

Temporal Perspectives on Distribution Channel Relationships

A THESIS

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Abstract

Opportunism is one of the critical research phenomenon in distribution channel relations due to its detrimental effect on relationship quality and performance. Scholars in this area have widely studied various factors that are critical in controlling opportunism and maintaining successful channel relationships such as use of specific investments, creating a dependence structure and use of relational norms (Hawkins et al., 2008; Kang and Jindal, 2015). However, most of these studies take a static view of channel relationships which not only limits our understanding of these relationships but also fail to capture their life-cycle progression (Harmeling et al., 2015). We believe the lifecycle dimension of channel relationships, i.e., the relationship-stage at which a particular channel relationship is, can hugely impact the channel outcomes resulting from various initiatives and relationship building measures (Zhang et al., 2016).

Transaction cost economics (TCE) perspective proposes relationship specific investment (RSI) as an essential measure to control channel partner's opportunism (Ganesan, 1994; Heide and John 1988; Palmatier et al., 2007; Williamson, 1985). Although RSI- opportunism relationship is among one the most studied relationship in distribution channel research, the literature reports mixed and inconclusive findings (Crosno and Dahlstrom, 2008; Liu et al., 2014). In this thesis, we examine these inconsistencies with respect to the lifecycle dimension of channel relationships. Specifically, we studied the dynamic influence of RSI on channel partner opportunism across different relationship stages.

We used the inter-organizational life-cycle model of relationship stages (Dwyer et al., 1987) to conceptualize and hypothesize the RSI-opportunism relationship at four stages (exploration, build-up, maturity, and decline) of distribution channel relationships. We used the contractual relationship perspective, commitment-trust perspective, relational norm perspective, and power-

dependence perspective in the four relationship stages respectively. Further, we conceptualized opportunism as weak and strong opportunism to incorporate the considerations of bounded rationality and loose contracts that can allow direct as well as an indirect violation in the form of weak and strong opportunism (Luo, 2006).

To empirically test our research model, we collected dyadic matched data from 266 manufacturer-channel partner pairs in consumer appliances, home and office furniture products, automobile, office automation, and industrial products across India. This research context captures channel relationships from very early to matured stages and ensures greater generalizability of our findings (Cass, Heirati and Viet, 2014).

This study contributes to literature on distribution channel relationship by reconciling the inconsistencies in RSI-opportunism (weak and strong) relationship. Except for exploration stage, we found significant RSI-opportunism relationship in varying degree and direction. Moderation analysis by stage defining variables in different stages provided support for the proposed hypotheses and advance the knowledge on RSI-opportunism relationship in distribution channel literature.

This study suggests two significant insights for practicing managers. First, knowing the relationship stage classification and factors which improves relationship quality in each of those stages, managers can work towards minimizing partner opportunism and devise better channel management strategies. Second, the effectiveness of specific stage defining variables (perceived fairness, commitment, relational norm and dependence) provides a guideline to managers for allocating their resources effectively.

Table of Contents

1. Introduction	1
1.1 Background of the Study.....	1
1.2 Research Objective and Contribution of the Study	3
1.3 Organization of the Study	5
2. Review of Literature	7
2.1 Opportunism and RSI.....	7
2.1.1 Opportunism in marketing channels	7
2.1.2 RSI definition and importance	10
2.2 Life-cycle perspective of relationships	11
2.3 Research Gap.....	15
3. Conceptual framework and Hypotheses (Study 1)	17
3.1 RSI-Opportunism relationship	17
3.2 Conceptual Framework	21
3.3 Hypotheses	21
3.3.1. RSI and Opportunism relationship without lifecycle perspective	21
3.3.2 Exploration phase: The law of contract	22
3.3.3 Build-up Phase: Commitment and Trust.....	24
3.3.4 Maturity Phase: Governing rule of relational norms	26
3.3.5 Decline Phase: It’s all about dependence.....	28
4. Moderation Analysis Conceptual framework and Hypotheses (Study 2).....	31
4.1 Conceptual framework	31
4.2 Hypotheses	32
4.2.1 Exploration stage: Role of Perceived fairness	32
4.2.2 Build-up Stage: Role of Commitment	34
4.2.3 Maturity Stage: Role of Relational norms	36
4.3.4 Decline Stage: Role of Dependence	37

