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Buyer-supplier relationship decline: A norms-based perspective

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ABSTRACT

Positive buyer-supplier relationships rely on a set of underlying behavioral expectations held by individuals. These 'norms' regulate partner behaviors through a set of implicit (dis)incentives. Despite the importance of norms, few studies consider their role in relationship decline. Drawing on an in-depth ethnography, this study focuses on norms at the inter-personal level and at the inter-firm level to uncover how these subtle social rules affect relationship decline. The study identifies three key phases of relationship decline: unawareness, divergence and degeneration. The study also considers the role of individuals' bounded reliability and its contribution to norms violations. We identify two new elements (perceptual inconsistencies and divergent schema) that appear active early in relationship decline and that contribute to other elements of bounded reliability. The findings yield a theoretically grounded, empirically informed framework of relationship decline, with direct relevance to complex buyer-supplier relationships, particularly in capital and technology intensive industries.

1. Introduction

Functional buyer-supplier relationships can have many benefits. Supplier firms can expect greater profitability and better buyer insights while buyers can experience tailored solutions and exchange efficiencies (Palmatier, 2008; Palmatier, Houston, Dant, & Grewal, 2013). However, buyer-supplier relationships are diverse. Rather than a cure-all, relationships can also be sources of frustration and resentment for one or both parties (Hibbard, Kumar, & Stern, 2001). Relationships can be very costly for the supplier and pose excessive risks to buyers (Musalem & Joshi, 2009; Ryals & Holt, 2007). Therefore, relationships are often finite. They tend to pass through a lifecycle that begins with initial investments by both parties fueled by positive expectations, a middle stage where both parties engage in repeated interactions and are generally satisfied with the existing arrangements, and, then, a final stage where the relationship ends (Terawatanavong, 2007).

Transaction Cost Economics (TCE) (Williamson, 1979, 1988, 1991) has become an important theoretical lens to study buyer-supplier relationships. A central tenet of TCE is that partner behaviors are governed by norms, which differ from formal contracts as means to affect relational outcomes (Cannon, Achrol, & Gundlach, 2000; Heide & John, 1992; Macneil, 1980). Indeed, norms explain the majority of partner behaviors by conveying what behaviors are acceptable and by associating non-compliant behavior with various penalties (Kaufmann & Stern, 1988; Wan, Hui, & Wyer, 2011). The absence of supportive norms has been shown to reduce the economic efficiency of relational exchange (Heide & John, 1992). Norms have been conceptualized as context-dependent, multi-level and dynamic and, as a consequence, it is unclear what norms are relevant and to what extent (Blois & Ivens, 2006; Ivens & Blois, 2004; Macneil, 1980). This issue is particularly acute when considering relationship decline. While most studies in this area focus on resource or systemic misalignment and opportunistic behaviors, few consider the influences of norms (Jean, Sinkovics, & Cavusgil, 2010; Mishra, Chandrasekaran, & Maccormack, 2015). By considering the role of norms, there is scope to identify and explain subtle yet profound social rules that current studies do not yet capture fully.

Moreover, the cognitive and behavioral constraints facing key individuals are likely to affect how norms manifest. Indeed, these constraints are central assumptions about the behavior of individuals within TCE (Williamson, 1975, 1991, 2005). However, there has been relatively little exploration of how these constraints relate to relational norms in relationship decline. The concept of bounded reliability can help explain this. Bounded reliability refers to the efforts of individuals to being reliable, but only boundedly so, with these efforts being imperfect due either to opportunism, benevolent preference reversal (i.e. where the preferences of decision-makers shift over time in accordance with new and emergent priorities) and inconsistent behaviors (i.e. where individuals' behaviors contrast with an agreed set of requirements) (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009). These considerations could help explain the root causes of relationship decline and, as such, there is a need to explain how and why this is so.

In this study, we focus on the impact of norms in relationship decline. The study offers two major theoretical contributions in this domain. First, the study develops a longitudinal perspective of

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relationship decline in terms of norms violations. Present studies mostly consider norms as discrete and non-dynamic, with cross-sectional empirical processes often informing these findings. Consequently, the subtleties of norms violations emergence receives limited attention despite their apparent importance (Blois & Ivens, 2006; Heide & John, 1992; Heide, Wathne, & Rokkan, 2007; Wathne & Heide, 2000). In this study, we identify three broad phases of relationship decline (unawareness, divergence and degeneration) and describe the major elements of each phase. We also draw on relational contracting theory (Macneil, 1978, 1980, 1987) and an analysis of our empirical findings, to highlight three primary forms of relevant norms violations. 'Role integrity' refers to the ability of an individual to retain a specific domain of activity while also feeling confident to disregard formal structures in order to achieve a specific outcome. 'The preservation of the relation' refers to maintaining a positive working relationship through productive planning, problem-solving, managing power, and ensuring agreement to contract terms. The 'harmonization of the social matrix' refers to the active alignment between the interests and actions of individuals working together across inter-firm boundaries. Through the identification and explication of these norms in terms of their violations, the study articulates some fundamental social mechanisms that have subtle, yet profound influences in relationship decline.

Second, the study provides insight into the interplay between norms at the inter-firm level and those at the individual level. The underlying intention behind this goal is to understand how these two levels of aggregation interact in relationship decline, an area often overlooked in current studies (Blois & Ivens, 2006; Heide & John, 1992; Heide et al., 2007; Wathne & Heide, 2000). The study finds broad support for the bounded reliability notion (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009) while also extending it by first identifying two additional elements of bounded reliability and, then, by defining the sequencing of each element of bounded reliability during relationship decline. At the very early stages of relationship decline (i.e. the 'unawareness stage'), the most important elements appear to be what we describe as perceptual inconsistencies and divergent schema. These then contribute to benevolent preference reversal and inconsistent behaviors (i.e. at the 'divergence' stage). Lastly, opportunistic behaviors become dominant as the relationship ultimately deteriorates. These developments appear to mirror individual forms of norms violations during the earlier stages of relationship decline (i.e. role integrity and the preservation of the relation) before gradually contributing towards the de-harmonization of the social matrix at the inter-firm level (i.e. where opportunistic behaviors were most obvious).

