

Exercised power as a driver of trust and commitment in cross-border industrial buyer–seller relationships

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Abstract

The article reports the findings of a study conducted among 151 U.S. export manufacturers of industrial goods regarding their working relationships with foreign customers. Specifically, the emphasis is on the sources of power exercised and how these affect trust and commitment in the relationship through the mediating role of conflict and satisfaction. Using structural equation modelling, it was confirmed that the exercise of power derived from coercive sources increases conflict and reduces satisfaction, while the exercise of non-coercive power sources leads to lower conflict (but not significantly increasing satisfaction). Conflict was found to be negatively associated with trust, as opposed to satisfaction which enhances trust. Trust was subsequently revealed to foster commitment in the relationship. Conclusions and implications are derived from the study findings and directions for further research are provided.

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1. Introduction

The growing globalization, liberalization, and integration of the world economy have been responsible for inducing an increasing number of firms to engage in international business activities (Czinkota & Ronkainen, 2007). The very essence of these activities lies in the formation, development, and maintenance of cross-border inter-organizational relationships (Holm, Eriksson, & Johanson, 1996; Leonidou & Kaleka, 1998). This is because building solid working relationships can provide benefits for both exporters (e.g., repeat sales, cross-selling opportunities, minimization of customer switching, source of innovative ideas) and importers (e.g., better purchasing prices, cost reduction and rationalization, efficiency improvement, access to technical expertise) (Sheth & Sharma, 1997). However, to reap these benefits, it is imperative to have trustworthy partners who are willing to work hard and demonstrate commitment to the relationship (Evangelista, 1996).

Trust and commitment is a particularly delicate issue in international business relationships, where the incidence of failure is much higher than in domestic ventures (Bello, Chelariu, & Zhang, 2003). This critical role of trust and commitment has been the focus of numerous studies in recent decades (see, for example, Goodman & Dion, 2001; Palmatier, Dant, Grewal, & Evans, 2006; Seppanen, Blomqvist, & Sundqvist, 2007), with the emphasis placed primarily on understanding their antecedents, inner mechanisms, and outcomes. Several parameters have been proposed at times with a potential effect on trust and commitment, such as opportunism (Skarmas, Katsikeas, & Schlegelmich, 2002), dependence (Kumar & Scheer, 1995), and cooperation (Anderson & Narus, 1990). However, one important dimension which has been relatively neglected is power, defined as the ability of the parties involved in a working relationship to control the decisions concerning the operation of the venture (El-Ansary & Stern, 1972).¹ The role of power is crucial, in the sense that,

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¹ The power issue in buyer–seller relationships emerges, because both sellers and buyers are caught in a web of interdependencies, whereby one party tries to control the activities of the other (Cunningham, 1980). This is attributable to their desire to invest resources which cannot be used elsewhere, make use of each other's expertise, and increase the efficiency of business transactions (Hallén & Sandström, 1991).

through its interactions with other constructs of the relationship atmosphere, it can seriously affect trust and commitment.

Power is a dispositional concept denoting the ability of one party in the relationship to control the behavior of the other (El-Ansary & Stern, 1972). Therefore, the actual alteration of the other party's behavior can only be achieved with the exercise of power (Gaski, 1984). Power is vital, because it can take the relationship out of the realm of chance and give it purpose, order, and direction (Dwyer, Schurr, & Oh, 1987; Kumar, 2005). However, this will depend on the different sources of power (namely coercive, reward, legitimate, referent, expert, and information), which essentially define the resources available to influence decisions about the relationship (French & Raven, 1959). Depending on how aggressive is their nature, power sources can be classified into coercive (i.e., aggressive) and non-coercive (i.e., non-aggressive) (Frazier, 1983; Hunt & Nevin, 1974; Lusch, 1977; Lusch & Brown, 1982).

