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THE "DARK" AND THE "BRIGHT" SIDES OF POWER IN SUPPLY CHAIN NETWORKS

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Abstract

One of the prerequisites for a supply chain network is the existence of a focal company, which possesses power to coordinate the network in order to realize its strategic objectives. Power represents one of the major elements of the supply chain management and seems to have been treated in the literature in contrasting ways from the two sides "dark" and "bright". Using literature review we examine how these sides of power affect supply chain management from the viewpoint of the focal company with specific attention to coordination and cooperation issues and whether it can be used as a tool to promote the overall supply chain effectiveness.

Keywords

Supply Chain Networks, Supply Chain Management, Power, Focal Company

1   Introduction

Strictly coordinated chain organizations have evolved in the agri-food business since many years. In this connection, one of the prerequisites for a supply chain network is the existence of a focal company. The other network actors are more or less heavily dependent on the focal company because of long-lasting explicit or implicit contracts. If the resources of one party are essential to the other party, then this dependence puts the controlling party in a powerful position. Hence, one firm is more powerful than the other network firms, and power represents one of the major elements of the supply chain management. Power-created dependence can lead to opportunism by partners, and this can dissolve many of the relational elements that are necessary for the development of effective supply chain relationships.

Our research on power focuses on the ability of an actor to influence the behaviour of other actors either by constructing the meaning of what other actors experience or by occupying a central location in a network of interdependent relationships that makes them functionally indispensable. The role of power is therefore crucial, in the sense that through its interactions with other constructs of the relationship atmosphere, it can seriously hamper cooperation. The concept of power has been treated in contrasting ways in the literature, and it seems that power has two sides "dark" and "bright". On one side power imbalance existing in supply chain relationships creates opportunities for more powerful firms to act opportunistically by exercising coercion, which may ultimately undermine trust within the relationship. However, the positive role of power can be seen in promoting the effective coordination of channel relationships (FRAZIER/SUMMERS, 1986) and in being used as a tool to promote supply chain integration and to achieve higher levels of performance (MALONI/BENTON, 2000).

KUMAR (2005) asserts that it is meaningless to talk about "power", one needs to be specific on the nature of the power structure and its conduct. FRENCH and RAVEN (1959) expressed a view that the actual effect of power will depend on the different sources of power, which essentially define the resources available to influence decisions about the relationship. According to these statements we assume that the use of different sources of power has

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different effects on supply chain management and specifically on coordination and cooperation. An important challenge, therefore, is to find out what role power plays in supply chain networks and how it affects supply chain management with specific attention to coordination and cooperation, and whether power can be utilized as a tool to promote the overall supply chain effectiveness.

The aim of our work is to investigate the role of power in supply chain networks. The structure of our work is derived from its aim. We firstly introduce the framework of supply chain networks and, focusing on the existence of focal company and supply chain management. Further on, we study the phenomena of power, present common views and definitions as well as classification of power according to different criteria, and elaborate on its role in supply chain relationships specifically on its effects on cooperation and coordination. Due to its central position we will focus hereby on the focal company's perspective. At last, we summarize our findings.

2   Supply Chain Networks and their Management

2.1   Focal company

Usually food products are produced not in vertically integrated food chains, but rather in vertical cooperating networks. So in terms of agribusiness, a special kind of networks with a certain set of characteristics which makes them strategic networks can be defined as "supply chain networks" (HANF/KÜHL, 2005). VAN DER VORST et al. (2005) refers to a supply chain network as to a food supply network and calls it an interconnected system with a large variety of complex relationships such as alliances, horizontal and vertical cooperation, forward and backward integration in supply chains. Supply chain networks can also be characterized as firms that are embedded within a complex network of horizontal (i.e. strategic alliances, joint-ventures) and vertical (buyer and supplier) relationships (LAZZARINI et al., 2001; OMTA et al., 2001). Therefore, supply chain networks represent strictly coordinated food systems, consisting of a focal company, which is responsible for coordination and other elements, such as suppliers, consumers and logistic services (LORENZI/BADEN-FULLER, 1995). In this way, a focal company has a central role in material and information flows and has to decide what to make and what to buy.