To achieve these outcomes, the study draws on an in-depth ethnography in the Aerospace industry. The empirical process involves a three-year investigation of a buyer-supplier relationship. More specifically, the relationship had entered a new stage at the beginning of the study. The buyer firm decided to reorient its role and, subsequently, led the supplier firm to accept a new relationship paradigm. This involved establishing a new 'risk-sharing partnership', where a substantial proportion of the buyer firm's research and development assets and activities were reassigned to the supplier. This also involved a new relationship agreement involving fairer sharing of risk and investment responsibilities between the partner firms. With this in mind, the findings of the study are most relevant to industry contexts where risk-sharing partnerships are more typical. Indeed, capital goods industries such as aerospace, mining, infrastructure, construction and manufacturing are more comparable with our empirical context (Brady, Davies, & Gann, 2005; Gebauer, Paiola, & Saccani, 2013; Neely, 2014; Töllner, Blut, & Holzmüller, 2011). For managers, the study offers insights into the subtleties of relationship decline. The findings suggest a need for more consultation and information clarity when a relationship paradigm shifts. The study also identifies the specific mechanisms that underpin relationship decline, where targeted management interventions may help to mitigate or alleviate norms violations and, ultimately, ensure an altered relationship remains positive and productive.

2. Conceptual background

2.1. Current approaches to explaining relationship decline

The current literature offers several pertinent reasons for buyer-supplier relationship decline. One of the major explanations is that partners are no longer compatible. This generally relates to the inability for interdependent resources, systems, processes and procedures that operate across inter-firm boundaries to fulfill their requirements (Jean et al., 2010; Mishra et al., 2015). This results from a severing of specific ties or linkages. For example, the upgrade of an IT system by one partner often places a burden on a counterpart to update their own systems to ensure smooth information flows. Depending on the incentives, the partner may choose not to do so; hence, a lower level of compatibility emerges. This sort of decision often relates to another cause for relationship decline: a reduction in complementarity. While partners may initially invest in a relationship to access specific resources or new market opportunities, once these are no longer forthcoming, the decision to continue in the relationship may become difficult to justify (Glenn Richey, Tokman, & Dalela, 2010). With reductions in compatibility and complementarity, the costs associated with the relationship are likely to increase and, hence, support a decision to terminate the relationship (Wang, Kayande, & Jap, 2010).

Perhaps the most widely discussed reason for relationship decline is opportunism (Wathne & Heide, 2000). On one extreme, blatant opportunism is "self-interest seeking with guile" (Williamson, 1975: 7). This suggests an individual may lie, cheat, steal, mislead, distort, disguise, obfuscate or otherwise confuse (Williamson, 1985). However, the manifestation of opportunism can be passive or active and relate to existing or new circumstances (Wathne & Heide, 2000). Hence, nuance characterizes opportunistic behaviors. While opportunism is a broad concept, more specific instances that contribute to relationship decline emerge as punitive actions, destructive acts and unresolved conflict (Hibbard et al., 2001; Kumar, Scheer, & Steenkamp, 1998). Indeed, the decisions to conduct these activities and the nature of related behaviors rests with specific individuals and, as such, many of the causes of opportunism are likely to relate more closely to the micro-foundations of relational contracts, with many scholars acknowledging a need to understand these to a greater extent (Wathne & Heide, 2000; Williamson, 1975, 1985). In this study, we go beyond simple opportunism to unpack a wider range of underpinning factors and subtle mechanism that contribute to relationship decay.

2.2. Norms and relationship deterioration

Norms offer a means to understand the micro-foundations of relational contracts. While norms encompass the rules of the social engagement between partner firms and the associated incentives for compliance, they have many potential applications. In the present study, we focus on two main dimensions. First, we consider the nature of norms. Our empirical process centers on a buyer-supplier relationship and, as such, involves the expectations from both parties commonly associated with these roles. In a very basic sense, buyers would expect to pay money to the supplier in exchange for products and services that meet their expectations whereas suppliers would expect to receive money from the buyer in exchange for product/service delivery. We suggest the nuance associated with this process is likely to increase in situations with complex products and services that involve multiple interactions across a broad hierarchy.

Overlaying the norms associated with the specific roles of buyer and supplier firms are a range of others. In this study, we concentrate on three of the major norms dominant in relational exchanges since these emerged most strongly in our data (see Macneil, 1978, 1985, 1987, 2000) and have also received the least attention in previous studies of relational contracting (Ivens & Blois, 2004). Role integrity relates to the ability of an individual to retain a specific domain of activity while also feeling confident to disregard formal structures in order to achieve a specific outcome. Role integrity is important since it allows individuals to feel empowered while also reducing ambiguity and uncertainty, with these often being sources of stress (Zablah, Franke, Brown, & Bartholomew, 2012). Role integrity relates to the clarity of role requirements and the degree of conflict between the multiple roles an individual holds. The preservation of the relation involves maintaining a positive working relationship through productive planning, problem-solving, managing power, and ensuring agreement to contract terms. The harmonization of the social matrix involves the provisions in the working relationship to adapt to change at the firm level, which we conceptualize in terms of compatibility and complementarity.

Second, we consider the execution of norms. We see norms as socially embedded within an ongoing buyer-supplier relationship and, as such, they are emergent and reflexive in nature. This conceptualization implies we are interested in how norms affect the day-to-day operations of the relationship. To gain an appropriate level of granularity, we consider the individual (inter-personal) and the relationship (inter-firm) as units of analysis. At the individual level, we are interested in the processes of specific individuals active in the relationship. In this, we see individuals engaging in a social setting, with their cognitions shaping their actions. At the relationship level, we are interested in the broad patterns of activity that resemble relationship decline. The division between individual and relationship perspectives is also consistent with Williamson's (1975, 1985, 1991) approach to conceptualizing units of analysis in buyer-supplier exchange. Table 1 summarizes the analytical frame for the study.

2.3. Norms violations: An emergent, multi-faceted phenomenon affected by bounded reliability

Given the argument presented thus far, we suggest that norms have a pervasive influence on relationship evolution. Since they comprise the rules of engagement, it is possible that norms violations explain situations where partners face declines in compatibility and complementarity. It is also possible that norms violations underpin opportunistic behaviors and can ultimately explain the nature of relevant cognitive and behavioral dynamics. The current literature tends to focus on norms such as flexibility, solidarity and mutuality, which are more characteristic of contract norms rather than relational norms per se (Ivens & Blois, 2004). Moreover, there has been a consistent emphasis on inter-firm level norms, with most studies using somewhat general norms descriptions such as 'relational norms', 'positive norms' and 'cooperative norms' (Ivens & Blois, 2004). As such, there has been little consideration of the role of specific individuals in affecting norms.

