Balanced, yet unstable? Understanding stability of service triads

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Abstract
We use the theoretical premises of balance theory to conceptualize stability and explain how stability develops in buyer-service provider-customer service triads. We question the prevalent assumption of balanced to be stable and establish a fine distinction. We also conceptualize three key drivers of stability, namely, trust, dominance and opportunistic collaboration.

Keywords: Service Triad, Stability, Balance Theory

INTRODUCTION

With the growing expectations of the customers, a customer-centric approach is critical to remain competitive and effective management of customer-facing (support) services, a priority. The task becomes even more challenging, as most of the organizations outsource the customer-facing services to a third party services provider. Thus, a complex tripartite relationship is formed, referred as 'service triad', between the buyer (organization), the third-party service provider and the customer which differs substantially from the buyer-customer and buyer-service provider dyads (Li and Choi, 2009; Niranjan and Metri, 2008; Van der Valk and Van Iwaarden, 2011).

Service triads represent a unique exchange relationship where the service providers are responsible for the direct service delivery to the buyer firm's customers as per the expectations set by the buyer firm. Although the buyer has minimal involvement in the actual service delivery, instead of the service provider, the customer holds the buyer responsible for any service failure and has to bear the repercussions (Modi, Wiles, and Mishra, 2015). Such tripartite relationships often emphasize and exhibit tensions. Even though in a harmonic and balanced

state, eventually the entities tend to develop "exclusion, disloyalty, betrayal, control, power hierarchies and hostility"(Andersson-Cederholm and Gyimóthy, 2010, p. 267) . Thus, quality of service delivery in a service triad depends upon the conformance to mutually agreed-upon requirements and win-win collaboration and cooperation mechanisms. With cooperation and partnership, comes stability in relationships, a prerequisite for economic rewards (Weitz and Jap, 1995). Effects and consequences of stability in dyadic relationships have been of interest to many researchers. Stable relationships can improve efficiency and reduce the cost of entering new relationships (Gundlach, Achrol, and Mentzer, 1995). For stability, the entities must realize that the benefits of being in the relationship are more than the cost of termination (Inkpen and Beamish, 1997). It also facilitates suppliers commitment to quality (Lai, Cheng, and Yeung, 2005). However, as argued, stability may have a dark side. The buyers locked in stable relationships might encounter relational risks in specific contexts and scenarios (Liu, Li, Tao, and Wang, 2008). As complex the relationship stability in dyads tends to appear, it sets the tone for an extension to triads. Besides adding a new entity in the purview of study, the extension of a dyad to a triad implies a dynamic tension and a fluidity which is characteristic of different service contexts (Andersson-Cederholm and Gyimóthy, 2010). The presence of the third entity entails an aspect of risk that obstructs the triad to reach the state of ideal stability. Consequently, understanding stability in triads, which involves three interconnected complex dyadic relationships becomes an interesting and relevant area of research.

A growing body of research in recent years has focused on understanding the complexity and the dynamics of buyer-service provider-customer 'service triads' (Wynstra, Spring, and Schoenherr, 2014). The information asymmetry within relationships and conflicts of individual interests makes service triads an appropriate context to study stability in tripartite relationships. Moreover, by using a suitable theoretical base, such relationships can be more meaningfully explained and consequences predicted. Our aim is to develop the current understanding of triad stability in service triad's context on the theoretical foundations of balance theory (Carson, Carson, Knouse, and Roe, 1997; Heider, 1958). In this study we define stability in triads and identify the factors that influence the strength of relationships in the triad. We also conceptualize the three drivers of stability in context of service triads.

WHAT DOES STABILITY MEAN IN A TRIAD?

For profitable transactions, stability and predictability are necessary as it helps the actors to understand and trust the schemes of investments and improve service delivery mechanisms (Farjoun, 2010). As argued in the literature, relationship stability implies compromising on the short term achievements for the long term benefits (Dwyer, Schurr, and Oh, 1987). It requires the organizations to push their boundaries to achieve coordination and performance throughout the supply chain. Stability in relationships instils confidence among the collaborating organizations. The buyer organizations can invest on the service providers while the service providers feel more committed to satisfying the buyer's needs (Lai et al., 2005). Over a period it tends to reduce the transaction costs (Leana and Barry, 2000). Although, stability in dyadic buyer-supplier relationships has been studied over a period of time, stability in triads portrays higher complexity and warrants deeper knowledge (See Figure 1). Stability in a triad depends on how each of the entity is dependent on the other two and the benefits of not breaking off to leverage opportunistic advantages. Dyadic models are limited as they focus only on two entities, ignoring the influence of a third entity. As for example, relationship between a boarding school students and their

teachers, may not be understood fully unless the third entity, the parents are regarded as an essential part in the dynamics of relationships (Andersson-Cederholm and Gyimóthy, 2010).