Thus, being the core element the focal company has to have the power to align the actions of the network partners so that it has the ability to manage the network in order to realize the strategic objectives. Therefore, it has to consider how to structure its supply network in the most efficient way. GADDE and HÅKANSSON (1993) suggest that a focal company can structure its supplier network in two different ways. One way is according to how the suppliers can be organised, and the other is according to the number of suppliers. A focal company can organise the suppliers into systems of suppliers, with suppliers on different tiers depending on their activities and resources. One of the goals with systems of suppliers is that the number of suppliers, which are in direct contact with the focal company, is reduced. Focal firms tend to foster multiclient relationships with their suppliers, with single-client relationships being rare and limited to very small firms.

Moreover, being the strategic centre the other network actors are more or less heavily dependent on the focal company because of (long lasting) explicit or implicit contracts. However, the focal company is also dependent upon the different resources that the suppliers can provide. Possessing power to align the actions of the network partners and representing the ability to coordinate the network, focal company has to fulfill these tasks in order to realize the strategic objectives of the network using successful supply chain management concepts.

2.2 Supply Chain Management

Supply chain management can be viewed as the integrated creation oriented to process, planning, winding up and supervision of material, information and finance streams over the whole added value network in the cooperation with all involved partners with the purpose of the optimization. Thus, supply chain management is the integration of key business processes from end user through original suppliers that provide products, services, and information that add value for customer and other stakeholder.

The main two areas of interest when talking about supply chain management are cooperation and coordination. Problems of cooperation arise from conflicts of interest. Driven by self-interest partners often behave opportunistically (CAMERER/KNEZ, 1996; HEATH/STAUDENMAYER, 2000). As a matter of fact, the problem of cooperation often represents a problem of motivation. It is resolved by aligning interests through formal mechanisms such as contracting (WILLIAMSON, 1975). Informal mechanisms such as identification and embeddedness may also serve to align interests (GRANOVETTER, 1985; GULATI, 1995; GULATI/SYTCH, 2005). At the same time coordination problems arise due to the lack of shared and accurate knowledge about the decision rules that others are likely to use and how one's own actions are interdependent with those of others (GEANAKOPLOS, 1992; MILGROM/ROBERTS, 1992). Cooperation problems are rooted in motivation, whereas coordination problems arise due to the limitations of participating actors that hinder them from possessing comprehensive knowledge of how others will behave in situations of interdependence.

In sum, supply chain networks are of pyramidal-hierarchical structure with an existing "chain captain". This focal company must have the power to align the actions and interests of the remainders of network participants.

3 Notion of Power

3.1 Definition of Power

What is "power"? Most people believe to know the meaning of this phenomenon. However, BIERSTEDT (1950) claims that we all know perfectly well what it is until someone asks us. BACHARACH and LAWLER (1980) say that "power is necessarily a vague, poorly defined 'primitive' term that serves best merely to sensitize us to aspects of the bargaining process that might otherwise go unremarked… thus we must ask not what is power, but to what phenomena does the notion of power sensitize us." Generations of philosophers, political scientists, sociologists, psychologists, and economists have tried to elaborate on the concept of power and to define this notion from different perspectives and have not yet been able to come to a consensus.

The phenomenon of power has occupied the minds of many philosophers and writers. Friedrich Nietzsche draws a parallel between power and life and sees in power the basis which motivated all living creatures to live. According to his view "every specific body strives to become master over all space and to extend its force (its will to power) and to thrust back all that resists its extension". Power can be also associated with fear: "you see what power is - holding someone else's fear in your hand and showing it to them!" (TAN, 1952). In this way it seems like power is generally defined as "capability" "of achieving own interest" (RUSSELL, 1938) or "to produce intended and foreseen effects on others" (WRONG, 1979).

In the psychological context power is viewed as an ability to change the behavior of others (MCCLELLAND 1975) or "to modify the conduct of other individuals or groups" (BLAU 1967, KANTER 1977, TAWNEY, 1931). So the fact that the desires and the will of the power holder

come first or serve as a motive for his actions even in spite of the existing resistance, becomes obvious from these statements.

Being a part of a society individuals tend to interact with others and have social relationships with them. One of the fundamental definitions of power as a social phenomenon could be the one of WEBER (1947) who defines power as "the probability, in a social relationship, to impose one's own will even against resistance regardless of the basis on which this probability rests". One has to say that most conceptions of power are founded on this one of Weber's (BUCKLEY, 1967; BREDEMEIER/STEPHENSON 1962). Another important characteristic applied to power in the social context is that power is viewed not just as "ability", but also as "potential". For example, BIERSTEDT (1950) says that "it may seem redundant to say so, but power is always potential" and, thus power can be conceptualized as a potential for influence.

