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Dissolving the Paradox: 
Toward a Yin-Yang Perspective on the Power and Trust Antagonism in Collaborative Business Relationships

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Abstract

**Purpose**: By challenging the typical antagonistic view of the informal institutions power and trust, this study explores the interrelatedness of the two through the yin-yang lens.

**Design/methodology/approach**: The data for this research stem from extensive group and one-to-one interviews with Toyota and its domestic and international suppliers.

**Findings**: Contrary to the conventional antagonistic view of power and trust, the study finds a different relationship between power and trust in Japan, namely a rather natural, mutually integrative and dependent one. The paper assumes that Taoist ideals, in particular the forces of yin-yang, explain this apparent contradiction.

**Practical implications**: Guided by the yin-yang perspective on power and trust balancing, the study proposes six management paradigms regarding how power and trust relationships can be developed and managed to increase collaboration performance.

**Originality/value**: While this research contributes to the research stream considering power and trust as complements rather than substitutes, it introduces the yin-yang view of business collaboration into the field of supply chain management in the automotive industry. Furthermore, it proposes practical measurements for the management of collaborative business relationships in a supply chain by taking advantage of the yin-yang view of putative contradictions.

**Keywords**: supply chain management, collaborative business relationships, automotive industry, Japan, informal institutions, power, trust, paradox, yin-yang.

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Introduction

In terms of structural change, the most important shift in the automotive industry in recent years has been that from the former rather hierarchically organized maker-supplier pyramid-like supply chain to a supply network that often operates at the international level (Pilbeam et al., 2012). An alternative term for supply networks, namely meta-organizations, is suggested in a recent study by Gulati et al. (2012) for those firms surrounding companies such as Toyota, Proctor & Gamble, and Apple. By definition, these firms are seldom owned by the focal firm but pursue a system-level goal. The governance of these networks poses new challenges in terms of collaboration and management (Barratt, 2004; Fawcett et al., 2015). It can be argued that it will be not companies but international supply networks, or meta-organizations, that will increasingly compete with each other in the future (Gulati et al., 2012; Trkman et al., 2010). Hence, the quality of collaboration can become a source of differentiation in competition to gain or maintain a competitive advantage through cooperation (Ireland et al., 2002; Rothaermel, 2001). In the existing literature, the term ‘coopetition’ is usually used (Yami et al., 2010) to describe the tension relationship between cooperation and competition (i.e., the collaboration between competitors). Simply explained, when coopetition is actively managed, it leads to capability building within the supply network that results in a competitive advantage through improved supply chain performance (Fujimoto, 2010). As a supply network requires participating firms to collaborate in a tense coopetitive relationship (Sydow and Moellering, 2009; Wilhelm, 2011), the optimal institutional environment required for successful collaboration remains unclear. Whereas contracting (a formal institution) is usually applied to enter a collaborative relationship, the existing literature points out that informal institutions and relational contracts are especially important factors for successful collaboration in business.

The primary challenge in achieving this outcome in buyer-supplier relationships is
that power and trust often exert antagonistic forces on these relationships. While buyers or suppliers commonly show their power through contracts to motivate particular actions with their exchange partners, doing so can compromise a sense of trust within the relationship. This happens because actors (firms, individuals, etc.) over whom power is being exerted may feel that their autonomy and overall self-determination are being threatened, a perception which often leads these partners to feel that their values and motives are incongruent, which can compromise their mutual sense of trust and cooperation (Akintoye et al., 2000; Barratt, 2004; Hernandez et al., 2014; Kwon and Suh, 2004 on trust; Benton and Maloni, 2005; Cox, 1999; Maloni and Benton, 2000; Webster, 1995; Weibel et al., 2016 on power; and Ireland and Webb, 2007; Yeung et al., 2009 on the connection between power and trust).

Power in this dynamic can be defined as the ability of the more powerful actor to influence the behavior and actions of others with less power (Emerson, 1962). In the automotive industry, reports on Toyota’s supplier strategy assume that there is high power asymmetry (i.e., differences in power) between the car maker and its suppliers (Liker and Choi, 2004), but, at the same time, it appears that there is a high level of trust between them (Dyer and Chu, 2000). Although Japanese management philosophies have been extensively studied (Botti, 1995; Freeman and Browne, 2004; Jia et al., 2016; Schaede, 2008), the way in which Japanese car makers manage their business relationships in a supply network by institutionalizing power and trust relationships in a non-antagonistic way is rarely investigated and rationalized. Hence, the purpose of this research is to challenge the conventional antagonistic view of power and trust and to gain a better understanding of the underlying philosophy enabling the management of the power and trust paradox. In particular, the study seeks to expand the extant knowledge about the nature of these two informal institutions and to derive new insights into the management of collaborative
business relationships. These are increasingly important today, as a solely cost-based focus on efficiency is considered to be insufficient (Yeung et al., 2009).

Although distinct forms of relationship between collaboration and market orientation (e.g., coopetition) are omnipresent in the automotive industry, most theories think of these ways of organizing as trade-offs (‘either/or’), rather than thinking about how they can coexist and be integrated or combined (‘both/and’) and exploring their nature in greater depth on the supplier-buyer relationship level while taking the required capabilities into account to take full advantage of the benefits that paradoxical management capabilities would bring. In more detail, since this study pursues a relational approach to analyzing buyer-supplier relationships by focusing on power and trust, it contributes to the extant knowledge by explicitly putting both forces into context (Cardinal et al., 2010; Hernandez et al., 2014; Long and Sitkin, 2006; Weibel et al., 2016); hence, it proposes an approach that explicitly draws attention to potentially contradictory informal institutions that are pivotal in determining the buyer-supplier relationship. While several studies have reported that Toyota acts dominantly towards its suppliers (as an indicator of power) and exhibits preferences for long-term ties (as an indicator of trust), this study leverages the epistemological system of yin-yang to explain the interrelatedness of these two institutions (Fang, 2012; Li, 2016). While this concept is new to the supply chain management literature, it seems to add a strong and important analytical lens to other explanatory concepts such as ambidexterity (see, for example, Aoki and Wilhelm, 2017).

This study challenges the antagonistic view of power and trust by evaluating a situation where the power that exchange partners exert over each other actually enhances the mutual trust that they experience within the exchange relationship. This relationship is initially explored by outlining the theoretical background on informal institutions and network collaboration, before reviewing the literature on power and trust by stressing the
conventional antagonistic view as well as the interrelated perspective. Based on the extant
literature, the paper develops several theoretical assumptions that guide a series of qualitative
analyses of interviews between buyers and suppliers. The results of these analyses are then
used to provide a new way of thinking about power and trust in buyer-supplier relationships.
In the Discussion section, these findings are further evaluated; furthermore, some limitations
of this work are reported and implications for practice presented.

**Informal institutions and collaborative business relationships**

The role of informal institutions is discussed by North (1990; see also Knight, 1992;
Lauth, 2000; O’Donnell, 1994), pointing out that informal institutions make “the rules of the
game” in relation to individuals’ behavior. Other scholars describe informal institutions as
“durable systems of established and embedded social rules that structure social interactions,
rather than rules as such” (Hodgson, 2006, p. 13) or characterize them as “the actual rules
that are being followed, unwritten rules that often shape incentives in systematic ways”
(Estrin and Prevezer, 2011, p. 44). Hence, the nature of informal institutions can be described
as unwritten and socially shared (Helmke and Levitsky, 2004), with underlying evolutionary
processes; that is, they are not static but are persistent and developed through history. The
influence of informal institutions has been studied by socio- and institutional economists,
while recent business studies address and extend their relevance (Peng and Pinkham, 2009).
In this field, among others, this is established as the third approach to business strategy
alongside the conventional industry- and resource-based views; their influence, especially in
transitional economies, is discussed (Meyer *et al*., 2009; Peng, 2002, 2003; Peng *et al*., 2008,
2009).

