WITH OR WITHOUT YOU: WHEN DOES MANAGERIAL EXIT MATTER

FOR THE DISSOLUTION OF DYADIC MARKET TIES?

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We thank Tim Pollock and three anonymous reviewers for the insightful and invaluable comments on earlier versions of this paper. We gratefully acknowledge the helpful suggestions of Alison Davis-Blake, George Huber, Ken Koput, and seminar participants at the University of Notre Dame,Mendoza College of Business. We thank the University of Arizona, Eller College of Management, and the University of Illinois, Office of Research for their generous financial support of this research.

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ABSTRACT

This paper investigates the relationship between the number of managers who exit advertising agencies and advertisers and the dissolution of dyadic market ties. We investigate how the locus of managerial exit (advertiser vs. agency) and the hierarchical level from which exit occurs (executives vs. exchange managers) influence the likelihood that market ties dissolve. We theorize that the amount of managerial exit from organizational roles disrupts dyadic market ties through its effect on three mechanisms of social capital: investments in relationship-specific assets, formal control over market ties, and the intensity of interaction with exchange partners. We further consider how the fragility of market ties, poor financial performance of advertisers and short duration of market ties, conditions the effects of managerial exit on the likelihood of market tie dissolution. In short, we theorize about which managerial roles matter more to the dissolution of market ties, why they matter, and when they matter. We test our predictions using longitudinal data on 232 dyadic market ties between advertisers and New York City advertising agencies. Our results indicate that number of executives and exchange managers who exit on both sides of market ties affects tie dissolution, but that these effects are neither symmetrical between advertisers and advertising agencies nor uniform across the hierarchical levels from which exit occurs, and vary with the strength of market ties. We discuss the implications of our findings for the study of market ties.

Organization theorists have been conspicuously quiet on the question of why inter-organizational relationships end (Baker, Faulkner, & Fisher, 1998; Greve, Baum, Mitsuhashi, & Rowley, 2010). For instance, in the study of market ties between buyer and seller firms[[1]](#footnote-1), considerable research has examined an organization’s selection of transaction partners (for reviews, see Oliver, 1990; Parmigiani & Rivera-Santos, 2011), and the structure of a firm’s network of market relationships (Uzzi, 1996, 1997). But only a handful of studies have sought to understand why market ties end. This is evidence of the tendency for researchers to focus on market stability while generally ignoring market dynamics (Fligstein, 2001).

A lack of research on market tie dissolution is troubling for two reasons. First, markets are dynamic, not static (Swedberg, 1994). Buyers and sellers periodically make decisions to end existing market ties and form new ones. Recent evidence shows that market tie formation and dissolution are asymmetric processes because organizations are subject to forces that threaten to destabilize or disrupt market ties (Baker et al., 1998; Yue, 2012). So theories of market behavior will be incomplete unless researchers examine the entire lifecycle of market ties; directing attention to market tie dissolution to complement the extensive research on tie formation and the structure of markets (Hallen, 2008).

Second, market tie dissolution is an important practical problem. Both buyer and seller firms are affected when market ties end. Market ties are conduits to acquire resources meaning the dissolution of ties can deprive buyers of inputs necessary for ongoing operations. For sellers, the effect of market tie dissolution is even more profound since maintaining relationships with buyers is often critical to a seller firm’s performance. Research that identifies conditions under which market ties are more or less likely to end can help managers in buyer and seller firms improve their firm’s performance and enhance chances of survival.

The few studies of market tie dissolution have tended to focus on markets for professional services, such as auditing (Levinthal & Fichman, 1988; Seabright, Levinthan, & Fichman, 1992), advertising (Broschak, 2004), and law (Somaya, Williamson, & Lorinkova, 2008). Market tie instability is particularly problematic in these domains where relationships with clients (e.g., buyer firms) are critical resources for professional service firms (e.g., seller firms) and where ongoing interactions between buyers and sellers are necessary to co-produce services for clients (Mills & Margulies, 1980; Bowen & Jones, 1986; Sharma, 1997). A key finding from this body of research is that the dissolution of market ties is affected by the career mobility of managers. Relationships between buyer and seller firms become embedded in social capital due to investments that managers and executives make in exchange relationships (Granovetter, 1985; Levinthal & Fichman, 1988). In-depth knowledge, relationship-specific expertise, and trust in one’s exchange partners, all of which accumulate in professional service and client firms over time, help promote market tie continuity. Consequently, researchers have shown that clients tend to have more stable market ties the longer the tenure of executives in roles related to market ties (Seabright et al., 1992), while clients and professional service firms that have turnover in certain managerial roles related to market ties experience more market tie dissolution (Broschak, 2004; Somaya et al., 2008).

In this paper we build on these insights and address several gaps in our knowledge about how the number of managers who exit from professional service and client firms affects the dissolution of client-service firm market ties[[2]](#footnote-2). First, we examine the consequences of managerial exit on both sides of market ties simultaneously. Past studies linking managerial mobility to market tie dissolution typically focus only on the buyer-side of the market (Seabright et al., 1992; Baker et al., 1998). This reflects the assumption that power in market ties is asymmetrically distributed, that client firms generally have greater power and incentive to make and break ties with professional service firms, and thus the likelihood of market ties dissolving is affected only by what occurs in client firms (Baker et al., 1998). In truth, market ties become socially embedded due to investments by managers on both sides of ties. Thus, managerial mobility in both client and professional service firms should matter to the dissolution of market ties (Doyle, Corstjens, & Michell, 1980; Fichman & Goodman, 1996; Broschak, 2004). We develop a more balanced theory of how managerial mobility affects market ties, and empirically test the claim that the number of managers who exit on both sides of market ties jointly weakens dyadic client-service firm relationships.

Second, previous studies have examined how managerial mobility at a single hierarchical level in client or professional service firms disrupts market ties, focusing either on exchange managers, who contribute to the day-to-day operations of market ties (Broschak, 2004), or executives, who are the ultimate decision-makers about firm strategy and forming and maintaining market ties (Seabright et al., 1992; Baker et al., 1998; Broschak & Davis-Blake, 2006). We examine both exchange managers and executives, who collectively create multiple points of contact between clients and professional service firms (Beltramini & Pitta, 1991) but have differentiated roles pertaining to market ties (Fichman & Goodman, 1996). We identify mechanisms through which the number of exchange managers and executives who exit at different hierarchical levels likely affects market ties, and test for independent effects of the number of managers and executives’ exiting on market tie dissolution.

Finally, we investigate whether there is symmetry in how exit from different levels (managers vs. executives) on different sides of markets (in client vs. professional service firms) affects market ties. Past studies have assumed that any effects of managerial exit on tie dissolution would be symmetrical across sides of the market (Broschak, 2004). We investigate not only whether the number of lower-level managers or higher-level executives who exit is more disruptive to market ties, but also whether the relative strength of managerial exit on tie dissolution differs between client and professional service firms. We also examine how the characteristics of client firms and market ties might condition the effects of exit on the likelihood of market tie dissolution.

We test our predictions using longitudinal data on 232 dyadic market ties between advertising agencies and advertisers, hereafter referred to simply as agencies and advertisers. Our paper proceeds as follows: we first develop arguments from a social capital perspective about the roles of managers and executives in sustaining advertiser-agency market ties. We argue that advertiser and agency managers and executives differ based on the assets they contribute to market ties, the intensity of their interactions with exchange partners, and the degree to which their roles provide for formal control over exchange relationships. We then develop hypotheses about how these differences in turn drive variation in how the number of managers and executives who exit from advertisers and agencies, respectively, reduce firms’ overall social capital and affect market ties. We present this theorizing in context, and supplement our theoretical arguments with observations gathered from exploratory interviews with marketing and advertising managers. We then present our data and results, and conclude by discussing the implications of our findings for understanding the dynamics of advertiser–agency relationships, and speculating on the generalizability of our findings to other contexts and types of market ties. Our study contributes to the growing literature on the dynamics of inter-firm relationships (Baker et al., 1998; Broschak, 2004; Greve et al., 2010) and our knowledge of organizational consequences to managerial mobility (Dokko & Rosenkopf, 2010; Somaya et al., 2008).

**THE ROLES OF MANAGERS IN MARKET TIES**

Once formed, advertiser-agency market ties persist, in part, because both sides make investments that enhance their performance and continuity (Levinthal & Fichman, 1988). Some investments are in the form of physical assets, such as an agency that opens an office near an advertiser’s headquarters to be accessible to the client. Other investments in more intangible assets are made by managers on both sides of market ties; trust between executives, routines for how to work together and communicate, and in-depth knowledge and expertise about one another’s business (Seabright et al., 1992; Baker et al., 1998; Uzzi, 1996; Broschak, 2004).

These investments by managers create value by enhancing firms’ social capital; the value inherent in firms’ social relations (Adler & Kwon, 2002; Koput & Broschak, 2010). Social capital promotes continuity in market ties by increasing the efficiency and effectiveness with which advertisers and agencies engage in the exchange process (Eccles, 1981). For example, social capital helps agencies better serve clients by understanding their needs and expectations, helps advertisers evaluate and understand the actions of agencies, and promotes joint-problem solving which enhances both firms’ performance (Mills & Margulies, 1980; Anderson & Weitz, 1989; Uzzi, 1996; Rosenkopf, Metui, & George, 2001). Because investments in social capital lose much of their value when relationships end, advertiser–agency market ties tend to persist. Events that diminish the level of social capital tend to weaken market ties.

A firm’s social capital is mediated through the actions of managers who occupy roles related to market ties. While some social capital resides in individual managers’ relationships, the majority of a firm’s social capital accrues to the organizational roles related to market ties. Fichman and Goodman (1996: 310-312) described firms as buying and selling centers; networks of individuals from different functional areas and hierarchical levels who perform varied activities related to developing and maintaining market ties. Different roles provide different opportunities to contribute to firms’ social capital, which promotes the continuity of market ties through three mechanisms: relationship-specific assets, formal control over market ties, and the timing and intensity of interactions between advertiser and agency managers. As more managers exit organizations and leave their roles, a firm’s overall social capital attributable to these roles also declines. We categorize roles related to market ties as either exchange managers or executives based on their level in the organizational hierarchy (Parsons, 1960; Thompson, 1967).