Given the multi-level notion of norms in buyer-supplier relationships, we draw on the concept of bounded reliability (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009). Bounded rationality is a core underpinning of traditional TCE, which assumes that individuals face constraints through their limited access to information and resources and that this forces them to act in ways that acknowledge these constraints (Simon, 1991; Williamson, 1975, 1985, 1991). Bounded rationality involves an assumption of rationality, where individuals act in their own economic self-interest and, as such, there is a tendency to act opportunistically (Berthon, Pitt, Ewing, & Bakkeland, 2003; Wathne & Heide, 2000; Wuyts & Geyskens, 2005). However, several authors are critical of the bounded rationality concept, suggesting that assumptions it has about individuals' motivations and their actual observed behaviors are not fully consistent with the theory (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009). Bounded reliability is an alternative concept that posits individuals as having the best of intentions to fulfill obligations, but only boundedly so. While it also suggests individuals will act opportunistically, there is less of an emphasis on 'guile', with negative or malicious motivations from decisions being one of many possibilities. Bounded reliability also acknowledges the subtleties surrounding benevolent preference reversal and inconsistent behaviors, which are likely to emerge in complex buyer-supplier relationships. Bounded reliability is a rich concept that aligns with TCE-based notions of norms. However, how bounded reliability, norms and relationship decline interact with one another is currently unclear.

Given the observations above, the current study focuses on two main research questions:

1. How do norms influence the decline of complex, multi-faceted buyer-supplier relationships over time?
2. How does the behavioral reliability of individuals active in the buyer-supplier relationship influence the violation of norms during decline?

Table 1
The Analytical Framework used in the Study – Conceptualizing Relational Norms.

Relationship level	Relevant norms	
Inter-firm	Harmonization of the social matrix	
	• Compatibility (resources, systems, processes and procedures) • Complementarity (resources, systems, processes and procedures)	
Inter-personal	Role integrity	Preservation of the relation
	• Role clarity • Role conflict	• Adaptation/flexibility • Mutual understanding

3. Methodology

3.1. Research design

The initial aim of the study was to understand the role of norms in buyer-supplier relationships. Norms are inherently social constructs in that they involve a set of implicit expectations that develop between individuals and, as such, govern their behavior (Heide & John, 1992; Palmatier, Dant, & Grewal, 2007). We felt that these characteristics were ideally suited to an ethnographic research design. Ethnographies focus on uncovering implied meanings in social contexts (Atkinson & Hammersley, 1995; Fetterman, 2010). The ethnographer recognizes their role as an impartial observer who actively engages with a pre-specified field of enquiry and aspires to create an objective account of the phenomenon of interest albeit from their own subjective perspective (Atkinson & Hammersley, 1995; Fetterman, 2010). Ethnography has become popular with marketing scholars when exploring consumer brand experiences (Cayla & Arnould, 2013; de Waal Malefyt, 2015) and is also useful for understanding how buyer firms act in buyer-supplier relationships (Borghini, Golfetto, & Rinallo, 2006; de Waal Malefyt, 2015; Pressey, Gilchrist, & Lenney, 2014).

Our empirical enquiry centers on the Aerospace industry.[1] To make this selection, we relied on three main theoretical criteria (Atkinson & Hammersley, 1995; Fetterman, 2010). First, our focus on relationship norms meant that we needed an industry setting that houses a selection of these. In the country where the study took place, the Aerospace industry accounts for more than 100,000 jobs and more than $21 billion in revenues. The established nature of the industry suggested that it would be an ideal setting to understand buyer-supplier relationships with a long history and, hence, considerable opportunities for the development of norms. Second, we felt that the nuances associated with norms would be observable in a complex relationship, so we used this as a key selection criterion. The Aerospace industry is, by its nature, complex. Buyer and supplier firms engage with one another at multiple levels, over long periods to design and implement a range technically complex products and services. Third, we selected a setting where the

[1] NB. Due to the sensitive nature of the topic area, we have attempted to strike a balance between confidentiality and detail.

authors had access. Given the inductive, exploratory nature of the study, we felt that this overall approach would allow us to develop a rich set of theoretical insights.

3.2. Context description

Ultimately, we selected a buyer-supplier relationship with a thirty-year history. The customer firm is a global manufacturer and integrator of aircraft systems and employs in excess of 50,000 people worldwide. The supplier firm is a recognized engineering company. It provides advanced engineering solutions and employs 10,000 staff internationally. These firms recently furthered their collaboration by engaging in a long-term partnership to develop and deliver civil and military aircraft programs. This included the transfer of manufacturing capabilities and resources from the customer to the supplier, worth in excess of USD 250M. The supplier became more strategic, moving from a make-to-print, transactional model to one where they were tasked with designing and making significant sub-systems and modules. The relationship is highly formalized and governed by a contract that specifies in detail technical requirements, commercial arrangements, responsibilities and liabilities, and it is often described as a 'risk sharing partnership'. A risk sharing partnership implies that the parties will assume certain costs (i.e. risk) in the process of developing new aerospace programs given the protracted periods necessary to take a product from the prototype stage to large-scale production. Risk sharing partnerships such as these have become fairly common where there is a need for significant capital equipment investments (Brady et al., 2005; Töllner et al., 2011; Windahl & Lakemond, 2006). In these situations, partners attempt to maximize their joint profitability by shifting asset ownership and management to the partner that is able to engage in these activities most profitably. Therefore, the empirical context is most relevant to risk sharing partnerships such as these.

3.3. Data gathering

The data-gathering period occurred over three years. We combined focus groups, semi-structured interviews and document analyses so as to provide multiple bases for assessment and triangulation (Atkinson & Hammersley, 1995; Fetterman, 2010). In this, we adopted a 'holistic' ethnography as advocated by Moore (2011), which attempts to uncover the perspectives of multiple stakeholders within the field of enquiry. After several meetings with the firms, separate focus groups with representatives from the supplier (Focus group 1) and from the customer firms (Focus group 2) were organized (Lambert, 2010) (see Table 2 for participant profiles). To identify suitable respondents, we asked both firms to supply us with a list of potential participants. Our selection criteria included the need for at least ten years' experience in the relationship, exposure to multiple levels of the relationship, and responsibility for critical milestones and/or budgets relevant to the risk-sharing partnership. The seventeen individuals, therefore, have substantial experience while also occupying mostly senior management positions. The focus groups helped to identify the strengths and weaknesses of the working relationship. We were also interested in the role and responsibilities of key individuals across both companies. Respondents were also asked to map the history of the relationship, including key events and distinctive relationship phases (Baba, 1988; Musson, 2004).