Next to culturally determined values and norm systems that guide individual behavior,
power and trust primarily represent two informal institutions that are not specific to one
national culture, although their characteristics and impact level may differ across cultures.
Power and trust are analyzed both independently and in terms of their connection. Most authors view power- and trust-based relationships as antagonistic and hence hardly compatible (Table 1). It is assumed that “horizontal relationships may involve trust and cooperation, and vertical relationships power and compliance” (Granovetter, 2002, p. 36). In a classic paper, Kumar (1996) asserts that “the vast majority of manufacturer-retailer relationships are unbalanced” (Kumar, 1996, p. 98) in terms of power and trust, since the two forces can hardly be merged, which is in line with the conventional antagonistic view. Research typically treats power and trust as two natural opposites that hardly merge.

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Insert Table 1 about here
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The embeddedness of firms in horizontal (e.g., alliances, joint ventures) and vertical (e.g., buyer-supplier) collaborative business relationships can be regarded as embeddedness in a strategic network (Hanf and Kühl, 2004; Lazzarini et al., 2001; Ng et al., 2003; Omta et al., 2001). Those networks have a hierarchy led by a focal firm that coordinates the activities of the network (Burr, 1990; Sydow and Moellerring, 2009). To coordinate a supply network effectively, alignment of the actions and interests of the participating actors is important (Belaya et al., 2008). A supply network in the automotive industry consists of actors who are urged to cooperate to serve the automobile maker but who, at the same time, often compete over the supply and market share. In the relationship between cooperation and competition, power and trust coexist. They are typically regarded as “complementary and opposing components of social behavior” (Ireland and Webb, 2007, p. 487). Whereas several studies
investigate power and trust separately, the research on their nature, interplay, and mutuality in supply network management is relatively underdeveloped (Belaya et al., 2008).

The antagonistic view of power and trust

Power

Given a certain dependency between actors, power describes the capacity of an actor to manipulate or influence the actions and intentions of another actor (Emerson, 1962). This includes control mechanisms brought into effect by managers and their organizations by setting performance goals, monitoring and evaluating the achievement of these goals, and rewarding or sanctioning in terms of how effectively the target of control has met the goals (Ouchi, 1979; Weibel et al., 2016). In addition, behavior can be influenced by collectively shared values, norms and beliefs that are enforced by peer pressure; hence, these comprise normatively focused controls. Examples include shared norms of communicating, information exchange, and the way in which agreements are enforced (Cao and Lumineau, 2015; Cardinal et al., 2010).

Traditionally, power asymmetry (i.e., power imbalance) is regarded as a rather unfavorable force in a relationship. Power asymmetry is found to lead to a lower degree of trust, hence acting against a sustainable cooperative relationship (Anderson and Weitz, 1989). Moreover, it may lead to conflicts given high power imbalances between a buyer and a supplier (Zhou et al., 2007). In addition, the option of power abuse is found to be a negative force in the buyer-supplier relationship. The traditional view states that the greater the imbalance of power between two actors, the more likely it is that power will be abused (Caniëls and Gelderman, 2007; Kumar et al., 1998).

However, some scholars distinguish between different sources of power and assume that asymmetry in distribution may not only harm a relationship but also serve as a positive force. An early, yet often used, approach to classifying and exploring different power bases in
empirical research (see, for example, Mayer et al., 2011) is proposed by French and Raven (1959), who distinguish five power bases: coercive, reward, expert, legitimate, and referent power (Table 2).

The influence of the different power bases within the supply chain is investigated in a later empirical study by Maloni and Benton (2000). The authors conclude that some of the power sources have positive effects on the buyer-supplier relationship, leading to better performance, but others—especially in relation to overuse of power—may be harmful: hence the findings indicate that, in relation to supply network collaboration, both positive and negative power asymmetry exist. Maloni and Benton’s findings indicate the important role of power in network relations and call for active management of power relations, which so far has been largely disregarded by scholars.

Liker and Choi (2004) point out the large power differential between Toyota and Honda, respectively, and their suppliers, which can be regarded as rather typical of the buyer-supplier relationship in Japan. More specifically, Toyota’s emphasis is on supplier discipline in the form of a requirement to meet strict monthly performance targets or rigid performance improvement measurements (Aoki and Wilhelm, 2017; Wilhelm and Sydow, 2018). This study therefore assumes that the power asymmetry between Toyota and its suppliers is high and less balanced than is usually the case between a buyer and a supplier in the Western automotive industry (McMillan, 1990).
Trust

Trust is a comprehensively researched theme in a number of academic disciplines (for a detailed overview, see, for example, Bachmann, 2011; Bachmann and Zaheer, 2006; Long and Sitkin, 2006; McEvily and Tortoriello, 2011; on organizational trust, see Fuglsang and Jagd, 2015; Kroeger, 2012; Luo, 2005).[1] At the dyadic level, Gambetta (2000, p. 218) defines trust as “a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action”. A popular and broader conceptualization of trust stresses a willingness to be vulnerable to another party when control and monitoring mechanisms are absent (Mayer et al., 1995) “based upon positive expectations of the intentions or behavior of another” (Rousseau et al., 1998, p. 395).

While trust is often examined as a rather holistic concept, researchers also distinguish between different forms of trust. The labels of these different forms of trust are diverse and evolving. The distinction between competence-based trust and goodwill-based trust is regarded as plausible, since forms of managerial control affect these forms of trust differently. Competence-based trust emerges based on trustees’ professional expertise, skills, and ability to perform tasks. Trust based on goodwill develops from a positive perception of someone’s sense of ethical conduct, values, credibility, and empathy; it is also defined as someone’s attempts to do good without being solely profit-focused (Das and Teng, 1998, 2001; Hernandez et al., 2014). In their popular article (over 17,800 citations as of April 2018), Mayer et al. (1995) refine goodwill trust further to encompass benevolence and integrity. While benevolence and goodwill both describe a willingness to take others’ interests into account when making decisions and taking actions, integrity is defined as “the trustor’s perception that the trustee adheres to a set of principles that the trustor finds
acceptable” (Mayer et al., 1995, p. 719). Depending on how high or low a trustee is perceived to rank across these three factors, the extent to which a trustor trusts a trustee will vary.

The positive effects of trust are also studied in relation to supply chains. The findings show that a low degree of trust between a trustor and a trustee hinders communication and information sharing, and that a lack of trust acts against supply chain integration (Forslund and Jonsson, 2009). MacDuffie and Helper (2007) identify a lack of trust in the American automotive industry. Dyer and Chu’s (2000) findings also imply a low level of trust between buyers and suppliers in the USA, whereas in Japan it appears that there is a high level of trust between them. While this reflects the notion of power and trust antagonism as discussed above, it appears to be the typical and quite unique way in which Toyota is able to balance putative contradictory informal institutions effectively, which, when seen as a managerial capability, contributes to developing a competitive advantage in the industry. Understanding this phenomenon in more detail is currently an evolving area of research (Aoki and Wilhelm, 2017; Wilhelm and Sydow, 2018).

**Interrelated perspectives on power and trust**

From the conventional standpoint which suggests that power and trust are hardly compatible or even mutually exclusive, knowledge has evolved to take combinations of power and trust into account. Bachmann (2001), for instance, sees different forms of controlling relationships across organizations based on power and trust. At the interpersonal level, where power and trust are generated, the two are interrelated but one dominates the other. Power, on the other hand, which accrues at the structural level, is highly conducive to the generation of trust between organizations (Bachmann, 2001, 2003). Ke and Wei (2008) argue that trust plays a moderating role in power-asymmetric relations. Trust, which is based on goodwill (integrity and benevolence) and competence, is argued to be positively related to collaboration between firms and individuals (Abrams et al., 2003; Cao and Lumineau, 2015).
Furthermore, Narayandas and Rangan (2004), by analyzing the performance of three industrial buyer-seller relationships, show that power and trust asymmetries can lead to different results. The three dyads are characterized by (1) high buyer power over the supplier; (2) high supplier power over the buyer; and (3) power equality. Unexpectedly, their empirical data show that both asymmetric relations outperform situations where actors maintain equal power. In these situations, they observe that the development of high interpersonal trust helps actors redress power asymmetries, leading to high levels of inter-organizational commitment.