Political scientists have also made their contribution to the development of the body of literature on power. One of them, which is most often referred to, is the definition of DAHL (1986). He defines power as "the ability of one individual or group to get another unit to do something that it would not otherwise have done". This perspective is also shared by other researchers (SALANCIK/PFEFFER, 1977; STANFIELD/CARROLL, 2004). Some of the authors (LASSWELL/KAPLAN 1950) are even more specific to the subject of how such outcomes can be achieved. For example, Sharp (1980) refers to power as "the totality of means, influences, and pressures - including authority, rewards, and sanctions - available for use to achieve the objectives of the power-holder". From this perspective power appears to be formidable and even negative. However, WILSON (1913) sees some positive sides in it. According to his statement "power consists in one's capacity to link his will with the purpose of others, to lead by reason and a gift of cooperation".

Applied to the economic context power is defined similarly to the above mentioned views namely as "the ability to influence" with the exception that it refers to firms. For example, EMERSON (1962) defines it as "the ability of one firm to influence the intentions and actions of another firm" and RATNASINGHAM (2000) refers to it as "the capability of a firm to exert influence on another firm to act in a prescribed manner". In general one can say that this influence concerns intentions, actions and decision making (WILKINSON, 1974) of other firms.

There are also other perspectives formed by management, marketing and channel and network science literature. Managerial perspective asserts that power may be viewed as "ability" or "possibility" to "direct human, material and informational resources in certain activity (MACCALL, 1978) or to utilize and mobilize resources for the achievement of collective goods (GAMSON, 1968). It should be noted that most channel research has examined power in terms of the interdependencies of firms on resources (FRAZIER, 1983; HU/SHEU 2003). EL-ANSARY and STERN (1972) provide the following definition of power "ability of one channel member to control the decision variables of marketing strategies of another member in a different layer of channel". Moreover, it is also often referred to as the ability to influence or induce changes in favor of the own interest (WILEMON 1972). Another interesting view is provided by network science. According to MURDOCH (1995) power is "the outcome of the strengths of associations between actors. The stronger the network the more powerful the translating actor... those who are powerful are not those who 'hold' power but are those able to enroll, convince, and enlist others into networks on terms which allow the initial actors to 'represent' the others."

The examination of the definitions of power from different perspectives allows us to conclude that the notion of power is seen very similarly in different sciences with a difference of a context in which it is applied. Power is present everywhere – in human relations, society and state, channels and networks. It always has a power holder, a target and a source. It generally refers to the ability, capacity or potential to get others do something, to command, to influence, to determine or to control the behaviors, intentions, decisions or actions of others in

the pursuit of one's own goals or interests despite resistance. Furthermore, it refers to the capability to induce changes, to mobilize resources, and to restructure situations.

3.2 Classification of Power

3.2.1 "Power over" and "Power to"

As mentioned above, all definitions of power seem to use similar terms and have a common sense. However, all definitions of power can be divided into two groups: "power over" someone (WEBER, 1947) and "power to" act or do something (PALERMO, 2000; PARSONS, 1963; HOLLOWAY, 2002). In the first case power represents a conflict relationship. For example, "A gets B to do what B would not otherwise have done". Therefore, A is more powerful than B, because it possesses the means which possibly threaten or make B to act in the way which is favorable for A. This is a clear case of the "power over" relationship. However, let us assume that both actors have an unequal opportunity to achieve their goals and pursue their interests. "A has a greater capacity to achieve his goals than C has". In that case we also say that A is more powerful that C, but it is not the case of a conflict relationship. This relationship can be called the "power to" rather than "power over" relationship, since the power of the power holder A is based on his freedom to pursue his interests in respect to C.

ELLIOTT (1980) views the "power to" concept as a system property rather than as a property of individuals or groups, which enables the successful realization of system goals. He argues that the reason why management requires the "power over" is to ensure that it can control the activities and coordinate them with other areas of managerial activity, so as to safeguard the attainment of managerial objectives and goals. In other words, management requires "power over" in order to maintain its "power to" and realize systems goals. SODANO (2006) expresses the opinion that "power over" refers to the "dark side" of the concept, i.e. power as control, command, coercion, whereas "power to" refers to the "bright" side of the concept, i.e. power as possibilities, freedom, opportunities. It seems that both these conceptualizations of power are significant in understanding the nature of power.