5. Research Methodology	40
5.1 Research Setting and Sample	41
5.2 Measurement Estimation	42
5.3 Controls	44
5.4 Common method bias.....	44
6. Data Analysis	45
6.1 Confirmatory factor analysis	45
6.1.1 Model Fit.....	45
6.1.2 Validity and reliability	45
6.1.3 Test of hypotheses Study 1	47
6.1.4 Test of hypotheses Study 2	51
7. Discussion and implications	56
7.1 Theoretical Implications.....	59
7.1.1 Lifecycle view of RSI-Opportunism relationship.....	59
7.2 Managerial Implications.....	61
7.3 Limitations and future agenda.....	63
References.....	63
Appendix -1	73
Appendix -2	78
Appendix -3	83

List of Tables

Table 1: Examples of Weak and Strong Opportunism.....	15
Table 2: Summary of literature on life-cycle perspective of inter- organizational relationship.....	20
Table 3: Summary of prominent literature of RSI-Opportunism relationship.....	26
Table 4 : Measure and validity for constructs.....	54
Table 5: Correlation, Mean, Standard deviation table for constructs.....	53
Table 6: Item Correlation, Mean and standard deviation.....	54
Table 7: Regression analysis for main effect.....	55

List of Figures

Figure 1: Classification of literature on RSI-Opportunism relationship	24
Figure 2: Conceptual framework RSI-Opportunism relationship at different stages	27
Figure 3: Conceptual framework moderation	37
Figure 4 : Summary of RSI-opportunism relationship across stages	63

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Appendix -1

Channel-Partner Questionnaire

Thank you for agreeing to be a part of this survey. This survey is for academic research at IIM Indore and all the information provided by you will be kept confidential. Your participation to this survey is completely voluntary.

There are no right or wrong answers, so please provide your open and honest opinion against each question.

The present study is being conducted by the undersigned under the guidance of Dr. Vikas Goyal, Faculty **Indian Institute of Management, Indore**. In case you have any question or suggestion, please feel free to ask the interviewer or contact us through e-mail.

Warm regards

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Answer these questions **keeping the company in view**, for whom you are a dealer/dealer/retailer

Please write the initials of the selected company (e.g. TE for Toyota Enterprises):

Based on the definition given for each stage, kindly categorize the relationship of your organization with this company in any one of the categories, by selecting the stage with a tick (✓) mark.

	Exploration	Both firms are discovering and testing the goal compatibility, integrity, and performance of (be other, as well as potential obligations, benefits, and burdens involved with working together on a long-term basis
	Build-up	Both firms are receiving increasing benefits from the relationship, and a level of trust and satisfaction has been developed such that they are more willing to become committed to the relationship on a long- term basis
	Maturity	Both firms have an ongoing, long-term relationship in which both are receiving acceptable levels of satisfaction and benefits from the relationship.
	Decline	One or both members have begun to experience dissatisfaction and are contemplating relationship termination, considering alternative manufacturers or customers, and beginning to communicate an intent to end the relationship

Kindly indicate your response on a 1 to 7 scale with “1” being strongly disagree to “7” being strongly agree with the statement.

Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

We have made significant investments in displays, trained salespeople, etc. dedicated to our relationship with this company	1	2	3	4	5	6	7
If we switched to a competing company, we would lose a lot of the investment we have made in this relationship.	1	2	3	4	5	6	7
We have invested substantially in personnel dedicated to this relationship.	1	2	3	4	5	6	7
If we decided to stop working with this company, we would be wasting a lot of knowledge regarding their method of operation.	1	2	3	4	5	6	7
This company deceives us in critical information sharing as required by contract.	1	2	3	4	5	6	7
This company exploits our specific assets without provision.	1	2	3	4	5	6	7
This company fails to invest various resources, such as managerial expertise, capital or human talents as required by contract	1	2	3	4	5	6	7
This company evades contractual obligations in selling products or coverage of the assigned territory.	1	2	3	4	5	6	7
This company sometimes violates contract items	1	2	3	4	5	6	7
This company stands by unconcerned when we are suffering.	1	2	3	4	5	6	7
This company withholds full effort and cooperation in our exchange relationship.	1	2	3	4	5	6	7

This company sometimes promises to do things without actually doing them later.	1	2	3	4	5	6	7
This company treats us unfairly in the exchange relationship.	1	2	3	4	5	6	7
This company could not make any adjustment to adapt to our special requirement.	1	2	3	4	5	6	7
We work very intensively with one or more partners of this company.	1	2	3	4	5	6	7
We have a very close relationship with one or more partners of this company.	1	2	3	4	5	6	7
Our firm's relationship with the partners of this company is not at arm's length.	1	2	3	4	5	6	7
We have a very collaborative relationship with one or more partners of this company, like a real team.	1	2	3	4	5	6	7

Kindly indicate your response on a 1 to 7 scale with “1” being strongly disagree to “7” being strongly agree with the statement.

Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

Communications are prompt and timely.	1	2	3	4	5	6	7
Information provided is relevant for decision-making.	1	2	3	4	5	6	7
Communications are complete.	1	2	3	4	5	6	7
The channels of communication are well understood	1	2	3	4	5	6	7
If our relationship was discontinued with this company, we would have difficulty in making up the sales volume in this trading area	1	2	3	4	5	6	7
This company is crucial to our future performance	1	2	3	4	5	6	7
It would be difficult for us to replace this company	1	2	3	4	5	6	7

in this trading area							
We are dependent on this company for sales in this region	1	2	3	4	5	6	7
We do not have a good alternative of this company	1	2	3	4	5	6	7
This company is important to our business	1	2	3	4	5	6	7
This company's product lines are essential to round out our product offering	1	2	3	4	5	6	7
If our relationship was discontinued, we would have difficulty replacing this company	1	2	3	4	5	6	7

Kindly indicate your response on a 1 to 7 scale with “1” being strongly disagree to “7” being strongly agree with the statement.

Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

In the relationship with their dealers, the supplier and their personnel							
Promote bilateral communication with dealers	1	2	3	4	5	6	7
High level of two-way communication exists	1	2	3	4	5	6	7
Do not discriminate but rather treat all dealers similarly	1	2	3	4	5	6	7
Apply consistent policies and decision-making procedures across all dealers	1	2	3	4	5	6	7
Sometimes alter their policies in response to dealer objections	1	2	3	4	5	6	7
Seriously consider a dealer’s objections to the supplier’s policies and programs	1	2	3	4	5	6	7
Seldom explains their decisions to dealers	1	2	3	4	5	6	7
Provide valid reasons for any changes in policies affecting the dealers	1	2	3	4	5	6	7

Are knowledgeable about the local situation faced by the dealers	1	2	3	4	5	6	7
Take pains to learn the local conditions under which the dealers operate	1	2	3	4	5	6	7
Treat the dealers with respect	1	2	3	4	5	6	7
Are polite and well-mannered	1	2	3	4	5	6	7

Name of your organization	
Respondent's name	
Your designation	
Your work experience (with the present organization)	(years)
Your total work experience	(years)

Thanks for your feedback ...

Appendix -2

Manufacturer Questionnaire

Thank you for agreeing to be a part of this survey. This survey is for academic research at IIM Indore and all the information provided by you will be kept confidential. Your participation to this survey is completely voluntary.

There are no right or wrong answers, so please provide your open and honest opinion against each question.

The present study is being conducted by the undersigned under the guidance of Dr. Vikas Goyal, Faculty Indian Institute of Management, Indore. In case you have any question or suggestion, please feel free to ask the interviewer or contact us through e-mail.

Warm regards

Priyavrat Sanyal

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Answer these questions **keeping one of your dealers in view**,

Please write the initials of the selected dealer (e.g. KE for Krishna Enterprises):

Based on the definition given for each stage, kindly categorize the relationship of your organization with this dealer in any one of the categories, by selecting the stage with a tick (✓) mark.

Exploration	Both firms are discovering and testing the goal compatibility, integrity, and performance of (be other, as well as potential obligations, benefits, and burdens involved with working together on a long-term basis
Build-up	Both firms are receiving increasing benefits from the relationship, and a level of trust and satisfaction has been developed such that they are more willing to become committed to the relationship on a long- term basis
Maturity	Both firms have an ongoing, long-term relationship in which both are receiving acceptable levels of satisfaction and benefits from the relationship.
Decline	One or both members have begun to experience dissatisfaction and are contemplating relationship termination, considering alternative manufacturers or customers, and beginning to communicate an intent to end the relationship

I am the most knowledgeable person in this company about our company's dealing with this supplier.

