



The impact of e-business infusion on channel coordination, conflict and reseller performance[☆]

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ABSTRACT

Manufacturer–reseller interactions are becoming more technology-enabled as channels of distribution increasingly utilize e-business tools on the Internet. This research examines the performance consequences for resellers as these technological advances are applied to distribution activities between channel members. Using a sample of 216 resellers of computer products, the research explores the impact of e-business tools in 2 areas of manufacturer–reseller interactions: supply tasks and demand tasks. The results suggest that e-business in supply tasks increases relationship coordination between manufacturer and reseller, whereas e-business in demand tasks increases coordination as well as conflict within the channel dyad. The increase of conflict constitutes a potential “dark side” of e-business in channel relationships that may provide an explanation for e-business implementation failures and negative returns on investment in technology.

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Manufacturer–reseller relationships are undergoing major transformations due to the proliferation of web-based software solutions, commonly referred to as e-business tools (Eng, 2004; Srinivasan, Lilien, & Rangaswamy, 2002; Wu, Mahajan, & Balasubramanian, 2002). By using the Internet to automate many interfirm tasks such as ordering, inventory tracking, coop advertising and others, e-business tools can lower costs and increase the effectiveness of many distribution functions between channel partners (Eng, 2004; Mirani, Moore, & Weber, 2001). Despite various advantages of e-business tools, many high-profile e-business initiatives fail to deliver superior performance results (Eng, 2004; Gottschalk, 2006). Called the “information technology (IT) productivity paradox”, IT investments often yield negative or zero returns, posing a challenge to trading partners attempting to deploy e-business tools effectively (Dehning & Richardson, 2002). To investigate the consequences of utilizing technology in interfirm exchange, this study examines the impact of infusing various channel tasks with e-business tools on key aspects of channel effectiveness.

Extant research examines antecedents of technological innovation adoption (Srinivasan et al., 2002; Wu et al., 2002) and perceived

benefits of internet tools by channel members (Eng, 2004), but does not address the performance outcomes of infusing e-business technology in channel exchange relationships. Our contribution to understanding e-business infusion (eBI) lies in providing a new conceptualization of e-business tools, investigating consequences of eBI across channel processes, and accounting for both functional and dysfunctional outcomes of eBI on trading relationships. First, utilizing insights from the resource-based view (RBV) of the firm (Wernerfelt, 1984), two new constructs of eBI in demand and eBI in supply tasks are developed and operationalized. They are defined as the extent of use of e-business tools in each of the major distribution task categories and are hypothesized to have differential effects on reseller performance. Second, the theory of organizational effectiveness (Kumar, Stern, & Achrol, 1992; Quinn & Rohrbaugh, 1983) is employed to conceptualize the sequence in which eBI affects both internal and external channel effectiveness from the perspective of the reseller. Finally, the mixed performance outcomes from e-business tools are attributed to the way enhanced information availability and other eBI benefits not only improve coordination but also aggravate conflict among channel members.

1. e-Business infusion in distribution channels

Introducing or infusing web-based software that performs distribution activities into existing channel relationships is critically important for contemporary distribution strategy (Coughlan, Anderson, Stern, & El-Ansary, 2006; Webb, 2002). While such technology is

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broadly applied across various aspects of distribution, researchers lack a typology of e-business tools that facilitates analysis and provides insights into the impact of internet technology on fundamental channel processes (Bello, Osmonbekov, Xie, & Gilliland, 2002). Because channel interactions can be divided into demand and supply tasks (Frohlich & Westbrook, 2002; Hekkila, 2002), we suggest e-business is best conceptualized in terms of content areas, eBI:Demand and eBI:Supply. Demand tasks are transaction-creating activities that occur between the manufacturer and reseller and are intended to stimulate orders for the manufacturer's products. eBI:Demand refers to tools that facilitate demand-generation tasks covering promotional activities performed by both reseller and manufacturer and thus constitute a relationship linkage between them. Another linkage is the coordination of supply tasks, the physical-fulfilling activities intended to ensure adequate supply of a manufacturer's products to end-users. eBI:Supply refers to tools that accommodate supply-fulfillment tasks including logistical and supply management activities. Because manufacturer–reseller workflow dependencies align with demand and supply tasks (Bello et al., 2002), our two-component conceptualization of eBI content parallels the way e-business tools function within manufacturer–reseller relationships.

