to obtain benefits, such as an established brand name, training and assistance, national promotion, reduced risk, and increased earning potential (Peterson and Dant 1990).

3. Theory Background and Hypotheses

The Antecedent to PDO

As mentioned in Essay One, both partners' PDO may affect the channel relationship. This exploratory research, however, will focus on the malleability of the dependent firm's PDO. A dependent firm with high PDO accepts power disparity between channel members thus tending to comply with its powerful partner (Wuyts and Geyskens 2005). By contrast, a dependent firm with low PDO does not accept unequally distributed power with its partner (Lund, Scheer, and Kozlenkova 2013). In this situation, the dependent firm has a fear of being exploited by its powerful partner, thus engages in opportunism as a preemptive strike (Kumar, Scheer, and Steenkamp 1995). Despite the effects of PDO on dependent firm's reactions to the unequally distributed power, only a few studies investigate PDO at firm level, and these studies view PDO as a static construct (e.g., Samaha, Beck, and Palmatier 2014).

This essay, by contrast, argues that a firm's PDO is malleable. Research shows that entrepreneurs' cultural values, such as PDO, can be changed by their interactions with others with different cultural values (McGrath et al. 1992; Tse et al. 1988). Furthermore, research suggests that individuals' PDO can be primed, activated, and most importantly, manipulated (Winterich, Gangwar, and Grewal 2018; Zhang, Winterich, and Mittal 2010). These studies suggest that PDO is malleable. Therefore, this essay argues that a firm's PDO is not static and investigates one potential antecedent, dependence asymmetry, and two potential moderators, goal congruence and financial performance (see Figure 2). Following the move away from the "heavy-handed use of power" in academic research and in practice (Brown, Lusch, and Nicholson 1995, p. 363; Hofer et al. 2012), this essay adopts the benevolent or collaborative

perspective of dependence asymmetry suggesting that dependence asymmetry leads to dependent firm's high PDO.

Insert Figure 2

A firm's dependence on its partner occurs when this partner can provide valuable resources that generate benefits that cannot be obtained from others (Emerson 1962). The benevolence and collaborative perspective of dependence asymmetry focuses on these potential benefits (e.g., efficiency and high performance) from it (Hofer 2015; Hofer et al. 2012). With the expectation of benefits or rewards from the asymmetrically dependent relationship, the dependent firm tends to accept its position and comply with its powerful partner (Dwyer, Schurr, and Oh 1987; Lusch and Brown 1982). Dependence asymmetry may increase a dependent firm's PDO for two reasons.

First, scholars suggest that seeking and even deepening dependence on a powerful partner can help a firm achieve a competitive advantage because this dependence can bring the firm benefits that it cannot readily generate by itself (Jap and Anderson 2007; Pfeffer and Salancik 1978; Zhuang and Zhou 2004). According to the self-interest assumption, a firm tends to act in its own self-interest (Eisenhardt 1989). Therefore, to achieve the benefits from the asymmetrically dependent relationship (which are its own self-interest), the dependent firm will engage in joint efforts and comply with its partner instead of rebelling against it (Dwyer, Schurr, and Oh 1987). In other words, a dependent firm may be willing to accept power disparity when it can benefit from its powerful partner (Dwyer, Schurr, and Oh 1987; Lusch and Brown 1982).

Second, Emerson (1962) argues that the dependent firm may change its attitude toward power disparity in its channel relationship to reduce the burden from meeting the powerful partner's demands. Also, when the dependent firm is locked into a channel relationship, it will incur a heavy loss or penalty if it does not tolerate its partner's power and control (Bucklin 1973). Accordingly, the dependent firm will not only suffer from the burden of its dependent state but also incur penalty if it does not accept this power disparity. To reduce these burdens, the dependent firm will become more accepting of unequally distribute power (Bucklin 1973; Emerson 1962). More specifically:

Hypothesis 1: Dependency asymmetry is related positively to the dependent firm's PDO.

Moderating Effect of Goal Congruence

When a firm is benefiting financially from a channel relationship, it will be more accepting power disparity. When a dependent firm can gain benefits from this relationship, it tends to regard its partner's power as just (Dwyer, Schurr, and Oh 1987). Moreover, research has shown that firms seek dependence on the firm that can bring support and benefits (Zhuang and Zhou 2004). This essay, therefore, will investigate two potential moderators of the relationship between dependence asymmetry and dependent firm's PDO that may provide benefits to the dependent firm: goal congruence and financial performance. Goal congruence emerges when channel partners have "compatible, if not identical" goals (Jap and Anderson 2003, p. 1688). In other words, channel partners' goals are aligned, and achieving a firm's goals will not inhibit its partner from achieving its (the partner's) goals (Batt 2003; Kadic-Maglajlic, Boso, and Micevski 2018). In this situation, channel firms are motivated to cooperate with each other to work toward these compatible goals (Dwyer, Schurr, and Oh 1987; McQuiston 2001). This essay argues that

goal congruence strengthens the positive effect of dependence asymmetry on dependent firm's PDO for two reasons.

First, since goal congruence motivates firms to emphasize mutual interests (Batt 2003; McQuiston 2001), the powerful partner will refrain from using power for its own interest. When channel partners focus on joint goals or interests, the powerful partner will use its power for mutual benefits rather than the exploitation of the dependent firm (Dwyer, Schurr, and Oh 1987). As a result, when channel partners' goals are congruent, the dependent firm will have low fear of being exploited by its partner. The dependent firm is, thus, likely to be more accepting of the unequally distributed power in the channel relationship (i.e., PDO).

Second, goal congruence leads to the success of channel relationships because channel partners cooperate to achieve joint goals (Batt 2003; Jap and Anderson 2003; McQuiston 2001). Therefore, it is more likely for channel partners to gain benefits from this channel relationship. These potential benefits will confirm the dependent firm's expectation of benefits from being dependent on its partner. As a result, the dependent firm will be likely to accept its dependent position (i.e., increase its PDO). Therefore, it is posited:

Hypothesis 2: Goal congruence strengthens the positive effect of dependence asymmetry on the dependent firm's PDO.

Moderating Effect of Financial Performance

Financial performance may also moderate the impact of dependence asymmetry on dependent firm's PDO. Financial performance is defined as a firm's financial outcomes (e.g., sales growth and profit growth) from a certain channel relationship (Palmatier, Dant, and Grewal 2007). As mentioned previously, the dependent firm's self-interest motivation drives it to accept its dependent position when it anticipates potential benefits from its channel relationship. Hence,

high level of financial performance, which confirms the expected potential benefits, can strengthen the positive effect of dependence asymmetry on the dependent firm's PDO. There are two reasons why financial performance may strengthen the positive impact of dependence asymmetry on the dependent firm's PDO.

First, a firm builds and maintains channel relationships in anticipation of financial rewards (Palmatier, Stern, and El-Ansary 2016). When an asymmetrically dependent relationship generates high financial performance for the dependent firm, it has a financial incentive to maintain this relationship. Hence, the dependent firm will likely accept its dependent position (e.g., accept power disparity, comply) to maintain the resources and benefits generated from the relationship instead of rebelling against its partner (Emerson 1962).

Second, strong financial performance signals that the powerful partner is not wielding power to its own benefit (and to the detriment of the dependent party). In other words, when a dependent firm gains high financial performance due to the relationship with its powerful partner, this benefit confirms the benevolent or collaborative approach by the powerful partner. Strong financial performance alleviates the dependent party's concerns about being exploited. The dependent firm, thus, anticipates the potential of long-term benefits from dependence asymmetry rather than being exploited by its powerful partner (Hofer 2015; Hofer et al. 2012). As a result, the dependent firm will be more likely to accept the unequally distributed power between it and its channel partner (i.e., high PDO). Therefore, it is hypothesized:

Hypothesis 3: Financial performance strengthens the positive effect of dependence asymmetry on the dependent firm's PDO.

4. Research Methods and Results

The proposed hypotheses were tested via an experimental study (Study One) and a survey study (Study Two). The experimental study tested the casual relationship between dependence asymmetry and dependent firm's PDO (e.g., H1), while the survey study tested all three hypotheses.

4.1 Study One

Study One was a lab experiment designed to provide preliminary evidence that dependence asymmetry increases dependent firm's PDO.

Sample

The lab experiment was conducted at a public-research university with undergraduate students¹⁹ in the subject pool. Students were given extra credit for participating in the study. In addition, the students were informed that they could earn up to \$2.00 based on their performance in the task. Of the 122 students who showed up for the lab study, 10 respondents were not included in the analysis because either they failed to be paired with another respondent for the negotiation experiment or due to a technical issue in the lab. As a result, the final sample included 112 participants, including 56 suppliers and 56 buyers.

Experimental Procedure

One week prior to the lab study, participants completed a survey which included a PDO measure at the individual level to serve as their baseline PDO scores. PDO was measured using a 5-item, 7-point Likert scale. A sample item was: *People in higher power positions should make*

¹⁹ I chose student sample because the use of students in a controlled setting enabled me to test the causal relationship. There is a tradeoff between internal (causality) and external (generalizability) validity; it is impossible to maximize both in one study (McGrath 1982). The research goal of this study to examine the causal relationship between dependence asymmetry and power distance orientation. Furthermore, my experimental design, negotiating for a delivery term, does not have strict requirements on professional experience, so student sample is sufficient. Also, these business students' expertise and knowledge on business operations equip them to understand the interactions between firms to some extent.

most decisions without consulting people in lower power positions (Winterich, Gangwar, and Grewal 2018) (see Appendix One for all measurement items). The reliability²⁰ of PDO at individual level was .68²¹.

When students came to the lab study, they were assigned the role of either a buyer or a supplier and were informed that they would be participating in a negotiation task. Once the roles were assigned, they were given the negotiation instructions, which included the manipulation of dependence (high vs. low). The manipulation of dependence was adapted from Joshi and Arnold (1997). One example of high (low) dependence manipulation was: *You find yourself in a situation where it is (not) difficult for you to find a suitable replacement for this buyer* (see Appendix One for more details).

After reading the negotiation instructions, participants were paired to negotiate via the ChatPlat negotiation platform based on their arrival time (Huang et al. 2017). Specifically, the first-arriving buyer was paired with the first supplier to log into the platform, and so forth. They had eight minutes to negotiate a delivery term, and they were notified when only one minute was remaining. After the negotiation, participants were asked to complete a survey including the measures of dependence and firm PDO. Dependence was measured by a 5-item, 7-point Likert scale. An example of dependence measurement items was: *It would be difficult to find a suitable replacement for this supplier/buyer* (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995). The reliability of dependence was .96. PDO at firm level was measured by a 3-item, 7-point Likert scale. An example of firm PDO items was: *Firms in the supply chain that are in a*

²⁰ Reliability refers to “the internal consistency of a scale to measure” a construct (Garver and Mentzer 1999, p. 35). Reliability is a necessary but insufficient condition for construct validity, which examines “the degree to which a scale measures what it intends to measure” (Cook and Beckman 2006; Garver and Mentzer 1999, p. 34).

²¹ Three cross-loading and low-loading items of PDO at individual level were dropped. The reliability of PDO at individual level is less than the minimum acceptable value of .70 (Nunnally 1978). Nevertheless, it is considered acceptable due the exploratory nature of this study (Hair et al. 2010; Nunnally 1978).

low-power position should generally follow the will of their more powerful partners (Wuyts and Geyskens 2005). The reliability of PDO at firm level was .73.

Results

Prior to testing H1, manipulation checks were examined. The mean of the more dependent suppliers' dependence (Mean = 5.57) was significantly greater than that of the less dependent suppliers' dependence (Mean = 2.22, $p < .001$), suggesting that dependence was successfully manipulated. Further, the mean of dependence asymmetry of suppliers and buyers (Mean = 3.32, $t = 19.42$, $p < .001$) was significantly greater than zero, supporting that dependence asymmetry existed in these relationships, with suppliers being the more dependent party.

The mean of the more dependent suppliers' PDO increased by 1.23²² (on a 7-point scale) (t-value: 6.08, $p < .001$) from the pre- and post-measure of PDO, suggesting that their dependent position increased their acceptance of unequally distributed power (i.e., PDO). Thus, H1 was supported. This significant causal relationship between dependence asymmetry and dependent firm's PDO supports that a dependent firm's PDO is malleable and is affected by its level of dependence asymmetry in the relationship.

4.2 Study Two

Using a cross-sectional survey design, Study Two was conducted to test the conceptual model and all three hypotheses.

Sample and Data Collection

²² This result holds with 5-item measure of PDO at individual level despite the measure's low reliability ($\alpha = .51$). The mean of the more dependent supplier's PDO increased by 1.71 (t-value: 11.09, $p < .001$) from the pre- and post-measure of PDO.

Data were collected using a structured questionnaire administered by a research firm via telephone. Respondents were U.S. manufacturer sales representatives across various industries (e.g., automobile, construction, and agriculture), who work independently. They were asked to answer questions in the survey focusing on their relationship with the manufacturer that would be the most difficult and/or costly for them to replace. A pretest of 22 sales representatives was collected to evaluate the clarity and understanding of the survey items. Some minor changes were made to 10 items based on the pretest. Next, the finalized survey was administered via telephone to 185 representatives, and 182 sales representatives completed the telephone survey.

This essay collected data from manufacturers' sales representatives in the U.S. for three reasons. First, a manufacturer's sales representative is an outside and independent agent, so it can be treated as a firm (Anderson 1985). As a result, the opinions and perceptions from the sales representative is not only at individual level but also at the firm level. This resolves the issue that an individual may not represent the firm well. Second, a manufacturer's sales representative is a much smaller firm (e.g., a firm consisting of one person) than his/her manufacturers (Heide and John 1988). Also, the sales representatives need to invest time and effort to develop market for the manufacturers making the agent dependent on the manufactures (Heide and John 1988). Therefore, dependence asymmetry exists in the channel relationship between manufacturer and its sales representatives.