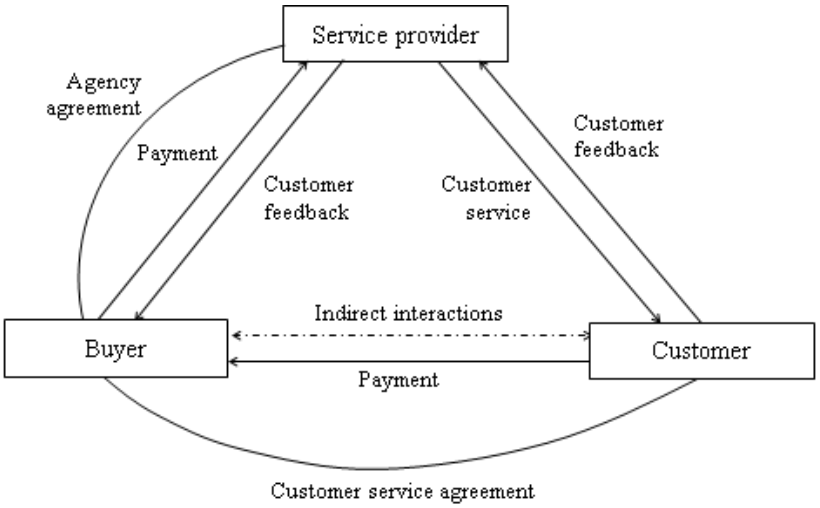


Figure 1: Service Triad

The primary challenge is to develop a dependable relationship with an efficient mechanism that satisfies the requirements of the entities involved. Stability affects service provider's commitment to service quality (Lai et al., 2005) and reduce opportunism. As the extant literature do not capture the essence of stability in a triad, it is important to define stability in service triads before we explore the underpinnings and nuances involved. Relationship stability in buyer-supplier dyads have been defined in different perspectives over the years. Two aspects for stability as discussed by a group of researchers are relationship length (number of years of interaction) and relational attitude (attitude towards investing in and continuing the exchange relationship). As we observe from literature, relationship length appears to be an important attribute for stability. Some of the definitions are stated below: "Relationship stability is defined as the extent to which the buyer–supplier relationship is steady and both parties are engaged in an active and long-term working relationship" (Lai et al., 2005, p. 401) "…a consistent reflection of dyadic favorable relational attitudes in an active working relationship which continues for a period of time. It contains two dimensions, i.e., relationship length and dyadic solidarity (Liu et al., 2008); "Stability is related on a social-cognitive level to a tendency to generate beliefs and attitudes that reflect and project consistency to oneself as well as to others" (Leana and Barry, 2000, p. 757). It is also argued that through investments, increasing benefits and developing trust in relationships, stability can be improved (Celly, Spekman, and Kamauff, 1999). However, stability in service triads has a different dynamics in contrast to buyer-supplier dyads and needs to be understood in light of the challenges and opportunities in a triad.

Stability is not always a function of relationship length viz. period of interaction. It is the base on which stability either improves or deteriorates. Stability might deteriorate over a period of time and the triad might collapse eventually. In this study we define triad stability as a product of consistent performance on a certain set of indicators that the three entities in the triad focus upon. Triad stability brings a consistent, low risk, cooperative interaction that benefits all parties. It can be a period of low tension and pleasantness in the triad, achieved through a mutually beneficial arrangement that binds all the entities involved.

BALANCE THEORY PERSPECTIVE

Balance theory (Heider, 1958) originates from the psychology literature and advocates that entities in an interpersonal triadic relationship (where three people are involved; for example husband, wife and child) seek cognitive consistency and emotional harmony, referred as a balanced state (Choi and Wu, 2009a). Balanced state occurs when either all three entities have positive relationships among each other, the ideal state (for example, a friend of my friend is also my friend) or in three other situations where there are two negative and one positive relationships (for example, a friend of my enemy is my enemy) (See Figure 2). In balanced state, relationships are harmonious, without any tension. Three factors determine the nature of inter-personal relationships (Carson et al., 1997) (positive or negative) in the triad: 'sentiment', i.e. whether one entity likes or dislikes the other entities; 'attitude', i.e. whether they share similar values; and 'unit relatio', i.e. the nature of bonding based on similarity, ownership, proximity etc. Imbalance occurs when two of the three relationships in a triad are positive and one is negative as it is cognitively inconsistent.