**Exchange Managers**. Exchange managers are defined as managers who “make decisions, act as points of contact between advertisers and agencies, and represent the expectations, interests, and ideas of one exchange partner to the other” (Broschak, 2004: 609). Exchange managers conduct much of the day-to-day business between advertisers and agencies, what in Parsons’ (1960) language are the technical and managerial levels in organizations where managers’ focus is on production activities and on internal coordination and control. Exchange managers may have varied functional and operational expertise but all contribute to firms’ social capital by investing in three types of intangible assets; relationship-specific expertise, such as knowing how to conduct business or communicate effectively with exchange partners; in-depth technical knowledge of their exchange partners’ business, processes, capabilities and needs; personal relationships with exchange partner counterparts which produces trust and informal obligations to work together (Broschak, 2004). Collectively, these assets enhance the quality and functioning of advertiser–agency market ties. In some organizations exchange managers may also have limited formal control over the continuity of advertiser-agency market ties.

Interactions between advertiser and agency exchange managers tend to be frequent and of high intensity, to coordinate the day-to-day operational details of the exchange. Interactions between firms tend to involve many managers on both sides of the exchange rather than one or a few specific individuals, meaning many different exchange managers contribute to a market tie over time (Lawrence & Lorsch, 1967; Fichman & Goodman, 1996). Given that advertiser and agency exchange managers readily move between products and accounts, investments in social capital by individuals is largely appropriated by firms and embeddedness develops between exchange manager roles rather than between specific individuals (Koput & Broschak, 2010).

**Executives**. Executives are defined as members of firms’ top management teams. They perform two activities related to market ties. One is setting firm strategy; assessing business opportunities and making decisions about what markets to compete in and how best to do so (Hambrick & Mason, 1984), including the choice of one’s exchange partners. Executives tend to have formal authority for forming and ending market ties, especially ties strategically important to their firms, such as a clients’ choice of advertising agencies or an agency’s choice of clients[[3]](#footnote-3).

Executives are also important boundary spanners (Geletkancyz & Hambrick, 1997) who build relationship-specific assets that strengthen advertiser-agency ties. They interact with exchange partners on behalf of their firms; make commitments, define the broad outlines of the exchange, and agree on what norms and standards of good conduct will exist between advertiser and agency. Executives also develop personal relationships with their exchange partner counterparts (Adams, 1976), either over the course of an advertiser-agency market tie, or from the firsthand experience of having worked together in the past. Because executives often prefer dealing with known others (Granovetter, 1985), personal relationships produce trust and informal obligations about working with exchange partners, help mediate negotiations over the formal terms of the exchange, and aid in resolving any disputes that may arise between the firms (Macaulay, 1963). Executives’ investments in these relationship-specific assets serve the dual purpose of improving the functioning of and strengthening control over market ties.

Compared to exchange managers, interactions between advertiser and agency executives are less infrequent, less intense, most likely to occur at only two points in a market tie’s history: when market ties are formed in order to ensure strategic alignment and set expectations, and at critical junctures such as during the approval of deliverables, or when there is a need to clarify firm strategy or to mediate conflicts.

**Different Roles of Agency and Advertiser Exchange Managers and Executives**

While previous research distinguished between the roles of executives and exchange managers in sustaining market ties, it provides little guidance about how these roles differ across sides of the exchange. To gain a deeper understanding of the context of advertiser-agency market ties, the first author conducted 7 interviews over a two-month period with advertiser and agency exchange managers. The interview data helped us articulate how the investments exchange managers and executives make in market ties differ between advertisers and agencies. Figure 1 provides a summary of our arguments about the three mechanisms, relationship-specific assets, intensity of interaction, and formal control over the exchange relationship, by which advertiser and agency exchange managers and executives affect the continuity of market ties.

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Advertiser Exchange Managers. Our interviews suggest that advertiser exchange managers do three things: they are consumers of advertising services, they provide information to agencies, and they are front line evaluators of agencies. As consumers of advertising services, advertiser exchange managers are responsible for the business details of the products or services they manage. They develop marketing plans and work closely with agency exchange managers to see the plans are executed. As owners of the product or service being marketed, advertiser exchange managers are responsible for communicating and sharing information with the agency. Relationship-specific expertise and good personal relationships are important for knowing with whom in agencies and how to share information. According to one informant, “Good relationships are characterized by keeping open lines of communication and openly sharing information. Bad relationships usually occur because the client involves the agency only as necessary.” Finally, advertiser exchange managers are evaluators, making or recommending decisions about which agencies to use.

Agency Exchange Managers. Our interviews confirm prior theorizing that agency exchange managers focus on producing advertising and investing in understanding and helping the advertiser’s business (Schneider & Bowen, 1995). As one brand manager explained, “When done right agency personnel get involved in your business. They learn about your product and marketing plan. They may go out and shop your category and talk with consumers. A good agency will come with you on your research and focus groups. They become a part of your business; get real involved”. Agency exchange managers act as extensions of their clients, often attending regular meetings at the advertiser’s location, or working closely with advertiser product teams to plan for launching new products. These co-production activities require agency exchange managers make heavy investments in in-depth technical knowledge of their advertisers’ business and processes, and in relationship-specific expertise and trust which allow agencies to earn the advertiser’s respect, resolve issues over sharing information, and conduct ongoing communication (Uzzi, 1996; Broschak, 2004).

While agency exchange managers make large investments in relationship-specific assets, they have little formal control over market ties. Our informants indicated that agencies technically can fire clients, but it is relatively rare, supporting the theory that advertisers retain the power to make and break advertiser–agency market ties (Baker et al., 1998). To the extent that formal control over market ties rests within agencies, it is unlikely to lie at lower hierarchical levels. Agency exchange managers are market takers, not market makers.

Advertiser Executives. Advertiser executives make small relationship-specific investments to enhance the functioning of market ties as they are not engaged in day-to-day operational decisions. Instead, they negotiate up front the terms and norms that will govern the exchange and only intervene to resolve disputes that arise over time. Executives do possess a high degree of formal control over advertiser-agency ties (Baker et al., 1998). They establish their firm’s strategy and tend to be involved in selecting agencies likely to create advertising that aligns with that strategy. Our informants indicated that executives’ personal relationships often factor into selecting and maintaining advertiser-agency ties. A consumer products brand manager told us how a new CEO brought on an advertising agency with whom he had past experience and whose CEO was a childhood friend. Though exchange managers in the two firms had difficulty working together, close ties between the two CEOs prevented breaking the tie. A group marketing manager of a software company explained how his attempts to replace an advertising agency were compromised by the reluctance of the firm’s Chief Operating Officer to fire an agency in which he had developed significant trust and knowledge.

Agency Executives. Agency executives make two relationship-specific investments. They influence firm strategy as represented in the style and output of the agency. Ad agencies vary in the degree to which they emphasize creativity and risk-taking in the ads they produce, largely a reflection of the beliefs and preferences of their executives. As one of our advertising agency informants told us, “Within the agency final decisions about elements of advertising campaigns typically rest with the President or Creative Director”. Agency executives also invest heavily in personal relationships, often to solicit new clients by selling the capabilities of their firms and their ability to understand advertiser needs. For example, in 1987 Nissan decided to move its $165 million national advertising account to Chiat/Day from Campbell-Mithun-Esty; at the time the largest single piece of advertising business to change hands in the U.S. Chiat/Day executives worked more than a year just to get invited to pitch the account, “setting up carefully orchestrated chance encounters with Nissan executives based on research about what clubs they belonged to, what charities they favored, and where they might show up for a round of golf” (Stabiner, 1993: 20). Once ties are formed, these personal relationships are a source of assurance for advertisers, reducing uncertainty about the agency during the early years of the exchange.

**DIFFERENTIAL EFFECTS OF EXIT ON MARKET TIE DISSOLUTION**

Previous research has documented that the exit of managers from roles related to advertiser-agency market ties is detrimental to ties (Broschak, 2004). Managerial exit diminishes the social capital in which advertiser-agency market ties are embedded, putting ties at greater risk of dissolution. Greater numbers of exits means more individual- and firm-level social capital is lost. The baseline assumption in most prior research is that exit of exchange managers and executives on either side of market ties increases the likelihood of market ties dissolving.

Here we argue that because exchange managers and executives, on different sides of market ties, vary in what they contribute to the functioning and continuity of ties, exits from different roles are likely to have differential effects on the likelihood of tie dissolution and vary across conditions. Below we develop hypotheses about why the effects of the number of managerial exits on dyadic market ties might differ between executives and exchange managers, between advertisers and agencies, and with the duration and performance of market ties.

**Differences between Advertisers and Agencies**

**Advertiser Executives vs. Agency Executives.** We expect that the number of advertiser executives who exit will have a stronger effect on market tie dissolution than the exit of agency executives for two reasons. First, the exit of one or more executives can stimulate changes in firm strategy either by altering the demographic composition of executive teams (Boeker, 1997; Wiersma & Bantel, 1992) or creating an occasion for organizations to adapt their strategy to the environment (Virany, Tushman, & Romanelli, 1992). For agencies, change in strategy will be reflected in changes to the style and content of the advertising that is produced, or the manner in which advertiser-agency relationships are managed. This may increase advertisers’ uncertainty about the future performance or strategic fit of the agency and increase the likelihood of dissolving the market tie (Doyle et al., 1980). But for advertisers, we expect changes in strategy to have a stronger and more direct effect on market tie dissolution since choice of advertising agencies is an important element of advertiser strategy, and a straightforward way executive teams can implement strategic change (Hannan & Freeman, 1989).