Substitutes or complements?

The findings of this study support the consensus developing among scholars that actively balancing power and trust can lead to more sustainable and high-performing exchange partnerships (Cao and Lumineau, 2015; Ireland and Webb, 2007; Long, 2010, 2018; Long and Sitkin, 2006, 2018; Sutcliffe et al., 2000; Yeung et al., 2009). It also generates insights into how the essential tension between these two forces should be balanced by exchange partners and what managerial actions lead these two forces to produce complementary or substitutional effects on key strategic outcomes (Long and Sitkin, 2018; Long and Weibel, 2018).

Importantly, it is contended here that approaches which employ a yin-yang perspective can be useful in analyzing and explaining existing theoretical contradictions in power-trust relationships, especially as it pertains to East Asia. In discussing the contributions of the yin-yang viewpoint to this literature, this study demonstrates how such a perspective can help to disentangle theoretical contradictions in research that tends to conceptualize power and trust as distinct, often mutually exclusive, exchange mechanisms while downplaying their more synergistic elements (Cao and Lumineau, 2015; Cristina Costa and Bijlsma-Frankema, 2007; Grabner and Moers, 2013; Long and Sitkin, 2006; Weibel et al.,
Researchers in this area have actively sought to examine the complementary and substitutive effects that are generated by power and trust mechanisms.

This viewpoint is most prominently displayed in research that conceptualizes power and trust as substitutes. Observations from such work suggest that power and trust are incompatible and that combining them can negatively impact key outcomes. When this happens, trust and control can become opposing forces hindering efforts to attain mutual goals. If actors seek to use their power to enforce formal contracts, they often become protective about their position in a relationship, and their efforts to develop mutual trust can suffer (Poppo and Zenger, 2002). Alternatively, when high levels of trust exist, exchange partners can become hesitant to develop formal controls through contracts for fear that they might compromise the levels and social capital they have fostered.

The complementary view of power and trust focuses more on how power and trust can be integrated and balanced, but still views these elements as distinct mechanisms for managing uncertainty. Specifically, this research examines the effectiveness of several types of contract in combination with trust to manage the types of uncertainty that are present primarily in joint ventures or mergers and acquisitions (Cao and Lumineau, 2015). Contracts are used to “define outputs to be delivered, specify monitoring procedures, and detail duties, rights, and contingencies” (Cao and Lumineau, 2015, p. 15). In addition, informal or relational contracts (i.e., shared norms) are used to develop a collective understanding regarding how actions will be coordinated or rewards conferred. In this stream of research, informal forms of control and trust combine to generate shared values and norms (Long and Sitkin, 2018). In contexts where trust exists, formal contracts and informal governance jointly motivate partners to achieve mutual goals and act against free riding and opportunism (Cao and Lumineau, 2015; Ferrin et al., 2007).
Yin-yang balancing

Despite the theoretical and empirical advances produced by research, there is significant potential for scholars to develop a more detailed understanding of when balancing power and trust becomes effective and how positive outcomes can be jointly achieved through the application of these mechanisms. An important step in this direction has been achieved by the introduction of the yin-yang view to the management literature (e.g., Fang, 2012; Li, 2016; Luo and Zheng, 2016). The following paragraphs detail why the yin-yang view is especially useful for examining supply chain management related phenomena in an East Asian context.

Although there is a growing literature recognizing the interrelatedness of potential contradictions of theoretical principles, research in the supply chain management literature tends to conceptualize these mechanisms in buyer-supplier relationships as distinct choices or ‘trade-offs’. As a result, they do not fully embrace the advantages that come with viewing these mechanisms as inter-related components of a paradox (Aoki and Wilhelm, 2017; Schad et al., 2016; Smith and Lewis, 2011). It is proposed here, however, that the yin-yang philosophy or epistemological system (Fang, 2012; Li, 2016) provides an alternative and arguably more effective mechanism for conceptualizing the relationships between power and trust in buyer-supplier relationships. Yin-yang provides the means to study the potential contradictions between mechanisms present in paradoxes as logical, normal, and naturally interrelated.

At the core of the yin-yang philosophy is an integral theme in Taoism (Chen, 2002; Fang, 2005/6, 2012; Fang and Faure, 2011; Li, 1998, 2008) that conceptualizes components of paradoxes not necessarily as opposing forces but rather as interdependent mechanisms that are held in a dynamic tension as necessary parts of a larger whole. According to the yin-yang philosophy, two opposing elements comprise a duality that cannot exist without the other.
because they reciprocally balance and transform, reinforce and negate one another in unity (Li, 2008). Yin-yang claims that contradictory elements are natural, mutually dependent, and necessary because balancing forces synthesize and harmonize seeming contradictions between competing elements (Fang, 2003, 2012; Li, 2016).

While scholars currently debate whether power and trust are informal institutions that are antithetically (i.e., as substitutes) or synergistically (i.e., as complements) related to each other (Cao and Lumineau, 2015; Cristina Costa and Bijlsma-Frankema, 2007; Long and Sitkin, 2006; Weibel et al., 2016), supply chain management scholars are generally undecided as to whether suppliers are motivated to maintain a high level of power while they work actively to develop trusting relationships with their exchange partners. Moreover, despite a few seminal examples (Li, 2016; Pauluzzo et al., 2018), scholars in this domain are largely unclear as to how they should manage paradoxes related to power and trust in their relationships in ways that allow them to generate significant performance increases (on a similar note, see Aoki and Wilhelm, 2017).

This study notes that the concept of ambidexterity in buyer-supplier relationships currently evolving in the literature might be considered an alternative approach to yin-yang. Ambidexterity is utilized in recent work to discuss the contradiction of cooperation and competition (i.e., coopetition) or exploration and exploitation in buyer-supplier relationships (Aoki and Wilhelm, 2017; Li, 2014). By definition, organizations that exhibit ambidexterity try to balance contradictory elements (Birkinshaw and Gupta, 2013; O’Reilly and Tushman, 2013), which is in some ways similar to yin-yang. However, this study prefers to utilize yin-yang, since it is not merely a concept but rather an indigenous epistemological system (Li, 2016) that appears in the authors’ opinion to be more suitable to apply to the analysis of power and trust in buyer-supplier relationships with a focal firm from East Asia. Specifically, yin-yang aligns more naturally with the cultural environment (see also Fang, 2005/6, 2012;
Fang and Faure, 2011; Faure and Fang, 2008; Li, 2005, 2012, 2016). In addition, through the yin-yang lens, the nature of balancing power and trust can be regarded rather as a coalescence of power and trust, better reflecting the character of natural interdependencies between these mechanisms.

**Method and data collection**

To observe how the yin-yang philosophy is operationalized in practice (Yin, 2014), a case study of Toyota’s relationship with its suppliers is examined. Toyota was chosen because this firm has garnered a reputation for systematically integrating paradoxical thinking into many of its practices, including relationships within firms that supply it with automotive parts and technologies (Aoki and Wilhelm, 2017; Osono *et al.*, 2008). To avoid firm in-group bias and single-sided analyses, a heterogeneous yet representative pool of suppliers to Toyota was selected, comprising Denso, Aisin Steel and Bosch. Denso and Aisin Steel are suppliers belonging to the Toyota keiretsu; Bosch is an independent supplier of non-Japanese origin (Figure 1).

