

Determinants and Consequences of Cooperation in International Strategic Distribution Channel Alliances

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ABSTRACT

Relationship marketing literature suggests that concepts such as trust, integration, and relationship openness tend to increase cooperation and commitment among channels of distribution partners. However, can relationship marketing theory be extended to international strategic alliances in the manufacturer–distribution channel context? More specifically, can cooperation and commitment among international distribution channel partners be fostered using similar management practices on a cross-national basis? Given the scant research on strategic alliances in international distribution channels, this investigation seeks to validate empirically the effects of strategic integration, trust, and relationship openness among international channel partners as determinants of cooperation and commitment, which in turn affect overall channel performance. Research propositions postulating the linkages among the focal constructs within a conceptual model of cooperation and commitment in international distribution alliances are developed to provide insights and guidelines for manufacturers in selecting and working with international distributors as strategic

alliance partners.

Keywords: International Strategic Alliances, Cooperation, Strategic Integration, Trust, Relationship Commitment, Relationship Closeness, Performance, Relationship Satisfaction

INTRODUCTION

International strategic alliances and other inter-firm collaborative arrangements have become commonplace in today's global economy. As firms increasingly specialize, they are moving away from large, control-based structures and adopting more long-term, flexible, relationship-oriented partnering arrangements. Researchers aver that the success of strategic alliances is largely predicated on the degree of cooperation fostered among coalition partners. Moreover, it is widely inferred that a plethora of factors, such as (a) strategic integration, (b) trust, (c) relationship openness, and (d) relationship commitment, among others, are useful alliance relationship management behaviors for developing inter-organizational cooperation, which is central to the functioning of a strategic alliance. However, these assertions remain largely speculative because determining whether these relationship practices produce heightened levels of cooperation between alliance partners is still unknown due to the lack of research findings. With the proliferation of global trade, cross-national collaborative inter-firm agreements between manufacturers and their international distribution channel partners are increasingly being forged. Consequently, success seems progressively more dependent on the level of cooperation between the alliance partners, leading to the question of whether the same set of alliance management practices critical for enhancing cooperation at the manufacturer–supplier interface can be extended cross-nationally to the manufacturer–international distribution channel interface? The answer to this question is essentially unknown, as no previously published study has examined the issues of managing strategic international distribution channel alliances from the perspectives of manufacturers located in multiple countries. Therefore, the purpose of this paper is to develop a conceptual framework and set of propositions that examine the impact of strategic integration, trust, relationship openness, and relationship commitment as determinants of cooperation as well as the association between relationship satisfaction and firm performance as outcomes of cooperation.

INTERNATIONAL STRATEGIC ALLIANCES

International strategic alliances (ISA) and other inter-firm collaborative strategies are

critical to global trade. ISAs are grounded in the notion that it is difficult for a firm to excel in performing all business functions and “go it alone.” Due to the cross-national nature of this study, we define an international strategic alliance as “relatively enduring inter-firm cooperative arrangements, involving cross-border flows and linkages that utilize resources and/or governance structure from autonomous organizations headquartered in two or more countries, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm”(Parkhe, 1988). Based on an extensive review of the existing literature on ISAs, researchers generally accept the notion that cooperation forms the “heart” of a strategic alliance. In short, the partners of an ISA cooperate to achieve goals that each firm alone could not easily attain.

COOPERATION

In this study, cooperation is defined as “similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes with expected reciprocation over time”(Anderson and Narus, 1990). Distribution channels are composed of interdependent institutions that must cooperate to perform distribution tasks while simultaneously pursuing independent and collective goals. Cooperation among channel partners is necessary for organizations in the channel to maintain long-term working relationships. Thus, distribution channels embody many of the characteristics of strategic alliances, the success of which are heavily predicated on the level of cooperation fostered among partners.

CONCEPTUAL FRAMEWORK

The underlying conceptual framework for the current study was developed by integrating the literature on strategic alliances, distribution channels, and international business. This framework indicates that strategic integration, trust, relationship closeness, and relationship commitment are determinants of cooperation, which in turn is an antecedent of firm performance and relationship satisfaction. In addition, performance is considered a predictor of relationship satisfaction.

STRATEGIC INTEGRATION

Strategic integration has been found to be higher when each firm in the channel has a stake in the success of the others (Claro, Hagelaar and Omta, 2003). More integrated relationships lead to greater cooperative communication and relationship commitment (Cullen, Johnson and Sakano, 2000). By developing strategic integration with its associate companies, the vital assets—commitment and cooperation—of an

alliance should increase.

RELATIONSHIP COMMITMENT AND PERFORMANCE

Along with cooperation, relationship commitment has been theorized and tested as a central antecedent to successful long-term relationships in various forms of strategic alliances (Morgan and Hunt, 1994). Distribution channels embody many of the characteristics of strategic alliances, the success of which are heavily predicated on the level of cooperation and commitment fostered among partners. Distribution channel efficiency is generally measured by two indices: productivity and profitability. Because international channel partners can significantly influence success or failure in the long run, manufacturers should be vitally concerned about the performance of the firms that constitute their distribution channels. Partner firms that tend to coalesce toward the attainment of common goals will likely build stronger working relationships, and the collaborative pursuit of goals should increase relationship satisfaction with the partnership.

DISCUSSION AND APPLICATION

Several research propositions were developed in this study to posit the linkages among strategic integration, trust, relationship openness, relationship commitment, cooperation, firm performance, and relationship satisfaction between manufacturers and their international strategic distribution channel alliance partners. Three antecedents of relationship commitment were proposed: strategic integration, relationship openness, and trust. These three constructs—in addition to relationship commitment—were posited to be related to cooperation. No known previously published work has explored these issues vis-à-vis international strategic alliances between manufacturers and their distributors. Based on this research, several managerial implication inferences can be proffered. First, when selecting international distributors as strategic alliance partners, manufacturers should select those who have a “one-for-all and all-for-one” perspective. Such firms realize the importance of having cooperative alliances whereby all parties achieve success. Second, international partners should seek to develop open relationships with their distributor strategic alliance partners. Accomplishing this might require manufacturers to demonstrate to distributor partners the importance of exchanging information and being open with one another. Manufacturers should also strive to develop trusting relationships with their distributors. Demonstrating honesty, dependability, and respect with channel partners should help augment trust between manufacturer and distributor partners. Third, manufacturers who seek to establish strategic alliance

partnerships with distributors should make steadfast efforts to foster and enhance cooperation with their distributor partners by developing business practices that allow both the manufacturer and distributor partner to work together for mutually shared benefits.

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