

# The impact of organizational learning on relationship orientation, logistics service effectiveness and performance

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## Abstract

The paper investigates the effects of organizational learning on inter-firm relationship orientation in the logistics service provider–client interaction. A conceptual model is developed and four research hypotheses are empirically examined using structural equation modelling. The data were collected via a survey of Hong Kong based logistics service providers. The results indicate that organisational learning has a positive influence on relationship orientation as well as on the improvement of logistics service effectiveness and firm performance. Theoretical, managerial and research implications are discussed.

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## 1. Introduction

The importance of relationship marketing is reflected in the numerous advantages that have been attributed to it by prominent scholars (e.g., Madhok & Tallman, 1998; Morgan & Hunt, 1994). Inter-organisational relationships may also be beneficial in the context of supply chain management (SCM) that requires the integration of the business partners in the supply chain. This importance has been recognised and highlighted in distribution channel studies (e.g., Anderson & Weitz, 1992; Lusch & Brown, 1996) and theoretically analysed in the context of supply chain management and performance (Stank, Goldsby, & Vickery, 1999). Despite this importance, certain authors have highlighted gaps in the literature, particularly in the empirical examination of inter-organisational relationships in channels and logistics (Frazier, 1999; Siguaw, Baker, & Simpson, 2003). Specifically, little attention has been paid to the antecedents of relationship orientation and the potential performance consequences of relational exchange in supply chains (Prahinski & Benton, 2004).

This paper seeks to examine the effect of intra-organisational learning in the orientation of a firm towards relationship development. The terms “organisational learning” and “intra-organisational learning” are used interchangeably in this paper. Organizational learning occurs within individual organizations but it is a function of the interaction among channel members (Lukas, Hult, & Ferrell, 1996). On this basis organizational learning can be conceptualized as a potential contributor to relationship development in the interaction between logistics service providers (LSPs) and their clients. Selnes and Sallis (2003) indicate that although the literature on organizational learning is unclear as to the consequences of intra-organizational learning capability, the common theme is that organizational learning affects the organization. Intra-organizational learning requires the identification of information needs, the acquisition of information externally and its internal dissemination (Day, 1994). Organizational learning has the ability to influence behaviour (Huber, 1991) and will enhance the capacity of understanding (Damanpour, 1991), cross-functional coordination (Aiken & Hage, 1971), creativity and, problem-solving (Senge, 1990a). On this basis this paper hypothesizes that the need for communication, interaction and information acquisition from clients in conjunction with the

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values instilled by intra-organisational learning (e.g., enhanced ability of understanding, cross-functional interaction, creativity, problem solving abilities) will influence behaviour and orientation towards the formation of relationships at the inter-organisational level in the supply chain context.

A number of scholars have acknowledged the importance of examining organisational learning as an influence of behaviour change and performance improvement (Hult, Ferrell, & Hurley, 2002; Hult, Hurley, Giunipero, & Nichols, 2000; Hult, Nichols, Giunipero & Hurley, 2000; Slater & Narver, 1995). Despite the acknowledgement in the marketing field that organisational learning is an important strategy for competitive advantage (Baker & Sinkula, 1999; Hult, Hurley et al., 2000; Hult, Nichols et al., 2000) few studies have been devoted to the empirical testing of the effects of organisational learning and certainly none in the testing of organisational learning as an antecedent to relationship orientation in supply chains.

The recent trend towards the outsourcing of the logistics activities has given prominence to the concept of third party logistics service providers (LSPs). An LSP is defined as a provider of industrial logistics services that performs the logistics functions on behalf of their clients (Coyle, Bardi, & Langley, 1996). Despite the importance of LSPs, particularly in terms of the potential impact of this organisational adjustment to effectiveness and performance in supply chains, there have been few studies analysing the relationship between LSPs' strategies and performance (Lai, 2004).

In an attempt to address the aforementioned gaps in the literature, the purpose of this research is to empirically assess the role of organisational learning as an antecedent to relational orientation in LSP–client relationships and the potential influence on logistics service effectiveness and firm performance. The paper also examines the effect of logistics service effectiveness on performance in supply chains. It is envisaged that attention to LSP–client relationships and the resulting performance implications will have significant practical and theoretical contributions.

In the next section, the theoretical framework underpinning the conceptual inter-relationships is presented and four testable hypotheses are proposed. The research methodology is then presented, which includes sampling and measurement before analysing the data collected from a sample of Hong Kong based LSPs. Following this, a discussion of the results and implications for theory, practice and further research are highlighted.

## 2. Theory and hypotheses

### 2.1. Conceptual framework

The concept of SCM has come to re-enforce the subject of logistics with a more comprehensive treatment that spans the entire value system from suppliers to customers (Handfield & Nichols, 2004). The Council of Logistics Management has defined SCM as “*encompassing the planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities. Importantly it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers*”. The definition suggests that central in SCM is the management of close inter-firm relationships which are essential for achieving higher supply chain performance. In fact it has been specifically recognised that to create a competitive advantage, SCM is increasingly emphasizing inter-organisational coordination of activities (Ballou, Gilbert, & Mukherjee, 2000). Since inter-organisational relationships are central in industrial supply chains, it is worthwhile to consider empirically potential antecedents as well as effectiveness and performance consequences of relationships.

It is conceptualised in this paper that organisational learning within the LSP's firm will have a positive impact on relationship development in the LSP–client exchange that will improve effectiveness in the delivery of the logistics service and as a consequence firm performance of the LSP. In addition, that organisational learning will influence directly the LSP's ability to deliver the logistics service effectively. The conceptual framework is depicted in Fig. 1.

### 2.2. Construct definitions

Organisational learning refers to the organisation-wide activity of creating and using knowledge to enhance competitive advantage. This includes obtaining and sharing information about customer needs, market changes and competitors actions (Hurley & Hult, 1998; Moorman & Miner, 1998). Organisational learning influences what kind of information is gathered and how it is interpreted, evaluated and shared (Moorman & Miner, 1998; Sinkula, Baker, & Noordewier, 1997). Unlike market-orientation, organizational learning is characterized by the presence of an intra-organizational culture that values learning man-

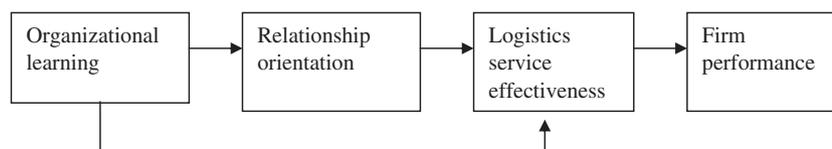


Fig. 1. Conceptual framework of the study.

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