The argument for choosing this mix of firms is that they differ from each other across several dimensions (e.g., organizational structure), including their relationship to Toyota (formal and informal), product portfolio, technological capabilities, and scope of business activities (Table 3). In terms of similarities, they all have a business relationship with Toyota as a supplier, and in most cases act as tier 1 suppliers—that is, they have a direct communication channel to Toyota.
Primary data in the form of four extensive group and one-to-one and secondary data in the form of publicly available published materials have informed this research. An open-ended semi-structured questionnaire was used to conduct the series of interviews. Specific interview questions addressed a consistent sequence of critical themes but were tailored for the auto maker and its suppliers (see Appendix). They featured an identical structure in terms of the critical themes questioned. Question content about power and trust dynamics was inspired by the works of Das and Teng (1998, 2001), Hernandez et al. (2014), and Mayer et al. (1995), and specific sets of questions were refined over the course of the interviews. The extensive practical experience in the Japanese automotive industry of one of the authors contributed significantly to our understanding of specific aspects of the automotive business and the specific buyer-supplier relationships observed. In addition, this author’s familiarity with the industry allowed him to quickly establish a comfortable rapport with interview participants, which created a trusting environment where individuals could connect quickly on an interpersonal level and openly express their views. Moreover, where possible, the focus was placed on a pre-existing relationship between the interviewees and the interviewer: this is especially important in Japan, as it contributes positively to an open and trustful atmosphere, a factor that is considered to be important when conducting interviews (Ryen, 2001).

The interviews were conducted with key informants from the auto maker and on the supplier side. At the site of the latter, key informants were interviewed at the manager, general manager, and director levels in sales and project management functions; at the site of the auto maker, interviews were held with the general manager and group manager of
purchasing and project purchasing functions, in charge of purchasing strategic components (Table 4). The interviews took about one and a half to two hours each. They were recorded for later evaluation. When the answers from the interviewees repeatedly showed similarities, saturation occurred, so further interviews were not necessary (Bowen, 2008; Mason, 2010). Individual bias was reduced by triangulation through repeated answers or affirmed through the existing literature. Moreover, public sources or communication with a secondary source—specifically, Japanese scholars of the local automotive industry—were used to corroborate observations generated through the interview process. The interviewees all had significant experience with Toyota, some more than a decade. Potential interviewees were selected based on their experience with and frequency of direct contact with Toyota. The questioning took place on-site, either one-to-one in cases where the interviewer could draw on a pre-existing relationship with the interviewee, or as a group interview with up to three scholars on the side of the interviewees in cases where a relationship existed between the interviewer and one or more of the interviewees. Unclear answers were clarified through follow-up emails or phone calls.

The interview data were evaluated using content analysis (Mayring, 2010; Miles and Huberman, 1994). In line with an abductive reasoning approach (Aliseda, 2006; Walton, 2005), the study aimed to identify new patterns to be evaluated against the extant antagonistic view of power and trust. The coding procedure involved descriptive codes rather than abstract ones. New codes were generated if needed, and codes were refined or deleted in cases where they proved unsuitable for the data or redundant. Intra-rater reliability was assessed by applying the test-retest method (see Mackey and Gass, 2005; Philp, 2003). Based on the percentage agreement, the intra-rater reliability was 90 per cent, which is conventionally regarded as a value above the accepted reliability standards (Neuendorf, 2002). Next to first-order themes, second-order themes were derived from the data when necessary, from which
generalizations were finally drawn (Saldana, 2013). The explanation building was inspired by an iterative narrative process, changing between data interpretation and reference to the existing literature and theory development (Yin, 2014). This served to establish systematically a theoretical framework to develop an alternative view of power and trust next to the conventional antagonistic view. Moreover, according to Yin (2014), in case study analysis, the explanation-building approach enhances the internal validity.

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**Results**

*The nature of the power-trust relationship*

The research assumptions developed at the outset of the study, which will be discussed in the following, refer to (1) high power asymmetry, (2) trust, and (3) the manageability of power and trust relations. Based on the interviews and supported by current research in this field (Aoki and Wilhelm, 2017; Camuffo and Wilhelm, 2016), it can clearly be stated that the power asymmetry between Toyota and its suppliers is high. Based on the interviews, it can be summarized that Toyota itself does not believe that suppliers should rise to at least an equal power level, and it tries through the use of multiple supply sources to diversify power to hedge against the risk that can occur with a single-supplier approach (“We follow a dual sourcing strategy so that we can balance power between suppliers”). However, maintaining high power differentials is uncommon and rather undesirable between Bosch and its customers, as mentioned by an interview partner, since an equal partnership, with at best very small power differences, is more common, socially expected, and in line with Western
cultural standards. Some interview partners, although their firms have a large share in supply for Toyota, describe Toyota as “reserved”, “aloof”, or “unapproachable” in personal interactions. On the supplier side, Toyota’s position at the top of the hierarchy is accepted, as this provides a positive impetus for improvement, exemplified by the statements of two suppliers:

We receive a lot of price pressure from Toyota, but this pressure helps us to stay competitive.  
X\textsuperscript{[2]} is a very knowledgeable and competitive firm, but finally they always do what Toyota tells them.

The cause of this commitment, while sustaining tensions, can be seen in Toyota’s paternalistic care towards and between its suppliers:

Toyota cares very well about its suppliers. It is like a family and Toyota manages these relationships very well.

In fact, through the interviews, the study found that Toyota has the power to sanction suppliers (coercive power)—for example, if quality targets are not met—as well as to reward outstanding suppliers (reward power) for excellent performance (see also Chae et al., 2017). Among all the suppliers interviewed, Toyota is unanimously respected for its knowledgeable engineers (expert power). Engineering competence is an integral corporate value that is expected from the suppliers (legitimate power) and a source for gaining respect from Toyota (referent power).
X’s engineers are very popular in general because they are very knowledgeable. That is a source of trust building. There must be respect for engineering excellence that is a base for establishing good friendships.

Traditionally, the common view in the literature is that power differences in business relationships have a bad influence, whereas a high level of trust contributes to a good relationship (Gangl et al., 2015; Kumar, 1996; Naudé and Buttle, 2000). Surprisingly, though, the level of power asymmetry between Toyota and its suppliers is high; a low degree of trust acting against sustainable collaboration, as former studies indicate, was not observed, hence supporting the interrelated view of power and trust in the more recent literature. In fact, exactly the opposite seems to be the case: trust between Toyota and its close suppliers is either exceptionally high or expected to develop toward being pronounced over time, as formally outlined in Toyota’s basic supplier policy (Toyota, 2007). However, there are different levels of trust toward the suppliers, and the development of a deep relationship depends on several factors. Firstly, as is well recognized in the literature (e.g., Matsuo, 2015) and confirmed by the interviewees, trust takes a long time to establish. While the exact pattern of trust development over time is not yet fully explored (van der Werff and Buckley, 2017), seminal work by McAllister (1995) suggests a timeline for the development of trust as well as the distinction between cognitive and affective trust, whereby cognitive trust comes first—i.e., a certain level of cognitive trust is a precondition for affective trust to develop (see also Webber, 2008). Secondly, trust requires competence and a willingness to learn continuously (see also Nishiguchi and Beaudet, 2016); and, thirdly, trust “is determined by the supply share the supplier has with Toyota. If a supplier has a minimal share, relationships are rather formal and less cooperative.” The latter statement by a supplier underlines the role that the supply share plays in determining the relationship. It indicates that a large supply
share may be the result of a long-term trustful relationship. Following the literature on trust development, this process involves many informal rather than formal transactions. Factors such as interpersonal reciprocity play an important role (Berg et al., 1995; Lewicki et al., 2006; Vanneste, 2016); for the specific case of Japan, following conventional wisdom, gift giving and drinking events in particular still seem to play a key role: “social drinking in Japan is widely noted as binding individuals in reciprocal relationships, and the amount consumed as determining the level of intimacy and trust among individuals” (Lin, 2012, p. 94).