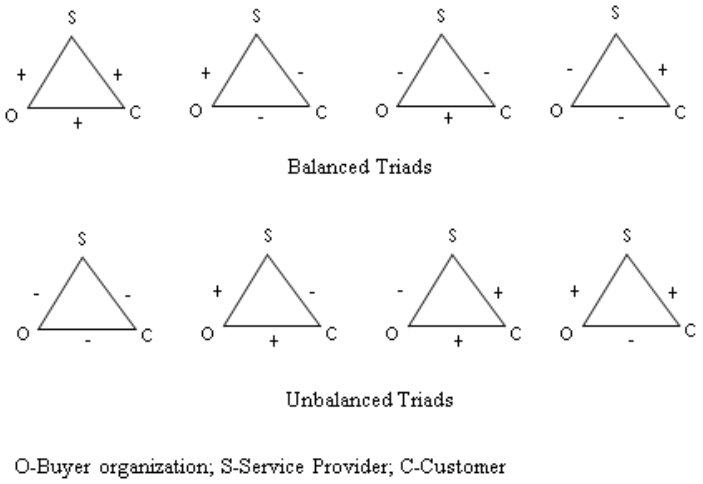


Figure 2: Balanced Vs Unbalanced Triads

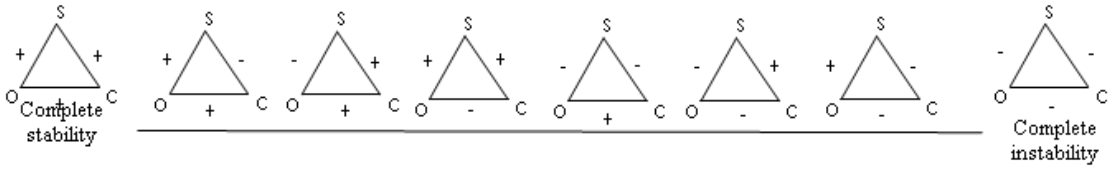
Balance theory was adopted in the past to explain how interactions between the organization, service provider and their customers influence service quality (Carson et al., 1997) and also how inter-organizational triads reach a balanced state (Andersson-Cederholm and Gyimóthy, 2010; Choi and Wu, 2009a). A new representation of the three factors influencing a positive or negative relationship was proposed viz.: 'desirability', i.e. the interacting entities enjoy and benefit from the engagement with each other; 'value congruence', i.e. the entities share similar values; and 'choice', i.e. the entities are voluntarily involved in the relationship (Carson et al., 1997). Although, balanced state is void of tension, negative relationships may bring unpleasantness in the triad(Carson et al., 1997; Smith, 1989) and entities involved would tend to make the easiest modification to restore balance.

Although balance theory assumes a balanced triad to be stable, it should be noted that it was conceptualized at interpersonal level. We argue that a balanced state do not indicate a stable tripartite inter-organizational relationship. Stability in triads cannot be achieved when two of the entities have negative bonding amongst each other. It is highly likely that it would tend to break-

off unless corrective measures are taken by one or more entities involved. Thus, it is important to understand triad stability and what actions can restore stability of an unstable triad.

HOW STABLE IS A TRIAD?

For a balanced triad, either all the entities in the triad are in positive relationships with each other or there is one positive and two negative relationships in the triad (Heider, 1958). As evident from literature, a balanced triad is considered as a stable triad (Carson et al., 1997). We argue that even a balanced triad can be relatively unstable depending on which of the two entities are in negative relationship. In this study we view 'stability' on a continuum and not as a dichotomous concept; stable and unstable (See Figure 3). Relationships are judged to be positive or negative depending on the benefits and attractions involved for the entities to collaborate (Carson et al., 1997). For achieving quality service performance, it is necessary to have positive relationship among the entities involved in the triad. The manner in which relationships develop and what factors or indicators make a positive relationship needs to be made explicit for a better understanding of triad stability.



O-Buyer organization; S-Service Provider; C-Customer

Figure 3: Stability continuum

As discussed in the previous section, positive relationships are characterized by 'desirability', 'value congruence' and 'choice'. We argue that in service triads, each of the entities involved have different set of interests and performance indicators that leads to positive relationships. Buyer-service provider has different set of factors that lead to positive relationship than in a service provider-customer or customer-buyer relationship. Thus, factors leading to positive relationships must be identified independently for all three dyads involved in the service triad. In a service triad, a buyer organization is responsible to fulfil the needs of their customers through a third party service provider. The consumer expects the provider to be "reliable, responsive, competent, courteous, credible, and understanding" and to exhibit "appropriate demeanor, communicate effectively, and inspire confidence" (Carson et al., 1997, p. 101). The buyer organization through an appropriate collaborative mechanism has to ensure that the service provider finds motivation to do its best to satisfy the customers' needs and expectations without having any opportunistic intensions. Therefore, extending the representation of a positive relationship from the extant literature, we propose that three factors viz. 'goal congruence', 'value congruence' and a 'cooperative relationship' lead to a positive relationship between the buyer organization and the service provider. Similarly, dependability, likelihood (sentiment) and quality service at a competitive cost lead to a positive relationship between the buyer firm and the customer. A consistent, efficient and benevolent service interaction leads to a positive relationship between the service provider and the customer.