Third, both the opportunistic and benevolent, collaborative perspective of dependence asymmetry arise in the channel relationship between a manufacturer and its sales representatives. As mentioned above, sales representatives need to make a lot of specific investments (e.g., time and effort) to develop the market for the manufacturer's particular products (Heide and John 1988). This may lock them into their relationships with the manufacturers. Therefore, sales

representatives are vulnerable to the manufactures' potential opportunistic behavior, so they may fear being exploited by their manufacturers (Heide and John 1988). By contrast, when manufacturers provide support and guidance to the sales representatives, which help improve their performance, they may also have low fear of being exploited. Some manufacturers support and facilitate their sales representatives' work to make their work more efficient and effective to satisfy and retain their customers (Brown and Chin 2004). In this scenario, manufacturers use their power for mutual interest instead of exploiting their sales representatives. Therefore, with the expectation of benefits from dependence asymmetry, the dependent sales representatives may have lower fear of being exploited.

Measures

All the measurements were adopted or adapted from the current academic literature. First, dependence refers to a firm's need to maintain its relationships with a partner to achieve its goals (Scheer, Miao, and Palmatier 2015). This essay measured both sales representative's and manufacturer's dependence and then calculated dependence asymmetry by deducting manufacturer's dependence from sales representative's dependence (Kumar, Scheer, and Steenkamp 1995). Sales representative's dependence was measured via the 3-item scale that captured its dependence from manufacturer (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995). For example, one item was: *It would cost my firm a lot if we stop doing business with this manufacturer* (see Appendix Two). This measure was also adapted to measure sales representative's perception of its manufacturer's dependence on it.

Second, the 3-item measure of goal congruence was adapted from Jap and Anderson (2003). One example item was: *We have compatible goals*. Third, financial performance was measured by a 3-item scale adapted from Lusch and Brown (1996) and Wu (2015). The survey

asked the sales representative to rate its firm's performance compared to its competitors' performance over the last year. Lastly, PDO at firm level was measured with a 3-item scale adapted from Wuyts and Geyskens (2005).

Covariate Measures

This essay also included two covariate variables to examine the variance in PDO explained by these constructs: contract one-sidedness and coercive power usage. First, one-sided contract refers to "the degree to which contractual terms favor" the manufacturer (Kashyap, Antia, and Frazier 2012, p. 265). When a sales representative agrees to a one-sided contract with its manufacturer, it may accept the unequally distributed power in the relationship. Contract one-sidedness was measured by a 3-item scale adapted from Kashyap, Antia, and Frazier (2012) and Parkhe (1993) that asked respondents to indicate the extent to which the contract is one-sided on various clauses, such as exclusive rights and penalties.

Second, coercive power usage refers to a firm's "explicit attempts to exert control over the other party through negative actions" (Wang et al. 2015, p. 6296). A powerful firm's coercive power usage may indicate its self-interest seeking intention instead of facilitating mutual interest (Jain et al. 2014). Therefore, a powerful firm's power usage may decrease the dependent partner's acceptance the power parity. This construct was measured by a 3-item scale adapted from current research (Brown, Lusch, and Nicholson 1995; Wang et al. 2015). A sample item was: *The manufacturer would somehow get back at me if I did not do as it says.*

Data Analysis

Pre-Data Analysis²³. First, I ran SPSS to analyze frequencies to test if there were any missing data. Among 182 responses, there were no missing values on the focal variables.

²³ In the pretest, I also ran the outlier analysis, and I found 21 outliers. After I deleted these outliers, it generated more outliers, and the results were similar to those with all responses. So, I maintained all the responses.

Second, I examined whether the items were normally distributed. The skewness of all items lied between -1.26 and .69, and the kurtoses of all items were between -1.24 and 1.00; therefore, all items were normally distributed (Hair et al. 2010). After the data were cleaned up, I conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to assess each measurement scale's reliability and validity.

Reliability and Validity. Each construct's reliability and validity were assessed prior to testing the conceptual model. First, *exploratory factor analysis* (EFA) was ran to examine the relationships among items, determine the number of factors (Hair et al. 2010), and to examine factor loadings²⁴ of the measurement items. I ran the EFA with the principal components with an oblique rotation. Items that are loaded onto more than one factor were removed (e.g., own dependence item 1 and goal congruence item 1). I also dropped own dependence item 4 and financial performance item 2 because they did not load on the correct construct. I reran the EFA with the retained items, and factor loadings are reported in Table 4. and the eigenvalue results suggested a five-factor solution (see Table 5). These five factors cumulatively explained 71.34% of the variance.

Insert Table 4 and 5

After running EFA, Coefficient alpha²⁵ was computed to evaluate each construct's reliability. The results are shown in Table 6. I used item 2 (i.e., "We have compatible goals") to

²⁴ Factor loading refers to the portion of the item's variance from a factor (Hair et al. 2010). Low-loading and cross-loading items were dropped when dropping the items did not adversely affect the content validity of the scale.

²⁵ With the exception of contract one-sidedness, all constructs are measured by reflective measures, in which constructs are the causes of items (Edwards and Bagozzi 2000). Therefore, this essay will use Coefficient alpha to evaluate constructs' reliability (Cortina 1993).

represent goal congruence due to this item's face validity; the other items were dropped due to cross-loading and low reliability concerns. All other constructs' alphas were between .71 to .87, suggesting that these constructs were considered reliable (Nunnally 1978). Most items from these constructs had an item-to-total correlation over the recommended .50 value, except other dependence item 3 (.43) and other dependence item 4 (.49).

Insert Table 6

Second, I estimated the measurement model using *confirmatory factor analysis* (CFA) to test model fit, unidimensionality, composite reliability, convergent validity, and discriminant validity. The model fit indices indicated that the proposed model fit the data well ($\chi^2 = 104.36$, $df = 45$, $p = .08$; RMSEA = .04, p (close fit) = .86; CFI = .98) (Hu and Bentler 1999). A non-significant chi-square, RMSEA that is less than .06, and CFI that is greater than .90 indicate a good fit between the model and data (Hu and Bentler 1999). Table 7 shows the factor loadings of each item, and all items loaded on their relevant constructs significantly. This indicated unidimensionality and convergent validity.

Insert Table 7

The average variance extracted (AVE) for each construct measure were also examined, and AVEs of all constructs except other dependence exceeded the threshold of .50 (Bagozzi and Yi 1988; Fornell and Larcker 1981). The AVE of other dependence is .39 (see Table 7). Discriminant validity was assessed by comparing the square root of the AVE for all constructs to

the correlation coefficients between the related constructs. Table 8 shows that the square root of the AVEs were greater than the correlation coefficients, so discriminant validity was established (Fornell and Larcker 1981).

Insert Table 8

Multicollinearity. I also analyzed variance inflation factors (VIF) and tolerance values to check the potential multicollinearity problems (Dormann et al. 2013). The tolerance values of all independent variables, moderators, and control variables were greater than .10, ranging from .89 to .99. All VIF values were less than 10, ranging from 1.00 to 1.13. Therefore, multicollinearity does not seem to be an issue.

Nonresponse Bias. Nonresponse bias occurs when a number of respondents do not reply and their characteristics are systematically different from those who reply (Armstrong and Overton 1977; Speklé and Widener 2018). There were only three respondents did not complete the telephone survey among 207 respondents who were contacted. Therefore, the nonresponse bias may not be a concern for this dataset. To further confirm this, I also assessed the nonresponse bias by comparing early respondents²⁶ with late respondents to check if there are significant differences in demographic variables (e.g., how long the representative has been working for the manufacturer) (Armstrong and Overton 1977). There were not significant differences in demographic variables between early and late responses. Therefore, this suggests non-response bias is not a concern in this dataset. However, there were some significant

²⁶ Early respondents refer to the 31 responses collected during the first three days of data collection. Late respondents refer to the 25 responses collected during the last three days of data collection. Data collection lasted 25 days in total.

differences between early responses and late responses on some of the focal variables (e.g., own dependence, own PDO).

Common Method Variance. Because the data were collected from a single source and were cross-sectional, there may be common method bias. Therefore, three tests were conducted to test the potential for common method bias. First, Harmon's single factor test was ran (Podsakoff et al. 2003). The EFA generated multiple factors and one factor only accounted for 20.96%, which was not a majority of the variance, so there was less concern about common method bias. Second, I compared two CFA models: the measurement model and a single-factor CFA model, where all measurement items were assigned to the single factor (Podsakoff et al. 2003). There was a significantly inferior fit to the data of the single factor model to the hypothesized measurement model ($\Delta\chi^2 = 441.97$, $df = 9$, $p < .001$), suggesting common method bias is less of a concern. Finally, Lindell and Whitney's (2001) marker variable approach was used to assess the potential for common method bias. I chose the attitude toward blue (Miller and Simmering 2022) as the marker variable since it does not correlate theoretically to any of the constructs in the proposed model. The correlations between attitude toward blue and the other constructs served as a proxy for common method bias. The correlations among the constructs were adjusted by subtracting the smallest absolute correlation between attitude toward blue and constructs (i.e., .003). The adjusted correlations did not change in significance, so concerns of common method bias were alleviated (Lindell and Whitney 2001). Based on these three approaches, common methods bias does not appear to be a concern.

Regression Results. Hypothesis 1 argues that dependence asymmetry is related positively to the dependent firm's PDO. The results, however, indicated that dependence asymmetry was not related significantly to dependent firm's PDO ($\beta = -.64$, $p > .10$) (see Table 9). Therefore, H1

was not supported. H2, which argues that goal congruence strengthens the positive effect of dependence asymmetry on PDO, was not supported ($\beta = .23, p < .10$)²⁷. Lastly, H3 posits that dependent firm's financial performance strengthens the positive effect of dependence asymmetry on the dependent firm's PDO. Hypothesis 3 was not supported ($\beta = -.18, p > .10$).

Insert Table 9

Post-Hoc Regression Analysis and Results. Since the hypotheses were not supported, I ran a post-hoc regression with a global, one-item measure for both own and other dependence (i.e., I am (my manufacturer is) very dependent on this manufacturer (me)). First, dependence asymmetry was related negatively to the dependent firm's PDO ($\beta = -.83, p < .05$) (see Table 10). This finding is opposite to H1's expectation and Study One's results. Study One's results appear to align with the benevolent perspective of dependent asymmetry, while this study's results align with the opportunistic perspective of dependence asymmetry. Hypothesis 2 was not supported ($\beta = .18, p < .05$). However, the results suggested that goal congruence weakened the negative effect of dependence asymmetry on PDO, which was in line with H2's logic. H3 was not supported ($\beta = -.03, p > .10$) in the post-hoc analysis.

Insert Table 10

²⁷ The logical behind H2 was supported marginally because goal congruence weakened the negative impact of dependence asymmetry on PDO.

5. Discussion

5.1 Theoretical Implications

This essay contributes to the channel literature by positing that firm PDO is malleable. In other words, firm PDO is not a static construct, but rather it varies over time and/or across different channel relationships. Further, this research identifies two variables—dependence asymmetry and goal congruence—that may affect a firm’s PDO. Specifically, Study One finds that dependence asymmetry may increase a dependent firm’s PDO (i.e., acceptance of power disparity) rather than leading to pre-emptive strikes and retaliation. It is posited that the benevolent, collaborative perspective emphasizes mutual interests and benefits that encourage a dependent firm to accept this unequally distributed power favoring its partner (Hofer 2015; Hofer et al. 2012). By contrast, Study Two provides empirical support to the received, opportunistic perspective on dependence asymmetry. Specifically, dependency asymmetry decreases dependent firm’s acceptance of power disparity. Based on these results this essay finds that dependence asymmetry indeed affects PDO.

Furthermore, this essay finds that goal congruence moderates the impact of dependence asymmetry on PDO. With potential benefits from goal congruence, it is posited to weaken the negative relationship between dependence asymmetry and firm’s PDO. In other words, with high goal congruence, dependence asymmetry is related to a higher level of PDO than in the situation with low goal congruence. In sum, this research adds to power dependence theory by suggesting that power disparity does not always lead to adversarial relationships; rather, dependent firms may be more likely to accept the unequally distributed power in a channel relationship when the benevolent perspective of dependence asymmetry plays a role and when dependent firms have compatible goals with their partners.

5.2 Managerial Implications

The essay offers managerial implications for both more powerful firms and dependent firms. First, a powerful firm in a channel relationship should emphasize mutual interests instead of self-interests. With an emphasis on mutual interests and goal congruence, the dependent firm will be more accepting of the unequally distributed power. Therefore, the dependent firm will tend to comply with the powerful partner instead of engaging in preemptive strikes or other opportunistic behaviors. Furthermore, powerful partners should assess goal congruence over time to ensure both partners' goals remain in alignment. In a franchise setting, for example, franchisees may focus on acquiring competence early in the relationship, but once they have acquired the knowledge and skills to manage the franchise, their goals may shift (Crosno and Tong 2018). Ensuring the goals stay in alignment over time will help bolster the franchisee's PDO, and in turn, their compliance with the franchisor's required operating procedures.

Second, a dependent firm should consider goal congruence when engaging in partner selection efforts. Goal congruence signals that the partner operates under the benevolent perspective of dependent asymmetry. The dependence firm, therefore, can be more accepting of the power disparity and have a lower fear of exploitation from engaging in a relationship with this partner. However, the dependent firm should be cognizant that goal congruence may bolster their acceptance of power disparity and compliance with its powerful partner; in some situations, it may be detrimental for the dependent firm to comply wholeheartedly with the more powerful firm, as doing so could hinder its performance over time (Crosno and Tong 2018). Furthermore, rather than accepting the powerful partner's directives (as firms with high PDO tend to do), challenging conventional practices and procedures can lead to increased efficiency and innovations (Kashyap, Antia, and Frazier 2012). By contrast, low levels of goal congruence (i.e.,

below expectations) may diminish a dependent firms' PDO, which may result in conflict and noncompliance, and ultimately send the relationship into a downward spiral (Anderson and Jap 2005). In short, the dependent firm should explicitly assess its own PDO and determine if its (un)acceptance of a powerful partner's directives are in its best interests.

5.3 Limitations and Further Research Directions

There are several limitations of this research. First, Study One demonstrates the dynamic nature of PDO, but this experimental study measured individual level PDO at Time 1 and firm level PDO at Time 2. Future research should examine the malleability of PDO at the same level (e.g., firm level). Second, a firm is embedded in its country, so a firm PDO may be related to its country PDO index. However, this essay collected data from only one country, the U.S., so I cannot provide any empirical results of the relationship between measured firm PDO scales and secondary PDO measures (as per Hofstede). Future research should collect data from multiple countries to show the correlation of firm PDO and country PDO.

