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Technological turbulence, supplier market orientation, and buyer satisfaction

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ABSTRACT

The channel literature suggests that building a close relationship with key partners is one of the key strategies that channel members use to overcome the challenges of a changing environment. However, such a strategy may be ineffective when high technological turbulence exists in the buyer's market. This study focuses on the buyer's perspective in channel relationships and examines the buyer's satisfaction with outcomes resulting from engaging in relationships with a supplier. The results show that a buyer's performance is enhanced when a buyer develops a close relationship with a supplier whom it perceives to be market oriented but that a close relationship becomes detrimental to performance when technological turbulence increases. These findings suggest that managers need to be aware of the effect of technological turbulence and be alert in managing close relationships even with market-oriented suppliers.

1. Introduction

Rapidly changing environmental conditions, with dramatic shifts in competitor actions and customer preferences, characterize contemporary marketplaces. In such a context the question arises as to how can marketing channels respond to such challenges? Importantly, help in answering this question may be found in social exchange (Thibaut and Kelley, 1959) and resource dependency theories (Pfeffer and Salancik, 1978). These theories offer two primary tenets that are pertinent to the above question in general and this study in particular. The first tenet is that channel members build close interfirm relationships based on relational governance manifested in various relationship quality aspects such as trust and/or commitment to enhance their performance (e.g., Noordewier et al., 1990).

The second tenet is that close relationships allow firms to cope better with high environmental uncertainty by providing the partner firms with access to one another's resources (including tangible resources such as supplies of goods and intangible resources such as increased flexibility) (e.g., Jap, 1999). The growing interest in relationship marketing (RM) results in two research streams that build on these two tenets. The first stream examines relationship quality (RQ) constructs, their antecedents and consequences (see Palmatier et al., 2006 for a review). The second stream examines the contingency aspect of environmental turbulence and associations between RQ constructs and firm performance (e.g., Joshi and Campbell, 2003; Lee and Cavusgil, 2006).

This study brings these two research streams together by answering the following questions: do buyers benefit from working with a supplier whom the buyer views to be market-oriented? Does the relationship with a market-oriented supplier help the buyer perform better in conditions of high technological turbulence? How does high technological turbulence affect the performance outcome of a close relationship between the buyer and supplier?

This study examines links between RM and market orientation (MO) and proposes that the supplier's MO is an antecedent to RQ. Little research investigates the effect of perceptions of the supplier's MO (the upstream partner) on relationship quality and on the performance of the buyer (the downstream partner). The study also investigates whether the benefits of close relationships vary in circumstances of technological turbulence. Consensus exists that firms should build closer relationships in conditions of market turbulence (e.g., Joshi and Campbell 2003; Noordewier et al., 1990) and many studies agree that market turbulence has a moderating effect on the more general MO-business performance relationship (see Appiah-Adu, 1998; Greenley, 1995; Kumar et al., 1998). However, research on how technological turbulence affects inter-firm relationships shows anomalous findings (e.g., Heide and John, 1990; Lee and Cavusgil, 2006) and warrants deeper investigation. No research focuses specifically on the moderating effect of technological turbulence in the buyer's market on the relationship

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between the supplier's MO and the buyer's satisfaction with financial returns. Thus, this study focuses on the effects of technological turbulence.

2. Theoretical background and hypothesis development

Borrowing from social exchange (Thibaut and Kelley, 1959), resource dependency theory (Pfeffer and Salancik, 1978) and the strategic marketing literature, the conceptual model posits that the supplier's MO directly promotes the buyer's satisfaction with financial returns and indirectly promotes satisfaction with financial returns though the relationship quality between the buyer and supplier. The effect of the supplier's MO on the buyer's satisfaction with financial returns, however, is contingent on the level of technological turbulence the buyer experiences in the environment. In other words, the extent to which the buyer can enhance its performance in its working relationship with market-oriented suppliers depends on conditions of technological turbulence. Some researchers argue that the relationship quality with a market-oriented supplier can help the buyer cope with unexpected contingencies arising from a turbulent environment (e.g., Pfeffer and Salancik, 1978). Close relationships, however, may also breed complacency and resistance to innovation in technological turbulence. The greater the technological turbulence, the more negative are the effects of such complacency and lack of innovation. The conceptual model that Fig. 1 presents reflects these arguments. The dependent variable, financial returns, represents the buyer's satisfaction with income, margins and profitability generated from the sales of the supplier's products (Jap and Ganesan, 2000). The outcome measure focuses on economic satisfaction derived from the relationship with the supplier.

