

Channel Member's Power and Dependence as a Determinant for Performance of a Distribution Channel within a South Asian Developing Country

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Abstract— Managing distribution channel to fulfil the requirements of target market is a great challenge for producers. Individuals and organizations that take part in distribution channel perform different roles in the distribution channel. Based on their dissimilarities in the distribution channel, the channel members will have different levels of power and dependence in relation to each other. Previous research shows that there is an inverse relationship between power and dependence in distribution channels in western countries. This inverse relationship may however not hold within national cultures characterized by a collectivistic social system. There is a lack of research on power dependence relationships within international distribution channels that combine producers of industrial products and middlemen located within countries with a strong collectivistic social system with channel intermediaries located in western countries. This study addresses the gap in the literature and proposes a study that is going to contribute to the literature by investigating power dependence relationships among channel members in an industrial distribution channel in a national culture characterized by a South Asian developing country. By using an exploratory research design, it is shown how channel member's power and dependence is related to cooperation and trust among channel members and how cooperation and trust impact on the distribution chains' performance. The study provides valuable insights that marketers in South Asian countries can utilize to develop more focused marketing strategies which may enable them to compete more effectively in the increasingly competitive markets.

Keywords— *Power, Dependence, Performance, Distribution Channel, South Asia.*

1. Introduction

Increasing market globalization and new technology proliferation have radically changed the grounds for competition at the start of the new millennium [60]. Researchers argue that there has been a major directional change in both marketing theory and practice over the last ten years and point to a number of studies which assume a shift away from “transaction-oriented marketing” towards “relationship-oriented marketing” [43]. Therefore, distribution channels are increasingly regarded as one of the most critical elements in marketing, as they determine the competitiveness and profitability of organizations [56].

Recent research on distribution channels indicate that the conduct of channel members as well as performance of channels is affected considerably by the behavioural interactions among channel members and specifically by their power relations [5]. Hence, the concept of power becomes focal concept in relational exchanges [32]. Therefore, the relationship between power and dependence among channel members have an effect on the channel performance, since distribution channel literature pointed out that both channel member's power and dependence may have possibility to strengthen or weaken the trust and cooperation among channel members. Western researchers reveals that if one channel member has more power than another member in distribution channel powerless member relies on the power holder in order to achieve desired goals [19].

But this inverse relationship may turnaround within national culture characterized by a collectivistic social system. The collectivistic social system in South Asia consists of positive relationship

between power and dependence. Since, South Asian social context differ from western individualistic social context. Previous research states that cultures vary in degree to which they support the notion that some people have more power because of inherited or acquired characteristics [40]. According to this social context, though one person has more power over other members in the distribution channel, in the meantime the power holder depends on the powerless person to derive the social respect from third parties outside the distribution channel. Since, power holders explicitly or implicitly depend on the target dependents to continue a long term relationships in order to gain social recognition from actors outside the dyad. In addition, a power holder in collectivistic social system is usually very sensitive to reduction in the amount of dependents, because any reduction may indicate that he or she is losing power [30]. Hence, power holders rely on target dependents within the distribution channel, as a result the relationship between channel member's power and dependence reflecting positively.

Researchers have been examined the behavioural channel relationships in individualistic developed western countries previously [55], [35]. But, the channel literature has given less attention to investigate of distribution channels within developing country in South Asia. The lack of research on power dependence relationship in South Asian culture appear to be no study that investigates, how power and dependence are related in distribution channels in collectivistic social systems. This study helps to fill this gap in the literature. Because of, the study examines how channel members' power and dependence is related to the distribution chains' performance. As a consequence, this study leans to be explorative since the studies about channel relationship at the developing countries are insufficient. Hence, the study will enhance the knowledge about the phenomenon and channel relationship in marketing channel research.