The focus groups revealed some stunning insights about the nature of the relationship. To our surprise, the relationship was dysfunctional, in many respects, according to participants. The sources of these dynamics appeared to relate to the implicit rules or assumptions regarding partner behaviors. This led us to shift our focus to the role of norms in relationship decline. We conducted follow-up interviews with all focus group participants. Each interview lasted on average 75 min. We encouraged respondents to provide greater depth about relationship expectations, the expectations of colleagues and counterparts, and, how these shifted over time. During the course of the study, the increasingly sensitive nature of respondent comments meant that caution was necessary. We began the study by assuring respondents of confidentiality and that we would only report the findings of the study in anonymous format. We recorded and transcribed interviews from the supplier side verbatim. However, customer representatives opted not to be recorded. To overcome this, one researcher conducted the interview, with a second researcher taking extensive notes. Final transcripts and field notes were sent to respondents, who confirmed their accuracy and representativeness. In addition, both the customer and the supplier teams were briefed separately about the emerging themes from the study, with all participants corroborating the truthfulness of the analysis. The process of feeding back to participants interim conclusions of the research enhances the reliability of the findings (Boesch, Schwaninger, Weber, & Scholz, 2013). In addition to focus group and interview data, we accessed meeting minutes, company reports, marketing materials, and other documents to triangulate findings.

Table 2
Respondent profiles.

Supplier (Focus group 1)	1. Senior Vice President Commercial
	2. CEO Aerospace Structures
	3. Senior Vice President Business Development and Strategy
	4. Vice President Programs
	5. Program Manager (Program A)
	6. Commercial Manager
	7. Vice President Product family
	8. Vice President Engineering
	9. Customer Account Executive
	10. Program Manager (Program B)
Customer (Focus group 2)	1. European Vice President Program A
	2. Vice President Procurement
	3. Senior Purchasing Manager
	4. Program A Lead Manager
	5. Program B Lead Manager
	6. Program B Chief Engineer
	7. Purchasing Manager

NB: Respondents participated in both the focus groups and in interviews.

3.4. Data analysis

We used an abductive approach to analyze the data, which involved an iterative comparison between relevant relationship decline literature and the emergent themes in our data in a process known as 'matching' (Dubois & Gadde, 2002, 2014). This allowed us to juxtapose the differences between our data and existing research. We continued this process throughout the study. We began by ensuring we had a high degree of familiarity with the relationship norms literature and associated theoretical explanations (such as TCE, relational contracting theory, bounded rationality and opportunism). We then engaged in the empirical setting to begin addressing our research questions. The dysfunction in the relationship encouraged us to shift our analysis to relationship decline after about eight months of fieldwork. This new emphasis encouraged us to consider relationship deterioration-relevant literature. Our observations led us to conclude that a longitudinal, multilevel understanding of relationship decline was missing from the current literature. Hence, we continued to engage in the empirical context and then back into the literature iteratively until we felt that we had reached theoretical saturation (Lincoln & Guba, 1985).

To address the first research question, we conducted a thematic coding process (Lincoln & Guba, 1985; Miles & Huberman, 1994). We drew on Macneil's (1978, 1985, 1987, 2000) relational contracting theory due to its rich description of social norms in buyer-supplier relationships. An initial coding process revealed three main types of norms violations in our empirical setting. At the individual level, there was evidence of violations of role integrity since individuals were no longer sure of their roles and responsibilities. There was also a violation of the preservation of the relation norm since individuals no longer interacted with each other on the same bases as before the risk-sharing partnership commencement. These issues also appeared to have effects at the inter-firm level, so we also were able to identify issues relevant to the de-harmonization of the social matrix. Since our first research goal was to identify and describe how norms influence relationship decline over time, we examined our data according to the timings where we first noticed evidence for each type of norms violation. This allowed us to identify three broad stages of relationship decline, which we label "unawareness", "divergence" and "degeneration".

We then moved onto identifying the underlying causes of norms violations, to address our second research question. It is at this stage that the bounded reliability concept became more important. In examining the current construct, we felt that i) a longitudinal perspective was missing, and ii) that there was scope to develop greater insight into the early manifestations of bounded reliability during relationship decline. In taking a longitudinal perspective, we could see that individual-level sources of norms violations were more important at the early stages, with the inter-firm level sources becoming more important during the later stages. This allowed us to identify the sequencing of different elements of bounded reliability, with our analyses focusing on identifying the initial timings for each element. We could also see that there was little clarity regarding the initial steps for this process in our data. Thus, we conducted additional analysis to identify two additional elements of bounded reliability, which we label "perceptual inconsistencies" and "divergent schema". Through additional analyses, we were able to identify which bounded reliability elements relate to norms violations at each stage of relationship decline.

4. Findings

In this section, we report the findings of the study. We begin by identifying and describing the types of norms violations that were evident in the data. Our analyses suggest that two major forms of inter-personal norms violations have profound effects at relatively early stages during relationship decline: role integrity violation and the reduced preservation of the relation. At the inter-firm level, we consider the de-harmonization of the social matrix. We describe this in terms of the three phases of relationship decline: "unawareness", "divergence" and "degeneration". We then consider the role of bounded reliability as a fundamental cause of norms violations. We identify "perceptual inconsistencies" and "divergent schema" as two potential additional elements of the bounded reliability construct. We also include a summative model that illustrates the stages of relationship decline. By highlighting the relative visibility of norms violations and bounded reliability elements in our dataset, we hope to give a more comprehensive view of the study findings.