3.2.2 Power sources

The power of one actor over another social actor is determined by the power sources available to the former (EL-ANSARY/STERN 1972; SIMON 1953). A firm's total power can be a combination of several kinds of power. FRENCH and RAVEN (1959) identified five types of power, each based on its source or origin: coercive, reward, expert, legitimate, and referent power.

Coercive power enables an individual to mediate punishments to others. For example, to dismiss, suspend, reprimand them, or make them carry out unpleasant tasks. It is usually based on the expectation of punishments and/or threats and relies on the belief that punishments will be forthcoming or rewards will be withheld unless the requested behavior is exhibited (FRENCH/RAVEN, 1959; BLAU, 1967). In the supply chain network context coercive power reflects the fear of a network member to be punished if he fails to comply with the requirements of the focal company. However, consistent use of punishments and/or threats may encourage the affected firm to dissolve the trading relationship; because of this, coercive power is normally employed when the power advantage is clear and the influenced party's alternatives are limited (BOWERSOX et al., 1980).

Reward power depends on the ability of the power holder to offer or mediate rewards to others. It is based on the degree to which the individual can give others a reward of some kind such as recommendations, desired gifts, and increases in pay or responsibility. If a focal company can mediate rewards due to the access to resources which are valuable for other

supply chain network actors, then it can make the actors to perform in the way the company desires. A firm's ability to use rewards as a source of power may increase after rewards have actually been employed, because the perceived probability of the promise to deliver is intensified (CARTWRIGHT, 1965).

Expert power (also called informational) is derived from the skills or special knowledge of an individual or a group in a specific subject. This knowledge applies to the restricted area in which the specialist is trained or qualified. The degree of power depends on the scarcity and the need of theses skills for others. It is worth to mention that this source of power may generate a response of trust and credibility. In case with a supply chain network the expert power of a focal company can be achieved if the network actors perceive or believe that it possesses a special knowledge valuable for them. For example, manufacturers are often expected to have special knowledge about new products and promotion to assist the dealers.

Legitimate power stems from internalized values which dictate that there is a legitimate right to influence and an obligation to accept this influence. This kind of power is based on some kind of a commonly accepted code or standard and usually involves positions and not personal qualities of individuals. It is also called position power and usually accompanied by various attributes of power such as uniforms, offices etc. It is based on the belief by one firm that another firm has the 'right' to prescribe behavior (FRENCH/RAVEN, 1959). A focal company in this case should be recognized in the eyes of the network members as having a "right" to make specific decisions and expect compliance with regard to these decisions.

Referent power is based on an individual's ability to be attractive for others and build loyalty and depends on the charisma and interpersonal skills of the power holder. French and Raven define the source of referent power as "a feeling of oneness… or a desire for such an identity". Identification can be said to occur when an individual accepts influence because he wants to establish or maintain a satisfying self-defining relationship to another person or a group (KELMAN, 1958). It is difficult to identify specific instances of pure referent power in interfirm relationships; referent power usually occurs in conjunction with some other form of power and plays a stabilizing role (BEIER/STERN, 1969). In the supply chain context this power is observed when network actors want to join a network.

HUNT and NEVIN (1974) dichotomized French and Raven's power bases into coercive and non-coercive sources. While coercive sources of power arise from punishment, non-coercive sources arise from rewards or high quality assistances.

We have described the classification of power sources (coercive, reward, expert, legitimate, and referent) which seem important to us for applying them in the context of supply chain relationships and supply chain management. Within the framework of our paper we adopt the coercive/noncoercive grouping of the sources. We believe that such distinct identification and clarification of the power sources is necessary, because the different sources of power affect supply chain relationships in contrasting ways, and because we believe that it can give more insight into different sides of power and its effects upon coordination and cooperation in supply chain networks.