Next, Study Two is a cross-sectional design; thus, the causal relationship between dependence asymmetry and PDO cannot be established. Further, Study Two only examines a subset of potential variables that may affect a firm's PDO. Future research should examine more potential antecedents (e.g., contract length and the anticipated open-endedness of the relationship that capture the shadow of the future), moderators, and consequences of firm PDO to capture the nomological network of firm PDO. For example, a contract with long duration, which implies the long relationship length between channel partners, tends to lead to cooperative behaviors (Heide and Miner 1992). As a result, the dependent firm may have less fear of being exploited, thus being more likely to accept the unequally distributed power.

As another limitation, this research examines and measures dependence globally. Recent research (Scheer, Miao, and Garrett 2010), however, suggests that there are different types of dependence—switching cost and relationship value dependence. Therefore, future research should investigate both relationship value and switching cost dependence asymmetry to capture both positive and negative motivation of dependence asymmetry (Scheer, Miao, and Palmatier 2015; Scheer, Miao, and Garrett 2010). Lastly, this essay only examines dependent firm's PDO. As argued in Essay One, the powerful firm's PDO also affects the dependent partner's behaviors and relationship outcomes. Future research, therefore, should examine PDO of both the dependent and powerful firm.

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Tables

Table 6: The Empirical Results of Dependence Literature

Table 1. The Empirical Results of Dependence Literature

Study	The Advantages of Dependence	The Disadvantages of Dependence
Andaleeb (1995)	A firm's high dependence on its partners leads to its cooperation with this partner regardless of the level of trust.	A firm's dependence on its partner leads it to exert control over the relationship.
Andaleeb (1996)	A firm's high dependence on its partner leads to its commitment to the relationship.	-
Chang et al. (2012)	A firm's dependence increases its calculative commitment to the relationship.	A firm's dependence decreases its affirmative commitment to the relationship.
Frazier, Gill, and Kale (1989)	A firm's dependence on its partner decreases its coercive strategy usage.	A firm's dependence on its partner leads this partner to use coercion.
Ganesan (1994)	The firm's dependence on its partner leads to its long-term orientation toward the relationship.	A partner's dependence leads a firm to decrease its long-term orientation toward the relationship.
Gu and Wang (2011)	Dependence strengthens the positive impact of a firm's transaction specific investments on its compliance to its partners.	Dependence weakens the positive effect of program fairness on its compliance to its partner.
Hallen, Johanson, and Seyed-Mohamed (1991)	A firm's dependence leads to its adaptation to its partner.	-
Handfield and Bechtel (2002)	A buyer's dependence on its supplier leads to specific contract usage.	A buyer's dependence on its supplier decreases its supplier's responsiveness (e.g., short lead-times).

Table 1. The Empirical Results of Dependence Literature

Study	The Advantages of Dependence	The Disadvantages of Dependence
Heide and John (1988)	-	Dependence from transaction specific assets engenders a firm's offsetting investment in other partners to increase the replaceability of its current partner.
Hofer et al. (2012)	A supplier's dependence on key retail accounts increases its financial performance.	-
Huo et al. (2019)	A supplier's dependence on its buyer decreases its own coercive power usage.	A firm's dependence on its partner leads its partner's both coercive and noncoercive power usage.
Jiang et al. (2013)	A firm's dependence on its partner leads to its own trust, commitment, communication, and long-term orientation.	-
Johnson (1999)	A firm's dependence on its partner leads to its own strategic integration.	-
Kim, Jung, and Park (2015)	A manufacturer's private brand retailer dependence increases its private brand sales.	-
Lusch & Brown (1996)	Supplier's dependence on buyers leads them to use explicit contract to govern the relationship.	-
Osmonbekov and Gruen (2013)	Dependence weakens the negative effect of inequity on performance.	-
Palmatier et al. (2016)	The results from the meta-analysis suggest that a buyer's dependence on a seller increase relationship quality including commitment, trust, and satisfaction.	-

Table 1. The Empirical Results of Dependence Literature

Study	The Advantages of Dependence	The Disadvantages of Dependence
Payan and McFarland (2005)	The impact of coercive influence strategy (e.g., threats) leads to a target's compliance only when the target's dependence level is high.	-
Rahmoun and Debabi (2012)	Dependence between channel partners lead to integrative negotiation.	-
Razzaque and Boon (2003)	Buyer's dependence on its supplier lead to its own commitment to and cooperation with the relationship.	-
Rodríguez, Pére, and Gutiérrez (2005)	A franchisee's dependence on its franchisor strengthens the positive effect of perceived cooperation on its economic satisfaction.	A franchisee's dependence on its franchisor strengthens the negative effects of perceived conflicts on its social and economic satisfaction.
Scheer et al. (2010)	A firm's benefit-based dependence increase its relational loyalty. A firm's cost-based dependence increase its insensitivity to competitive offerings.	-
Scheer et al. (2015)	The meta-analytic results suggest that (1) both partner and own dependence lead to own relationship quality and (2) own dependence also leads to own relationship specific investment.	-
Sezen and Yilmaz (2007)	A dealer's dependence on its supplier results in the dealer's flexibility and solidarity.	-

Table 1. The Empirical Results of Dependence Literature

Study	The Advantages of Dependence	The Disadvantages of Dependence
Yeniyurt, Henke, and Yalcinkaya (2014)	Buyer's dependence on its suppliers increases the supplier's involvement in the buyer's new product development process. Supplier's dependence on its buyer leads to its investment in buyer-specific technology, willingness to share proprietary technology, and its involvement in new product development process.	Buyer's dependence on its supplier decreases the supplier's willingness to invest in buyer-specific technology.

Table 7: The Opportunistic (or Bilateral Deterrence) Perspective of Dependence Asymmetry in Channel Relationships

Table 2. The Opportunistic (or Bilateral Deterrence) Perspective of Dependence Asymmetry in Channel Relationships			
Article	Alias of Dependence Asymmetry	Main Findings	Measurement Focus
Anderson and Narus (1990)	Relative dependence: dependence asymmetry favoring its partner	A firm's dependence asymmetry favoring its partner leads to its partner's influence (i.e., power usage) over it.	Switching cost
Kumar et al. (1995)	Interdependence asymmetry	A firm's dependence asymmetry favoring its partner is related negatively to its trust in and commitment to its partner and related positively to channel conflicts.	Switching cost and global measurement
Zhou et al. (2007)	Perceptual dyad difference in dependence	Dependence asymmetry is related positively to channel conflicts.	Global measurement
Brinkhoff et al. (2015)	Asymmetric dependence	A firm's dependence asymmetry favoring its partner is related negatively to its trust in its partner.	Global measurement
Hofer (2015)	Dependence advantage: dependence asymmetry favoring itself Dependence disadvantage: dependence asymmetry favoring its partner	A firm's dependence asymmetry favoring itself decrease its own long-term orientation.	Global measurement
Kim and Choi (2018)	Dependence asymmetry	Dependence asymmetry weakens the positive effects of relationship ties (e.g., strong and weak ties) on value creation.	Switching cost, relationship value, and global measurement
Scheer et al. (2015)	Dependence asymmetry	A firm's dependence asymmetry favoring its partner is related negatively to dyadic cooperation.	Global measurement
Wang et al. (2016)	Power asymmetry	A firm's dependence asymmetry favoring itself is related negatively to its own long-term collaboration.	Global measurement

Table 8: The Benevolent (or Collaborative) Perspective of Dependence Asymmetry in Channel Relationships

Table 3. The Benevolent (or Collaborative) Perspective of Dependence Asymmetry in Channel Relationships

Article	Alias of Dependence Asymmetry	Main Findings	Measurement Focus
Gulati and Sytch (2007)	Dependence advantage: dependence asymmetry favoring itself Dependence disadvantage: dependence asymmetry favoring its partner	A firm's dependence asymmetry favoring itself is related negatively to its own performance.	Switching cost, relationship value, and global measurement
Hofer et al. (2012)	Dependence on key retail accounts	A firm's dependence asymmetry favoring its partner is related positively to its own performance.	Global measurement
Scheer et al. (2015)	Dependence asymmetry	A firm's dependence asymmetry favoring its partner is related positively to its own performance.	Switching cost, relationship value, and global measurement
Scheer et al. (2015)	Dependence asymmetry	A firm's dependence asymmetry favoring its partner is related positively to dyadic cooperation.	Relationship value

Table 9: Exploratory Factor Analysis (EFA) Results for Essay Two**Table 4. Exploratory Factor Analysis (EFA) Results**

Constructs	Items	Factor Loadings
Factor 1 Own Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)	1. It would be difficult for me to find a suitable replacement for this manufacturer 2. Our firm would incur many costs if I switch to another manufacturer 3. It would cost my firm a lot if I stop doing business with this manufacturer 4. The procedures and routines that my firm has developed with this manufacturer are not easily transferable to another manufacturer	Removed 0.91 0.87 Removed
Factor 2 Own Power Distance Orientation (Wuyts and Geyskens 2005)	1. I believe that the more powerful party should have more say in this relationship 2. I believe that the less powerful party should generally follow the will of the more powerful one 3. I believe that the more powerful party should have the last word	0.91 0.91 0.86
Factor 3 Financial Performance (Lusch and Brown 1996; Wu 2015)	1. Overall profitability 2. Customer satisfaction 3. Annual revenue	0.89 Removed 0.87
Factor 4 Goal Congruence (Jap and Anderson 2003)	2. We have compatible goals 3. We support each other's objectives	Removed 0.84 0.78
Factor 5 Other Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)	1. It would be difficult for my manufacturer to find a suitable replacement for me 2. My manufacturer would incur many costs if it switched to another representative 3. It would cost my manufacturer a lot if it stopped doing business with me 4. The procedures and routines that my manufacturer has developed with me are not easily transferable to another representative	0.78 0.76 0.73 0.66

Table 10: Variance Explained from the Exploratory Factor Analysis (With Trimmed Items) for Essay Two

Table 5. Variance Explained from the Exploratory Factor Analysis (With Trimmed Items)

Factor	Initial Eigenvalues	Variance Explained (%)	Cumulative Variance Explained (%)
1	2.73	20.96	20.96
2	2.60	20.01	40.97
3	1.66	12.74	53.71
4	1.24	9.56	63.27
5	1.05	8.04	71.34

Table 11: Internal Consistency of Items for Essay Two

Table 6. Internal Consistency of Items

Construct and items	Cronbach's Alpha	Item-Total Correlation
Own Dependence	0.76	
Item 2		0.62
Item 3		0.62
Own Power Distance Orientation	0.87	
Item 1		0.78
Item 2		0.71
Item 3		0.80
Financial Performance	0.75	
Item 1		0.61
Item 3		0.61
Goal Congruence	0.48	
Item 2		0.32
Item 3		0.32
Other Dependence	0.71	
Item 1		0.53
Item 2		0.56
Item 3		0.43
Item 4		0.49

Table 12: Confirmatory Factor Analysis (CFA) Results for Essay Two**Table 7. Confirmatory Factor Analysis (CFA) Results****Overall Model Fit** $\chi^2(85) = 104.36$, $p = .08$; CFI = 0.98; RMSEA = .04, p (close fit) = .86

Construct and items	Composite Reliability	Standard Factor Loading*	Error Term
Own Dependence (AVE = .63)	0.77		
Item 2		0.83	0.22
Item 3		0.75	0.26
Own Power Distance Orientation (AVE = .72)	0.88		
Item 1		0.88	0.34
Item 2		0.77	0.44
Item 3		0.87	0.33
Financial Performance (AVE = .82)	0.86		
Item 1		0.58	0.30
Item 3		1.05	-0.06
Goal Congruence (AVE = 1.00)	N/A	1	0.00
Other Dependence (AVE = .39)	0.71		
Item 1		0.63	0.40
Item 2		0.71	0.22
Item 3		0.53	0.38
Item 4		0.62	0.4
Coercive Power Usage (AVE = .58)	0.8		
Item 1		0.69	0.46
Item 2		0.90	0.17
Item 3		0.61	0.37
Contract One-Sidedness (AVE = 1.00)	N/A	1	0.00

Note: AVE represents average variance extracted.

* All standardized factor loadings are significant at $p < .01$ or $p < .001$.