4.1. Inter-personal norms violations

4.1.1. Role integrity

Role integrity is often related to the key expectations individuals associate with positions held by themselves and by others in a given social context (Ashforth & Mael, 1989; Brown, 2000; Korschun, 2015). This is often important in inter-firm relationships. In our findings, two phenomena emerged that threatened role integrity for members of project teams charged with implementation responsibilities. Role clarity declined in the wake of the new relationship dynamic since many individuals acknowledged far less certainty over the requirements of their roles. As one participant put it "…we're making aircraft, not washing machines; therefore, changes will occur". The reduction in role clarity also contributed to role conflict, the other main norm violation we identified. This emerged when individuals were unsure of how to prioritize tasks since some tasks would no longer be their responsibility under the new relationship arrangement whereas others would now become more important. This tended to result in somewhat narrow conceptualizations of responsibility. One participant highlighted a naively narrow approach to defining project requirements, which we see as evidence of this "…functional work package specifications, that's what they [the suppliers] get, and not the design solution".

4.1.2. Preservation of the relation

Violations in role integrity determinants such as role clarity and role conflict management also reduced the ability for inter-personal relationship preservation. Since a new relationship paradigm was emergent, this would require considerable adaptability and flexibility. This includes a need to shift the focus of individuals from specific role requirements to a new, more pragmatic approach that centers more on the tasks 'at hand'. This approach, however, naturally raises concerns for individuals, many of whom had occupied the same role for considerable periods. Hence, it was evident that individuals were either unwilling or unable to be flexible. This was complicated by the uncertainty emanating from the leadership of both firms. As one participant put it:

"There have been some senior level supplier conferences where they are standing up and saying 'we are going to change, we know we beat you with a big stick' and they basically go away and whittle a new stick and come back with a different stick".

The uncertainty emanating from senior management was also evident in the perceptions of individuals. This was particularly the case where a set of new implicit expectations emerged from the customer firm. As one participant puts it: "…there will be some people [in the customer organization] who expect the supplier to be able to cope with some of that scope creep without coming back to us and saying, here's a bill". This became a consistent sentiment held by many respondents in the supplier firm, with this signifying a change in the minds of many individuals as to their requirements and expectations, thus leading to reductions in shared understanding and lack of ability or inclination to adapt or be flexible. These developments contributed to the initial stages of relationship decline since they amounted to unseen problems. The lack of understanding or willingness to create shared understanding amounted to less engagement over time. Hence, the nature of inter-personal relationships became more disparate to a point where they were divergent and, finally, degenerative.

4.2. Key phases of inter-firm relationship decline – The de-harmonization of the social matrix

In this section, we describe relationship decline and the key phases in this process (see Fig. 1 and a summary in Table 3) which, in aggregate, resemble a de-harmonization of the social matrix. The analysis begins at the point shortly after the initiation of the new risk sharing partnership.

'Unawareness' was an initial phase characterized by a lack of mutual understanding of the constraints experienced by the other party. An assumption of both parties was that the other would continue to actively engage in the relationship in the wake of the new operating arrangements (the new 'risk sharing partnership' – see box a, Fig. 1). The establishment of the risk sharing partnership and the delegation to the supplier of significant design-build-install work packages, is the catalyst that in the gradual deterioration of the relationship. Both partner firms expressed increased commitment and acknowledged higher inter-dependency (box b, Fig. 1). Informants reported a high state of optimism with regards to the potential the new operating arrangements had, so leading to ignorance of complexity (box c, Fig. 1) and naïve perspectives of uncertainty (box d, Fig. 1). The difficulty of performance measurement for each partner (box e, Fig. 1) contributed to the development of unrealistic expectations (box f, Fig. 1). Many of these issues emerged through an inconsistent understanding of appropriate behaviors. Both partners appeared unsure of the best measures, the most appropriate units of analysis and the nature of measurement procedures. This was most obvious in the interpretation of the meaning of 'risk sharing partnership' between partners.

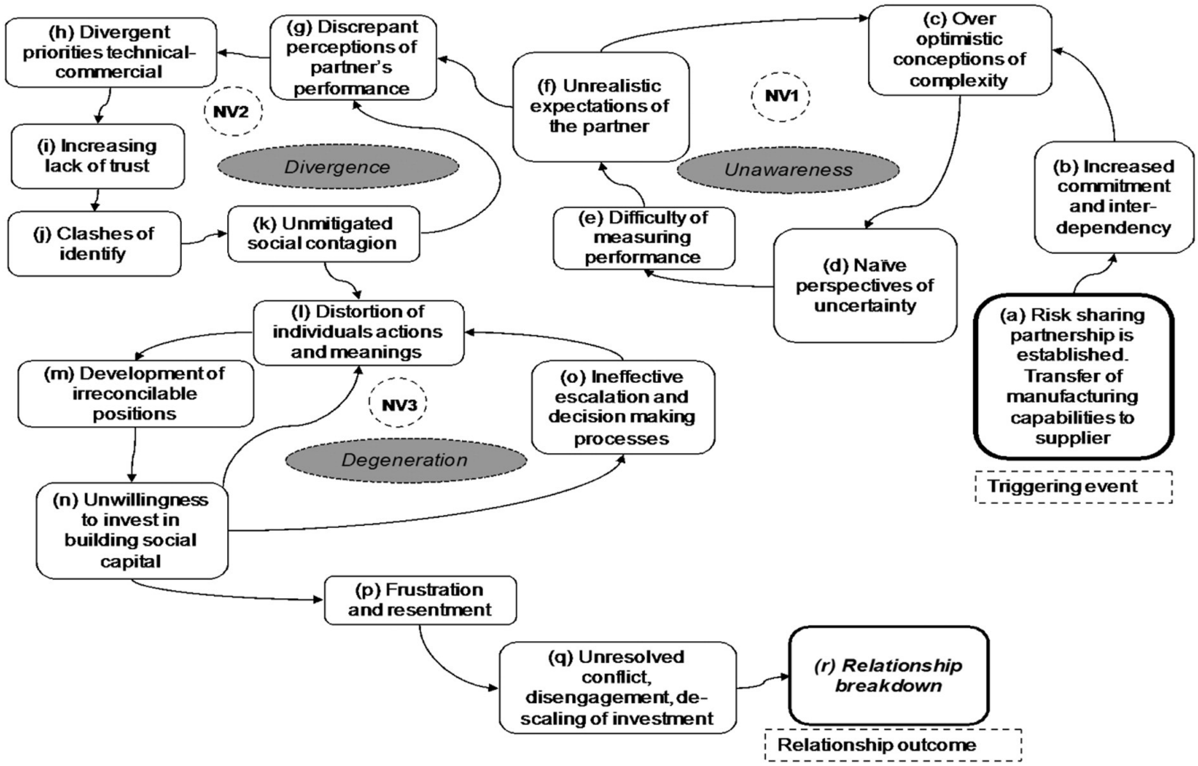

Fig. 1. Stages of relationship decline.