Surprisingly, the interview data were largely unable to confirm the importance of informality including social drinking. Similar to the opinion of other suppliers, a tier 1 supplier clearly stated: “we don’t do nomikais [drinking events] anymore.” The establishment of trustful relationships between maker and suppliers is today largely detached from the frequent informal exchanges on the individual level of 20 or 30 years ago. Interviewees then often exemplified after-work social events, like drinking together, dinners, and so forth; today, semi-formal or mixes of formal/informal events, such as golfing, are more likely to take place:

Golfing we do quite often. Toyota sets up and organizes these events, but Toyota does not pay for it. Participants have to pay individually.

Whereas most interviewees see such events as dominant today, representing examples of business-level trust development, this study explored this aspect in greater depth through questioning and found indications that informality still plays a role in establishing, developing, and maintaining deeper relationships on a very personal level (personal-level trust; see Vanneste, 2016), which is still seen as part of the business relationship (distinction between professional and personal trust; see Alexopoulos and Buckley, 2013). This may be
regarded as usual from a Japanese or East Asian point of view generally, but is rather seldom found in a Western context. For instance, in the frame of Kyorokukai meetings:

However, there are informal meetings among Toyota suppliers in order to establish relationships with each other. That makes collaboration and information sharing easier.

Putting the private and formal dimensions together, they align quite well with Vanneste’s (2016) theory on the development of interorganizational trust, according to which interorganizational trust develops based on personal-level trust, while trust between organizations emerges from the actions of individuals. Research at the personal level by Alexopoulos and Buckley (2013) also distinguishes differences in personal and professional trust as relevant in this regard, since the level of informality in interorganizational affairs in Japan can still be considered to be pronounced. The development of trust through the exchange of sensitive information may only work when a certain level of shared experience exists between two actors. If this is not the case—i.e., if there is only a little shared experience—consequences are likely to be negative.

When asking for details on how to manage collaboration between competitors smoothly, it became clear that organizing meetings with two competitors—that is, suppliers that develop the same product—is not feasible because they are competitors.

That does not work. Collaboration works best when suppliers are dependent on each other or have complementary products.
Thus, Toyota’s ability to manage coopetition must not be confused with its ability to manage competition; rather, it is the ability to create dependencies among suppliers with complementary products.

The aspect of sharing information in an informal and a formal atmosphere is regarded as an important component of developing deep and trustful relationships. The flow of information is often determined by pre-existing community attachment, such as university communities. As one interviewee reported:

There are several informal channels of information sharing. At Toyota and Mitsubishi engineering, there is a large portion of engineers who graduated from Kyoto University. Based on age, they have a kohai-senpai [junior-senior] relationship. So, in informal meetings, engineers of both firms easily exchange information.\[^3\]

However, it cannot be generalized that information flows freely between Toyota and its suppliers. A distinction needs to be made depending on the nature of the information. Suppliers (Japanese and foreign alike) are hesitant, for instance, when it comes to the disclosure of component cost information. This information is regarded as supplier internal information that should not be forwarded to customers. However, hesitation in delivering cost information does not impede trust, which is still highly pronounced. Trust is integral to maker-supplier relations in Japan:

Trust is fundamental in Japan. Even if you are the most powerful supplier, if they don’t trust you, there will be no business. Trust plays a huge role, on firm and personal level alike.
Nevertheless, different Japanese car makers are known for putting different emphases on business and personal trust. Whereas Honda is known for emphasizing dyadic (i.e., personal-level) trust, Toyota seems to give more priority to business-level trust. This is an interesting finding, since both firms are successful, although the characteristics of trust development toward the supplier are very different. While future research may shed more light on this phenomenon, it is important to point out that Toyota does not represent an all-Japanese business model. Rather, each Japanese auto maker appears to have a unique approach (see Wilhelm, 2008, 2011).

However, most importantly, instead of assuming power and trust to be two mutually exclusive constructs, this case study identifies the coalescence of the two elements. Evidence of power and trust antagonism is difficult to find in the case of Toyota’s approach toward its suppliers and vice versa. Typical comments are the following: “We know that Toyota will always help us”, “Toyota will never let us run out of business with them”, or “They are tough to us, but this means that they really care about us”.

When speaking about Toyota, the Japanese supplier often referred to “family” or “family-like” relationships and used the word “friends” often. This can be interpreted as a sign of benevolence or a high level of goodwill trust between Toyota and its suppliers, which, echoing Schoorman et al. (2007), takes longer to develop (on a similar note, see Aoki and Wilhelm, 2017). In contrast, in the Western context, “client” or “customer” would be the regular word to describe a business relationship, according to the interview partner. It was mentioned that not having too close or too personal relationships in business is considered as acting professionally. A further hint regarding the relational coalescence of power and trust can be seen in the following statement:
More important is that Toyota trusts X because of its knowledge and the long relationship. But it’s not only technology: it is also quality, service, delivery, and especially the way X serves Toyota.

Of particular importance here, but rather difficult to define, is the way in which the supplier treats the maker. On further inquiry, this dimension especially includes trust and open information sharing, having no secrets between each other, being fully committed to the relationship, carrying out whatever is demanded by the maker and thus honoring the natural hierarchy between the two parties, and at the same time perceiving the other as completely reliable. Confronting the foreign supplier with these descriptive terms describing how the relationship works, it was seen that opinions on the appropriate way to handle a business relationship are very different. Typical keywords from a Western point of view are, among others, mutual respect, doing business on an equal level, negotiation, and professional distance.

**Managing the power-trust relationship**

The insights from the above lead to the question of whether power and trust relations can be actively managed. If so, what are the foundations? Based on the interviews, this study conclude that they can, which speaks in favor of the assumption that power and trust relations, if regarded as interrelated, can be actively managed.

By possessing the ability to regard power and trust not as antagonistic but rather as coalescing, the interviews led to the derivation of six paradigms that are important for the management of power and trust in collaborative business relationships as a result of the dissolution of the power-trust antagonism. They are summarized below and illustrated in the context of the established research concept (Figure 2).
(1) A relationship and competence focus. Competition between suppliers is encouraged, coordinated by the auto maker: “Improvements within our network of suppliers are realized by competition between the suppliers. Toyota, however, coordinates improvement activities and brings in Toyota knowhow.”

(2) Proactive delegation of tasks to a trustworthy and competent tier 1 supplier. Actively teaching the auto maker’s procedures, policies, and techniques to a tier 1 supplier, which is in charge of teaching them to lower-tier suppliers:

Toyota’s procedures and training measurements are taught to the tier 1 suppliers and their duty is to teach their suppliers accordingly.

(3) Setting up and organizing formally informal private events (such as golfing) to increase the community spirit.

(4) Establishing a spirit that can best be called ‘paternalistic benevolence’ (Chen et al., 2014) across the network, in which the hierarchy is considered to be natural, comforting, and reliable. Herein, visually, Toyota is at the center rather than at the top, and certain tier 1 suppliers are closer to the center, granting them a higher degree of legitimate and referent power:

X is a tier 1 supplier to Toyota and takes care of its sub-suppliers, the tier 2, tier 3 suppliers, and so on. But it’s not a hierarchy. Some tier 2 or 3 companies are quite big.
For example, X buys from A, B, or C, but X coordinates this business in the automotive sector for Toyota because X knows Toyota processes and demands and has the closest relationship to Toyota. That is X’s task. It is actually a team of companies, like a network.

(5) Establishing a spirit of open information sharing, collaboration, and ‘unconditional’ passionate commitment (business-level and private-level) to the auto maker within the network, which at times includes taking on voluntarily extra work. Information sharing is the key to developing relationships, as mentioned above, and foreign suppliers in particular can improve here: “Habitually, Japanese suppliers provide us more information compared to foreign suppliers.”

