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## External organizational commitment among organizational implants: The case of logistics service providers

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### ABSTRACT

Using the concept of external organizational commitment (EOC), survey data from 312 logistics service provider (LSP) implants are used to test a model of the determinants of implant level of commitment to their host firm and the consequences of such commitment to the LSP. The results show that both inter-organizational outcome and task interdependence affect implant perceptions of the degree to which they are supported by their host organization. Perceived organizational support by the host organization, in turn, was found to be positively related to implant commitment to their host organization, which was positively related to LSP operation-level performance.

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## 1. Introduction

Although many companies perform their own logistics services, others rely on logistics service providers, i.e., organizations that perform the logistics function for client organizations (Hofer et al., 2009; Mentzer et al., 2001). The successful use of logistics service providers (LSPs) is based on building long-term relationships with customers (Murphy and Poist, 1998). How such cross-firm relationships are designed influences LSP success. If not done correctly, the relationship between the LSP and a customer can suffer from a lack of specific expertise, unmatched expectations, and poor communications (Meixell and Norbis, 2008; Selviaridis and Spring, 2007).

In general, the LSP-customer relationship can be formalized in one of two ways; i.e., they can be transactional or relationally based. With a transactional approach, LSPs assign sales representatives and operational personnel to key accounts. The LSP sales rep regularly calls on customers as new business is put up for bid or to negotiate rates and assess performance; LSP operational representatives are available as needed to address questions and concerns. If a more relational approach is used, LSPs can assign a representative to a specific account in order to develop a long-term relationship that extends beyond individual transactions. The ultimate form of this relationally-based structural relationship is when an LSP assigns a representative to work *on-site* at a customer's facility. These representatives work alongside the customer's employees to manage logistics operations and assist in logistics planning. As such, they are *implanted* at the customer's facility. The implant works for his/her employer but within a host organization.

The primary example of such a relationship is the concept of JIT II. JIT II was developed at the Bose Corporation and the label was used to describe "a new generation of customer-supplier partnerships" (Pragman, 1996). With JIT II, "a supplier's

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sales representative works full-time in a customer firm while being paid by the supplier. The customer serves as the host organization. . .” (Pragman, p. 54). Daugherty et al. (1994) provided an overview of the JIT II concept.

The essence of JIT II is that the classic supply chain for procuring materials or services is replaced by a supplier employee who resides full-time at Bose, taking over the responsibilities formerly handled by Bose's buyer. The process is streamlined because the buyer and the salesperson are eliminated from the traditional customer/supplier dyad; the arrangement facilitates communication between Bose and its suppliers. The supplier's representative is empowered to place orders with his/her own company on behalf of Bose. Suppliers are able to manage the account rather than merely react to it. (p. 4)

Information on Bose and JIT II has focused on the host firm perspective, i.e., Bose's perceptions of having supplier employees located on Bose's premises. Our research extends previous research by examining the perspective of the implants, i.e., supplier employees' perspectives on working at the host location rather than at their own firms. Therefore, the purpose of our study is to investigate how such a unique arrangement affects implants. Specifically we use the concept of external organizational commitment (McElroy et al., 2001) to examine how commitment to act on behalf of an organization that is not your employer can be developed. We also look at the consequences of such commitment for the LSP.

### 1.1. External organizational commitment

Previous research has addressed relational exchanges and the unique nature of bilateral governance structures compared with market governance and hierarchical governance (Heide, 1994; Macneil, 1978). Much less attention has focused on the *individual* relationships that develop between members of one organization and those of another in bilateral structures. While research has been conducted on sales people as boundary spanners, it tends to be limited to the effects of bilateral relations on salesperson perceptions, such as role ambiguity (Singh, 1993), perceived organizational support from one's employer (Johlke et al., 2002), and commitment to one's employer (Michaels et al., 1988).

The study of LSP implants offers a unique opportunity to extend the earlier research by focusing on the psychological effects of individuals working for, and in, an organization that is *not* their employer. One psychological concept that is particularly relevant to LSP implants is their level of organizational commitment, particularly to the host organization on whose behalf they are working.

Organizational commitment has been shown to be related to a number of important employee consequences, including turnover (and turnover intentions), absenteeism, job performance, organizational citizenship behaviors (OCBs), work stress, and work-family conflict (Meyer et al., 2002). While organizational commitment can take different forms, affective organizational commitment has drawn the most attention and is the form of commitment most closely associated with the above listed employee perceptions and behaviors. Consequently, it is in the best interest of organizations to build a relationship with their employees so employees will psychologically identify with the goals of the organization, want to remain a part of it, and engage in behaviors that assist the organization in achieving those goals. This type of employee-employer relationship has been extensively studied (Morrow, 1993) and has even been positioned as a source of strategic competitive advantage (O'Reilly and Pfeffer, 2000). However, little research exists on whether a member of one organization can psychologically identify with the goals of another organization, want to remain a part of it, and engage in behaviors that support the attainment of that organization's goals.

Research on organizational commitment recognizes that there are multiple constituencies within the workplace to which one can become psychologically attached (Meyer and Herscovitch, 2001). Employees can be committed to their employing organization (Meyer and Allen, 1991; Mowday et al., 1979), their job (Rusbult and Farrell, 1983), supervisors (Becker et al., 1996), work group (Becker, 1992) and organizational goals (Locke et al., 1988). Our paper extends this notion of multiple commitment targets beyond organizational boundaries. Previous research has argued that, one can gauge the level of commitment of an individual to any number of reference points (Reichers, 1985), including commitment to one's union (Gordon et al., 1980; McElroy et al., 1997), occupation and profession (Meyer et al., 1993), career (Blau, 1985), and customers (Reichers, 1985). McElroy et al. (2001) extended this notion of commitment to a constituent beyond the boundaries of one's employing organization to include commitment to another organization. They employed the term external organizational commitment (EOC) to describe the commitment that boundary-spanning employees may develop toward other organizations. They suggest that benefits accrue to both the external organization and the employing organization when employees become psychologically attached to the external organizations to which they are fulfilling a boundary spanning role. McElroy et al. (2001) suggest that individuals who are more committed to a host organization will go above and beyond the call of duty for their host while increasing business opportunities for their employer within the host organization. Although no studies have specifically addressed this proposition, if true, having implants that are committed to their host organization is a win-win situation for the LSP. The question then becomes one of how to build external organizational commitment. Based on the work of McElroy et al. (2001) on external organizational commitment, our study has three purposes. First, we use social exchange theory to make the case that an implant's level of commitment to a host firm is dependent on the degree to which the implant perceives the host firm as supportive of their efforts. Specifically, we look at how the degree of interdependence (both in terms of the task and outcomes) resulting from the implantation of an LSP into a host firm affects the LSP's perceptions of support from the host firm. Second, we examine the relationship between the LSP's perceptions of external organizational support and their level of commitment to the host firm. Finally, we explore the consequences of

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