A second phase we describe as 'divergence' involved a gradual withdrawal of partners from involvement with the other. This became apparent when perceptions of partner performance began to differ widely across the dyad (box g, Fig. 1). This led to recognition that partner priorities had begun to diverge (box h, Fig. 1 – see Table 2 for some indicative quotes). Inconsistent priorities and unclear performance perceptions then led to a decline in trust (box i, Fig. 1). Representatives of each partner began to adopt a strong sense of identity aligned to their own firms (box j, Fig. 1) which provided a basis for more combative behaviors (see Table 2 for indicative quotes). From there, a cascading effect took hold whereby more actors began to adhere to the negative views of counterparts.

The final phase we label 'degeneration'. At this stage, so many problems were persistent that actors engaged in emotionally charged and heated encounters, with many attempting to manipulate or bully other actors. Critically, this began to resemble a clash between partner firm members. Each partner firm by now had developed a negative view of the other and a skepticism regarding their intentions. This also reflected the internal dialogues occurring within each partner firm that the counterpart was unscrupulous, or, at fault. This led to a distortion of actions or meanings intended by individual actors and/or mangers (box l, Fig. 1). This became self-reinforcing. The internal dialogue in both partner firms became so dominant that reconciliation became impossible (box m, Fig. 1). While several attempts were made to rescue the situation, this situation generally resulted in a lack of willingness to engage (box n, Fig. 1). This in turn meant that escalation and other decision-making processes became ineffective (box o, Fig. 1). Increasing frustration and resentment (box p, Fig. 1) became dominant emotional conditions for both partners, which meant that they were unwilling to engage in joint problem-solving activities (box q, Fig. 1). Ultimately, this led to relationship breakdown (box r, Fig. 1). Eighteen months after the data collection was finished, the customer announced the award of a significant work package to an alternative supplier,

Table 3
Relationship decline phases.

Phase	Description	Actor behaviors	Example incidents/types of norm violations
Unawareness	Parties are not mindful of the problems that are gestating. They assume that no underlying problems or issues exist when they do	• No meaningful communication with partner • No attempts to recognize and adjust to new circumstances • Ignorance of major problems/issues	• Fluid and informal communications start to be reduced. Double checks, compromise speedily and agile responses. • Lack of flexibility and entrenchment into positions instead of flexibility and a 'can do' attitude develops. • Insufficient openness and transparency across individuals in the two organizations.
Divergence	A gradual withdrawal of partner relationship engagement	• Increasing polarization of partner attitudes and beliefs • Supplier delivery approaches inconsistent with customer requirements	• Disagreement is covered and not used as a powerful source of creative ideas and constructive collaboration. • Diffusion of responsibility claiming delivery is not as specified (customer) and that specifications kept evolving and changing (supplier).
Degeneration	Negative and irrational partner attitudes towards each other; relationship dissolution	• Actors become almost exclusively self-interested • Aggressive and manipulative behaviors • Disingenuous attempts to rescue the failed relationship	• Self-centerless and defending each owns positions started to emerge. • Lack of genuine care for the other party and disengagement in capability building and creative problem solving.

amounting to decline of the focal relationship. The amount of the lost contract was not disclosed but we estimate it at several hundreds of millions of dollars. The supplier firm was then forced to reduce its personnel by several hundred.

4.3. Bounded reliability and norms violations

Before we consider the longitudinal sequencing of bounded reliability elements, we consider the two new elements of this construct that our study findings imply (see Table 4). Firstly, perceptual inconsistencies refer to the gap between the ways in which each partner interprets what their counterparts 'can do'. The data suggests three main types of these. There were prominent examples of differences in perception regarding supplier capabilities, performance standards and relationship transparency. Perceptual inconsistencies relate to the asymmetry between the beliefs and expectations individuals hold about each other. Given the sudden shift in relationship paradigm, perceptual inconsistencies were quick to emerge, so we see these because of shock or unexpected circumstances.

Secondly, divergent schemas refer to differences in the beliefs held by each partner as to what they and their counterparts 'should do'. In this, divergent schemata relate primarily to the assignment and acceptance of responsibilities. These include the extent and level of risk attributable to each partner, the methods of conflict resolution and the extent of long-term orientations. In effect, these resembled the mental models that were ingrained in the minds of key individuals over time. This meant that they were very difficult to shift and often were the source of considerable grievances and conflicts.

4.4. A summative model

In this section, we consolidate the findings in terms of summative model (see Fig. 2). The framework highlights each stage of relationship decline evident in our data and considers bounded reliability, and both the individual and inter-firm levels. We also highlight inter-relationships between different constructs that emerged through the study. When considering bounded reliability, perceptual inconsistencies appeared soon after the finalization of the risk-sharing partnership agreement and the commencement of implementation. This led to the realization of divergent schema. This is particularly evident in the differing views relating to roles and responsibilities that we describe in our earlier analyses. These factors contributed to the individuals' confusion about role integrity; hence, this was the first norm that was compromised.

These early factors then had ongoing consequences. Perceptual inconsistencies and divergent schema appear to contribute, or respond to benevolent preference reversal. All of these developments then led to inconsistent behaviors. This meant that the basis of the relationship was jeopardized and, consequently the preservation of the relation became difficult. This was the second form of norms violation that emerged in the data. From there, the growing animus that individuals felt towards each other fed of itself. At the point of divergence, it was clear that the inter-personal dynamics underpinning the relationship were toxic in many respects. Hence, this led to a growing emphasis of opportunistic behaviors. Ultimately, these conditions led to the de-harmonization of the social matrix, which meant the relationship was no longer viable.

Table 4
Norms violations and relationship decline.

