



Power shifts and relationship quality improvement of producer–retailer green channel dyads under government intervention



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ABSTRACT

This work presents an analytical model to investigate the effect of government intervention on green channel performance in a producer–retailer green channel dyad *via* the mediating effects of channel power shifts and relationship quality improvement. The retailer is allocated additional responsibility to collect used products for a producer for recycling and repairing. The proposed model is tested empirically using questionnaire survey data obtained from retailers of the producer–retailer green channels of consumer electronic products in Taiwan. Analytical results indicate that government intervention has positive effect on green channel performance when the producer adopts joint action measures. The producer can utilize joint action as a non-coercive influential strategy to alleviate a target member's countervailing power and bargaining power and to improve channel relationship quality, thereby enhancing green channel performance under government intervention to adopt extended producer responsibility.

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1. Introduction

Although there are a variety of end-of-life product collection methods around the world, the role of a contracted retailer acting as a producer's partner¹ "Producers" refers to branders and firms that sell their own branded products. In a reverse logistics channel to jointly carry out extended producer responsibility (EPR) is increasingly important. This work defines the aforementioned producer–retailer bidirectional channel dyad to fulfill both forward and reverse logistics activities as a producer–retailer green channel, which has been extensively observed in the case of individual producer-operated electronic-waste management systems regulated by government instruments. For instance, the Environmental Protection Administration of Taiwan enacted the Waste Disposal Act Amendments in 1998 (Fan, Lin, & Chang, 2005; Wen, Lin, & Lee, 2009). Therein, the producers, importers, and retailers of computer products are mandated to bear the responsibility of recovering and disposing their end-of-life products by paying required scrap computer processing fees to the Scrap Computer Management Foundation, which is a semi-official organization supervised by the Environmental Protection Administration of Taiwan. Meanwhile, island-wide scrap computer collection points which mainly consist of computer retailers are established to deal with end-of-life product collection and consumers' reward money on the spot for returning end-of-life computers. The collection points obtain subsidies from the Scrap Computer Management Foundation for providing end-of-life computer collection service (Lee, Chang, Wang, & Wen,

2000). Similarly, in Japan consumer electronic product branders prefer collecting and recycling their own products *via* contracted retailers for cost and input quality control in green manufacturing and optimizing the recyclability of a product in greener design (Tojo, 2006). Additionally, a certain number of European states (e.g., Belgium, France, UK, and Germany) rely on retailers to collect electronic wastes (Atasu & Van Wassenhove, 2011).

When a retailer is requested, by either a contracted producer or the government, to take joint action² in reverse logistics activities, termed retail reverse logistics in some literature (Bernon, Rossi, & Cullen, 2011), the issues of channel power shifts³ and relationship quality management in a producer–retailer green channel may become increasingly complex. In practice, producer–retailer green channel operations have increasingly adopted by producers to collect such products as mobile phones and single-use cameras from end-customers for repairing and recycling. This can be easily found in the worldwide producer–retailer green channels of consumer electronic products. As such, consumer electronic products have short lifecycles and high brand diversity. A consumer electronic brander must rely on sophisticated relational governance measures to enhance a dealer's trust and commitment for retaining sustainable competitive advantage in end-customer demand markets. Channel power shifts driven by government intervention and

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¹ "Producers" refers to branders and firms that sell their own branded products.

² In line with the literature of relational governance (Gulati & Sytch, 2007; Heide & John, 1990; Nyaga et al., 2010), in this work joint action refers to a producer's influential measures adopted to enhance the dyadic members' collaboration across a wide array of activities for joint planning and joint problem solving in a producer–retailer green channel dyad.

³ Channel power shifts refer to the change of relative power revealed in a channel dyad.

relationship quality management determine the survival and competitive advantage of dyadic members in such extremely competitive contexts.

A producer and retailer, thus, may no longer be limited to a seller–buyer exchange relationship. Rather, so-called reciprocal task interdependence may exist between dyadic channel members (Crook & Combs, 2007; Thompson, 1967). Nevertheless, retailer attitudes toward extended responsibility in reverse logistics are mixed. Savaskan and Van Wassenhove (2006) argued that additional investment costs and collection effort remain major concerns for contracted retailers, even though these can be reimbursed *via* buy-back payments. Furthermore, in the government intervention⁴ context contracted retailers are likely to speculate that producers will be dependent on their additional resources to carry out EPR. As noted by Bernon et al. (2011), the poor external integration between producers and retailers remains as a critical issue of retail reverse logistics for lack of mutual trust and commitment in producer–retailer green channels. Empirical findings from the related literature (Daugherty, Autry, & Ellinger, 2001; Daugherty, Richey, Hudgens, & Autry, 2003; Golobic & Mentzer, 2006) have also indicated the importance of channel relationship reorientation involving the enhancement of trust, commitment, and cooperation between producers and retailers to efficiently respond to customer return-related demands. Therein, a producer that relies on retail reverse logistics operations to fulfill either EPR or post-sale services may no longer possess the absolute power to dominate the operations of a producer–retailer green channel. Instead, the attitudes, resources, and performance of contracted retailers become the key to the success of green channel operations.