Second, executive exit disrupts personal relationships that had reinforced advertiser-agency relationships. The exit of agency executives creates uncertainty for advertisers about the agency’s top management team and the future performance of the agency relationship, increasing the chances of dissolving the tie between the two firms. However, when advertisers lose executives this severs personal ties and preferences that were a foundation for the inter-firm tie (Granovetter, 1985). The criticality of advertising executives’ personal relationships to market tie continuity coupled with advertisers having more formal control over making and breaking ties than agencies (Baker et al., 1998) leads us to expect the effects of advertiser executives exiting will be stronger than the effects of agency executives exiting. For these reasons we predict:

**H1: The number of executives exiting from advertisers will have a stronger effect on the likelihood of dyadic market tie dissolution than will the number of executives exiting from agencies.**

**Advertiser Managers vs. Agency Managers.** The exit of exchange managers from both advertisers and agencies negatively affects advertiser-agency relationships because the loss of relationship-specific assets, in-depth technical knowledge, relationship-specific expertise, and personal relationships, diminishes the day-to-day functioning of market ties (Broschak, 2004). However, which sets of managers’ exits matter more to tie dissolution depends on the relative value of what each contributes to market ties. One argument is that advertiser exchange managers exiting should have the larger effect on tie dissolution because that role has some formal control over the continuity of ties (Baker et al., 1998). Advertiser exchange managers are evaluators of advertising agencies. They work with agencies on a regular basis, learn how to judge the day-to-day quality of exchange relationships (Fichman & Goodman, 1996), and recommend to their firms’ executives about the continuity of advertiser-agency ties. Given advertiser exchange managers have some power to influence the continuity of market ties while agency exchange managers do not, the exit of managers from the role of advertiser exchange manager could have a stronger effect on the likelihood of market tie dissolution than the exit of managers from the role of agency exchange manager.

The alternative argument is that agency exchange managers make greater investments in relationship-specific assets than advertiser managers, and therefore their exit is more consequential to advertising-agency relationships. Advertising is a human capital-intensive professional service (von Nordenflycht, 2010), and agency managers’ key roles are investing in-depth technical knowledge of their advertisers’ products and processes, relationship-specific expertise, and personal relationships which produce trust and are critical to effectively co-producing advertising (Broschak, 2004; Schneider & Bowen, 1995; Sharma, 1997; Uzzi, 1996). When agency exchange managers exit the loss of role-based social capital should be more detrimental to the performance of the advertiser-agency relationship than advertiser exchange managers exiting, and likely to trigger a re-evaluation of the advertiser-agency relationship (Doyle et al., 1980), and an increased likelihood of tie dissolution. While both arguments are plausible, the argument that agency exchange managers are more valuable, and therefore their loss more consequential, to market ties is consistent with theorizing about professional service firms (Coff, 1997; Sharma, 1997) and in line with the interview data provided by our industry contacts. Therefore, we hypothesize:

**H2: The number of exchange managers exiting from agencies will have a stronger effect on the likelihood of dyadic market tie dissolution than will the number of exchange managers exiting from advertisers.**

**Differences within Advertisers and Agencies**

**Advertiser Executives vs. Advertiser Managers.** Our arguments about the relative effects of managers exiting from similar roles on different sides of the market can be extended to predict how managers exiting from different managerial roles within advertisers and agencies differentially affect market ties. In advertisers, executives, more so than exchange managers, have greater formal control over the continuity of advertiser-agency relationships. Further, decisions about strategy including choice of advertising agencies to support the firm’s strategy lie at the executive level (Hambrick & Mason, 1984). Although advertiser exchange managers have active roles in the day-to-day functioning of advertiser-agency relationships, and interact with agencies more frequently than do executives, strategic change is likely to have a more powerful effect on market tie dissolution than operational functioning. Therefore, we predict:

**H3: In advertisers, the number of executives who exit will have a stronger effect on the likelihood of dyadic market tie dissolution than the number of exchange managers who exit.**

**Agency Executives vs. Agency Managers.** In agencies we expect the number of exchange mangers who exit to have a greater effect on market tie dissolution than the number of agency executives who exit because it is agency exchange managers who make large investments in relationship-specific assets (Broschak, 2004). Exchange managers interact frequently with advertiser exchange managers, attend meetings, learn the client’s business and drive the process of co-producing advertising (Mills & Margulies, 1980). When agency managers exit, the loss of in-depth technical and operational expertise creates considerable uncertainty for advertisers over the agency’s future performance. Agency executives, who establish and oversee advertiser-agency relationships, have less frequent contact with advertisers, are unlikely to cause less disruption to the delivery of advertising services when they exit, and less likely to disrupt market tie performance. Based on these arguments, we hypothesize:

**H4: In agencies, the number of exchange managers who exit will have a stronger effect on the likelihood of dyadic market tie dissolution than the number of executives who exit.**

**The Moderating Effect of Financial Performance and Tie Duration**

The effect of exchange managers and executives exiting on the likelihood of market tie dissolution may depend on the context in which exit occurs. Firm-level factors that strengthen or weaken advertiser-agency relationships may create conditions where managers or executives exiting are more or less disruptive to market ties. In general, stronger market ties are less susceptible to the disruptive effects of managerial exit while market ties that are the most fragile may suffer the greatest consequences due to managerial exit. We hypothesize about two conditions that reflect tie strength and that may moderate the effects of exchange managers and executives exiting advertisers and agencies, respectively: the financial performance of advertisers and the duration of market ties.

 **Advertiser** **Financial Performance.** Advertiser-agencymarket ties are stronger when advertisers clearly benefit from the exchange. When advertisers experience positive financial returns from associating with agencies, there is less incentive to sever existing ties (Baker et al., 1998). Even lacking a clear causal connection between what agencies produce and advertiser performance, advertiser exchange managers and executives are likely to attribute their firm’s financial performance in part to its ongoing market ties. This attribution makes the market ties of positively performing advertisers firms more robust to managerial exit, because losing social capital when executives and exchange managers exit will likely be insufficient to trigger market tie dissolution in the absence of any evidence of poor advertiser performance. However, when advertiser financial performance is poor, market ties with agencies are more fragile, and turnover is likely to trigger the reevaluation of these relationships (Staw, Barsade, & Koput, 1997). Under these conditions, strategic change is likely in an effort to improve advertiser performance and the exit of exchange managers and executives may be a particularly strong trigger of strategic change that leads to the dissolution of advertiser-agency market ties.

**H5: In advertisers, the effect of the number of executives and exchange managers who exit on dyadic market tie dissolution will be greater the poorer the advertiser’s financial performance.**

**Tie Duration.** There is considerable evidence that new market ties between firms strengthen over time (Levinthal & Fichman, 1988). Over the course of an exchange firms create procedures, develop coordination mechanisms, and establish operating routines (Levinthal & Fichman, 1988; Ring & Van de Ven, 1994; Uzzi, 1996). Firms also learn from the experience of working together, improving tie functioning (Eccles, 1981). The result of these investments is that advertiser-agency relationships strengthen (Granovetter, 1992; Gulati, 1995; Weiss & Kurland, 1997) making it more costly to switch exchange partners (Williamson, 1975; Zajac & Olsen, 1993). Thus, the longer the duration of a market tie the less fragile it becomes and the less likely it is to dissolve (Baker et al., 1998; Levinthal & Fichman, 1988).

We expect that fragile market ties are those most susceptible to the effects of executives and exchange managers exiting. Agency and advertiser executives have their most involvement early on and the personal relationships they establish and the claims made about the advertiser’s needs and the agency’s capabilities and commitment to an advertiser’s business are an important part of the initial stock of assets that buffers ties from dissolution (Levinthal & Fichman, 1988). The exit of executives when advertiser-agency market ties are fragile is likely to create the greatest amount of uncertainty about the exchange and have its strongest effect on market tie dissolution. Similarly, the exit of exchange managers is likely to have its greatest effect when market ties are fragile. New market ties must rely heavily on interpersonal relations as the dominant mode by which advertisers and agencies coordinate their exchange until routines and procedures that allow them to conduct operations in more formalized ways are implemented (Levinthal & Fichman, 1988). The development of these structural mechanisms, and the fact market ties become “infused with value” (Selznick, 1957: 17) and taken for granted as objective structural features of both advertisers and agencies (Meyer & Rowan, 1977), makes longer duration market ties more robust to the departure of exchange managers. Thus, we predict:

**H6a: In agencies, the effect of the number of executives and exchange managers who exit on dyadic market tie dissolution will decrease the longer the duration of market ties.**

**H6b: In advertisers, the effect of the number of executives and exchange managers who exit on dyadic market tie dissolution will decrease the longer the duration of market ties.**

**DATA AND METHODS**

We tested these hypotheses on a sample of U.S.-based advertiser-agency relationships. Our data on advertising agencies and advertisers were collected from two public directories: The Standard Directory of Advertising Agencies (hereafter, “Agency Red Book”) and The Standard Directory of Advertisers (hereafter, the “Advertiser Red Book”). The Agency and Advertiser Red Books are the most comprehensive sources of information on advertising agencies and advertisers in the United States, containing data on advertisers that spend a minimum of $200,000 on national or multi-state advertising and data on agencies that are the agencies of record for at least one national or multi-state account spending $200,000 or more on media per year. We collected data annually from 1986-1998 from the January/February issue of both directories. Both Red Books provide organizational and financial data on agencies and advertisers, list the roster of clients or agencies with which market ties exist, and provide the full names and job titles of executives and managers. We used these data to identify dyadic market ties and observe tie dissolution and the amount of executive and exchange manager exit from firms in each year of the observation period. Data on executive and exchange manager exit were aggregated to the firm level.

These data are drawn from a larger data set previously used to study managerial mobility and the amount of market tie dissolution that occurred in U.S. advertisers and advertising agencies, respectively (Broschak, 2004; Broschak & Davis-Blake, 2006; Broschak & Niehans, 2006). The data in this paper are a unique sample of advertiser-agency dyads, constructed at a different level of analysis than the data used in previous work (the dyad-level rather than the firm-level). The focus on dyads allows us to assemble detailed data on both exchange partners involved in market ties, data that was not possible to utilize for the previous studies of firms.

