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The effects of manufacturer's organizational learning on distributor satisfaction and loyalty in industrial markets

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ABSTRACT

The main objective of this study is to examine the effects of organizational learning (OL) on satisfaction and loyalty in industrial markets. A conceptual model, in which the unit for analysis is the dyadic relationship between manufacturers and their main distributor, is proposed and tested. The empirical results showed that the manufacturer's OL is an antecedent of the relational outcomes achieved in business relationships. Specifically, increased OL in the manufacturer has a direct effect on the main distributor's degree of satisfaction and an indirect effect on his loyalty. It is also confirmed that the manufacturer's OL has a direct effect on the manufacturer's business performance. However, we found that links between OL and satisfaction and OL and loyalty are not changed by market turbulence.

1. Introduction

Since the early nineties, organizational learning (OL) has received an increasing attention from academics and practitioners (Bell, Menguc, & Widing, 2010), as it is considered a key strategic competency for improving an organizations' long-term competitiveness. Without expert knowledge it is difficult to develop products and services finely matched to the customers' demands. In business-to-business contexts, firms increasingly rely on social networks of organizational members who have a precise and applicable knowledge about the main trading partners, competitors, and the latest technology in order to enhance satisfaction and loyalty. In this regard, it is necessary for firms to develop a clear, constant vocation for continuous learning so that they can make a successful organizational response to changing market requirements. Indeed, different key changes in the markets have reinforced the relevance of OL to compete. Thus, the increasing in the intensity of competition, due to market globalization, is a continuous force compelling firms to develop a product offering that is capable of generating higher levels of satisfaction and loyalty than their rivals. In this process, consumers have access to a wider range of product offerings, and, thanks to the new opportunities provided by the information and communication technologies, the information asymmetries associated with purchasing decisions are reduced. As a result customers are better informed, they become more sophisticated, and their needs change faster (Leek, Naude, & Turnbull, 2003). Hence it is necessary for firms to have a thorough knowledge of the evolving market trends to keep pace with its market evolution (Farrell, 2003). OL should therefore be considered a fundamental building block in increasing an organization's stock of knowledge, which is vital for survival in the increasingly competitive industrial markets.

While the benefits of OL have been noted, for example, in service quality (e.g., Tucker, Nembhard, & Edmonson, 2007), retail store performance (e.g., Bell et al., 2010), market orientation (e.g., Santos, Sanzo, Alvarez, & Vazquez, 2005), the strategic supply process (e.g., Hult, Ketchen, & Slater, 2002), and new product development (e.g., Akgün, Lynn, & Yilmaz, 2006), remarkably little attention has been paid to the influence of OL on the satisfaction and loyalty of commercial partners in industrial markets. Our intention in this study was to attain a deeper knowledge of the relationship between OL and relational outcome variables such as satisfaction and loyalty. Although the buyer–seller relationship literature identifies many relational outcome variables, in this research the focus is on satisfaction and loyalty because of their marked relevance for both scholars and managers (Agustin & Singh, 2005). Satisfaction and loyalty are powerful mechanisms for guaranteeing long-term performance in business relationships (Ittner & Larcker, 2003). Firms working under this premise strive for excellence in developing customer relationships where both satisfaction and loyalty grow over time. For these firms it is not sufficient to look only at financial measures such as sales and profits, as those metrics can be regarded as snapshots of the present that may give an incomplete picture of customer relationships in the future (Narayandas, 2005).

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In assessing why firms support or inhibit the development of satisfaction and loyalty, we consider OL as a factor controllable by firms that may influence the aforementioned constructs. Understanding the effects of OL can help companies manage it successfully in order to improve satisfaction and loyalty in business-to-business contexts. The compelling nature of the case has attracted the attention of scholars such as Tax and Brown (1998) and Edmonson (2008) who have insisted on the need for empirical studies in this domain. This study contributes as well to the literature by examining the combined effect of OL and the relational outcomes variables (satisfaction and loyalty) on business performance. The study of these causal relationships is relevant: first, because it provides a better understanding of the role played by OL, satisfaction, and loyalty in business performance; and second, because these variables have an important influence on developing and maintaining successful relationships with a long-term orientation.

In order to deal with external business circumstances, this article explores too the moderating role that market turbulence plays in industrial markets. It is hypothesized that this environmental variable moderates both the learning-satisfaction and the learning-loyalty connections. The argument is that actions carried out by firms could differ in their impact on organizational outcomes when confronted with different market conditions and, therefore, examining these differences will facilitate both effective decision-making and employment of organizational resources. The paper is structured as follows. First, a theoretical model that connects OL, satisfaction, loyalty, and business performance is proposed. Then we present the results of research based on a sample of 181 manufacturing companies located in Spain. Finally, the conclusions are presented, and business implications as well as research directions are outlined.

2. The framework and hypotheses

In this research we adopt the resource-based view (RBV) perspective to develop a conceptual model with which we try to attain a deeper understanding of how satisfaction and loyalty can be enhanced in industrial markets (Wernerfelt, 1984; Palmatier, Dant, & Grewal, 2007). In accordance with this perspective, OL is regarded as a key strategic competency[3] for the success of a relationship in the long-term (Santos et al., 2005). Specifically, OL is considered to influence positively relational outcome variables such as satisfaction and loyalty (Morgan & Turnell, 2003). A commercial partner with a high level of OL is therefore expected to provide products and services finely matched to the needs of his counterpart in the dyad. Nevertheless, in spite of the relevance of this topic for gaining a greater understanding of buyer–seller relationship performance (Palmatier et al., 2007), the empirical evidence to date is limited (Lapre & Tsikriktsis, 2006)[4]. Fig. 1 shows the key factors and relationships examined in the study.

Additionally, we understand that an organization learns “if through its processing of information the range of its potential behaviors is changed” (Huber, 1991, p. 89). This is consistent with the process view of OL that considers that collective learning is grounded in the cognitive and behavioral capabilities of people who form part of an organization (Moorman, 1995). The process view claims that individual learning processes can be replicated at a higher level to the extent that, like individuals, organizations are able to learn when required (Bell, Whitwell, & Lukas, 2002). According to this view, OL is seen as a processing system involving the acquisition, distribution, and interpretation of information as well as organizational memory (Huber, 1991; Sinkula, 1994; Moorman, 1995). Hence a firm learns through the processing of information that allows the development of new knowledge and insights that help in sensing and acting upon events and trends in the marketplace (Tippins & Sohi, 2003). Furthermore, the development of valid measures of OL as a process, bearing in mind the latest advances in the literature, still is worthy of more consideration in the OL research agenda (Bapuji & Crossan, 2004) to expand our knowledge of its scope and consequences. In accordance with the process view of OL research we adopt here a four-dimensional construct of OL (López Sánchez, Santos Vijande, & Trespalacios Gutiérrez, 2010).

Information acquisition. Information acquisition is the process whereby organizations search for and obtain information to support their decision-making (Huber, 1991; Slater & Narver, 1995). Information may be acquired, for example, from the founder/s of the company, whether they are individuals or organizations (Boeker, 1989). Firms may also acquire information by learning from experience. Examples include systematic, controlled implementation of experience leading to greater precision in feedback on the cause–effect relationships between organizational actions and outcomes (Spear, 2004). Acquiring information from experience also involves research and experimentation to identify new market spaces (Markides, 1999) and the learning taking place in an organization without planning, resulting in an unintentional process of progressive learning (Templeton et al., 2002). Firms may also acquire information and learn indirectly through the spontaneous analysis of the actions carried out by the competition (Zahra & Chaples, 1993). Other mechanisms of obtaining information may be the identification of key trends, and evaluating firm performance by comparing it with that of the competition (Dickson, Farris, & Verbeke, 2001). Finally, incorporating new personnel from other organizations, purchasing other organizations, and creating joint ventures may be sources of acquiring information from outside the firm (Simon, 1991).

Information distribution. Encouraging effective dissemination of information is decisive in OL because it may help in developing a shared understanding of tasks amongst the different functional areas of the organization and is also a determining factor in the existence and extent of the learning process (Slater & Narver, 1995). For example, inter-departmental meetings improve the access to information that may be difficult to communicate, providing new insights to organizational members (Schein, 1993). When organizations discuss their future needs, they also encourage the flow of information which helps in promoting the adoption of a shared vision about their future. Communicating the organization's general objectives to all the employees and the use of databases and organizational files (Bontis, Crossan, & Hulland, 2002) is also useful for effective information sharing. To ensure that information difficult to codify is disseminated, organizations also promote cross-training (Szarka, Grant, & Flannery, 2004). Organizations encourage information sharing by having individuals in charge of collecting employees' proposals to be afterwards collated and distributed internally (Pérez, Montes, & Vázquez, 2005). Finally, dissemination must be done as quickly as possible for information that is critical to the success of organizational actions (Marinova, 2004).

Information interpretation. This stage of OL is defined as the process giving meaning to the information and determining how firms should act with regard to their strategy in the future (Tippins & Sohi, 2003). Several elements are involved in the shared interpretation on the meaning of information. For example, interpretative schemes help organizations to try to make sense of the events taking place internally and externally (Picken & Dess, 1998). Information interpretation is also determined by the possibility that organizational

[3] In the present study OL may be identified as a competency, which, in turn, “may be considered as a resource” (Lambe, Spekman, & Hunt, 2002, p. 142). A competency may be defined as a “socially complex, interconnected combination of tangible basic resources (e.g., specific machinery, computer software and hardware) and intangible basic resources (e.g., specific organizational policies and procedures and skills, knowledge, and experience of specific employees) that fit together coherently in a synergistic manner to enable firms to produce efficiently and/or effectively valued market offerings” (Hunt, 2000, p. 188).

[4] In terms of efficiency, OL is considered a valuable, rare, and difficult to imitate resource that fosters effective manufacturer–distributor relationships. In terms of efficacy, OL can be of help in producing a desired result, i.e., to help shape managerial actions to attain desired performance outcomes.