4 Role of Power in Supply Chain Networks

4.1 The Two Sides of Power

As we mentioned before, power seems to have two sides "dark" and "bright" and the opinions about the effects of power on exchange relationships are very contradictory. There are those that view the concept of power as alien to the effective workings of exchange relationships and success and state that power negates cooperation (DONEY/CANNON, 1997; BRETHERTON/ CARSWELL, 2002). GUMMESSON (1999) considers power imbalance to be detrimental to sustaining a business relationship. NAUDÉ and BUTTLE (2000) express the common view of it

to be a negative influence and not helpful in the building of relationship quality; where the most important attributes of a good supply chain relationship are cited as being trust, integration, mutual understanding of needs, profit and satisfaction. KUMAR et al. (1998) also view power as the antithesis of trust, and that power is only viewed in a negative sense.

On the other hand, power is viewed in a positive sense. There are a number of others who argue that power is vital, because it can take the relationship out of the realm of chance and give it purpose, order, and direction (DWYER et al., 1987; KUMAR, 2005). CONDLIFFE (1944) says that power, involving the possible use of force, is not necessarily evil but may be used to achieve moral purposes. Other researchers have emphasized the role of power in providing for effective coordination of the exchange relationship, rather than its potential for exploitation. BLAU (1967) provides the underlying foundation for this viewpoint. In a marketing channels context, STERN and HESKETT (1969) theorize that the exercise of power can have a positive role in the achievement of integration, adaptation, and goal attainment within the channel system. BIERSTEDT (1950) suggests that power stands behind every association and sustains its structure, without power there is no organization, no order.

4.2 The "Dark" Side of Power

Some researchers have argued that a high level of power will lead its possessor to exploit the other party by frequent use of relatively coercive influence strategies (BANNISTER 1969; ROBICHEAUX/EL-ANSARY 1975). Therefore, power imbalance existing in supply chain relationships creates opportunities for more powerful firms to act opportunistically by exercising coercion, which may ultimately undermine trust within the relationship. BALDWIN (1971) states that "fear, anxiety, and resistance are typical responses to threats, … if A uses negative sanctions today, B will tend to be less willing to cooperate with A in the future". A consequence of such situation could be the inevitable. When one party is threatened by the balance of power, that weaker party will be more likely to seek alternative alliances (IRELAND/WEBB, 2007).

At this point it seems that the use of the "power over", being referred to as control, command, coercion, may diminish the relationships in supply chain networks. So coercion may represent the "dark" side of power. The works of HUNT and NEVIN (1974) has indicated that coercive power sources (punishments) are related positively to intrachannel conflict and inversely to dealer satisfaction, whereas noncoercive power sources exhibit the opposite relationships.

It can also be assumed that reward power may have an element of coercion in it and can, therefore, have the same effect of relationships as coercive power. The overly frequent use of reward power is likely to damage relational norms (BOYLE et al., 1992) and cooperation (SKINNER et al., 1992).

The fact that other power sources may not necessarily be good for supply chain relationships is also reflected by ETGAR (1976). He states that expertise, referent, and legitimate power sources may be less effective than reward and coercive power sources because they are less flexible and can often be viewed as being unrelated to specific performance by channel members. Their effectiveness may decline over time. For example, expert advice, once given, may provide the channel member with the ability to operate without such assistance in the future. Also, high degrees of identification between dealers and suppliers may be associated with less channel control.

Another major disadvantage of expertise, referent, and legitimate power sources is that they may have a more limited scope of applicability than rewards and penalties. Channel members may accept the control of a channel leader but only in specific, well-defined areas of operation. Thus, they might be willing to accept decisions about the introduction of new products if he is perceived to be expert in this field. Yet they may resist his attempts to impose controls over such decision areas as pricing or promotion.

Besides, informational power if it is used for manipulative purposes, being based on deceit and opportunism, may destroy cooperation and have an overall negative effect on supply chain relationships. To add more to this point, the "power to" could have a similar effect on channel relationships. As it gives the power holder the freedom to act, it can lead to opportunism and free-riding by actors and may be destructive for long term relationships.

4.3   The "Bright" Side of Power

Having examined the "dark" side of power, now let us look at its "bright" side. In the previous subchapter we provided arguments that coercive power may be seen in the negative sense due to the expectation of punishments by the target. However, some authors who have emphasized the positive aspects of power argue that its possession need not suggest exploitation or frequent use of coercion (BLAU, 1967; STERN/HESKETT, 1969). Furthermore, though the use of coercive influence strategies has been hypothesized to weaken exchange relationships, reduce trust, and invite retaliation (BUCKLIN, 1973; RAVEN/KRUGLANSKI, 1970), empirical evidence on these issues is limited. In contrast, other researchers have emphasized the role of power in providing for effective coordination of the exchange relationship, rather than its potential for exploitation. BLAU (1967), in an intraorganizational context, provides the underlying foundation for this viewpoint.