Our sample of dyadic market ties was generated in three steps using a snowball sampling technique (Burt, 1979; McPherson, 1983). We first selected a random sample of 176 advertising agencies headquartered in the greater New York City area from the 1986 Agency Red Book. We sampled only advertising agencies with gross billings of $3,500,000 in 1986 since below this threshold agencies were unlikely to report the names of managers or clients. We omitted from the sample agencies that did not appear in the Red Book for at least three consecutive years after 1986 and any proprietary “house” agencies which are established by clients solely to handle all or part of their own advertising needs (Dunn et al., 1990)[[4]](#footnote-4). Market ties for house agencies are subject to very different forces for inertia than dyadic ties with independent agencies. Because mortality of advertising agencies is high, we purposively sampling both agencies that remained in existence for the entire thirteen-year observation period and agencies that exited the industry prior to 1998 to avoid survivor bias. Our sample included 96 agencies that survived the entire observation period and 80 firms that failed prior to 1998. Data on each agency were recorded yearly for the entire observation period or until the agency exited the sample.

We next used the cumulative roster of all clients of our 1986 sample of New York advertising agencies, to generate a sample of 150 advertisers that existed in 1986 and that were listed in the Advertiser Red Book. We excluded from the sampling frame advertisers that did not report their roster of agencies, or that did not appear in the Advertiser Red Book for at least three consecutive years beginning in 1986. Because advertiser failure was much less likely than advertising agency failure, survivor bias was not a problem. This yielded a sample of 124 advertisers that survived the entire observation period and 26 that failed prior to 1998. Data on each advertiser were recorded yearly for the entire observation period or until the firm failed.

In our third step we used the two samples created in steps one and two to generate a list of dyadic advertiser-agency market ties that existed between 1986 and 1998 and involved only the clients and advertising agencies represented in our first two samples. This procedure yielded a total of 232 advertiser-agency dyads involving 84 different advertising agencies and 135 different advertisers. Some dyads existed in 1986 while others were formed later during the observation period. Data on each dyad and the firms involved in the dyad were recorded yearly from the time they were first observed through the entire observation period or until the dyad dissolved. To prevent artificially inflating the number of dissolutions and exits, we omitted from the final dataset observations when the advertiser or agency failed since firms lose all exchange partners and managers in the year they fail. The data were further reduced because two years of data were necessary to determine the dissolution of dyads between year t and t+1 and because the models involve lagged variables. This procedure produced 1,156 dyad-year observations for our sample of 232 advertiser-agency dyads. Missing variables further reduced our usable sample to 1,130 dyad-years.

**Dissolution.** Our dependent variable is the dissolution of advertiser-agency dyadic market ties. We identified dissolution as occurring in calendar year t when an advertiser was listed as an agency’s exchange partner, and an agency listed as an advertiser’s advertising agency, in the respective Red Book directories in year t but not in year t+1. In the event the two directories did not agree on the year of dissolution, we used the data reported in the Advertiser Red book. Our dichotomous variable is coded 0 in the years a dyad was intact and coded 1 in the year the tie dissolved. Of the 232 dyads included in the sample, 151 dissolved prior to the end of our observation period.

**Executive and Exchange Manager Exit**. We coded the names, job titles, and employing firms for all managers reported by the agencies and advertisers in samples 1 and 2 using the technique described in Broschak (2004). We identified exchange managers by functional category. For advertisers, managers with job titles indicating the *Marketing* function were considered exchange managers since they are the primary point of contact between their firm and the advertising agency. For agencies, although we theorize exchange managers as a group, we clustered exchange managers into two separate functional categories to reflect that the work roles of agency exchange managers are highly differentiated by functional area and because prior research documented how different kinds of agency exchange managers can have distinct effects on market tie dissolution (Broschak, 2004). We coded managers as exchange managers if their job titles indicated they worked as *Account Service* managers, who are responsible for coordinating advertising campaigns and serving as the primary point of contact between the client and agency, or *Creative* managers, who are responsible for conceiving, developing, and co-producing advertising through interactions with the client firm.

We identified executives by hierarchical level, using job titles to identify members of advertiser and agency top management teams. Prior studies on managerial mobility defined top management teams as those executives who reported to the chief executive officer (Boeker, 1992). Because we are only interested in executives with roles related to market ties, we only coded as executives managers holding the job titles of Chairman, Chief Executive Officer, or President in advertisers, and Chairman, Chief Executive Officer, President, or Chief Creative Officer in agencies, omitting less relevant executive job titles, such as Chief Financial Officer.

Exit was recorded as occurring in year t when an exchange manager or executive was listed as employed by a firm in year t but not in year t+1. *Exit* was coded 1 if executives or exchange managers exited their firms in a given year and 0 otherwise. All individual exit events occurring in a given year were aggregated to the appropriate hierarchical level in each firm (e.g., executives or marketing managers in advertisers; executives, account services managers or creative managers in advertising agencies). Our independent variable is a count of the *Number of Exchange Managers* and the *Number of Executives* who exited advertisers or agencies in a given year.

**Advertiser Performance**. Advertiser performance was determined as change in the logarithm of advertisers’ gross revenue from time t to time t+1 (Baker et al., 1998). Year-to-year change in advertiser gross revenues is an appropriate measure of performance since a primary purpose of advertising is to increase revenues. We used the log of advertiser gross revenue since the yearly revenue for firms in our sample was highly skewed.

**Tie Duration.** Market tie duration was measured as the number of continuous years the advertiser and agency reported working with each other. Relationships were coded as beginning in the year prior to the first year an agency appeared as an advertiser’s exchange partner. For relationships that already existed in 1986, we determined relationship duration by following advertiser-agency relationships backward in time for a maximum of 10 years. Relationships that began prior to 1976 were left censored and their duration clocks were assumed to start in 1975.

**Control Variables**. We included a number of control variables likely to be related to the propensity of dyadic market ties to dissolve. First, we controlled for advertiser and advertising agency size. Prior research has found that buyer firm size diminishes the likelihood of market tie dissolution (Baker et al., 1998; Weiss & Kurland, 1997). Firm size is positively associated with structural inertia (Hannan & Freeman, 1989) and may limit an advertiser’s ability to end existing market ties for the purposes of forming new ones. Advertiser size may also be an indicator of status as exchange partners. Advertising agencies may be fearful of losing large “attractive” clients and may be more willing to acquiesce to any demands those advertisers make on the agency, thus stabilizing the advertiser-agency market tie (Baker et al., 1998).

Agency size may also diminish the likelihood of market tie dissolution. Large size provides agencies with slack resources in the form of creative personnel or account managers making agencies better able to coordinate with their clients. We operationalized *Firm Size* as the log of annual gross revenue for advertisers and the log of annual gross billings for advertising agencies, adjusted annually for inflation.

In addition to controlling for *Advertiser Performance* we alsocontrolled for *Agency Performance*, measured as change in the logarithm of advertising agency gross billings from time t to time t+1. Increasing billings may be an indicator of an agency’s ability to produce effective advertising and thus be negatively related to the likelihood that market ties dissolve. We also controlled for *Agency Mortality* which we defined as exit from our sample either through acquisition or dissolution, prior to the end of the observation period. Though we are unable to determine whether an agency’s early exit from our sample reflects poor performance (e.g., dissolution) or good performance (e.g., acquisition), agencies that experience the turbulence of disbanding or being acquired may be at a higher risk of experiencing client loss or managerial exits than agencies that survive the entire observation period.

We controlled for *Agency Reputation* since high reputation agencies may be more desirable exchange partners and thus experience lower risk of tie dissolution (Baker et al., 1998). Agency reputation may be a proxy for status as an exchange partner and an indicator of the underlying quality of the firm’s service (Podolny, 1993). We measured agency reputation as the ranking in Advertising Age’s annual ranking of top agencies, coded as 1, signifying a high reputation, if an agency was listed among the top 200 agencies in the Advertising Age annual ranking and 0 otherwise. Agency Reputation was updated yearly. We experimented with defining high reputation as agencies being ranked among the top 100 and the top 500 agencies in the Advertising Age rankings. Those results were largely similar to the ones reported here.

For advertisers, we coded the industry in which they operated to control for the fact that advertising may be more critical in consumer-oriented industries than in industrial-oriented industries, and that the durability of advertiser-agency relationships may be affected by the industry in which the advertiser operates. We used two-digit SIC codes to classify advertisers into one of four categories: *Consumer Products, Consumer Services, Industrial Products, and Industrial Services*. We created indicator variables for each category and included them in our models with *Industrial Services* as the omitted category.

In addition to controlling for the *Duration of Market Ties* we controlled for several firm characteristics related to market ties. First, we controlled for how atypical the focal market tie was compared to the advertiser and agency’s other market ties by including *Tie Duration above Average*, calculated as the difference between the focal market tie’s duration and the mean duration of the advertiser and agency’s other market ties. The atypical length of market ties was only significant for advertisers, so the agency atypical length was dropped from the analysis. We controlled for firms’ market orientation which was determined by summing the *Number of Market Ties* maintained by advertisers and agencies in a given year, as reported in the Advertiser and Agency Red Books, respectively.. The greater the number of exchange partners advertisers and agencies maintain, the more transactional their market orientation, making it less likely that the exit of managers will directly disrupt market ties (Baker et al., 1998; Broschak, 2004)[[5]](#footnote-5).

We controlled for human and social capital by including a count of the number of advertiser and advertising agency executives and exchange managers. Finally, in each model we included controls for each observation year to account for factors exogenous to each dyad that could affect the persistence of the advertiser- agency relationship.

**Model Specification and Estimation.** The data on managerial exits in advertisers and advertising agencies were aggregated to the firm level and hypotheses tested by estimating regression models on pooled cross-sectional and time-series data. We constructed models estimating the effects of our independent variables on the subsequent dissolution of exchange relationships. The general form of the model was:

 Y(t) = β1X1(t-1) + β2X2(t) + ε. (1)

where Y(t) represents an exchange dyad’s dissolution event in year t, X1(t-1) is a vector of time varying independent and control variables measured in the prior year, and X2(t) is a vector of time varying control variables measured in the current year, with the exception of *Agency Mortality* and our set of industry controls which were constant over time. We estimated models on the pooled cross-sectional time series data and adjusted for the non-independence of observations (Diggle, Liang, & Zeger, 1994) using the generalized estimating equations (GEE) method available in the SAS GENMOD procedure (SAS, 1997), modeling the covariance structure within each dyad and firm, and treating between subject observations as independent (Liang & Zeger, 1986). We used logistic regression techniques to estimate the likelihood of a dyad dissolving in a given year.