2. Literature Review

By examining the relevant characteristics of behavioural impact on the relationship between power and dependence in South Asian cultures and how this relationship is related to the trust and

cooperation among channel members with respect on channel performance, we are going to develop a major proposition and sub propositions as summarized in figure 1. The model draws from the diverse research on power [18], [19] dependence [17], [37] trust [43], [64] cooperation [43], [31] and performance [28], [36] of the distribution channel. We analysed these relationships based on cultural, relational and transaction cost perspective to elaborate the behavioural pattern among channel members within South Asian social context. Since, developing, maintaining or re-establishing business relationships are usually conditioned by unique cultural contexts [25]. On the other hand, the formation of channel relationship is one of solution to overcome behavioural uncertainties. Marketing relationships are widely studied in the environment of developed market economies. However, less is known about how fares in a less developed economy [61]. Especially the studies about channel relationship at the developing countries are few. Previous research compared the behaviour of collectivistic and individualistic among developed countries, such as Japan and USA.

2.1. Culture and Power-Dependence

Considering the growing internationalization of organizations, the interaction between national values and organizational culture has been identified as an important area to be taken into account [42]. But insufficient studies examine the cultural dimensions [30], particularly on the dimensions of individualism and collectivism. Classification of a society as individualistic or collectivistic is based on the degree to which individualistic or collectivistic values, norms, beliefs and assumptions apply in a majority of contexts and to a majority of members of that society [51]. For instance, [15] pointed out that persons in individual context perform well, when they are working alone. In contrast, persons in collectivistic context perform well when they are working in an in-group context. Consequently, the western cultures have given relatively little motivation to build strong and cooperative relationship with other members in the distribution channel [20]. Hence, previous research frameworks have examined important relationship variables and their influence on the intricacies of exchange [7], [21]. In most of these frameworks, dependence and its counterpart power have played a central role

because of their purported ability to explain exchange behaviours and outcomes [3].

Researchers define power as one channel participant's ability to control the decision variables in the marketing strategy of another at a different level in the distribution channel [16]. Therefore, if one channel member has adequate resources which are essential for the distribution channel, such as scarce raw materials, heavily demand products [22] and information [13],[56], [55] the channel member has ability to control others' behaviour within the distribution channel.

According to the marketing perspective, dependence defines as the degree to which the target firm needs to maintain its relationship with the source in order to achieve its desired goals [17], [19], [35]. As a result, distribution channels consist of set of interdependent channel members of the process of making a product available to the end user [36], while the channel members rely on others for the performance of channel functions [37] and to access for scarce resources. According to the previous research, dependence among channel members are positive and motivational investment to earn higher returns from the distribution channel performances, meanwhile dependence is a critical concept in channel research.

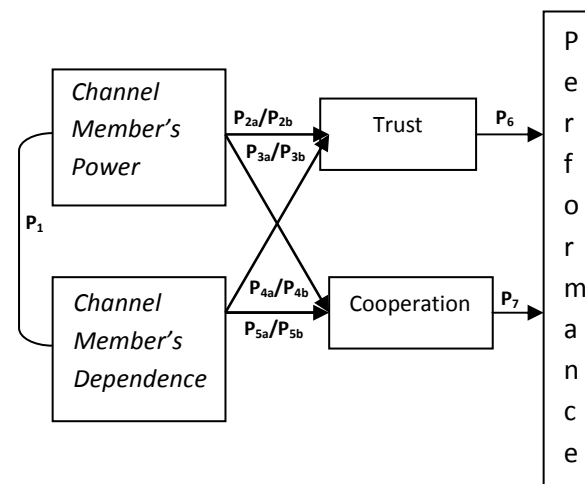


Figure 1: Theoretical Model

In according to the power-dependence relationship in western developed countries, if a target firm is heavily depend on a source firm in an exchange relationship, the source firm's power is high, because it has a possibility to control the target firm's desires [2]. Emerson has formulated the

relationship between source and target as a pair of equation: $P_{ab}=D_{ba}$ [17]. The left hand side of the equation indicates that source firm A has more power than target firm (Firm B), while the right hand side indicates that firm B's dependence on firm A to achieve the desired goals. Thus the equation reveals the inverse/negative relationship between channel member's power and dependence in distribution channel.

People in collectivistic South Asian cultures believe that from the beginning of their lives they are different from each other. This inequality may occur in a variety of areas, such as physical and mental characteristics, social status and prestige, wealth, power [30] and casts. As a result, this imbalance social relation explains that one person is relying on another person continually, to overcome their inequality. Therefore, South Asian national cultures encourage behaving harmoniously and interdependently with each other to find solution for their imbalances in the society. According to [30], power distance is a value that reflects the degree to which the less powerful members of a social system accept the unequal distribution of power among in a social system. Interestingly, previous research shows that South Asian cultures which have significant power distance typically.

