Performance in Principal-Agent Dyads: The Causes and Consequences of Perceived Asymmetry of Commitment to the Relationship

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We focus on the principal-agent relationship in a distribution channel. In a services context (insurance), we examine how two facets of performance, from the point of view of both the principal and the agent, are influenced by the perceiver’s belief that it is more committed to the relationship than is the other party. Using primary data from 255 insurance agent-insurance provider dyads, we show that each side’s assessment of how much it benefits from the dyad is related in a potentially dysfunctional manner to its perception of asymmetric commitment. Perceivers rate their performance outcomes from the dyad (i.e., harmony and profit) highest when they believe they are less committed than their counterpart. Conversely, they rate their own performance outcomes lowest when they believe they are more committed than the other party. We explain this finding in terms of suspected opportunism and offer a partial test of this explanation compared with explanations from theories of equity and power/dependence. Further, we demonstrate that each party’s perception of asymmetric commitment partially reflects actual asymmetry, as measured by confidential data collected from both sides. Perceived asymmetric commitment is also shown to be related to levels of communication and dependence in the dyad. Managerial implications for reducing perceived asymmetric commitment and improving the performance outcomes of each dyad member are discussed.

(Principal-Agent Relations; Interorganizational Relations; Organizational Performance; Long-Term Relationships; Commitment; Opportunism)

1. Introduction
The most common form of distribution channel is one in which the manufacturer of a product or service goes to market via channel members that are independent entities (Stern and El-Ansary 1993). In these circumstances, the manufacturer can be considered a “principal,” which depends on (and gives limited authority to) a representative known as an “agent” in order to bring a product or service closer to the point of final sale (Pratt and Zeckhauser 1985).

The specific relationships examined in this research are between insurance underwriters (principals) and independent insurance agents. Such relationships are pervasive in organization theory and management and are attracting increasing research attention (e.g., Eisenhardt 1989). Each party in this principal-agent dyad has some influence on the performance outcomes of the other party. In particular, the process by which the principal-agent dyad functions will create process outcomes, which can be positive (e.g., satisfaction) or negative.
(e.g., conflict). These process outcomes, while not themselves indicators of performance, are widely believed to enhance the functioning of a distribution channel and to increase each party's performance outcomes (e.g., current and anticipated profit) for both principal and agent (Dwyer et al. 1987; Mohr and Nevin 1990; Stern and El-Ansary 1993).

The purposes of this study are twofold. The first goal is to ascertain whether each party’s own outcomes from the dyad are influenced by that party’s understanding of the levels of commitment present in the relationship. We examine the impact on one process outcome (conflict) and one performance outcome (current and expected profits) of a party's (perhaps mistaken) belief that the two sides fail to match or correspond in their level of commitment to the relationship (perceived asymmetry of commitment to the relationship). Each party (underwriter and insurance agent) reports on the profits derived from the relationship, as well as a critical process outcome, conflict. We find indications that both process and performance outcomes for the perceiver are more positive when the perceiver believes its commitment is lower than is that of its counterpart.

The second objective of this study is to examine empirically the antecedents of perceived asymmetry of commitment. We obtain confidential reports of actual commitment from both principal and agent and use these to estimate actual commitment asymmetry. We find that perceived and actual asymmetry are related to each other in positive fashion. We also find that higher communication levels and higher levels of dependence on the counterpart act to decrease the perception that one is in the uncomfortable position of being more committed than is one’s counterpart.

Below we argue for an analogy between individual-level processes and organizational-level processes and develop propositions about the impact of perceived asymmetry on process and performance outcomes, drawing from the bargaining and negotiation literature. We then develop a series of propositions about how process outcomes influence performance outcomes, drawing principally from literature on channel functioning and goal conflict. Finally, we develop propositions about the sources of perceived asymmetry, drawing from dependence theory and literature on accuracy in person perception. A description of the data collection and analysis follows. The paper concludes with a discussion of results, managerial implications, and directions for future research.

2. Development of Propositions

Perceived Asymmetry of Commitment and Own Outcomes

A considerable body of literature in distribution channel management concerns how channel members (e.g., manufacturers and distributors) can play their roles of principals and agents so as to raise the level of positive process outcomes in their relationship. The most-studied outcomes concern conflict and satisfaction, and the most-studied determinants of conflict and satisfaction have concerned the nature and usage of power, generally that of the principal (Reve and Stern 1989). In general, this literature supports the proposition that the use of coercive power by one party negatively impacts the process outcomes of the other party (i.e., decreases satisfaction and increases manifest conflict) (Gaski and Nevin 1985). Often, this literature fails to distinguish satisfaction as a process outcome, instead treating it as synonymous with measureable results or outputs (Gaski 1984). Hence, there has been a dearth of tests of the impact of process on output measures of performance (Heide 1994).

This study examines a different, complementary explanation for how process outcomes arise by focusing on how each party reads (perceives) the other's level of commitment to their relationship. The literatures on distribution channels and on bargaining and negotiation form the basis of the general argument that process and performance outcomes experienced by either side of a principal-agent dyad are more positive when the perceiver (focal party) believes the other party's commitment is higher than is its own commitment.

Of late, feelings of closeness, or partnership, have attracted attention in several fields (e.g., Oliver 1990, Powell 1992, Kollock 1994)). Commitment is conceived as the sense of closeness one party feels towards the other. At the limit, a close relationship is one of quasi-vertical integration. We follow Anderson and Weitz's (1992, p. 19) conception that commitment

"goes beyond a simple, positive evaluation of the other party based on a consideration of the current costs and benefits
associated with the relationship. It implies the adoption of a long-term orientation toward the relationship—a willingness to make short-term sacrifices to realize long-term benefits. . . . commitment to the relationship entails a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship.

Given the centrality of this concept to the relationship, it is to be expected that at least some agents or principals will have made the effort to develop accurate impressions of their counterpart’s commitment, based in part on their counterpart’s behavior (Anderson and Weitz 1992). Further, it should matter to the players whether or not their commitment levels are similar. Hence, they will have made the effort to ascertain similarity as well. In short, the importance of commitment suggests that it is a useful basis upon which to examine perceived asymmetry. First, however, we digress briefly to consider the scope of the analogy between person perception and principal-agent perception.

Person Perception and Principal-Agent Perception. Clearly, an analogy between individuals and organizations can only be taken so far (Rousseau 1985). Where the analogy is most likely to apply is in a setting wherein a handful of persons are the major players; then it is those persons’ perceptions that matter, and that play a considerable role (Seabright et al. 1992). Such situations can arise in service industries, where the people embody the intangible “product” (Shostack 1987), and when at least one of the players is a small organization, in which case the person virtually is the organization. Such circumstances often arise in distribution channels, e.g., in the context of franchising. Franchisees are often small organizations with a single owner (whose perceptions are pivotal). And while the franchisor as a whole may be large, its perceptions of any given franchisee may be almost wholly formed by one individual: the district manager. Similarly, in the context of insurance agents, the agency is typically owned by one or a handful of individuals, while the (often mammoth) insurer’s dealings with and perception of any single agent are heavily influenced by the district sales manager or representative. In short, the process outcomes of insurer-agent dyads involve a handful of influential people, rather than a number of entities representing large organizations. This study takes place in the context of the insurance industry, a prototypical service industry wherein the “product” is intangible and difficult to understand (Crosby and Stephens 1987) and the service provider’s ability is crucial (Ziethaml et al. 1990). Consequently, the individuals assume the highest importance: although an insurance policy has observable features (e.g., contingency clauses), there is no physical product whose presence can completely substitute for the insurance agent (in the customers’ eyes) or for the district insurer representative (in the agent’s eyes). Under these circumstances, the analogy between individuals and organizations is a close one.

Perceived Asymmetry of Commitment. What are the effects, if any, of a perceiver’s belief that two parties are asymmetric in their level of commitment to a relationship? A considerable literature in person perception argues that it is psychologically valuable to believe in symmetry. Swann (1984) argues that when a “perceiver” chooses to associate with a “target” and believes it matches another party (for example, on degree of liking for the counterpart), the attributed similarity may have positive effects (or at least avoid negative effects) on the functioning of the relationship from the perceiver’s point of view. This is because when people believe they are similar, they believe (rightly or not) that they are better able to predict the behavior of the target. (Feeling unable to predict the target’s behavior gives rise to discomfort.) Consistent with this logic but in the interorganizational context, Eliashberg and Michie (1984) find some evidence that perceived dissimilarity of goals in a franchisee-franchisor relationship can be associated with greater conflict between the two parties.

This literature suggests that any asymmetry has negative consequences. However, the direction of the asymmetry may also be important. For example, Dwyer and Walker (1981) examine bargaining between pairs of negotiators when power is imbalanced. They show that weaker parties appear to expect and to get a smaller share of the pie of benefits to be divided between them, whereas stronger parties enjoy the reverse situation. Hence, they suggest that it is not the mere existence but the direction of an asymmetry in a relationship which matters.