### Results

Table 1 contains descriptive statistics and bivariate correlations for all the variables in our models. Table 2 displays the results of logistic regression models of the likelihood of market tie dissolution. Model 1 is a base model of the effects of the control variables. Model 2 adds the number of exits of advertiser and agency executives and exchange managers. We use these results to test Hypotheses 1-4. In models 3 and 4 we add the interactions between advertiser performance and advertiser executive and exchange manager exit to test Hypothesis 5. Models 5 and 6 include the interaction between tie duration and agency executive and exchange manager exits to test Hypothesis 6a. Model 7 is a complete model containing all the significant main and interaction effects.

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INSERT TABLES 1 AND 2 ABOUT HERE

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 Several of the control variables are significant. As expected, longer duration market ties, market ties involving advertisers who are growing from year to year, and ties involving higher reputation agencies are less likely to dissolve. Dyads involving agencies that failed prior to the end of the observation window are more likely to dissolve, though the effect of agency failure goes away once managerial exit is included in the models. Dyads are more likely to dissolve when agencies have many clients but when advertisers have ties to fewer agencies. Finally, we found industry effects; dyads involving advertisers in consumer product and industrial product industries are more likely to dissolve than dyads with advertisers operating in service industries.

Model 2 of Table 2 displays the main effects of executive and exchange manager exits. Each advertiser executive and marketing manager who exits increases the likelihood of market tie dissolution by 75% (exp(0.56)) and 23% (exp(0.21)), respectively. For agencies, only the exit of creative managers has a positive and significant main effect on market tie dissolution, increasing the likelihood of dissolution by 8% (exp(0.08)) for each creative manager who exits. The main effect of the number of agency executives and agency account services managers who exited was not significant.

To test Hypotheses 1-4, we use the main effects in model 2 and calculated t-tests for the differences between the coefficients for executive and exchange manager exit in advertisers and agencies. We find strong support for Hypothesis 1. The number of advertiser executives who exit has a positive and significant effect on the likelihood of market tie dissolution while the main effect of agency executives exiting is negative and non-significant (p<.001). Hypothesis 2, which predicted that the number of agency exchange managers who exit would increase the likelihood of market tie dissolution more than the number of advertiser exchange managers who exit, is not supported. Contrary to our expectations the number of advertisers’ marketing managers who exit has a greater effect on market tie dissolution than the number of either agency creative managers (p<.05) or account services managers (p<.01) who exit.

Hypothesis 3, which predicted that the number of advertising executives who exit would affect market tie dissolution more than the number of advertiser exchange managers who exit, is supported. The likelihood of market tie dissolution increases both with the number of executives and marketing managers who exit from advertisers, but the coefficient of executive exit is significantly larger (p<.05). We also find support for Hypothesis 4, which predicted that the number of agency exchange managers who exit would have a stronger effect on market tie dissolution than the number of agency executives who exit. The exit of agency creative managers has a significantly greater effect on dyad dissolution than the exit of agency executives (p<.05). And though neither of the main effects of account services manager or executive exit is statistically significant, the coefficient for number of account services manager who exit is marginally greater than the coefficient for executive exit (p<.10), consistent with Hypothesis 4.

To test hypothesis 5, that the effect of exit from advertisers would be stronger when advertiser performance was poor, we interacted the number of advertiser executives and marketing managers who exited with advertiser growth. In models 3 and 4, as well as in the full model in Table 2 this interaction is negative and significant for both executives and marketing managers, supporting Hypothesis 5. In both models including the interaction term improves model fit. To better understand this effect we plotted the interactions between the number of advertiser executives and marketing managers who exited and advertiser growth, using the results in Model 7 holding all the other variables at their means. Because the mean value of advertiser growth is near zero, the interaction plot can be interpreted as advertisers with growth below the mean having declining revenues from year to year while advertisers with growth above the mean have increasing revenues. As Figure 2 illustrates, an increase in the number of advertising executives exiting has a strong effect on market tie dissolution for firms with decreasing revenues, and a positive though less pronounced effect for advertisers with revenue growth near zero. The effect of executives exiting on market tie dissolution is negligible for advertisers that are growing, consistent with our theorizing that executive exit can trigger strategic change in an attempt to improve firm performance. The interaction results plotted in Figure 3 follow the same pattern; the exit of marketing managers increases the likelihood of market tie dissolution for advertisers with declining revenues and no growth but not when advertisers are growing.

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INSERT FIGURES 2 AND 3 ABOUT HERE

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 Models 5 and 6 in Table 2 test hypothesis 6a, that the effects of agency executive and exchange manager exits will be strongest for short duration ties and decrease as tie duration increases. We find partial support for Hypothesis 6a. Though the main effect of agency executive exit is not significant, the interaction between executive exits and tie duration is negative and significant (model 5), as predicted. The interaction between creative manager exits and tie duration is only marginally significant (model 6) while the interaction between account services manager exit and tie duration was not significant and is not reported. In the full model, Model 7, the interactions with agency executives and creative managers become marginally significant and insignificant, respectively. To interpret these interaction effects we plotted the results for agency executives and creative managers from Model 7 in Figures 4 and 5, holding all the other variables at their means. We plotted the interaction at the mean value of market tie duration for our sample (10 years), at one a standard deviation above and below the mean (5 and 15 years), and at the shortest duration for dyads in our dataset (2 years). Figure 4 illustrates that for agency executives, exits increased the likelihood of market tie dissolution but only for the shortest duration ties. Similarly, in Figure 5, the exit of creative managers increases the likelihood of market tie dissolution, but only for shorter duration market ties and only when larger numbers of creative managers exit at the same time.

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INSERT FIGURES 4 AND 5 ABOUT HERE

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We found no support for Hypothesis 6b. The interactions between advertiser executives and marketing managers and tie duration were not significant and are not reported. Finally, model 7 includes all the main effects of exit and the significant interactions from Models 3-6. In the full model all of our effects remain significant, though become weaker, with the exception of the interaction between tie duration and the exit of creative managers, which remains negative but is no longer significant.

### Discussion

According to the social embeddedness literature, role-based social capital matters to the fate of firms’ market ties. Managers in roles related to market ties make investments in their firms’ exchange relationships which strengthen the bonds between transacting organizations (Uzzi, 1996); they develop a deep understanding of their exchange partners processes, in-depth technical knowledge about their exchange partner’s businesses, and trusting personal relationships that reduce uncertainty about malfeasance (Granovetter, 1985). Because social capital cannot be completely transferred to firms or embedded in their processes, when managers exit their firms the social capital that had reinforced their firms’ market ties is diminished putting market ties at greater risk of dissolution (Broschak, 2004).

In this paper we move beyond this simple prescription. We focus on advertiser-advertising agency relationships and identify two hierarchically-distinct roles related to market ties that exist in each firm, exchange managers and executives. We articulate what each role contributes to a firm’s social capital and how the number of managers who exit from these roles threatens the continuity of market ties. Our empirical results provide partial answers to three questions: From which firm, advertisers or agencies, is managerial exit more detrimental to market ties? From which role, exchange managers or executives, is managerial exit more likely to disrupt market ties? Under what conditions is the exit of exchange managers and executives more or less disruptive to market ties?

We find that the number of exchange managers and executives who exit on both sides of advertiser-agency market ties increases the likelihood of ties dissolving. This is consistent with the idea that firms are buying and selling centers (Fichman & Goodman, 1996); executives and exchange managers on both sides of market ties, are different roles existing at separate hierarchical levels in the two firms, but all contribute to forming and maintaining market ties. Social capital is increasingly lost the more managers in both exchange partners who exit these roles, putting market ties at higher risk of dissolution. For researchers, our findings suggest that studying only the buyer side of advertiser-agency market ties paints an incomplete picture of the mechanisms that underlie tie dissolution. Further, our findings indicate that the effects of managerial exit on market ties are neither symmetrical between advertisers and advertising agencies nor uniform across roles within firms. The exit of executives and exchange managers from advertisers and advertising agencies triggers different mechanisms that undermine market ties because each role makes different contributions to firms’ social capital.

Looking across sides of the market, we find that the number of exchange managers and executives who exit from advertisers has a much stronger effect on the likelihood of market ties dissolving than the number of exchange managers and executives who exit from agencies. This supports the argument that buyers and sellers have unequal power in markets. Because advertisers have more control than agencies over forming and dissolving ties, and determining the rules of exchange, the loss of role-based social capital due to advertiser executives and exchange managers exiting puts market ties at greater risk of failure (Baker et al., 1998).

It is surprising that the loss of social capital due to advertising agency managers exiting is not more consequential to the fate of dyadic market ties. Advertising is a human capital intensive professional service. Compared to advertisers agency executives and exchange managers seemingly make larger investments in the relationship-specific assets that necessary for successfully managing advertiser-agency relationships (Broschak, 2004), suggesting that the loss of valuable human and social capital due to managers exiting would impair an agency’s ability to maintain ties to advertisers. Indeed, our results show that the exit of agency creative managers, and to a lesser extent the exit of agency executives, weakens market ties. But these effects are dwarfed by the effects of advertiser managers exiting. One possible explanation is that the careers of advertising agency managers lie in occupational labor markets where the mobility of professionals between firms is a regular occurrence. In labor markets where there is high inter-firm mobility, it might be the case the exit of agency exchange managers and executives becomes normal or taken for granted by clients, dampening its effect on dyadic market tie dissolution. Perhaps in other professional services, where individuals are more strongly attached to firms through partnership or other mechanisms, the exit of exchange managers and executives would have a stronger effect on market tie dissolution (Wezel, Cattani, & Pennings, 2006).

