

The Role of Dealers' Non-Mediated Power in Fostering SME Manufacturers' Cooperation: SME Manufacturers' Perspective

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Abstract

Purpose - Distribution channels cannot function without cooperation. While evidence suggests channel power plays a fundamental role in fostering successful manufacturer-dealer channel cooperation in Western countries distribution systems, little is known empirically as to how dealers' possession of non-mediated powers influence SME manufacturers' cooperation in Asian developing countries.

Research design, data, methodology - Drawing upon the extant distribution channels literatures; this study conceptualizes a model and examines the effects of dealer's non-mediated powers on manufacturing SME firms, as well as the mediating influence of trust, relationship satisfaction and commitment. A survey of 400 manufacturing SMEs in Taiwan empirically supports the proposed hypothesis.

Results - The model is acceptable in terms of overall goodness of fit. Acceptable model fit are indicated by $\chi^2/(df)$: 2.35, $GFI \geq .90$; RMSEA values $\leq .08$; IFI, TLI and CFI values $\geq .90$. Our results indicate that, GFI (0.910), IFI (0.937), TLI (0.903), CFI (0.936), and RMSEA (0.079) and therefore, achieved the suggested thresholds.

Conclusions - The results of this study have some managerial implications for managers in the dealer's firms. The overall implication from the findings is that managers can utilize expert, referent and traditional legitimate powers to attain channel cooperation with manufacturing SMEs in addition to garnering their trust, relationship satisfaction and commitment.

Keywords : Non-mediated Power, Trust, Relationship Satisfaction, Relationship Commitment, Cooperation.

JEL Classifications : C10, C80, L20, M31.

1. Introduction

A surfeit of studies in channel power literature indicate the significant and expansive effects of channel power upon Business-to-Business (B2B) channel relationships, and it is evident from such findings that power plays a consequential role in intra-channel cooperation (Wilkinson, 1996; Maloni and Benton, 2000;

Hingley, 2005). According to the extant literature, non-mediated power increases channel member trust, satisfaction, commitment, and cooperation while mediated power has contrasting effects (see among others, Anderson and Weitz, 1992; Kumar et al., 1995; Benton and Maloni, 2005). Through relational exchange governed by shared trust, genuine commitment, and mutual desire to satisfy relationship expectations, the use of long term relationship marketing, rather than short term oriented relationship centering on self interest, are more likely to increase intra-channel cooperation (Skinner et al., 1992; Brown et al., 1995; Abdul-Muhmin, 2005). In view of its significance, efforts devoted to the investigation of the use of non-mediated power and its subsequent effects between channel members have grown considerably.

Regardless of the fact, a review of related literature highlights that prior research so far largely address the role of non-mediated power in business relations between large firms or takes manufacturers/suppliers as influencers (Benton and Maloni, 2005). Scant attention distinguishes individual types of non-mediated power (e.g., Johnson et al., 1993; Ke et al., 2009) or only tackles single type of non-mediated power empirically (e.g., Sahadev, 2005; Ketilson, 1991). Furthermore, previous studies largely build upon concepts and findings in developed countries (Geyskens and Steenkamp, 2000; Zhao et al., 2008; Sahadev, 2005). In order to shed more light and provide better insight into the current subject, this research attempts to investigate the effect of dealers' non-mediated power on small-medium enterprise (SMEs) manufacturer's/suppliers' channel cooperation and the mediating influence of its trust, relationship satisfaction and commitment in the context of a developing country- Taiwan.

While SMEs have already become the engine of economic growth in both developed and less developed countries (Coulter and Coulter, 2002; Houghton and Winklhofer, 2004; Russel-Bennet, 2007; Yun and Jeong, 2012), their inherent scale limits their capability to exercise power to negotiate and bargain with large firms. Within the domains of channels of distribution and relationship marketing context, SME manufactures/suppliers mainly rely on their dealers and thus are not likely to act as influencers to demonstrate their channel non-mediated power in order to dominate channel activities in a long standing viewpoint. Therefore, there is an emerging call to look at the effects of dealers' non-mediated power in a dealer-manufacturer dyad. Besides, a view addressing the influences of various individual types of non-mediated power in a single study provides an integrated comprehension in their simultaneous effects on SME manufacturers' trust, relationship satisfaction, commitment and channel cooperation.

The rest of the remaining sections of this study will provide theoretical background, followed by the conceptual model and research

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hypotheses. Methodology and data analysis will then be discussed. Conclusions and discussion section including managerial implications and future research suggestions will be placed in the final section.

2. Literature review

2.1. Non-Mediated Power in Dealer-SME Manufacturer/Supplier Dyad

Channels of distribution literature have attempted to simplify channel power research through dichotomization of the different bases into categories, such as mediated/non-mediated (Kasulis and Spekman, 1980), coercive/non-coercive (Hunt and Nevin, 1974), and economic/non-economic (Etgar, 1978). The mediated/non-mediated power grouping offers a more sought-after method for examining power than other classification approaches (Kasulis and Spekman, 1980) as this classification has gained consistent empirical support (see among others, Maloni and Benton, 2000; Johnson et al., 1993; Zhao et al., 2008; Ke et al., 2009; Banton and Maloni, 2005).