Therefore, power inequality is a norm in South Asian countries and people derived their power from long term relationships in unbalance social context. Because of, powerless people in South Asia do not have proper mechanism within the society to balance their power with power holders. In addition, Asian countries suffer from greater political instability, the incidence of ethnicity, undeveloped infrastructure, the lack of rule of law and in some case the nature of the political system and its evaluation. Collectivistic cultures are also characterized by values that favour interdependence, security, obedience, duty, in-group harmony and personalized relationships [41], [59]. Therefore, the collectivistic societies in South Asia encourage powerless people to build relationship with power holders to empower their roles in the society. Since, power holders are resource owners, and they expect social recognition from the society. Consequently, power holders feel positively toward the dependents, due to power

holders gaining their social status through their target dependents. Because of, power holders utilize their dependents as indicators to show their power to the society. Generally, South Asians expect the social respect from the society and the level of their power is an important factor to derive the social respect.

Power holders are always trying to maintain and increase the social respects which receive from others, therefore, they are very sensitive to reduction in the number of dependents and such a reduction may indicate that he or she is losing power [30]. Thus, power holders implicitly depend on the target dependents to protect their power and to earn social respect from the society. Hence the values, believes and norms of South Asian countries may turn around the Emerson's inverse relationship between power and dependence within the distribution channel [17]. Thus, the hypothetical relationship between channel member's power and dependence in South Asian context can be summarized as $P_{ab} = D_{ab}$. Though channel member A has more power in distribution channel to control channel member B's desires, A depend on B within the distribution channel to gain social deference from the society members. Therefore, both sides of the equation explain channel member A's power and channel member A's dependence on channel member B.

P₁: Within South Asian culture, the relationship between channel member's power and dependence in a distribution channel is positive ($P_{ab} = D_{ab}$).

2.2. Power

A relational theory perspective has been applied to examine the channel member's power in a large number of empirical studies. Channel members' interaction has typically been conceptualized in terms of the interpersonal dyad [57], [7], [10].

Power has been defined by a number of researchers in essentially the same way; power is having the ability to affect the behaviour of another entity [16], [24]. Previous research examines the power relationships in channel literature based on theories with respect on different behavioural disciplines such as social psychology, sociology and political science. Power within the channel is based on the interdependence that exists between its members to

obtain the scarce resources made available by the others together with the performance of specialised marketing functions [55]. Therefore, power holders control other members' desired goals by using the different type of power sources. Previous research has used various determinants to classify the power and power sources. For example, French and Raven have categorized power sources into five which are reward, coercive, legitimate, referent and expert power [22]. Etgar categorized power sources as economic and non-economic, but later grouped them as reward and coercive [18]. Researchers divided the power sources into two, coercive and non-coercive [32]. Though, few of researchers [18], [32] have categorized the set of power sources into various groups, this study focused on two ways of power usage which are *Rewards or positive power* and *Punishments or negative power* to examine the relational behaviour among channel members.

2.3. Power, Trust and Cooperation

A main purpose of the recent channel research has been to demonstrate how a study of power relationships in marketing channels may provide useful insights into channel functioning and interorganizational interactions [55]. Hence, strong joint power is likely to promote trust, cooperation and relational behaviour, because of common interest, attention and support found in channel relationships [26]. The main argument about the economic consequences of trust in an interfirm setting stems from the ability of firms to coordinate their activities better if there is trust between them. Cooperation is required if a behavioural system is to act as a unit. Marketing channels cannot function without sustained cooperation in which each party knows what to expect from his opposite member [3]. Macneil worked on relational norms and suggests that cooperation increases the mutuality, harmony and role integrity of channel relations [39]. Williamson stated that the study of economic organizations emphasizes the importance of cooperation in safeguarding transactions against opportunism [63]. Trust and cooperation among channel members implicitly and explicitly affect to avoid the opportunistic behaviour from the dyadic relationships.