Strongly Disagree Disagree Slightly Disagree Neither nor Disagree Agree Slightly Agree Agree Strongly Agree

Kindly indicate your response on a 1 to 7 scale with “1” being strongly disagree to “7” being strongly agree with the statement.

Strongly Disagree	Disagree	Slightly Disagree	Neither Agree nor Disagree	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

This dealer has gone out of their way to link us with their business	1 7	2	3	4	5	6	7
This dealer has tailored its merchandise and procedures to meet the specific needs of our company	1	2	3	4	5	6	7
It would be difficult for this dealer to recoup their investment in us if they switched to another firm	1	2	3	4	5	6	7
This dealer deceives us in critical information sharing as required by contract.	1	2	3	4	5	6	7
This dealer exploits our specific assets without provision.	1	2	3	4	5	6	7
This dealer fails to invest various resources, such as managerial expertise, capital or human talents as required by contract	1	2	3	4	5	6	7
This dealer evades contractual obligations in selling products or coverage of the assigned territory.	1	2	3	4	5	6	7
This dealer sometimes violates contract items	1	2	3	4	5	6	7
This dealer stands by unconcerned when we are suffering.	1	2	3	4	5	6	7
This dealer withholds full effort and cooperation in	1	2	3	4	5	6	7

our exchange relationship.							
This dealer sometimes promises to do things without actually doing them later.	1	2	3	4	5	6	7
This dealer treats us unfairly in the exchange relationship.	1	2	3	4	5	6	7
This dealer could not make any adjustment to adapt to our special requirement.	1	2	3	4	5	6	7

Kindly indicate your response on a 1 to 7 scale with “1” being strongly disagree to “7” being strongly agree with the statement.

Strongly Disagree	Disagree	Slightly Disagree	Neither nor Disagree	Agree	Slightly Agree	Agree	Strongly Agree
1	2	3	4		5	6	7

We work very intensively with one or more partners of this dealer.	1	2	3	4	5	6	7
We have a very close relationship with one or more partners of this dealer.	1	2	3	4	5	6	7
Our firm's relationship with the partners of this dealer is not distant.	1	2	3	4	5	6	7
We have a very collaborative relationship with one or more partners of this dealer, like a real team.	1	2	3	4	5	6	7
Communications are prompt and timely.	1	2	3	4	5	6	7
Information provided is relevant for decision-making.	1	2	3	4	5	6	7
Communications are complete.	1	2	3	4	5	6	7
The channels of communication are well understood	1	2	3	4	5	6	7

This dealer responds quickly to our request for help.	1	2	3	4	5	6	7
This dealer devotes more time to us when we need help.	1	2	3	4	5	6	7
This dealer adjusts his/her marketing program for us when necessary.	1	2	3	4	5	6	7
This dealer provides special aid to us when we are in trouble.	1	2	3	4	5	6	7
If our relationship was discontinued with this dealer, we would have difficulty in making up the sales volume in this trading area	1	2	3	4	5	6	7
This dealer is crucial to our future performance	1	2	3	4	5	6	7
It would be difficult for us to replace this dealer in this trading area	1	2	3	4	5	6	7
We are dependent on this dealer for sales in this region	1	2	3	4	5	6	7
We do not have a good alternative to this dealer	1	2	3	4	5	6	7
This dealer generates high sales volume for us.	1	2	3	4	5	6	7

Name of your organization	
Your designation	
Your work experience (with the present organization)	(years)
Your total work experience	(years)

Thanks for your feedback ...

Appendix -3

Profile of respondent sample

Industry	Dyads	Supplier firm (N= 279)	Channel Partner (N=275)
Automotive	Passenger Car Manufacturer- Dealer	18	14
	Two Wheeler Manufacturer- Dealer	18	18
	Passenger Car Spare- Dealer	16	16
Consumer durables	Branded furniture manufacturer- Dealer	116	108
	Home Electronic appliances manufacturer – Dealer	55	62
Industrial Products	Building hardware and paints manufacturer - Dealer	29	29
	Heavy machinery manufacturer - Dealer	27	28
Relationship Phase			
	Exploration	47	51
	Build-up	79	77
	Maturity	110	108
	Decline	43	39
Total matched dyad 266			