Mediated power, consisting of coercive, reward, and legal legitimate power, represents the power sources whose reinforcements guiding a firm's behaviors are external to the firm and the reinforcements are controlled by the dominant firm (Brown et al. 1995), while non-mediated power, comprised of expert, referent, and traditional legitimate power (Kasulis and Spekman, 1980; Johnson et al., 1993), refers to the power sources whose enforcements guiding the target firm's decision making and behaviors are not mediated by the dominant firm (Brown et al., 1995; Ke et al., 2009). Because of its coercive and threatening nature, the use of mediated power has been reported to decrease the target firm's social satisfaction and commitment, and damage the dyadic relationship in the long run (Boyle et al., 1992; Ke et al., 2009) even though reward power may allow the target firm to obtain some economic gain in the short run (Johnson et al., 1993). With respect to non-mediated power, the target firm mediates the reinforcements of non-mediated power sources for itself, and the success or failure of the target firm's behaviors is attributed to itself (Benton and Maloni, 2005). The use of these power sources are not specifically exercised or threaten to manipulate the target firm. Instead, there are more relational and positive in orientation, occur as a natural part of manufacturer/supplier-dealer business transactions, and do not necessitate intention from the source (Brown et al., 1995). Sometimes, the source may not even be aware of the existence of his/her non-mediated power (Maloni and Benton, 2000). As a consequence of its nature, the use of non-mediated power is expected to lead to reduced channel conflict (Benton and Maloni, 2005), and increase trust (Kumar et al., 1995; Ke et al., 2009), relationship satisfaction (Geyskens and Steenkamp, 2000), relationship commitment (Maloni and Benton, 2000; Zhao et al., 2008), and channel cooperation (Weitz and Jap, 1995; Wilkinson, 1996).

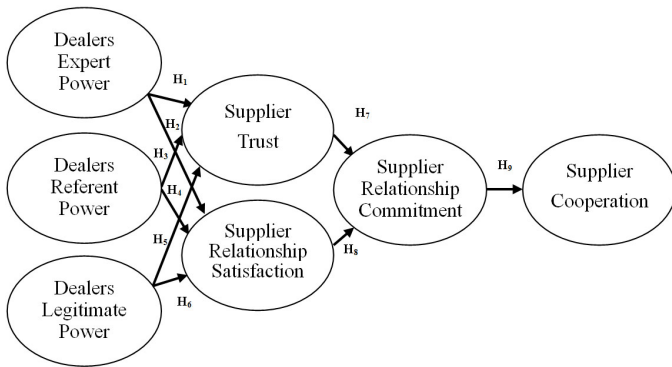
Because of its usefulness in performance enhancement in the entire channel system, the study of non-mediated power sources in marketing channels is prevalent. Nevertheless, the tendencies to plod together power in the aforementioned categories, as in most previous studies,

according to Lusch, (1976) leads to a loss of useful information, a position also buttressed by Leonidou, (2005) who contend that such aggregation is problematic, since when power sources are combined the result is non-additive. For instance, if expert power reduces identification and referent power reduces perception of difference, then the two power sources used together might cancel each other out. In full view of these arguments, the need to investigate the individual effects of non-mediated powers, (expert, referent and legitimate powers), in intra-channel cooperation is therefore acutely felt (Ketilson, 1991; Sahadev, 2005). In particular, to what extent do the aforesaid individual non-mediated powers influence channel cooperation? Do mediating variables such as trust, satisfaction and commitment have significant influence in this relationship? Until these questions can be effectively addressed, this identified research gap remains wanting.

Further to that, prior studies have tackled power phenomenon mainly from the perspective of manufacturer/supplier power sources (see, for example, Lee, 2001; Maloni and Benton 2000; Skinner et al. 1992). These studies largely assume the scenario unrealistically where manufacturers/suppliers always wield the power while the dealer is the influencee (c.f. Zhao et al., 2008). Their findings may be inapplicable when manufacturers/suppliers are SMEs in which case their dealers may be capable to wield the power and act as influencers. On one hand, SME manufacturers/suppliers seek association with their dealers because they have specialized market knowledge or expertise (expert power) and are reputable (referent power) or they believe that the dealers have the natural right to influence them (traditional legitimate power) (Benton and Maloni, 2005; Zhao et al., 2008). On the other hand, dealers may look for cooperation with SME manufacturers/suppliers they can influence than large sized manufacturers/suppliers who may want to exert their manipulation power. A situation like this is likely to breed "uneven interdependence" between dealers and the SME manufacturers/suppliers with much channel power tilting towards the dealer. Such only one of its kind scenario warrant empirical investigation and is likely to produce exclusive interesting results.