However, this is not enough to pass the critical stage of being regarded as seriously committed. As one interviewee put it:

X knows that I will do whatever they want; no matter what kind of business or private hardship it causes, they know I’ll do it. And that is also expected. It is a kind of master and slave relationship. However, that is almost a guarantee that you will stay in business. The focus on relationships will not change in Japan. But, of course, you need to be capable and competitive as a firm. You need to maintain the relationship and that requires an understanding of the Japanese culture.

(6) Finally, great emphasis should be placed on personal interaction, as being committed to developing and maintaining human relationships is fundamental to a business relationship in Japan. Table 5 summarizes these findings.
Discussion

Studies on interorganizational relationships in Japan often report actors being embedded in a highly affective and relation-based society, which is conventionally explained by the well-known concept of *amae*[^1] (Doi, 1973). This study finds affirmation for a developmental timeline of trust relationships, and even in such a relation-based environment, cognitive trust comes before affective trust. Hence cognitive trust plays a crucial role and represents a base for the development of affective trust (see Alexopoulos and Buckley, 2013; McAllister, 1995; Webber, 2008). Our results imply that Toyota consciously oppresses affective trust by, for instance, discouraging the drinking events (*nomikais*) common in Japan or playing a more passive role in organizing informal community events. Instead, Toyota actively supports and put an emphasis on developing cognitive trust, by focusing on competence and professionalism.

Furthermore, the results of this study extend work the work Alexopoulos and Buckley (2013), who introduced the distinction between personal and professional trust. Especially in countries where informality is pronounced, information sharing becomes a pivotal mechanism of governing informal relationships, but if actors do not fully understand the norms guiding this conduct, as is potentially the case for international managers or expatriates, it can become a delicate endeavor. Alexopoulos and Buckley (2013) found in their study that when exchanging sensitive information with others with whom one has little shared experience, it can easily cause negative results in case the actors involved do not understand or share the same informal rules (norms) of exchange. This becomes even more
critical for (Western) expatriate managers in countries where informal social networks are pronounced, such as in China (guanxi; see Luo, 2007; Park and Luo, 2001) or in Korea (yongo; see Horak, 2017, 2018). Since people in these societies must be seen as members of an informal network, as the societies are naturally structured this way, the dyadic level is automatically connected to the network level. If an expatriate manager fails to act according to the informal (network) rules, negative consequences can be severe, as other network members will know quickly given that information travels fast within these networks (e.g., Horak, 2014). The notion of trust development by expatriate managers in the context of local informal networks is of high practical relevance as well as scholarly interest, but has so far largely remained unexplored. Future research in this direction would be timely and important to understand better the development of personal and professional trust in a social network context.

Of central interest, and in our opinion the foremost insight that this study gained from its exploration, is that power and trust antagonism cannot be confirmed in the case of Toyota’s approach to its suppliers and vice versa. Rather, power and trust coalescence is seen. This insight contributes to the current evolving stream of research on power/control and trust being either complements or substitutes (Cao and Lumineau, 2015; Long and Sitkin, 2006; Poppo and Zenger, 2002; Weibel et al., 2016). This study, guided by the yin-yang view, suggests that power and trust are clearly complements. Since the state of research distinguishing only complements and substitutes is a product of mostly Western thinking, this bipolar view may need an extension that the yin-yang view can potentially deliver. From a yin-yang point of view, power and trust may be described as opposites that naturally belong together and cannot exist without each other.

How can Toyota and its suppliers’ ability to dissolve the paradox of power-trust antagonism be explained? This is certainly a difficult question to answer. Nevertheless, it is
an important one, as it is rather surprising that this study could not find a contradictory view of power and trust antagonism in the field. One way to explain the different natures of the power and trust relationship may be seen in the emotional desire for belongingness in Japan as a basic social configuration versus Western striving for independence and autonomy (Hamamura, 2012). These are two fundamental opposites of social ideals. This study assumes that the perception of power and trust as antagonistic was coined and influenced by Western scholarly judgment. In Japan, this sharp distinction, or the opinion that power and trust merging is a paradox per se, cannot be observed. Furthermore, drawing on the existing literature, contradictory dynamics are discussed in the past literature in the frame of the paradox debate (Beech et al., 2004; Eisenhardt and Martin, 2000; Lewis, 2000) or discourses on ambidexterity (Aoki and Wilhelm, 2017; Im and Rai, 2008; O’Reilly and Tushman, 2013), which during their course received contributions from the Eastern view on paradoxes (Chen, 2002; Li, 2016; Pauluzzo et al., 2018). Recent scholars are interested in how individuals deal with and accept paradoxes (Jarzabkowski et al., 2013; Jay, 2013; Smith and Lewis, 2011; Smith and Tushman, 2005). In the West, the word ‘paradox’ tends to have rather negative connotations (Fang, 2012), and the coalescence of contradictory elements is conventionally seen as irrational or not in tune with linear logic. However, to dissolve paradoxes, the authors believe that the recent literature on yin-yang provides a suitable starting point. They assume that the yin-yang view has the potential to shed new light on the conventional antagonistic view of power and trust, which may open further doors to a better understanding of the management of contradictory elements to use its potential to increase performance. En the East especially, yin-yang can be regarded as a mediator in paradoxes (Figure 3). Though recent literature may explain yin-yang from a theoretical point of view, future research may place more emphasis on its applications in the field (Li, 2016; Pauluzzo et al., 2018). The present study can be regarded as the first attempt in this direction.
While discussing the results with other scholars from the East and West alike, the present authors were often confronted with the question of whether Japanese firms are better at balancing the power-trust relationship just because they are Japanese. In this discussion, one key argument was that, since *amae* is a typical Japanese emotional desire, not a Western one, and this in turn may affect the development of trust and the willingness to accept hierarchies and paternalism, it can be performed much better among Japanese people. More generally formulated: do Japanese people perform better in terms of yin-yang balancing for cultural reasons? This is a valid question, since the influence of culture on the Japanese management approach has been studied by several authors (Jia et al., 2016; Saeki and Horak, 2014). In a narrow sense, two opinion groups can be distinguished: those who believe that culture is relevant to the success of Japanese firms (Cousins and Stanwix, 2001; Herron and Hicks, 2008; Hines et al., 2004) and those who believe that essentially it is not (Dyer, 2000; Lamming, 1994; McMillan, 1990). Even though the former group regards culture as relevant, the approach has several disadvantages: it often lacks empirical evidence and takes a no-go position when it comes to the transferability of Japanese management practices to a non-Japanese environment. The latter group focuses on rational processes and management techniques but disregards the benefits of cultural diversity, implying that the success factors of collaborative business relationships can be transferred without problems to other environments, which definitely is not always the case (see Karn, 2009). Following the literature, there seems to be no clear answer. However, based on this study’s results,
discussions with industry experts and experiences gathered during the field research, the authors are convinced that managing the coalescence of power and trust relationships does not seem to be something that Toyota is capable of only because it is a Japanese firm. It was especially the non-Japanese interview partner with a) profound knowledge of the Japanese culture; b) long business experience with Japanese customers; c) fluency in the Japanese language; and d) equally importantly, the willingness to adjust by understanding the strengths of the Japanese model who dissolved power and trust antagonism excellently. Hence, the authors believe that, when the interpersonal-level preconditions are fulfilled (see Vanneste, 2016)—that is, when a deep understanding of the ideals between the counterparts in a collaborative business relationship exists—cultural influences do not play a major role in successfully managing the coalescence of power and trust relationships. Hence, it can be assumed that if an auto maker and supplier create an open and trustworthy environment and aim at establishing deep personal relationships, the management of the power and trust coalescence is not culture-bound but rather can be applied universally.