Looking within firms, we find that there are differences in whether the number of executives or exchange managers who exit matters more to market tie dissolution between advertisers and agencies. This reflects the differentiated nature of role-based social capital within firms and highlights variation in the mechanisms by which executives and exchange managers’ social capital reinforces market ties. In advertisers, the exit of executives has a stronger effect on market tie dissolution than does the exit of exchange managers. This suggests that the social capital of the advertiser executive role stabilizes advertiser-agency markets more so than the social capital of the exchange manager role. This result could be a function of advertiser-agency market ties being important to an advertiser’s strategy and advertiser executives determining strategy for their firms and having formal control over making and breaking market ties. It is possible that for other types of market ties that are less strategic, such as ties for the supply of industrial components or administrative services, social capital at levels closer to the day-to-day operation of the exchange may be relatively more critical to market tie continuity.

In advertising agencies we find the opposite pattern of results; the number of creative managers lost, whose primary role is producing creative content, puts more pressure on advertiser-agency market ties than the number of executives who exit. This suggests that for professional service firms, social capital at the exchange manager level, such as tacit knowledge of and in depth understanding about a client’s business, is more critical to the continuity of market ties than personal relationships or normative commitments between executives. Losing a number of creative managers may create uncertainty about the advertising agency’s ability to meet the advertiser’s needs. As one of our industry respondents told us “The loss of well-respected creative people can cause clients to reconsider working with agencies. After all, the creative side is why clients go to agencies in the first place.” Interestingly, this result is at odds with Broschak (2004) who found that sellers who experienced the turnover of creative managers experienced fewer market tie dissolutions than sellers that did not experience creative turnover. This discrepancy may be attributable to differences in the samples used in the two studies. The current paper focuses on dyadic market ties involving relatively large advertisers rather than an agency’s entire portfolio of clients. It is possible that large advertisers are more sensitive to turnover among the creative talent in advertising agencies. Future research may wish to investigate why creative managers have strong effects on specific dyadic relationships but not on their firm’s overall portfolio of relationships.

Surprisingly, we did not find effects for the exit of agency account services managers on market tie dissolution. Account services managers are the primary points of contact between the agency and advertiser and coordinate the day-to-day details of the exchange. We expected that the social capital lost due to these managers exiting from agencies would make market ties more difficult to manage and therefore more likely to dissolve. However, our results suggest that social capital developed by account services managers may be more readily transferred to the organization itself. As one of our interviewees told us, “Relationships between firms transcend the personal. Clients want the same level of service they are always accustomed to, even when the individuals change.” It is possible that the relationship-specific knowledge of account services managers, for the dyadic ties we studied, is shared widely in advertising agencies, or becomes institutionalized and embedded in organizational practices, making these market ties relatively immune to the loss of specific account services managers. It is also possible that our results reflect a limitation of our data, which do not reveal which individual account services managers attend to particular buyer’s accounts. Data that clearly links individual account managers to specific buyers may yield stronger empirical results then the ones reported here.

Importantly, we find that the exit of executives and exchange managers from advertisers and agencies is contingent on advertiser and tie characteristics. For advertisers, the effect of executives and marketing managers exiting is most pronounced when advertiser revenues are not growing, consistent with the idea that changes in an advertiser’s marketing strategy precipitate the dissolution of advertiser-agency market ties. When advertisers are performing well advertiser-agency market ties are robust to the departure of advertiser executives and exchange managers.

 For advertising agencies, the loss of social capital due executives and creative managers exiting matters most to tie dissolution when market ties are new. New market ties suffer from a liability of newness (Stinchcombe, 1965); they are fragile because they lack the infrastructure to operate effectively and are absent the trust that comes from the experience of working together (Uzzi, 1996). Thus, new market ties are particularly susceptible to the exit of agency executives and creative managers since it is continuity in the participation of these actors that creates certainty about agencies fulfilling their commitments to advertisers. Once routines are developed and experience is gained, structure supplants individual-level social capital as the dominant mode for coordinating exchange and market ties become resistant to the loss of agency executive and creative managers. Our results suggest that continuity among an agency’s managers and executives is only consequential to market ties that are the most vulnerable to dissolution.

While our study contributes important insights about the link between managerial mobility and the dynamics of market ties, there are several limitations worth noting. First, we study dyadic market ties in only one setting. The context of advertising is a particular type of professional service characterized by complex interactions and informational asymmetries between buyers and sellers; advertising agencies apply technical expertise that is beyond the know-how of advertisers in novel ways to solve tasks defined by advertisers. The lack of technical expertise makes it difficult for advertisers to objectively evaluate what agency’s produce (Mills & Margulies, 1980: 263-264). In these types of settings, where buyers operate at informational disadvantages to sellers, social capital is likely to play a prominent role in the formation and continuity of market ties. It is unclear whether the findings from this setting can be generalized to other professional service contexts where the expertise and behaviors of professionals are more easily known and evaluated. Similarly, we would caution about generalizing these findings to settings where market ties are less strategic or where investments in physical or financial capital, rather than social capital, sustains market ties. What we believe is generalizable is the framework of mechanisms we develop; considering how organizational roles related to market ties vary in their relationship-specific investments, the intensity of interactions with exchange partners, and the amount of formal control over relationship continuity can help researchers understand how labor market processes affect the dynamics of market ties.

A second limitation, as we already noted, is that we are not able to identify the extent to which specific executives and exchange managers are directly involved in the dyadic market ties we observe. As a result, we cannot measure or observe the investments that specific executives and exchange managers make in dyadic market ties, or that are lost when they exit their firms. This limitation to our data prevents us from testing what we see as strong-form arguments of our theory; that social embeddedness is created and disrupted through the behaviors of specific individual actors. We agree that a fruitful avenue for future research is pairing individual exchange managers with specific market ties to gain richer insights into how investments in specific types of social capital magnify or diminish the disruptive effects of managerial exit. But we also contend that the strength of arguments about managers’ investments in social capital and the continuity of market ties does not hinge on the ability to decompose relationships between firms to an atomistic level. Social capital is an asset of firms as well as of individuals. And market ties between buyers and sellers can strengthen because the people who occupy exchange manager roles (e.g., customer service managers) make relationship-specific investments (e.g., understand a buyer’s business needs, develop expertise in communicating with buyers) even when their identity remains anonymous to the exchange partner. Our results suggest that it is turnover from specific organizational roles as much as the exit of specific individuals that weakens market ties.

Despite these limitations, our findings provide evidence that the amount of managerial exit is disruptive to firms’ dyadic market ties due to its effect on relationship-specific assets and formal control. Market ties succeed or fail because of the characteristics of the market tie, the characteristics of firms involved in the exchange, and the exit of managers from different roles related to the exchange. Future research is needed to more completely disentangle the relative influence of different types of social capital, the conditions under which disruptions to social capital affect market ties, and to extend our framework to other contexts to better understand the conditions under which market ties fail.