2.2. Research Framework and Hypotheses

Based on the literature gaps and theoretical contributions extracted mainly from the marketing channels and B2B literature, this study develops a conceptual framework in Figure 1. The conceptual framework consists of seven basic constructs, namely expert power, referent power, traditional legitimate power, trust, relationship satisfaction, relationship commitment and cooperation. The proposed conceptual linkages of these constructs are as follows: non-mediated power (expert, referent and legitimate power) provides the starting point of the model and directly affects trust and relationship satisfaction. In turn, trust and relationship satisfaction affect relationship commitment which eventually is expected to affect channel cooperation.



<Figure 1> Conceptual Model

2.2.1. Expert Power and Trust

Expert power is defined in the current study as the perception that one party in the power relationship has valuable knowledge, information, or skills in a relevant area (Sahadev, 2005; Busch, 1980) while trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992). When a firm has expert knowledge others perceive it to have unique competences required to accomplish specific tasks (Sahadev, 2005). Competence refers to the skills that enable or empower a firm with the ability to perform specialized tasks relevant to other partners in some specific domain (Levin and Cross, 2004; Ganesan, 1994; Das and Teng, 2001). The higher the competences of a firm the more it is likely to be trusted by other channel partners (Ke and Wei, 2008). A positive perception of a firm's special abilities to perform also boost other channel partners' confidence (Wang et al., 2008) and eventually earn that firm credibility in their eyes (Seppanen et al., 2007; Doney and Cannon, 1997). Credibility reflects other firms' belief that the incumbent firm has sufficient expertise to perform the job effectively and reliably (Cater and Zabkar, 2009). A credible and reliable firm is a trustworthy partner (Morgan and Hunt, 1994; Doney and Cannon, 1997; Keh and Xie, 2009), and therefore a positive linkage between expert power and trust can safely be inferred. Prior empirical evidence has actually found a positive relationship between expert power and trust (Busch and Wilson, 1976; Crosby et al., 1990; Sahadev, 2005). Based on the above deliberations, it can therefore be hypothesized that:

H1: Higher levels of expert power the dealer possesses are associated with higher levels of trust the SME manufacturer has in the dealer.

2.2.2. Expert Power and Relationship Satisfaction

Relationship satisfaction in this study has been defined as a positive affective state resulting from an appraisal of all aspects of a firm's working relationship with another firm (Abdul-Muhmin, 2005). A firm's special knowledge is considered essential to its ability to perform (Levin and Cross, 2004) and produce economic benefits (Brown et al., 1991) which are often important criteria for determining its partners' economic satisfaction (Geyskens and Steenkamp, 2000). Economic satisfaction is defined as a channel member's evalu-

ation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts (Lai et al., 2008). According to Geyskens et al., (1999), "an economically satisfied channel member considers the relationship to be a success with respect to goal attainment". It is satisfied with the general effectiveness and productivity of the relationship with its partner, as well as with the resulting financial outcomes (Skinner and Guiltinan, 1985; Jap and Ganesan, 2000). Intuitively, a firm perceived to have higher expertise would also instill a higher level of performance expectations (Rodriguez et al., 2006; Mohr and Spekman, 1994) which eventually when favorably appraised against the actual rewards (Mohr and Nevin, 1990; Geyskens and Steenkamp, 2000; Rodriguez et al., 2006) leads to relationship satisfaction with its partners (Kennedy, 2001). Prior empirical findings have confirmed a positive linkage between expert power and relationship satisfaction (e.g. Hunt et al., 1985; Geyskens et al., 1999; Banton and Maloni, 2005). Therefore based on the preceding discussion it can be hypothesized that:

H2: Higher levels of expert power the dealer possesses are associated with higher levels of relationship satisfaction the SME manufacturer has with the dealer.

2.2.3. Referent Power and Trust

The current study defines referent power as one party's identification with the other (Leonidou, 2008). Firms may seek to identify with another because of its reputation (Zhao et al., 2008) or distinguished image (Bhattacharya and Sen, 2003; Keh and Xie, 2009). High reputation and good image can strengthen other channel members' confidence (Morgan & Hunt, 1994) and reduce risk perceptions (Benjamin and Podolny, 1999; Rindova et al., 2005) when they make judgment on the dominant firm's performance (Rindova et al., 2005). Confidence in a dominant firm's reputation is one of the important cognitive processes through which other channel members develop relational trust (Doney and Cannon (1997; Morgan and Hunt, 1994). Furthermore, channel members are more likely to perceive a firm with good reputations by several interrelated features such as credibility, reliability, responsibility, and trustworthiness, as well as perceived prominence (Rindova et al., 2005; Fombrun, 1996), which can enhance channel members' expectation of the dominant firm's capability in providing excellent performance and integrity in fulfilling formal contracts or announced promises (Rindova et al., 2005). In particular, during the initial stages of the relationship when there has been no previous transaction between partnering channel firms, a dominant firm's good reputation signals to the other channel member its competence and/or goodwill (Campbell, 1999). As a result, channel member base its trust on the dominant firm's reputation to evaluate the cost and benefit of transacting with it (Barone et al., 2004). In addition, a firm's reputation is often viewed as a "fragile resource," which requires considerable time and investment to develop but is easily destroyed (Hall, 1993). Thus, reputable firms are expected to behave well and are less likely to engage in negative behaviors, and therefore strengthen other channel members' confidence in its integrity and reliability. Previous studies have established a linkage between referent power and trust (e.g. Heskett, 1972; Barbuto, 2000; Busch

and Wilson, 1976; Ganesan, 1994; Benton and Maloni, 2005). Accordingly, we propose that:

H3: Higher levels of referent power with a major dealer are associated with higher levels of trust by a small enterprise manufacturer.

2.2.4. Referent Power and Relationship Satisfaction

The marketing literature indicates that channel members may want to bracket together with a dominant firm for a variety of reasons such as the dominant firm's desire to promote its partners by permitting them to use its popular brand name (Rawwas et al., 1997), its respect for other channel members (Geyskens et al., 1999) and its willingness to exchange vital information (Geyskens and Steenkamp, 2000). These positive aspects will subsequently lead to favorable reputation (Keh and Xie, 2009), superior relationship performance and consequently performance satisfaction (Powers and Reagan, 2007). Performance satisfaction is the degree to which the business aspect of the relationship delivers fundamental value (Gruen et al., 2000) and where each partner involved in the exchange relationship should be satisfied with the performance of the other (Han et al., 1993). The extant literatures also indicate that performance satisfaction also lead to higher levels of socio-psychological satisfaction with the working relationship (Lai, 2007; Rodriguez et al., 2006). Socio-psychological satisfaction is defined as a channel member's positive affective response to the non-economic, psychosocial aspects of a relationship, in which interactions with the exchange partner are fulfilling, gratifying, and easygoing (Lai et al., 2008; Mohr et al., 1996; Dwyer and Gassenheimer 1992). A channel member satisfied with non-economic aspects of the relationship appreciates contacts with the partner and, on a personal level, likes identifying and working with the dominant firm because it believes the partner is interested, respectful, and willing to exchange ideas (Gassenheimer and Ramsey, 1994; Scheer and Stern, 1992; Geyskens et al., 1999). There is unequivocal evidence in support of a positive association between referent power and relationship satisfaction (see among others, Jonsson and Zineldin, 2003; Ramaseshan et al., 2006; Yavas, 1998; Yu and Pysarchik, 2002) and hence the following hypothesis is proposed:

H4: Higher levels of referent power with a major dealer are associated with higher levels of relationship satisfaction by a small enterprise manufacturer.

2.2.5. Legitimate Power and Trust

Legitimate power is defined in the current study as the perception that one firm has the right to influence and that other channel members in the relationship have an obligation to yield to this influence (Benton and Maloni, 2005). The primary sources of this legitimate power are the societal norms, values and institutional acceptance of the other channel participants in a power relationship (Frazier and Summer, 1986). If the dominant firm base its relationship on common shared norms and values, as it were, it signals to the other channels members that it cares about the mutual benefits of the chan-

nel relationship, rather than being eager to pursue its own benefits at their expense (Brown et al., 1995; Ke et al., 2009). Therefore, the exercise of power based upon social norms and values will have a positive effect on the focal firms' feelings about the dominant firm and consequently elevates their affective trust (Hart and Saunders, 1997; Brown et al., 1995). In addition, it positively impact on the focal firms' attitudes toward their relationship with the dominant firm (Frazier, 1999), and heighten the degree of relationalism (Boyle et al. 1992) thereby increasing the dominant firm's credibility and integrity over time in their eyes (Morgan and Hunt, 1994). The extant literatures also indicate that focal firms can develop confidence, positive expectations and attributions and eventually trust in a dominant firm that they share the same norms and values with (Mahta et al., 2006; Geyskens et al., 1996). Besides, in Chinese high power distance culture, the less powerful channel member is more likely to adopt the suggestion or orders of the powerful firm based on the understanding that it is a natural way to trust their dominant leader in society (Lee and Turban, 2001; Ke et al., 2009). Prior empirical evidence has found a positive linkage between traditional legitimate power and trust (Yukl et al., 1996, and Hunt et al., 1987). Based on the aforementioned discussions, the following hypothesis is proposed:

H5: Higher levels of legitimate power the dealer possesses are associated with higher levels of trust the SME manufacturer has in the dealer.

