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Effects of collaborative communication on the development of market-relating capabilities and relational performance metrics in industrial markets

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ABSTRACT

Research in marketing suggests that collaborative communication is important for firms to sustain competitive advantage, especially in industrial markets. This study integrates relational and resource-based views to articulate how collaborative communication influences different relational performance metrics. Based on a survey of 167 marketing executives in Taiwan's electronics industry, empirical findings indicate that market-relating capabilities (i.e., market-linking and marketing capabilities) completely mediate the collaborative communication–financial performance relationship, while market-relating capabilities partially mediate the collaborative communication–customer-focused performance relationship. In addition, collaborative communication directly influences customer cooperation performance instead of indirectly affecting it through the development of market-relating capabilities. The results of this study provide new insights into the role of collaborative communication as well as important theoretical and managerial implications.

1. Introduction

The importance of collaborative communication has been well noted by marketing and management scholars, especially in business-to-business market research (e.g., Joshi, 2009; Mohr & Nevin, 1990; Paulraj, Lado, & Chen, 2008). Drawing from the relational perspective, collaborative communication helps firms develop and maintain quality relationships with customers (Mohr & Nevin, 1990; Morgan & Hunt, 1994; Palmatier, Dant, Grewal, & Evans, 2006), with a large body of empirical studies examining its effect on various relational performance outcomes, such as satisfaction, commitment and collaboration (Meek, Davis-Sramek, Baucus, & Germain, 2011; Mohr, Fisher, & Nevin, 1996).

In addition to the development of the buyer–seller relationship, Ballantyne and Varey (2006) suggest that communicative interaction also supports the firm's knowledge development and application by learning from the customer. In this regard, collaborative communication seems to be beneficial for developing or enhancing organizational capabilities since the knowledge of the firm acts as the basis for capability development (Atuahene-Gima, 2005; Kogut & Zander, 1992). This suggests that collaborative communication may improve organizational capabilities and in turn facilitate superior organizational performance. However, past research regarding collaborative communication focuses largely upon the direct effect of collaborative communication on various relational performance outcomes (e.g. Meek et al., 2011; Mohr et al., 1996; Schultz & Evans, 2002) without addressing the potential role played by collaborative communication in developing organizational capabilities. Such a focus upon direct performance effects, while certainly beneficial, impedes our understanding of *how* collaborative communication contributes to the firm's competitive advantage (i.e., the process of influence is not well defined). Given this, the focus of this study is to investigate how a firm's collaborative communication affects relational performance through the development of organizational capabilities.

Furthermore, relational performance outcomes are generally distinguished into three types, including 1) customer-focused outcomes (i.e., customer relationship performance), 2) dyadic outcomes (i.e., customer cooperation performance) and 3) seller-focused outcomes (i.e., financial performance) (Palmatier et al., 2006). Despite the importance of collaborative communication as noted above, insights as to its impact on seller-focused financial performance are rare in the existing literature. Hence, this study aims to advance the communication literature by investigating whether and how collaborative communication influences financial performance.

Following this, the current study proposes that collaborative communication affects various relational performance metrics through two mechanisms. One mechanism, based on a relational view, refers to the rationale that collaborative communication may lead to improved customer trust and commitment and decreased opportunistic behavior, thereby improving relational performance. Another mechanism, based on a resource-based view (RBV), suggests that collaborative communication may improve the development of market-relating

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capabilities by means of acquiring market knowledge from customers and, therefore, in turn achieve superior relational performance.

In summary, this study integrates the above viewpoints and proposes a conceptual framework and set of hypotheses. Hypotheses are empirically tested using data from 167 marketing executives in Taiwan's electronics industry. The results demonstrate that collaborative communication, indeed, enhances the development of market-relating capabilities, which in turn influence different relational performance metrics through different mechanisms. Managerially, this study provides insights into the relational performance implications of collaborative communication and the underlying mechanisms which link collaborative communication to different relational performance metrics. In the next section of the manuscript, the conceptual framework and hypotheses are introduced. Then, the research methodology and analytical results are presented. Finally, the study's findings and implications are discussed.

2. Conceptual framework and hypothesis development

The foundational relationship marketing concepts of the 1980s and 1990s highlight the importance of developing quality relationships with customers (e.g., Webster, 1992). Research further indicates that long-term and high-quality relationships with customers potentially enable a firm to create a competitive advantage relative to firms without such relationships (Anderson, Fornell, & Rust, 1997; Ganesan, 1994). In this regard, communication between buyers and sellers plays a vital role in developing and maintaining mutual relationships (Morgan & Hunt, 1994; Palmatier et al., 2006; Weitz & Jap, 1995). Specifically, poor communication quality not only damages mutual relational exchange (Mohr et al., 1996) but also impedes information exchange between the customer and the firm (Frazier & Summers, 1984; Jaworski & Kohli, 2006). Hence, researchers focus on providing actionable guidelines for managers to develop effective collaborative communication strategies and programs (e.g., Joshi, 2009; Mohr & Nevin, 1990; Mohr et al., 1996; Paulraj et al., 2008).