**TABLE 1**

**Descriptive Statistics and Bivariate Correlations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Variable | N | Mean | S.D. | 1 |  | 2 |  | 3 |  | 4 |  | 5 |  | 6 |  | 7 |  | 8 |  | 9 |  | 10 |  |
| 1 | Occurrence of Tie Dissolution | 1130 | 0.13 | 0.34 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Log of Advertiser Size | 1130 | 21.79 | 1.85 | -0.08 | \* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Log of Agency Size | 1130 | 19.97 | 2.04 | -0.04 |  | 0.32 | \* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Change in Advertiser Size | 1130 | 0.03 | 0.25 | -0.06 | \* | 0.09 | \* | -0.00 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Change in Agency Size | 1130 | 0.05 | 0.36 | -0.03 |  | 0.01 |  | 0.11 | \* | 0.03 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6 | Agency Mortality (1=Yes) | 1130 | 0.17 | 0.38 | 0.08 | \* | -0.15 | \* | -0.31 | \* | 0.01 |  | -0.04 |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Agency Reputation | 1130 | 0.71 | 0.45 | -0.04 |  | 0.13 | \* | 0.54 | \* | -0.02 |  | 0.02 |  | -0.07 | \* |  |  |  |  |  |  |  |  |
| 8 | Advertiser Industry, Cons. Product (1=Yes) | 1130 | 0.52 | 0.50 | -0.02 |  | -0.02 |  | 0.00 |  | 0.02 |  | 0.01 |  | -0.01 |  | 0.10 | \* |  |  |  |  |  |  |
| 9 | Advertiser Industry, Cons. Service (1=Yes) | 1130 | 0.19 | 0.39 | 0.02 |  | -0.07 | \* | 0.04 |  | 0.03 |   | 0.01 |  | 0.05 |  | 0.01 |  | -0.51 | \* |  |  |  |  |
| 10 | Advertiser Industry, Ind. Product (1=Yes) | 1130 | 0.22 | 0.42 | 0.03 |  | 0.05 |  | -0.07 | \* | -0.05 |  | -0.03 |  | 0.02 |  | -0.07 | \* | -0.56 | \* | -0.26 | \* |  |  |
| 11 | Advertiser Industry, Ind. Service (1=Yes) | 1130 | 0.07 | 0.24 | -0.05 |  | 0.06 | \* | 0.04 |  | -0.01 |  | 0.02 |  | -0.09 | \* | -0.09 | \* | -0.27 | \* | -0.13 | \* | -0.14 | \* |
| 12 | Tie Duration (Years) | 1130 | 9.62 | 5.58 | -0.11 | \* | 0.16 | \* | 0.27 | \* | -0.03 |  | -0.06 | \* | -0.22 | \* | 0.09 | \* | 0.07 | \* | -0.07 | \* | -0.00 |  |
| 13 | Tie Duration Above Average | 1130 | 2.11 | 5.14 | -0.04 |  | 0.13 | \* | 0.26 | \* | -0.03 |  | -0.00 |  | -0.20 | \* | 0.07 | \* | 0.02 |  | -0.11 | \* | 0.05 |  |
| 14 | Number of Advertiser Market Ties | 1130 | 5.54 | 5.37 | -0.08 | \* | 0.49 |  | -0.03 |  | 0.04 |  | 0.01 |  | 0.05 |  | -0.02 |  | 0.24 | \* | -0.29 | \* | 0.05 |  |
| 15 | Number of Agency Market Ties | 1130 | 25.76 | 23.08 | 0.05 |  | -0.07 | \* | 0.17 | \* | 0.00 |  | 0.04 |  | -0.00 |  | 0.26 | \* | -0.11 | \* | 0.05 |  | 0.11 | \* |
| 16 | Number of Advertiser EXEC | 1130 | 2.51 | 1.49 | -0.00 |  | 0.29 | \* | 0.10 | \* | 0.03 |  | -0.01 |  | -0.07 | \* | 0.06 | \* | -0.04 |  | -0.03 |  | -0.05 |  |
| 17 | Number of Advertiser MKT Mgrs. | 1130 | 3.65 | 4.10 | -0.05 |  | 0.21 | \* | 0.04 |  | 0.04 |  | -0.00 |  | -0.12 | \* | 0.01 |  | 0.35 | \* | -0.17 | \* | -0.19 | \* |
| 18 | Number of Agency EXEC | 1130 | 3.15 | 2.63 | 0.04 |  | 0.05 |  | 0.38 | \* | 0.01 |  | 0.00 |  | -0.07 | \* | 0.24 | \* | -0.03 |  | 0.05 |  | 0.00 |  |
| 19 | Number of Agency Acct. Svc. Mgrs. | 1130 | 10.75 | 14.31 | 0.02 |  | -0.08 | \* | 0.14 | \* | 0.00 |  | 0.05 |  | -0.01 |  | 0.15 | \* | -0.03 |  | 0.06 | \* | -0.01 |  |
| 20 | Number of Agency Creative Mgrs. | 1130 | 8.67 | 8.70 | 0.07 | \* | 0.08 | \* | 0.33 | \* | 0.01 |  | -0.01 |  | 0.05 |  | 0.30 | \* | -0.03 |  | 0.15 | \* | -0.07 | \* |
| 21 | Number of Exits of Advertiser EXEC | 1130 | 0.19 | 0.43 | 0.08 | \* | 0.06 | \* | -0.01 |  | 0.01 |  | 0.01 |  | -0.02 |  | -0.04 |  | 0.03 |  | 0.02 |  | -0.05 |  |
| 22 | Number of Exits of Advertiser MKT Mgrs. | 1130 | 0.74 | 1.65 | 0.05 |  | 0.16 | \* | 0.00 |  | 0.04 |  | 0.00 |  | -0.04 |  | -0.03 |  | 0.13 | \* | -0.08 | \* | -0.07 | \* |
| 23 | Number of Exits of Agency EXEC  | 1130 | 0.23 | 0.49 | -0.01 |  | 0.12 | \* | 0.25 | \* | 0.05 |  | 0.01 |  | -0.05 |  | 0.12 | \* | -0.00 |  | 0.01 |  | 0.03 |  |
| 24 | Number of Exits of Agency Acct Svc Mgrs.  | 1130 | 2.71 | 4.08 | 0.02 |  | -0.08 | \* | 0.07 | \* | 0.01 |  | 0.04 |  | 0.03 |  | 0.14 | \* | 0.00 |  | 0.08 | \* | -0.05 |  |
| 25 | Number of Exits of Agency Creative Mgrs.  | 1130 | 1.95 | 2.99 | 0.10 | \* | -0.01 |  | 0.17 | \* | 0.03 |  | -0.01 |  | 0.21 | \* | 0.25 | \* | -0.01 |  | 0.17 | \* | -0.09 | \* |

\* p < .05, two tailed test

**TABLE 1 (Cont.)**

**Descriptive Statistics and Bivariate Correlations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Variable | 11 |  | 12 |  | 13 |  | 14 |  | 15 |  | 16 |  | 17 |  | 18 |  | 19 |  | 20 |  | 21 |  | 22 |  |
| 11 | Advertiser Industry, Ind. Service (1=Yes) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 12 | Duration of Market Tie | -0.02 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 13 | Tie Duration Above Average | 0.05 |  | 0.67 | \* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 14 | Number of Advertiser Market Ties | -0.11 | \* | 0.01 |  | 0.09 | \* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 15 | Number of Agency Market Ties | -0.04 |  | 0.02 |  | 0.01 |  | -0.03 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 16 | Number of Advertiser EXEC | 0.22 | \* | -0.01 |  | 0.01 |  | 0.17 | \* | 0.05 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 17 | Number of Advertiser MKT Mgrs. | -0.11 | \* | 0.10 | \* | -0.03 |  | 0.20 | \* | -0.08 | \* | 0.12 | \* |  |  |  |  |  |  |  |  |  |  |  |  |
| 18 | Number of Agency EXEC | -0.04 |  | 0.12 | \* | 0.11 | \* | -0.05 |  | 0.46 | \* | -0.02 |  | 0.01 |  |  |  |  |  |  |  |  |  |  |  |
| 19 | Number of Agency Acct. Svc. Mgrs. | -0.03 |  | 0.05 |  | 0.05 |  | -0.10 | \* | 0.47 | \* | -0.11 | \* | -0.07 | \* | 0.67 | \* |  |  |  |  |  |  |  |  |
| 20 | Number of Agency Creative Mgrs. | -0.07 | \* | 0.05 |  | 0.02 |  | 0.01 |  | 0.18 | \* | 0.01 |  | -0.02 |  | 0.37 | \* | 0.44 | \* |  |  |  |  |  |  |
| 21 | Number of Exits of Advertiser EXEC  | -0.02 |  | -0.02 |  | 0.00 |  | 0.02 |  | -0.06 | \* | 0.13 | \* | 0.07 | \* | -0.01 |  | -0.06 | \* | -0.03 |  |  |  |  |  |
| 22 | Number of Exits of Advertiser MKT Mgrs. | -0.04 |  | 0.02 |  | -0.02 |  | 0.15 | \* | -0.05 |  | 0.08 | \* | 0.56 | \* | 0.00 |  | -0.04 |  | -0.01 |  | 0.04 |  |  |  |
| 23 | Number of Exits of Agency EXEC  | -0.05 |  | 0.06 | \* | 0.03 |  | 0.03 |  | 0.09 | \* | 0.00 |  | -0.00 |  | 0.26 | \* | 0.03 |  | 0.11 | \* | 0.05 |  | 0.04 |  |
| 24 | Number of Exits of Agency Acct Svc Mgrs.  | -0.04 |  | 0.00 |  | 0.01 |  | -0.07 | \* | 0.34 | \* | -0.10 | \* | -0.10 | \* | 0.41 | \* | 0.83 | \* | 0.38 | \* | -0.06 | \* | -0.05 |  |
| 25 | Number of Exits of Agency Creative Mgrs.  | -0.09 | \* | -0.03 |  | -0.05 |  | -0.02 |  | 0.21 | \* | -0.01 |  | -0.04 |  | 0.28 | \* | 0.33 | \* | 0.75 | \* | -0.04 |  | -0.01 |  |

\* p < .05, two tailed test

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | Variable | 23 |  | 24 |  |
| 23 | Number of Exits of Agency EXEC  |  |  |  |  |
| 24 | Number of Exits of Agency Acct Svc Mgrs.  | 0.02 |  |  |  |
| 25 | Number of Exits of Agency Creative Mgrs.  | 0.20 | \* | 0.38 | \* |