2.2.6. Legitimate Power and Relationship Satisfaction

The extant literatures affirm that when power is derived from commonly held norms, beliefs and values, dyadic channel members seem to readily communicate with each other without pressure and this may facilitate a positive channel climate (Hu and Sheu, 2005). In addition, the exercise of this kind of power in distribution channels help to reduce conflict (Frazier and Rody 1991; Lusch 1976), creates collaborative and harmonious channel climate (Anderson et al., 1987), fosters high levels of agreement in business exchange relations (Geyskens et al., 1999; Frazier and Summers 1986) and increase the likelihood of goal accomplishment (Frazier & Summers, 1984; Frazier and Rody, 1991). Eventually, firms' performance increase and economic and social satisfaction can be realized (Geyskens et al., 1999). Furthermore, when this type of power is relied on heavily by the dominant firm, the focal channel members are likely to perceive the dominant firm as accommodative, responsive to their concerns, and willing to work towards solutions to their problems (Frazier and Rody 1991). As a result, non-economic satisfaction increases (Geyskens and Steenkamp, 2000). There is evidence from the empirical literatures attesting the existence of a positive linkage between legitimate power and relationship satisfaction (e.g., Benton and Maloni, 2005; Michie and Sibley, 1985). Accordingly, the following corresponding hypothesis is proposed:

H6: Higher levels of legitimate power the dealer possesses are associated with higher levels of relationship satisfaction the SME manufacturer has with the dealer.

2.2.7. Trust and Relationship Commitment

Consistent with the existing marketing literatures, this study defines relationship commitment as an exchange party's belief that a relationship is important enough to warrant maximum efforts at maintaining (Morgan and Hunt, 1994; Leonidou et al., 2008). The essential role played by trust in influencing relationship commitment has been extensively studied in the literature on channel relationships (Lai et al., 2008). It is considered a pivotal facet of expectations and central to collaboration in a relationship development (Dwyer, Schurr and Oh, 1987; Schurr and Ozanne, 1985). A strong feeling of trust towards the dominant firm allows other channel members to feel sure that the partner will not act solely in its own interests and not take advantage of the relationship at their expense (Lai, 2008; Schurr and Ozanne, 1985; Rodriguez et al., 2006). This trust makes it possible for the channel members to devote their time to focusing on the goals of the relationship without having to waste time and energy on attempting to prevaricate or control the dominant partner's possible negative actions (Dwyer et al., 1987). Ganesan (1994) suggested that trust lessens potential risk and vulnerability within the relationship, thus leading to a greater long-term relationship continuance. Furthermore, trust reduces transaction costs since there is not such a need to set up control mechanisms within the relationship (Barney and Hansen, 1994; Dyer and Chu, 2003; Jap and Ganesan, 2000). As a consequence of this, these lower costs make it more likely that the relationship will continue in the future and that, therefore, the commitment to the relationship will become greater. Trust leads the involved parties to focus more on the "positive" motivation because of a sense of affiliation and identification with each other, and this may be a stimulus to focus less on calculative reasons for attachment to the dominant firm (Ruyter et al., 2001; Gounaris, 2005). The literature recognizes trust as a prerequisite to building inter-firm channel relationships and as a preceding state for the development of relationship commitment (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). It is highly valued by relationship partners, because, once it is established, they will have a strong desire to commit more time, resources, and energy into developing an enduring working relationship (Morgan and Hunt, 1994; Leonidas et al., 2008). This linkage of trust as a precursor of relationship commitment has been empirically validated in the marketing literature (see among others, Ganesan, 1994; Kingshott, 2006; Morgan & Hunt, 1994; Ruyter et al., 2001; Coote et al., 2003). Based on the above, we can hypothesize that

H7: Higher levels of the SME manufacturer's trust are associated with higher levels of its relationship commitment with the dealer.

2.2.8. Relationship Satisfaction and Relationship Commitment

Satisfied channel members are likely to have high morale (Duarte and Davies, 2004), they are less prone to exit voluntarily from the channel (Geyskens and Steenkamp 2000; Ramaseshan et al., 2006), less likely to initiate individual or class legal actions and less inclined to seek protective legislation (Beatson et al., 2006; Hunt and Nevin, 1974). For B2B relationships, especially within the context of dis-

tribution channels, relationship satisfaction has also been found to lead to desirable outcomes like collaboration and long-term orientation (Ganesan, 1994; Mehta et al., 2006), and consequently relationship commitment (Lee, 2001; Sharma and Patterson, 2000). Relationship satisfaction also generates solidarity between channel partners (Heide and John, 1992; Mohr and Nevin, 1990). Infact, Cannon et al., (2000) attest that the relational norm of solidarity prescribes behaviors directed specifically toward relationship maintenance. In addition to this, Ramaseshan et al., (2006) notes that when channel members are satisfied with a relationship for a long time there are likely to end up being committed to it. Existing empirical literature in distribution channels support the existence of a positive linkage between relationship satisfaction and commitment in channels literature (see among others, Abdul-Muhmin (2005), Tellefsen (2002) Sharma and Patterson, 2000; Cater and Zabker, 2009). Based on the preceding discussion the following hypothesis is proposed:

H8: Higher levels of the SME manufacturer's relationship satisfaction are associated with higher levels of its cooperation with the dealer