**Limitations**

The results of this research should be seen against the background of its limitations. The authors regard these results as first implications for an evolving research stream on yin-yang applications on which future research can build. Firstly, this study collected interview data from a limited number of firms serving Toyota. This causes validity concerns. Future studies may take a larger pool of domestic and international suppliers into account. Secondly, this study analyzed one maker-supplier network only. The implications that it draws and discusses are not likely to be representative of a Japanese model of maker-supplier cooperation in general, as prior research finds significant differences among the management approaches of Japanese auto makers, concluding that Toyota’s situation is quite special and cannot be regarded as representative of a typical Japanese management model (Wilhelm,
2008). Hence, future research might apply comparative case studies among multiple supply networks to carve out the respective differences better.

Though the authors see a qualitative research approach as best suited to exploring novel research themes, alternative research approaches may yield richer results. Thus, future research can benefit from complementary or sole insider case studies, for example, conducted by scholars who have spent time as residents within a maker and/or supplier firm in positions that exposed them to maker-supplier interactions. Though time consuming and, for most scholars, difficult to realize, it is assumed that this approach would result in deeper and richer results on this research theme.

**Implications for practice**

The results have several implications to advise practice, as summarized in Table 5, in particular for foreign automotive suppliers seeking to establish and deepen relationships with Toyota. Next to the hard facts that need to be fulfilled, such as technological competence, the authors feel that international suppliers should focus, too, on the soft facts, which actually become hard facts in Japan. On the business level, firms need to work out a relationship-building strategy by honoring the hierarchy within a network, ensuring open communication, and being committed to integrating into a network by being a genuine team player. Consequently, the challenge is to develop deep and trustful relationships that may work best if a supplier understands how to develop trust—that is, by honoring the coalescence approach to power and trust. This requires adequate staff at the managerial level. Key staff need to have the skills to dissolve the power and trust paradox that obviously prevails in relationships in the West. A precondition is profound knowledge of and experience with the Japanese culture. Deep relationship trust evolves only over the long term. Hence, frequent job rotation of key staff on a global scale acts against this and should be avoided if it includes job
Long-termism and loyalty should be incentivized—for example, by job promotions.

Overall, the economic potential of the yin-yang approach can inspire firms from the East and West alike to embrace yin-yang thinking. In contrast, while this study proposes six antecedents of such a management approach, Western firms may face difficulties implementing them, since they require a new view on competition. Paternalistic benevolence is likely to be a principle that is difficult for Western firms to embrace, since it opposes the Western understanding of competition, regarding (social) hierarchies as natural and normal. In addition, information sharing and passionate commitment can be challenging for Western firms, since the latter are often regarded as naïve in a business-to-business relationship and information sharing bears the risk of transmitting a company’s internal information or intellectual property.

Conclusion

The present study discusses the conventional antagonistic view of power and trust and explores whether this concept can be found in collaborative business relationships in the case of Toyota and its suppliers. It finds high power asymmetry between Toyota and its suppliers, but at the same time a high level of trust between them. Hence, this research contributes to the research stream considering power and trust as complements rather than substitutes. Though usually considered to be a paradox, Toyota appears to have the ability to manage these contradictory elements, which this study describes as the coalescence of power and trust, thereby coordinating relationships within the network. As this study de facto cannot confirm the antagonistic view of power and trust in the field, it draws on the recent paradox literature by putting forward the epistemological system of yin-yang (Fang, 2012; Li, 2016; Pauluzzo et al., 2018), explaining the non-paradoxical view of apparently mutually exclusive elements. The study results in six antecedents for the management of power and trust.
coalescence that are important to the practice of supply chain management. To understand better the effect of yin-yang on management, the study recommends that future research progress from theoretical discourse to making yin-yang central to applied management research.

References


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Industry: An Application of Design-Based Comparative Advantage., MMRC Discussion papers No. 323, University of Tokyo, Tokyo.


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Tables and Figures

Table 1. Power and trust antagonism

<table>
<thead>
<tr>
<th>Quote</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Trust and power are typically viewed as orthogonal”</td>
<td>Cook et al. (2005, p. 41)</td>
</tr>
<tr>
<td>“Power and trust are incompatible and the opposites of each other”</td>
<td>Gangl et al. (2015, p. 13)</td>
</tr>
<tr>
<td>“Power and trust are often regarded as substitutes”</td>
<td>Edelenbos and Klijn (2007, p. 34), based on Luhman (1988)</td>
</tr>
<tr>
<td>“Coercive power and goodwill trust cannot coexist in a relationship, as coercive power is mostly found in adversarial asymmetric relationships (...) and may result in retaliation”</td>
<td>Meqdadi et al. (2017, p. 65)</td>
</tr>
<tr>
<td>“Horizontal relationships may involve trust and cooperation and vertical relationships power and compliance”</td>
<td>Granovetter (2002, p. 36)</td>
</tr>
</tbody>
</table>

Table 2: Power bases according to French and Raven (1959)

<table>
<thead>
<tr>
<th>Power base</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coercive</td>
<td>Ability to manipulate the attainment of valences (“power to sanction”)</td>
</tr>
<tr>
<td>Reward</td>
<td>Ability to reward—for example, through incentives</td>
</tr>
<tr>
<td>Expert</td>
<td>Knowledge perception of a superior</td>
</tr>
<tr>
<td>Legitimate</td>
<td>Power of authority, which stems from internalized values that A has a legitimate right to influence B, and B has an obligation to accept this influence</td>
</tr>
<tr>
<td>Referent</td>
<td>Desire to identify with a superior; feeling of oneness; desire to become associated with a superior</td>
</tr>
</tbody>
</table>
Figure 1: Interview partner characteristics

Keiretsu

OES

Denso

Toyota

OEM

Non-Keiretsu

OES

Bosch

OES

Aisin Steel

Japanese origin

Foreign origin

Notes:
OES: Original equipment supplier (i.e. supplier)
OEM: Original equipment manufacturer (i.e. auto maker)

Table 3: Corporate profiles

<table>
<thead>
<tr>
<th>Role</th>
<th>Toyota Motors</th>
<th>Denso</th>
<th>Aisin Steel</th>
<th>Bosch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarter location</td>
<td>Japan</td>
<td>Japan</td>
<td>Japan</td>
<td>Germany</td>
</tr>
<tr>
<td>Est. (year)</td>
<td>1937</td>
<td>1949</td>
<td>1940</td>
<td>1886</td>
</tr>
<tr>
<td>Owned by Toyota (%)</td>
<td>-</td>
<td>25%</td>
<td>30%</td>
<td>-</td>
</tr>
<tr>
<td>Major products</td>
<td>Automobiles</td>
<td>Automotive components</td>
<td>Steel products, forgings and electro-magnetic products</td>
<td>Automotive components, power tools, industrial technology, security systems</td>
</tr>
<tr>
<td>Focal market</td>
<td>International</td>
<td>Japan, increasingly with non-Japanese customers</td>
<td>Japan, with ambitions abroad</td>
<td>International</td>
</tr>
</tbody>
</table>

Source: Annual reports, corporate websites
Table 4: Interview participants

<table>
<thead>
<tr>
<th>Interview no.</th>
<th>Participants</th>
<th>Location</th>
<th>Firm</th>
<th>Job level</th>
</tr>
</thead>
<tbody>
<tr>
<td>GI1</td>
<td>2 (+3)</td>
<td>Japan</td>
<td>Toyota</td>
<td>General Manager, Group Manager</td>
</tr>
<tr>
<td>GI2</td>
<td>3 (+3)</td>
<td>Japan</td>
<td>Aichi Steel</td>
<td>General Manager, Manager, Manager</td>
</tr>
<tr>
<td>I3</td>
<td>1 (+1)</td>
<td>Japan</td>
<td>Denso</td>
<td>Director</td>
</tr>
<tr>
<td>I4</td>
<td>1 (+1)</td>
<td>Japan</td>
<td>Bosch</td>
<td>Director</td>
</tr>
</tbody>
</table>

*Note:* Participants: number of interview partners, with number of interviewers in brackets