 \* p < .05, two tailed test

**TABLE 2**

**Logistic Regression Models of the Likelihood of Buyer-Seller Dyad Dissolutions**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Model**  |  | **Model** |  | **Model** |  | **Model** |  | **Model** |  | **Model** |  | **Model** |  |
| **Independent Variables** | (1) |  | (2) |  | (3) |  | (4) |  | (5) |  | (6) |  | (7) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Advertiser Log (Size) x 10, t | 0.09 |  | -0.01 |  | 0.03 |  | 0.02 |  | -0.02 |  | -0.02 |  | -0.03 |  |
|  | (0.65) |  | (0.67) |  | (0.67) |  | (0.67) |  | (0.68) |  | (0.68) |  | (0.68) |  |
| Agency Log (Size) x 10, t | -0.37 |  | -0.12 |  | -0.35 |  | -0.14 |  | -0.09 |  | -0.16 |  | -0.07 |  |
|   | (0.60) |  | (0.60) |  | (0.60) |  | (0.60) |  | (0.60) |  | (0.60) |  | (0.06) |  |
| Change in Log Advertiser Size | -0.57 | † | -0.60 | \* | -0.31 |  | -0.28 |  | -0.60 | \* | -0.60 | \* | -0.09 |  |
|   | (0.31) |  | (0.30) |  | (0.23) |  | (0.32) |  | (0.29) |  | (0.29) |  | (0.26) |  |
| Change in Log Agency Size  | -0.12 |  | -0.12 |  | -0.17 |  | -0.13 |  | -0.13 |  | -0.12 |  | -0.16 |  |
|  | (0.26) |  | (0.27) |  | (0.27) |  | (0.27) |  | (0.26) |  | (0.26) |  | (0.27) |  |
| Agency Mortality (1 = Yes) | 0.49 | \* | 0.38 |  | 0.36 |  | 0.36 |  | 0.41 | † | 0.37 |  | 0.36 |  |
|   | (0.24) |  | (0.25) |  | (0.24) |  | (0.24) |  | (0.25) |  | (0.25) |  | (0.24) |  |
| Agency Reputation | -0.57 | \* | -0.61 | \*\* | -0.65 | \*\* | -0.61 | \*\* | -0.65 | \*\* | -0.61 | \*\* | -0.68 | \*\* |
|  | (0.23) |  | (0.23) |  | (0.23) |  | (0.23) |  | (0.24) |  | (0.23) |  | (0.24) |  |
| Advertiser Consumer Product (1=Yes) | 1.25 | \* | 1.27 | \* | 1.28 | \* | 1.30 | \* | 1.28 | \* | 1.24 | \* | 1.30 | \* |
|  | (0.59) |  | (0.62) |  | (0.62) |  | (0.61) |  | (0.62) |  | (0.61) |  | (0.61) |  |
| Advertiser Consumer Service (1=Yes) | 0.95 |  | 0.88 |  | 0.89 |  | 0.86 |  | 0.90 |  | 0.85 |  | 0.87 |  |
|  | (0.61) |  | (0.63) |  | (0.63) |  | (0.62) |  | (0.63) |  | (0.62) |  | (0.62) |  |
| Advertiser Industrial Product (1=Yes) | 1.18 | \* | 1.21 | \* | 1.21 | \* | 1.19 | \* | 1.23 | \* | 1.20 | \* | 1.21 | \* |
|  | (0.59) |  | (0.61) |  | (0.61) |  | (0.61) |  | (0.61) |  | (0.60) |  | (0.60) |  |
| Tie Duration (Years), t | -0.10 | \*\*\* | -0.10 | \*\*\* | -0.10 | \*\*\* | -0.10 | \*\*\* | -0.08 | \*\* | -0.08 | \*\* | -0.08 | \*\* |
|   | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  |
| Tie Duration Above Average, t | 0.06 | \* | 0.06 | \* | 0.06 | \* | 0.06 | \* | 0.06 | \* | 0.06 | \* | 0.06 | \* |
|  | (0.02) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  |
| # of Advertiser Market Ties, t | -0.06 | \* | -0.07 | \* | -0.07 | \* | -0.07 | \* | -0.07 | \* | -0.07 | \* | -0.07 | \* |
|  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  |
| # of Agency Market Ties, t | 0.01 | \* | 0.01 | \* | 0.01 | \* | 0.01 | \* | 0.01 | \* | 0.01 | \* | 0.01 | \* |
|  | (0.00) |  | (0.00) |  | (0.00) |  | (0.00) |  | (0.00) |  | (0.00) |  | (0.00) |  |
| # of Advertiser EXEC, t-1 | 0.06 |  | 0.04 |  | 0.04 |  | 0.03 |  | 0.04 |  | 0.04 |  | 0.04 |  |
|  | (0.07) |  | (0.07) |  | (0.07) |  | (0.07) |  | (0.07) |  | (0.07) |  | (0.07) |  |
| # of Advertiser MKTG Mgrs, t-1 | -0.03 |  | -0.10 | \*\* | -0.10 | \*\* | -0.10 | \*\* | -0.09 | \*\* | -0.10 | \*\* | -0.10 | \*\* |
|  | (0.02) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  | (0.03) |  |
| # of Agency EXEC, t-1 | 0.04 |  | 0.06 |  | 0.06 |  | 0.06 |  | 0.06 |  | 0.06 |  | 0.05 |  |
|  | (0.05) |  | (0.05) |  | (0.05) |  | (0.05) |  | (0.05) |  | (0.05) |  | (0.05) |  |
| # of Agency AS Mgrs, t-1 | -0.02 | † | -0.03 | † | -0.02 | † | -0.03 |  | -0.02 |  | -0.03 | † | -0.02 | \* |
|  | (0.01) |  | (0.02) |  | (0.01) |  | (0.02) |  | (0.02) |  | (0.02) |  | (0.02) |  |
| # of Agency Creative Mgrs, t-1 | 0.04(0.01) | \*\* | 0.01(0.01) |  | 0.01(0.02) |  | 0.02(0.02) |  | 0.01(0.02) |  | 0.02(0.02) |  | 0.01(0.02) |  |
| # of Advertiser EXEC Exits, t-1 |  |  | 0.56 | \*\* | 0.54 | \*\* | 0.54 | \*\* | 0.55 | \*\* | 0.56 | \*\* | 0.53 | \*\* |
|  |  |  | (0.19) |  | (0.19) |  | (0.19) |  | (0.19) |  | (0.19) |  | (0.19) |  |
| # of Advertiser MKTG Exits, t-1 |  |  | 0.21 | \*\*\* | 0.21 | \*\*\* | 0.21 | \*\* | 0.20 | \*\*\* | 0.21 | \*\*\* | 0.20 | \*\* |
|  |  |  | (0.06) |  | (0.06) |  | (0.07) |  | (0.06) |  | (0.06) |  | (0.07) |  |
| # of Agency EXEC Exits, t-1 |  |  | -0.26 |  | -0.26 |  | -0.24 |  | 0.35 |  | -0.21 |  | 0.29 |  |
|  |  |  | (0.20) |  | (0.21) |  | (0.20) |  | (0.39) |  | (0.20) |  | (0.40) |  |
| # of Agency AS Exits, t-1 |  |  | 0.02 |  | 0.02 |  | 0.02 |  | 0.02 |  | 0.03 |  | 0.02 |  |
|  |  |  | (0.04) |  | (0.04) |  | (0.04) |  | (0.04) |  | (0.04) |  | (0.04) |  |
| # of Agency Creative Exits, t-1 |  |  | 0.08(0.04) | \* | 0.09(0.04) | \* | 0.08(0.04) | \* | 0.09(0.04) | \* | 0.13(0.05) | \* | 0.12(0.06) | \* |
| Advertiser EXEC Exits X Adv. Growth |  |  |  |  | -2.24 | \* |  |  |  |  |  |  | -1.73 | \* |
|  |  |  |  |  | (1.04) |  |  |  |  |  |  |  | (1.06) |  |
| Advertiser MKTG Exits X Adv. Growth |  |  |  |  |  |  | -1.13 | \*\* |  |  |  |  | -0.94 | \* |
|  |  |  |  |  |  |  | (0.41) |  |  |  |  |  | (0.42) |  |
| Agency EXEC Exits X Tie Duration |  |  |  |  |  |  |  |  | -0.07 | \* |  |  | -0.06 | † |
|  |  |  |  |  |  |  |  |  | (0.04) |  |  |  | (0.04) |  |
| Agency CR MGR Exits X Tie Duration |  |  |  |  |  |  |  |  |  |  | -0.01 | † | -0.00 |  |
|  |  |  |  |  |  |  |  |  |  |  | (0.01) |  | (0.01) |  |
| Intercept | -0.62 |  | -0.80 |  | -0.98 |  | -0.74 |  | -0.98 |  | -0.85 |  | -1.11 |  |
|  | (1.73) |  | (1.82) |  | (1.81) |  | (1.81) |  | (1.82) |  | (1.83) |  | (1.83) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Quasi Log Likelihood | 871.8 |  | 859.1 |  | 854.4 |  | 852.7 |  | 857.7 |  | 858.6 |  | 850.5 |  |
| d.f. | 28 |  | 33 |  | 34 |  | 34 |  | 34 |  | 34 |  | 37 |  |
| Observations | 1130 |  | 1130 |  | 1130 |  | 1130 |  | 1130 |  | 1130 |  | 1130 |  |

Values are unstandardized regression coefficients. Standard errors are shown in parentheses. There were 232 dyads, 1130 dyad-years observed and 151 tie dissolution events. Controls for years not shown. † p<.10, \* p<.05, \*\* p<.01, \*\*\* p<.001. Significance levels are two-tailed.

**Figure 1**

**Managerial Roles in Market Ties**

|  |  |  |
| --- | --- | --- |
|  | Exchange Managers | Executives |
| Advertiser | **Moderate Asset Specificity**:* Provide agencies with business and market information
* Relationship-specific expertise and personal relationships that improve tie functioning

**Moderate Formal Control Over Ties**: * Evaluate agency performance
* Make recommendations about forming / ending market ties

**High Frequency Interaction**:* Act as primary point of contact between advertiser and agency
* Engage in daily interactions with agency exchange managers
 | **Low Asset Specificity**: * Make commitments, set norms, and negotiate broad outlines of exchange
* Personal relationships aid in resolving disputes
* Set firm strategy

**High Formal Control Over Ties**: * Approval authority for forming and dissolving advertiser-agency market ties in support of strategy
* Personal relationships that reinforce ties with agencies

**Low Frequency Interaction**:* Interact with agency executives early in relationship
* Interact with agency managers and executives during strategic changes and at critical junctures
 |
| Agency | **High Asset Specificity**: * Acquire in-depth technical knowledge of advertiser products and markets
* Develop relationship-specific expertise and personal relationships to improve tie functioning
* Produce advertising content

**No Formal Control Over Ties**:**High Frequency Interaction**: * Act as primary point of contact between advertisers and agencies
* Engage in daily interactions with advertiser exchange managers
 | **Moderate Asset Specificity**: * Set firm strategy
* Solicit potential clients
* Sell advertiser on agency capabilities
* Monitor quality of agency output
* Personal relationships create trust and certainty over firm capabilities and performance

**Low Formal Control Over Ties**:* Approval authority to dissolve ties with clients, though invoked infrequently

**Moderate Frequency Interaction**:* Interact with advertiser executives early in relationship and periodically thereafter
* Interact with advertiser executives and exchange managers when delivering advertising
 |

**Figure 2: Advertiser Growth Moderating the Effects of Number of Advertiser Executive Exits**

**Figure 3: Advertiser Growth Moderating the Effects of Number of Marketing Manager Exits**

**Figure 4: Tie Duration Moderating the Effects of Number of Agency Executive Exits**

**Figure 5: Tie Duration Moderating the Effects of Number of Agency Creative Manager Exits**

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1. We distinguish market ties, formal or informal arrangements between two organizations involving the reciprocal exchange of goods, services, or money (Baker, 1990), from cooperative inter-organizational relationships, such as strategic alliances, in which market exchange is absent and two or more organizations join together to share resources rather than operate independently. [↑](#footnote-ref-1)
2. We use the terms number of managers who exit and managerial exit synonymously throughout the paper. [↑](#footnote-ref-2)
3. Decisions about market ties may be based on input from exchange managers who are more familiar with the day-to-day details of the exchange, but executives often make independent decisions to form and break market ties. [↑](#footnote-ref-3)
4. A minimum of three consecutive years of data are necessary to observe tie dissolution and managerial mobility, and to lag our independent variables. [↑](#footnote-ref-4)
5. In addition to these control variables we also tested for the effects of the number market ties clients and agencies dissolved in the previous year as a measure of propensity to dissolve ties. We also tested for a curvilinear effect of tie duration. These variables were never significant and thus were excluded from the models. [↑](#footnote-ref-5)