Table 13: Descriptive Statistics and Intercorrelations for Essay Two

Table 8. Descriptive Statistics and Intercorrelations

	Mean	Std. Deviation	1	2	3	4	5	6	7
1. Own Power Distance Orientation	2.72	1.02	(0.85)						
2. Own Dependence	2.12	0.72	-0.15**	(0.80)					
3. Other Dependence	1.94	0.55	0.10	0.34***	(0.62)				
4. Goal Congruence	4.26	0.80	-0.02	-0.07	-0.06	(1.00)			
5. Financial Performance	3.42	0.66	-0.13	0.23***	.11	0.02	(0.90)		
6. Coercive Power Usage	2.94	0.73	0.21	-0.15**	0.12	-0.07	-0.25***	(0.76)	
7. Contract One-Sidedness	2.69	0.68	0.26***	-0.06	-.01	0.03	0.02	0.07	(1.00)

N = 182

Note: Numbers in parentheses refer to the square root of the average variance extracted (AVE)

*** p < .01, ** p < .05, * p < .10

Table 14: Regression Results for Essay Two

Table 9. Regression Results				
	Hypothesis	Parameter Estimate	Standard Error	t-Value
Intercept		0.88	0.71	1.25
Independent Variables				
1. Dependence Asymmetry	H1	-0.64	0.79	-0.81
2. Goal Congruence		-0.05	0.09	-0.53
3. Financial Performance		0.12	0.11	1.09
Moderating Effects				
1 x 2	H2	0.23	0.12	1.85*
1 x 3	H3	-0.18	0.17	-1.09
Control Variables				
Coercive Power Usage		0.24	0.10	2.36***
Contract One-Sidedness		0.35	0.10	3.39***

*** p < .01, ** p < .05, * p < .10

Table 15: Regression Results with One-Item Dependence Scale

Table 10. Regression Results with One-Item Dependence Scale

	Hypothesis	Parameter Estimate	Standard Error	t-Value
Intercept		0.7	0.71	0.99
Independent Variables				
1. Dependence Asymmetry	H1	-0.83	0.42	-2.00**
2. Goal Congruence		-0.01	0.09	-0.14
3. Financial Performance		0.09	0.11	0.82
Moderating Effects				
1 x 2	H2	0.18	0.07	2.51**
1 x 3	H3	-0.03	0.09	-0.31
Control Variables				
Coercive Power Usage		0.28	0.10	2.72***
Contract One-Sidedness		0.36	0.10	3.51***

*** p < .01, ** p < .05, * p < .10

Figures

Figure 2: Dependence Structure

		Firm's Dependence	
		Low	High
Partner's Dependence	Low	Low Interdependence (or Independence)	Dependence Asymmetry (or Unilateral Dependence or Relative Dependence Favoring Partner)
	High	Dependence Asymmetry (or Unilateral Dependence or Relative Dependence Favoring Own)	High Interdependence (or Joint Dependence or Mutual Dependence)

Figure 1. Dependence Structure

Figure 3: Conceptual Framework for Essay Two

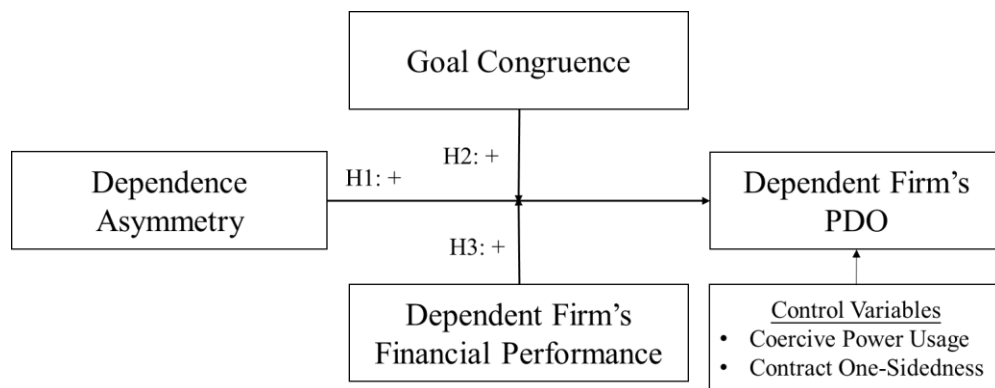


Figure 2. Conceptual Framework

Appendix One: Study One Manipulation and Measurements

Low Dependence Manipulation (Joshi and Arnold 1997)

You are a buyer for Company A, which is a car manufacturer. Your company plans to buy a set of auto parts (e.g., door frames and dashboards) from Company B, which is an auto parts supplier. You will negotiate the delivery terms with a supplier representative from Company B.

You find yourself in a situation where it is **not difficult** for you to find a suitable replacement for this supplier, Company B. There are **many** suppliers for door frames and dashboards, and you **can switch** to these suppliers **without incurring any costs**. Switching suppliers is **not going to have any negative effects** on the quality or design of the cars that you manufacture. Your production system can be **easily adapted** to use components (e.g., door frames and dashboards) from a new supplier. The procedures and routines that you have developed are standard and they are **easily transferable** to any supplier. You can, therefore, stop the negotiation with your present supplier without incurring any costs.

High Dependence Manipulation (Joshi and Arnold 1997)

You are a supplier representative from Company B, an auto parts manufacturer. Your company wants to sell a set of auto parts (e.g., door frames and dashboard) to Company A, which is an automobile manufacturer. You will negotiate delivery terms with the buyer representative from Company A.

You find yourself in a situation where it is **difficult** for you to find a suitable replacement for this buyer, Company A. There are **only a few** buyers interested in your door frames and dashboards, and if you switch to these buyers you will **incur many costs**. Switching buyers is going to require you to change the design of components that you manufacture (e.g., door frames

and dashboards). Your manufacturing system cannot easily meet the requirements of a new buyer. The procedures and routines that you have developed are unique and they are not easily transferable to another buyer. You cannot therefore stop the negotiation with your present supplier without incurring substantial costs.

Measurements

Individual Power Distance Orientation (PDO)²⁸ (Winterich, Gangwar, and Grewal 2018)

- (1) People in higher power positions should make most decisions without consulting people in lower power positions.
- (2) People in higher power positions should not ask the opinions of people in lower power positions too frequently.
- (3) People in higher power positions should avoid social interaction with people in lower power positions.
- (4) People in lower power positions should not disagree with decisions by people in higher power positions.
- (5) People in higher power positions should not delegate important tasks to people in lower power positions.

Firm PDO (Wuyts and Geyskens 2005)

- (1) Firms in the supply chain that are in a more powerful position should have more say in their relationships than their partners.
- (2) Firms in the supply chain that are in a low-power position should generally follow the will of their more powerful partners.

²⁸ Items 3, 4, and 5 were dropped.

(3) In a buyer-supplier relationship, it is logical that more powerful firms should have the last word.

Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)

(1) It would be difficult to find a suitable replacement for this supplier/buyer.

(2) My firm would incur many costs if we switched to another supplier/buyer.

(3) It would cost my firm a lot if we stop doing business with this supplier/buyer.

(4) The procedures and routines that my firm has developed are not easily transferable to another supplier/buyer.

(5) The procedures and routines that my firm has developed are unique for this supplier/buyer.

Appendix Two: Study Two Measurements

Representative's Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)

- (1) It would be difficult to find a suitable replacement for this manufacturer.
- (2) My firm would incur many costs if we switched to another manufacturer.
- (3) It would cost my firm a lot if we stop doing business with this manufacturer.
- (4) The procedures and routines that my firm has developed are not easily transferable to another manufacturer.

Manufacturer's Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)

- (1) It would be difficult to find a suitable replacement for this manufacturer representative.
- (2) My firm would incur many costs if we switched to another manufacturer representative.
- (3) It would cost my firm a lot if we stop doing business with this manufacturer representative.
- (4) The procedures and routines that my firm has developed are not easily transferable to another manufacturer representative.

Goal Congruence (Jap and Anderson 2003)

- (1) My manufacturer and I share the same goals in the relationship.
- (2) We have compatible goals.
- (3) We support each other's objectives.

Representative's Financial Performance (Lusch and Brown 1996; Wu 2015)

Please compare your performance over the last year to the performance of other sales representatives operating in your area in terms of the following dimensions

- (1) Overall profitability
- (2) Customer satisfaction
- (3) Annual revenue

Firm PDO (Wuyts and Geyskens 2005)

- (1) I believe that firm in a more powerful position should have more say than the other firm in my relationship with this manufacturer.
- (2) I believe that firm in a low-power position should generally follow the will of the more powerful one in my relationship with this manufacturer.
- (3) I believe that it is logical that a more powerful firm should have the last word in my relationship with this manufacturer.

Contract One-Sidedness (Kashyap, Antia, and Frazier 2012; Parkhe 1993)

Please indicate the extent to which the contract is one-sided, favoring you or your manufacturer on the following clauses:

- (1) Exclusivity rights
- (2) Penalties for contract breach
- (3) Terms of the agreement in general

Attitude toward Blue (Su, Cui, and Walsh 2019)

I like the color blue.

Essay Three: Dependence, Conflict, and Compliance: Examining the Mediating and Moderating Role of Power Distance Orientation

1. Introduction

Power-dependence theory assumes that a powerful firm in a channel relationship will use its power to further its self-interests and to compel its partner to comply (Carson and Ghosh 2019). Dependent firms, on the other hand, should comply with a powerful firm to ensure relationship continuity (Andaleeb 1996). Yet, research suggests that dependent firms may engage in a preemptive strike (e.g., engage in self-interested, guileful behaviors before the powerful partner exploits them) (Kumar, Scheer, and Steenkamp 1995). Therefore, although the powerful firm may compel the dependent firm to comply, using its power may also lead to conflict and destroy relationship trust, commitment, and satisfaction (Gaski and Nevin 1985; Kumar, Scheer, and Steenkamp 1995).

The above logic, however, does not consider the dependent firm's acceptance of its dependent position or the unequal distribution of power in its channel relationship (i.e., power distance orientation, PDO) (Hofstede 1984; Wuyts and Geyskens 2005). Nevertheless, PDO is very important for channel relationships because it can change channel firms' reactions to power and dependence. When a dependent firm accepts the unequal distribution of power in the channel relationship, it may comply more and refrain from conflict-inducing behaviors, such as rebelling against its powerful partner (Pfeffer and Salancik 1978; Scheer, Miao, and Garrett 2010; Zhuang and Zhou 2004). By contrast, when the dependent firm does not accept its dependent position (i.e., low PDO), dependence asymmetry may lead to a high level of conflict and low levels of trust and commitment (Kumar, Scheer, and Steenkamp 1995).

A powerful firm with low PDO will be less likely to use its power for self-gain because it values equality between it and its dependent partner (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). Working with a powerful firm with low PDO may result in better relationship outcomes, as the firm will be more likely to restrain from using power, engage in more informal communication, and use shared values as a means of control (Wuyts and Geyskens 2005). This, in turn should result in trust and satisfaction. In short, both the dependent and powerful firms' PDOs are expected to impact the channel relationship and outcomes.

Despite the importance of PDO in channel relationships, only a few studies have investigated PDO at the firm level (e.g., Lund, Scheer, and Kozlenkova 2013; Samaha, Beck, and Palmatier 2014; Wuyts and Geyskens 2005). Therefore, this essay introduces firm-level PDO to power-dependence theory and examines its antecedents and consequences. The specific research questions and contributions are outlined below.

Research Question 1: How does the motivation behind dependence asymmetry influence a dependent firm's PDO?

As mentioned in Essay Two, current research on PDO assumes that PDO is static (Hofstede 1984; Samaha, Beck, and Palmatier 2014). Other research, however, suggests that PDO is malleable and changes over time and across situations (McGrath et al. 1992; Winterich, Gangwar, and Grewal 2018). Drawing on this logic, this essay argues, similar to Essay Two, that a firm's PDO is not static but can vary across situations. To gain further insight on the influence of dependence asymmetry on a dependent firm's PDO, this essay examines two types of dependence asymmetry: relationship value and switching cost dependence asymmetry. The former stems from a positive motivation to maintain the relationship (i.e., to receive benefits), whereas the latter stems from a negative motivation to maintain the relationship (i.e., to avoid

costs). These motivations are expected to influence the dependent firm's PDO differently. Specifically, relationship value dependence asymmetry (i.e., positive motivation from receiving benefits) is expected to increase the dependent firm's PDO, while switching cost dependence asymmetry (i.e., negative motivation from avoiding loss) is expected to decrease the dependent firm's PDO.

Research Question 2: What are the consequences of a dependent firm's PDO?

While Essay Two examines some potential antecedents of a dependent firm's PDO, extant research has not examined potential behavioral outcomes of a dependent firm's PDO (e.g., conflict and compliance). It is worth examining these potential outcomes since they affect channel relationships. For example, a meta-analysis shows that conflict is related negatively to channel performance (Eshghi and Ray 2021). To fill this gap, this essay will examine the impact of a dependent firm's PDO on the dependent firm's conflict and compliance with its powerful partner. Based on the received view of dependence asymmetry, when power is unequally distributed (i.e., power or dependence asymmetry) within a channel relationship, there will be a high level of channel conflict and low levels of trust and commitment (Kumar, Scheer, and Steenkamp 1995). This is because the powerful firm has a low level of fear of retaliation for its behaviors so it can pursue its self-interest. Yet, the dependent firm fears that the powerful partner will exercise its power to its own advantage (Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006). As a result, the dependent firm may engage in a preemptive strike to protect itself (Kumar, Scheer, and Steenkamp 1995). Therefore, when power is unequally distributed, channel partners will focus on their own interest rather than building a long-term channel relationship (Kumar, Scheer, and Steenkamp 1995).

Current research does not consider channel firms' acceptance of the unequally distributed power (Anand and Stern 1985; Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006), nor its impact on the firm behavior. This essay argues that when the dependent firm has high PDO, it will be more accepting of a power disparity, and therefore, more likely to comply with its powerful partner and to avoid conflict than when a dependent firm has low PDO (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013), rather than rebelling and creating conflict.

Research Question 3: Does the powerful partner's PDO moderate the impact of a dependent firm's PDO on its behaviors (e.g., conflict and compliance)?

Current research on PDO mostly examines the dependent firm's acceptance of unequal distribution of power; it does not consider the powerful firm's acceptance of unequal distribution of power (Hofstede 1984; Lund, Scheer, and Kozlenkova 2013). A powerful partner's PDO can also affect the dependent firm's reaction to its dependent position. For example, a powerful partner with low PDO will value its dependent firm's equal right to express opinions, thus leading it to consult its dependent partner in decision making (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). As a result, the positive impact of a dependent firm's PDO on its compliance and the negative impact of a dependent firm's PDO on conflict will be stronger when the powerful partner has a low PDO.

Moreover, previous research on power-dependence assumes that a powerful firm's PDO is high (i.e., it accepts the unequal distribution of power favoring itself). For example, one underlying assumption of power-dependence theory is that once a firm has power, it will use its power to compel its dependent partner's compliance to further its (i.e., the powerful partner's) own interest (Carson and Ghosh 2019; Gaski and Nevin 1985). Yet research has demonstrated

the powerful firm may use its power for mutual interests (i.e., to improve efficiency and performance of the channel) rather than for its self-gain (Hofer 2015). Therefore, rather than assuming a powerful firm has high PDO, this essay will measure and examine the varying levels of the powerful firm's PDO, specifically investigating its moderating effect on the relationship between a dependent firm's PDO and its behaviors (e.g., conflict and compliance).

In sum, this research contributes to extant literature by: (1) fleshing out the effects of dependence asymmetry on PDO by examining two types of dependence asymmetry—relationship value and switching cost dependence asymmetry; (2) examining how firm-level PDO influences firm behaviors (e.g., conflict and compliance); and (3) examining the moderating role of the powerful partner's PDO on the dependent partner's PDO → outcomes relationship (i.e., examining PDO levels across the dyad to gain a more holistic perspective on the role of PDO in channel relationships).

The remainder of the essay is organized as follows: first, a brief literature review of PDO and relationship value and switching cost dependence asymmetry research is presented. Second, the conceptual model and hypotheses are developed. Third, the proposed research methodology is presented. Next, the longitudinal study results are reported. Finally, the theoretical and managerial implications, limitations, and future research directions are discussed.