Obviously, the exercise of non-coercive power does not include any aggressive elements which may produce friction in the relationship. On the contrary, it fosters a relatively high level of agreement between the interacting parties, since to a large extent it contains the 'inherent desirability' of performing certain actions (FRAZIER/SUMMERS, 1984). Moreover, the use of noncoercive power helps to increase financial and social benefits, through, for example, the offering of financial rewards, provision of assistance, and access to specialized information (WILKINSON, 1979). Therefore, this kind of power can help to promote common interests and collective goals within the relationship, as well as enhance a friendly and constructive atmosphere.

A number of scientists found that the use of non-coercive power sources results in a greater level of satisfaction with the exchange relationship on the part of the firm receiving the influence attempt than does the use of coercive power (HUNT/NEVIN, 1974; LUSCH, 1977); that noncoercive power sources are inversely and coercive sources directly related to the existence of interfirm conflict (LUSCH, 1976; WILKINSON, 1981); and that the use of non-coercive power sources is positively related to the performance of the firm which is subjected to the influence attempt (SIBLEY/MICHIE, 1981). Furthermore, scholars who have studied power suggested that non-coercive sources of power provide better alternatives for enhancing the satisfaction of less powerful trading partners (HUNT/NEVIN, 1974; LUSCH, 1976).

The positive effect of legitimate and informational power can also be observed in providing an effective coordination of exchange relationships, as the distribution of power has become legitimate over time (FRAZIER/ANTIA, 1995; KALAFATIS, 2000). Informational power is also claimed to have a positive effect on channel and network relationships, as it helps to build trust and cooperation, and enhances positive attitudes toward the long-term channel relationships relationship. Similarly, the "power to" representing the freedom of action for network members can also be seen positive in promoting trust and cooperation in supply chain relationships.

Some authors see the "bright" side of power in promoting coordination in supply chain relationships. BACHMANN (2001) states that power can be seen as a mechanism for coordinating social interactions efficiently and for allowing relatively stable relationships to develop between cooperating social actors. Besides, STERN and E1-ANSARY (1992) asserts that channel members use power to determine who will undertake which marketing activities, coordinate the performance of these tasks, and manage conflict among themselves. For

example, when incomplete contracts fail, power can intervene and let the transaction work out. GASKI (1986) states that it is through reward and coercive power sources, that partner perceptions (such as expert, referent, and legitimate power sources) are managed to create harmonious and enduring interorganizational exchange relationships.

Therefore, power can be seen as an effective tool in correcting organizational problems, solving conflicts and promoting harmonious interorganizational relationships, which ultimately results in enhanced performance for the channel as a whole as well as its individual members.

5 Summary

Supply chain networks and their management have been introduced in the research strand of agricultural economics since many years. However, works on power in supply chain networks have been scanty. We have tried to give an overview of the notion of power from different perspectives (political, social, psychological, philosophical and economic) and discovered that power is mainly seen as the ability, capacity or potential to get others do something, to command, to influence, or to control the behaviors, intentions, decisions or actions of others in the pursuit of one's own goals or interests, as well as to induce changes, to mobilize resources, to restructure situations, etc.

We have examined different definitions of power by dividing them into two groups "power over" (control, command, coercion) and "power to" (possibilities, freedom, opportunities). Analyzing the different sources of power (coercive, reward, expert, legitimate, and referent) we have also found that they can be grouped into coercive and noncoercive ones. Doing so, we assumed that such distinct classification of power would help to determine its different effects on supply chain relationships. Using this dichotomy we have seen that power has many multi-faceted effects on coordination and cooperation in supply chain relationships. Thus, power can be viewed as having both positive and negative effects on supply chain management i.e. that power has the "dark" and the "bright" sides in supply chain networks.

In this paper we have analyzed power mainly from the view point of the focal company facing the task to manage the supply chain network. For future research we would like to examine the effects of power from the point of view of both power holder and power targets and focus on testing our assumptions empirically by using structural equation modeling.

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