If direction matters, it may be comforting or advantageous to believe that the other side is more committed, leaving oneself relatively undercommitted to the
relationship. Further, in the principal-agent context it may be discomfiting or disadvantageous for the perceiver to believe that it is overcommitted relative to its counterpart because this belief may create fear of opportunism. If the perceiver believes the counterpart is more committed to the relationship, the perceiver may be tempted to exploit the counterpart’s perceived excess of good will by misleading the counterpart (opportunism) and by avoiding bearing a fair share of costs and appropriating an oversized share of benefits from the relationship (Williamson 1985, Cook and Emerson 1978). Conversely, if the perceiver believes it is more committed than is the counterpart, the perceiver may fear becoming the object of opportunism and disproportionate cost bearing (Heide and John 1990, Anderson and Weitz 1989). In turn, fears of opportunism may become self-fulfilling prophecies or may erode the day-to-day functioning of the relationship (Klein et al. 1972).

The vast literature on trust (e.g., Gambetta 1988) is relevant here. In essence, the issue is whether the overcommitted side can trust the undercommitted counterpart not to exploit the mismatch in their attachment to the relationship. The fear, of course, is that the undercommitted party will act opportunistically in the belief that the overcommitted party will tolerate some level of reneging on the original (implicit or explicit) agreement in order to preserve the relationship (Williamson 1985). Transaction cost analysis argues that such fears are well grounded because opportunism is a pervasive phenomenon. Some critics vehemently disagree (e.g., Granovetter 1985, Bradach and Eccles 1989), arguing that trust can arise in business relationships, particularly recurring ones, and can mitigate fears of opportunism. Yet, even students of trust in interorganizational relationships agree that trust is fragile, difficult to build, and easy to destroy (Heide and John 1992, Young and Wilkinson 1988).

We consider two critical outcomes of the relationship as experienced by the perceiver, or focal party. One is the process outcome of conflict. The other is one’s own current and expected profits derived from the relationship. We propose that asymmetry has a deleterious effect on the functioning of a channel dyad in the following manner:

The greater the commitment a focal party attributes to its counterpart, relative to its own commitment,

P1a: The less conflict the focal party will perceive in the relationship:

P1b. The more profit (current and expected) the focal party will derive from the relationship.

The Impact of Process Outcomes on Performance

Distribution channel theory holds that if a channel’s intermediate (process) outcomes improve, so too will its performance outcomes, both collectively and individually (Stern and El-Ansary 1993, Mohr and Nevin 1990). Hence, for example, the most commonly studied process outcomes, greater satisfaction and lesser conflict, are expected to make the parties better off in the sense of increasing observable outputs, apart from the psychological value that arises from reducing tensions. “Better off” may be understood to mean a variety of rewards, e.g., profits, prospective profits, sales growth, and so forth (Lewin and Minton 1986). However, the actual link from intermediate (process) outcomes to more terminal performance outcomes has seldom been examined empirically (Gaski 1984, Hunt et al. 1995), except in the context of franchising, wherein it has been shown that higher satisfaction and lower conflict lead to greater fulfillment of objectives (Carman and Klein 1985). However, when moving from the asymmetric, power-charged relations inherent in franchising to the often symmetric, low-power relations of contractual channels, process outcomes may operate quite differently (Dant and Schul 1992).

In general, it is reasoned that conflict (intense and frequent disagreement over important issues (Brown and Day 1981) creates alienation and suspicion and retards cooperation, thereby reducing the fruits of the cooperation between two parties (Frazier 1983b, Tjosvold 1985). However, conflict is not universally viewed as undesirable at any level. Within limits, some conflict serves to prevent relationships from stagnating and to flag opportunities for improvement (Hunt et al. 1985). Anderson and Narus (1990) find that channel participants see some forms of conflict as functional and conducive to strengthening the relationship. This fits Pinkley’s (1990) contention that individuals can clarify issues and reach consensus by processes that are fundamentally conflictual. Nonetheless, at high levels, conflict is generally conceded to be costly to both parties (Reve and Stern 1989, Tjosvold 1985). Hence,
P2. The higher the level of conflict a party perceives in a relationship, the lower the party's current and expected profit derived from the dyad.

It is always an issue whether process outcomes, such as conflict, precede performance outcomes such as profit (as posited here) or whether they follow from performance. The prevailing state of theory indicates that process outcomes do influence how well the parties perform (Michie and Sibley 1985, Hunt et al. 1985, Stern and El-Ansary 1993, Anderson and Narus 1990, Kumar et al. 1992). Once performance results become known, they have a feedback effect, increasing or decreasing future levels of conflict (Scheer and Stern 1992). However, these feedback effects take place over multiple time periods, which suggests that a cross-sectional analysis in which process outcomes precede performance outcomes is a reasonable approximation.¹

Antecedents of Perceived Asymmetry of Commitment

Thus far, we have examined the consequences of perceived asymmetry of commitment. Now we turn to the sources of this perceived imbalance. It is reasonable to expect that perception is at least partially grounded in reality. That is, if two parties are actually operating at different levels of commitment to their relationship, each party should be able to observe indicators of their divergence and incorporate these indicators into their perceptions.

A substantial literature on the accuracy of person perception offers guidance here. This literature concerns how accurately a "judge" or "perceiver" can predict any one of a variety of properties (e.g., beliefs, personality traits, attitudes, behavior patterns) of another individual, the "target." Typically, this is assessed by computing some measure of distance between the judge's estimate of the target and some criterion variable indicating the target's true state. For excellent reviews, see Kenny and Albright (1987) and Kruglanski (1989). Most of this literature focuses on the measurement of accuracy and conditions under which accuracy is attained. The consequences of accuracy (e.g., more

¹ This assertion will be tested in the analysis section.

Harmonious social relations are more often assumed than tested.

One's degree of accuracy, of course, depends on what is being judged (Swann 1984, Lord 1985). In our context, commitment, or closeness, is very important to both principal and agent. The more important and the more observable the property, the greater the accuracy that can be expected (Funder 1987). This is because the perceiver can more readily gather and weigh information the more observable the property, and the perceiver is motivated to make the effort to do so when the property is important. Both sides can be expected to generate observable signals to the other side (Anderson and Weitz 1992). Realistically, however, these signals will contain noise. Error in reading the target's true commitment occurs when the target:

(1) fails to act in accord with its commitment in a range of circumstances visible to the judge, such that the judge has a large enough sample of behaviors to be accurate (Swann 1984)

(2) deliberately misleads ("games") the judge.

Deliberate misrepresentation of commitment is particularly intriguing, and a variety of motives may operate. For example, an uncommitted insurer may (mis)signal high commitment in order to induce the agent to reciprocate—while retaining its own flexibility of attitudes towards alternatives (Anderson and Weitz 1992). Or a highly committed insurer may understate its commitment, fearing being perceived as vulnerable (signaling unwillingness to terminate the agent).

Nonetheless, it is reasonable to expect that the signals the target emits contain useful information, such that:

P3. Perceived asymmetry of commitment rises as actual asymmetry of commitment rises.

Perceptions are, of course, somewhat malleable, and may well be shaped by the needs and circumstances of the judge, as well as by the reality of the situation (Kenny and Albright 1987). One important factor concerns how much the judge (the focal party) depends on the target (the counterpart). Dependence, a concept rooted in sociology (Emerson 1962), has been widely used in the marketing and management literatures to study interactions between organizations (e.g., Frazier 1983). In particular, in the context of distribution channels, dependence has been related to sources of power
and to the influence strategies employed by the players in a relationship (Frazier and Rody 1991, Frazier et al. 1989).

According to Emerson's (1962) conceptualization, the focal party depends on its counterpart the more utility the counterpart provides and the more difficult it would be to find a replacement source for that utility. A dependent party, therefore, needs the relationship. That need, in turn, creates an uncomfortable level of vulnerability in a channel (Carman and Klein 1986), one which the other party may well threaten to exploit (e.g., Blois 1972, Heide and John 1988). One way to cope psychologically with that need is to minimize one's awareness of its magnitude, a form of cognitive control in the face of potentially aversive information (Fiske and Taylor 1984). This suggests that dependent parties may systematically narrow their perception of the extent to which their commitment exceeds that of their counterpart. Accordingly,

P4. The focal party's perception of how much its commitment surpasses its counterpart's commitment will narrow the more the focal party depends on the counterpart.

Another important factor is likely to be the extensiveness of communication between the two parties, a factor which plays a critical role in distribution channel dyads (Mohr and Nevin 1990). Communicating involves an investment of resources (time, personnel), which becomes a sunk cost and which creates a potential for opportunity cost. This is particularly likely in insurance dyads because independent insurance agents tend to carry many brands of insurance policies and insurance writers have many agents; communicating heavily with each principal or agent would be prohibitively demanding. Hence, parties tend to devote more communication effort to some dyads than to others. Each party, of course, desires a return on its investment of effort, and that desire may lead the perceiver to believe that their counterparts come to feel more committed, perhaps as an act of reciprocity (Anderson and Weitz 1992). Further, communication increases trust (Anderson and Narus 1990), improving the atmosphere of the dyad and potentially reassuring the focal party that its commitment is commensurate with that of its counterpart. Hence,

P5. The more heavily the focal party and its counterpart engage in two-way communication, the less the focal party perceives the counterpart to be undercommitted.

