How Do The Relational Investments Affect Relational Outcomes?

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ABSTRACT

The paper integrates insights from transaction cost economics and relational exchange theory to discuss the efficacy of value-creating relational investments in affecting certain relational outcomes in context of supplier-intermediate buyer dyadic relationships. After performing PLS path modelling on a data set of 284 dyadic relationships, it has been found that value-creating relational investments made by the focal suppliers in their (intermediate) buyers positively affect various facets of satisfaction, trust and commitment (altogether, the relationship quality) of the intermediate buyers. It has been further argued that an enhancement in the relationship quality ultimately translates into an enhancement in performance of the inter-firm relationships.

Keywords: Relational Investments; Relationship Quality; Relational Exchange; Transaction Cost Economics

INTRODUCTION

With its roots in organizational economics, transaction cost economics (hereafter TCE) maintains that transaction-specific investments (hereafter TSIs) and (unilateral and/or mutual) opportunism affect performance of the exchange relationships by influencing relationship-specific decisions of the exchange partners (Anderson and Weitz 1989, 1992; Ganesan 1994; Palmatier, Dant and Grewal 2007). Research in TCE has long established that (unilateral and/or mutual) investments made by the exchange partners increase the inter-organizational commitment (Anderson and Weitz 1989, 1992; Ganesan 1994) which eventually gets translated into superior performance of the exchange relationships (Yaqub and Vetshera 2011). However, focus of the exchanging parties, as revealed by most of the studies, has been on developing and/or sustaining the exchange relationships through creating and/or escalating (uni-lateral or mutual) dependence by “locking in” the exchange partner(s) by virtue of getting them to invest in transaction specific assets (hereafter TSAs). But Palmatier et al. (2007; p. 191) suggest that “….. The focus on investments and asset specificity should shift from a transaction cost perspective of safeguarding and monitoring to a focus on improving the effectiveness and efficacy of relationship value creation”. Similarly, Yaqub (2009) postulates that exchange-specific investments should not be limited just to those investments made by a focal actor to increase its asset-specificity in the relational space so as to signal a ‘hostage-ship’ to the exchange partner(s) (as propounded by the TCE). Rather, these should also include the investments intended at enhancing the value-creation-ability of the other partner(s) so that it contributes more surpluses to the relationship. This is quite consistent with Palmatier et al. (2007) who, after a comparative longitudinal analysis of theoretical perspectives of inter-organizational relationship performance, suggest (p. 191): “…..many different forms of exchange specific investments must be evaluated with regard to their productivity enhancement effect or overall ability to generate value ….” This research paper has focused on this type of relational investments, has termed them as the value-creating relational investments (hereafter VcRIs) and while integrating insights from TCE and relational exchange theory (hereafter RET), it has endeavored to explain the efficacy of these investments in affecting the key relational outcomes as propounded by the relational exchange literature.

According to Sirdeshmukh, Singh and Sabol (2002), efficient and effective RM efforts (like the making of VcRIs) improve relationship performance through the creation of strong relational bonds. However, the literature offers mixed evidence and insights on which relational constructs actually mediate the effects of RM strategies/instruments on the performance-related outcomes (Palmatier, Dant, Grewal and Evans 2006). Most
research has conceptualized these cause and effect relationships as fully mediated by one or more of the relational constructs like satisfaction, trust, commitment and/or relationship quality (Palmatier et al. 2006). As such satisfaction, trust and commitment (altogether the relationship quality) has been the most important intermediate relational outcomes revealed in much of the marketing and strategy literature. However, most of these studies have treated these intermediate relational outcomes at more abstract levels whereas these, in fact, are quite complex and/or multi-faceted constructs. Consequently, the association among the RM instruments and the various facets of these key (intermediate) relational outcomes is still unknown at large. This study bridges this research gap and extends the argument advanced in TCE about the efficacy of relational investments in enhancing the performance of inter-firm relationships. The relevant research context has been the supplier-intermediate buyer dyadic relationships.

Morgan and Hunt (1994) describe the scope of focal firms’ exchanges relationships to include supplier partnerships, lateral partnerships, internal partnerships and the buyer partnerships. Buyer partnerships are further sub-divided into partnerships with 1) the ultimate customers, and 2) the intermediate customers. Even though there is proliferation of research on the relational dynamics of the first type, the latter has received only scarce attention in literature so far (Yaqub and Vetschera 2011). The model introduced in this paper makes up for this deficiency as it discusses (relational) dynamics of the supplier-intermediate buyer dyadic partnerships. Another contribution of this research stems from its use of South Asian data. The findings of this research bolster the case for broad-based generalizability of essentially etic theories developed in the West to other cultures.

THE CONCEPTUAL MODEL

Figure 1 shows our conceptual model. It is theorized that VcRIs affect relationship performance/value (the ultimate relational outcome) through influencing various facets of the intermediate (relational) outcomes like satisfaction, trust and commitment (together, the relationship quality). Though we would very briefly review/discuss the previous studies that link the relational investments to the relationship performance through the relational mediators of the higher-order, we would not test these links. It is for this reason that they are shown as the dotted links. Sutton and Staw (1995) and Dickey, McKnight & George (2007) argue that it quite acceptable for researchers to propose more extensive models than they actually test in a single study.
The following section discusses the nature, scope, role(s) and the hypothesized relationships among the constructs constituting our conceptual model.

The Antecedent: VcRIs

Relational investments refer to the time, efforts and resources which a focal actor expends in building stronger relationships with its exchange partners. In context of supplier-buyer relationships, Fink, Edelman and Hatten (2007) report that the suppliers are being increasingly urged to make investments into buyers through customizing their offers (products, services etc.), lowering the costs associated with serving their buyers, participating in the buyers’ product designs, and/or integrating their own ordering, inventory and even the production systems with their buyers’. This paper has focused on this type of relational investments and has termed them as VcRIs. As an example for VcRIs, consider the context of a pharmaceutical company-clinic dyadic relationship context, where they would include renovating and/or upgrading the customer’s clinic, facilitating training and/or learning endeavours, upgrading the knowledge of medical staff, facilitating automation, providing social networking opportunities etc.

A number of studies in channels relationships have discussed the efficacy of relational investments in determining long-term relationships (Anderson and Weitz 1989, 1992; Delano 1984; Ganesan 1994). Delano (1984) found significant evidence for the benefits/rewards to the manufacturers who supported their (downstream) channel members. Anderson and Weitz (1992) found that offering better sales support to the resellers increased mutual trust between the exchanging parties (i.e. the manufacturers and the resellers). In context of the manufacturer and distributor relationships, they argued that mutual investments positively affect the actors’ commitment to the relationship by acting as “potent pledges”. Ganesan (1994) found that a vendor’s TSIs increase its credibility in the eyes of retailer(s) by signaling that the vendor cares for the relationship and is willing to make sacrifices for its continuation. Anderson and Weitz (1989), Ganesan (1994), Palmatier et al. (2007) and Yaqub & Vetschera (2011) have asserted that relational investments help in maintaining and/or strengthening exchange relationship(s) primarily through creating expectations of reciprocation, a positive affect and/or fear of losing the subsequent appropriations of such investments. Quite consistent with these research findings, it is theorized that the making of VcRIs leads to an enhancement in the relationship performance (the ultimate relational outcome) through positively affecting the (intermediate) relational outcome like satisfaction, trust and/or commitment (altogether, the relationship quality) and/or their constituents.

Relationship Quality and its individual Determinants

According to Finn (2005), relationship quality model plays a critical role in the study of the maintenance of long-term relationships. According to Rajaobelina and Bergeron (2009), it captures the real essence of relationship management efforts. Henning-Thurau and Klee (1997) describe relationship quality as the (perceived) degree of appropriateness of a relationship to fulfill the (individual and collective) needs of the partners associated with that exchange relationship. Quite consistent with the pioneers Crosby, Evans and Cowels (1990), researchers such as Huang and Chiu (2006), Rajaobelina and Bergeron (2009) and Sun (2010) have treated relationship quality as a two-dimensional higher order construct with satisfaction and trust being those two dimensions. Even though researchers like Henning-Thurau, Gwinner and Gremler (2002), Storbacka, Strandvik and Gro’renroos (1994) and Wong & Sohal (2002) also used a bi-dimensional model of relationship quality but they paired commitment (instead of trust) with the satisfaction. However, researchers like Garbarino and Johnson (1999), Ivens (2004) and Ulga and Eggert (2006) have used a multidimensional model of relationship quality with satisfaction, trust and commitment being the three dimensions. The following section briefly discusses these individual dimensions/determinants/facets of the relationship quality

Satisfaction

Satisfaction is generally referred to as a positive (affective) state which results from the appraisal of all aspects of the working relationship of an exchange partner with other(s) (Geyskens, Steenkamp and Kumar 1999). In a supplier-buyer dyadic relationship context, satisfaction can be viewed as the degree to which a supplier rises up to or exceeds expectations of a buyer in relation to its motives behind entering into an exchange relationship.
Supplier-buyer relationships, like all other business relationships, are formed with the expectations of complementary benefits (Yaqub and Vetschera 2011). According to Palmatier et al. (2006), buyers perceive value in such relationships only when they receive these (desired) benefits, which increase their willingness to continue, maintain and/or strengthen relational bonds with the focal supplier. As the scope of such benefits can be quite vast (including economic, social, informational, political and other dimensions), therefore, satisfaction has quite often been regarded as a multi-faceted construct in the marketing and the strategic management literature. In context of B2B relationships, Geyskens and Steenkamp (2000) reveal satisfaction as a two dimensional construct with the two sub-types being the economic satisfaction (ES) and the social satisfaction (SS). Economic satisfaction refers to the evaluation of economic outcomes that flow from the relationship whereas social satisfaction refers to the psychological aspects of the relationship which consists of an exchange partners’ evaluation of the personal contacts and interactions with the other partner (Geyskens and Steenkamp 2000).

Trust

From a relational perspective, inter-organizational trust has been defined as the expectation that an actor 1) can be relied on to fulfill obligations 2) will behave in a predictable manner, and 3) will act and negotiate fairly when the possibility for an opportunistic exploitation of the other exchange partner(s) arises (Anderson and Weitz 1989). Trust has always been regarded as a multifaceted construct that has been viewed differently from different theoretical perspectives. According to Dicky, McKnight and George (2007), trust has generally been defined in one of the two possible ways; 1) as a confident belief or expectation (i.e. a trusting belief), and/or 2) as a willingness or intention to depend on the trustee (i.e. a trusting intention). Trusting belief refers to the perception that the other party (trustee) will act in ways favorable to the trusting party, or that the trustee has ethical, efficacious or favorable characteristics. By contrast, trusting intention refers to a willingness to become vulnerable or dependent on the trustee based on the expectation that it will not exploit this situation (Mayer, Davis and Schoorman 1995). Keeping in view the nature and dynamics of the relationships investigated in this research, trust has been conceptualized as a bi-dimensional construct with its two facets being the competence-trust (CT) and the integrity trust (IT). This view of conceptualizing and/or operationalizing inter-firm trust is quite consistent with Barbar (1983), Mayer et al. (1995) and Mishra (1996).

Commitment

Defined as an attitude that reflects the desire to continue a valued relationship and a willingness to make short-term sacrifices to maintain that relationship (Anderson and Weitz 1992), commitment has been examined quite extensively in consumer contexts, work-place contexts and business-to business contexts (Allen and Meyer 1990, Morgan and Hunt 1994). Extending Allen and Meyer’s (1990) view of workplace commitment to the (business) exchange relationship context, we define commitment as a predisposition which comprises of an exchange partner’s willingness to 1) stay long in the relationship, 2) accept the norms and values that govern the relationship, and 3) contribute maximally for the welfare of the exchange partners. Whereas organizational researchers like Garbarino and Johnson (1999) and Morgan & Hunt (1994) view commitment as a unidimensional construct, a vast majority of researchers have treated it as a multidimensional construct (Allen and Meyer 1990, Geyskens, Steenkamp, Scheer and Kumar 1996). If Geyskens et al. (1996) differentiated between affective commitment and calculative commitment, Allen and Meyer (1990) revealed three dimensions of commitment which included: continuance commitment (CC: the cost-based attachment), affective commitment (AC: the desire-based attachment) and normative commitment (NC: the obligation-based attachment).

RESEARCH METHODS

The Measurement Scales

Even though it would have been more appropriate to measure the (magnitude of) VcRIs in monetary terms, yet due to the (perceived) non-responsiveness owing to secrecy concerns, it has to be measured as a first-order (formative) construct using the scale devised by Yaqub (2013). The intermediate-buyers were asked to report the extent of support being received from their focal suppliers in the areas which might have had enhanced their ability to efficiently serve their clients (the ultimate customers). The responses on the six proxy indicators/items measuring VcRIs were recorded on a 7-point Likert scale response format where higher numbers were equated with higher
extent/magnitude of the VcRIs being made by the focal suppliers (pharmaceutical companies) into the intermediate buyers (clinics/doctors) and vice versa.

In order to measure satisfaction, the scale used by Ivens (2006) was adapted according to the context of this study. The responses on the eight (8) items measuring satisfaction were recorded on a 7-point (Strongly Disagree/Strongly Agree) Likert scale format where the lower numbers reflected varying levels of dissatisfaction and vice versa. In order to operationalize trust, the scales used by Bansal, Irving and Taylor (2004), Dickey et al. (2007), Hess and Story (2005) and Voss, Johnson, Culln, Sakano & Takenouchi (2006) were adapted according to the context of this study. The responses on all the eleven (11) items measuring trust were recorded on a 5-point (Strongly Disagree/Strongly Agree) Likert scale format where lower numbers represented varying levels of disagreement and vice versa. A disagreement was equated with a lack of trust in the focal supplier and vice versa. Finally, commitment was operationalized through adapting the measurement scales used by Allen and Meyer (1990), Bansal et al. (2004), Bagrain and Sader (2007), Suliman and Iles (2000) and Voss et al. (2006). The responses on all the eighteen (18) items measuring (intermediate buyers’) commitment with their focal supplier(s) were recorded on a 5-point (Strongly Disagree/Strongly Agree) Likert scale format where lower numbers represented varying levels of disagreement and vice versa. The disagreement was equated with a lack of intermediate-buyers’ commitment with their respective focal supplier(s) and vice versa.

Data Collection

The sampled population designated for this study was all the private medical clinics operating in two cities (i.e. Bahawalpur and Rahimyar Khan) of Bahawalpur division of the Punjab province of Pakistan. A convenient and efficient access to the relevant resources (information, personnel etc.), as the principal researcher is a native, has been the major consideration behind choosing this geographical area for the purpose of collecting the primary data. In Pakistan, usually the medical clinics are identified, by the suppliers (the pharmaceutical companies) and the ultimate customers (the patients), with the owning/managing doctors of these clinics. Therefore, the same (i.e. managing doctors) were selected as the informants and/or the unit of analysis.

As majority of doctors (71%) were associated with the central hospitals (Bahawal Victoria Hospital Bahawalpur and Sheikh Zayed Hospital Rahimyar Khan) and most of them resided and/or operated in the neighbourhoods known as medical colonies of these two cities, therefore, an area sampling was done. The sampling frames were obtained from the Medical Superintendents (M.S.) of the two hospitals. Since the total number of elements in the sampling frames was small enough to allow an inclusion of all of them in the sample, therefore, the same was done which resulted in a sample size of 1098 doctors. However, only 803 of them could be reached at their residence, wards and/or private clinics in the medical colonies. 295 doctors could not be reached because they were on leave, their addresses were incorrect or they simply were not willing to cooperate.

As mail and telephone surveys are not customary data collection techniques in Pakistan, therefore, students from the local business education institutions were engaged to conduct a personal investigation in both cities. Five teams each consisting of four under-graduate students coordinated by a course instructor from a local business education institution were set up. The questionnaires were personally delivered to 803 doctors at their residences, wards and/or private clinics in the medical colonies of the two cities. In order to ensure efficiency and control against field workers’ cheating, the questionnaires were collected back on daily basis after two weeks of the date of their disbursement. Follow-up calls were randomly made to the doctors to confirm authenticity of their response. The process lasted for about three weeks and resulted in the return of 362 filled-in questionnaires yielding a 45 % response rate. After performing necessary data-checks, 284 (usable) questionnaires were retained for further analysis.

Data Analysis

Since we aggregated the items/indicators of various dimensions of latent constructs used/reported in some of the previous studies, a principal-component analysis (PCA) was carried out to purify the measurement scales and ascertain uni-dimensionality of the first-order factors/dimension of the higher-order latent constructs following the procedure suggested by Field (2009) and using SPSS as the software application. Later, a confirmatory factor
analysis (CFA) was conducted in order to ascertain the measurement quality (validity and reliability) of the subject constructs. Finally, in order to gauge the nature of association among the subject constructs, a PLS path-modeling was performed using SmartPLS Version 2.0 M3 (Ringle, Wende and Will 2006). The PLS path modeling was preferred since it performs a simultaneous test of association among the subject constructs, it performs the confirmatory analysis at the same time and that it does not put stringent requirements on the data like multivariate normality, sample size etc.

RESULTS

Sample Profile

Majority of the respondents were males (54%), aged between 30-40 years (39%), and had Medicinae Baccalaureus, Baccalaureus Chirurgiae (MBBS) i.e. Bachelor of Medicine (53%) as their highest level of education. Majority of the clinics (64%) had been established within last ten years. The clinics on the average employed 4 workers. The average (weekly) number of visitors in these clinics was 179.

Analysis of the Measurement Model (Reflective)

The internal consistency reliability at the construct level was assessed on the basis of composite reliability (CR) measure developed by Werts, Linn and Jöreskog (1974), using the 0.8 threshold suggested by Nunnally and Bernstein (1994). At the indicator level, the reliability of (significant) individual indicators was judged on the basis of strength of their outer-loadings, meaning at least 0.6 and ideally 0.7 (Chin 1998). All the reflective constructs i.e. the various facets of the intermediate relational outcomes were found to be reliable both at the construct level (CR ≥ 0.80) and the indicators’ level (b ≥ 0.6, and t ≥1.96). We used the average variance extracted (AVE) as the criterion to assess the convergent validity as suggested by Fornell and Lacker (1981). According to Götz, Liehr-Gobbers and Kraft (2009), a value of at least 0.5 of AVE indicates sufficient convergent validity as it reveals that the latent variable explains (on the average) more than half of the variance of its indicators. All the formative constructs featured reasonable convergent validity (i.e. AVE ≥ 0.50). These also exhibited sufficient discriminant validity with respect to the Fornel-Larker criterion i.e. the square-root of AVE of the construct being significantly greater than its correlation with other constructs (See Table 1) and through an examination of the cross loadings (the indicators’ loadings were highest on the relevant constructs viz-a-viz their cross loading).

Table 1: Discriminant Validity

<table>
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<tr>
<th></th>
<th>ES</th>
<th>SS</th>
<th>CT</th>
<th>IT</th>
<th>CC</th>
<th>AC</th>
<th>NC</th>
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<tr>
<td>ES</td>
<td>0.77</td>
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<tr>
<td>SS</td>
<td>0.62</td>
<td>0.75</td>
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<tr>
<td>CT</td>
<td>0.50</td>
<td>0.55</td>
<td>0.72</td>
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<tr>
<td>IT</td>
<td>0.44</td>
<td>0.52</td>
<td>0.67</td>
<td>0.71</td>
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<tr>
<td>CC</td>
<td>0.30</td>
<td>0.35</td>
<td>0.44</td>
<td>0.37</td>
<td>0.70</td>
<td></td>
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<tr>
<td>AC</td>
<td>0.24</td>
<td>0.22</td>
<td>0.33</td>
<td>0.40</td>
<td>0.58</td>
<td>0.70</td>
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<tr>
<td>NC</td>
<td>0.29</td>
<td>0.30</td>
<td>0.35</td>
<td>0.38</td>
<td>0.55</td>
<td>0.59</td>
<td>0.72</td>
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The diagonal values are √AVE, the rest are R

Analysis of the Measurement Model (Formative)

Two types of validity are generally assessed for the formative models i.e. nomological validity (Jarvis, MacKenzie and Podsakoff 2003) and the external validity (Henseler, Ringle and Sinkovics 2009). According to Henseler et al. (2009), nomological validity requires that the relationships between a formative index and other latent constructs in a path model should be significant, strong and consistent with the previous research. Table 2 shows significant positive relationships of our only formative construct (i.e. VcRIs) with the different facets of relationship quality which are quite consistent with what previous research has reported in relation to the constructs quite similar to these constructs. According to Henseler et al. (2009), external validity requires that the formative
index should explain a substantial part of the variance of an alternative measure of the same latent construct. VcRIs showed high external validity at the construct level. The face and/or content validity of individual items were ascertained by subjecting this formative scale to an expert review. Two representatives from pharmaceutical companies and three doctors were engaged in this review process. At statistical level, according to Diamantopoulos and Winklhofer (2001), an indicator could be considered irrelevant (not featuring external validity) for a formative index if it is not statistically significant and/or it exhibits high multicollinearity with other indicators, which could mean that the information contributed by this indicator is redundant. Following this criteria, the statistical significance of the outer-weights was checked at 5% level of significance (t ≥ 1.96). The multicollinearity of the individual indicators was assessed using variance inflation factor (VIF) while using VIF >10 as the criterion (the general rule of thumb). The outer weight of one item measuring VcRIs was not significant (i.e. t < 1.96). Consequently, it was dropped from the scale. The outer weights of all other items were significant (i.e. t ≥ 1.96) and none of them featured high multicollinearity (i.e. VIF < 10).

The Path Model Estimates (βs)

Table 2 shows the path coefficients along with their corresponding t-values (obtained through bootstrapping) and the R² values.

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<tr>
<td>βs</td>
<td>0.39</td>
<td>0.38</td>
<td>0.28</td>
<td>0.25</td>
<td>0.39</td>
<td>0.28</td>
<td>0.26</td>
</tr>
<tr>
<td>t values</td>
<td>7.87</td>
<td>7.81</td>
<td>5.63</td>
<td>5.15</td>
<td>7.64</td>
<td>5.17</td>
<td>4.99</td>
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<tr>
<td>R²</td>
<td>0.15</td>
<td>0.14</td>
<td>0.08</td>
<td>0.06</td>
<td>0.16</td>
<td>0.08</td>
<td>0.07</td>
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Independent variable: Value-creating relational investments (VcRIs)

As can be seen in Table 2, VcRIs showed significant positive effects on both the economic satisfaction (β=0.39, p<0.001, R²=0.15) and the social satisfaction (β=0.38, p<0.001, R²=0.14). However, the influence of VcRIs on the two facets/forms of satisfaction has been almost the same. VcRIs significantly affect both the competence trust (β=0.28, p<0.001, R²=0.08) and the integrity trust (β=0.25, p<0.001, R²=0.06). The influence of VcRIs on competence trust has been slightly stronger than that of the integrity trust. Finally, VcRIs exhibited significant positive effects on the continuance commitment (β=0.39, p<0.001, R²=0.16), affective commitment (β=0.28, p<0.001, R²=0.06) and the normative commitment (β=0.26, p<0.001, R²=0.07). However, the influence of VcRIs on continuance commitment has been stronger compared to the other two facets of commitment.

DISCUSSION

There can be two possibilities for a supplier to increase the value from its relationships with the intermediate buyers:

Static: following the logic of opportunism, the supplier sets out to capture more share in an (intermediate) buyer’s appropriations of value/business (in this case, prescriptions) among the elements constituting its supplier portfolio. In other words it aspirations to grab bigger slice of the pie created by the intermediate buyer largely on its own

Dynamic: following the logic of cooperation, the supplier invests into an (intermediate) buyer’s efficiency and/or its ability to generate/create more surplus/value (in this case, prescriptions/sales). By increasing size of the pie, this approach eventually results in an increased economic value for both the parties

1 Following Henseler et al. (2009), in order to assess external validity at the construct level, first the formative index score was regressed on the score of the same latent constructs measured through reflective indicators. Second, the error term was calculated to account for the variance not captured by any of the formative indicators by using the formula: Var (ξ) = 1 - ρ²/rel (ξ) Here, ρ stands for the reflective measure of the focal construct whereas ξ stands for the correlation between the formative and the reflective measure of the same construct, which is equal to the standardized regression coefficient. Finally, the external validity was calculated as 1-Var (ξ). The threshold value of 0.8 suggested by Henseler et al. (2009) was used.
As it generally leads to a win-win situation through joint value-creation, we would advocate the dynamic approach over the former. The making of VcRIs can prove to be quite instrumental in successfully achieving the value-enhancement objective under a dynamic approach. VcRIs catalyse an intermediate buyer’s efficiency in carrying out its normal functioning. For example, when a pharmaceutical company 1) upgrades the capacity of a clinic by supplying latest operational equipment and/or by facilitating it in improving its design, layout and climate 2) enhances its learning (both the doctor and/or the support staff) about the diagnostics and/or treatment through arranging public tests, workshops and/or product demonstrations; and/or 3) creates socialization opportunities (for the doctors) to facilitate a knowledge sharing among doctors, pharmaceutical companies, eminent researchers or practitioners and various other stakeholders – it augments that clinic’s efforts of generating a satisfied, trusting and loyal pool of clients through efficiently and effectively curing/serving them. This trust-based loyalty eventually leads to higher sales/revenue for that particular clinic by increasing its customer traffic due to their repeated visits and/or the positive word-of-mouth spread by them. Owing to the norms of reciprocity, the clinic could fairly be expected to generate a similar (patronizing) response towards the focal supplier i.e. increasing its share of business to that supplier.

The VcRIs create (economic) satisfaction by positively affecting the economic outcomes (like sales, revenue, profits) for the intermediate buyers. Similarly, the making of VcRIs also positively influence the social satisfaction by signaling (to the intermediate buyer) the presence of a sense of comradeship in the focal supplier. Moreover, the supplier’s benevolence not only induces a (normative) commitment attributable to the norms of reciprocity but also inspires a positive state-of-affect about that supplier (i.e. affective commitment). Finally, most of the suppliers usually make such investments sequentially which spurs a (continuance) commitment by making it imperative for an intermediate buyer to reciprocate equitably if it wishes that such investments continue to be appropriated in future. Disregard of its type(s)/origin, enhancement in the relationship quality (as a whole or in its individual constituents) perceived by the intermediate buyers eventually leads to an enhancement in the overall performance of the exchange relationship.

CONCLUSION

Building on TCE, we investigated the efficacy of VcRIs in affecting key relational outcomes in the inter-firm relationships. The relevant context of the study has been the supplier-intermediate buyer dyadic relationships as there is a scarcity of research in this area compared to the research involving the upstream dyadic relationships. The empirical evidence from 284 downstream dyadic relationships revealed that the making of VcRIs by a focal supplier positively affects the various facets of the individual determinants of relationship quality which eventually leads to an enhancement in the performance of the exchange relationship(s). It is important to note here that the efficacy of VcRIs in affecting the intermediate relational outcomes was studied only in the context of supplier-intermediate buyer dyadic relationships. The antecedents within the larger networks of relationships were not addressed. Therefore, the generalizability of results may be limited only to the downstream relationships. Secondly, we used only one latent construct to explain complex phenomena. It is due to this fact that the co-efficient of determination of some endogenous latent constructs were quite low. Finally, even though it would have been more appropriate to measure the antecedent variable i.e. VcRIs in monetary terms, it was not done due to the perceived difficulty of obtaining the financial data. Future research could enhance the quality of research information by obtaining the investment data in monetary term by identifying and setting-up the study in a context where such data are relatively easy to obtain. Finally, the explanatory power of the model could be increased by complementing VcRIs with other performance enhancing RM instruments like relational norms, increased equity in rewards, power or decision rights etc. Future research may investigate these complimentary effects.

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