	Themes	Explanation	Illustrative quotes
Perceptual inconsistencies (what counterparts 'can' do)	Supplier capabilities	• The customer perceives that the supplier is competent in engineering, but not in commercial capabilities.	SUPPLIER: "*They require exceptional value from us. They want more value than they're willing to pay for*". CUSTOMER: "*[the supplier] is a very highly-capable organization. Technically they're very good but the commercial elements are the problem*". "*Everything is a struggle with the commercial*". "*Their corporate behavior is a hindrance to the health of the relationship*".
	Performance Evaluation (Delivery vs. Expectations)	• Disconnect between supplier service delivery and customer expectations. • Customer requires higher levels of needs understanding, flexibility and innovation.	*SUPPLIER*: "*The products are on time, the products are well made*". "*The weekly discussions at high level review, today, is all about the customer failing to give us data on time, so we can keep our program on time*". *CUSTOMER*: "*We're not getting the delivery in terms of weight and in terms of time*". "*My problem is time and weight. Can they do something about time? – yes. Will they bill us for it? – yes. Am I grumpy about it? – yes*". "*I'd like to hear from them: 'don't do it like this; do it like that, it'll be cheaper'*"
	Relationship transparency	• The perception that you are kept informed about the opposite party's actions and intent.	*SUPPLIER*: "*With one of the guys that sits on the Board, I feel like there is a high degree of transparency*" "*The commercial people in my mind are not very transparent*" *CUSTOMER*: "*Transparency, we're quite open with one another, certainly design program, … they [the supplier] is equally as transparent with us about resource levels they have… Where we're probably not so transparent is where it comes to the commercial and we tend to close the doors*"
Divergent Schemas (what counterparts 'should' do)	Extent and level of risk	• Lack of customer acknowledgement of supplier cost and time constraints.	*SUPPLIER*: "*they [customer] don't care how much money we have to spend basically, if a problem comes up they don't care what we have to spend to put it right and obviously we do*". *CUSTOMER*: "*The supplier has a scope of activity and this is what I think I'm signing up to*".
	Managing conflict productively	• Significant costs incurred in sorting disagreement.	*SUPPLIER*: "*We burn man-hours in the wrong things. We want more closeness. The engineering is working… We can't continue to work in the way we work [in the commercial function]*". *CUSTOMER*: "*They can claim but nothing has been yet constructed*".
	Long-term orientation	• Lack of a shared vision for the long-term development of the relationship.	*SUPPLIER*: "*I see the relationship hopefully moving into one where they are more than happy to give us more and more responsibility to take more and more work from them*". "*The commercial guys definitely have to get part of the reviews. We are going to have to stop divorcing commercial and program issues, they're one and the same*". *CUSTOMER*: "*Two strong partners that demonstrate success in delivering programme on time at quality*". "*I'd really like to understand what is the suppliers' long-term strategy. I'd like to understand whether they are simply intending to carry on with a short-term profitability approach*"

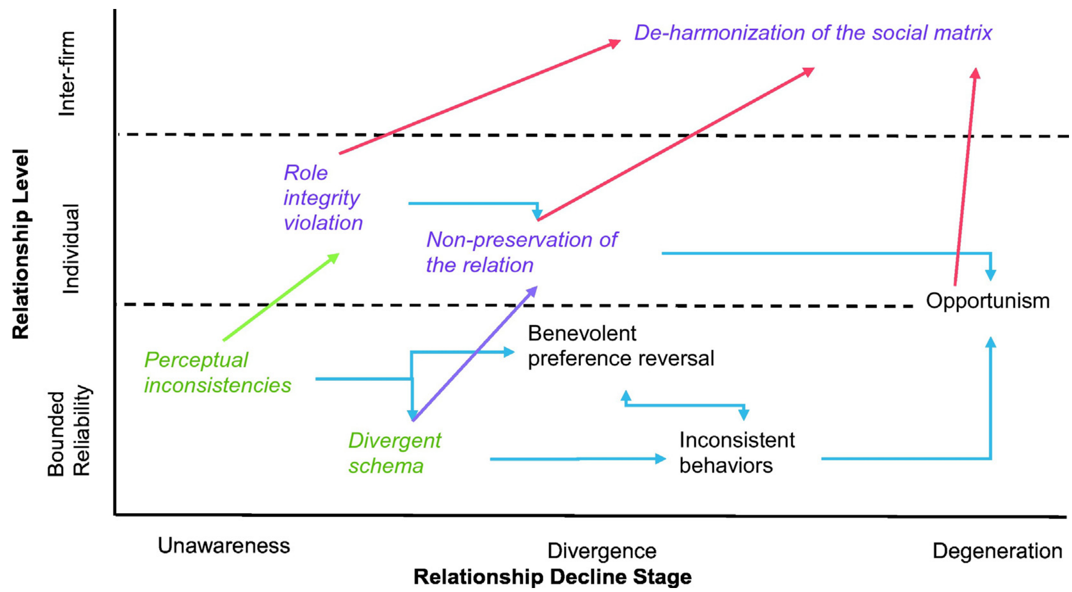

Fig. 2. A summative model of the study findings.

5. Discussion

5.1. Theoretical implications, limitations and future research

Observations that relationships decline over time are not new (Terawatanavong, 2007; Wang & Huff, 2007). However, previous studies do not consider the role of norms in this process except in broad terms, which has led to a range of calls for further research in this area (Berthon et al., 2003; Ott & Ivens, 2009; Palmatier et al., 2007). Similarly, research into buyer-supplier relationships tends to ignore the individual-level perspective, with this also leading to calls for further research (Wathne & Heide, 2000; Williamson, 1975, 1985). This also highlights a need to consider the interactions between inter-firm and the individual levels of analysis (Wathne & Heide, 2000; Williamson, 1975, 1985). In responding to these calls, the present study offers a suite of important contributions to theory in this area.

Our empirical process allowed us to observe relationship decline first hand. This close proximity was important since it allowed us to study subtle dynamics and, hence, this provided visibility of relationship norms. As we identify earlier in the paper, current studies focus on causes of relationship decline that are more obvious such as reductions in complementarity, partner inconsistencies and opportunism (Jean et al., 2010; Mishra et al., 2015). These approaches, in our view, provide only a partial insight into the underlying causes of relationship decline. Hence, our study complements these earlier studies by identifying three important types of norms violations. The findings suggest that role integrity violations and inconsistent behaviors are important individual-level norms violations. These ultimately contribute to the de-harmonization of the social matrix, which is a third, inter-firm level norms violation that characterizes relationship decline. The findings also suggest norms violations emerge through three primary stages: unawareness, divergence and degeneration. To our knowledge, this is one of the first attempts to offer a graded approach to understanding relationship decline.

