

## **Theorizing the Dark Side of Inter-organizational Relationships: An Extension**

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### **Abstract**

Scholars have noted that the stream of research on the dark side of inter-organizational relationships is under theorized. To address this gap, the authors propose three different theories that could explain the dark side effects in inter-organizational relationships in terms of revealing the underlying social psychological processes and mechanisms, namely a) social identity theory (which explains dark side effects through two mechanisms - excessive cooperation in alliances and reification, (b) social learning theory (which explains dark side effects through two mechanisms - the role of context in learning and path dependence), and (c) system justification theory (which explains dark side effects through the mechanisms system justification). The paper concludes with a discussion that offers a new perspective on research on dark side effects and the managerial implications of the present analysis.

**Keywords:** Dark side; Relationships; Social identification; Social learning; System justification

## Introduction

Past research on inter-organizational relationships emphasizes the importance of and benefits arising from relationships between organizations; wherein, strong relationships with high levels of trust and commitment result in transaction-specific investments, yield greater satisfaction, reduce opportunism and improve firm performance (Ganesan, 1994; Hofacker *et al.*, 2020; Morgan and Hunt, 1994; Palmatier *et al.*, 2006). Studies demonstrate these positive effects, and cumulatively, this body of work signifies a new era in managerial thinking and practice - one that focused on building relationships with suppliers and customers (e.g., Palmatier *et al.*, 2006; Payne and Frow, 2005). Notwithstanding this, a contrasting stream of research that examines the “dark side” of inter-organizational relationships has emerged, which records the negative effects of relationships, such as lower performance, lower levels of innovation, boredom, and inertia (e.g., Anderson and Jap, 2005; Fang, Chang and Peng, 2011; Hibbard, Brunel, Dant and Iacobucci, 2001; Vafeas and Hughes, 2016). Research on the dark side of inter-organizational relationships has grown over the years (e.g., Gligor *et al.*, 2021; Lumineau and Oliveira, 2018; Oliveira and Lumineau, 2019; Villena *et al.*, 2019; Yang *et al.*, 2020; Zeng *et al.*, 2021; Zhang *et al.*, 2021). This is not surprising since understanding dark side effects is important both theoretically (to obtain a more complete understanding of associated relational processes) and practically (to contain the dark side effects).

As presented by Oliveira and Lumineau (2019), issues such as conflict and opportunism are problems that can damage any inter-organizational relationships. However, this paper follows Anderson and Jap (2005), emphasizing that the dark side of inter-organizational relationships relates to “the very factors that make partnerships with customers or suppliers beneficial can leave those relationships deterioration” (p.75). This focus acknowledges the fact that relational processes have inherent drawbacks (Hakansson and Snehota, 1998) which

explains the inverted U-shaped relationship between relational constructs (such as trust) and performance (Villena *et al.*, 2011; 2019). In this paper, the dark side of inter-organizational relationships occurs when relationship performance decreases due to drawbacks and challenges arising from factors that facilitate the relationship. In other words, these drawbacks and challenges are mechanisms of the dark side (such as inertia, boredom, lack of fresh thinking, and complacency), leading to detrimental outcomes such as lower performance, lower levels of innovation etc.

Following Baker's (2009) concern that "very little attention has been given to the theoretical justifications for the onset of the dark side" (p. 25), a number of theories have been employed to explain dark side effects in inter-organizational relationships, such as transaction cost economics (Noordhoff *et al.*, 2011) and social exchange theory (Ganesan *et al.*, 2010). Employed theories provide perspectives to understand the inter-organizational mechanisms of dark side effects. Notwithstanding, recent research has emphasized that individuals' and firms' social processes play important roles in the dark side of inter-organizational relationships (Anderson & Jap, 2005; Villena *et al.*, 2011). In particular, social processes have psychological underpinnings that influence or trigger the dark side of inter-organizational relationships (Anderson & Jap, 2005). In other words, the dark side effects of inter-organizational relationships can be driven by mechanisms from a social psychological perspective. For example, though social learning is a psychological process that positively reinforces inter-organizational relationships, social learning may also negatively influence relationships, such as spreading the dark side across these ongoing relationships (Selnes & Sallis, 2003; Zhang *et al.*, 2021). However, little is known about what roles individuals' or firms' psychological processes play in the occurrence of the dark side effects (Anderson & Jap, 2005; Oliveira and Lumineau, 2019).

Therefore, the paper continues exploring social processes in the dark side effects and focuses on social psychological theories (social identity, social learning, and system justification) where new mechanisms are presented to explain the occurrence of the dark side effects. Re-examining the dark side effects as well as the mechanisms of the dark side through the lens of these theories will enable a more thorough understanding of the associated social processes and yield new insights to contain the dark side effects.

The paper makes an original contribution through extending the literature by discussing three theories, new to the stream of research on the dark side of inter-organizational relationships that could explain the dark side effects. These theories have been selected based on their potential to inform the research on the dark side as well as a review of the relevant literature. Using each theory, this paper develops lines of enquiry, novel to the context of the dark side of relationships. The multi-theoretical approach is warranted, given the scope for more theoretically driven analyses noted earlier. Finally, the authors examine the implications of these theories to future research and managerial practice.

### **Current theories and mechanisms in dark side effects**

In the previous literature, dark side effects have been explained by different theoretical perspectives. These theories derive multiple mechanisms to explain the occurrence of dark side effects in inter-organizational relationships. Table 1 summarizes the key theories and mechanisms in previous literature on dark side effects.