2.2.9. Relationship Commitment and Cooperation

The current study defines cooperation as "similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected reciprocation over time" (Anderson and Narus, 1990) Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly (Cannon and Perreault 1999). Relationship commitment is essential to developing and maintaining successful relational exchange (Gundlach et al., 1995; Coote et al., 2003), in carrying out coordinated channel activities (Goodman and Dion, 2001) and predicting willingness to cooperate (Morgan and Hunt, 1994). In particular commitment enhances the efficiency and effectiveness of exchange relationships by establishing relational norms that include flexibility and camaraderie or commonality (Gundlach and Murphy, 1993; Mohr and Spekman, 1994; Coote et al., 2003). Commonality is crucial for channel members to cooperate (Ambler et al., 1999; Mehta et al., 2006). It creates a unity of purpose, shared norms, beliefs and values (Cannon and Perreault, 1999). The extant literature identifies shared norms, beliefs and values as precursors to goal compatibility (Moorman et al., 1992), acquiescence and compliance (Mohr & Spekman, 1994) which in turn foster cooperative behavior in distribution channel (de Ruyter et al., 2001). Prior empirical studies have found a positive linkage between relationship commitment and cooperation (Hausman and Stock, 2003; Morgan and Hunt, 1994 Dapiran and Hogarth-Scott, 2003). Based on the foregoing arguments, the following hypothesis is proposed:

H9: Higher levels of the SME manufacturer's relationship commitment are associated with higher levels of its cooperation with the dealer.

3. Research Methodology

3.1. Sample and Data Collection

The target population of the study was SME manufacturing firms which sell or supply their manufactured products or produce to major dealers in Taiwan. Small to Medium Enterprise Association of Taiwan was our sampling frame. The SME Association handled the distribution and the collection of the questionnaires and a total of 250 questionnaires were collected. Responding companies were small-to-medium-sized manufacturing firms and the company officials who completed the questionnaires occupied positions related to either sales/ marketing or were the SME firm owners. Thus, respondents were generally competent to evaluate their companies' relationships with their major dealers.

3.2. Sample Description

The profile of the participants is presented in Table 1. The sample data show that about 62% of the participating SME manufacturing firms employ less than 10 workers and the majority of the remainder has a workforce above 10 employees. About 70% of the participating manufacturing SMEs have less than 10 years' work experience. About three quarters of the participating firms realize an annual revenue of less than USD90 million. The profile data also indicate that consumable and non-consumable goods manufacturers almost equally occupied the research sample, although the former share slightly higher proportion (58.8%).

<Table 1> Sample Demographic Characteristics

Employees	Freq	%	Performance	Freq	%
≤5	88	35.2	≤ US\$30,000	84	33.6
6-10	66	26.4	US\$30,001-UD\$90,000	96	38.4
11-20	54	21.6	US\$90,001-UD\$190,000	44	17.6
21-50	27	10.8	US\$190,001-US\$300,000	11	4.4
≥51	15	6.0	≥ US\$300,001	15	6.0
Total	250	100.0	Total	250	100.0
Experience	Freq	%	Industries	Freq	%
≤ 2 years	30	12.0	Consumables Manufacturing	147	58.8
3-5 years	61	24.4	Non-consumables manufacturing	103	41.2
6-10 years	83	33.2	Total	250	100.0
11-20 years	64	25.6			
≥21 years	12	4.8			
Total	250	100.0			

3.3. Measurement Instrument

Research scales were operationalized mainly on the basis of previous work. Proper modifications were made in order to fit the current research context and purpose. Some five-item scales adapted from Lee (2001) work were used to measure "expert power" "referent power" and "traditional legitimate power". "Trust" used a six-item scale measure adopted from Kabadayi and Ryu (2007), while a six-item scale to measure "relationship satisfaction" was adopted from Cannon and Perreault (1999). "Relationship commitment" used a

five-item scale from Coote et al., (2003). Finally, "cooperation" used a seven-item scale from Cannon and Perreault (1999) and Wang et al., (2005). All the measurement items were measured on a 5-point Likert-type scales that was anchored by 1= strongly disagree to 5= strongly agree to express the degree of agreement.

3.3.1. Measure validation

In accordance with the two-step procedure suggested by Anderson and Gerbing (1988), prior to testing the hypotheses, confirmatory factor analysis (CFA) was performed to examine reliability, convergent and discriminant validity of the multi-item construct measures using AMOS 5. Initial specification search led to deletion of some of the items in the constructs scale in order to provide acceptable fit. Selected statistics for the final overall-model assessment show acceptable fit of the measurement model to the data: chi-square value over degrees = 2.404, (P = .000); Comparative Fit Index (CFI) = 0.957; Root Mean Square Error of Approximation (RMSEA) = 0.059 Root Mean Square Residual (RMR) = 0.019 Goodness-of-Fit Index (GFI) = 0.910; Adjusted Goodness-of-Fit Index (AGFI) = 0.877.

