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How does influence strategy work? The moderating role of cognitive institutional profile and mediating role of commitment

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ABSTRACT

Influence strategies are crucial factors in interfirm relationships, however, the current research leaves much to explore. This paper develops a conceptual model focusing on the effects of two types of non-coercive influence strategies on joint profits, the moderating effects of the cognitive institutional profile, and the mediating role of commitment. Empirical results based on data from a survey of 262 buyer-supplier dyads show that information and financial incentive influence strategies foster joint profits by enhancing the buyer's commitment to the relationship (BCtoR); cognitive institutional profile undermines the positive effects of influence strategies on BCtoR. The findings reveal interfirm influence factors that go beyond dyadic interactions, thereby extending the current thinking on influence strategies and institutional theory as they apply to interfirm relationships.

1. Introduction

In the business-to-business market, salespeople use various strategies to encourage customers to purchase products to increase sales performance. Two common strategies are the information strategy (i.e., proactively providing information, data, and expert advice to customers) and financial incentive strategy (i.e., providing financial incentives to decision makers to influence customers' purchase decisions). These non-coercive influence strategies are expensive for the focal firm,[1] and it is important for managers to know whether they actually influence the buyer's response. Previous research establishes the importance of the non-coercive influence strategy and pays some attention to its effectiveness but leaves much to explore.

First, previous studies focus only on the direct relationships between a supplier's non-coercive influence strategy and a buyer's responses and neglect the institutional context of these interfirm relationships. Institutional theory argues that institutions regulate firms' activities by setting the rules of the game (e.g., DiMaggio & Powell, 1983; Kostova & Roth, 2002; Scott, 1995); firms must comply with institutional pressures to gain legitimacy (Yang & Su, 2014). Recently, some scholars have argued that the effectiveness of marketing activities varies due to social pressure from the institutional environment (Hillebrand, Nijholt, & Nijssen, 2011) and thus that the effectiveness of a non-coercive influence strategy hinges on alignment with the external institutional environment. For this reason, we examine the role of institutional profiles (i.e., cognitive profile) in moderating the link between suppliers' non-coercive influence strategies and buyers' responses, in response to previous studies' call for further application of institutional theory to business marketing (e.g., Grewal & Dharwadkar, 2002; Hillebrand et al., 2011; Yang & Su, 2014; Yang, Su, & Fam, 2012). We hope our findings will allow firms to evaluate the effectiveness of non-coercive influence strategies within different institutional contexts.

Second, most research on non-coercive influence strategies has defined such strategies at a relatively general level without investigating the effect of different forms of influence strategies, resulting in a mixed relationship between suppliers' non-coercive influence strategies and buyers' responses (e.g., Boyle, Dwyer, Robicheaux, & Simpson, 1992; Brown, Grzeskowiak, & Dev, 2009; Kim, 2000; Payan & McFarland, 2005). By specifically investigating the link between two specific forms of non-coercive influence strategy (i.e., information and financial incentive strategies) and buyer commitment, we extend our understanding of the links between influence strategies and relational outcomes and performance (Frazier & Rody, 1991).

Third, although the effect of relationship commitment on outcomes is explored in prior research (e.g., Jap & Ganesan, 2000; Palmatier, Dant, Grewal, & Evans, 2006), most research has focused on its direct

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[1] Domestic B2B marketing expenditure in the U.S. is expected to total US$94.7 billion in 2017 (Crosett, 2013). The top 50 B2B advertisers spent an estimated US$3.96 billion on B2B relationships in 2010 (Maddox, 2011).

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effect and neglected its other effects (i.e., mediating effects). Investigating the mediating role of the buyer's commitment to the relationship (BCtoR), we show that BCtoR not only has a positive effect on joint profits but also mediates the effect of influence strategies and institutional profiles on joint profits, which advances our knowledge about the link between non-coercive influence strategy and commitment.

The remainder of this paper is organized as follows. We begin with a review of the relevant literature on influence strategies and institutional theory. We then develop our testable hypotheses on the mediating effect of commitment on the link between influence strategies and relational outcomes and the moderating effect of the institutional profile. Next, we present our research methods, analysis, and empirical findings. Finally, we discuss the implications of our results, outline the study's limitations, and suggest directions for future research.

2. Theoretical background

2.1. Influence strategies

Influence strategies are communicative ways in which a firm (the source) attempts to make a firm with which it does business (the target) comply (Frazier, Gill, & Kale, 1989; Frazier & Rody, 1991) and can be classified as either coercive or non-coercive (Frazier & Summers, 1986). Influence strategies play a crucial role in interfirm relationships, including marketing channels and supply chains, because firms use them to influence a partner's behaviour or decision-making process (Ghijsen, Semeijn, & Ernstson, 2010; Spiro & Perreault, 1979). From a theoretical perspective, most research argues that a non-coercive influence strategy can have a greater effect than a coercive influence strategy on relational social actions in a dyadic interfirm context, as it focuses on changing the target's perception and is easily accepted by the target. However, empirical studies have provided mixed and conflicting results. For example, in their meta-analysis, Geyskens, Steenkamp, and Kumar (1999) find that non-coercive influence strategies can foster satisfaction but cannot reduce conflict. Other research has found that these strategies exert a positive (Kim, 2000), negative (Brown et al., 2009; Simpson & Mayo, 1997), or unclear (Payan & McFarland, 2005) effect on relational outcomes or have no effect at all (Boyle et al., 1992). Such inconsistency between theoretical arguments and empirical findings suggests two possible approaches. One is to more thoroughly examine the specific details of influence strategies and how they are communicated, such as information and financial incentives, and the other is to explore contingent factors (which we introduce in the next subsection) influencing the link between non-coercive influence strategies and relational outcomes (i.e., BCtoR).

We focus on two strategies that firms commonly use to influence other parties: the information strategy and financial incentive strategy (Hillman & Wan, 2005). The information strategy involves the source supplying the information without requesting a specific action from the target (Gundlach & Cadotte, 1994). Such information influence strategies are attempts to influence the target by providing target decision makers with (a) specific information on a product and its technical features, (b) help and advice from professionals and experts on the product's costs and benefits, and (c) access to technical and market reports on the use and value of the product.

The information strategy is a business-oriented attempt and mainly focuses on presenting specific information about a supplier's offerings (Spiro & Perreault, 1979). Thus, the provision of information not only gives the buyer valuable knowledge but also reduces information asymmetry between the two parties. The more information is provided by the source firm, the greater the likelihood is that the target firm will cooperate and be committed to the relationship (Boyle et al., 1992).

The source firm can also adopt a financial-based persuasion strategy to influence the target firm's decision makers (Hillman & Wan, 2005). The source (i.e., the supplier) intends to influence the decision maker for the target (i.e., the buyer) by providing financial support, such as by sponsoring the buyer's pilot market promotions or paying for the buyer to attend marketing symposia. By providing financial inducements, the supplier provides the buyer with the opportunity to improve its operations and better serve its customer. Thus, positive relational outcomes can be achieved by offering sufficient financial incentives to overcome the buyer's costs and helping the buyer improve its operations and outcomes (Murry & Heide, 1998).

Based on previous research (e.g., Hillman & Hitt, 1999; Hillman & Wan, 2005), the information strategy focuses on providing partners with data, research reports, third-party proposals, and advice, whereas the financial incentive strategy centres on building relationships with financial incentives. The key differentiating features of the two strategies lie in what is provided to the target firms.

2.2. Institutional theory

Institutions are commonly known as the "rules of the game," and their core task is to structure interaction and provide stability and meaning to social behaviour (Peng, Sun, Pinkham, & Chen, 2009). A central tenet of institutional theory is that organizations need to achieve and maintain environmental legitimacy, defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995). Institutions have three components: regulatory (i.e., the current laws and rules), normative (i.e., shared values, beliefs, norms, and assumptions about human nature and human behaviour), and cognitive (i.e., shared knowledge and cognitive categories) (Scott, 1995). Regulatory, cognitive, and normative components can exist within the same institutional environment; however, they reflect different facets and vary in their level of formalization. The regulatory component belongs to formal institutions (Peng et al., 2009) and requires firms' activities to abide by formal laws (Grewal & Dharwadkar, 2002; Kostova & Roth, 2002). In contrast, cognitive and normative components belong to informal institutions (Peng et al., 2009) and represent implicit requirements and informal rules that underlie organizational practice. Normative institutions are concerned with procedural legitimacy and induce desired behaviour from participants through social obligations; cognitive institutions relate to taken-for-granted cultural expectations and represent culturally supported habits (Grewal & Dharwadkar, 2002).

Emerging countries such as China, promoted by economic reforms in recent decades, are moving towards legalized societies and market-driven economies (Yang & Su, 2013), which is leading to rapidly changing institutional environments. Due to the vast expanses of emerging countries such as China, various commercial rules and arbitrary interpretations of those rules certainly occur, and diverse regional and industrial characteristics also exist (Cai, Jun, & Yang, 2010). For example, competitive industries, such as household appliances and high-tech, and economically advanced areas, such as Southeast China, offer better legal protections, government support, and business norms and knowledge. Heavily monopolized industries and undeveloped provinces such as Northwest China, however, are characterized by regulatory uncertainty, intensive government intervention, and undeveloped norms and economic knowledge. As such, each firm's perception of institutional environment is different from others. The fast-changing, inconsistent institutional environment in emerging countries has prompted some scholars to explore the role of institutional components in managing interfirm relationships (e.g., Jia, Cai, & Xu, 2014; Shou, Zheng, & Zhu, 2016; Wang, Zhang, Wang, & Sheng, 2016; Zhou & Poppo, 2010). Recent research on the effect of the institutional environment on interfirm relationships suggests that the effectiveness of interfirm activities, such as governance, depends on external institutional factors (e.g., Jia et al., 2014; Wang et al., 2016; Shou et al., 2016). However, most of this research focuses on the regulatory component (e.g., Shou et al., 2016; Wang et al., 2016; Zhou & Poppo, 2010)