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From a transactional perspective, transaction cost economics has explained the occurrence of dark side effects via opportunistic behaviors and relationship-specific investments, which indicates that managing inter-organizational relationships can generate additional costs (Heide & John, 1988; Jap & Ganesan, 2000; Wathne & Heide, 2000). Firms

in close inter-organizational relationships may engage in active or passive opportunism that can easily violate the explicit contracts of the relationships (Seggie et al., 2013; Wathne & Heide, 2000). In addition, firms are also in danger of investing in specific relationships that is not redeployable in other relationships (Heide & John, 1988; Jap & Ganesan, 2000).

Furthermore, social exchange theory, social embeddedness theory, social capital theory, and social dominance theory have explained the dark side effects from a social perspective. Social exchange theory shows that firms in inter-organizational relationships implement a cost-benefit analysis to determine their relational behaviors (Cropanzano & Mitchell, 2005), and dark side effects occur when the cost-benefit analysis becomes biased. Close interactions between firms may bias their decisions or expectations in their future interactions; in other words, firms may become complacency (Gargiulo & Ertug, 2006). The dark side can, therefore, be derived from mechanisms such as cognitive myopia and rising expectations that increase the risk of operating in ongoing relationships (Grayson & Ambler, 1999; Villena *et al.*, 2019).

According to social embeddedness theory, firms are also controlled by their embeddedness in ongoing relationships, which may limit their interactions with future relationships (Snehota, 1995). To be specific, firms embedded in close inter-organizational relationships require resources exchange with their partners, thus limiting their capability to assign related resources to other activities. For example, firms working with one partner may exclude the opportunities working with another partner (Snehota, 1995). Therefore, firms may experience lock-in situations in the ongoing relationships (Gulati et al., 2012) and have a lower capability of innovation (Noordhoff et al., 2011).

Social capital theory shows that three types of social capital (namely cognitive, relational, and structural) generate both positive and negative consequences in inter-organizational

relationships (Villena *et al.*, 2011). In the dark side effects, high levels of cognitive social capital result in phenomena like “groupthink” and “isomorphism”, such that firms may lose their capacity to innovate. Exchange partners may take advantage of the high level of relational social capital, thus forcing a focal firm to undertake unnecessary obligations in the interactions with exchange partners (Gargiulo & Ertug, 2006). Additionally, as structural social capital increases, firms may be limited by the information processing as the value of additional information declines (Koka & Prescott, 2002).

Based on social dominance theory, social dominance can be generated from social capital in inter-organizational relationships where a focal firm may get adherence from its exchange partners (Gligor *et al.*, 2021). Once a firm becomes dominant, its exchange partners may support “legitimizing myths” and develop “social ideologies” that demand conformity, to maintain relational stability. Such social dominance can influence both the firms’ behaviors and the individual managers’ behaviors in terms of triggering the dark side effects.

Additionally, inertia theory explains that organizational inertia occurs when firms in inter-organizational relationships demand to remain stable in the relationships. Once relational routines and structures become institutionalized, firms tend to stick to their inter-organizational relationships. Organizational inertia, or sometimes “staleness”, may happen, limiting the firms’ creativity and leading to decreased performance (Moorman *et al.*, 1992).

The above theories have explained organizational mechanisms of dark side effects in inter-organizational relationships (except social dominance theory); that is, firms’ bias or embeddedness may generate unwanted costs that decrease the performance of inter-organizational relationships and cause the dark side effects. Nevertheless, recent research has highlighted that mechanisms in the dark side effects need to be considered from more perspectives and they can be driven by both inter-personal (individual) and inter-

organizational (firm) processes (Oliveira and Lumineau, 2019). For example, from social learning theory, though inter-personal learning is a psychological process that positively reinforces inter-organizational relationships, inter-personal learning may also negatively influence relationships such as spreading the dark side across these ongoing relationships (Zhang *et al.*, 2021). This paper, therefore, follows the above considerations and presents inter-personal and inter-organizational mechanisms of the dark side effects from a social psychological perspective. It illustrates that individuals' or firms' psychological processes can become suboptimal and trigger the dark side effects in inter-organizational relationships, from three theories (i.e., social identity theory, social learning theory, and system justification theory).

### **Proposed theories to explain dark side effects of inter-organizational relationships**

#### ***Social identity theory***

Social identity theory can provide useful insights to understand the social processes underpinning the dark side effects. The theory proposes that people derive a sense of worth and esteem based on group membership (Brown, 2020; Tajfel and Turner, 1979). In turn, the social identity derived from group membership leads to in group bias and out group discrimination. There is a tendency to maximize between group differences and minimize within group differences. Social identification leads to activities that are congruent with the identity (Ashforth and Mael, 1989). Scholars have identified various antecedents (e.g., distinctiveness of the group's values; prestige of the group) and consequences (support for the institution, cooperation, altruism) of social identification in organizations (Ashforth and Mael, 1989). Social identity theory has been employed to examine diverse organizational phenomena such as social entrepreneurship (Pan *et al.*, 2019), and leader-member exchanges (Hogg *et al.*, 2005), in addition to organizational and corporate identity (Cornelissen *et al.*,

2007).