2.1. Relationship quality and perceived supplier market orientation

Relationship quality within the literature differs depending on what the concept includes and the aspect of relationship quality emphasized. For example, Dwyer and Oh (1987, p. 349) argue that “relationship quality is reflected in satisfaction with and trust of one's exchange partner, and minimal opportunism”. Also, relationship quality includes a focal partner's trust in and commitment to the other partner (Hibbard et al., 2001). Despite the variations in the conceptualization of the construct, authors generally agree that relationship quality is a higher-order-construct that captures the degree to which a strong bond and closeness exists between partners (Crosby et al., 1990; De Wulf et al., 2001; Palmatier et al., 2006). Studies also agree that relationship quality consists of two critical dimensions: the buyer's trust in the supplier and the buyer's commitment to the supplier (e.g., Morgan and Hunt, 1994; Hibbard et al., 2001). Trust is a critical construct comprising credibility and benevolence. Credibility is the buyer's belief in the supplier's expertise and reliability, while benevolence refers to the buyer's belief that the supplier holds beneficial intentions and motives for the buyer (Doney and Cannon, 1997; Ganesan, 1994). Commitment is one exchange partner's desire to develop a stable relationship, confidence in the relationship's stability, and willingness to make short-term sacrifices to maintain the relationship (Anderson and Weitz, 1992; Jap and Ganesan, 2000).

MO is an organizational culture that is created and maintained to provide individual norms for behavior within organizations. This study views the supplier's MO from the buyer's perspective (Baker et al., 1999). The market-oriented supplier has a set of processes and activities directed at providing superior value to the buyer. The degree to which the buyer judges the supplier to be market oriented depends on whether the buyer experiences and assesses the effects of these processes and activities and perceives them to be superior to competitors (Deshpandé and Farley, 1996).

Empirical evidence supports two propositions of the model — namely:

Hypothesis 1. Relationship quality relates positively to the buyer's satisfaction with financial returns (Anderson and Weitz, 1992; Ganesan, 1994; Heide, 1994; Pruitt, 1985; Sako, 1998), and

Hypothesis 2. The supplier's MO relates positively to the buyer's relationship quality (Baker et al., 1999; Siguaw et al., 1998).

Very few studies, however, examine the relationship between the supplier's MO and satisfaction with financial returns. Literature suggests that a buyer is likely to enjoy higher organizational outcomes from working with a supplier who is market oriented. One possible

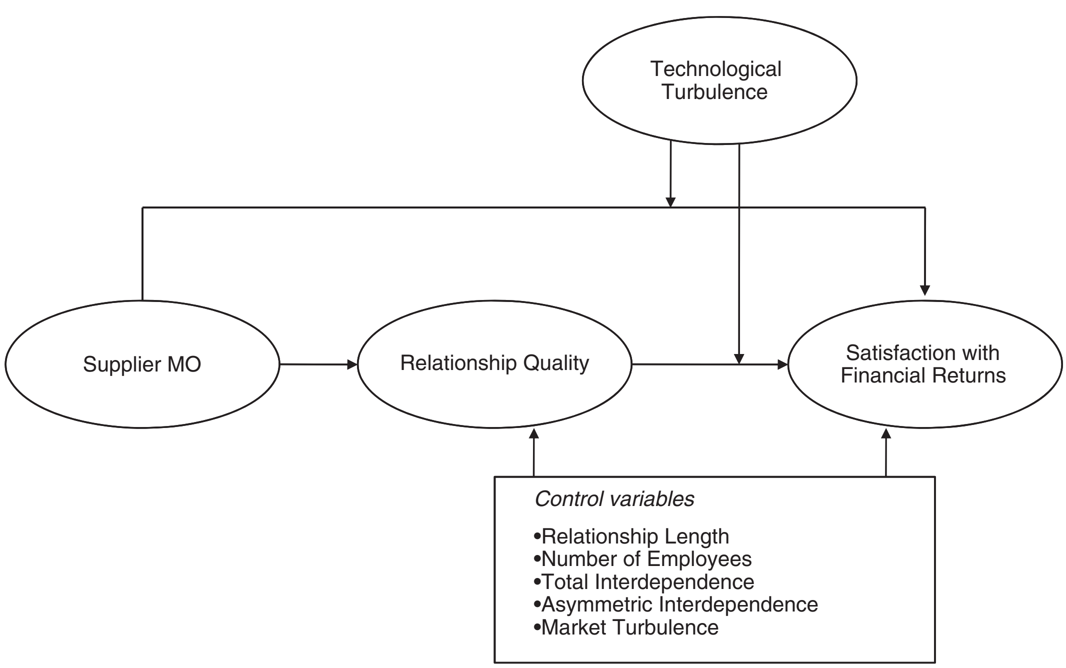

Fig. 1. Conceptual model. The model is seen from the buyer's perspective.