

The Partnership-Performance Connection

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Presentation Outline

- ◆ The Problem
- ◆ Variables, Model & Hypotheses
- ◆ Setting and Data Collection
- ◆ Results
- ◆ Key Findings & Managerial Implications
- ◆ Limitations & Future Direction

The Problem

- ◆ Many variables are critical to the development and continuance of marketing relationships between buyers and sellers.
- ◆ This study identifies how relationships influence firm performance.
- ◆ Why is this important?
- ◆ What do we already know?

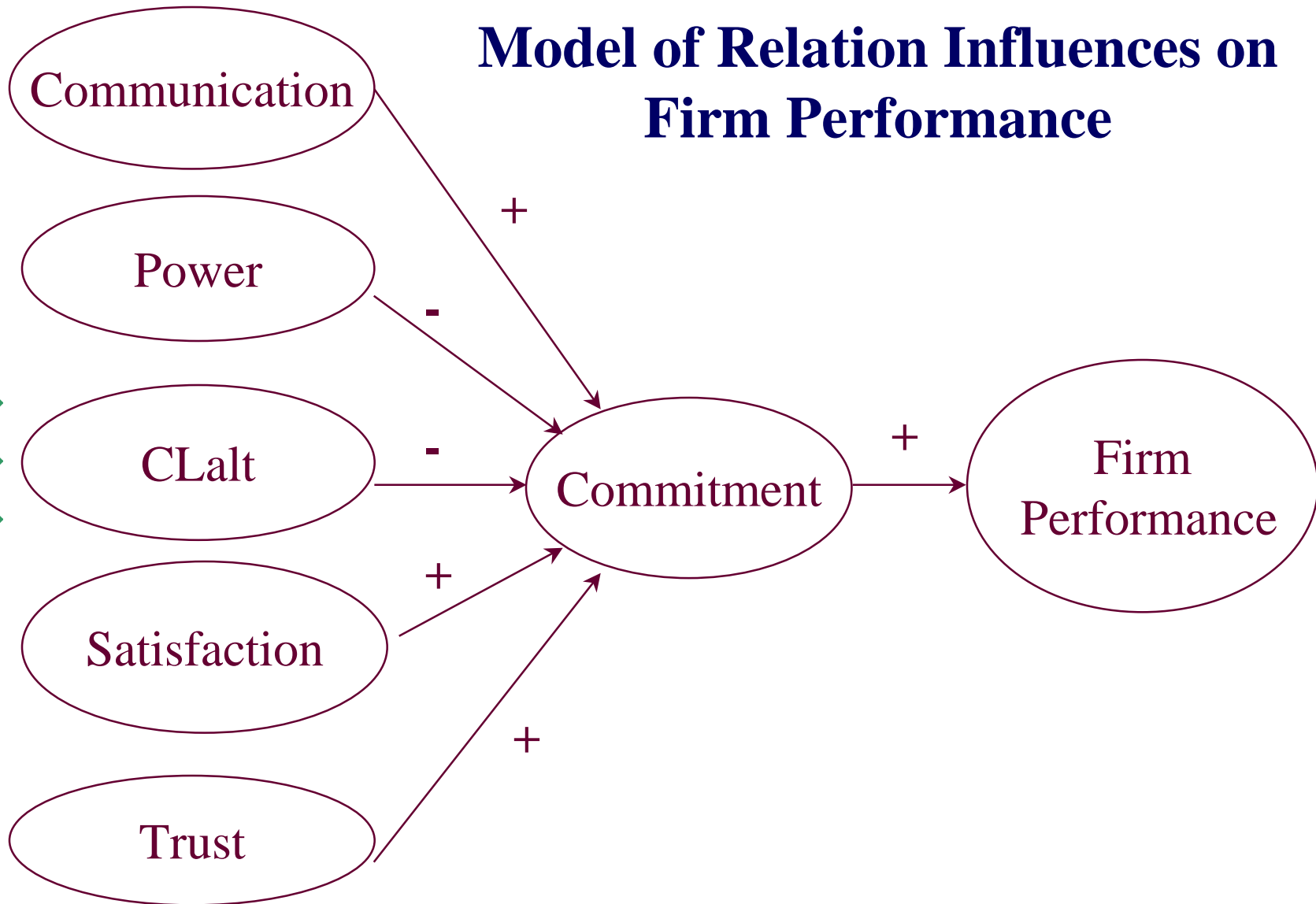
Relationship Variables

- ◆Communication.
- ◆Power
- ◆Comparison Level of Alternatives
- ◆Satisfaction.
- ◆Trust
- ◆Relationship Commitment

Firm Performance

- ◆ Average margins
- ◆ Percent of total dollar sales/purchases
- ◆ Percent of company's profits
- ◆ Number of products sold/purchased
- ◆ Quality of products sold/purchased
- ◆ Number of inventory turns
- ◆ Service received/delivered
- ◆ Length of the sale cycle (from order to reorder).
- ◆ Number of product claims made/made against
- ◆ Costs to maintain the business relationship
- ◆ Growth in purchases/sales over the past 5 years.
- ◆ Effort to maintain the relationship.