Mohr and Nevin (1990) indicate that collaborative communication strategies are constructive for generating two-way and the open flow of information between the firm and the customer. Joshi (2009) extends Mohr et al. (1996) to identify four facets of collaborative communication, including frequency, reciprocal feedback, formality, and rationality. *Frequency* refers to the amount of contact between the firm and the customer. *Reciprocal feedback* focuses on two-way communication between the firm and its customers. *Formality* represents the extent to which the firm's contacts with the customer are routine, planned, and structured, as opposed to unplanned, fleeting, and ad hoc in nature. Finally, *rationality* refers to the extent to which the firm provides a rationale and clear evidence for why its customers should adopt a particular recommendation. Importantly, such collaborative communication helps firms develop relationships with their customers while also learning from them (Ballantyne, 2004; Ballantyne & Varey, 2006). Therefore, in the context of industrial markets, *collaborative communication* refers to the extent to which firms communicate with their customers through frequent interactions, reciprocal basis, and routine contacts while adopting rationality as a means to effectively influence them (Joshi, 2009). Importantly, such collaborative communication helps firms develop relationships with their customer while also learning from them (Ballantyne, 2004; Ballantyne & Varey, 2006). In this regard, collaborative communication has been seen as one of the most important competitive resources in industrial markets (Joshi, 2009; Paulraj et al., 2008). For example, Taiwan Semiconductor Manufacturing Company (TSMC), which is one of the world's largest semiconductor dedicated foundry manufacturers, engages in establishing long-term and reciprocal relationships with its customers by developing excellent collaborative communication activities with customers. Specifically, TSMC builds thorough, dedicated formal communication channels (e.g., telephone, online platform and email) to have more frequent, prompt and two-way communication with its customers while actively providing specific information or knowledge to make a case for a particular course of action, all of which can create superior mutual benefits (e.g., providing superior technological solutions to improve product quality or yield rate).

Following this, our conceptual framework proposes that collaborative communication has dual routes to affect relational performance outcomes (see Fig. 1). In the first route, consistent with the conventional wisdom of a relational view, collaborative communication directly influences relational performance outcomes. More specifically, communication is important to building stronger relationships due to the role of communication in aligning mutual goals, resolving opinion discrepancies and identifying cooperative opportunities (Anderson & Weitz, 1992; Mohr & Nevin, 1990; Morgan & Hunt, 1994).

In the second route, based on the RBV, collaborative communication indirectly affects relational performance outcomes through the mediating roles of market-relating capabilities (see Fig. 1). The RBV addresses the origins of organizational competitive advantage that results from valuable organizational capabilities (Barney, 1991; Grant, 1991; Hunt, 2000). Organizational capabilities are further developed from a firm's accumulated knowledge and skills (Atuahene-Gima, 2005; Kogut & Zander, 1992; Murray, Gao, & Kotabe, 2011). In terms of the development of valuable capabilities, Day (1994, 2006) indicates that market-relating capabilities are a distinctive capability and pivotal operant resource to acquire positions of advantage. More specifically, such capabilities are generally categorized into two types of market-relating capability, which are market-linking and marketing (Song, Benedetto, & Nason, 2007; Srivastava, Fahey, & Christensen, 2001). A *market-linking capability* is defined as the extent to which the organization creates and retains durable relationships with customers and suppliers and

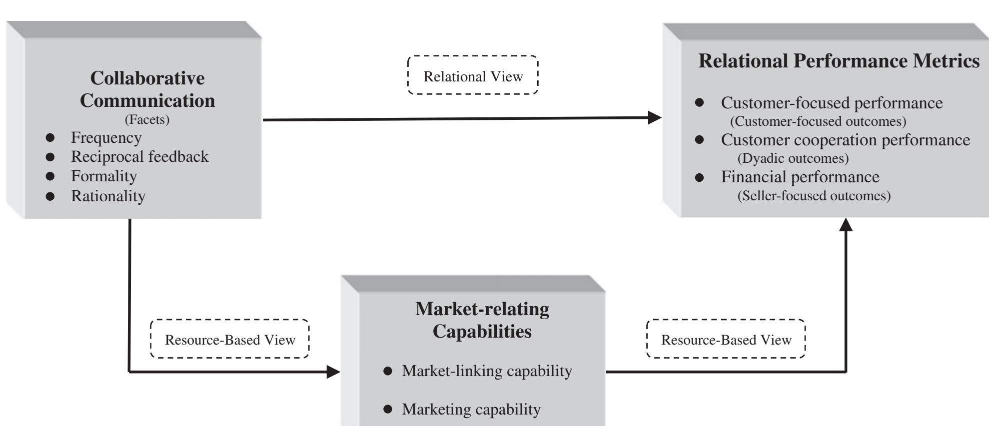

Fig. 1. Conceptual framework of collaborative communication, market-relating capabilities, and relational performance metrics.