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# The role of trust, commitment, and learning orientation on logistic service effectiveness<sup>☆</sup>



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## ABSTRACT

Firms can strategically use organizational routines (dynamic capabilities) and cooperative linkages (relational views) to build competitive advantages. In the current study, we incorporated these theoretical lenses to evaluate how commitment, trust, and learning orientation affect performance in the supply chain. Data collected from 213 third-party logistics providers (3PLs) and their partner firms suggested that both learning orientation and commitment positively related to performance. Commitment was particularly salient as it mediated the relationship between trust and logistic effectiveness, as well as moderated the learning orientation and logistic service effectiveness linkage. Managerial implications and suggestions for future research are discussed.

## 1. Introduction

Globalization has fundamentally changed the business environment. In response to this new economic reality, manufacturers and suppliers have embraced third-party logistics (3PL) providers as key players in the supply chain. As dedicated logistic specialists, these firms allow their customers to concentrate on their core competencies (Shi, Zhang, Arthanari, Liu, & Cheng, 2016; Zacharia, Sanders, & Nix, 2011) and this focus can become a source of competitive advantages (Alkhatib, Darlington, Yang, & Nguyen, 2015; Bustinza, Arias-Aranda, & Gutierrez-Gutierrez, 2010; Huo, Ye, & Zhao, 2015).

By its very nature, the interdependence that outsourcing creates can challenge customer-supplier relations (Lai, Tian, & Huo, 2012; Wallenburg, Cahill, Michael Knemeyer, & Goldsby, 2011). Morgan and Hunt's (1994) seminal work notes that although competition is a characteristic of any free market, both trust and commitment are necessary to maintain a successful exchange. In these complex and interdependent relationships, success (or failure) hinges on the presence of cooperation and the absence of opportunistic behaviors. Extant literature has found that trust can promote cooperation and information sharing between interdependent partners, which translate into increased operational efficiency (Ebrahim-Khanjari, Hopp, & Iravani, 2012; Fu, Han, & Huo, 2017; Özer, Zheng, & Ren, 2014).

The dynamic capability view suggests firms that operate in active

markets need to obtain, integrate, reconfigure, and release resources to create a long-term competitive advantage (Girod & Whittington, 2017; Lin & Wu, 2014). These dynamic capabilities antecede routines that organizations develop to create value and respond to market forces. The extent to which firms cultivate routines that are both effective and timely is influenced by its learning orientation (Eisenhardt & Martin, 2000; Vogel & Güttel, 2013). Although scholars have studied the role of learning orientation on competitive performance (Azadegan & Dooley, 2010; Cheung, Myers, & Mentzer, 2011; Fang, Li, & Lu, 2016; García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012; Santos-Vijande, López-Sánchez, & Trespalacios, 2012; Su & Chen, 2013; Yang, Zheng, & Zaheer, 2015), its impact in the logistic outsourcing context remains largely unexplored (Carter, 2005). Panayides (2007) provided a framework on how organizational learning contributes to successful relations between logistics service providers and their customers, but additional empirical examination that extends this model is warranted.

Learning can provide a sustainable competitive advantage for firms, especially in an uncertain and competitive environment. However, learning is not an innate characteristic of a firm; it is the outcome of a culture that seeks to develop it. Learning orientation is a propensity to promote the acquisition of knowledge and firms that value it tend to encourage employees to question organizational norms (Baker & Sinkula, 1999). These behaviors are important because the contemporary environment is uncertain, turbulent, and intensely

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competitive. Firms that can identify market conditions (e.g., disruptions, customer needs) and are disposed to develop timely responses (i.e., agile) are likely to achieve greater performance (Braunscheidel & Suresh, 2009). The current work seeks to empirically test the influence of learning orientation on firm performance.

The relational view (Dyer & Singh, 1998) notes that cooperating with external agents firm can generate a competitive advantage. In terms of supply chain management, by engaging with customers and suppliers (e.g., sharing knowledge, combining complementary capabilities, and using effective governance mechanisms) firms can lower costs and improve performance. Recent research highlights the role of trust and commitment as an effective governance mechanism, contributing to higher relational rents (Griessmair, Hussain, & Windsperger, 2014; Weber, Bauke, & Raibulet, 2016; Weber, Weidner, Kroeger, & Wallace, 2017). They also function as important informal safeguards to maintain quality inter-organizational relationships (Wu & Cavusgil, 2006). However, these dynamics should be further studied in terms of the 3PL outsourcing context where the inter-firm relationship is crucial to supply chain success. We seek to fill this gap in the literature.

Emanating from RBV, both the dynamic capability view and the relational view extend this theory by emphasizing the different sources of competitive advantages, with the former underlining the configuration of resources (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997) and the latter highlighting the inter-firm relationships (Dyer & Singh, 1998). Central to both of these perspectives is that the firm incorporates collective learning to respond to changing environments. Whether effectively structuring internal processes or acquiring needed resources from external entities, firms that are oriented to receive feedback and modify behavior to adjust to current conditions (i.e., learn) will be better positioned for success.

