The impact of value congruence on marketing channel relationship

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1. Introduction

In marketing channel, inter-firm exchanges have long been an intriguing topic for both academics and practitioners. Effective governance of inter-firm exchanges is key to channel performance and competitive advantage (Heide, 1994). In the past three decades, governance theories have been developed or adopted to explain inter-firm transactions and relationships (for review, see Cao & Lumineau, 2015). Contractual governance (formal governance) theories tackle transaction cost and agency related issues (Li, Poppo, & Zhou, 2010). Relational governance (informal governance) theories focus on how to coordinate business exchanges via social relations and shared norms (Heide & John, 1992; Poppo & Zenger, 2002). Different from contractual governance that relies on formal structure and third party enforcement, relational governance relies on informal structure and self-enforcement to guide behavior of exchange partners (Dyer & Singh, 1998). Relational governance effectively affects exchange performance (Cannon, Achrol, & Gundlach, 2000; Lusch & Brown, 1996a, 1996b) and reduces conflict (Jap & Ganesan, 2000).

In existing literature, trust and norms are the most frequently discussed relational governance types (Griffith & Myers, 2005). Trust refers to the confidence in the partner’s integrity, ability and benevolence in an exchange relationship (Das & Teng, 1998) whereas relational norms refer to shared expectations about the behaviors of each party (Cannon et al., 2000). Trust is considered a trait that becomes embedded in a particular exchange relation. A trustworthy partner is expected to behave in a trustworthy fashion (Poppo & Zenger, 2002). Relational norms are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior, and are designed to enhance the wellbeing of the relationship as a whole (Heide & John, 1992). Norms describe appropriate behavioral guidelines that enforce social obligation in the exchange (Heide, 1994; Heide & John, 1992). Both trust and norms demonstrate to be effective governance methods in marketing channel literature (Cannon et al., 2000).

This research proposes that values can be another method of relational governance. If governance emerges from the values and agreed-upon processes found in social relationships (Heide & John, 1992; Noordewier, John, & Nevin, 1990), underlying values and principles of exchanging firms should enforce their obligations, promises, and expectations. Organizational values have long been considered critical to understanding actions in and across organizations (Gehman, Trevino, & Garud, 2012). Values are a fundamental element of organizational culture and leadership, impacting both individual and organizational performances (Schein, 2010). Virtually all high performing firms have well-defined sets of guiding beliefs, principles or values (Peter & Waterman, 1982). Given the importance of values to organizations, a rich literature has emerged around the meanings, dimensions and functions of values. However, the governance potential of values in inter-firm exchanges has yet to be explored.

Take the example of Ben & Jerry’s, a company that has progressive values and principles to create linked prosperity for everyone connected to the business (http://www.benjerry.com/values). When it entered the Russian market, however, Ben & Jerry’s encountered great difficulty finding an appropriate partner (Kotler, Kartajaya, & Setiawan, 2010). Potential partners were ambitious and benefit-oriented and sought only to achieve high profits and quick growth. They rarely understood or cared about Ben & Jerry’s core values and basic principles. The conflicted values led to disagreements relating to business activities.
Values are distinct from other relational governance methods (i.e., norms and trust) and we provide a comparison of these constructs in Table 1.

2.2. Intra-organization value congruence

Intra-firm value values manifest in subordinate-supervisor and employee-organization circumstances (e.g., Badovick & Beatty, 1987; O'Reilly, Chatman, & Caldwell, 1991). Intra-firm value value congruence refers to the similarity between values held by individuals and organizations (Chatman, 1989; Kristof, 1996). In leadership literature, value congruence between employees and leaders explains why employees relate to leaders and pledge their loyalty and support (Hayibor, Agile, Sears, Sonnenfeld, & Ward, 2011; Hoffman, Bynum, Piccolo, & Sutton, 2011). Empirical research has found that perceptions of subordinate-supervisor value value congruence account for the effectiveness of transformational leaders. When values are aligned at all levels and in all areas of a firm, they influence how people work, how customers experience the firm’s products and services, and the effectiveness and efficiency of the firm’s operation (Chatman & Barsade, 1995). Employee-firm fit explains how the patterning and content of an employee’s values, when juxtaposed with the value system of the firm, affect that individual’s behaviors and attitudes (O’Reilly et al., 1991) (Fig. 1).

Intra-organization value value congruence has demonstrated positive effects on employees’ trust, satisfaction, commitment and work performance (e.g., Edwards & Cable, 2009; Enz, 1988a, 1988b; Meglino, Ravlin, & Adkins, 1989; Posner, 2010; Ren, 2010). People with high levels of person-organization congruence perceive that they are a part of something bigger than themselves and are more likely to engage in behaviors that facilitate group productivity (Podsakoff & Mackenzie, 1997). Value congruence between employees and their organization complements delegation of decision-making, substitutes for monitoring (Ren, 2010); it is also associated with behavioral support for organizational change (Lamm, Gordon, & Purser, 2010). Edwards and Cable (2009) develop and test a theoretical model that integrates four key explanations of intra-organization value value congruence effects, which are framed in terms of communication, predictability, interpersonal attraction, and trust. In sum, the literature has underscored the importance and demonstrated the effect of congruence between the values of employees and organizations (Chatman, 1989; Meglino & Ravlin, 1998).

2.3. Inter-organization value congruence

Due to values’ relative stability and scriptedness, values can make organizations homogenous internally but externally heterogeneous or distinct from other organizations (Giorgi, Lockwood, & Glynn, 2015). In inter-firm relationships, firms may identify their partners’ values and compare them with their own values (Moorman, Zaltman, & Deshpande, 1992). These values are manifest in a firm’s goals, norms, and interests. In the intra-firm context, value congruence has two conditions: 1) the firm’s values must be regarded as important or desirable; 2) the set of values must be shared by firm members (Enz, 1988a, 1988b). In the inter-firm context, value congruence refers to “the extent to which partners have beliefs in common about what behaviors, goals and policies are important or unimportant, appropriate or inappropriate, and right or wrong” (Morgan & Hunt, 1994, p. 25).

Our research is focused on manufacturers’ perceived value congruence with their distributors. That is, a manufacturer evaluates its distributor’s key values and principles and compares them with its own. We conceptualize and measure value congruence in terms of substantive fit, which involves the match between a manufacturer’s own values and its perceptions of the distributor’s values (Edwards & Cable, 2009). Consistent with this stream of value literature, value congruence is treated as “a perceptual construct that captures the espoused, recognized, explicitly stated, and socially defined levels of consensus” (Enz, 1988a, 1988b, p. 287). In a summary of value congruence research,
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