Social identity theory has been mentioned by authors examining the dark side of social capital (Edelman *et al.*, 2004; Grugulis and Stoyanova, 2012; Warren, Dunfee and Li, 2004). For example, Warren *et al.* (2004) briefly describe how in-group identification can lead to potential negative outcomes in the context of guanxi. Despite these mentions, the theory has been underutilized by scholars examining dark side effects of inter-organizational relationships, as it offers considerable insights into the processes through which over identification can lead to dark side effects of relationships. For example, prior research has noted group think and homogeneity in thinking as a dark side effect of long-term relationships (Moorman *et al.*, 1992). Pillai *et al.* (2017) seek to provide an identification-based explanation of groupthink and other dark side effects of social capital. These authors argue that high levels of identification can lead to over commitment to established relationships. This can lead to a dilution of the dialectical process within organizations, group think, and the postponement of necessary structural adjustments. The present article extends this line of enquiry by highlighting the role of identification processes in leading to dark side effects through two mechanisms: (1) excessive cooperation in alliances and (2) reification.

#### *Excessive cooperation in alliances*

This section contributes a new perspective to explain the dark side effects by examining the effect of social identification on excessive cooperation in alliances using insights from the stream of research on social dilemmas. Social identification has been found to enhance cooperation in the face of social dilemmas. Social dilemmas are situations where there is a conflict between the narrow interest of the individual and the broader interests of the collective (De Cremer and Van Vugt, 1999; Messick and Brewer, 1983; Vesely *et al.*, 2020). It is defined by two properties: (1) social defection, rather than social cooperation enhances



the payoff for each individual; (2) if everyone cooperates, they are all better off than in the case where everyone defects (Dawes, 1980; Vesely *et al.*, 2020; Zeng and Chen, 2003).

The positive effect of identification on cooperation (Brewer and Schneider, 1990) ensures that individuals contribute to the group welfare (Kramer, 1991). This effect is enhanced in the face of social dilemmas. De Cremer and Van Vugt (1999) found that this effect operates through goal transformation - an increase in the value attached to the collective good. This effect was stronger for people who are more concerned with their personal welfare (pro self-value orientation). That is, in the face of a social dilemma, social identification leads to an increase in the value attached to the collective good.

Scholars have characterized inter-organizational networks and alliances which involve more than two members as social dilemmas (Zeng and Chen, 2003). This is so because there is a pervasive tension between cooperation and competition in such alliances (Hamel, 1991). The cooperation could take various forms such as information exchange, sharing of knowledge, sharing of experts, and transaction specific investments. If everyone cooperates, the alliance as a whole and each member benefits. However, given the difficulties in monitoring to a high degree, any particular member can increase its own payoff (more than through cooperation) by not cooperating. Under investing resources to the joint pool and bargaining for a larger share of the profit are examples of such non-cooperation (Zeng and Chen, 2003). However, if everyone were to do so, the alliance fails. Hence, the alliance is a social dilemma. These authors provide various solutions to alleviate the dilemma and enhance cooperation in alliances. In particular, they observe that promoting a feeling of identity enhances cooperation in alliances. This can be achieved, in an alliance context, by highlighting inter-alliance competition (Bornstein, 1992). The presence of a common enemy enhances identity feeling and cooperation (Gomes-Casseres, 1996).

The foregoing discussion highlights that identity related processes enhances cooperation in alliances. However, enhanced cooperation and subjugation of self-interest to the interest of the network/alliance might not always be ideal. The stream of research on learning races takes the view that firms should seek to maximize self-interest (learning) in an alliance (Fredrich *et al.*, 2019; Hamel, 1991). Competition is inherent within alliances and firms should seek to absorb relevant capabilities of the partner/partners expeditiously. The literature on cooperation highlights the tension between competition and cooperation in the context of strategic alliances (Bengtsson and Kock, 2014). It has also been noted that trust will not always be reciprocated in a social dilemma. High levels of trust could even draw attributions of stupidity (Zeng and Chen, 2003). Therefore, excessive cooperation can lead to decision errors that can be costly to the focal firm.

As an example of these decision errors, greater levels of social identification might lead to the firm responding to an emerging situation, arising from drastic changes in technology or consumer preferences, in a fully cooperative manner, whereas the optimum strategy for the firm might be to pursue its self-interest and tone down its cooperation. Further, the consequences of this erroneous response will be amplified through goal transformation whereby the firm attaches great value to the collective network, whereas the changes in the environment demands that the firm attaches less value to the network. Following the finding that pro self-orientation enhances this effect, and given that firms seek to maximize own profits and therefore exhibit high pro self-orientation, goal transformation effect is expected to be strong. The goal transformation, arising from identification, contributes to cognitive blindness on the part of the focal firm. Such decision errors, essentially, are dark side effects of strong relationships in a network.

These decision errors will be particularly high under specific conditions. Among these are

(a) when the firm perceives a high (as against low) impact of its contribution to alliance success; (b) when the parties in the alliance perceive a long-term rather than a short term goal. (a) It has been noted that when the perceived impact or perceived criticality of one's contribution in the maintenance of the public good is greater, cooperation increases (Chen *et al.*, 1996). As Zeng and Chen (2003) note, this proposition has received considerable empirical support. For example, Kerr (1992) found that enhanced perceived impact, obtained by allocating greater weight to a member's inputs, had a positive effect on this member's contribution. (b) Axelrod (1984) has shown how extending 'the shadow of the future' enhances cooperation. In other words, when the parties perceive the relationship to continue into the future, cooperation increases. This could arise from the objective of maintaining continued cooperation. A long-term horizon enables trust to develop; it also imposes intangible costs related to non-cooperative behavior (Zeng and Chen, 2003). Therefore, the decision errors mentioned earlier are likely to be higher when the partners possess greater levels of long-term orientation regarding the alliance.