Model of Relation Influences on Firm Performance



Research Hypotheses

- ◆ **H1:** The degree of *commitment* between buyers and sellers is directly related to the relationship *performance*.
- ◆ **H2:** *Communication* is positively correlated to the degree of *commitment* between buyers and sellers.
- ◆ **H3:** *Power* is negatively correlated to the degree of *commitment* between buyers and sellers.

Research Hypotheses

- ◆ **H4:** *Comparison level of alternatives* is negatively correlated to the degree of *commitment* between buyers and sellers.
- ◆ **H5:** *Satisfaction* is positively correlated to the degree of *commitment* between buyers and sellers.
- ◆ **H6:** *Trust* is positively correlated to the degree of *commitment* between buyers and sellers.

Setting & Data Collection

- ◆ Sample consisted of the 1,000 wood products distributor companies (buyers) and 1,000 wood products manufacturers (suppliers) the United States.
- ◆ The study was conducted using mailed surveys.
- ◆ The final questionnaire consisted of four versions.
- ◆ Buyers and suppliers were each split into two equal groups.
 - best relationship
 - average or typical relationship

Setting & Data Collection

- ◆ Key informants and titles were identified for survey recipients.
- ◆ Adjusted response rate (after accounting for undeliverable or unusable surveys) of 24 percent or 434 usable surveys from 1,815 firms.

Results

Structural Model Path Estimates Total Population

Path		Path Estimate
Communication \Rightarrow Commitment	γ_{11} (H ₁)	0.70**
Power \Rightarrow Commitment	γ_{12} (H ₂)	0.45**
CI of Alternatives \Rightarrow Commitment	γ_{13} (H ₃)	-0.22*
Satisfaction \Rightarrow Commitment	γ_{14} (H ₄)	0.73**
Trust \Rightarrow Commitment	γ_{15} (H ₅)	0.77**
Commitment \Rightarrow Relationship Performance	β_{21} (H ₆)	0.49**

Note: * $p < .05$; ** $p < .01$; *ns* = *non-significant*

Results

Structural Model Path Estimates Best Relationship

Path		Path Estimate
Communication \Rightarrow Commitment	γ_{11} (H ₁)	0.62**
Power \Rightarrow Commitment	γ_{12} (H ₂)	0.63**
CI of Alternatives \Rightarrow Commitment	γ_{13} (H ₃)	-0.36**
Satisfaction \Rightarrow Commitment	γ_{14} (H ₄)	0.65 ns
Trust \Rightarrow Commitment	γ_{15} (H ₅)	0.70*
Commitment \Rightarrow Relationship Performance	β_{21} (H ₆)	0.37**

Note: * $p < .05$; ** $p < .01$; ns = *non-significant*

Results

Structural Model Path Estimates Typical Relationship

Path		Path Estimate
Communication \Rightarrow Commitment	γ_{11} (H ₁)	0.67 ns
Power \Rightarrow Commitment	γ_{12} (H ₂)	0.30*
CI of Alternatives \Rightarrow Commitment	γ_{13} (H ₃)	-0.09 ns
Satisfaction \Rightarrow Commitment	γ_{14} (H ₄)	0.69 ns
Trust \Rightarrow Commitment	γ_{15} (H ₅)	0.76**
Commitment \Rightarrow Relationship Performance	β_{21} (H ₆)	0.74**

Note: * $p < .05$; ** $p < .01$; $ns = non-significant$

FIRM PERFORMANCE	Distributors Best Supplier	Suppliers Best Distributor Customer
Average margins for all products purchased/sold		X
Percent of my company's total dollar sales	X	
Percent of my company's profits	X	X
Number of products purchased/sold	X	
Quality of products purchased/sold	X	X
Number of inventory turns	X	
Service received	X	
Number of product claims the customer makes against my company	X	X
Costs to maintain the relationship (lower with "best")		X
Growth in purchases over past five years	X	
Effort to maintain the relationship (lower with "best")	X	X

Additional Support for Firm Performance in Best Relationships -Supplier Perspective-

- ◆ Timely, accurate and complete information.
- ◆ Keeping informed on key issues.
- ◆ Sharing proprietary information.
- ◆ Joint goal setting and planning.
- ◆ Provision of vital resources.
- ◆ Success (or failure) is attributed to the customer.
- ◆ Would suffer greatly if lost this customer.
- ◆ Better gross profits.
- ◆ Greater quality control.

Additional Support for Firm Performance in Best Relationships -Buyer's Perspective-

- ◆ Timely, accurate and credible information.
- ◆ Keeping informed on key issues.
- ◆ Sharing proprietary information.
- ◆ Joint goal setting and planning.
- ◆ Success (or failure) is attributed to the supplier.
- ◆ There are not many alternatives to this supplier.
- ◆ Requires less supervision.
- ◆ Better product return policy.
- ◆ Greater quality control.

Key Findings & Managerial Implications

Commitment \Rightarrow Firm Performance is supported
for all relationship types

Support for relationship connections
(hypotheses) in “Best” relationships.

Firm Performance \Rightarrow Ability to Compete

Limitations & Future Direction

- ◆ This study was conducted within *one industry*.
- ◆ *Replication* of this study in other industries to confirm firm performance construct. (Fall 1997)
- ◆ Further research on the relationship between *commitment and performance*.



Questions?