Accordingly, the issues of channel power shifts and relationship quality improvement emerging in producer–retailer green channel dyads under government intervention require building a new conceptual framework to elaborately address. Nevertheless, literature addressing related issues is limited in the field of supply chain management and related areas. Our arguments are elaborated below.

In reality, the investigated producer–retailer green channel operations stem from the concept of green supply chain management (GSCM), which claims that functions of forward and reverse supply chains should be efficiently integrated, and chain members be coordinated to collectively achieve the ultimate goal of sustainability of global environments (Fleischmann, Krikke, Dekker, & Flapper, 2000; Sarkis, Zhu, & Lai, 2011; Sheu, Chou, & Hu, 2005). Some related literature further claims that the aforementioned goal of GSCM should be extended to reduce negative impacts on not only environments but also economy and society, termed sustainable supply chain management (Walker & Jones, 2012). Research on GSCM, thus, is extensive, covering the issues of green/reverse supply chain network configurations (Fleischmann, Beullens, Bloemhof-Ruwaard, & Van Wassenhove, 2001; Min & Ko, 2008), take-back schemes/reverse supply chains (Flowers & Linderman, 2003; French & LaForge, 2006; Savaskan, Bhattacharya, & Van Wassenhove, 2004; Toyasaki, Boyaci, & Verter, 2010), competition across green supply chains (Ferguson & Toktay, 2006; Mitra & Webster, 2008), green manufacturing and design (Chiou, Chan, Lettice, & Chung, 2011), integration and coordination in a green supply chain (Gavronski, Klassen, Vachon, & do Nascimento, 2011; Sheu et al., 2005), and green supply chain relationship management (Carter & Jennings, 2002; Cheng, 2011). Furthermore, a comprehensive review of GSCM literature based on an organizational theoretic perspective can be found in Sarkis et al. (2011), in which GSCM literature is categorized and reviewed under nine organizational theories.

Despite the advances made by researchers in GSCM and related areas, the issues of channel power shifts and relationship quality improvement under government intervention remain challenging. As commented in Sarkis et al. (2011), the interdependency of green supply chain members and the effectiveness of their collaboration determine

the success of implementing GSCM from a resource dependence perspective; and however, have not yet been well addressed in previous literature. For those firms (e.g., producers) lacking required resources to achieve their goals, developing long-term collaborative relationships with other chain members for acquisition of limited resources is the key to gaining sustainable competitive advantage. Walker, Di Sisto, and McBain (2008) further pointed out that the majority of GSCM-related literature seems to shed light on identifying the drivers than barriers for the private sector to implement GSCM. By contrast, literature involving both the private and public views in exploring and resolving the barriers of GSCM is rare (Diabat & Govindan, 2011; Walker & Jones, 2012).

Briefly, the above GSCM literature indicates that there is lack of literature to elaborately characterize the correlations between government intervention, power shifts, channel quality improvement, and induced channel performance revealed in dyadic producer–retailer green channels. Particularly, given the context of government intervention there is room left to enhance clarifying how the government's economic and regulatory instruments influence the producer–retailer interplays characterized in channel power shifts, joint action, and channel relationship quality and performance.

To fill this research gap by involving both the private and public views on GSCM (*i.e.*, GSCM under government intervention), this work proposes a conceptual model which is characterized by ten hypotheses to elaborate how government intervention influences channel power shifts, joint action, channel relationship quality, and green channel performance⁵ in a producer–retailer green channel dyad. Specifically, this work addresses the issue of producer–retailer interplays in a green channel dyad under government intervention from the following three perspectives:

- (1) The effects of government intervention on a producer's effort in joint action and a contracted retailer's countervailing power (*Hypotheses 1 and 2* of the proposed conceptual model);
- (2) The interplay between a producer's effort in joint action and a contracted retailer's attitude of power shifts, and resulting effect on relationship quality improvement (*Hypotheses 3–8*);
- (3) The influence of government intervention on green channel performance *via* the intermediary effects of channel power shifts and relationship quality improvement (*Hypotheses 9 and 10*).

Compared to the existing literature, this study contributes to the field of channel relationship management for GSCM in two ways.

First, from a resource dependence perspective (Medcof, 2001; Pfeffer & Salancik, 1978; Ulrich & Barney, 1984), we argue that government intervention may cause high interdependence between a producer and its contracted retailer when the contracted retailer is allocated additional responsibility in a reverse channel for used-product repairing and recycling. Previous resource dependence theory studies treated inter-organizational relational governance as a strategic response to uncertainties in organizational environments (Emerson, 1962; Thibaut & Kelley, 1959). According to Pfeffer and Salancik (1978), organizations are rarely self-sufficient in critical resources, and thus, are dependent on the resources of others for survival in competitive environments. Consequently, we assume that each organization founded based on resource dependence theory seeks two related objectives: control over resources to minimize its dependence on other organizations, and control over resources to maximize the dependence of other organizations on itself. Therefore, resource dependence theory characterizes inter-organizational dependence as a set of power relations based on the need to exchange resources. Based on the study by Bourgeois (1980), this work treats government intervention as a form of political power

⁴ This work defines government intervention as the measures adopted by governments to alleviate goal conflicts between business operations and environmental protection.

⁵ Green channel performance is defined as the collective performance of the dyadic members in a green channel dyad.

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