### *Reification*

Reification provides another useful theoretical perspective to understand dark side processes. inter-organizational relationships can get reified which in turn can lead to dark side effects. This section explicates this effect. Ashforth and Mael (1989) have highlighted how identification processes arise from and contribute to reification. Berger and Luckmann (1966; pp. 89-90) defined reification as perceiving "the products of human activity as if they were something else than human products". It is the outcome of the process by which people forget who created the idea, objectify the idea, and then forget that they have done so (Gundersen 2021; Lane *et al.*, 2006). While reification aids acquisition of practical knowledge (Wenger, 1998), it is problematic for a theorist as the concept that is reified is taken for granted, and

assumptions and relationships underlying the concept are forgotten (Gunderson 2021; Lane *et al.*, 2006). Identification fuels the perception that the social category (organization, the relationship) is real, which it may not be.

In inter-organizational relationships context, while there are positive effects of reification, such as promoting loyalty to the partner organization, this paper contends that reification poses cognitive and perceptual risks to the focal manager or firm. As Ashforth and Mael (1989) note while discussing reification, identification prompts individual to condone wrongdoing by senior management or to feel loyal to the department despite a complete changeover of personnel. Similarly, in an inter-organizational relationship, reification can lead to the focal firm forgetting the basic assumptions of the relationship, objectifying the relationship and elevating it to an exalted position, thereby failing to see the larger picture, beyond their relationship. This can have behavioral consequences such as ignoring (a) the opportunistic or self-interest driven behavior of a partner, (b) complacency or incompetence of partners (c) the substantial changes in the macroeconomic and competitive environment or (d) the course of technological evolution which could potentially detract from the benefits of the relationship or might demand new relationships, and thereby continuing to put the interests of the relationship/network ahead of the firm's own narrow interests. Reification, engendered by identification processes, therefore leads to dark side effects.

### ***Social learning theory***

Social learning theory (Bandura, 1977; 1986; Tekleab *et al.*, 2020) provides another perspective to understand the dark side effects. The theory highlights the roles of observation, imitation and modelling in guiding behavior. According to this theory, there is a continuous interaction between cognitive factors, environmental influences, and behavior. Organizations, as social entities, also learn through observing the behavior of partners and imitating them.

Strong relationships with partners who might not themselves exhibit the best behaviors to be modelled after, will limit the ability of the focal organization to leverage learning. Even when they are good partners to learn from, after a while the learning ceases. In other words, such entrenched relationships will lead to an opportunity cost whereby the focal organization misses out on opportunity to learn from more competent partners by being tied in long-term relationships. The concern expressed by Moorman et al. (1992) that the partner has become “stale or too similar in thinking” (p. 323) is relevant here. Zhang et al. (2021) follow the consideration and state that social learning is an important perspective to understand the dark side effects: it drives the spread of dark side effects across inter-organizational relationships. These authors specify social learning as a key mechanism for dark side contagion, that is, the “process by which the dark-side effect spreads from one inter-organizational relationship to other relationships” (p. 262). Interaction of boundary spanners through formal (Wang et al., 2018) and informal (Zhang and Zhang, 2006) means leads to learning and adoption of practices, resulting in the spread of dark side effects. We further contribute to the understanding of the dark side effects by describing how social learning mechanisms through other routes can explain the occurrence of the dark side in inter-organizational relationships.

Scholars in organizational behavior have provided a social learning theory perspective on how followers develop self-management abilities (Manz and Sims Jr., 1980). According to these authors, organizational leaders have an important role in developing the self-management skills of subordinates. In a similar vein, Lam, Kraus and Ahearne (2010) highlight the negative effects of top managers who are not the ideal role models, in developing market orientation within the organization. Extending this reasoning to the inter-organizational contexts, network leaders have an important role in developing the capabilities of network partners. When the network leader itself might not be setting the best example, or lack the ability or interest in training and developing the capabilities of partners, others lose

opportunity to develop new competencies. The relationships, instead of facilitators, act as inhibitors of learning.

The foregoing general argument provided by the social learning theory about the opportunity costs of long-term relationships can be qualified by the situated learning theory (Lave and Wenger, 1991). According to this theory, situated learning occurs through a process termed as legitimate peripheral participation. That is, old members of the network interact with the newcomers, and the latter get integrated into the network. Newcomers at the periphery enable learning by the old members, as they are able to bring new ideas and fresh perspectives. Organizations well entrenched in long-lasting relationships have limited opportunity to interact with newcomer organizations and learn from them. We build on these arguments and propose two new mechanisms whereby social learning theory can be brought to bear to provide a better understanding of dark side effects in long-term inter-organizational relationships. These are (a) the role of context in learning and (b) path dependence.