The purpose of this study is to examine the role of these two types of exercised power as key driving forces in building trust and commitment in cross-border industrial buyer–seller relationships, through the mediating role of conflict and satisfaction. The contribution of this study can be justified on three major grounds: (a) it provides an alternative explanation of the trust–commitment association, by using exercised power and its links with conflict and satisfaction as antecedent factors (Rawwas, Vitell, & Barnes, 1997); (b) it tries to shed light on the role of power sources in building buyer–seller relationships, which, although critical, have received scant empirical attention within the international context (Johnson, Sakano, Cote, & Onzo, 1993); and (c) it concurrently tests the associations between a set of key behavioral constructs of the exporter–importer relationship, using structural equation modeling (Leonidou, Barnes, & Talias, 2006).²

The remainder of this article is organized as follows: *first*, the conceptual model is presented and research hypotheses are developed; *second*, the research methodology adopted is explained; *third*, the constructs of the study are measured and the hypothesized associations among them are tested; *fourth*, conclusions are extracted from the study and relevant managerial implications are provided; *fifth*, the limitations of the study are reported, together with directions for future research.

2. Conceptual model and hypotheses development

Fig. 1 presents the conceptual model of the study. This is anchored based on theoretical contributions extracted mainly from the marketing channels, business-to-business, and international business literature. The model consists of six basic constructs, namely exercised coercive power, exercised non-coercive power, conflict, satisfaction, trust, and commitment. The proposed conceptual linkage of these constructs is the following: exercised power (coercive and non-coercive) provides the starting point of

the model and directly affects conflict and satisfaction, which act as mediating variables. In turn, conflict negatively affects trust, as opposed to satisfaction which has a positive effect. Finally, trust is positively related to commitment. The associations among the constructs are explained in more detail in the following.³

2.1. Exercised coercive power, conflict, and satisfaction

Coercive power is based on the perception of one party in a working relationship that the other has the ability to mediate punishment if his/her requests are not complied with (El-Ansary & Stern, 1972; Etgar, 1979; Frazier & Summers, 1984; Hunt & Nevin, 1974; John, 1984). Such punishments may include, for example, imposing financial penalties, withholding of important support, or threatening to withdraw from initial promises (Goodman & Dion, 2001). The exercise of this source of power reflects aggressive, forceful, and suppressive behavior, which essentially forces the other party in the relationship to do things that otherwise s/he would not have done (Frazier & Rody, 1991). This type of power is usually employed when the other party ignores or pretends to ignore a problem concerning the relationship, demonstrates poor results, or adopts non-compliant behavior (Yu & Pysarchik, 2002). The use of coercive power is most likely to escalate tension and frustration in the relationship, because the one party performs actions of which the other disapproves, does not have the resources to carry out, or feels offended by (Frazier & Rody, 1991; Rawwas et al., 1997). Inevitably, this situation will result in disagreements between the two parties and will elevate any underlying causes of conflict to a manifest state (Gaski, 1984; Raven & Krunglanski, 1970). It will also intensify rather than resolve any clashes between the interacting parties (Lusch, 1976; Lusch & Brown, 1982). In fact, communication difficulties between buyers and sellers in international markets, caused by geographic and cultural distance, may aggravate these problems (Leonidou, 2004). Many studies (Frazier, Gill, & Kale, 1989; Frazier & Rody, 1991; Gaski & Nevin, 1985; Lee, 2001; Lusch, 1976; Rawwas et al., 1997; Schul & Babakus, 1988; Yu & Pysarchik, 2002) have empirically shown that the exercise of coercive power is both risky and counterproductive, because it increases conflict to a point where it can be unhealthy and destructive for the relationship. This was also confirmed in an international study examining U.S.–Japanese channel relationships, where it was found that aggressive influence evokes resistance and conflict in a relationship (Johnson et al., 1993). Following the above argumentation, we may hypothesize that:

H_{1a}. The exercise of coercive power in exporter–importer working relationships is positively related to conflict.

² Although most of the associations between constructs proposed in the present study were partly covered in previous research, especially within a domestic market setting, this is one of the first attempts that tests their simultaneous effect under a single conceptual model within the domain of international marketing (Frazier et al., 1989).

³ Although most of the hypothesized associations between these relationship constructs were developed within the more advanced field of domestic marketing, our study aims to find the extent to which these are applicable in international marketing (which is a relatively new discipline). This replication approach has been repeatedly adopted by many other studies investigating cross-border working relationships (e.g., LaBahn & Harich, 1997; Skarmas et al., 2002; Lee, 2001; Lohtia et al., 2005).

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