This study focused on the reward or positive power sources and punishment and negative power sources. The use of positive power sources such as rewards may contribute to increase the mutual trust

and cooperation among channel members. If power holders exchange their existing information with powerless person in distribution channel, powerless person may feel positively toward power holder's performance. In addition, power holders have possibility to organize welfare program to uplift the situations of their target dependents. On the other hand, financial support, technical know-how, business advice and training programs for dependents in distribution channel positively effect on the relationship between power holders and their dependents. Because of, dependents work on distribution channel with loyalty and satisfaction.

In contrast the use of negative power sources such as punishment may discourage the willingness of long-term cooperation and mutual trust. Though western theorists pointed out that negative power sources as motivational factor to uplift the trust and cooperation among channel members, negative power sources may damage to the relational ties among distribution channel member within South Asian society context. Because of, South Asian social context consist of strong relationship among channel members in distribution channel. Hence, powerless partner may feel negatively against negative power sources and they may behave opportunistically to react for negative power sources. In business to business relationships where outcomes depend on the behaviour and interest of partners, trust is especially crucial [34]. This crucial concept can be defined as the confidence held by one party in its expectations of the behaviour and goodwill of another party regarding business actions [50], [65].

Especially in the developing world, where there is a lower degree imperfect information and lack of any effective legal mechanism for handling disputes, thus trust and cooperation rely on a much greater extent on reputations, sanctions and moral norms, where the most common reason for trusting someone is the result of a long standing relationship and personal friendship [49], [23], [38]. The relational behaviour in South Asian cultures may response differently for positive and negative power sources within the distribution channel.

P_{2a}: The use of positive power by channel member has a positive effect on the trust among channel members.

P_{2b}: The use of negative power by channel member has a negative effect on the trust among channel members.

P_{3a}: The use of positive power by channel member has a positive effect on the cooperation among channel members.

P_{3b}: The use of negative power by channel member has a negative effect on the cooperation among channel members.

2.4. Dependence

Researchers of marketing channels are examining the dependence relationships between channel members in a channel of distribution [29]. Researchers stated that dependence is a function of the resources held by a party [47]. It is defined as a target firm needs the source firm to achieve its goals [19], [35]. One person can't generate all resources internally and handle all the functions from beginning to end to achieve desired goals, therefore channel members must enter into deal with other parties in the channel to fulfil this channel gap. Therefore, distribution channels consist of set of interdependent channel members of the process of making a product available to end user [36] and the channel members rely on others for the performance of channel functions [37] and to access for scarce resources. The measures of dependence have been varied in the distribution channel literature. The variety in measurement is probably responsible for some of the contradictory findings in previous channels research [36]. Researchers stated four measures of dependence, based on transaction cost perspective [16]. They have considered channel members' business contracts, size of contribution to make profit, commitment and impact of switching cost. Etgar has utilized three criteria to measure agent's dependence on insurers in the insurance field base on relational theories [18].

To study the construct of perceived gap between perceived trust and perceived dependence in business relationships with suppliers and customers, [58] has used seven dimensions. Frazier et al. have conducted research to study the dependence and reciprocal action constructs in distribution channel, here they interviewed Indian distributors based on the following elements; current level of sales & profit, anticipated sales & profit [20]. Though research utilize different

measures to measure the dependence among channel members, previous academic research indicates that high mutual dependence of channel members positively affect to enhance the performance of the distribution channel [48], [33], [9], [28], [36].