Figure 2: Paradigms to manage the power and trust coalescence

<table>
<thead>
<tr>
<th>Informal institution</th>
<th>Critical theme (base)</th>
<th>Management paradigm (codes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coercive</td>
<td>Sanctioning power</td>
</tr>
<tr>
<td></td>
<td>Reward</td>
<td>Annual rewards for outstanding supplier</td>
</tr>
<tr>
<td></td>
<td>Expert</td>
<td>High in-house competence, technological knowledge</td>
</tr>
<tr>
<td></td>
<td>Legitimate</td>
<td>Engineering excellence as a corporate value, long-termism, loyalty</td>
</tr>
<tr>
<td></td>
<td>Referent</td>
<td>High attraction to and identification with the industry leader</td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
<td>Empathy, care, help, social cohesion</td>
</tr>
<tr>
<td></td>
<td>(benevolence)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competence</td>
<td>Knowhow, offering advice and free assistance to the supplier</td>
</tr>
</tbody>
</table>

- Authority
- Delegation
- Community spirit
- Paternalistic benevolence
- Collaboration
- Commitment
Table 5: Suggested initiatives for managing the power and trust coalescence

<table>
<thead>
<tr>
<th>Item</th>
<th>Suggested initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority</td>
<td>Enforce authority by focusing on relationship and competence alike. Coordinate and encourage competition among network firms; offer support where necessary.</td>
</tr>
<tr>
<td>Delegation</td>
<td>Empower close tier 1 supplier to execute and disperse the central firms’ policies towards lower-tier suppliers.</td>
</tr>
<tr>
<td>Community spirit</td>
<td>Set up formal events with strong informal components (e.g. team sports).</td>
</tr>
<tr>
<td>Paternalistic benevolence</td>
<td>Establish a sense of belongingness and a culture of true paternalistic benevolence towards and among network firms.</td>
</tr>
<tr>
<td>Commitment</td>
<td>Create an environment transcending a sharp distinction between private and business spheres. Establish friendships rather than business partnerships between network firms.</td>
</tr>
</tbody>
</table>

Figure 3: Yin-yang to mediate paradoxes

![Yin-yang diagram]
Appendix 1

A. Interview instrument: OEM (auto maker)

A.1. Job-related demographic information
- Educational background and industry experience.
- Current position, tasks, and responsibilities.
- Formal (organization-related) links to the supplier (OES).

A.2. Relationship with the supplier in general
- Please describe the relationship with Japanese suppliers.
- Please describe the relationship with foreign suppliers.
- Are there any notable differences in dealing with Japanese and foreign suppliers?

A.3. Relationship with the supplier. Focus: trust
- Please describe the level of trust between you and your suppliers.
- Are the suppliers’ actions always transparent?
- Do you think there are many secrets between you and your suppliers?
- Do you believe that your suppliers behave loyally?
- Do you believe that your suppliers honor the relationship even in times of crisis?
- Do you perceive your suppliers as not acting opportunistically? Or do they think about their own interest only?
- Do you believe that your suppliers are always fully cooperative?
- How do you cope with failure on the side of your suppliers?
- Do you invest any resources (e.g., developmental) in your suppliers; if so, which?
- What other forms of support do you provide to suppliers?
- How do you and your suppliers cope with extra costs (monetary and non-monetary)—for example, for additional engineering requests, additional tools needed, volatile part orders, and material cost or delivery delays?
- Do you offer routinely ‘free assistance’ to suppliers without charge?
- Do you feel that you and your suppliers act on shared values, beliefs, and common goals?
- Does fairness play a role in the relationship; for example, are the set targets achievable, are promises kept, and so on?

A.4. Relationship to the supplier. Focus: power
- How many options do you have available to choose from in terms of supplier selection?
- Are some suppliers more powerful than others? If so, why?
- Are suppliers very dependent on doing business with you? Do suppliers tend to be more dependent or independent?
- Do you believe that you are perceived differently by Japanese and foreign suppliers in terms of attractiveness?
- With reference to the relationship between you and your suppliers, how would you describe the nature of your leadership?
- Can the relationship between you and your suppliers be described as being equal or does one party have power over the other? If so, what are the causes?
- Please explain the sanctions or punishment and reward systems that you may have in place, if any.
- What incentives do you provide to manipulate suppliers’ performance?
- How would you describe a) the distribution of technical and non-technical competence between you and your suppliers; and b) the influence that this has on your authority in the relationship?
(Appendix 1, cont’d)

**B. Interview instrument: OES (supplier)**

**B.1. Job-related demographic information**
- Educational background and industry experience.
- Current position, tasks, and responsibilities.
- Formal (organization-related) links to the OEM.

**B.2. Relationship with the OEM in general**
- Please describe the relationship with the OEM.
- Please describe the relationship with other suppliers (domestic and international) and the role that the OEM plays therein.
- Please describe the OEM’s management style and approach toward suppliers.

**B.3. Relationship with the OEM. Focus: trust**
- Please describe the level of trust between you and the OEM.
- Are the OEM’s actions always transparent?
- Do you think there are many secrets between you and the OEM?
- Do you feel that you are treated in a fair way by the OEM?
- Do you behave loyally to the OEM? If so, how would you describe this?
- Do you honor the relationship even in times of crisis?
- Do you perceive the OEM taking care of you in terms of support and commitment? Do you perceive the OEM as behaving opportunistically?
- How would you characterize the method of cooperation between you and the OEM?
- What action does the OEM take in the case that you do not meet expectations?
- Does the OEM invest any resources to support you so that your performance increases?
- How do you and the OEM cope with extra costs (monetary and non-monetary) that may occur on your side—for example, for additional development time, additional tooling, or increases in material cost, and so on?
- Do you often receive ‘free assistance’ from the OEM without being charged?
- Do you feel that you and the OEM share the same values, beliefs, and common goals?
- Does fairness play a role in the relationship?
- For example, are the targets set by the OEM achievable, are promises kept, and so on?

**B.4. Relationship with the OEM. Focus: power**
- Does your business depend on only one or a few OEMs, or do you have a diversified portfolio?
- Do you perceive the OEM as being more powerful than you? If so, why? What are the sources?
- Is the OEM from your point of view an attractive customer? If so, why?
- With reference to the relationship between you and the OEM, how would you describe the nature of the OEM’s leadership?
- Do you feel that the OEM respects you?
- Do you feel that you and the OEM have an equal relationship or does one party have power over the other? If so, why do you think that is? What are the causes?
- Please explain how the sanctions or punishment and reward systems that the OEM may have in place work.
- What incentives does the OEM offer to push you toward higher performance?
- How would you describe a) the distribution of technical and non-technical competence between you and the OEM; and b) how this influences your authority in the relationship?
Meanwhile, there is a journal solely dedicated to trust research. The *Journal of Trust Research* was founded by Founding Editor in Chief Peter Ping Li and first published in 2011 by Taylor and Francis (Routledge).

The supplier names are anonymized throughout the text, as explicitly requested by the interview partners.

It is an interesting fact that alumni or university-based ties are mentioned here as serving as an informal base for bonding and open information transfer. While university-based ties in many Western countries generally do not have such an extraordinary impact on interpersonal relationships in business, it is known that, for instance, Korean *hakyon* (i.e., university-based) ties can create a lifelong lasting bond and are part of so-called *yongo* ties, which, defined on a very general level, have identical characteristics to Chinese *guanxi* ties but are much more exclusive and to a great extent preset (for details, see Horak, 2014; Horak and Klein, 2016; Horak and Taube, 2016).

*Amae* is an indigenous Japanese construct that translates into English as ‘dependency’ but has a much deeper meaning. It is often described as like a mother-child relationship, with the child’s strong desire to be close to the mother. Other definitions use terms like ‘indulgent dependency,’ ‘dependency wish’, or ‘drive to dependence’ (for more details, see Umemura and Traphagan, 2015).