Although the potential influence of both relational governance and dynamic capabilities (Allred, Fawcett, Wallin, & Magnan, 2011) would likely be salient throughout the supply chain (Cheng, Chen, & Huang, 2014), few studies have empirically tested an integrated model (e.g., Allred et al., 2011; Chang, Chen, & Huang, 2015; Cheng et al., 2014). In fact, scant attention has been paid to the combined effect of dynamic capabilities and business relationship on outsourcing performance. We intend to utilize the relational view and dynamic capability view of the firm to examine the impacts of learning orientation, trust, and commitment on value creation.

This study contributes to the literature in the following ways. First, we examine the competency development perspective (Fawcett, Fawcett, Watson, & Magnan, 2012) in terms of 3PL providers. Second, we integrate these extant perspectives of the firm (i.e., relational view and dynamic capability view) in relation to a firm's learning orientation and its impact on performance. Third, we conduct a mediated moderation analysis to empirically test the complex intervening role of commitment in relation to trust, learning orientation, and service effectiveness.

The rest of the paper is organized as follows. First, we review the literature that is relevant to our hypothesized relationships. Then, we present our research methodology, followed by our empirical analyses. We then discuss our findings, their research implications, and how these results may impact practitioners.

## 2. Theoretical background and hypotheses

The present study proposes that 3PL firms' learning orientation, as well as trust in and commitment to key customers, can be sources of competitive advantages that improve performance. Specifically, 3PL firms that are sensitive to their partners' issues and agile enough to adjust to these signals will benefit from stronger relationships.

### 2.1. Dynamic capability view: learning orientation

The dynamic capabilities perspective (Eisenhardt & Martin, 2000) extends the Resource-Based View of the firm (Barney, 1991) to describe how firms integrate, build, and configure competencies (internal and external) to respond to changing environments (Teece et al., 1997: 516). Eisenhardt and Martin (2000) further suggested that the level of market dynamism the firm encounters influences its responses. For example, in moderately active markets, the formation of dynamic capabilities relies on existing knowledge or experience; while in high-velocity markets, it depends on new knowledge. They also note that these dynamic capabilities evolve as a function of learning mechanisms. Organizational learning is viewed as a time-focused process that relates to the acquisition of knowledge and performance improvement (Garvin, 1993).

Since logistics service has been regarded as a strategic initiative for achieving competitive advantages by delivering customer value, it is particularly important for firms to develop the capabilities of maintaining reasonable stock level, timely delivery and product success (Esper, Fugate, & Davis-Sramek, 2007). In the logistics outsourcing context, building a learning organization has become a critical agenda. On the one hand, customer needs and market demands are always changing; it is essential to collect information from customers thus develop flexibility and agility (Braunscheidel & Suresh, 2009; Panayides, 2007). Manuj, Omar, and Pohlen (2014) stressed that supply chains must adopt the learning strategy in order to respond to customers' demands and integrate inter-firm resources. On the other hand, it is also significant for firms to utilize new logistics operation, tactics, and strategies in order to sustain a competitive advantage. Logistics service providers can be an important source of learning thus helping the firm to manage logistics activities more effectively (Esper et al., 2007). With learning orientation, logistics managers can develop systematic thinking and make effective plans for the long-term objective, and employees will acquire collaborative teamwork skills thus producing positive effects on firm performance (Ellinger, Chen, Tian, & Armstrong, 2015). In addition, organizations with learning orientation are more likely to achieve logistics innovation (Flint, Larsson, Gammelgaard, & Mentzer, 2005).

Learning orientation is a multi-dimensional concept reflecting the values associated with knowledge (c.f., Baker & Sinkula, 1999; Hult, Ketchen, & Nichols, 2003: 542; Kandemir & Hult, 2005; Laverie, Madhavaram, & McDonald, 2008). When top management encourages employees to question organizational norms, it reflects a culture that values learning (Laverie et al., 2008; Papanoidamis, 2005). Three dimensions reflect these deeply embedded values: commitment to learning, shared vision, and open-mindedness towards change (Sinkula, Baker, & Noordewier, 1997). Commitment to learning is the degree to which an organization appreciates and promotes learning (Sinkula et al., 1997). If an organization does not appreciate learning, it is unlikely to occur (Norman, 1985). In the 3PL outsourcing context, an organization with a desire to learn may better respond to changing market conditions. In recent years, the business environment has been characterized as turbulent with much uncertainty such as disruption risks. Learning is an ideal approach to combat market uncertainty. Externally, learning itself can help the firm to understand the market better and learn from other firms regarding how similar situations could be handled. Internally, learning can improve the firm's capabilities for dealing with challenges and coordinate different functional units to cope with the challenges jointly. Such an organization emphasizes employees' learning and thereby promoting the integration and re-configuration of resources.

Shared vision refers to an organization-wide focus regarding what to learn (Sinkula et al., 1997). Without a shared vision, learning by organization members will be fragmented and is less likely to be meaningful (Verona, 1999). According to Hult (1998) and Calantone, Cavusgil, and Zhao (2002), a common understanding of the importance

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