<Table 2> Accuracy Analysis Statistics

Research Construct	Mean Value*	Cronbach's Test		C.R. Value	AVE Value	Factor Loading
		Item-total	α value			
EP	3.50	0.828	0.828	0.491	I-1 _{EP}	0.700
					I-2 _{EP}	0.735
					I-3 _{EP}	0.758
					I-4 _{EP}	0.690
					I-5 _{EP}	0.612
RP	3.35	0.736	0.736	0.412	I-1 _{RP}	0.599
					I-2 _{RP}	0.668
					I-3 _{RP}	0.665
					I-4 _{RP}	0.612
LP	3.40	0.764	0.764	0.452	I-1 _{LP}	0.513
					I-2 _{LP}	0.718
					I-3 _{LP}	0.763
					I-4 _{LP}	0.670
TR	3.45	0.770	0.770	0.400	I-1 _{TR}	0.763
					I-2 _{TR}	0.850
					I-3 _{TR}	0.817
					I-4 _{TR}	0.830
					I-5 _{TR}	0.755
RS	3.58	0.836	0.836	0.460	I-1 _{RS}	0.793
					I-2 _{RS}	0.783
					I-3 _{RS}	0.783
					I-4 _{RS}	0.778
					I-5 _{RS}	0.728
					I-6 _{RS}	0.803
RC	3.62	0.837	0.837	0.462	I _{RC-1}	0.782
					I _{RC-2}	0.774
					I _{RC-3}	0.793
					I _{RC-4}	0.780
					I _{RC-5}	0.821
					I _{RC-6}	0.799
CO	3.56	0.768	0.768	0.400	I-1 _{CO}	0.765
					I-2 _{CO}	0.725
					I-3 _{CO}	0.781
					I-4 _{CO}	0.752
					I-5 _{CO}	0.765

Note : EP= Expert Power; RP= Referent Power; LP=legitimate Power; TR=Trust; RS= Relationship Satisfaction; RC=Relationship Commitment; CO=Cooperation
 C.R.: Composite Reliability; AVE: Average Variance Reliability;
 * Scores: 1 – Strongly Disagree; 3 – Neutral; 5 – Strongly Agree
 Note: ^asignificance level <0.05; ^bsignificance level <0.01; ^csignificance level <0.001;
 Research structural model fits: χ^2 (df): 2.404; CFI= 0.957; GFI=0.910; AGFI=0.877; RMR=0.019; RMSEA=0.059

Loadings of individual items on their respective constructs are shown in Table 2. The individual item loadings are all above the recommended 0.5 (Anderson and Gerbing, 1988), indicating acceptable individual item reliabilities as more than 50% of each item's variance is shared with its respective construct.

Composite reliabilities (CR) and average variance extracted (AVE) for each construct were also computed using the formulae proposed by Fornell and Lacker (1981) and the results are shown in Table 2. The composite reliabilities are all above the recommended value of 0.7 suggested by Hulland (1999) thus indicating acceptable internal consistency and reliability of the respective measures. Furthermore, the average variance extracted (AVE) for each construct is above 0.4 indicating marginally acceptable convergent validities (Smith and Barclay, 1997). Discriminant validity was established by ensuring that the average variance extracted (AVE) for each multi-item construct was greater than the shared variance between constructs (Fornell and Larcker, 1981; Gerbing and Anderson, 1988; Nunnally and Bernstein, 1994). As such, all pairs of constructs reveal an adequate level of discriminant validity (see Table 2).

4. Data Analyses and Results

Structural Equation Modeling (Maximum Likelihood method in AMOS 5) was used for the data analysis based on the research framework (Table 3). The results are reported in Table 3. The model is acceptable in terms of overall goodness of fit. Acceptable model fit are indicated by $\chi^2/(\text{df})$: 2.35, $\text{GFI} \geq .90$ RMSEA values $\leq .08$ IFI, TLI and CFI values $\geq .90$. Our results indicate that, GFI (0.910), IFI (0.937), TLI (0.903), CFI (0.936), and RMSEA (0.079) and therefore, achieved the suggested thresholds (cf., Browne and Cudeck, 1993; Marsh et al., 1996). This suggests that the model converged well and could be a plausible representation of underlying empirical data structures collected in Taiwan.