2. Literature Review

2.1 Power Distance Orientation

Power distance orientation (PDO) refers to the firm's level of acceptance of unequally distributed power in the channel relationship (Wuyts and Geyskens 2005). As argued in Essays One and Two, it is essential to investigate PDO at firm level because it affects both dependent and powerful firms' acceptance of and reactions to power disparity (Lund, Scheer, and

Kozlenkova 2013; Wuyts and Geyskens 2005). For example, a firm with high PDO tends to accept hierarchy and disparity in power distribution, thus expecting the dependent firm's compliance with the powerful firm's directives (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). By contrast, a firm with low PDO does not accept unequally distributed power but emphasizes equality in decision making (Huang, Zhu, and Brass 2017; Lund, Scheer, and Kozlenkova 2013).

Furthermore, current research treats firm PDO as a static construct (e.g., Lund, Scheer, and Kozlenkova 2013 and Samaha, Beck, and Palmatier 2014), even though other studies suggests that firm PDO is malleable (McGrath et al. 1992; Winterich, Gangwar, and Grewal 2018). This essay follows Essay Two's logic that PDO is malleable and is influenced by dependence asymmetry. This essay extends Essay Two by investigating two different sources of dependence asymmetry—relationship value and switching cost. Each will be discussed further in the next section.

2.2 Relationship Value and Switching Cost Dependency Asymmetry

Dependence refers to a firm's need to maintain its relationships with partners to achieve its goals (Scheer, Miao, and Palmatier 2015). Current research on dependence in channel relationships shows mixed results, with studies reporting opposite-signed relationships for dependence and the following variables: performance, cooperation, and relationship quality (Scheer, Miao, and Palmatier 2015). Examining dependence on one side of the channel dyad, however, may paint an incomplete picture (Kumar, Scheer, and Steenkamp 1995). Previous research, therefore, has argued that dependence structure (e.g., interdependence and dependence asymmetry) can account for the conflicting effects of dependence reported in extant research (Kumar, Scheer, and Steenkamp 1995). Interdependence refers to the sum of two channel

partners' dependence on one another, whereas dependence asymmetry refers to "the difference between the firm's dependence on its partner and the partner's dependence on the firm" (Kumar, Scheer, and Steenkamp 1995, p. 349). The former tends to lead to desirable results, such as increased trust and reduced conflict, whereas the latter tends to produce undesirable outcomes, such as low trust²⁹ (Kumar, Scheer, and Steenkamp 1995).

Yet, the impact of dependence asymmetry has also yielded some mixed results (Scheer, Miao, and Palmatier 2015). There are seemingly opposing perspectives on the effects of dependence asymmetry. The more traditional, opportunistic perspective of dependence asymmetry suggests that dependence asymmetry leads to adversarial relationships; the powerful partner has low fear of retaliation, thus leading to its power exploitation (Hofer 2015; Kumar, Scheer, and Steenkamp 1995; Lawler, Ford, and Blegen 1988; Zhuang, Herndon, and Zhou 2006). The dependent party fears being exploited by the more powerful partner and thus engages in an opportunistic preemptive strike. Hence, both partners engage in relationship destructive behaviors.

By contrast, an alternative, benevolent perspective suggests that dependence asymmetry may foster collaborative relationships (Hofer 2015; Hofer et al. 2012). This perspective suggests that the powerful firm facilitates channel coordination, harmony, and efficiency, yielding desirable results for both partners (e.g., high performance for the dependent firm). Rather than using its power for its own interests, the powerful partner uses its power for mutual interests (Anderson and Weitz 1992; Hofer 2015). Hence, dependence asymmetry may result in positive rather than negative outcomes.

²⁹ Trust refers to a firm's confidence in its "partner's reliability and integrity" (Morgan and Hunt 1994, p. 23).

More recently, scholars have also suggested that the source of dependence may contribute to the conflicting results of dependence reported in extant research. Specifically, they differentiate between two types of dependence: relationship value dependence and switching cost dependence (Scheer, Miao, and Palmatier 2015; Scheer, Miao, and Garrett 2010). *Relationship value dependence* refers to dependence stemming from “the value received from the current relationship that cannot be replaced via available alternatives” (Scheer, Miao, and Palmatier 2015, p. 697). Relationship value dependence is based on a positive motivation to maintain the relationship (i.e., to continue receiving benefits that a partner provides) (see Table 1, Ganesan 1994). Past research suggests that relationship benefits or value received from a channel partner include rewards, product quality, product profitability, delivery performance, service support, personal interaction, know-how, time to market, and high sales volumes (Hofer et al. 2012; Morgan and Hunt 1994; Palmatier et al. 2006; Ulaga and Eggert 2006). For example, research shows that suppliers’ dependence on their powerful retailers (e.g., Walmart and Target) brings them high sales volumes and financial performance (Hofer et al. 2012).

Switching cost dependence refers to dependence stemming from the high cost of ending the current relationship and/or building an alternative relationship (Scheer, Miao, and Palmatier 2015). This type of dependence is based on a negative motivation to maintain a relationship (i.e., too costly to switch to an alternative relationship) (see Table 1, Huo et al. 2019). Past research suggests that switching costs include sunk costs of losing investments in the current relationship, search and evaluation cost of alternative partners, the cost of negotiating and crafting safeguards, and required investments into the new, alternative relationship (Jones, Mothersbaugh, and Beatty 2002; Rindfleisch and Heide 1997). For example, Wendy’s franchisees may depend on their franchisor because ending the relationship will generate high costs from losing the specific

investments (e.g., construction of standard prototype restaurant and site) that cannot be used outside the franchise system. Furthermore, non-compete clauses may prevent a Wendy's franchisee from starting another franchise for a certain period of time.

Most previous research does not consider how the different motivations behind dependence affect channel relationships³⁰ (Scheer, Miao, and Garrett 2010). As a result, researchers cannot fully capture the differential effects of dependence on relationship outcomes. This essay argues that positively-motivated and negatively-motivated dependence can affect relationship outcomes differently (e.g., Scheer, Miao, and Garrett 2010). Therefore, this essay examines relationship value and switching cost dependence separately to capture their differential impact on PDO.

The definition and measures of dependence asymmetry in current research, however, have not distinguished dependence's positive motivation from its negative motivation (Scheer, Miao, and Garrett 2010). Therefore, this essay proposes two new concepts—relationship value dependence asymmetry and switching cost dependence asymmetry—to capture both effects of dependence structure and different motivations of dependence on firm level PDO. Relationship value dependence asymmetry stems from the positive motivation of dependence, while switching cost dependence asymmetry stems from the negative motivation of dependence.

In sum, current research on dependence asymmetry in channel relationships neglects the role of PDO and largely overlooks different sources of dependence asymmetry. Channel research has assumed that the dependent firm has low PDO (i.e., the low levels of acceptance of unequally distributed power) because the dependent position is viewed as disadvantageous (e.g., forced to comply, loss of autonomy) (Brehm 1966; Lawler, Ford, and Blegen 1988). It has also

³⁰ Most studies use a global measure that mixes the motivations or do not indicate any motivation (Scheer, Miao, and Garrett 2010).

assumed that a powerful firm has high PDO, so it will use its power over the dependent partner to further its own interest (Carson and Ghosh 2019; Gaski and Nevin 1985). Contrary to extant research, this essay will propose a conceptual model that investigates varying levels of both dependent and powerful firm PDO, as well as the antecedents (i.e., relationship value and switching cost dependence asymmetry) and consequences (i.e., conflict and compliance) of the dependent firm's PDO.

3. Theory Background and Hypotheses

Antecedents to Dependent Firm PDO

This essay proposes two antecedents of PDO, namely, relationship value and switching cost dependence asymmetry (see Figure 1). *Relationship value dependence asymmetry* refers to dependence asymmetry stemming from relationship value dependence. Relationship value dependence asymmetry implies that the dependence asymmetry can bring benefits to the dependent firm (Scheer, Miao, and Palmatier 2015). A dependent firm may be more accepting of their dependent position or power disparity if it is receiving benefits from the powerful partner or the channel relationship.

Insert Figure 1

First, scholars suggest that the dependent firm will perceive a higher level of autonomy when it receives high-quality assistance (i.e., a benefit) from its powerful partner, thus increasing its acceptance of power disparity (Lusch and Brown 1982). The dependent firm will internalize its powerful partner's expectations because the dependent firm benefits from this relationship; as a result, the dependent firm will perceive that it is acting autonomously (Hunt and Nevin 1974;

Lusch and Brown 1982; Williamson 1981). In this situation, a dependent firm may seek and deepen the relationship with its powerful partner because the critical and rare resources controlled by the partner can bring benefits to the dependent firm (Zhuang and Zhou 2004). Therefore, a dependent firm with a high level of relationship value dependence is likely to accept the power disparity in its channel relationship. It is in the dependent firm's self-interest to do so (Williamson 2002).

Second, when a dependent firm perceives value and benefits from its relationship with its powerful partner, it tends to regard its partner's power as fair (Dwyer, Schurr, and Oh 1987). When the powerful party deals fairly with the dependent party, the relationship can expand (Scheer 2012), resulting in more trust and commitment and less concerns about being exploited. As a result, the dependent firm becomes more accepting of its power position. Therefore, this essay suggests:

H1: Relationship value dependence asymmetry positively influences a dependent firm's power distance orientation.

Switching cost dependence asymmetry refers to the dependence asymmetry stemming from switching cost dependence. This essay argues that switching cost dependence decreases a dependent firm's PDO. First, switching cost dependence asymmetry locks the dependent firm into the relationship, as it is too costly to leave (Scheer, Miao, and Garrett 2010). In other words, if the dependent firm dissolves this relationship, it will incur substantial costs to find an alternative partner and/or to give up the specialized assets that cannot be redeployed to alternative relationships (Anderson and Jap 2005; Wu, Chen, and Chen 2015). Past research has shown that the dependent firm will regard the above switching cost as a threat and will have a high level of fear of being exploited (Keltner, Gruenfeld, and Anderson 2003; Kumar, Scheer,

and Steenkamp 1995; Zhuang, Herndon, and Zhou 2006). Therefore, instead of accepting the power disparity (i.e., high PDO), the dependent firm will engage in a preemptive strike to protect itself (Kumar, Scheer, and Steenkamp 1995).

Second, the dependent firm will perceive less autonomy if it is locked in with the powerful partner. This limited autonomy will compel the dependent firm to engage in reactance to regain some semblance of control (Brehm 1966; Miron and Brehm 2006). In this case, the dependent firm's acceptance of the dependent position will decrease (Brehm 1966; Miron and Brehm 2006). Therefore, this essay proposes:

H2: Switching cost dependence asymmetry negatively affects a dependent firm's PDO.

Consequences of Dependent Firm PDO

A dependent firm's acceptance of power disparity will affect its attitudes and behaviors (e.g., compliance) in a channel relationship (Ajzen 2012). This essay will examine the relationship between PDO and two behavioral outcomes – conflict and compliance. Conflict refers to the open expression of disagreements or overt attempts to prevent the other channel partner from achieving its goals (Kumar, Scheer, and Steenkamp 1995). When a dependent firm has low PDO, it will have a low level of acceptance of unequally distributed power. Therefore, it may engage in a preemptive strike and increase conflict to rebel against this dependent position (Kumar, Scheer, and Steenkamp 1995). Moreover, the dependent firm with low PDO will value its equal rights with its powerful partner in making decisions and will tend to express different opinions and disagreements (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005).

Therefore, a dependent firm's low PDO will increase its conflict with its powerful partner. When a dependent firm has a high PDO, in contrast, it will accept an unequal distribution of power (Wuyts and Geyskens 2005). It will expect to be told what to do rather than provide input into

the decision making process (Hofstede 2011). Moreover, the dependent firm with high PDO tends to follow its powerful partner instead of expressing disagreements (Paharia and Swaminathan 2019; Winterich, Gangwar, and Grewal 2018). Therefore, a dependent firm's high PDO will reduce conflict with its powerful partner.

H3: A dependent firm's PDO is related negatively to conflict with its powerful partner.

By contrast, this essay argues that a dependent firm's PDO is related positively to its compliance with its powerful partner. Compliance refers to the overt adherence to rules, norms, and influence attempts (Crosno and Tong 2018). According to research on PDO at the cultural level, dependent parties with high PDO tend to comply with norms and are expected to obey powerful parties (Steenkamp and Geyskens 2012; Zhang, Winterich, and Mittal 2010). However, dependent parties with low PDO do not feel the need to comply with norms (Zhang, Winterich, and Mittal 2010). Accordingly, this essay argues that a dependent firm with high PDO will comply with its powerful partner because it accepts its dependent position and expects to gain some support from its partners (Zhuang and Zhou 2004). By contrast, a dependent firm with low PDO will emphasize its own equal rights to express its views rather than refraining from disagreements (Huang, Zhu, and Brass 2017). Moreover, the dependent firm does not accept privileges of its powerful partner, thus leading it to be less likely to comply with its powerful partner regardless its own intention (Huang, Zhu, and Brass 2017; Samaha, Beck, and Palmatier 2014). Therefore, the dependent firm with low PDO will have a lower level of compliance, whereas a dependent firm with high PDO will have a higher level of compliance.

H4: A dependent firm's PDO is related positively to its compliance with its powerful partner.

Moderating Effect of Powerful Firm's PDO

As discussed in Essay One, a powerful partner's PDO may also affect the dependent firm's behaviors (e.g., conflict). Essay One proposes four scenarios (e.g., *symmetry on high PDO*, *symmetry on low PDO*, *negative PDO asymmetry*, and *positive PDO asymmetry*) to capture firm PDO from both sides of a dyadic relationship. When dependent and powerful have similar levels of PDO (i.e., symmetry on high or low PDO), the dependent firm will have low conflict and high compliance (see Figure 2). Essay One suggests that PDO asymmetry can also lead to desirable channel outcomes since positive PDO asymmetry may reduce conflict, particularly over time. By contrast, negative PDO asymmetry is detrimental to a channel relationship. This essay will test the effects of the above four scenarios on a dependent firm's behaviors (e.g., conflict and compliance).