However, eBI impacts channel members differently depending on core resources possessed and the way a member generates profits by exploiting its resource endowments. The RBV (Wernerfelt, 1984) recognizes manufacturers' core resources revolve around production capabilities and branding since the earnings accrue from efficient production and effective brand promotion and sales. In contrast, resellers' core resources are market-based assets or relationships with customers because earnings derive from offering highly attractive brand assortments to users (Srivastava, Fahey, & Christensen, 2001). Unique core concerns result in channel members viewing the information flow from eBI very differently as a manufacturer's first priority is to push its own brand while a reseller's priority is to use information to enhance overall customer satisfaction (Weitz & Jap, 1995). For example, eBI:demand may increase the transfer of key end-user information from reseller to manufacturer through inputting sales force activities, customer data, response to coop advertising and sales lead results into the web-based system. Transferring such proprietary information content to the manufacturer has the potential to deteriorate the resellers' core resource by making it more imitable by the supplier and raising the threat of potential disintermediation. On the other hand, infusion in supply tasks has a potential to develop the reseller's core resources. Greater availability of inventory information, configuration help and ordering capabilities enable a reseller to be more responsive in satisfying user needs, thus enhancing the reseller's essential resources and capabilities (Chen, Drezner, Ryan, & Simchi-Levi, 2000; Lee, Padmanabhan, & Whang, 1997).

Because the focus of trading partners is different, the impact of eBI on channel outcomes must comprehensively consider both internal and external indicators of performance. Based on Quinn and Rohrbaugh's (1983) notion of internal vs. external outcomes of performance, the key measures of effectiveness inside the channel dyad are relationship coordination and conflict. In turn, key measures of external effectiveness (i.e. interaction of channel with the user environment outside the dyad) are reseller adaptation and economic performance (Anderson, 1990). Based on our analysis, we show that e-business tools directly impact internal channel effectiveness while the tools indirectly impact external channel effectiveness.

2. e-Business infusion and internal channel effectiveness

As indicators of internal effectiveness, *relationship coordination* reflects a well-functioning channel possessing integrated internal processes whereas *relationship conflict* reflects contentious internal interactions characterized by disputes (Gundlach & Cadotte, 1994). Coordination is defined as the extent to which manufacturer–reseller

activities are conducted in a coherent and consistent manner while conflict refers to disagreements and animosity leading to divisive working relationships (Gundlach & Cadotte, 1994).

For demand-creating tasks such as selling and advertising, eBI enhances coordinated execution since the parties are better able to organize and align their mutually dependent activities. For example, cooperative advertising can increase brand awareness and sales, but only if resellers can readily access and use the intended materials and coop funds in an appropriate and timely fashion (Gilliland & Kim, 2004). By providing real-time information about a manufacturer's current programs and requirements, eBI enables resellers to engage in complimentary activities and fully exploit available promotion opportunities. These positive impacts of information technology on coordination are well-documented in the information science literature (Clemons & Row, 1992), and researchers consistently report IT applications enhance coordination (Cash & Konsynski, 1985).

From the RBV perspective (Wernerfelt, 1984), eBI:demand may be perceived by resellers as primarily enhancing manufacturers' core resources since it may result in accelerated demand generation for a specific brand in a way that provides benefits mainly to the manufacturer. Increased promotion and selling programs developed by a particular manufacturer to assist resellers may merely shift demand from one brand to another within a reseller's product assortment without necessarily increasing overall sales, providing little net benefit to the reseller (Coughlan et al., 2006). Additionally, e-business tools may provide for improved visibility into reseller activities undertaken on behalf of a manufacturer by detailing the timing, amount, and content of marketing spending and support for a brand (Bello et al., 2002). This demand-related information enables the manufacturer to monitor promotional efforts with greater efficiency and effectiveness. However, such enhanced surveillance may hurt the resellers' interests, as their actual, versus promised, promotion efforts may entitle them to fewer promotional funds than they have customarily received from manufacturers (Murry & Heide, 1998). Hence, eBI:demand may have a "dark side" to the extent it causes channel conflict (Webb, 2002). It could be due to increased monitoring of reseller promotional activities, resulting in greater reseller compliance with the letter of promotional agreements but decreased reseller participation in promotional programs (Murry & Heide, 1998).

eBI:demand may also enable the manufacturer to collect relevant information about end-user accounts as it observes reseller behavior regarding promotion and marketing arrangements, sales force training, and other demand generating activities (Bello et al., 2002; Mirani et al., 2001). This information transfer may be perceived by the reseller as detrimental in the long run because it may increase the manufacturer's informational bases of power. For instance, it has been suggested previously that interfirm IT facilitates the extension of the manufacturer's strategic control over the reseller's activities (Konsynski, 1993) and has a negative impact on reseller's bargaining power. A manufacturer's information advantage may breed resentment on the part of the reseller and lead to increased discord in manufacturer–reseller relationships (Coughlan et al., 2006). Based on the above, we advance the following hypotheses:

H1: e-Business infusion in demand tasks impacts the internal effectiveness of the channel as follows:

- a) increases relationship coordination
- b) increases relationship conflict

eBI:supply may improve coordination of manufacturer–reseller relationships, as suggested by information science research (Cash & Konsynski, 1985; Clemons & Row, 1992). As the interdependencies in supply activities are resolved more effectively with the aid of advanced e-business tools, the parties are enabled to act together to

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