<Table 3> Hypotheses Testing Results

Path Coefficients	Hypothesis	Factor Loading
Dealer Expert Power → Manufacturer Trust	H1	0.336 ^c
Dealer Expert Power → Manufacturer Relationship Satisfaction	H2	0.223 ^c
Dealer Referent Power → Manufacturer Trust	H3	0.515 ^c
Dealer Referent Power → Manufacturer Relationship Satisfaction	H4	0.474 ^c
Dealer Legitimate Power → Manufacturer Trust	H5	0.610 ^c
Dealer Legitimate Power → Manufacturer Relationship Satisfaction	H6	0.552 ^c
Manufacturer Trust → Manufacturer Relationship Commitment	H7	0.783 ^c
Manufacturer Relationship Satisfaction → Relationship Commitment	H8	0.447 ^c
Manufacturer Relationship Commitment → Manufacturer Cooperation	H9	0.848 ^c

Note : ^asignificance level <0.05; ^bsignificance level <0.01; ^csignificance level <0.001; Research structural model fits: $\chi^2/(\text{df})$: 2.35; CFI= 0.936; GFI=0.910; IFI=0.937; TLI=0.903; RMSEA=0.079

The results in Table 3 provide support for all the nine (9) hypotheses. Consistent with Hypothesis 1 and 2, results indicated that higher levels of expert power the dealer possesses the more likely the manufacturing SMEs will trust and be satisfied with their relationship with the dealer.

Also in support of Hypothesis 3 and 4 the results indicate that higher levels of referent power the dealer possesses are associated with higher levels of trust and relationship satisfaction the SME manufacturer has with the dealer.

The standardized coefficients of legitimate power for both trust and relationship satisfaction are positive and significant. This is consistent with the prediction of H5 and H6 and they are supported. Thus, higher levels of legitimate power the dealer possesses are associated with higher levels of trust and relationship satisfaction the SME manufacturer has with the dealer.

Results were in line with H7 & H8 and support the reasoning that the higher the level of SME manufacturer's trust and relationship satisfaction, the higher is its relationship commitment with the dealer.

Finally, the standardized coefficient of relationship commitment for cooperation is positive and significant. This is consistent with the predictions of H9— higher levels of relationship commitment by the SME manufacturer are associated with its higher levels cooperation with the dealer. This seemingly robust result indicates the strength of channel cooperation that result when the manufacturing SMEs are committed to the relationship with their dealers. Therefore, H9 is strongly supported.

5. Conclusion and Discussion

In this study, we investigated the role of expert, referent and traditional legitimate power sources in fostering channel cooperation between SME manufacturers and their major dealers as perceived by the SME manufacturers. In addition, we explored the mediating influence of trust, relationship satisfaction and relationship commitment in this dealer-manufacturer dyad. In order to test the hypotheses, data were collected from manufacturing SMEs in Taiwan. All the proposed nine hypotheses were empirically supported indicating that dealers' expert, referent and legitimate powers positively influence manufacturing SMEs' trust, relationship satisfaction, commitment and channel cooperation in a significant way. Interesting to note though with the results is the fact that the three non-mediated powers had more significant impact on trust than they had on relationship satisfaction. By implication, this finding indicates that manufacturing SMEs in Taiwan are more likely to trust than they can be satisfied when their dealers use non-mediated powers. Perhaps this can be partly explained by the fact that relationship satisfaction as a global construct encompasses both economic and socio-psychological satisfactions which might be difficult to achieve with equal levels through the exercise of non-mediated powers. Thus the overall evaluation of relationship satisfaction is affected if for instance, if the use of non-mediated power has more significant influence on socio-psychological satisfaction and less on economic satisfaction. It is also observed from the results that both referent and legitimate powers had more significant impact on trust

and relationship satisfaction than did expert power on the same. This is in contrast to prior findings by (Busch and Wilson, 1976 Rawwas et al., 1997), who found expert power to have significant influence in business relationships than referent and legitimate powers. This current study finding can partly be inferred from the fact that the Chinese society has a high power distance culture where social powers are likely to be more acknowledged and respected (Lee, 2001).

6. Managerial Implications

The results of this study have some managerial implications for managers in the dealer's firms. The overall implication from the findings is that managers can utilize expert, referent and traditional legitimate powers to attain channel cooperation with manufacturing SMEs in addition to garnering their trust, relationship satisfaction and commitment. In this respect, they should endeavor to acquire skills, knowledge, values, reputation, experience and other capabilities that enable them to attain these non-mediated powers. Given that legitimate and referent powers had more significant influence than expert power on the behavioral outcomes, more due attention should be put on their utilization.

7. Limitations and Future Research

This study has some limitations. The data were gathered from the SME manufacturer/supplier's side. The results would be more informative if data from both sides of the channel dyad were compared. Future studies may be conducted by using paired data. The key informants on the SME manufacturer/supplier side were mostly sales representatives. Though they were very well informed about the relationships between the manufacturing SMEs and their dealers, they are not the final decision-makers in the manufacturing SMEs. We can only assume that they represented their firm's views. However, this may not actually be true. Future studies should use the final decision-makers as key informants. Besides, questions about generalizability remain with respect to the variations in the definitions of SMEs in different countries. Therefore, future research needs to consider the upshots of such variations when replicating this study in other settings. Further to this, a comparative investigation of this study matter between or among countries with different levels of development or cultures can provide added insights and immensely contribute new knowledge to the existing body of distribution channels literature.

Received: December 22, 2012.

Revised: December 25, 2012.

Accepted: December 25, 2012

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