

**Research report**  
**The dark side of close  
business relationships**



Close and strong business relationships have many positive effects. Yet such close relationships may tip and dark side effects can unfold, bearing the risk of performance losses.

Although business partners such as suppliers and customers expect to benefit from close business relationships, such closeness includes the risk of generating forces of destruction that are developing below the surface of a relationship, and are thus often not noticed. These negative factors subtly undermine close business relationships in which the relationship partners are confident and optimistic about their collaboration, with the result that partners may face unexpected risks and performance degradation.

## The dark side

Using a qualitative study with expert interviews, the phenomenon of the dark side of close relationships has been detailed.

The interview respondents point to various factors that can appear in close relationships and trigger unexpected negative consequences in close business relationships. For example, closeness in business relationships can reduce the partners' monitoring and safeguarding activities, thus making it less likely that a company effectively detects relationship partners' opportunism or misbehaviours. Also, knowledge redundancy in business relationships can lead to 'group- think', such that relationship interactions gradually become inefficient and lose competitive advantages in the market.

Our research specifically identified the following four negative factors in close relationships that can contribute to the dark side:

- Partner opportunism taking advantage of close business relationships due to neglected monitoring;
- Partners' rising expectation that can be increasingly difficult to satisfy;
- Increasing conflict between business partners that may accumulate;
- Volatility caused by overly strong interpersonal relationships between boundary-spanning personnel.

Respondents also discussed strategies, such as adjusting contracts, agreed formal behavioural monitoring, or rotation policies for key account managers and other boundary spanners, to avoid the dark side in a business relationship.

## Spread of the dark side

A critical insight of our research is that dark side effects are not isolated but can spread from one business relationship to other relationships. Different factors may trigger the transfer. For example, a boundary spanner might employ relationship management approaches that work in one business relationship (but causes dark side effects) to other relationships s/he is responsible for, thus spreading dark side effects within a relationship portfolio. Also, colleagues of the boundary spanner might mimic the behaviours and transfer detrimental relationship management approaches through social learning processes. Overall, we identified in our research that dark side effects have the potential to be contagious within the organisation.

## Managerial recommendations: 3 Best Practices that help mitigate the dark side

### 1. Evaluate strategies before application

It is always necessary to evaluate a relationship-building strategy and understand the potential consequences before using it in ongoing relationships, even if these strategies are generally perceived as 'working'. Although such strategies may be successful in some situations, they may cause problems that are difficult to detect in other settings, for instance, if applied in already very strong and close business relationships. A strategy that seems generally effective can thus become risky and bring uncertainties.

***The emergence of the dark side in a close business relationship does not only threaten the performance of that relationship but can also spread and contaminate other business relationships.***

### 2. Monitor personal and organisational KPIs

Maintaining a close business relationship can be costly. It requires both personal efforts and organisational investments. Both managers and organisations require continuous inputs, even when working with familiar customers. It is vital to continuously track and monitor not only boundary spanner-based KPIs, but match them with organisational relationship-related KPIs in order to detect performance changes quickly and act accordingly.

### 3. Recover from mistakes and move forward

Business relationships grow with repeated interactions with customers. It is common that relationship building-strategies may not always work for every customer. Mistakes are inevitable. By recognising quickly that the strategy is incompatible or inoperable within a specific business relationship, managers should let it go and move on to new strategies.

## Conclusion

Are close business relationships always showing superior performance? Based on interviews with 15 key account managers, this research uncovered the 'dark side' of close relationships, which can overshadow the benefits of close and strong interactions. This report explains how dark side effects emerge and spread across business relationships and offers managerial guidelines to mitigate the contagious effect in relationship portfolios.

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