Insert Figure 2

Besides investigating the above four scenarios, it is also vital to examine the moderating effect of the powerful partner's PDO on the relationship between dependent firm's PDO and dependent firm's behaviors. When a powerful partner has a low PDO, it will value equality and its dependent firm's democratic participation (Huang, Zhu, and Brass 2017; Wuyts and Geyskens 2005). Moreover, it will accept its dependent firm's input and different opinions (Lund, Scheer, and Kozlenkova 2013). Furthermore, a powerful partner with low PDO will restrain itself from using its power (Wuyts and Geyskens 2005). In this situation, a dependent firm will be more likely to decrease conflict and increase compliance.

By contrast, when a powerful partner has a high PDO, it will value its powerful role in decision-making and make decisions without consulting its dependent partner (Huang, Zhu, and

Brass 2017; Lund, Scheer, and Kozlenkova 2013). In other words, a powerful partner with high PDO tends to use its power to influence the dependent firm (Wuyts and Geyskens 2005). In this case, a dependent firm will be more likely to increase conflict and decrease its compliance.

Therefore, this essay proposes that:

H5a: The powerful partner's high PDO will attenuate the negative impact of the dependent firm's PDO on its conflict with its powerful partner.

H5b: The powerful partner's high PDO will attenuate the positive impact of dependence firm's PDO on its compliance with its powerful partner.

4. Research Methods

4.1 Sample and Data Collection

The conceptual model and hypotheses were tested with a longitudinal survey of manufacturers' sales representatives to examine the causal relationships among the variables. There are three conditions of a causal relationship. First, the independent variables must occur before the dependent variables (Kinnear and Taylor 1996). Second, the cause variable (e.g., independent variables) and the effect variable (e.g., dependent variables) should co-vary with each other. Third, alternative predictors of the dependent variables should be ruled out (Kinnear and Taylor 1996). Therefore, this essay collected longitudinal data with two waves to ensure that the causes occur before the effects.

A research firm was used to collect data from manufacturer's sales representatives from various industries (e.g., automobile, construction, and agriculture) in the United States. This population was chosen for three reasons. First, a manufacturer's sales representative is an outside and independent agent and can be treated as a firm (Anderson 1985). As a result, the sales representative himself/herself, as an individual, can represent the firm. Second, switching cost

dependence exists in the relationship between manufacturers and their sales representatives. These sales representatives need to spend time and effort to learn specific knowledge that can hardly be applied to other manufacturers' product lines (Brown, Crosno, and Dev 2009; Heide and John 1988). These investments will lead to high switching cost dependence of sales representatives. Third, sales representatives can gain many benefits from their relationships with reputable manufacturers. For example, manufacturers' brand reputations and diverse product portfolios can bring loyal customers. Also, manufacturers' support of the sales representatives facilitates the representatives' work and helps them satisfy and retain their customers (Brown and Chin 2004). Therefore, sales representatives also have a relationship value dependence on their manufacturers. As a result, the manufacturer-representative relationships provide this essay a fitting context to test proposed hypotheses.

The data collected from Essay Two acted as the first wave data for this essay. The first wave data consisted of 182 responses. At the second wave, the research firm made 154 calls for the telephone survey. Among these telephone surveys, eight were incomplete, six call were made to the sales representatives who belonged to the trial survey at the first wave, and one call was made to the respondent who was not in the first-wave dataset. This left 139 complete paired responses for Wave 1 and Wave 2.

The Interval Between Two Waves of Data Collection. Longitudinal data requires a time-lagged design. Current research has discussed optimal time lags or intervals between/among different waves of data collection (e.g., Collins 2006; Mitchell and James 2001). For example, scholars suggest that the optimal time lags should consider "when events occur, when they change, and how quickly they change," but they do not give guidance on how long the intervals should be (Boker and Nesselroade 2002; Mitchell and James 2001, p. 533).

In channel research, scholars use different time intervals ranging from six to thirty months (e.g., Brown, Crosno, and Tong 2019; Ganesan, Malter, and Rindfleisch 2005; Palmatier et al. 2013). The above research did not provide the rationale for the time lag or interval. Drawing on above research, this essay chooses one month³¹ as time interval and argues that this difference allows sufficient time for the effects of the two types of dependence asymmetry on the constructs of interest to occur but not too much time which could result in other intervening factors having an effect.

4.2 Measures

Data were collected with a structured questionnaire by telephone interview using measurements adopted or adapted from the current academic literature. This essay measured both manufacturer's and its sales representative's relationship value and switching cost dependence and then calculated dependence asymmetry by deducting representative's dependence from manufacturer's dependence (Kumar, Scheer, and Steenkamp 1995).

First, this essay measured relationship value dependence for both manufacturer and its sales representative via a four-item scale adapted from previous research (Cheung, Myers, and Mentzer 2010; Scheer, Miao, and Garrett 2010). An example item of sales representative's relationship value dependence was: *If I had to replace this manufacturer, the alternatives would not be as effective* (see Appendix Two for all scale items). Second, this essay measured switching cost dependence via a four-item scale adapted from former studies (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995). An example item of sales representative's switching cost dependence was: *It would be difficult to find a suitable replacement for this manufacturer.*

³¹ The intervals between two waves of data collection range from 28 days to 59 days.

Third, PDO at firm level was measured with a 3-item scale adapted from Wuyts and Geyskens (2005). A sample item was: *I believe that the more powerful party should have more say in this relationship*. Next, perceived partner's PDO was measured by 3-item scale also adapted from Wuyts and Geyskens (2005). A sample item was: *My manufacturer believes that the more powerful party should have more say in this relationship*. Then, conflict was measured by a three-item scale adapted from the current literature (Gilliland, Bello, and Gundlach 2010; Jap and Ganesan 2000). A sample item was: *The manufacturer and I express differences over how to handle the details of our business*. Lastly, compliance was measured by a 4-item scale adapted from Kashyap, Antia, and Frazier (2012). A sample item was: *How often do you comply with my manufacturer's rules and procedures?*

4.3 Covariate Measures

This essay also included five covariate variables: power restraint, coercive power usage, non-coercive power usage, contract one-sidedness, and solidarity, to examine the variance in PDO, conflict, and compliance. First, power restraint refers to “the degree to which the parties typically refrain from exploiting each other, given the opportunity to do so” (Heide and Miner 1992, p. 275). A dependent firm may accept power disparity and have low conflict and high compliance with its powerful partner if its power usage is restrained. This construct was measured by a 3-item scale. A sample item was: *My manufacturer and I both feel it is important not to use any proprietary information to each other's disadvantages* (Heide and Miner 1992).

Second, this essay also controlled for the potential effects of coercive power usage to dependent firm's PDO, conflict, and compliance. Coercive power usage refers to a firm's “explicit attempts to exert control over the other party through negative actions” (Wang et al. 2015, p. 6296). A powerful firm's coercive power usage may indicate its self-interest seeking

intention instead of facilitating mutual interest (Jain et al. 2014). Therefore, a powerful firm's power usage may decrease the dependent partner's PDO and compliance and increase its conflict. This construct was measured by a 3-item scale adapted from current research (Brown, Lusch, and Nicholson 1995; Wang et al. 2015). A sample item was: *The manufacturer would somehow get back at me if I did not do as it says.*

Third, noncoercive power usage, which refers to a firm's "explicit attempt to promote the desired behavior of the other party through positive actions," tends to lead to desirable results³² (Skinner, Gassenheimer, and Kelley 1992; Wang et al. 2015, p. 6296). When facing a powerful partner's power usage, the firm may perceive its powerful partner's intention as promoting mutual interests (Jain et al. 2014). Therefore, noncoercive power usage may increase a dependent firm's PDO and compliance and decrease its conflict. Noncoercive power usage will be measured by a 4-item formative scale adapted from Brown, Lusch, and Nicholson (1995) and Wang et al. (2015). A sample item is: *My manufacturer's expertise convinces me that it makes sense to follow its suggestions.*

Fourth, contract one-sidedness refers to the degree to which contractual terms favor the one party over the other (Kashyap, Antia, and Frazier 2012). When a dependent firm agrees to a one-sided contract with a powerful firm, it may more accepting the unequally distributed power in the relationship. Contract one-sidedness will be measured by a 3-item scale adapted from Kashyap, Antia, and Frazier (2012) and Parkhe (1993) that asks respondents to indicate the extent to which the contract is one-sided on various clauses, such as exclusivity rights and penalties for contract breach.

³² For example, noncoercive power usage is positively related to cooperation and negatively related to opportunism (Skinner, Gassenheimer, and Kelley 1992; Wang et al. 2015). Opportunism refers to refers to a channel firm's self-interest seeking with guile (Williamson 1985). Cooperation refers to "the joint effort aimed at achieving individual or systemic goals" (Brown 1981, p. 7).

Lastly, this essay will also control for norm of solidarity, which refers to channel partners' willingness to endeavor joint benefits (Heide and John 1992; Rokkan, Heide, and Wathne 2003). The norm of solidarity implies that powerful partner will emphasize mutual interests rather than exploiting its dependent partner, which may affect the dependent firm's PDO. It was measured by a 3-item scale. A sample item was: *My manufacturer and I are committed to improvements that may benefit the relationship as a whole and not only the individual parties* (Rokkan, Heide, and Wathne 2003).

4.4 Data Analysis and Results

Pre-Data Analysis. First, I ran SPSS to analyze frequencies to test if there were any missing data. Among 139 responses, there were no missing values on the variables in the model. Second, I examined whether the items were normally distributed. The skewness of all items lied between -1.61 and 1.68, and the kurtoses of all items were between -1.31 and 3.77; therefore, all items were normally distributed (Hair et al. 2010). After the data were cleaned up, I conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to assess each measurement scale's reliability and validity.

Reliability and Validity. Each construct's reliability and validity were assessed prior to testing the conceptual model. First, *exploratory factor analysis* (EFA) was ran to examine the relationships among items, to determine the number of factors (Hair et al. 2010), and to examine factor loadings³³ of the measurement items. I ran the EFA with the principal components with a promax rotation without control variables. I dropped conflict item 3 and compliance item 4 since their loadings were less than .30. Switching cost dependence asymmetry item 1 and item 4 were dropped because they did not load on the correct construct. Compliance item 1, 2, and 3 loaded

³³ Factor loading refers to the portion of the item's variance from a factor (Hair et al. 2010). Low-loading and cross-loading items were dropped if dropping the items did not adversely affect the content validity of the scale.

onto three different factors. I chose to use item 1 (e.g., how often do you comply with my manufacturer's rules and procedures) to represent compliance due to face validity. I reran the EFA with the retained items but without one-item compliance measure. Factor loadings are reported in Table 2, and the eigenvalue results suggested a six-factor solution (see Table 3). These five factors cumulatively explained 69.43% of the variance.

Insert Table 2 and 3

After running EFA, Coefficient alpha³⁴ was computed to evaluate each construct's reliability. The results are shown in Table 4. Relationship value dependence asymmetry and own PDO's alphas were between above .70, suggesting that these two constructs were considered reliable (Nunnally 1978). However, other PDO, conflict, and switching cost dependence asymmetry's Cronbach's alphas were less than .70. Half items from these constructs had an item-to-total correlation over the recommended .50 value (see Table 4).

Insert Table 4

I also ran EFA for each reflective control variables: power restraint, coercive power usage, and the norm of solidarity. First, power restraint's scale had two factors (i.e., factor 1 included item 1, and factor 2 included item 2 and 3). The reliability of item 2 and 3 was .44,

³⁴ With the exception of contract one-sidedness and non-coercive power usage, all constructs are measured by reflective measures, in which constructs are the causes of items (Edwards and Bagozzi 2000). Therefore, this essay will use Coefficient alpha to evaluate constructs' reliability (Cortina 1993). For the formative scales, I examined each item's VIF. All items' VIF values were less than 2.00, ranging from 1.05 to 1.11. This suggested that these formative indicators or items were free of multicollinearity. The loadings of contract one-sidedness's three items were all greater than .10, ranging from .42 to .57. The loadings of non-coercive power usage's four items were all greater than .10, ranging from .31 to .52. Therefore, I retained all items (Andreev et al. 2009).

which was far smaller than .70. I decided to use item 2 (i.e., *my manufacturer and I both expect the more powerful party to restrain the use of its power in attempting to get its way*) to represent power restraint due to face validity. Second, for coercive power, all three items belonged to one factor, and the reliability of the scale is .68. Third, for norm of solidarity, item 1 belonged to one factor, and item 2 and 3 belonged to another factor. Also, the Cronbach's alpha of item 2 and 3 was .28. Therefore, I chose item 1 (i.e., *my manufacturer and I are committed to improvements that may benefit the relationship as a whole and not only the individual parties*) to represent solidarity due to the face validity.

Second, I estimated the measurement model using *confirmatory factor analysis* (CFA) to test model fit, unidimensionality, composite reliability, convergent validity, and discriminant validity. The model fit indices indicated that the proposed model fit the data well ($\chi^2 = 141.66$, $df = 137$, $p = .38$; RMSEA = .02, p (close fit) = .98; CFI = .99) (Hu and Bentler 1999). A non-significant chi-square, RMSEA that is less than .06, and CFI that is greater than .90 indicate a good fit between the model and data (Hu and Bentler 1999). The composite reliability values of all constructs except conflict were greater than .70. Conflict's composite reliability was .63. Table 5 shows the factor loadings of each item, and all items loaded on their relevant constructs significantly. This indicated unidimensionality and convergent validity.

Insert Table 5

The average variance extracted (AVE) for each construct measure were also examined, and AVEs of all constructs except other PDO and conflict exceeded the threshold of .50 (Bagozzi and Yi 1988; Fornell and Larcker 1981). The AVE of other PDO was .46, and the AVE

of conflict was .45 (see Table 5). Discriminant validity was assessed by comparing the square root of the AVE for all constructs to the correlation coefficients between the related constructs. Table 6 showed that the square root of the AVEs were greater than the correlation coefficients, so discriminant validity was established (Fornell and Larcker 1981).

Insert Table 6

Multicollinearity. I also analyzed variance inflation factors (VIF) and tolerance values to check the potential multicollinearity problems (Dormann et al. 2013). The tolerance values of all independent variables, moderators, and control variables were greater than .10, ranging from .72 to .94. All VIF values were less than 10, ranging from 1.07 to 1.39. Therefore, multicollinearity does not seem to be an issue.