Specifying a Baseline Conflict Model
Thus far, we have only considered the impact of perceived asymmetry of commitment upon conflict. To make this proposition into a hypothesis and test it requires a fuller specification of determinants of conflict for the purpose of estimating a baseline level of conflict, independent of the effect of perceived asymmetry. Such a specification is useful to separate perceived asymmetry from possible confounding effects. To this end, Figure 1 notes a number of control variables that serve to set the context of the relationship. These variables, while not exhaustive, do cover many of the major factors thought to influence conflict (Deutsche 1990, Rahim 1989, Thomas 1992).

While conflict is a property of the relationship, its effect on each side is due to how each side perceives its nature and level with its counterpart. We focus on each side’s perception, which we expect to be related to its counterpart. Another determinant of the level and nature of perceived conflict is past experiences which can provide a stable frame of reference for perceiving present and future interactions. Each side’s perception of conflict has considerable inertia (Deutsche 1974, Pinkley and Northcraft 1994). Thus, a major determinant of perceived current conflict is perceived past conflict. In particular, past incidents are critical in the development of relationships (Zajac and Olsen 1993): a relationship pocked by ugly past incidents is likely to recover only very slowly, if at all. Hence, it is likely that each side’s perception of current conflict increases with its memory of prior conflict. Conflict can also be fanned by turnover in the counterpart’s personnel: when the counterpart frequently changes faces, it is difficult for the perceiver to develop personal bonds in a relationship, bonds which serve to reduce tensions and work out misunderstandings (Granovetter 1985). A major source of disagreement is failure to carry out one’s role obligations vis-a-vis the relationship, which is in turn a function, in part, of personnel competence. This is acute in service industries, where service personnel “create the product” (Zeithaml et al. 1990, Schneider and Bowen 1995). Hence, perceived conflict should decrease with the level of
Figure 1 Conceptual Framework: Antecedents and Consequences of Perceived Asymmetry of Commitment

competence of the counterpart's personnel. Conflict is fanned when parties believe they are pursuing different goals, which can put them at cross purposes and reduce the motivation to coordinate (Tjosvold 1985). Hence, a player's perception of conflict should decrease the more it believes the dyad possesses goal congruence. It should also be expected that the more committed a party is to the relationship, the less conflict it perceives. This is partially a selection effect: firms tend to choose more compatible parties as objects of commitment (Anderson and Weitz 1992). There is also an element of behavior: firms invest in committed relationships as a conscious choice and have an interest in working to reduce conflict (Williamson 1985). In this vein, Heide and Miner (1992) show that parties with a long time horizon (an important element of commitment) behave towards each other with greater flexibility, which should dampen dispute.

A final (and more exploratory) influence may be how the counterpart approaches controversy. A party that avoids controversy by avoiding the confrontation of potential problems may indeed succeed in dampening current conflict. In contrast, a party that confronts potential disagreements, that is open and willing to discuss problems, may find that disputes are flushed out and perhaps even fanned. Over the longer run, such an approach may indeed be functional. But in the short term, current conflict may indeed be enhanced when the counterpart is open and willing to discuss any issue.

Specifying a Baseline Profit Model
All else constant, a party should derive more financial benefit from higher-performing relationships. In turn, relationships should perform better when parties bring marketplace advantages to bear. Hence, each party should derive more from relationships with counterparts which possess competitive superiority in the marketplace. For both parties, this encompasses management competence. More specifically, for agents, this subsumes salesforce superiority over other agents, while...
for principals, this includes product superiority over other insurers. While competitive superiority is a property of the actor (firm), this competitive superiority is translated into a competitive advantage of the relationship when the competitive advantages of actors complement each other, that is, when the advantages of each magnify the efforts of the other. The existence of these complementary competencies in a relationship, which we label synergy of operations, provides an advantage for the dyad over other dyads and increases profits. Finally, own commitment to the relationship should enhance performance because each party has a vested interest in making the relationship effective and will work to do so (Anderson and Weitz 1992). Here again, Heide and Miner (1992) show that parties with a long time horizon (operating under a long "shadow of the future") cooperate more fully, which should increase the size of the pie to be divided.

Summary
The propositions outlined previously and summarized in Figure 1, suggest that perceptions of asymmetry in commitment are grounded in actual asymmetries, as well as dependence and communication levels. The propositions also state that each party will find its channel relationship less conflictual and more profitable the more the party believes its counterpart is more committed than is the perceiver. Further, each party derives greater financial rewards the better the process outcome (the lower the conflict) and the higher the level of each party’s commitment to the dyad.

3. Data Collection and Measure Development

Data Collection
The dyadic nature of this study and its considerable data requirements led the researchers to seek extensive cooperation from a small number of major firms employing a wide range of principal-agent relations. Selection of the insurance industry minimizes inter-industry heterogeneity while providing a highly competitive setting in which both agents and principals have a wide range of choice of partners and have relatively low barriers to exiting their relationships. Thus, commitment is not easily given, and few relationships are exclusive.

Such a setting allows for considerable variation in commitment, in turn allowing for variation in actual similarity, perceived similarity, and perceptual agreement.

Two major insurance firms were approached and agreed to cooperate. One insurer covers the property/casualty market, both individual and commercial, while the other offers primarily life insurance and employee benefit program plans. Hence, these two large firms cover the major domains of the insurance industry. Further, both insurers indicated (and the data agreed) that their relationships with their independent insurance agents vary considerably across agents, providing useful variance in the constructs measured. The insurers agreed to participate in return for customized summaries of their agent relationships.

Agent relationships are a subject of considerable interest in the insurance industry. From the insurer’s standpoint, agents, whose commissions are a substantial fraction of total industry costs, are much better informed than are insurers of the true risk level of the prospects they recommend to be insured, as well as the legitimacy of many of the claims filed by their customers (Cummins and Weisbart 1977). Understanding a prospect’s risk level in order to induce the insurer to write a policy at a price acceptable to the insured (the adverse selection problem) and overstating the extent and validity of claims in order to retain the customer’s business (the moral hazard problem) are practices that have always been of great concern to insurers because, unchecked, they eventually create a high loss ratio (claims/premums), substantially impacting the insurer’s profitability (Joskow 1973, Grossman and Hart 1986). It is widely believed that many independent insurance agents, most of whom sell multiple brands, feel little loyalty to any one insurer and will practice opportunism (adverse selection and moral hazard) to the limit of what they believe is the insurer’s ability to detect it (Dimond 1988). That ability, in turn, is limited, as the insurer cannot economically duplicate the agent’s intimate local knowledge of the market and of each individual risk (Arrow 1985).

One way of solving the adverse selection problem would be for the insurer to have a menu of contracts from which a consumer can choose. The menu of insurance contracts would be designed so that the consumer’s true risk would be revealed by his/her choice.
In this way, insurers are able to discriminate between consumers which present different levels of risk. However, menu pricing does not solve the adverse selection problem completely because the optimal menu of insurance contracts will leave low-risk consumers underinsured (Rothschild and Stiglitz 1976, Wilson 1977). Further, there are no menu pricing or agent compensation schemes that effectively solve the moral hazard problem of filing false claims.

Therefore, forging strong, committed, long-term relations with agents may be an effective way to reduce agent opportunism, hence increase insurer profitability. This helps to explain why interest in forming such relationships is high in the insurance industry, which refers to close relationships as the “preferred agency system” (Mulcahy 1988, Dimond 1988). From the agent’s viewpoint, forging committed relationships may be desirable because of intense competition for business. Agents may be able to differentiate themselves to prospects as customers as preferred agents of a well-regarded insurer. And agents may receive preferential treatment in converting prospects to buyers in such forms as receipt of leads and referrals, faster quotations, and better quoted terms, Post sale, the committed agent may hope that its customers will receive preferential treatment whenever the inevitably subjective process of settling claims occurs.

A survey instrument was developed via a literature review and field interviews with selected agents and personnel from the two insurance writers participating in the study. Field interviews were also used to simplify, clarify, and streamline the proposed questionnaire. The two insurers then randomly selected enough names to yield a representative cross section of their agents and supplied mailing lists giving the name of the person in the agency who was most knowledgeable about the relationship with the insurer (as these are typically small firms, the person identified was usually the owner). The insurers also indicated the name and address of the most knowledgeable person in their own organization concerning the relationship with a named agent. This person was usually the agent’s direct liaison, i.e., the field sales manager for the insurer.

The researchers mailed to each matched pair a survey, coded to identify the respondent. The company informant received a questionnaire specifically about the (named) agent (not about the company’s agents in general), while the agent informant received a survey about the insurer (named), (not about insurance companies in general). Both the agents and their company counterparts received a form letter from the insurer requesting cooperation and guaranteeing confidentiality and a cover letter from the researchers. This letter explained that the study was under university auspices, that all individual responses were confidential, that the identification code would be used solely to match the dyad members, and that the objective was to ascertain how agent-insurer relationships operated. Respondents were promised a generalized summary of the findings. One follow-up mailing was made a month later.

Response rates differed markedly across the two companies. The property/casualty insurer, a mammoth firm, supplied lists for 452 pairs that generated a 54% response rate among agents and a 71% rate among company personnel. Many of the responding agents wrote a small number of policies for this insurer but responded anyway. In contrast, the life insurer, a large but less well known firm, supplied lists for 151 pairs and enjoyed only a 35% response rate from agents and 55% from corresponding company personnel. Surprised, the insurer searched its information system internally and conducted telephone inquiries. Their investigation revealed that the insurer’s addresses and listings were often inaccurate. Further, many of the agents reached reported that they did not respond because they had not written a policy for the insurer in years (not surprisingly, their company counterparts failed to respond because they did not recognize the agent name on their survey). The insurer concluded that its information system needed revision and that approximately two thirds of the names it had supplied represented correct names and addresses of active agents. If so, the effective response rate approximates 53% for agents and 82% for company personnel. Management indicated that a list of responding agents provided by the researchers is a reasonable cross section of their active agents (those that had written a policy within the last year).2

2 In all analyses, responses from the two companies were analyzed separately so that their ability to be pooled could be ascertained. In all cases, the company data proved poolable.
Ultimately, there are 255 dyads (insurer and agent) for which both sides provided commitment measures, permitting the comparison of each side’s self-report of its commitment to the other side. Of these 255 pairs, representing 510 focal actors, 493 are complete on every measure invoked in Figure 1. For purposes of measure development, the sample size of each side (insurer underwriter and agent) is relevant and ranges up to 297 observations for agents and 368 observations for underwriters.

Measure Development
All constructs were measured following the procedure recommended by Nunnally (1978) and Churchill (1979). Specifically, a pool of items generated a priori to reflect multiple manifestations of a construct were factor analyzed one by one to assess their unidimensionality. Once unidimensionality was established, Cronbach alpha was used to assess the reliability of the core of items. Finally, scales were composed by averaging the items. Scales used in estimation are shown in the measurement appendix and are briefly summarized below.

Dependence is measured as a series of items reflecting the value to the focal party of the benefits derived from the relationship and the difficulty of obtaining those benefits from a different counterpart. Thus, the value and the rarity of these benefits are mingled in this scale.

Communications is measured as the volume of information exchange between the two parties on a variety of subjects relevant to the relationship.

Commitment scales are subscripted using the following convention:
FF = “Focal party reporting on Focal party,” i.e., a self-report of own commitment to their relationship.
CC = “Counterpart reporting on Counterpart,” wherein the focal actor’s counterpart gives a self-report on its commitment to their relationship.
FC = “Focal party reporting on Counterpart,” i.e., the focal actor’s estimate of its counterpart’s commitment to their relationship.

Any variable subscripted CC is not known to the focal actor because it represents a property reported (in confidence) by the counterpart. The focal actor may only conjecture as to the value of this variable (a conjecture is denoted FC). While the conjecture (FC) may be accurate, it is nonetheless only an estimate imputed to the counterpart by the focal actor. When the agent is being examined, the insurer is the counterpart, while the agent is the counterpart when the insurer is the focal actor.

Each side’s commitment to the relationship (COMMITFF) is measured using eight items and is similar to the scale developed by Anderson and Weitz (1992). Commitment is conceptualized as a complex of attitudes and behaviors that reflect a relationship between counterparts so close that they approximate one party. This complex includes loyalty to the other party, an expectation (and desire) that the relationship continue, a belief that concessions will even out in the long run, a sense of long-term alliance, and a willingness to invest in the relationship, even to the point of making sacrifices to strengthen it. Behaviors reflective of commitment are assessed, such as defending the other party against criticism and not searching for competing products to represent. Coefficient alpha for each scale (agent and company) exceeds 0.90. Each side reports on its own internal state of commitment, and each side will play the focal actor role. Hence, this measure is denoted COMMITFF.

Nomological Validity of the Commitment Measure.
As commitment is an essential element of this study, an effort was made to establish the nomological validity of this measure. Presumably, each party will be selective in its choice of allies with whom to forge a close relationship. If so, each party will eschew committing to organizations which it regards poorly. Each party compiled a “portrait” of its counterpart on a semantic differential scale on which high scores indicated that the counterpart organization is: unimaginative, difficult to do business with, inflexible, not well managed, inconsistent, not trustworthy, or unreasonable. This scale (coefficient alpha = 0.90 for agents rating insurance companies and 0.89 for insurance companies rating agents) reflects a poor opinion of the counterpart’s competence. It correlates negatively with the focal party’s commitment to its counterpart (r = –0.60, p < 0.01).

It is important to establish that commitment is a strategic choice in the sense that it builds slowly, as a function of past actions which are difficult to reverse (Ghemawat 1991). Anderson and Weitz (1992) examine how commitment differs from mere positive affect, showing a linkage between relationship-specific
investments made in the past and current commitment. We use a similar measure of idiosyncratic investment, a seven-item scale (coefficient alpha of 0.89) for companies investing in agents and a five-item scale (coefficient alpha of 0.88) for agents investing in companies. For agents, commitment to the insurance company and company-specific investment show a correlation of 0.42, while for companies committing to agents, the correlation is even higher (0.74). This suggests that commitment is bound to past choices, rather than being an expression of momentary affect which is easy to revise.

It is also noteworthy that commitment is not merely an expression of inertia built up over time. The age of the relationship shows a correlation with commitment of 0.05, which is not statistically significant. This suggests that commitment is a property that reflects what occurs in the relationship and what is expected to occur, rather than mirroring only the passage of time.

*Each side's perception of the other side's commitment* (COMMIT\textsubscript{FC}) are eight-item scales from each side which are simply restatements of the "own commitment" scales but expressed as a conjecture (belief or estimate) about how the other party feels and behaves. Coefficient alpha for each scale exceeds 0.90.

*Perceived dissimilarity of commitment* is, conceptually, how far apart the focal actor perceives the dyad members to be in their commitment levels. Operationally, we measure this as the difference between what the focal actors' commitment is (COMMIT\textsubscript{FP}) and the counterparty's level of commitment (COMMIT\textsubscript{CP}). The reliability of this difference scale is 0.72. *Actual dissimilarity of commitment* is, conceptually, how far apart the dyad members actually are in their commitment levels. Operationally, we measure this as the difference between what the focal actors' commitment is (COMMIT\textsubscript{FP}) and the counterparty's level of commitment (COMMIT\textsubscript{CP}). The difference of these two scales is consistent with conceptual and psychometric definitions of differences between perceiver and actor (Sulskey and Balzer 1988). This difference score has a reliability of 0.84.\footnote{Following Peter et al. (1993), the reliability of a difference scale may be estimated as:}

\[ r_0 = \frac{\sigma^2_{r_{12}} + \sigma^2_{r_{22}} - 2r_{12}\sigma_1\sigma_2}{\sigma^2_1 + \sigma^2_2 - 2r_{12}\sigma_1\sigma_2}, \]

where $r_{11}$ and $r_{22}$ are the reliabilities of each of the two component scores, and $r_{12}$ is the correlation of the two scores. As component intercorrelation rises, the reliability of the difference falls. Hence, difference score reliabilities are often lower than the reliability of either component, which is the case in all the difference scores presented here. However, in all cases, the difference score reliability exceeds the threshold of 0.7.

* How similar do perceivers and targets think their commitment levels are? Swann (1984) argues that perceivers have a psychological need to believe they are similar when they elect to associate with the target (the situation in principal-agent dyads). This argument is supported by the data: of 508 perceivers with complete data for these variables, 82% think they are fewer than one scale point from their targets in their level of commitment. However, there is a range of up to almost four scale points.

* How similar are the perceivers and targets in actuality? While less similar than they believe they are, agents and insurers are not far apart in their commitment levels: 63% are within one scale point of each other. Again, however, their differences range up to four scale points.

**Nomological Validity of Perceived Asymmetry of Commitment.** It may be argued that the perceiver's estimate of being overcommitted represents merely a relabeling of a familiar phenomenon, that is, asymmetric dependence (Emerson 1962). By this line of reasoning, actors who are less powerful in a relationship (more dependent on their counterparts than their counterparts are upon them) will believe that their commitment exceeds that of their counterpart. According to Pfeffer and Salancik (1978), this dependence represents external control from the environment, which organizations are inclined to resist. To assess this possibility, we computed an index of overdependence, which is the focal

\footnote{Difference measures such as these have certain limitations (Peter et al. 1993). Reliability is reduced, which may result in lower discriminant validity. In addition, spurious correlations may result from the correlation of the component measures with the focal variable. Due to the excellent reliability of our commitment measures (see Table 1), both of these scales retain a high reliability, over 0.7. We deal with the concern of spurious correlation by including own commitment as a control variable in our model as perceived asymmetry, as will be detailed in the model section below.}
party’s dependence less the counterpart’s dependence (the reliability of this difference score is 0.89). Overdependence correlates at the 0.48 level with actual asymmetry of commitment, low enough to suggest discriminant validity but high enough to suggest a relationship between actual asymmetry and overdependence. Our index of overdependence shows a correlation of only 0.12 with perceived asymmetry of commitment. While this is statistically significant, the correlation is low enough to suggest discriminant validity. It is notable that there is some positive correlation between overdependence and overcommitment, for ultimately, in a committed relationship, the parties may invest in each other and become both highly valuable and difficult to replace (Dwyer et al. 1987, Williamson 1991). However, it is more notable how low the correlation between perceived asymmetry of commitment and overdependence is. The linking of commitment and dependence is neither quick nor inevitable.

Own profitability has both a current component (“this company’s products are very profitable for me”) and an expectation that the counterpart will continue to generate benefits (rewards) in the future. Reference here is to the focal party’s profits from the counterpart, as opposed to profits jointly produced by the dyad or profits that flow elsewhere in the system. This is a perceived measure supplied by the focal agent. As a validation measure, the insurer provided an estimate of the sales volume the agent produced on the insurer’s behalf: this is the revenue generated by the relationship. Relationship-specific revenue correlates at the 0.10 level (significant at $p < 0.05$). But as profit and revenue are not synonymous (particularly in the selling of insurance), it is not surprising that this correlation is not higher.

Superiority of counterpart relative to its competitors reflects the business advantage of the counterpart independent of its relationship with the focal party. As the bases for competition are not the same between principals (insurers) and agents, the scales differ somewhat. Both refer to being well managed. However, the agent scale focuses on sales efforts (referring to coverage and quality of the sales force), while the insurer scale focuses on what the principal provides (referring to product superiority and management superiority in the writing of insurance).

Synergy between focal party and counterpart refers to the fit between the products of the insurer and the other products in the agent’s portfolio and is measured by a single item.

Conflict is conceptualized consistent with Brown and Day’s (1981) view that manifest conflict (which reflects negative attitudes and behaviors) means disagreeing frequently and intensely over important issues. Brown and Day (1981) demonstrate that this view of conflict is convergent with a number of other approaches to the measurement of conflict.

Goal congruence is the belief that the counterpart shares the focal party’s objectives.

History of intense conflict with counterpart reflects prior conflict that surpasses the norms of the industry.

Quality of counterpart’s personnel is a broad index of the competence of the people who work for the counterpart.

Turnover of counterpart’s liaison personnel is a single item reflecting change in those people who deal with the focal party (not the counterpart as a whole).

Counterpart’s openness and willingness to discuss any issue is the only measure that is not reported by the focal party, in whole or in part. It is the counterpart’s report of its own proactiveness in flushing out and dealing with problems in the relationship (as opposed to attempting to avoid controversy and confrontation).

4. Model Estimation and Results

Model Specification
We present a system of three equations corresponding to Figure 1. In this study, both agents and company representatives alternate taking the focal actor role, as detailed below. We note that a plausible specification would be a nonrecursive system, allowing for a simultaneous relationship between profit and conflict. If Figure 1 is adapted in this fashion, the resulting system of two equations in two endogenous variables is identified, both pre- and post-estimation. However, 3SLS estimation results indicate that the path from profit to conflict is well below conventional statistical significance levels, with a $t$ value of only .658 (see estimation appendix). This result suggests that if the focal party’s sense of the profit (current and expected) derived from the relationship influences future conflict, it does so.
over a fairly long time horizon. Given this result, which is consistent with the distribution channels literature, a simpler recursive structure was adopted.

Figure 1 shows a recursive system of equations which can be estimated via a series of ordinary least squares regressions. However, theory suggests that the interrelationships among the endogenous variables (profit, conflict, and perceived asymmetry of commitment) may be richer than is suggested by the sequential ordering presented in Figure 1. In particular, the outcomes of conflict and profit may be created by many of the same forces, omitted in our model, and may therefore have correlated error terms in this system of equations. Hence, we estimate the entire system simultaneously using seemingly unrelated regression (Hargens 1988).\(^5\)

The system of equations is as follows.

\[
\Pi_i = \alpha_0 + \alpha_1PAC_i + \alpha_2\text{COMMIT}_i + \alpha_3\text{SYN}_i + \alpha_4\text{SUPER}_i + \alpha_5\text{CONF}_i + \alpha_6\text{AGENT}_i + u_{1i},
\]

\[
\text{CONF}_i = \beta_0 + \beta_1PAC_i + \beta_2\text{COMMIT}_i + \beta_3\text{TURN}_i + \beta_4\text{QUAL}_i + \beta_5\text{CONGRU}_i + \beta_6\text{HIST}_i + \beta_7\text{OPEN}_i + \beta_8\text{AGENT}_i + u_{2i},
\]

\[
PAC_i = \gamma_0 + \gamma_1\text{AAC}_i + \gamma_2\text{COMMIT}_i + \gamma_3\text{DEP}_i + \gamma_4\text{COMM}_i + \gamma_5\text{AGENT}_i + u_{3i}, \quad \text{where} \quad (1)
\]

\(i = \) focal actor,
\(\Pi = \) current and expected profit derived from relationship with counterpart,
\(PAC = \) perceived asymmetry of commitment, \(\text{COMMIT}_{PF} - \text{COMMIT}_{FC}\),
\(\text{COMMIT} = \) commitment to the relationship, \(\text{COMMIT}_{PF}\),
\(\text{SYN} = \) synergy between focal party and counterpart,
\(\text{SUPER} = \) superiority of counterpart relative to its competitors,
\(\text{CONF} = \) conflict with counterpart,
\(\text{AGENT} = 1\) if focal party is the agent, 0 if the principal,
\(\text{TURN} = \) turnover of counterpart’s liaison personnel,

\(\text{QUAL} = \) quality of counterpart’s personnel,
\(\text{CONGRU} = \) congruence of goals with those of counterpart,
\(\text{HIST} = \) history of intense conflict with counterpart,
\(\text{OPEN} = \) counterpart’s openness and willingness to discuss any issue,
\(\text{AAC} = \) actual asymmetry of commitment, \(\text{COMMIT}_{PF} - \text{COMMIT}_{FC}\),
\(\text{DEP} = \) dependence upon counterpart, and
\(\text{COMM} = \) communication with counterpart.

All these measures are as perceived and reported by the focal party, with two exceptions. AAC is the difference of each side’s commitment (hence, implicating the counterpart’s report). OPEN is as reported by the counterpart and represents that party’s perception of how it behaves towards the focal party.

Table 1 shows the correlation matrix of these measures. Table 2 shows the SUR results, based on 493 complete observations drawn from each side of the original 255 dyads (insurer and agent) for which both sides provided commitment measures. Initially, these results were estimated as a series of OLS regressions, created separately for each side (agents only and insurers only). A series of Chow tests indicates that the two sides are poolable if a dummy intercept is added to represent the distinction between agents and principals (that is, insurance writers) in the database. As essentially the same dynamics appear to operate for agents relating to insurers and insurers relating to agents (a theoretically appealing result), the two sides are combined for a single analysis and then estimated using seemingly unrelated regression. In discussing the results, we will focus on the consequences of perceived asymmetry and then turn to the antecedents.

Consequences of Perceived Asymmetry

Our results indicate that, as hypothesized, the functioning of the relationship declines the more either side believes its commitment exceeds that of the other side (perceived asymmetry). In other words, believing that one is more committed than is the counterpart increases conflict (0.279) and decreases current and expected profit (−0.184). Hence, believing (correctly or not) that one is overcommitted has a deleterious effect on the performance of the dyad from the perceiver’s standpoint.

Further, the more committed the party (whether principal or agent) is to the relationship, the less the party
### Table 1  Correlation Matrix of Measures

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>5.22 (1.19)</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>B</td>
<td>0.35</td>
<td>0.29 (0.85)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>C</td>
<td>0.55</td>
<td>0.38</td>
<td>0.00 (1.30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>D</td>
<td>0.67</td>
<td>0.04</td>
<td>0.29</td>
<td>4.46 (1.15)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>E</td>
<td>0.66</td>
<td>0.03</td>
<td>0.29</td>
<td>0.52</td>
<td>4.12 (1.08)</td>
<td></td>
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</tr>
<tr>
<td>F</td>
<td>0.38</td>
<td>-0.03</td>
<td>0.20</td>
<td>0.56</td>
<td>0.34</td>
<td>3.76 (1.49)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>G</td>
<td>0.46</td>
<td>0.04</td>
<td>0.26</td>
<td>0.47</td>
<td>0.29</td>
<td>0.37</td>
<td>4.26 (1.03)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>-0.54</td>
<td>0.20</td>
<td>-0.27</td>
<td>-0.43</td>
<td>-0.39</td>
<td>-0.28</td>
<td>-0.32</td>
<td>5.08 (1.28)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>I</td>
<td>-0.19</td>
<td>0.20</td>
<td>-0.05</td>
<td>-0.13</td>
<td>-0.22</td>
<td>-0.11</td>
<td>-0.17</td>
<td>0.28</td>
<td>3.58 (1.90)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J</td>
<td>0.47</td>
<td>-0.18</td>
<td>0.22</td>
<td>0.37</td>
<td>0.41</td>
<td>0.26</td>
<td>0.41</td>
<td>-0.60</td>
<td>-0.40</td>
<td>4.92 (1.04)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>K</td>
<td>0.70</td>
<td>-0.19</td>
<td>0.33</td>
<td>0.60</td>
<td>0.62</td>
<td>0.39</td>
<td>0.40</td>
<td>-0.63</td>
<td>-0.27</td>
<td>0.56</td>
<td>4.86 (1.41)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>L</td>
<td>0.49</td>
<td>0.05</td>
<td>-0.24</td>
<td>-0.34</td>
<td>-0.35</td>
<td>-0.20</td>
<td>-0.25</td>
<td>0.57</td>
<td>0.24</td>
<td>-0.41</td>
<td>-0.46</td>
<td>3.50 (1.69)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>0.11</td>
<td>-0.06</td>
<td>-0.19</td>
<td>0.12</td>
<td>0.17</td>
<td>0.04</td>
<td>0.10</td>
<td>-0.05</td>
<td>-0.12</td>
<td>0.08</td>
<td>0.13</td>
<td>-0.02</td>
<td>5.37 (0.89)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>0.77</td>
<td>0.99</td>
<td>0.36</td>
<td>0.03</td>
<td>0.53</td>
<td>0.40</td>
<td>0.51</td>
<td>-0.55</td>
<td>-0.22</td>
<td>0.50</td>
<td>0.68</td>
<td>-0.47</td>
<td>0.13</td>
<td>4.79 (1.34)</td>
</tr>
</tbody>
</table>

A = COMMIT = commitment to the relationship, COMMIT<sub>mc</sub>, B = PAC = perceived asymmetry of commitment, COMMIT<sub>mc</sub> - COMMIT<sub>ec</sub>, C = AAC = actual asymmetry of commitment, COMMIT<sub>mc</sub> - COMMIT<sub>ec</sub>, D = DEP = dependence upon counterpart, E = COMM = communication with counterpart, F = SYN = synergy between focal party and counterpart, G = SUPER = superiority of counterpart relative to its competitors, H = CONF = conflict with counterpart, I = TURN = turnover of counterpart's liaison personnel, J = QUAL = quality of counterpart's personnel, K = CONGRU = congruence of goals with those of counterpart, L = HIST = history of intense conflict with counterpart, M = OPEN = counterpart's openness and willingness to discuss any issue, N = = current and expected profit derived from relationship with counterpart.

Notes: All measures are as perceived and reported by the focal party, with two exceptions. AAC is the difference of each side's commitment (hence, implicating the counterpart's report). OPEN is as reported by the counterpart and represents that party's perception of how it behaves towards the focal party.

Pairwise deletion of observations.

Maximum n = 510.

All correlations > |0.07| are statistically significant at p < 0.05.

Diagonal: Mean (Standard Deviation).
Table 2  Antecedents and Consequences of Perceived Asymmetry of Commitment, Seemingly Unrelated Regression Results

<table>
<thead>
<tr>
<th></th>
<th>Own Conflict Experienced in Relationship</th>
<th>Own Profits Derived from Relationship</th>
<th>Perceived Asymmetry of Commitment COMMITRF − COMMITRC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Asymmetry of Commitment to Relationship COMMITRF − COMMITRC</td>
<td>0.279***+ (0.067)**+</td>
<td>−0.184*** (0.054)</td>
<td></td>
</tr>
<tr>
<td>Own Commitment to Relationship COMMITRF</td>
<td>−0.272*** (0.068)</td>
<td>0.716*** (0.047)</td>
<td>0.456*** (0.047)</td>
</tr>
<tr>
<td>Synergy with Counterpart</td>
<td>0.054* (0.028)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Superiority of Counterpart</td>
<td>0.201*** (0.041)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own Conflict Experienced in Relationship</td>
<td>−0.155*** (0.037)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterpart’s Personnel Turnover</td>
<td>−0.011 (0.024)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Counterpart’s Personnel</td>
<td>−0.306*** (0.048)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal Congruence</td>
<td>0.156** (0.051)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contentious History in Relationship</td>
<td>0.197** (0.028)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterpart’s Openness of Communication</td>
<td>0.065* (0.045)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Asymmetry of Commitment</td>
<td>0.116*** (0.029)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMITRF − COMMITRC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependence upon Counterpart</td>
<td>−0.213*** (0.037)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Communication</td>
<td>−0.239*** (0.039)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dummy Variable: Agent (vs. Insurer)</td>
<td>0.064 (0.088)</td>
<td>0.056 (0.074)</td>
<td>0.321*** (0.063)</td>
</tr>
<tr>
<td>Intercept</td>
<td>−2.502*** (0.402)</td>
<td>−0.761*** (0.200)</td>
<td>−0.328** (0.174)</td>
</tr>
</tbody>
</table>

* p < 0.10 (one tailed), ** p < 0.05 (one tailed), *** p < 0.01 (one tailed).

Italicized typeface indicates report is the perception of the counterpart. All other reports are the perception of the focal actor except AAC, which combines focal and counterpart reports.

+ Coefficients.

++ Absolute value of standard error.

System weighted $R^2 = 56%$.

perceives conflict (−0.272), and the more the party derives (and expects to derive) profit from the relationship (0.716). However, even allowing for the substantial influence of own commitment, the relationship of perceived asymmetry of commitment to one’s own outcomes from the dyad is undisturbed. Table 2 also indicates that for both insurer and agent, one’s own profit levels (current and expected) appear to decrease as one’s sense of conflict increases (−0.155).

An important alternative specification to test concerns whether or not the direction of asymmetry is relevant. It can be argued that any perceived asymmetry is
deleterious to the relationship, i.e., that the best relationships are balanced in terms of each side’s commitment. Indeed, this is implicit in the argument tested in Elishberg and Michie (1984), wherein the squared difference of each side’s goals was related to conflict (i.e., the sign of the difference was not examined). To examine this possibility, multiple analyses were carried out using either the squared or the absolute value of perceived asymmetry. The results were noticeably weaker. Further, the observations were subsetted into only positive asymmetries (overcommitment) and only negative asymmetries (undercommitment), and the models were estimated separately for each subset. Chow tests revealed the two models were not poolable because the sign of the relationship is the opposite in each subset. Outcomes decline as asymmetry increases when the focal party is overcommitted, and outcomes improve as asymmetry increases when the perceiver is undercommitted. This is the relationship captured when the simple difference, rather than an unsigned difference measure, is employed.

Baseline Effects on Conflict and Profit
The baseline model of profit (i.e., the effects of control variables) operate as expected. Each side’s profit increases when the counterpart possesses competitive advantages (0.201) or the relationship is synergistic (0.054, weakly significant). It is important to note that these effects are in addition to the effects of commitment and perceived asymmetry of commitment, rather than being confounded.

The baseline conflict model also operates largely as expected. One’s own perception of current conflict is strongly tied to pronounced levels of past contentiousness (0.197); old arguments seem to die hard. Counterparts who report they are open and willing to confront any issue seem to provoke the perceiver’s sense that they are indeed disagreeing intensely over a range of important issues (0.065, weakly significant). It is notable that our measure comes from the counterpart. Presumably, the focal party agrees that the counterpart behaves in this fashion; however, we lack the data to assess the two sides’ perceptual convergence on how each party behaves towards the other. It is conceivable that behavior which seems to the actor to be open and willing to confront disagreement may appear to the perceiver as overbearing, aggressive, or merely argumentative. Perceived conflict declines when goals are aligned and the counterpart’s personnel are competent, at least in the eye of the beholder (−0.306). Competence, in turn, seems far more important than personnel turnover, which has no significant impact on conflict. Once again, it is noteworthy that these covariates, often mentioned in the literature, do not function as alternative explanations for the impact of commitment and perceived asymmetry of commitment.

Antecedents of Perceived Asymmetry of Commitment
In terms of the antecedents of perceived asymmetry, results are as hypothesized. Perceived asymmetry decreases with the focal party’s dependence on the counterpart (−0.213), and its level of communication with the counterpart (−0.239). Agents appear to view themselves as systematically more overcommitted than insurers (0.321); this may reflect the considerable difference is in the scale of operations of an insurer versus an agent. Finally, the focal party does appear to perceive and incorporate at least some features of the situation: perceived asymmetry is positively related to actual asymmetry (0.116), as indexed by the focal party’s confidential report of its commitment less the counterpart’s confidential report of its commitment. Note that the respondents do not have access to these reports; yet, these reports are strongly and positively related to perceived asymmetry of commitment.

The possibility of model misspecification arises in this context. Both perceived asymmetry (COMMIT\textsubscript{PP} − COMMIT\textsubscript{PC}) and actual asymmetry (COMMIT\textsubscript{PP} − COMMIT\textsubscript{CC}) are measured here using the focal party’s own report of its commitment (COMMIT\textsubscript{PP}). Is the relationship between these two measures merely an artifact of the construction of two difference scores? To address this possibility, we add own commitment as an exogenous variable in the perceived asymmetry model. A powerful positive effect emerges (0.456), reflecting the presence of COMMIT\textsubscript{PP} in both PAC and AAC. Yet, after controlling for this effect, perceived asymmetry is positively influenced by actual asymmetry. Although conceivably such an effect could be an artifact of measurement, it is more likely that perceived and actual asymmetry of commitment are related because each
Examing the Causal Mechanism and a Dependence-Based Alternative Explanation

It is argued here that the effect of perceived asymmetry of commitment on conflict and profit is due to fear of opportunism, combined with lesser ability to be opportunistic oneself. This mechanism warrants examination. Table 3 shows the composition of a scale tapping the focal party’s belief that the counterpart is concerned about its well being. This is the antithesis of opportunism. If apprehension and/or suspicion of opportunism accompanies perceived asymmetry of commitment, there should be a negative correlation between counterpart concern for focal party’s well being (perceived by the counterpart) and the focal party’s perception of being more committed than the counterpart. The correlation between these measures is indeed \(-0.18\) \((p < 0.05)\).

Table 3 also lists the correlation between perceived asymmetry of commitment and three single-item measures reflecting the focal party’s concerns about the relationship. Perceived overcommitment is related to a concern that the counterpart derives more than does the focal party from the relationship \((0.10, p < 0.05)\) and to the sense that the relationship is becoming more conflagtical \((0.13, p < 0.05)\). Interpreted in the reverse sense, these correlations suggest that parties which believe their counterparts to be more committed than they are will be less concerned about the counterpart deriving more than they do and not inclined to see conflict growing. This corresponds to the notion that it is the less committed parties (at least in their own minds) who are less concerned about being victims of the counterpart’s opportunism (and perhaps more at liberty to practice their own opportunism).

Equity theory (reviewed in Greenberg 1990 and Kabanoa 1991) posits that parties which believe they are under-rewarded (relative to some baseline expectation) will become angry and seek redress. An equity theory interpretation of our results would suggest that the focal party will expect the counterpart to reciprocate its commitment and will feel wronged if it believes its commitment exceeds the counterpart’s. The finding that perceived asymmetry of commitment is related to concern that the counterpart is getting relatively more from the relationship is consistent with this prediction. Equity theory also posits, however, that a party which feels “over-rewarded” will feel guilty and work harder to try to even the balance. In our context, this implies that the over-rewarded party may feel that its commitment is below that of the counterpart and may feel obliged by guilt to compensate. This would suggest a negative correlation between perceived asymmetry of commitment and the statement “Sometimes we feel we are not putting as much as we should into our relationship with this agent/producer.” However, the actual correlation (Table 3), while indeed negative, does not achieve statistical significance \((p < 0.27)\). Hence, the complete
pattern of results does not appear to follow equity theory predictions as closely as it follows the predictions of the opportunism mechanism.

5. Discussion and Conclusions
Taken as a whole, these field results indicate that the process outcome of conflict matters, not only for its own intrinsic value or for psychological benefit, but because it is tied to short term economic performance, as well as expected future profit. Further, both process (conflict) and performance (profit) outcomes are themselves a function of the perception (correct or not) that the two players match in their levels of a critical factor, commitment to their business relationship. Each party, principal and agent, reports deriving less benefit from relationships they believe to be asymmetric in their counterpart's favor, that is, relationships to which they believe they are more highly committed than is their counterpart. Further, this perceived asymmetry of commitment is at least partly grounded in reality. Finally, perceived asymmetry is a somewhat malleable psychological state: perceptions that the other party is less committed decrease with levels of communication with and dependence upon the counterpart. Such issues as these are seldom examined empirically. The empirical study of social exchange has tended to focus on experimental situations in which deceit and other forms of opportunism have been ruled out (Kollock 1994). In contrast, this study imposes no such restriction.

Conflict plays a particularly interesting and potent role. Conflict is associated with a direct decline in one's own profits derived from the relationship. It is likely that one bone of contention is in fact the division of benefits that the two parties, principal and agent, generate. However, conflict, as measured here, extends over the entire range of issues relevant to the insurer and agent, a range which is considerable. High levels of conflict are associated not only directly with lower profits but also indirectly, via the manner in which conflict depresses satisfaction, which in turn is associated with lower profit.

These results parallel those of Reve and Stern (1989), who examine wholesaler-retailer dyads, another contractual channel. They focus on agreement over issues of who should do what (domain consensus), a situation that suggests a relatively low level of conflict. Reve and Stern (1989) find that domain consensus is related to performance outcomes. Parties who reported domain consensus reported higher achievement of their business goals and in general showed better operating results.

These results suggest that, on the whole, conflict matters in an economic sense. What, then, drives conflict? The substantial channel management literature addresses this question from multiple angles, many of them related to positive affect. In contrast, our study addresses another element: perception. It appears to increase conflict if at least one party perceives (correctly or not) that the players are mismatched on their level of commitment to each other in a particular manner. Players who think they are relatively overcommitted (their commitment exceeds their counterpart's) appear to benefit less from the relationship. Their derived benefits increase as the partners approach balanced commitment (in the perceivers' view), and increase even further if the counterpart is thought to be relatively overcommitted.

In short, overcommitment is seen as a negative if it is you that is overcommitted and a positive if it is the counterpart that is seen as overcommitted. Neither side wishes to be "out in front" of the other in terms of how much it values the relationship, and each side would prefer the other to be "out in front." Transaction cost theorists stress the hazards of unbalanced ties to the relationship (e.g., Heide and John 1988, Williamson 1985), and principals and agents seem to agree that being the more committed party is a hazardous position. It is noteworthy that a party who depends on and which has invested in developing substantial communications with its counterpart is less likely to perceive it is over-committed and more likely to perceive the other party is over-committed. However, neither party is oblivious to reality: perceived and genuine asymmetry are related.

These results appear, at first glance, to contrast with the viewpoint that social constraints inhibit the exercise of opportunism in relationships (Granovetter 1985, Cook and Emerson 1978). However, the contradiction may not be as stark as it appears. Both sides in the opportunism debate (is it real or is it a figment of an economist's imagination? Barney 1990) concede much of the
viewpoint of the other. For example, Granovetter (1985), who argues that embedding social relations in a personal context engenders trust and thereby damps opportunistion, nonetheless notes that “the trust engendered by personal relations presents, by its very existence, enhanced opportunity for malfeasance,” adding “you always hurt the one you love” (p. 491). Cook and Emerson (1978) agree, noting that while social constraints can act to dampen exploitation, there is no guarantee in any given situation that they will operate. Conversely, Williamson (1985) does not assert that all small-numbers bargaining situations will degenerate into opportunism: he merely cautions that it may exceed the bounds of an actor’s rationality to figure out when the other party can be trusted. Hence the caveat that small-numbers bargaining requires safeguards, as a precaution. Judging by our results, insurance principals and agents appear to wonder whether they will be hurt by the one whom they believe does not fully return their love.

These results stand in contrast to the idea that any mismatch hurts both parties. For example, Eliasberg and Michie (1984) operationalize mismatched goals as the squared value of the parties’ goal-importance weights, thereby ignoring the direction of their differences. They find that greater divergence (direction aside) in goals pursued is associated with conflict. Notably, our study finds that being different is not as harmful as being overcommitted; indeed, being different is helpful if one is undercommitted. Part of the divergence in findings may be due to the difference in research question. Another explanation, which lays the groundwork for future research, is that in the short term, being undercommitted makes one better off, but in the long term, any asymmetry in commitment makes one worse off. The rationale is that if relationships are to be productive in the long-term, they must benefit both sides equitably (Heide 1994).

This research occurs in one context—the insurance industry—and concerns perception of one issue—commitment. Further research is needed to verify, extend, or qualify the exploratory findings presented here. Nonetheless, the study of links from perception to process outcome to performance outcomes offers substantial avenues for future research. Of particular interest is when and how each side perceives the other accurately.

What kinds of relationships encourage players to think they match on important dimensions and why? Are there circumstances that discourage (or encourage) accuracy? How can management of either side of the dyad increase accuracy—its own or its counterpart’s? Do asymmetric arrangements move gradually toward balance, as suggested by Cook and Emerson (1978)? Or can imbalances endure? If so, what prevents the relationships from disintegrating?

Of particular significance to managers is the implication that parties (here, agents and insurers) interested in having strong ties to their counterparts should signal considerable commitment to them, in order to allay the other party’s fears. Our results indicate that this can be done by communication and investment, as well as by building increased dependence upon the counterpart. However, these results also suggest a tactic that is disturbing from an ethical standpoint, which is to attempt to mislead the counterpart by signaling more commitment than is real. If successful, this tactic reduces perceived overcommitment, which appears to dampen conflict and increase profitability from the counterpart’s standpoint.

But would misleading the other party be successful? We note that deceptive signaling can have surprising side effects. For one, signaling greater commitment than one feels could actually create a self-fulfilling organizational prophecy (Morgan 1986) when performing behaviors that signal increased commitment may very well create greater commitment! Such a result is consistent with Bem’s (1972) self-perception theory of attitude formation at the individual level and with the notion of an enacted environment at the organizational level (Weick 1979). Further, if deceptive signalling of overcommitment increases the deceived party’s outcomes (less conflict, more profit), this should also increase the deceiver’s outcomes in the long run, which may gradually increase the utility of the arrangement for both parties. The utilitarian definition of ethicality defines as the most ethical choice that act that results in the greatest good for the greatest number of stakeholders. Ironically, then, deceptive signaling may be ethical in a utilitarian sense to the degree that it leads to a spiral of increasing utility to both sides.

These results also suggest that actually increasing commitment is a useful vehicle for increasing performance.
But inducing commitment has inevitable side effects. As an example, there is some indication in the business press that insurance companies’ drives to develop commitment may have been too successful. Typically, these drives come from a corporate effort to identify most desired agents and court them by such means as offering training, increasing management attention directed to them, offering preferential treatment (e.g., distribution of sales leads), and strategically neglecting agents in direct competition with designated target agents. As a result, there has been a substantial increase in the number of agents who are so closely tied to their insurers that they may be designated “captive agents.” They are captive both from a dependence viewpoint (a high proportion of their premium volume comes from one underwriter) and from a transaction-cost viewpoint (they have made idiosyncratic investments in the principal). Captive agents, in the process of becoming captured, tend to deepen and specialize their business to the preferred underwriter and align their agency with the underwriter in their customers’ eyes. These underwriter-specific investments function as potent “pledges” that bind the agent and the underwriter (Anderson and Weitz 1992). Both power theory and transaction cost analysis would predict that at least some underwriters would attempt to exploit such agents. This problem has become so widespread, in the opinion of many agents, that a trade association of captive agents has been founded to lobby regulators, legislators, and insurance companies to prevent insurer abuse of captive agents (Mulcahy 1991b). Much of the alleged abuse centers around termination by companies that are dissatisfied with their agencies’ loss ratio experience (Mulcahy 1991a, b). More generally, associations of independent agents are beginning to examine whether they should campaign against preferred agent systems to raise their members’ awareness of the potential pitfalls (opportunism risks) of being in a close relationship with an insurer (Haggerty 1988).

