

COMMUNICATIONS EFFECTS ON TRUST AND CONFLICT MANAGEMENT IN DISTRIBUTION NETWORKS: THE CASE OF AUTOMOTIVE INDUSTRY

Giancarlo Nadin

Università Cattolica del Sacro Cuore
S.E.GEST.A. - Department of Management Science
Via Necchi, 7 I 20123 MILANO
Phone: +39 02 72342426 fax: +39 02 72342771
Email: giancarlo.nadin@unicatt.it

Keywords :

Communication, Trust, Relationship and Channel Management, Car distribution

Abstract

Alliance and cooperation among resellers and suppliers is commonly accepted as an inexorable path of relationship evolution. Therefore trust resources are the determinants for relationship improvement as opposed to the old "power-dependence" management approach. In this paper the author wants to explore the role and the effect caused by inter-organization communication on the relationship. The role of bi-lateral (or two-way) communication as opposed to one-way communication to elicit collaboration of the weak and vulnerable retailer and avoid disagreements is fundamental. The findings of an empirical research conducted on 250 automotive dealers operating in the Italian market shows how the opposing forces of two-way communication and unilateral approach live together and skilfully mixed can offer a method to make evolve positively the relationship.

Distribution relationships in asymmetrical contexts

Automotive distribution relationships have been stable for many decades. In stable markets, such as singles European countries till '80, automakers select their exclusive dealers who became their operative harm for local commercial protection. Traditionally they have settled relationships with the distribution networks following a top-down approach which has created a power-dependence relationship (Frazier and Summers 1984, 1986). In strict adherence to the "role theory" (Solomon, Surprenant, Czepiel and Gutman 1985, Biddle 1979), suppliers have always set strategies and defined

processes for the dealers who had to comply with principal's framework as main duty.

The subsequent entrance of the final market in a saturation phase, the rising up in the market by far-east brands and finally the deployment of the project aimed to unify commercially each European member state have pushed stronger competition in EU.

Nowadays competition in the automotive market is so strong that it is played often not at a brand level only but more sophisticatedly at the final and local market level by dealers. In these circumstances dealers make the differences as regards selling and after-sales services by the resources and competencies they put in the retail business. As a consequence the strong pillar on which was established the basic of the relationship, the aforementioned "role theory", has shown many signs of fracture. Many instances confirm this opinion. Automakers have decided to reduce the number of operators in order to manage the increasing need of control in presence of final market complexity. Retailing evolution has shown opportunity for operator concentration and the consequent birth of multi-brand and multi-site dealer groups. Dealers margins has reduced significantly while the cost of franchise has increased with a total effect of revenue decrease.

This emerging picture needs new ways to conceive the relationship between automakers and dealers. In this perspective communication approach of the supplier is crucial to rethink the relationship and activate dealer's collaboration.

The role of communication

Mohr and Nevin (1990) suggests that the conditions which help to define the best direction in communication strategy are the structure of the relationship (more or less inclined to market transaction), the supportive and collaborative climate among the parties and finally the balance of power between the parties.

Literature shows that communication can be divided into two distinct strategies: bilateral and unilateral strategies (Koza 1995). Bilateral communication strategies are those strategies characterized as bi-directional; where partners are mutually active participants in the communication process. Bilateral communication strategies permit partners to ask questions, offer comments, corrections, convictions, ideas, even conflicting ones, and have the potential to ultimately influence the other.

Unilateral communication strategies are those strategies characterized as one-way transmission of information from one party to another (typically from the principal to the agent); providing little opportunity for knowledge and authority to be shared, or socialization to occur. These strategies can range from didactic transmission of

information from one partner to the other, to limiting/filtering of information from one partner to the other.

It is generally accepted (Anderson and Narus 1990; Mohr and Nevin 1990, Mohr, Fisher and Nevin 1996; Mohr and Spekman 1994) that in an asymmetrical power and informational domain it is common to see the predominance of an unilateral approach to the communication also in accordance to the prescription of the role theory model. On the other hand stable relationships, as the existing ones in the channel of distribution, require more bidirectional communication in order to align more closely the behaviours of the parties for gaining mutual benefits. Finally market conditions (turbulent and unstable markets or relatively calm and growing) have influence on the willingness of the parties to sustain, support and collaborate via bidirectional and informal communication.

The aforementioned considerations let us to understand that there is no final and unique way of defining communication strategies between the two alternatives such as unidirectional or bidirectional.

Actually communication should be viewed as an investment that one channel member makes in another in order to fit better when the some or all goals are converging. The collection of information is one of the primary uncertainty reduction activities that channel members adopt, and communication provides the means of transfer of knowledge between channel member firms. Therefore, communication should be thought of in a strategic sense, in terms of its implications for the relationship in the case of sharing versus withholding information. Channel members displaying a strong desire to work together, will strive to put in place integrating mechanisms that enable effective interaction, hence allowing the greatest chance for each to succeed (Carson, Madhok, Varman, and John 2003; Koza 1995; Mohr and Spekman 1994).

In the constraint of vulnerable resellers communication strategy is principally defined by the principal who can interpret it as a way to direct in an embedded way the behaviour of its dealers or at the opposite as a way to activate full collaboration and freedom of dealer initiative.

In the first setting the principal wants the dealers to stand on the prescriptive rule and role and though it prevails the task approach over the performance approach (Hall, Haas and Johnson 1967, John 1984). In the second circumstance collaboration is foreseen and trust based approach is prevailing. The focus is therefore moving from the process to the final aim and that the parties try to behave in a mutual way as to converge to get the goal (Corsten and Felde 2005, Moorman, Zaltman and Deshpande 1992).

Bilateral communication in this perspective is an essential tool but in the same time is an high risky strategy demanding a great volume of information exchange with the absence of a clear and unique final goal and a possibility to define, ex-ante, a probability of success (Dant and Schul 1992, Ring and Van de Ven 1994). Unilateral communication obviously do not have these risks but on the other hand is unable to manage ex-ante situations of uncertainty as regards outputs and process of strategy evolution as well.

The automotive domain as many industries where distribution relationships are not defined in a unique and standardised approach can show the predominance of one model over the other and this is basically configured essentially on the relationship vision of the principal; the automaker.

Hypothesis to be tested

During winter 2007 an explorative research has been made in order to asses the basic of the relationship among automakers and their authorised dealers. The administered questionnaire has given the opportunity to evaluate in a first attempt the dealer perception as regards the way suppliers communicate with them (Nadin 2008a).

Figure 1 depicts, on a double perspective the feeling of the dealers toward supplier’s interaction approach.

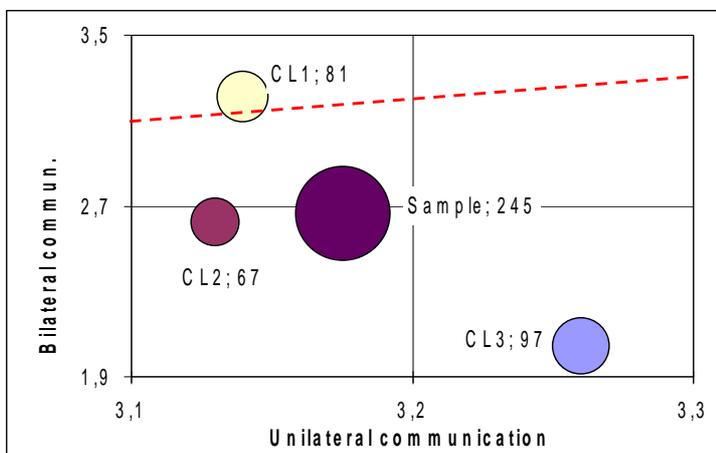


Figure 1 – dealer’s perception about supplier’s communication style (source Nadin 2008a)

On the x-axis is reported the assessment of the intensity of one-way approach interaction of the supplier. The measure of this vector is in a range from 1 to 5, where 5 means the highest intensity. Generally speaking the sample feels a quiet pressure from the supplier since unilateral approach, which is ranked 3,2, is related to the lack

of explanation from the supplier, the strong influence over dealer decisions and the closed way of managing conflicts.

The y-axis vector is related to the assessment of bilateral approach of the supplier. By bilateral communication we refer to the willingness of the supplier for instauration of an open climate of two-way collaboration. This means here to take in consideration local market condition when decision must be taken, evaluate and accept advices coming from dealers and finally sharing a mutual approach when the dyad has to face a problem. Generally speaking the sample of 245 dealers rate this supplier's approach less strong then the unilateral one (2,7 against 3,2). This confirms that the relationship is felt unbalanced by dealers who perceive themselves vulnerable in rapport to automakers. In order to understand better the position of dealers toward this aspect of the relationship the analysis has been (Nadin 2008a) widen in order to highlight potential divergent approach inside the sample of interviewed. By using cluster analysis it has been identified three different groups who are reported in figure 1. Two of them lie under the bisecting line (dotted red line in figure 1) signalling the prevalence of one way approach and one (cluster one) is positioned over the bisector, indicating therefore the perception of bilateral communication prevailing on supplier's one-way approach.

In order to understand better dealer's perception about supplier's communication approach and interaction we tried to widen the research going more deeply into the essence of the communication approach of the supplier, as seen by dealers, and asking how his behaviour interfere in the dealer's mind and in his perception of relationship satisfaction.

Starting from the research of the antecedent and consequent of communication inside principal-agent distribution relationship (Koza and Dant 2007, Koza 1995, Mohr and Nevin 1990) we defined a simplified model to interpret the role of communication inside the automotive distribution channel, here reported in figure 2.

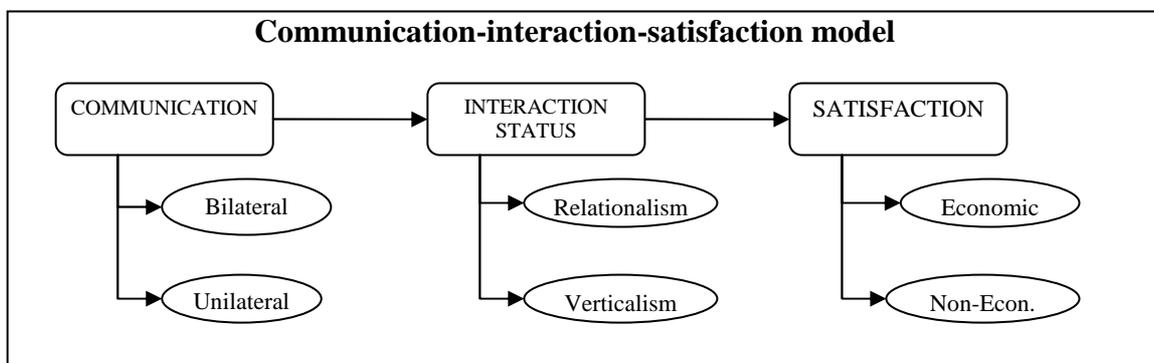


Fig. 2 – The model to assess communication effect on the relationship

In the aforementioned perspective communication that can be divided in the two forms of bilateral and unilateral communication (Koza 1995) has influence over the dealer's perception of the interaction that is here represented by the dualism between "verticalism" and "relationalism" (Lado, Dant and Tekleab 2007). Verticalism means the perception that automaker conducts the rapport with the dealer in an autonomous way. Dealership is the last process of car commercialization where decisions must be delivered and where resources must be deployed in the assumption of best effectiveness from the perspective of the automaker. The entrepreneur, owner of the dealership is a quasi-employee of the supplier therefore has to act in the strict benefit of the principal. On the other hand the "relationalism" perspective recognizes the centrality of the relationship as a way to fine-tuning decision from the centre to the periphery; let's say from strategy setting to tactic deployment. The dialectic between the two sides (principal and agent) is crucial for getting the mutual target.

Since the two constructs (communication and interaction status) are strongly connected there can be envisaged some hypotheses.

Hp1: Bilateral communication has a positive relation with relationalism and a negative relation with verticalism.

Hp2: Unilateral communication has a strong positive influence on the verticalism and a moderate negative effect on relationalism since it is predictable that also in the more open relationship any confronting and coercing initiative should take place (Ritter and Ford 2004)

The nature of interaction between the parties is then influencing dealer's level of satisfaction. Here we distinguish between economic satisfaction and non-economic satisfaction. The latter is quiet related to the essence of the relationship and nurtures the dealer mental attitude toward the brand. Dealer's economic and non economic satisfaction can be seen as a way to reinforce trust and therefore commitment (Geyskens, Steenkamp, Kumar 1999). Then it is central to understand how communication and interaction between the parties are related to satisfaction since this last creates the "shadows of the future" (Heide and Milner 1992). Therefore we posit the following researches hypotheses:

Hp3: Relationalism has a strong positive effect on non-economic satisfaction but a more mitigated effect, although positive, on economic satisfaction being affected also by other factors such as brand market demand and appeal of the car models offered

Hp4: Verticalism is negatively related to satisfaction and the coefficient of regression is lower (taken in the absolute value) than the one registered by the relationalism

antagonist construct. In other words we sustain that the impact of relationalism is stronger on satisfaction since is not one of the main feature of the automotive distribution relationship as depicted in figure 1.

Assuming that dividing the sample in three clusters as showed in figure 1 the perception of supplier's communication strategies can be shaped in different ways, we have to hypothesize also that the model depicted in figure 2 shows appropriate findings per each cluster according to its intrinsic characteristic. As regards this last consideration we can posit the following research hypotheses.

Hp5: The relations among the constructs in the model, both the positive and the negative ones can be affected by the nature of the cluster. The more trustful is the cluster in the principal the stronger could be some regression weight especially for the negative effect of unilateral communication on the status of interaction.

In the proceeding of the paper we will try to verify these hypotheses by analysing data gathered during a research on the relationship between Italian car dealers and automakers operating in the territory.

First of all we will depict the sample and the data collection procedure, then it will be provided information as regards constructs and model reliability. Specific section will be devoted to show major findings emerging from data analysing and interpretation by the model. The paper therefore ends with the assessment of the sustainability of the aforementioned hypotheses and the final conclusion which includes ideas for further improvement of the research as well.

Sample and data collection

The previous hypotheses are tested in the context of vertical relationship within the Italian automotive distributive industry.

To gather data for testing the hypotheses we administered an extension of a previous mail survey run with dealer's entrepreneurs or operating managers. It was successfully asked to the 245 respondents of the previous survey to answer to new and extended questions included in a new questionnaire.

Completed responses were received from all the 245 dealerships contacted in the first wave. As explained in a previous contribution (Nadin 2008b), the sample is representative the universe of Italian authorized dealers as regards geographical distribution, size (represented by the volume of new car sold per year) and brands handled by dealers.

We measured our construct using a structured questionnaire. To ensure the content validity of the measures, we thoroughly reviewed the relevant academic and practitioner literature to guide our questionnaire development.

Figure 3 reports all the items included in the second wave questionnaire.

Summary of measures

Construct and simple items (observed variables)	Standardized regression weights (*)	squared multiple correlations	Cronbach's α
Bilateral communication			0,57
Mutual fitting with supplier for extraordinary events	0,52	0,27	
Brand's attitude to take care and understand local market conditions	0,61	0,37	
Supplier take in consideration our ideas for local marketing initiatives	0,56	0,31	
Unilateral communication			0,60
Discussions generate more problems than the ones solved	0,51	0,26	
Supplier asks us to comply with new project with no dealer's effect explanations	0,69	0,47	
Supplier seldom explains its strategy to dealer network	0,54	0,29	
Relationalism			0,62
Brand is always willingness to help us when external circumstances require it	0,63	0,40	
Supplier shows us comprehension when we have internal problems	0,69	0,48	
Verticalism			0,78
We feel frustrated for the supplier's rigid behaviour	0,74	0,55	
Often central decision of the supplier push us to feel disaligned	0,69	0,47	
Supplier puts in place its initiatives although dangerous for our economics	0,73	0,53	
Dealer's satisfaction & trust			0,58
We are ready and willing to invest for the brand's success	0,55	0,30	
We want to be part of the network since we believe in the brand	0,72	0,51	
Economic Satisfaction			0,67
Equity of the return compared to the other local dealer's earning	0,60	0,36	
Equity of the return compared to the resources put in the business	0,81	0,65	

Figure 3 – Constructs, observed variables and reliability

Construct reliability and measure validation

Internal consistency was assessed by calculating Cronbach's Alpha indicator that is reported analytically for all the scales together with all the items in figure 3.

A common rule of thumb is that the indicators should have a Cronbach's alpha of 0,7 to judge the set reliable. For early stages of basic research, Nunnally (1967) and Churchill (1979) suggests reliabilities of 0,50 to 0,60 suffice. In this perspective we can argue that the constructs of latent variable made from the observed variables have a virtue of internal consistency.

In order to reinforce this assertion we show also the findings of the confirmatory factor analysis run among the variables of the survey and the hypothesised latent model (see figure 4).

Factor Score Weights

	UNILATERAL			BILATERAL			VERTICALISM			RELATIO		SATISF		ECONOM	
	D19	D14	D4	D23	D13	D10	D12	D15	D28	D37	D29	D38	D36	D40	D43
Unilateral	0,12	0,18	0,10	0,04	0,05	0,04	0,17	0,15	0,14	0,01	0,01	-0,01	-0,01	-0,01	-0,03
Bilateral	0,03	0,04	0,02	0,12	0,16	0,12	-0,01	-0,01	-0,01	0,11	0,13	0,06	0,03	0,02	0,05
Verticalism	0,09	0,14	0,08	-0,01	-0,01	-0,01	0,21	0,19	0,17	-0,03	-0,04	-0,04	-0,02	-0,02	-0,06
Relationalism	0,01	0,01	0,01	0,10	0,13	0,10	-0,03	-0,03	-0,03	0,18	0,21	0,10	0,05	0,03	0,08
Satisfaction	0,00	-0,01	0,00	0,03	0,04	0,03	-0,03	-0,02	-0,02	0,06	0,07	0,28	0,14	0,01	0,03
Economics	-0,01	-0,01	-0,01	0,01	0,02	0,01	-0,02	-0,02	-0,02	0,02	0,03	0,01	0,01	0,14	0,37

Figure 4

– confirmatory factor analysis run on the variables

Yellow areas show that factor scores are higher in proximity of the predictable construct and therefore internal consistency is confirmed. The only problematic case is the “unilateral communication” construct. Actually D12 (dealer’s frustration), D15 (dealer’s misalignment) and D28 (dangerous initiatives for dealers) who inductively constitute “verticalism” construct strongly refer to the construct of “unilateral communication” construct. This could suggest a slightly confusion between the two constructs that are really two faces of the same coin. Since one side is devoted to define the supplier behaviour and the other to outline the perception of rigidity and “verticalism” of the supplier from the eyes of the dealer, we prefer to keep them separated.

As regards external validity, the attitude of the model to explicate the variance of the gathered data, we can say that the overall fit indices it can be represented by the following: chi-square goodness of fit ($\chi^2_{(82)} = 170,30; p < .000$), the goodness-of-fit index (GFI) = 0,917, the comparative fit of index (CFI) = 0,913, the root mean square error of approximation (RMSEA) = 0,066 and Tucker-Lewis Index (TLI) = 0,889 as measure of model fit.

All these tests, give us confidence that behavioral measures are indeed reliable, one-dimensional and valid according to the general rule of thumb (Anderson and Gerbing, 1988).

Major findings

Pair-wise correlation shows the existing link between two variables in the model, but is unable to explain the whole picture and simultaneously the inter-correlations among all the variables.

Path analysis (Corbetta, 2001) can overcome this limit depicting the direct and indirect effect caused by one variable over the others in a composite picture.

The parameters have been estimated using ML regression (Maximum Likelihood) as performed by the Amos 7.0 programme.

The main result from a whole perspective is shown in figure 5 which reports the significant regression coefficient among latent constructs.

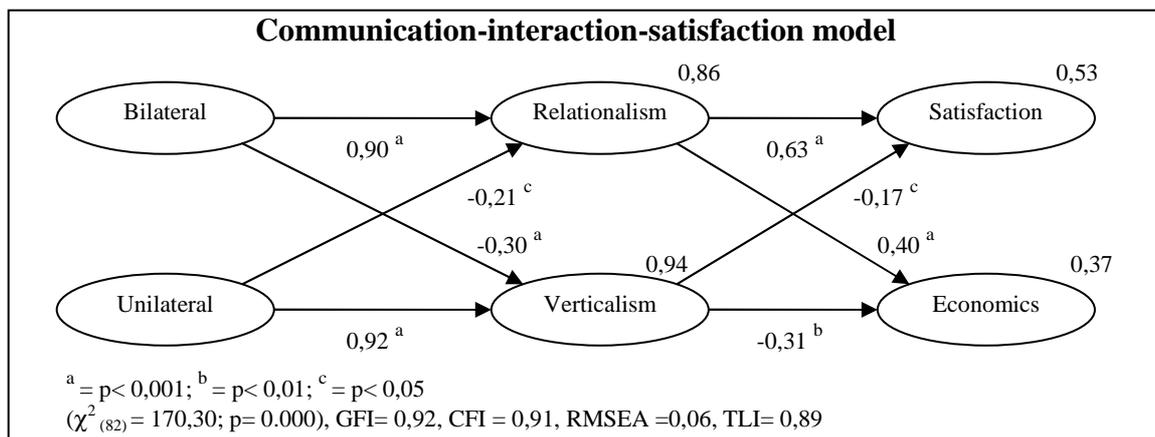


Figure 5 – Cause-effect relationships among the identified constructs

Figure 5 shows as well the extracted variance explained per each construct by the effect of the structure of the model.

As logically predictable, supplier’s communication policy induces a strong footprint on the dealer’s perception of relationship, here depicted as opposed by Verticalism and Relationalism.

The extracted variance in the two constructs is very high (Relationalism 0,86 and Verticalism 0,94) as evidence that the perception of dealer is highly determined by supplier’s communication strategy.

Fair communication approach of the supplier, here labelled as bilateral (that’s to say open to a frank and open dialogue) reinforces the perception of relationalism (r=0,90 with p < 0,001) and decreases, also if in weaker way, the sensation of hierarchical relationship (r=-0,30 with p < 0,001).

Unilateral communication approach of the automaker (lack of explanation, inability to confront to solve problems, etc.) induces the sensation of Verticalism of the relationship in the mind of the dealer. The regression coefficient is very high (r=0,92 with p < 0,001) and on the other hand the opposite influence on the Relationalism is negative also if much weaker (r=-0,21 with p < 0,05).

Dealer’s perception of the status with the supplier is then influencing the relational output, here identified as satisfaction of the dealer as regards economics and as regards the level of trust and commitment in the supplier.

The extracted variance of the economics construct is modest (r²=0,37) since also other variable not investigated can influence this construct; one above all, the quality and the valuable image of the product which configures the degree of commercial success of the brand and by the way the dealer’s profit. In this constraint our analysis of the construct “economics” should be confined to the analysis of the regression and little can be said to the essence of the construct per se.

The other construct taken as dealer's output measurement is the level of non economic satisfaction. This kind of perception is here estimated by the willingness of the dealer to be part of the distribution network and his endless supply of resources to the benefit of the brand. As regards the extracted variance of the model is quiet sufficient ($r^2=0,53$). This means that other elements should be added to the construct to define it strongly but the core of it is here adequately reported.

The awareness of relationalism with the supplier induces a positive effect both on the satisfaction and on economic judgment of the dealer. The former ($r=0,63$ with $p<0,001$) is stronger than the latter ($r=0,40$ with $p<0,001$) because economic balance of the dealer are not related primarily and historically (Volpato and Buzzavo 2003) to the quality of the relationship but to the structure of automotive channels and value distribution among the operators.

As regards the feeling of Verticalism and its regression to the other last constructs, it is clear that the influence is negative related and with an higher probability of error; for economics coefficient "r" is $-0,31$ with $p<0,01$ and for satisfaction "r" is $-0,17$ with $p<0,05$.

At a first sight we are therefore brought to think that the perception of Relationalism has a greater effect on economic and non economic satisfaction of dealers than the perception of dealer Verticalism.

From the perspective of the automaker we could say that reinforcement of bilateral communication or control of unilateral initiatives induce a sensation of relationalism in the mind of the dealer which consequently ignites satisfaction and quieter perception of economic equity.

Further considerations

As emerged in a previous contribute, the same sample of the 245 dealers can be efficiently split in three clusters (Nadin 2008c) as depicted in figure 6. The three clusters are here represented as a dispersion on a surface represented by two vectors: dealer's behaviour toward cooperation and dealer's behaviour toward compliance with the automaker's requests.

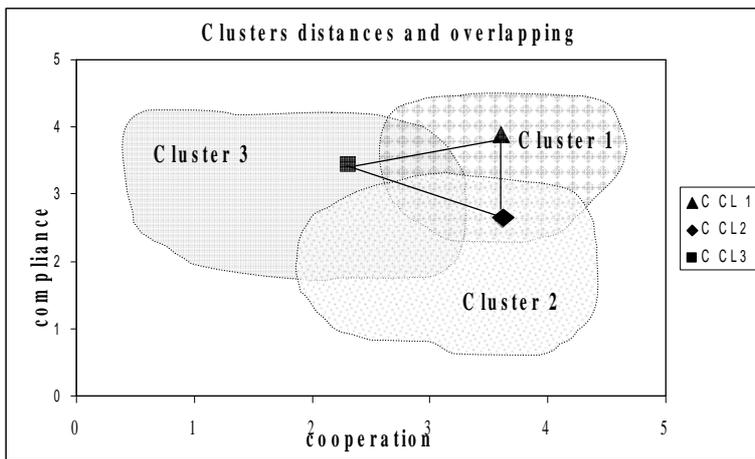


Figure 6 - Mapping the clusters on a compliance and cooperation approach (source Nadin 2008c)

Sending back to that paper for more details, here we just want to highlight the more relevant characteristics of each cluster with the aim to evaluate if the aforementioned general considerations as regards the communication-interaction-satisfaction model are fitting the three clusters as well.

Cluster Three spreads over an area characterized by high level of compliance (> average 3 threshold) and medium or low intensity of cooperation.

On the opposite, Cluster Two is formed mainly by dealers who have a behaviour more inclined to cooperation. Cluster One is composed by dealers who feel high level of cooperation and compliance.

Each cluster shares a conjoint area in the centre of the surface. This overlapping area represents one third of each cluster.

Cluster three: the disappointed

It is composed by 81 dealers who has a perception of lacking of loyalty approach by supplier that induces a mistrust in the principal and consequently it can be envisaged low levels of affective commitment. Affective commitment is a key driver for cooperation. In this cluster, starting from the aforementioned consideration, is quite simple to understand the reasons why dealers do not evoke strongly cooperation as one of the most important driver in their behavior.

On the other hand the perception of these dealers about the effect of the dependence and the coercive approach of the supplier is less strong that the average. This means that cluster 3 nurtures a form of apathy versus the relationship with the supplier. We stigmatize this status with the term "Disappointed".

They don't believe in the trustworthiness of the counterpart and consequently they do not act in an open collaboration standpoint. Furthermore they have remitted any grievance and hostility for the coercive approach of the principal and have transformed it in a passive adherence to its requests. This is clearly confirmed by the high level of compliance statement according to the declaration of conflict and perception of coercive measures of the supplier. These dealers therefore are disappointed by the status of the relationship. This feeling is probably getting worse since the remuneration and return on investment has been reducing in the last decades. As stated by Volpato (1999) dealers have intentionally wiped out their entrepreneurship freedom versus the dependence from automakers who have granted them in return a significant reward. Since remuneration is decreasing, due to market pressure, resentment and disappointment for dependence is becoming more and more evident and expressed such as in this case.

Cluster one - the hopefuls

This cluster is composed by 97 dealers who feel the need to be more involved with their suppliers

This means they are engaged to reinforce a closer relationship with automakers. As regard its behavior, this group has a high mixture of cooperation and compliance. High compliance is explained by the attitude of dealers toward the feeling of lack of communication and therefore the denial to add extraordinary resources to boost combined activities. The declaration of this behavior finds its roots in dealer's commitment. This cluster has the idea that the relationship investments are sunk cost and therefore they are compelled to remain in the business although they mistrust in the automaker. This calculative commitment drives to a compliance approach which means remissive acceptance of supplier's requests. As suggested for the "Disappointed" this regime comes from far away and is rooted in the history of car commercialization (Volpato and Buzzavo 2003, Volpato 1999) in Italy and generally speaking in Europe.

Differently from the average sample this cluster expresses not only a sharp attitude toward compliance, as result of a dependence feeling, but a counter intuitive genuine desire to cooperate more closely with the supplier. This is especially proved by their wish to share more information with the automaker (explicitly marked in question D35). Notwithstanding they don't have any particular feeling of trust (see in comparison with the average in figure 8) they show a high affective commitment; justified by the feeling of belonging to the supplier network (question D38).

All these considerations let us to imagine that this cluster is bringing back the burden of an old relationship based on asymmetry and dependence but has now matured a new perspective of the relationship more inclined to frank and open collaboration with the supplier.

For these reasons we are inclined to define this cluster as the "Hopefuls" stating their positive vision for further relationship enhancements even if actual constraints persist.

Cluster two – the fulfilled

Last cluster is composed by 67 dealers who feel themselves evidently satisfied by the relationship with the principal. The declarations are unbalanced in favor of a trust-based relationship.

The dimension of calculative commitment is still central but do not drag consequently a predisposition of the dealer for a consistent compliance behavior (the absolute frequency is less relevant than in the whole respondent dealer's group).

On the other hand the relationship is sustained by a great harmoniousness due to the trust the agent puts in his principal.

Dealers who belong to this group have the perception of supplier's fair approach, believe the principal does not act in a coercive manner and finally is loyal to the member of the network. As a consequence the trust determinants dominate the thought and the action of the dealer who is motivated by an affective commitment.

At the end a cooperative behavior arises and guides every decision of the dealer in supplier comparison.

This picture shows clearly a satisfied status of the dealer as regard distribution relationship with the supplier. May we assume this is the best relationship configuration it can be obtained in the dyad?

As told by Lado, Dant and Tekleab (2007) a productive and dynamic relationship need a combination of trust-base substrate and a continuing tension toward evolution and innovation. This can be seen as a balance between collaboration purpose and competition push. The equilibrium of the two extreme vectors can optimize the relationship performance in the light of an evolving market positioning.

In this perspective how can we evaluate the optimization of the existing relationships in the cluster two? The analysis of cluster's data let us to foresee a satisfactorily status for the dealer but nothing can be said as regard performance optimization, especially from the point of view of the supplier.

Although the average absolute frequency never gets the minimum threshold of neutrality (a.v. 3; that means general dissatisfaction for compensation for the business

activities) and as already stated by Buzzavo and Pizzi (2005) in occasion of his annual evaluation of Italian retail satisfaction index, it's clear to see that cluster 2 has declared a relative higher level of economic satisfaction compared to the other two clusters. This could let us to think that these dealers are enough satisfied of the relationship but relatively not compelled to improve their competitive position since the reward they obtain is quite satisfactorily.

If we consider furthermore that an average dealership is a family own enterprise which governance approach is usually simple and aimed to assure the equity pay-back and not intrinsically oriented to innovation, we have to suppose that the trust-based relationship is not in itself able to boost distribution relationship performance.

In other words we are arguing that this cluster is not only definable as the satisfied one but it could be better labeled as the "Fulfilled", stating their natural and potential low resilience to evolution and development.

The perception of the model seen by different clusters

Clusters have different shapes and react in a different way in the interaction with their principals.

Therefore we want to evaluate if the three clusters have different responses in the constraint of the assumptions of predicted model (communication-interaction-satisfaction) reported in figure 5.

In order to accomplish this task we present an in-depth cross-sectional analysis which compares the output in terms of regression and squared multiple correlation of the total sample and the three identified clusters.

Figure 7 shows the comparison starting from each cause-effect nexus identified in the model.

Since the 97,67 and 81 cases belonging respectively to the three clusters (the fulfilled, the hopefuls and the disappointed) are not enough to sustain and fit singularly the minimum requirement of the model in order to get a statistical significance (as a rule of thumb five cases are needed per each observed variable in SEM (Bollen 1990) the cross-sectional analysis should be rejected for inconsistency but notwithstanding that we take it in consideration in order to try to envisage some potential further deepening.

	total sample	Cluster 1 fulfilled	cluster 3 disappointed
construct reliability			
#	245	122	123
χ^2 / df	170 / 82	138 / 82	149 / 82
GFI	0,917	0,875	0,863
RMSEA	0,066	0,075	0,082
std. regression weights			
Bilateral vs Verticalism	-0,30 ^a	-0,36 ^b	-0,31 ^b
Unilateral vs Relationalism	-0,21 ^c	-0,45 ^b	-0,07 ^d
Bilateral vs Relationalism	0,90 ^a	0,88 ^a	1,01 ^a
Unilateral vs Verticalism	0,92 ^a	0,85 ^a	0,91 ^a
Verticalism vs Economic	-0,31 ^b	-0,38 ^d	-0,17 ^d
Verticalism vs Satisfaction	-0,17 ^c	-0,49 ^d	-0,33 ^b
Relationalism vs Economic	0,40 ^a	0,44 ^c	0,46 ^b
Relationalism vs Satisfaction	0,63 ^a	0,34 ^d	0,74 ^a
<small>^a = p < 0,001; ^b = p < 0,01; ^c = p < 0,05; ^d = p > 0,05;</small>			
squared multiple correlation			
Verticalism	0,94	0,86	0,92
Relationalism	0,86	0,85	1,00
Economics	0,37	0,56	0,30
Satisfaction	0,53	0,59	0,83

Figure 7 – comparison of the model output for cluster 3 and 1

The effect of bilateral communication on the dealer’s perception of “verticalism” in the interaction with the supplier is negative oriented both in the two clusters. We can note that for the “fulfilled” ones the regression coefficient is higher than for the total sample and for the “disappointed”; this means that the firsts react more intensively and in a speedier way as regards the perception of the relationship.

This consideration is sustained as well by the regression weight of unilateral communication initiatives of the supplier versus the concept of “relationalism”. For cluster 2 the coefficient is double than in the total sample meaning the strong resentment that these dealers can have when supplier interferes in their decision processes without any consultation. For cluster 3 nothing can be said since the coefficient has high probability of error (p > 0,05).

The positive effect of bilateral communication on the relationship is perceived high for all the clusters and at the opposite as well the worsening of the relationship equilibrium caused by one-way approach of the supplier. Here we can see that the attitude of cluster 1 to bear the effect of the all-encompassing approach of the supplier is higher than in the cluster 3; since they are more used to a more symmetrical relationship they can tolerate easily sporadically incursions of the supplier in the dealer’s decision domain (“r” in cluster 1 is 0,85 against 0,91 in cluster 3).

Nothing can be said as regards the cause-effect nexus of verticalism on the dealer’s perception of economics status since the coefficient found have no reliability in both the clusters.

The impact of perception of verticalism on dealer's satisfaction can't be assessed on the "fulfilled" cluster because of lack of reliability but we can see that for the third cluster (the disappointed) the regression is higher than for the entire sample. This can be interpreted as a request or a need of a better satisfactory relationship. Since this cluster feels the relationship very unbalanced and asymmetrical their data inference tells us that they would be more satisfied if the supplier dominance should be mitigated by less interference in decision and dealer freedom. This finding is also confirmed by the analysis of the regression from the relationalism construct to the satisfaction one. Cluster three shows a weight that is higher than the total sample one (0,74 against 0,63) confirming their perception of strong relation between the two constructs and suggesting the desire to have a more open and satisfactory relationship with their principal.

As regards the relation between "relationalism" and economic no relevant differences can be found in the two clusters and the entire sample.

Since the data of the two clusters have not the minimal threshold to run the model, the comparison analysis of the squared multiple correlation can't be completely reliable. About this, we can see that generally speaking the extracted variance of "verticalism" construct in the cluster of the fulfilled is lower than in the entire sample and in the cluster 2. This means that for these dealers the perception of verticalism is not completely explained by the variables observed and should be found also in other factors not investigated such as structure of distributive channel.

As regards economics it comes easily at sight that the explained variance is higher for cluster 1 than for cluster 2 or the entire sample. This could mean that for fulfilled dealers the fulfilling relationship with the supplier opens up a perception of good economic satisfaction as well.

Sustainability of the hypotheses

Coming back to the hypothesis previously defined we can say that the model, based on the cause-effect nexuses among three different constructs communication, interaction and satisfaction can be generally sustained according to the gathered data over the sample of 245 dealers.

Standard regression weights suggest that Hp1 (bilateral communication has a positive relation with relationalism and a negative relation with verticalism) is verified by the model of figure 5. On the other hand data show us also that the soothing effect of bilateral communication on verticalism, which can't be avoided in asymmetrical vertical

relationships, is not so strong and therefore the best way to mitigate the perception of verticalism is to act directly in order to reduce unilateral communication.

Actually Hp2 is exactly related to this point since data confirm that Unilateral communication has a strong positive influence on the verticalism and that the negative effect on relationalism is moderate ($r=-0,20$).

These two hypothesis are therefore confirmed by the model and suggest us another consideration as well. Bilateral and unilateral communication approaches are strongly related respectively to the relationalism and verticalism constructs; inverse effect is generally modest then compensation among strategies are not well effective. Squared multiple correlations of the two latter constructs give us a good level of confidence that the two causes (communication strategies) explain a great part of the data variance included in the sample and therefore are the roots of dealer's perception about interaction processes with suppliers.

Hp3 is also confirmed by the model although data scattering tell us that the variance extracted in the two satisfaction constructs leave the freedom to think that other factors (not discovered in this model) can have influence on dealer's satisfaction.

As regards Hp4 (verticalism is negatively related to satisfaction and the coefficient of regression is lower than the one registered by the relationalism antagonist construct) is confirmed as well. This means that vulnerable dealers such as the automotive ones, who, generally speaking, are used to suffer the pressure of strong suppliers evaluate with great interest every fair and open approach of the supplier and see them as very satisfactorily.

Hp5 suggests that the typology of dealers could have an impact on the entire model. The more trustful is the cluster of dealers in their principals the stronger could be some regression weight. This seems to be confirmed by the data divided by clusters also if we encountered any problem of significance in statistical elaboration due to the limited wideness of sub-samples (clusters). We divided the entire sample in two clusters: the ones who feels themselves "fulfilled" by the relationship with the principal and on the opposite one who is composed mainly by dealers who are disappointed by the relationship.

We found especially outstanding differences as regards the negative effect of unilateral communication on the status of interaction, as suggested in the hypothesis. For "fulfilled" dealers the increase of use of unilateral communication approaches by the supplier has a double negative effect on the perception of relationalism status compared to the regression existing in total sample. The interpretation of the model by clusters confirms further more that the effect of perception of relationalism on dealer's

satisfaction is higher in the “disappointed” operators than in the fulfilled ones or in the total sample since as told before they are more inclined to live a relationship dominated by suppliers.

Conclusion and further research

This paper tries to analyse the relationship existing among dealers and their supplier automakers from the perspective of the communication approaches used by the latter. The sample of interviewed dealers outline the centrality of communication as driver of the relationship and as factor affecting the perception of dealers toward the rapport with their principals and satisfaction.

The model used to interpret gathered data also shows that the key of reading the relationship is not unidirectional in the sense of prevalence of verticalism or verticalism in the dealer’s perceptions. In the relationship coexists, in the meantime, both components of relationalism and verticalism as parts of the same experience. This means that automakers as proponent and driver of the relationship evolution have to think carefully of the mix of communication approaches in order to balance the dealer’s perceived toward the rapport.

Finally the strategy deployed by automakers, usually inspired by the standardisation of the relationship, should be reviewed in order to reinterpret it in the light of segmentation based on dealer’s attitude toward the relationship and their commitment. The findings of this research needs more confirmation as regards the sample base first of all. Considerations taken out of clusters analysis are not always significant and therefore it requires a deeper confirmation based on a wider sample beyond the exploratory one here used.

As regards the structure of the research it is hopefully an extension in order to investigate better the constructs of satisfaction which find only partially explanation as regards the variance in the data gathered.

References

- Anderson J.C. and Narus J.A. (1990), *A Model of Distributor Firm and Manufacturer Firm Working Partnerships*, Journal of Marketing, 54 (January), 42-58.
- Anderson J.C. e Gerbing D.W. (1988), *Structural Equation Modeling in practice: A new and recommended two-step approach*, Psychological Bulletin, 103 (may), 411-423
- Biddle, B. (1979), *Role Theory: Expectations, Identities and Behaviors*, Academic Press Inc., New York, NY.
- Bollen K.A. (1990), *Overall fit in covariance structure models: Two types of sample size effects*, Psychological Bulletin 107(2)
- Buzzavo L. and Pizzi C. (2005), *Trade Marketing and Vertical Restraints: The Case of Automotive Distribution in Italy*, paper presented at the IV International Marketing Congress Italy-France. Marketing trends in Europe, Paris 2005 January 21-22

- Carson S.J., Madhok A., Varman R. and John G. (2003), *Information Processing Moderators of the Effectiveness of Trust-Based Governance in Interfirm R&D Collaboration*, *Organization Science*, 14 (1), 45-56.
- Churchill G.A. Jr (1979), *A paradigm for developing better measures of marketing constructs*, in *Journal of marketing research* 16 February
- Corbetta P. (2001), *Metodi di analisi multivariata per le scienze sociali: i modelli di equazioni strutturali*, il Mulino Bologna
- Corsten D. and Felde J. (2005), *Exploring the Performance Effects of Key-Supplier Collaboration*, *International Journal of Physical Distribution & Logistics Management*, 35 (6), 445- 461.
- Dant R.P. and Schul P.L. (1992), *Conflict Processes in Contractual Channels of Distribution*, *Journal of Marketing*, 56 (January), 38-54.
- Frazier G.L. and Summers J.O. (1984), *Interfirm Influence Strategies and Their Application within Distribution channels*, *Journal of Marketing*, 48 (Summer), 43-55.
- Frazier G.L. and Summers J.O. (1986), *Perceptions of Power Use in Franchised Channels*, *Journal of Marketing Research*, 23 (May), 228-236.
- Geyskens I., Steenkamp J.B.E.M. e Kumar N. (1999), *A Meta-analysis of Satisfaction in Marketing Channel Relationships*, *Journal of Marketing Research*, 63 (May), 223-238.
- Hall R.H., Haas J.E. and Johnson N.J. (1967), *Organizational Size, Complexity, and Formalization*, *American Sociological Review*, 32, 903-911.
- Heide J.B. e Milner A.S. (1992), *The Shadow of the Future: Effects of Anticipated interaction and Frequency of Contact on Buyer-Seller Cooperation*, *Academy of Management Journal*, 35, 265- 291.
- John G. (1984), *An Empirical Investigation of Some Antecedents of Opportunism in a Marketing Channel*, *Journal of Marketing Research*, 48 (August), 278-289.
- Koza K.L. and Dant R.P. (2007), *Effect of relationship climate, control mechanism and communications on conflict resolution behavior and performance outcomes*, Working Paper; www.ssrn.com
- Koza, K.L. (1995), *Task Structure, Communication and Role Perceptions: Their Impact on Inter-Organizational Interdependence*, *AMA Educators' Proceedings: Enhancing Knowledge Development in Marketing*, (Summer): 387-399.
- Lado A., Dant R.P. and Tekleab A.G. (2007), *Trust-opportunism paradox, relationalism and performance in interfirm relationships: evidence from the retail industry*, Working Paper issued on www.ssrn.com
- Mohr J. and Spekman R. (1994), *Characteristics of Partnership Success: Partnership Attributes, Communication Behavior and Conflict Resolution Techniques*, *Strategic Management Journal*, 15: 135-152.
- Mohr J. and Nevin J.R.(1990), *Communication strategies in marketing Channels: a theoretical Perspective*, *journal of marketing* October 1990
- Mohr J., Fisher R. and Nevin J.R. (1996), *Collaborative Communication in Interfirm Relationships: Moderating Effects of Integration and Control*, *Journal of Marketing*, 60 (3), 103- 16.
- Moorman C., Zaltman G. and Deshpandè R. (1992), *Relationship Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations*, *Journal of Marketing Research*, 29 (august) pp.314-329.
- Nadin G. (2008 a), *Creazione e sviluppo della fiducia nelle relazioni fra fornitore e distributore in contesti di canale organizzato: esperienze nel settore automobilistico*, Unpublished Doctoral Dissertation, Milan, Italy: Catholic University.
- Nadin G. (2008b), *Dealer-carmaker relationship: the theories of the duality of trust and of power-dependence*, *International Journal of Automotive Technology and Management*, Vol. 8, No. 1, 2008
- