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# The performance implications of power–trust relationship: The moderating role of commitment in the supplier–retailer relationship☆

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ABSTRACT

The current research examines how coercive power and non-coercive power affect trust and how these relationships are affected by affective and calculative commitment. It also expands the understanding of the role of an under-researched dimension of performance, i.e., strategic performance, and studies it as a mediating variable in the relationship between trust and financial performance. The proposed model is empirically tested using Partial Least Squares (PLS) in supplier–retailer channel in Taiwan. The findings reveal that affective commitment has a positive moderating effect on the negative relationship between coercive power and trust, while calculative commitment has a negative moderating effect on the positive relationship between non-coercive power and trust. The results also indicate that strategic performance partially mediates the effect of trust on financial performance. The research advances theoretical understanding on the complex power–trust relationship and provides insights into the role of commitment in both enabling and undermining channel relationships. The findings highlight the importance of building affective commitment in channel relationships and the critical role of strategic performance in the trust–financial performance relationship.



## 1. Introduction

Relationship marketing has attracted significant academic and managerial attention in the last two decades (Whipple, Lynch, & Nyaga, 2010). Among the various relationship marketing constructs, trust is consistently cited as one of the key elements in successful channel relationships (see, for examples, Doney & Cannon, 1997; Palmatier, Dant, & Grewal, 2007) and is deemed critical for cooperation between channel parties (Johnston, Khalil, Jain, & Cheng, 2012; Morgan & Hunt, 1994). This recognition of trust as a key driver of relational exchange has triggered research on factors that develop trust and has led to continued scholarly interest in the outcomes of trust in channel relationships. Among the several factors with potential effect on trust (such as communication, dependence, and opportunism), channel power is identified as one of its most important antecedents (Duarte & Davies, 2004; Leonidou, Talias, & Leonidou, 2008; Morgan & Hunt, 1994). Channel power assumes importance since it is one of the key factors that predict how a relationship may evolve (Hanmer-Lloyd, 1996). Although several studies have theorized about the effect of the use of power on trust, some critical issues remain unanswered. Prior studies have frequently called for investigation into the effect of more complex interactive patterns on trust (e.g., Geyskens, Steenkamp, & Kumar, 1998; Lai, Bao, & Li, 2008). Despite this, the majority of the extant literature has primarily focused on the effect of power on trust, and the interaction effects of other relational variables such as commitment, cooperation, and satisfaction on the power–trust relationship are under researched. This shortfall severely limits the understanding of how power affects trust in channel relationships and necessitates an exploration of moderating effects of relational variables on the power–trust relationship. Among the several aforementioned relational variables that may have possible implication on the power–trust relationship, commitment holds special importance due to several reasons. For instance, channel commitment affects the behavior and actions of channel members, and has been shown to moderate channel relationships in prior studies (see, for examples, Fullerton, 2005; Ganesan, Brown, Mariadoss, & Ho, 2010).

Prior research categorizes commitment into two main dimensions: calculative commitment and affective commitment (Ganesan et al.,

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2010; Geyskens, Steenkamp, Scheer, & Kumar, 1996). These dimensions reflect different underlying psychological states concerning one's relationship with the target and have potentially different implications for the behavior (Bansal, Irving, & Taylor, 2004). Therefore, a lack of consideration given to a multidimensional view of the two forms of commitment may lead to potential bias and/or loss of information due to the confounding effects of uni-dimensional commitment. That is, a global measurement of commitment may potentially conceal the effects of its underlying dimensions and lead to distorted or incorrect findings (see, Gilliland & Bello, 2002).

As noted previously, the development of inter-organizational trust is posited to affect channel relationship outcomes such as satisfaction, joint action, and performance (see, among others, Gundlach & Cannon, 2010; Johnston et al., 2012; Whipple et al., 2010). Among other relationships, the trust–performance relationship is extensively documented in the channel literature (see, for examples, Geyskens et al., 1998; Gundlach & Cannon, 2010). This scholarly interest could be attributed to the widely held notion that trust positively affects firms' performance (Gundlach & Cannon, 2010). However, several studies have revealed contradictory results, and precisely how trust affects performance in a channel relationship remains inconclusive (see, for example, Palmatier et al., 2007; Selnes & Sallis, 2003). Further, prior research in this domain is largely devoted to the study of financial performance in channel relationships (Chen, 2008), while other forms of channel performance such as strategic performance are ignored (Jap, 1999; Ramaseshan, Yip, & Pae, 2006). Though prior literature considers both strategic and financial performance as the dimensions of performance, whether strategic performance acts as an essential mediator to achieve financial performance in a channel relationship is unclear.

In order to address the aforementioned literature gaps, the current research empirically examines how the two forms of commitment (i.e., calculative and affective commitment) moderate the relationship between power and trust. Since different sources of power have contrasting effects on inter-firm relationships (Gundlach & Cadotte, 1994), the current research deconstructs power into its individual sources, primarily coercive and non-coercive power. In addition to the above, the mediating role of strategic performance in the relationship between trust and financial performance is also examined to clarify the trust–performance relationship. Theories such as the resource based theory and literature from channels of distribution, organizational behavior, and social psychology are employed as theoretical foundation to study the proposed relationships.

The current research makes vital contributions to the extant literature. The research addresses the call for more complex interaction studies on trust and its antecedents, specifically channel power, thereby providing a better understanding of relationship marketing in general, and the power–trust relationship in particular. It also provides a fresh perspective on the power-commitment relationship by proposing commitment as a moderator of the power–trust relationship. Specifically, the research investigates the moderating effects of both affective and calculative commitment, and thus adds to the negligible literature on how different forms of commitment can both enable and undermine channel relationships (Fullerton, 2003). Finally, the current research also incorporates the strategic component of performance, often neglected in prior channel relationship literature.

## 2. Literature review and research hypotheses

The proposed conceptual model is illustrated in Fig. 1 and the research hypotheses are developed in the following subsections.

### *2.1. Channel power and trust*

In the context of channels of distribution, power refers to a channel member's ability to influence decision variables in the marketing strategy of another member at a different level in a given channel (Gaski, 1984). An early work of Hunt and Nevin (1974) classifies channel power into two broad classes: coercive and non-coercive. While coercive power is defined as the mechanism for gaining target compliance that references or mediates negative consequences of noncompliance, non-coercive power is the mechanism that references or mediates positive consequences for compliance (Gundlach & Cadotte, 1994). Within the channel context, the division of power into coercive and non-coercive sources is well documented and validated by a number of studies (see, for examples, Leonidou et al., 2008; Ramaseshan et al., 2006). In the current research, trust is defined as the extent to which a firm believes that its exchange partner is honest (the belief that the partner fulfills promises, stands by its words, and is reliable) and/or benevolent (the belief that the partner is interested in one's welfare and joint gain) (Geyskens et al., 1998). The presence of trust implies that the exchange partner will perform actions resulting in positive outcomes for the firm (Anderson & Narus, 1990) and will not exploit its vulnerabilities (Hald, Cordon, & Vollmann, 2009).

The exercise of coercive power by a channel member is based on the intention of causing loss (Zhuang, Xi, & Tsang, 2010) to a channel partner and is thus considered as negatively oriented power. The use of coercive power by suppliers to gain retailers' compliance can take the forms of threats and punishments (Kumar, 2005), which results in negative consequences within the relationship. As a result, retailers can feel vulnerable and their frustration with the relationship

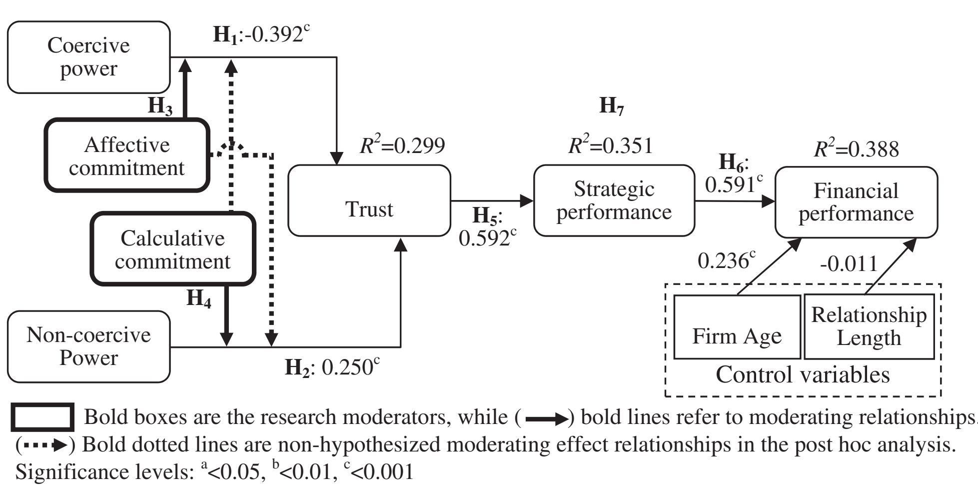


**Fig. 1.** The proposed research framework and main effect hypotheses testing results.