WHAT DRIVES STABILITY OF A TRIAD?

Stability in service triads depends on the nature of relationship among the entities involved. We find three prominent drivers of stability based on the nature of bonding among the entities in the triad, viz. familiarity and trust, dominance and opportunistic collaboration.

Familiarity and Trust

As evident from the extant literature, trust improves stability in relationships (Liu et al., 2008). Relationships between the interacting entities are viewed as a harmonic bond comprising of trust, reliability, loyalty, honesty and devotion (Andersson-Cederholm and Gyimóthy, 2010). Over a period of time, with involved interactions, the entities in the triad tend to familiarize with each other and often develop a sense of bonding. Information asymmetry reduces and with consistent performance, dependency increases. Relationships that are old are more trusting (Anderson and Weitz, 1989). Although relationship length (Ganesan, 1994) does not directly influence trust, but over a period, the actions and behavior of the interacting entities does. Familiarity with the service partners leads to confidence on their competence and intensions (Gulati, 1995). Knowing the partners and understanding each other's needs, strengths and weaknesses, the entities prefer to continue in the relationship leading to stability.

Dominance

Dominance refers to an interaction between entities which is guided by authority, control, or power (McWorthy and Henningsen, 2014). Organizations have to depend on their partner organizations to varying extents. Although dependence is mutual, it is closely related to the concepts of power. Buyer organization's dependence on its service provider or the customers is a source of power for the service provider and the customer and vice versa. In a relationship the independent partners experiences high power and tend to dominate the exchange process (Caniëls and Gelderman, 2007). As suggested in the literature, power can enable an effective coordination (Frazier and Antia, 1995) in exchange relationships and induce higher levels of performance (Maloni and Benton, 2000). The competence of an organization and its resource levels reflect its bargaining power (Nair, Narasimhan, and Bendoly, 2011). For example, organization B serves organization C on behalf of organization A. If organization A is a big player and has a significant market share, organization B might be proactive in its performance as failure might have severe consequences. With any failure or opportunism, organization A might ensure that organization B is out of the market. Such dependency forces organization B to perform at its best to satisfy organization C and in turn organization A which induce stability in the Triad.

Opportunistic Collaboration

Interdependence among the entities in a relationship leads to a collaborative long term relationship (Caniëls and Gelderman, 2007). Collaboration is referred as occurring when independent organizations jointly execute specific operations more profitably than in isolation (Nyaga, Whipple, and Lynch, 2010; Simatupang and Sridharan, 2002). However, there are situations in which formal contracts might not be as effective as a win-win partnership that

benefits all the entities involved in the relationship more than breaking off from it. Such partnerships which we refer as opportunistic collaboration, with mutually beneficial arrangements, can significantly affect the success of the organizations involved. Entities in opportunistic collaboration find opportunities in a stable relationship and leverage benefits from partnering with each other. For example, when organization B serves organization C on behalf of organization A, and organization A being a prominent business entity, with high quality service delivery, organization B can expand their clientele through the reference of organization A based on their consistent performance records. Sometimes, organization A might co-brand with organization B which increases organization B's visibility and makes it more quality conscious. With efficient and consistent service delivery, customer (organization C) loyalty increases. Such opportunistic collaborations reduce service failure, promote innovation and induce stability in relationships.

CONCLUSIONS

We accomplish four things in this study. First, we establish the need to investigate and understand stability in triads which is significantly different from how we perceive stability in a dyad. Second, we define triad stability in the context of service triads. Third, we extend the existing generalized understanding of the factors as stated in the literature that contribute to positive relationships. Lastly, we identify three key drivers that influence stability in service triads. We develop our study on the foundations of the balance theory and counter-intuitively propose that a balanced triad might not always be stable in context of service triads. In future, the study could be extended by investigating how stability develops over the three distinct phases of relationship formation in a triad viz. relationship adoption, relationship development and relationship control and how stability impact risks specific to service triads from the buyer organizations perspective.

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