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POWER ASYMMETRY IN SUPPLY CHAIN NETWORKS AND ITS EFFECTS ON PERFORMANCE

Supply chain network partnership strategy often forces a trade-off: aligning with powerful firms can unlock resources and growth, but it can also heighten dependence and mute a smaller firm's voice; partnering with similarly powerful firms strengthens joint control, yet may constrain opportunities. This study examines how that trade-off plays out when power operates not only in dyads but also through extended supply chain networks. Integrating resource dependence theory with social network theory, we argue that power asymmetry generates spillovers that vary by network distance—shaping not only what a less powerful firm can access, but also how much value it can ultimately retain. Using panel data on 1,074 firms over 16 years from FactSet and Orbis, we estimate how exposure to powerful players at different degrees of separation relates to the financial outcomes of less powerful firms. We find that having more powerful direct partners is associated with lower financial performance, whereas indirect connections to powerful firms are associated with positive effects. Finally, we address a puzzle: why maintain direct ties to dominant firms despite profitability penalties? We point to intangible gains—especially status and market value—that can motivate such ties even when accounting returns weaken.

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