2.5. Dependence, Trust and Cooperation

Relationship marketing has indicated the importance of trust [14], [4], [12], [27], [1], [62] and cooperation [4], [43], [31] to preserve the long-term relationship among channel members. According to the study, trust and cooperation are crucial intervening variables to explain the channel relationship. Channel researchers state that trust is formed through recurrent transactions (relational exchanges) and it arises from social norms of transactions [45], and meaningful communication between channel partners [4]. IMP contributions have clarified the importance of trust in business relationship contexts [64]. Han et al. have described trust as “the undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully” [27]. Therefore, trust is believed to be a source of confidence because, by definition, trust is the degree to which the one channel member holds a positive attitude toward another channel member’s goodwill and reliability in a risky exchange situation [46]. Thus, channel members’ dependence is used to reduce the complexity of the events and gain positive expectations. When each firm possess a high level of dependence in a dyadic channel relationship, interdependence is high in magnitude [19]. Low dependence among channel members increases the behavioural uncertainty and risk among channel members’ decisions. Hence, researchers reveal the importance of trust within dyadic relationship to reduce the decision making uncertainty [43]. On the other hand, researchers state the role of cooperative arrangements on distribution channel activities [44]. Since, channel members’ cooperation as the willingness of a channel member to pursue mutually compatible interests in the alliance rather than act opportunistically. Researcher further pointed out the importance of cooperation to share the capabilities and joint efforts between channel members [11]. Because of, parties’ degree of dependence on each other in dyadic channel relationship affects the channels’ rate of returns (performance). In addition, the effort

required to maintain the channel relationship often comes in the form of cooperation [52]. Thus, higher levels of dependence may also lead to greater cooperate intentions. When each firm posses a low level of dependence in a dyadic channel relationship, dependence will low in magnitude. In such cases, trust and cooperation among channel members may be very low.

P_{4a}: The higher the dependence among channel members, the higher the trust among channel members.

P_{4b}: The lower the dependence among channel members, the lower the trust among channel members.

P_{5a}: The higher the dependence among channel members, the higher the cooperation among channel members.

P_{5b}: The lower the dependence among channel members, the lower the cooperation among channel members.

2.6. Trust, Cooperation and Performance

The growing importance of relationship marketing has led to interest in the role of trust and cooperation in fostering channel performance. Channel theory suggests that channel performance improves through close relational partnerships, where the firms are strongly committed to each other and effectively coordinate their business involvement activities [6]. To make the relational partnership work and endure and to avoid channel conflict, channel members develop understandings, both trust and cooperation, regarding obligations and duties within distribution channel.

A lack of trust and cooperation may make channel relationships, unstable and leading exchange partners to behave in dysfunctional ways. In distribution channel context, dysfunctional performances among channel members occur over numerous issues related to transportation and investments. Thus the conflict among channel members may lead to reduce the expected performance from the distribution channel. Research in channel relationship has indicated that trust and cooperation are an important mechanism of conflict resolution [54]. Researchers view trust as the belief that the partner will perform actions that will result in positive outcomes for the firm

and that the pattern will not take unexpected actions that may result in negative outcomes [4]. Hence, the degree of trust among channel members contribute to construct long term relationship and to earn positive outcome through the relationships. Because trust involves a positive attitude about other's motivations, conceptually it is not about influencing and affecting other's behaviour, but is about believes that others will perform whatever serves the trustor's best interests, even in the absence of control. Therefore, the trust among channel members leads to derive expected outcomes through the long term relationship.

P₆: The higher the trust among channel members, the higher the performance of the distribution channel.

Previous research considered cooperation as an essential component of channel relations [8], [52]. Cooperation is important in order to enable channel members to reach their full potential as systems involved in producing satisfactory outputs for ultimate business and industrial consumers [56]. Cooperation is defined as similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time [4]. Consequently, the study predicts positive path from trust and cooperation to performance, since working together and mutual understanding with a partner firm in pursuit of mutual benefits increase each firm's perceptions of compatibility with its partner firm.

P₇: The higher the cooperation among channel members, the higher the performance of the distribution channel.

3. Conclusion

The objective of this study was to explore and outline the conceptual foundations of the relationship between channel member's power and dependence within collectivistic social system and impact of this relationship on distribution channel performances. Conceptual model and propositions were developed based on the underlying concept of relational and cultural perspectives. Our analysis suggests that power and dependence relationship among channel member is positive/reverse in collectivistic South Asian cultures and impact of this positive relationship is positive on trust,

cooperation and performance of the distribution channels. The framework presented here in clearly suggests that an expansion of research effort is required to aid future progress and understanding in the distribution channel area. Hence, the conceptual foundation offered herein should serve to guide empirical research in the distribution channel area. The propositions were made throughout the article, in regard to relational constructs that require empirical testing in a variety of distribution channel contexts such as collectivistic South Asia and individualistic Western countries. The majority of constructs or phenomena investigated in the social sciences are not subject to direct measurement of observation.

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