#### *The role of context in learning*

The situated nature of learning has been extended to highlight not just the role of other actors, but also surroundings and physical context (Osher *et al.*, 2020). Tyre and von Hippel (1997) study adoptive learning involved in the process of introducing a new process equipment in a manufacturing environment, as well as debugging it. These authors find that learning is situated in the sense that where activities take place (and not just who is talking to whom) matters. In other words, learning is partly determined by the physical setting. These authors also note that since diverse settings affords different opportunities for learning, activities in different physical settings build on each other in facilitating learning. They also highlight lost opportunities for learning for the firm that is locked into long-term relationships. Bereft of the opportunity to interact with diverse settings and contexts, the firm

loses out on potentially valuable clues that could unlock new ways of thinking and contextual enablers of learning. Thus long term relationships can inhibit learning by limiting the exposure of partners to new contexts which could enhance learning, thereby leading to dark side effects.

### *Path dependence*

The path dependence of learning can also inform this line of thinking. Studies have shown that learning is path dependent, and the latter can alter the course of learning (Sydow *et al.*, 2020). Being locked into suboptimal relationships, a firm progresses through a course of learning that is less than ideal, in turn leading to the onset of the dark side. This happens through various self-reinforcing mechanisms such as coordination effects, complementary effects, learning effects and adaptive expectations effects (Sydow *et al.*, 2009). The efficiency gains of coordinating with long term partners in doing things a certain way and following certain rules and policies predisposes the focal organization to discount new practices and routines which leads to dark side effects. Complementarities between the focal organization and the long-term partner also embeds the processes and routines deeply within the organization, producing inertia and reluctance to learn new practices and routines which also leads to dark side effects. According to the learning effect, the more one does a certain operation, the more efficient one becomes (Argote, 1993). This too discourages the search for the new which could lead to the onset of the dark side effects. Adaptive expectations highlights the role of expectations to conform to and adapt best practices. Therefore, practices evolved out of such expectations and a sense of mutuality will be upheld, thereby limiting the adoption of new practices which manifests as dark side effects in inter-organizational relationships. Thus the dark side effect can be perpetuated.

In sum, the four effects mentioned above highlight the fact that in long-term relationships,

learning essentially becomes exploitative, which in turn drives out exploratory learning (March, 1991; 2006). For example, Tevelson et al. (2013) discuss the case of a leading North American retailer who organizes a supplier forum where the top 10% suppliers provide ideas, insights and practices to improve the supply chain management of the retailer. These ideas are then implemented across the wider network of suppliers. While clearly beneficial, the supplier forum also carries inbuilt tendencies towards focusing on ideas that are shaped by coordination, complimentary, learning, and adaptive expectations effect. In the long term, the learning gets constrained leading to dark side effects.

The foregoing discussion highlights that being locked into suboptimal relationships can lead to a firm progressing through a suboptimal course of learning. The ensuing negative effects can have lasting impacts especially since an organization's current knowledge affects its ability to absorb and assimilate new knowledge (Cohen and Levinthal, 1990). While path dependence has found some mention by authors examining the dark side (Bruner and Spekman, 1998; Day *et al.*, 2013), the concept has not been examined in depth. Explanation of the associated processes through examination of mechanisms such as coordination effects and complementary effects can enrich our knowledge of the dark side of inter-organizational relationships.

Thus, each of the mechanisms mentioned earlier (coordination effect, complementarity effect, learning effect and adaptive expectations effect) that explains path dependence can potentially be a mechanism to explain the onset of the dark side in interorganizational relationships. Therefore, studies that examine these effects in an in-depth manner to understand their role in giving rise to and nurturing the dark side inter-organizational relationships could add to the extant knowledge of the dark side effects in interorganizational relationships.



### ***System justification theory***

System justification theory (Jost, 2019; Jost and Banaji, 1994) provides another interesting mechanisms in studying inter-organizational relationships. The theory emerged as a contrarian challenge to the generally accepted notion that (1) people see the system in terms of an ingroup-outgroup distinction (2) in group favoritism and outgroup antipathy are common (3) the dominant group imposes its will on subordinated groups, espoused by social identity theory. System justification theory provides an alternative view that could account for notable exceptions that received empirical support (Jost *et al.*, 2004; McGuire, 1997). System justification is defined as “the process by which existing social arrangements are legitimized, even at the expense of personal and group interest” (Jost and Banaji, 1994; p. 2). The theory stresses “accommodation and rationalization of the status quo than with identity-based or interest-based theories” (Jost *et al.*, 2004; p. 884).

An interesting aspect of system justification theory is that it can account for outgroup favoritism. Studies have found that members of subordinated or disadvantaged groups often exhibit very favorable attitudes towards the dominant groups (Jost and Burgess, 2000). System justification can also influence attitudes towards policies that support the prevailing system. Laurin *et al.* (2013) show that system justification can lead to people reacting favorably to restrictive policies and even endorsing them.

System justification provides an interesting structure to examine inter-organizational relationships. Theorists have noted that organizations entrenched in networks will tend to view the network as a system (Lambert and Cooper, 2000) and the term supply chain system is widely used (Amiri, 2006; Song *et al.*, 2021). The perception by the constituent firms that the network is a system will lead to tendencies to justify the system. Following the system justification theory, it will result in (a) less propensity to imagine cognitive alternatives,

which can perpetuate the system (b) outgroup favoritism in relationship between the dominant firm and smaller suppliers. The core idea of outgroup favoritism is that members of the subordinated group exhibit very favorable attitudes towards the dominant group. Even though the network comprising the focal firm and suppliers is a group, often power asymmetries exist and the large firm in the group has a dominating influence. System justification tendencies will lead to the weaker firms in the network exhibiting very favorable attitudes towards the dominant firm. This will lead to acquiescence to the system, and discounting better opportunities elsewhere, facilitating the emergence of dark side effects.

Research has examined how system justification enhances adoption of the committed relationship ideology (as in marriage) (Day *et al.*, 2011). These authors refer to the broader sociopolitical system. An analogy can be drawn to the broad economic system and the received wisdom that inter-organizational relationships are good for the parties involved (as long-term relationships in interpersonal relationships). It follows that firms, motivated by the need to justify the broader economic system, will demonstrate greater commitment to interfirm relationships. This is particularly so when threats are perceived to the system. Such threats, arising from disruptive innovations or market turbulence, are unavoidable characteristics of modern economies. The committed relationship ideology will even lead to firms discounting such threats to the system by discounting salient information or the veracity of the information, which highlights such threats. Managers/firms will also view actions/policies that could potentially address the emerging scenario, but will disrupt the system, negatively (Phelan and Rudman, 2011).

Studies can delineate the mechanisms through which system justification operates in inter-organizational relationships. Research has noted that victim derogation can enhance belief in a just world and system justification (Kay *et al.*, 2005). Victim derogation refers to

derogating losers and lionizing winners on attributes and traits that have a causal relationship with outcomes (for example, success) (Kay *et al.*, 2005). In an inter-organizational context, an example of victim derogation could be suppliers blaming another supplier for problems with the dominant buyer. This will enhance system justification, contributing to the emergence of possible dark side effects. In sum, system justification tendencies exist and firms in inter-organizational relationships are not immune to such tendencies. System justification will lead firms to persist with existing relationships and discount alternatives, in turn contributing to dark side effects.

### **Discussion, contribution and implications**

The paper contributes to the streams of research on the dark side, relationship marketing and industrial marketing management in general. Next section starts the discussion with a comparison of the theories.

#### ***Comparing the theories***

The diverse views and a wide range of arguments are particularly important since dark side effects in the inter-organizational context include a variety of effects (worse performance, lower levels of innovation etc.) caused by a number of factors. In turn, these factors operate through diverse mechanisms in different contexts (e.g., strategic alliances, client-advertising agency, and exporter-importer). Extant theorizing specifically addressing the dark side has examined only a few of these possible mechanisms. This paper provides additional mechanisms that explain dark side effects from different theoretical perspectives.

The onset of dark side effects is essentially a social process that also has psychological underpinnings. Therefore, three social psychological theories (i.e., social identity, social learning, system justification) are especially suited to investigate the dark side effects in inter-organizational relationships and their links with firms' and managers' psychological

cognition and behaviors. Each theory looks at the focal issue from a different perspective (i.e., identity processes, learning processes, and justification processes) that is complementary and co-evolutionary with one another (Santos and Eisenhardt, 2005). The underlying concerns of these theories also differ, which provides a comprehensive view of the fundamental psychological processes associated with the inter-organizational dark side.

To be specific, social identity theory is concerned with the process of individuals identifying with a group, social learning theory is concerned with the situated nature of learning, and system justification theory deals with acquiescence. First, social identity theory takes a holistic view, such that inter-organizational relationships are mindsets that organizations “use to gain cognitive and emotional coherence about ‘who we are’” (Santos and Eisenhardt, 2005; p. 502). Two mechanisms, such as excessive cooperation in alliances and reification, are derived under social identity theory to trigger the dark side of inter-organizational relationships. Second, social learning theory takes a dynamic view whereby inter-organizational relationships are learning mechanisms that evolve over time, interacting with the context. Within social learning processes, organizations can experience the dark side effects of their inter-organizational relationships through mechanisms such as the role of context and path dependence. Third, system justification theory adopts a static view engendered by different processes (acquiescence to the current mode and reluctance to change due to rational reasons or cognitive biases), thus system justification can be another mechanism that drives the dark side of inter-organizational relationships. These diverse views enable us to develop a range of arguments that examine dark side effects, ensuring a broader coverage of the theoretical domain pertaining to the focal issue. Table 2 summarizes the differences between the theories.

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Table 3 provides a summary of the theories discussed in this paper and their implications for dark side effects in inter-organizational relationships. The table also provides some research questions to guide future research in this area. For example, how can firms balance competition and cooperation in alliances to prevent the dark side arising from strong identification? How can diverse settings and contexts be simulated in long-term relationships to stimulate learning? And how do system justification tendencies operate in inter-organizational relationships? These are important questions that demand scholarly attention to throw fresh light into the emergence and progression of dark side effects in inter-organizational relationships.

< Insert table 3 here >

Understanding the dark side of inter-organizational relationships is important as powerful negative effects can impede organizational performance (Abosag *et al.*, 2016). The primary contribution of this paper is that it puts three theoretical lenses that could be gainfully employed to obtain a deeper understanding of the dark side effects of inter-organizational relationships. In particular, they focus on underlying processes that drive the dark side effects and not just manifestations of the same. For example, system justification can be an important reason for the perpetuation of relationships performing at a suboptimal level. Such perpetuation has been noted by scholars examining the dark side (e.g., Anderson and Jap 2005). While social identity theory and social learning theory have attracted some prior attention of researchers examining the negative effects of social capital, system justification is novel to the context of dark side effects of inter-organizational relationships or social capital.

Regarding social identity, social learning, and system justification theories, the paper provides new insights and specific lines of reasoning to investigate dark side effects. The

review shows that social identity and system justification theories discussed in this paper have not been employed by dark side researchers, which further reveals that the understanding of social psychological processes in dark side effects has been scarce. Social learning theory has been employed to study contagion of the dark side (Zhang et al. 2021) and social identity mechanisms have been employed by researchers examining the negative effects of social capital (Pillai et al. 2017). Our objective was to propose new mechanisms derived from these two theories that could enrich the stream of research on the dark side of interorganizational relationships. As mentioned earlier, we chose to examine the three theories as they are social psychological in nature and the emergence and sustenance of dark side are essentially social processes. It is also important to note that the theoretical processes discussed in this paper focus specifically on the negative aspect. As noted earlier, a strong reason for the observation that this stream is undertheorized, advanced by scholars (e.g., Fang *et al.*, 2011) could be that the same theories used to explain the positive effects of relationships are employed to explain the negative effects. This paper seeks to redress this issue.

In an article examining the negative effects of social capital, Pillai et al. (2017) advance a social identity perspective and document how identity processes can lead to the blurring of firm boundaries, inhibition of individual learning, groupthink, dilution of dialectical process, postponement of structural adjustment and the non-rational escalation of commitment. Since the negative effects of social capital is a stream of research closely allied to the dark side of inter-organizational relationships, our endeavor was to add new mechanisms using identity processes. Hence, we focused on excessive co-operation and reification. Similarly, both Pillai et al. (2017) and Zhang et al. (2021) use social learning theory to study dark side effects of social capital and inter-organizational relationships respectively. Therefore, in order to contribute to this stream of research meaningfully, we decided to focus on two specific

effects that have social learning implications – path dependence and the role of context.

Trust in inter-organizational relationships manifests both at inter-organizational and inter-personal levels (Ashnai et al., 2016). Similarly, the various mechanisms that contribute towards dark side effects in inter-organizational relationships could be examined at two different levels, i.e., inter-personal (individual) and inter-organizational (organizational) level (Anderson and Jap, 2005; Zhang *et al.*, 2021). Much of the extant literature has explored the effects of organizational level mechanisms on the development of a dark side in inter-organizational relationships (Villena *et al.*, 2019; Wang *et al.*, 2013; Zhong *et al.*, 2017). Such studies examine inter-organizational mechanisms like relational inertia, opportunism, and cognitive myopia that adversely affect inter-organizational relationships. On the contrary, a few studies (Anderson and Jap, 2005; Fang *et al.*, 2008; Zhang *et al.*, 2021) delve into the inter-personal mechanisms like inter-personal trust and opportunism leading to dark side in inter-organizational relationships. The mechanisms discussed in this paper could also play out at both individual and organizational levels. For example, excessive cooperation in alliances could happen at the individual managerial level between the managers of both firms in an alliance, which could also transcend to an organizational level manifestation. However, some of these processes are primarily social in nature (e.g., social learning) and hence may be more predominant at the organizational level, whereas others emanate primarily at the individual level (e.g., system justification). Nevertheless, even if these mechanisms may emanate at the individual level, they can operate at the organizational level as well.

Theories in this paper illustrate important applications to recent dark side research. In a recent paper, Oliveira and Johanson (2021; p.5) explain the dark side effects of trust on the speed of internationalization by noting that high levels of trust limit “further learning that could come from diversifying business partners”. This point can be analyzed further using

social learning theory, and in particular, the role of context in learning. Similarly, Sinkovics et al. (2021) demonstrate the dark side effect of trust in global value chains. These authors show that suppliers in a low trust inter-organizational relationship will benefit more from knowledge connectivity in terms of new product innovation capability, compared to suppliers in a high trust relationship. Reluctance to engage in constructive conflict, overreliance on the partner, and the cost of maintaining relationships are the possible reasons provided. Identity fueled excessive cooperation provides a new perspective to probe this issue further. Finally, the theory of entrenchment employed by researchers to study the dark side (Jelinek 2014; 2021) can be better understood by using perspectives from social learning (path dependence) theory.

### ***Towards a new theoretical perspective***

The multiple theoretical processes proposed in this paper can be synergistic and co-evolutionary. Prior research has noted synergistic effects between identity and justification processes (Sidanius *et al.*, 2004). Also, path dependence (learning-based) and reification (identity-based) can evolve together. The possibility of the multiple processes reinforcing each other poses a greater level of danger regarding the emergence of dark side effects. Understanding how these processes coevolve and act in a synergistic manner calls for longitudinal research (Santos and Eisenhardt, 2005; Tahtinen and Vaaland, 2006). The focus on the process mechanisms is especially important to tease out the specific effects of each of the theories identified, leading to a more complete, fine-grained understanding of the emergence of dark side effects. Multiple-case, inductive methods are especially suited to longitudinal process research (Eisenhardt, 1989; Santos and Eisenhardt, 2005). To sum up, future research needs to (a) tease out the mechanism of the emergence and sustenance of the dark side using the three theories and associated processes mentioned in this paper, (b) bring



to bear additional theoretical perspectives to examine the focal issue, and (c) examine the interactive and synergistic effects of these theories, using longitudinal research methods.

### ***Managerial implications***

Apart from advancing the theoretical rigor, the analysis presented in this paper provides suggestions to control dark side effects. The paper highlighted the role of identification processes in engendering excessive cooperation in alliances. This effect is heightened when the focal firm (a) perceives its contribution to the alliance as high and (b) has a long-term orientation. However, alliances are not immune to failure (e.g., Iridium). Sensitizing managers to problems that could lead to the dissolution of the alliance and the importance of being constantly aware of the existing (better) alternatives, could lead them to rein in identity processes and assess the situation with greater levels of objectivity.

The paper highlights the role of context in learning and the potential inhibitory effects of path dependence on learning. Sensitizing managers about these effects can prompt them to think about ways of controlling the negative effects arising from these factors. For example, scenario analyses, simulation and sharing experiences with managers from other firms can stimulate thinking in different context, thus unlocking new insights. Becoming conscious about path dependence will encourage managers to think about ways of overcoming them, and not be lulled into seeking efficiency gains of complementarity, coordination, learning or adaptive expectations effects, thereby facilitating more explorative learning. In a similar vein, system justification tendencies operate at a conscious or subconscious level among many individuals. Discussing about such issues enhance managerial awareness about such tendencies, which, in turn, lead to reassessment and re-evaluation of strategies, promoting more objective decision making, which is in the interest of the firm.

In conclusion, the dark side mechanisms elucidated in this paper advance theorising

by providing new perspectives on the origination and sustenance of dark side. It is hoped that empirical research on these aspects will take this agenda forward.

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## Appendix

**Table 1. Key theories and mechanisms in the dark side literature**

<b>Theories</b>	<b>Levels of mechanisms</b>	<b>Mechanisms</b>	<b>Representative literature</b>
<b>Transaction cost economics</b>	Organizational	Opportunism; Relationship-specific investments	Heide & John (1988); Jap & Ganesan (2000); Samaha et al. (2011); Wathne & Heide (2000)
<b>Social exchange theory</b>	Organizational	Cognitive myopia; Complacency; Rising expectations	Gargiulo & Ertug (2006); Moorman et al. (1992); Wetzel et al. (2014)
<b>Social embeddedness theory</b>	Organizational	Social embeddedness	Granovetter (1985); Zhou et al. (2014)
<b>Social capital theory</b>	Organizational	Groupthink; Isomorphism; Unnecessary obligations; Information-processing limitations	Gargiulo & Ertug (2006); Koka & Prescott (2002); Villena et al. (2011)
<b>Social dominance theory</b>	Individual and organizational	Conformity; Legitimizing myths;	Gligor et al. (2021)
<b>Inertia theory</b>	Organizational	Organizational inertia	Gligor et al. (2021); Moorman et al. (1992)
<b>Social identity theory</b>	Individual and organizational	Excessive cooperation, reification	This paper
<b>Social learning theory</b>	Individual and organizational	The role of context in learning, path dependence	
<b>System justification theory</b>	Individual and organizational	System justification	

**Table 2. A comparison of the theories**

	<b>Social identity</b>	<b>Social learning</b>	<b>System justification</b>
<b>Basic perspective</b>	Forming group identities	Learning in a social context	Justification via acquiescence
<b>Fundamental process</b>	Categorization Comparison Evaluation Group members' self-esteem	Vicarious and situated learning  Cognitive processes – self-regulation, forethought, self-efficacy	Perception of fairness and legitimacy in the current system  Resorting to an agreement rather than defection
<b>Characteristic view</b>	Holistic - Individual behavior in groups	Dynamic - Interactionist	Static
<b>Level of operation</b>	Individual cognitive	Individual cognitive and behavioral	Individual cognitive

**Table 3. Summary of the theories discussed and potential research questions**

<b>Theories (mechanisms)</b>	<b>Main Tenets</b>	<b>Implications for dark side effects</b>	<b>Potential research questions</b>
Social identity theory (excessive cooperation; reification)	People derive a sense of worth and self-esteem based on group membership (Tajfel and Turner, 1979).	Through goal transformation, social identification leads to excessive cooperation in alliances.	How can firms balance competition and cooperation in alliances to prevent the dark side effects arising from strong identification?
		Social identification leads to the reification of inter-organizational relationships.	What factors enhance/lessen the incidence of sub-optimal decisions in the presence of excessive cooperation?  How can reification be prevented in inter-organizational relationships and networks?
Social learning theory (role of context in learning; path dependence)	Learning takes place through observation, imitation and modeling (Bandura, 1986).  Learning is path dependent and path dependence can alter the course of learning (Sydow, Schreyögg, and Koch, 2020).	Locked in long-term relationships, firms lose opportunities to learn from diverse contexts and settings.	How can diverse settings and contexts be simulated in long-term relationships to stimulate learning?
		Sub-optimal relationships can lead to a firm progressing through a sub-optimal course of learning.	How do coordination effects, complementarity effects, learning effects and adaptive expectations effects lead to the dark side?  How can we control the dark side effects arising from coordination, complementarity, learning, and adaptive expectations effects?



System justification theory (system justification)	There is a tendency to legitimize existing social arrangements, even at the expense of personal and group interests (Jost and Banaji, 1994)	Firms will have a tendency to justify the prevailing relationships, discounting alternatives. Firms will display a positive attitude to the dominant firm in the network.	How do system justification tendencies operate in inter-organizational relationships? What are the specific mechanisms involved? How can system justifications be contained in an inter-organizational network?
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