In short, it is ironic, although predictable, that building close relationships, which began as a way for insurers to forestall agent opportunism against them, may give rise to “reverse” (insurer) opportunism against agents. This is, of course, a risk in any relationship in which at least one party faces barriers to exiting the relationship. How to manage such systems is a major managerial challenge.

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Measurement Appendix

Notes: (1) unless noted otherwise, the response format of all scales is 1–7 (strongly disagree–strongly agree)

(2) all items marked (R) were reversed in composing each scale

(3) unless noted otherwise, each scale is presented as per the principal, i.e., insurance company. The insurance agent answered the same questions, substituting the insurer as the object of each item. Where the substitution is not exact, both scales are presented

Dependence upon Counterpart (DEPEND)

Principal
- This agent/producer's other lines are essential to round out our product offering.
- The territory this agent/producer covers is not one of the more important territories for us. (R)
- This agent/producer is important to our present as well as future business.
- It would not be hard for us to replace this agent/producer. (R)
- We are quite dependent on this agent/producer.
- This agent/producer offers a unique set of benefits to the insured.

Coefficient alpha: 0.78

Agent
- This company’s products are essential to round out my offering.
- The product lines this company offers are not among the most important products I sell. (R)
- This company is very important to my present and future business.
- It would not be difficult for me to replace this company. (R)
- I am quite dependent on this company.
- This company’s products offer a unique set of benefits to my customers.

Coefficient alpha: 0.87

Communication with Counterpart (COMM)
- Our company and this agent/producer make it a point to keep each other well informed.
• We hesitate to give this agent/producer too much information. (R)
• We are quite involved in the marketing and planning efforts of this agent/producer.
  • This agent/producer seeks our advice and counsel regarding their marketing efforts.
  • Our relationship with this agent/producer is like an open book.
Coefficient alpha: 0.90 (principal)
  0.75 (agent)

Commitment to the Relationship (COMMTR)
• We defend this agent/producer when others criticize him.
• We have a strong sense of loyalty to this agent/producer.
• We are continually on the lookout for another agent/producer to replace this agent/producer. (R)
  • We expect to be working with this agent/producer for some time.
  • Our relationship with this agent/producer is a long-term alliance.
  • We are willing to dedicate whatever people and resources it takes to grow sales for this agent/producer.
  • Any concessions we make to help out this agent/producer will even out in the long run.
  • We are quite willing to make sacrifices to help out this agent/producer from time to time.
Coefficient alpha: 0.94 (principal)
  0.91 (agent)
  —when the insurer is the focal party, the agent’s commitment is COMMITp,
  —when the agent is the focal party, the insurer’s commitment becomes COMMITC.

Focal Party’s Estimate of Counterparty’s Commitment (COMMITFC)
• This agent/producer defends us when others criticize us.
• This agent/producer has a strong sense of loyalty to us.
• This agent/producer is continually on the lookout for a company to replace us. (R)
  • This agent/producer expects us to be working with them for a long time.
  • This agent/producer sees our relationship as a long-term alliance.
  • This agent/producer is willing to dedicate whatever people and resources it takes to grow our sales.
  • This agent/producer feels that any concessions they make to help us will even out in the long run.
  • This agent/producer is quite willing to make sacrifices to help us out from time to time.
Coefficient alpha: 0.94 (principal)
  0.92 (agent)

Superiority of Counterpart Relative to its Competitors

Principal
• Relative to other agent/producers in his or her territory, this agent/producer offers better territorial coverage.
• Relative to other agent/producers, this agent/producer has a better sales force.
  • This agent/producer in general is
    Well-managed 1 2 3 4 5 6 7 Not well-managed (R)
Coefficient alpha: 0.75

Agent
• Relative to other insurance companies, this company offers better products.
• Relative to other companies offering these products, this company has a better management.
  • This company in general is
    Well-managed 1 2 3 4 5 6 7 Not well-managed
Coefficient alpha: 0.65

Synergy between Focal Party and Counterpart

Principal
• This agent’s/producer’s other product lines help generate sales of our products.

Agent
• This company’s products help generate sales of my other products.

Conflict with Counterparty (CONF)
• We disagree frequently and intensely with this agent/producer.
• We tend to agree with this agent/producer on important issues. (R)
Coefficient alpha 0.72 (principal)
  0.70 (agent)

Congruence of Goals with Those of Counterpart (CONGRU)
• This agent/producer shares our goals for this business.
• Considering all aspects of this relationship, this agent/producer supports our objectives.
Coefficient alpha 0.92 (principal)
  0.90 (agent)

History of Intense Conflict with Counterparty (HIST)
• At one point, we came close to terminating our relationship with this agent/producer.
  • We have had more than the usual amount of ups and downs in our dealings with this agent/producer.
Coefficient alpha: 0.61 (principal)
  0.70 (agent)

Quality of Counterparty’s Personnel (QUAL)
• This agent/producer’s personnel are (circle the number which best fits the agent’s/producer’s personnel):
Performance in Principal-Agent Dyads

Easy to deal with 1 2 3 4 5 6 7 Hard to deal with (R)
Responsive 1 2 3 4 5 6 7 Unresponsive (R)
Helpful 1 2 3 4 5 6 7 Not helpful (R)
Not understanding 1 2 3 4 5 6 7 Understanding
Not knowledgeable 1 2 3 4 5 6 7 Knowledgeable
Inexperienced 1 2 3 4 5 6 7 Experienced
Good communicators 1 2 3 4 5 6 7 Poor communicators (R)
Well-trained 1 2 3 4 5 6 7 Poorly trained (R)

Coefficient alpha: 0.86 (principal)
0.86 (agent)

Turnover of Counterpart's Liaison Personnel (TURP)
• This agent/producer has little turnover of people dealing with us. (R)

Counterpart's Openness and Willingness to Discuss Any Issue (OPEN)
• We attempt to get all concerns and issues immediately out in the open.
• We tell this agent/producer our ideas and ask him/her for his/her ideas.
• We attempt to immediately work through our differences.
• We always lean toward a direct discussion of the problem.
• We always share the problem with this agent/producer so that we can work it out.

These items are reported by the counterpart, not the focal party.
Coefficient alpha: 0.86 (principal)
0.76 (agent)

Estimation Appendix

| Antecedents and Consequences of Perceived Symmetry of Commitment, Three-Stage-Least Squares Simultaneous Specification |
|--------------------------------------------------|------------------|------------------|
| Own Conflict Experienced in Relationship | Own Profits Derived from Relationship |
| Own Profits Derived from Relationship | 0.134 (0.204)++ |
| Perceived Asymmetry of Commitment to Relationship COMMITRr - COMMITC | -0.054 (0.074) |
| Own Commitment to Relationship COMMITRr | -0.365*** (0.148) |
| Synergy with Counterpart | 0.500*** (0.074) |
| Competitive Superiority of Counterpart | 0.051** (0.027) |
| | 0.199*** (0.042) |

Estimation Appendix (Continued)

<table>
<thead>
<tr>
<th>Own Conflict Experienced in Relationship</th>
<th>Own Profits Derived from Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterpart's Personnel Turnover</td>
<td>-0.013 (0.025)</td>
</tr>
<tr>
<td>Quality of Counterpart's Personnel</td>
<td>-0.310*** (0.053)</td>
</tr>
<tr>
<td>Goal Congruence</td>
<td>-0.190** (0.064)</td>
</tr>
<tr>
<td>Contentious History in Relationship</td>
<td>0.205** (0.030)</td>
</tr>
<tr>
<td>Counterpart's Openness of Communication</td>
<td>0.061 (0.040)</td>
</tr>
<tr>
<td>Actual Asymmetry of Commitment</td>
<td></td>
</tr>
<tr>
<td>COMMITRr - COMMITC</td>
<td></td>
</tr>
<tr>
<td>Dependence upon Counterpart</td>
<td>0.041 (0.069)</td>
</tr>
<tr>
<td>Level of Communication</td>
<td>0.051 (0.078)</td>
</tr>
<tr>
<td>Dummy Variable: Agent (vs. Insurer)</td>
<td>0.041 (0.069)</td>
</tr>
<tr>
<td>Intercept</td>
<td>-2.422*** (0.405)</td>
</tr>
<tr>
<td></td>
<td>-0.904*** (0.227)</td>
</tr>
</tbody>
</table>

* p < 0.010 (one tailed), ** p < 0.05 (one tailed), *** p < 0.01 (one tailed).

italicized typeface indicates report is the perception of the counterpart. All other reports are the perception of the focal actor except AAC, which combines focal and counterpart reports.

+ Coefficients.
++ Absolute value of standard error.

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Performance in Principal-Agent Dyads


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