The study also considers the role of bounded reliability in relationship decline. In this respect, the study considers the constraints that shape individual-level cognitions and behaviors. Again, few studies consider this as a basis of analysis. Current approaches tend to center on opportunism in its classic TCE sense, while also advocating bounded rationality as the fundamental assumption about human behavior (Kano & Verbeke, 2015; Verbeke & Greidanus, 2009). Hence, the underlying logic of bounded reliability is, we feel, more appropriate for the present study. However, we also felt a need to ensure a close alignment between bounded reliability and the study context. Through our data analysis, we identify two additional elements of bounded reliability: perceptual inconsistencies and divergent schema. These elements could supplement the original components by explaining how individuals experience sudden changes in an overall relationship paradigm. Once the individual moves past the initial shock, the findings suggest that the other elements of benevolent preference reversal, inconsistent behaviors, and, ultimately, opportunism emerge.

While the present study offers important contributions to the relationship decline literature, it also suffers from limitations. The chosen empirical context, the Aerospace industry, encompasses a series of nuances that shape the ways in which buyer and supplier firms engage with one another. In addition, the ethnographic approach taken to collect and analyze the data focuses on a single buyer-supplier dyad. Given these constraints, our study is most applicable to buyer-supplier dyads in large-scale capital goods industries (Brady et al., 2005; Gebauer et al., 2013; Neely, 2014; Töllner et al., 2011). While our findings are most relevant to these empirical settings, the goals of this study relate more to theory development and, as such, our findings involve a new contribution to relationship decline research in a general sense. Of course, the study limitations imply a set of fruitful new research directions. These particularly relate to comparative studies. Notwithstanding the difficulty we faced in the empirical process we used, further comparative analyses would probably help to generalize the findings of the study to other empirical settings. Moreover, further studies may wish to consider the role or impact of other norms identified in relational contracting theory.

5.2. Implications for managers

Our study began with an attempt to understand the role of norms in complex, long-term buyer-supplier relationships. To our surprise, the study uncovered a suite of issues in relation to norms violations that ultimately led to significant costs to both partners and the collapse of the relationship. The key observation of this study is that, in many cases, the causes of relationship deterioration are often very subtle, and thus, often go unnoticed. The empirical context of the study accentuated the importance of these norms. Since we investigated a capital intensive, complex product/service mix, there was a need for specialists to work collaboratively across the boundaries of both firms for extended periods. This meant that they were not entirely clear as to what to expect from

Table 5
Possible managerial interventions to prevent/mitigate relationship decline.

Behavioral reliability element	Relationship decline stage: Unawareness	Divergence	Degeneration
Perceptual inconsistencies	• Provide multiple communications forums and approaches • Encourage face to face communication • Organize a workshops; adopt interactive approaches (e.g. design thinking) to clarify the vision of the partnership	• Increase communication frequency with regular reviews of work programs • Using expert facilitation, encourage surfacing divergent expectations • Try new communications channels/approaches	• Re-examine communications approaches at a fundamental level – clarifying intended meaning vs. stated accounts • Engage in a comprehensive, re-statement of vision, mission and values
Divergent schema	• Encourage one-to-one engagement • Use professional development to clarify role expectations and constrains • Check mutual understanding	• Increase the intensity of professional development through training and/or other opportunities • Consider redeployment of individuals to other roles	• Redeploy individuals unable to cope • Reorganize work teams ensuring compatible identities
Benevolent preference reversal	• Encourage individuals' flexibility and adaptability • Attempt to maintain consistent preferences over time	• Increase efforts to maintain consistent preferences	• Replace key individuals and start fresh
Inconsistent behaviors	• Use professional development and incentives to realign behaviors	• Increase professional development activities and incentives to realign behaviors • Help actors de-couple cognition/behaviors from emotions	• Replace key individuals and start fresh
Opportunism	• Minimize perceived costs of current activities/choices	• Actively discourage opportunism • Brief senior leaders and engage them in clarifying the long term purpose	• Encourage key individuals to move on • Re-establish the partnership with a new risk sharing scheme
Norms violations reductions in:	• *Role integrity*	• *Preservation of the relation*	• *Harmonization of the social matrix*

every facet of the relationship, and from every actor involved in the partnership. For many of these boundary spanners, they needed to develop their own sense of what was acceptable, and this was not always consistent with the expectations of actors across each partner firm. This ambiguity, coupled with pressure to deliver complex aircraft programs, exacerbated self-interest over time.

The findings suggest that when norms violations manifest and become apparent, it is very difficult, but possible to address them in a way that enables the continuation of the relationship. The key to addressing norms violations is in understanding the nature of bounded reliability and how it develops over time. A series of managerial interventions become possible once this is the case. We summarize these in Table 5. While we do not go into each of these in detail due to space constraints, we propose the sorts of interventions likely to produce positive outcomes at each stage of relationship decline. By grouping these activities in terms of specific stages, we offer managers guidance to address potential norms violations more precisely in each of the three stages of relationship decline identified in the study. Overall, preventing 'unawareness' involves ensuring a clarity and consistency in communicating expectations, coupled with appropriate individual incentives. Minimizing 'divergence' involves more intense communications efforts and specific professional development activities. Mitigating 'degeneration' involves relieving or redeploying key personnel so that their role in the organization does not (unwillingly) contribute to further relationship deterioration. Then, there is scope to restore the relationship with a suite of new actors.

The interventions contained in Table 5 should be taken as guidelines rather than as a prescriptive framework. A key insight from our study is that the context in which inter-organizational and inter-personal phenomena occurs is very particular, and thus, any intervention aimed at managing relationship deterioration has to be mindful of the context within which they occur.

6. Conclusion

Through an in-depth ethnography, this study found that a shift in the basis of the relationship had poor outcomes for two partner firms with a thirty-year relationship. Rather than explaining this phenomenon in terms of reductions in partner complementarity, increases in partner inconsistency and/or opportunism – as is the case in most of current research– the study focuses on norms as a way to understand the crucial role of subtle social rules and expectations. In taking this approach, the study supplements existing research by identifying how individual-level norms violations (role integrity violations and inconsistent behaviors) contribute to inter-firm norms violations (the de-harmonization of the social matrix) through three major stages of relationship decline (unawareness, divergence, degeneration). The study also considers the impact of bounded reliability as an underlying determinant of norms violations. To do so, the study builds on the original conceptualization of bounded reliability by adding 'perceptual inconsistencies' and 'divergent schema' as two additional elements that act as antecedents to the other elements. Overall, the study offers a novel longitudinal perspective of relationship decline through norms violations and explains the role of bounded reliability in this mix.

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