Selection bias. I examined the possibility of selection bias analysis by comparing the means of some items (e.g., four items of own switching cost dependence) from the respondents who participated in one wave with that from those who replied for both waves (Brown, Crosno, and Tong 2019). I did not find any significant differences in the means, so selection bias does not appear to be a significant concern.

Common Method Variance. There may be a concern of common method bias since the data was collected from a single source, the telephone survey. I used the approach of marker variable, the attitude toward blue, to examine the potential for common method bias (Lindell and Whitney 2001; Miller and Simmering 2022). The attitude toward blue does not correlate theoretically to any of the constructs in the proposed model. The correlation results showed that the absolute value of the correlations among attitude toward blue and the other constructs ranged

from .004 to .24. The correlations among the constructs were adjusted by subtracting the smallest absolute correlation between attitude toward blue and constructs (i.e., .004). The adjusted correlations did not change in significance, so concerns of common method bias were alleviated (Lindell and Whitney 2001). As a result, common methods bias does not appear to be a concern.

Structural Equation Model Results. The hypotheses were tested with SEM using SmartPLS. The independent variables (e.g., relationship value and switching cost dependence asymmetry) were collected in the first wave, and the covariate and dependent variables (e.g., conflict) were collected in the second wave. Table 7 shows the empirical results. H1 suggests that relationship value dependence asymmetry leads to dependent firm's PDO, but it was not supported ($\beta = .12, p > .10$). The empirical results supported H2 ($\beta = -.16, p < .05$), suggesting that switching cost dependence asymmetry decreases PDO. As for consequences of PDO, H3 suggests that PDO decreases conflict. The empirical results found the opposite impact ($\beta = .19, p < .10$), so H3 was not supported. H4, which suggests a positive influence of PDO on compliance was not supported either ($\beta = .03, p > .10$). As for the moderating impacts of powerful firm's PDO on the effects of PDO on conflict (H5a: $-.07, p > .10$) and compliance (H5b: $.03, p > .10$), they were not supported.

Insert Table 7

Post-Hoc Regression Analysis and Results. I ran two ANOVAs to test the moderating impact of powerful firm's PDO on the impacts of dependent firm's PDO on its conflict and compliance³⁵. For conflict, the interaction effect of dependent firm's PDO and powerful firm's

³⁵ Wilks' lambda value (e.g., .99) suggested that MANOVA is not appropriate method to analyze the data (Grice and Iwasaki 2007).

PDO on conflict was nonsignificant ($F_{(1)} = .25, p > .10$; see Figure 3 about the interaction impact). For compliance, the empirical results showed that the scenario of low dependent firm PDO and low powerful firm PDO had the highest level of compliance (e.g., 4.19) and that the scenario of low dependent firm PDO and high powerful firm PDO had the lowest level of compliance (e.g., 3.93, see Figure 4). This aligned with the logic of H5a, and the interaction effect was supported ($F_{(1)} = 4.02, p < .01$).

Insert Figure 3 and 4

5. Discussion

5.1 Theoretical and Managerial Implications

This essay contributes to channel relationship literature in three ways. First, this essay extends power-dependence theory by empirically examining PDO on both sides of the dyad. Previous research on power-dependence largely views power as detrimental to channel relationships (Morgan and Hunt 1994), often leading to conflict and poor relational outcomes (Kumar, Scheer, and Steenkamp 1995). As stated by Morgan and Hunt (1994, p. 34): “Power, then, like opportunistic behavior, helps us understand relationship marketing failures.” This logic, however, does not capture different firms’ acceptance of unequally distributed power. I extend power-dependence research by examining whether a firm’s dependence position influences its acceptance of unequally distributed power, and if so, how this, in turn, influences relationship outcomes. This essay also applies the PDO at the firm level to investigate its effect on channel relationships.

Second, this essay argues that a firm's PDO is a dynamic construct. Essay Two's preliminary study confirms that PDO is not static; rather, PDO can be affected by a firm's level of dependence asymmetry. Essay Three extends this line of research by examining different types of dependence asymmetry, namely relationship value and switching cost dependence asymmetry, because the two types of dependence asymmetry may have different effects on PDO (due to their different motivations for maintaining the relationship, e.g., cost vs. benefit). This essay proposes two paths of how dependence asymmetry affects PDO. The first path is a self-interest seeking path. Because firms are self-interest seeking and relationship value dependence asymmetry provides benefits, firms tend to accept the unequally distributed power when they have relationship value dependence asymmetry (Scheer, Miao, and Garrett 2010; Williamson 1981), resulting in a higher PDO. The second path is the reactance path. When a firm is locked into a channel relationship by its switching cost dependence, it decreases its PDO and adjusts its behaviors (e.g., increasing conflict and decreasing compliance). The empirical results from this Essay find evidence that switching cost dependence asymmetry increases dependent firm's PDO. For the impact of PDO on conflict, this essay finds that PDO is related positively to conflict, which is opposite to my expectation. A possible explanation is that PDO may affect different types of conflict differently as suggested by Tjosvold, Law, and Sun (2006).

Third, this essay also considers the powerful partner's acceptance of the unequally distributed power because this may affect its power usage thus influencing dependent firm's reactions. This essay argues that the powerful partner's PDO will moderate the relationship between dependent firm's PDO and its (a) conflict and (b) compliance. Specifically, this essay finds that two PDO symmetry scenarios and positive PDO asymmetry have higher level of compliance than negative PDO asymmetry. Firms operating under the scenario of low-PDO

dependent firm and high-PDO powerful firm may need to implement additional monitoring control mechanisms to ensure firms' compliance.

5.2 Limitations and Future Research Directions

This essay has three limitations. First, most channel relationships contain both relationship value and switching cost dependence. Franchisees, for example, are locked into a franchise contract, yet they receive benefits from the franchisor (Brown, Dev, and Lee 2000; Combs, Ketchen, and Hoover 2004). Future research may provide additional insight by examining the cost/benefit ratio rather examining relationship value and switching cost separately.

Second, this essay only collected two waves of data. Channel relationships evolve over time (Dwyer, Schurr, and Oh 1987), so two waves of data cannot fully represent the dynamics of channel relationships. Therefore, it may not fully capture the evolvement of firm PDO and dependent firm's behaviors (e.g., conflict and compliance). Therefore, future research may collect more waves of data to examine this essay's conceptual model and hypotheses.

Third, the data for this essay were collected from U.S., a low PDO country³⁶. This one country data may not capture the various levels of PDO that may exist in different countries. Future research, therefore, may collect data from different countries that have different levels of PDO to examine the interaction effect of firm PDO and country PDO on a dependent firm's behaviors (e.g., conflict).

³⁶ The PDO score of U.S. is 40 out 100. The power distance cultural index is from Hofstede Insight database: <https://www.hofstede-insights.com/country-comparison/>.

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Tables

Table 16: The Dimensions of Dependence

Table 1. The Dimensions of Dependence

Dependence Dimension	Measurement Examples	Representative Studies
Relationship Value (e.g., Positive Motivations)	<ol style="list-style-type: none"> 1. The benefits from this partner cannot fully duplicated with other alternatives. 2. This partner makes the firm's product more attractive to its customers. 3. The alternatives are less effective than the current partner. 4. This generates high sales volume for our firm. 	Andaleeb 1995; Ganesan 1994; Hofer et al. 2013; Scheer et al. 2010
Switching Cost (e.g., Negative Motivations)	<ol style="list-style-type: none"> 1. It is costly to locate and implement an alternative. 2. The replacement costs are significant. 3. It is costly to end the business relationship with the current partner. 	Heide and John 1988; Huo et al. 2019; Scheer et al. 2010
General (i.e., No Indication to Positive or Negative Motivations)	<ol style="list-style-type: none"> 1. This partner is crucial to the firm's future performance. 2. We would have difficulty replacing this supplier (e.g., replaceability). 3. We are dependent on this partner. 4. We do not have a good alternative to this partner. 5. This partner is important to our business. 	Chang et al. 2012; Ganesan 1994; Huo et al. 2019; Kim et al. 2015; Jiang et al. 2013

Table 17: Exploratory Factor Analysis (EFA) Results for Essay Three

Table 2. Exploratory Factor Analysis (EFA) Results		
Constructs	Items	Factor Loadings
Factor 1 Relationship value dependence asymmetry (Cheung, Myers, and Mentzer 2010; Scheer, Miao, and Garrett 2010)	1. If my manufacturer had to replace me, the alternative(s) would not be as effective	0.78
	1. If my manufacturer had to replace me, the alternative(s) would not be as effective	
	2. My manufacturer receives benefits from doing business with me that couldn't be fully duplicated with its next best representative	
	2. My manufacturer receives benefits from doing business with me that couldn't be fully duplicated with its next best representative	
Factor 2 Own Power Distance Orientation (Wuyts and Geyskens 2005)	3. If our manufacturer stopped this business relationship, its products would be less attractive to its customers	0.78
	3. If our manufacturer stopped this business relationship, its products would be less attractive to its customers	0.88
	4. Our manufacturer's improvements of products cannot be achieved without us	0.81
	4. Our manufacturer's improvements of products cannot be achieved without us	
Factor 3 Other Power Distance Orientation (Wuyts and Geyskens 2005)	1. I believe that the more powerful party should have more say in this relationship	0.89
	2. I believe that the less powerful party should generally follow the will of the more powerful one	0.82
	3. I believe that the more powerful party should have the last word	0.88
Factor 4 Conflict (Gilliland, Bello, and Gundlach 2010; Jap and Ganesan 2000)	1. My manufacturer believes that the more powerful party should have more say in this relationship	0.81
	2. My manufacturer believes that the less powerful party should generally follow the will of the more powerful one	0.69
	3. My manufacturer believes that the more powerful party should have the last word	0.77
Factor 6 Compliance (Kashyap et al. 2012)	1. The manufacturer and I express differences over how to handle the details of our business	0.83
	2. I disagree with this manufacturer over how each firm's respective goals can be best achieved	0.83
	3. I frequently clash with the manufacturer on issues relating to how we conduct our business	Removed
Factor 6 Compliance (Kashyap et al. 2012)	1. How often do you comply with my manufacturer's rules and procedures?	NA
	2. How often do you follow the policies established by your manufacturer?	Removed
	3. How often do you carefully try to carry out the instructions of your manufacturer?	Removed
	4. How often do you carefully follow the manufacturer's guidelines?	Removed

Table 2. Exploratory Factor Analysis (EFA) Results

Constructs	Items	Factor Loadings
Factor 2 Switching cost dependence asymmetry (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)	1. It would be difficult for me to find a suitable replacement for this manufacturer	Removed
	1. It would be difficult for my manufacturer to find a suitable replacement for me	
	2. My firm would incur many costs if I switch to another manufacturer	0.76
	2. My manufacturer would incur many costs if it switched to another representative	
	3. It would cost my firm a lot if I stop doing business with this manufacturer	0.91
	3. It would cost my manufacturer a lot if it stopped doing business with me	
	4. The procedures and routines that my firm has developed with this manufacturer are not easily transferable to another manufacturer	Removed
	4. The procedures and routines that my manufacturer has developed with me are not easily transferable to another representative	

Table 18: Variance Explained from the Exploratory Factor Analysis (With Trimmed Items) for Essay Three

Table 3. Variance Explained from the Exploratory Factor Analysis (With Trimmed Items)

Factor	Initial Eigenvalues	Variance Explained (%)	Cumulative Variance Explained (%)
1	3.09	20.07	20.07
2	2.58	18.44	40.51
3	1.54	11.01	51.51
4	1.46	10.43	61.94
5	1.05	7.49	69.43

Table 19: Internal Consistency of Items for Essay Three

Construct and items	Cronbach's Alpha	Item-Total Correlation
Relationship Value Dependence Asymmetry	0.83	
Item 1		0.68
Item 2		0.60
Item 3		0.73
Item 4		0.65
Own Power Distance Orientation	0.84	
Item 1		0.74
Item 2		0.68
Item 3		0.71
Other Power Distance Orientation	0.63	
Item 1		0.54
Item 2		0.37
Item 3		0.41
Conflict	0.60	
Item 1		0.43
Item 2		0.43
Compliance	NA	
Item 1		NA
Switching Cost Dependence Asymmetry	0.60	
Item 2		0.43
Item 3		0.43

Table 20: Confirmatory Factor Analysis (CFA) Results with Three Reflective Control Variables

Table 5. Confirmatory Factor Analysis (CFA) Results with Three Reflective Control Variables

Overall Model Fit
 $\chi^2(137) = 141.66, p = .38; CFI = 0.99; RMSEA = .02, p(\text{close fit}) = .98$

Construct and items	Composite Reliability	Standard Factor Loading*	Error Term
Relationship Value Dependence Asymmetry (AVE = .56)	0.76		
Item 1		0.78	0.54
Item 2		0.65	0.95
Item 3		0.84	0.44
Item 4		0.72	0.76
Switching Cost Dependence Asymmetry (AVE = .69)	0.79		
Item 2		1.08	-0.15
Item 3		0.40	0.66
Own Power Distance Orientation (AVE = .65)	0.85		
Item 1		0.86	0.41
Item 2		0.76	0.53
Item 3		0.79	0.52
Other Power Distance Orientation (AVE = .46)	0.72		
Item 1		0.87	0.15
Item 2		0.45	0.63
Item 3		0.54	0.52
Compliance (AVE = 1.00)	NA		
Item 1		1	0
Conflict (AVE = .45)	0.61		
Item 1		0.71	0.51
Item 2		0.62	0.43
Power Restraint (AVE = 1.00)			
Item 2		1	0
Coercive Power Usage (AVE = .58)	0.79		

Table 5. Confirmatory Factor Analysis (CFA) Results with Three Reflective Control Variables

Overall Model Fit

$\chi^2(137) = 141.66$, $p = .38$; CFI = 0.99; RMSEA = .02, p (close fit) = .98

Construct and items	Composite Reliability	Standard Factor Loading*	Error Term
Item 1		0.58	0.61
Item 2		0.91	0.16
Item 3		0.46	0.68
Solidarity (AVE = 1.00)	NA		
Item 1		1	0

Note: AVE represents average variance extracted. * All standardized factor loadings are significant at $p < .05$ or $p < .001$.

Table 21: Descriptive Statistics and Intercorrelations for Essay Three

Table 6. Descriptive Statistics and Intercorrelations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11
1. Relationship Value Dependence Asymmetry	1.31	1.01	(0.75)										
2. Switching Cost Dependence Asymmetry	0.36	0.78	.27***	(0.83)									
3. Own Power Distance Orientation	2.86	1.04	.06	-.17**	(0.81)								
4. Other Power Distance Orientation	4.00	0.64	.17**	-.01	.18**	(0.68)							
5. Compliance	4.09	0.48	-.05	.02	-.06	-.13	(1.00)						
6. Conflict	2.19	0.78	-.19**	.02	.12	-.04	-.07	(0.67)					
7. Power Restraint	3.32	1.16	-.02	-.08	.43***	-.05	-.12	.01	(1.00)				
8. Coercive Power Usage	3.02	0.75	-.01	-.12	.22***	.12	.18**	.10	.12	(.61)			
9. Non-Coercive Power Usage	3.74	0.41	.11	.03	.09	-.01	-.05	-.13	.01	.02	(NA)		
10. Contract One-Sidedness	2.06	0.54	.08	.08	.18**	-.02	.08	-.05	.17**	.07	.14*	(NA)	
11. Solidarity	4.09	0.51	.03	.15*	-.10	.10	-.07	.04	-.22***	-.06	.16*	.08	(1.00)

N = 139

Note: Numbers in parentheses refer to the square root of the average variance extracted (AVE)

NA represents not applicable. These are formative scales.

*** p < .01, ** p < .05, * p < .10

Table 22: Regression Results for Essay Three

Table 7. Regression Results

	Own PDO			Conflict			Compliance		
	Parameter Estimate	Standard Error	t-Value	Parameter Estimate	Standard Error	t-Value	Parameter Estimate	Standard Error	t-Value
1. Relationship Value Dependence Asymmetry	(H1) 0.12	0.12	1.09						
2. Switching Cost Dependence Asymmetry	(H2) -.16	0.08	1.98**						
3. Own Power Distance Orientation (PDO)				(H3) 0.19	0.11	1.68*	(H4) -0.04	0.10	0.35
4. Other Power Distance Orientation (PDO)				-0.12	0.13	0.92	-0.21	0.14	1.49
5. Own PDO * Other PDO				(H5a) -0.07	0.12	0.56	(H5b) 0.03	0.12	0.28
7. Power Restraint	0.39	0.07	5.24***	-0.05	0.09	0.55	-0.19	0.08	2.33**
8. Coercive Power Usage	0.15	0.08	1.93*	0.11	0.11	1.00	0.2	0.07	2.80**
9. Non-Coercive Power Usage	0.04	0.11	0.74	-0.14	0.18	0.74	0.15	0.19	0.8
10. Contract One-Sidedness	0.09	0.1	0.92	-0.16	0.18	0.86	0.19	0.15	1.22
11. Solidarity									

Figures

Figure 4: Conceptual Model for Essay Three

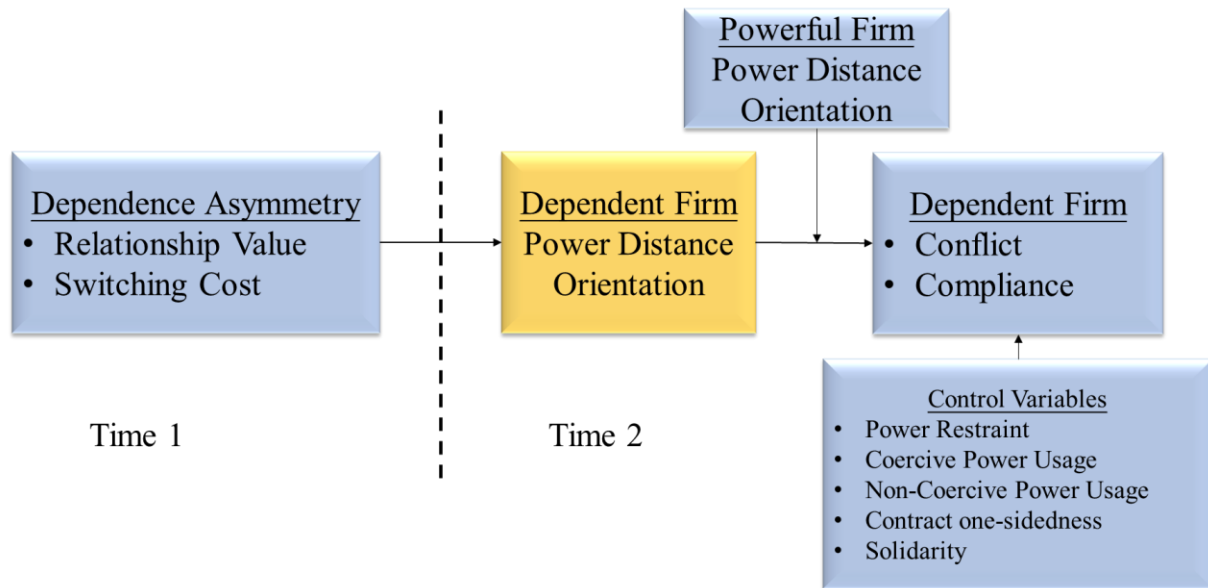


Figure 1. Conceptual Model

Figure 5: PDO Asymmetry and Symmetry for Essay Three

		Powerful Partner's PDO	
		High	Low
Less Powerful firm's PDO	High	<p><u>Symmetry on High PDO</u> (Moderate Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Low) • Compliance (High) • Financial performance (Moderate) 	<p><u>Positive PDO Asymmetry</u> (Moderate to Good Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Moderate to low) • Compliance (High) • Financial performance (Moderate to high)
	Low	<p><u>Negative PDO Asymmetry</u> (Worse Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (High) • Compliance (Low) • Financial performance (Low) 	<p><u>Symmetry on Low PDO</u> (Optimal Scenario)</p> <ul style="list-style-type: none"> • Perceived conflict (Low) • Compliance (High) • Financial performance (High)

Figure 2. PDO Asymmetry and Symmetry

Figure 6: The Interaction Effect of Dependent and Powerful Firm's PDO on Conflict

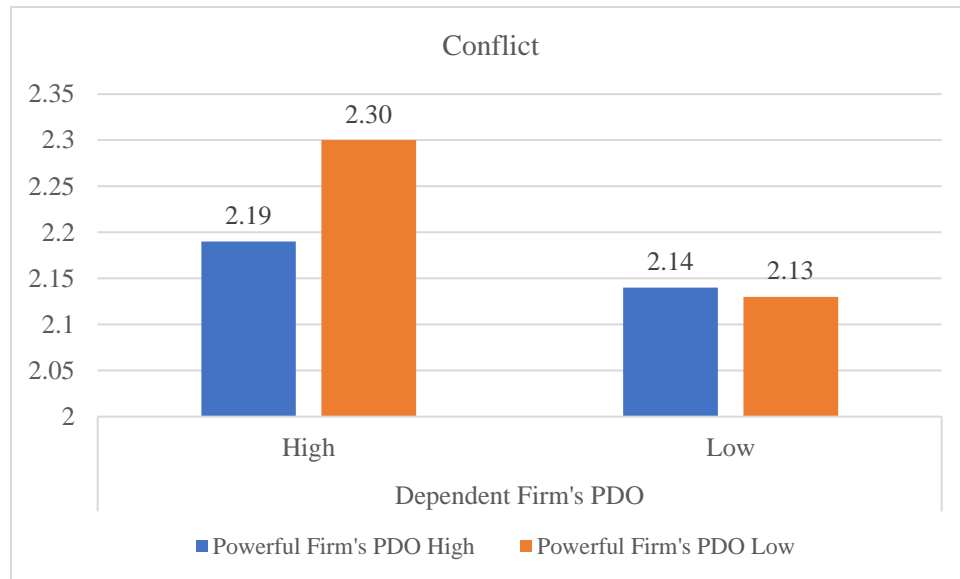


Figure 3. The Interaction Effect of Dependent and Powerful Firm's PDO on Conflict

Figure 7: The Interaction Effect of Dependent and Powerful Firm's PDO on Compliance

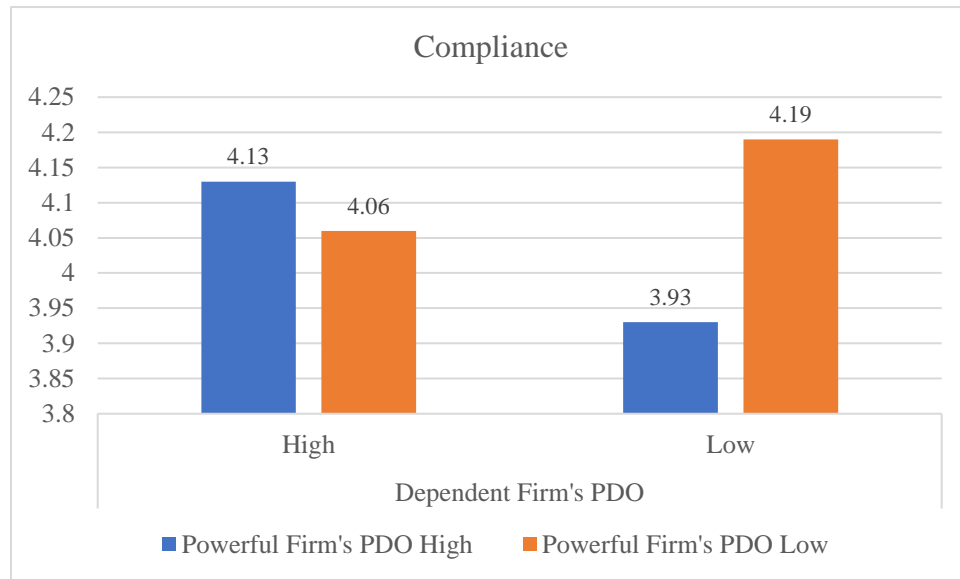


Figure 4. The Interaction Effect of Dependent and Powerful Firm's PDO on Compliance

Appendix: Measures

Sales Representative's Relationship Value Dependence (Cheung, Myers, and Mentzer 2010; Scheer, Miao, and Garrett 2010)

- (1) If I ended the relationship with this manufacturer, my offerings would be less attractive to my customers.
- (2) I receive benefits from doing business with this manufacturer that cannot be fully duplicated with the next best alternative.
- (3) If I had to replace this manufacturer, the alternatives would not be as effective
- (4) My sales goals cannot be achieved without this manufacturer.

Manufacturer's Relationship Value Dependence (Cheung, Myers, and Mentzer 2010; Scheer, Miao, and Garrett 2010)

- (1) If my manufacturer had to replace me, the alternative(s) would not be as effective.
- (2) My manufacturer receives benefits from doing business with me that couldn't be fully duplicated with its next best representative.
- (3) If my manufacturer ended the relationship with me, my customers would not find my manufacturer's products as attractive.
- (4) My manufacturer's sales goals cannot be achieved without me.

Sales Representative's Switching Cost Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)

- (1) It would be difficult for me to find a suitable replacement for this manufacturer.
- (2) My firm would incur many costs if I switch to another manufacturer.
- (3) It would cost my firm a lot if I stop doing business with this manufacturer.

(4) The procedures and routines that my firm has developed with this manufacturer are not easily transferable to another manufacturer.

Manufacturer's Switching Cost Dependence (Heide and John 1988; Kumar, Scheer, and Steenkamp 1995)

(1) It would be difficult for my manufacturer to find a suitable replacement for me.

(2) My manufacturer would incur many costs if it switched to another representative.

(3) It would cost my manufacturer a lot if it stopped doing business with me.

(4) The procedures and routines that my manufacturer has developed with me are not easily transferable to another representative.

Firm's Own PDO (Wuyts and Geyskens 2005)

(1) I believe that the more powerful party should have more say in this relationship.

(2) I believe that the less powerful party should generally follow the will of the more powerful one.

(3) I believe that the more powerful party should have the last word.

Perceived Manufacturer's PDO (Wuyts and Geyskens 2005)

(1) My manufacturer believes that the more powerful party should have more say in this relationship.

(2) My manufacturer believes that the less powerful party should generally follow the will of the more powerful one.

(3) My manufacturer believes that the more powerful party should have the last word.

Conflict (Gilliland, Bello, and Gundlach 2010; Jap and Ganesan 2000)

(1) The manufacturer and I express differences over how to handle the details of our

business.

(2) I disagree with this manufacturer over how each firm's respective goals can be best achieved.

(3) I frequently clash with the manufacturer on issues relating to how we conduct our business.

Compliance (Kashyap, Antia, and Frazier 2012)

How often do you do the following things:

(1) Comply with my manufacturer's rules and procedures?

(2) Follow the policies established by my manufacturer?

(3) Carefully try to carry out the instructions of my manufacturer?

(4) Carefully follow my manufacturer's guidelines?

Power Restraint (Heide and Miner 1992)

(1) My manufacturer and I both feel it is important not to use any proprietary information to each other's disadvantages.

(2) My manufacturer and I both expect the more powerful party to restrain the use of its power in attempting to get its way.

(3) A characteristic of this relationship is that neither of us is expected to make demands that might be damaging to the other.

Manufacturer's Coercive Power Usage (Brown, Lusch, and Nicholson 1995; Wang et al. 2015)

(1) The manufacturer would somehow get back at me if I did not do as it says.

(2) My manufacturer has hinted that it will take action to reduce our profit if I do not meet its requests.

(3) If I did not agree to my manufacturer's suggestions, it could make things difficult for me.

Manufacturer's Noncoercive Power Usage (Brown, Lusch, and Nicholson 1995; Wang et al. 2015)

(1) My manufacturer's expertise convinces me that it makes sense to follow its suggestions.

(2) Because I am proud to be affiliated with my manufacturer, I often do what it asks me.

(3) The manufacturer uses its legitimate right to persuade me to comply with its requests.

(4) The manufacturer rewards me to get me to go along with its wishes.

Contract One-Sidedness (Kashyap, Antia, and Frazier 2012; Parkhe 1993)

Please indicate the extent to which the contract is one-sided, favoring you or your manufacturer on the following clauses:

(1) Exclusivity rights

(2) Penalties for contract breach

(3) Terms of the agreement in general

Attitude toward Blue (Su, Cui, and Walsh 2019)

I like the color blue.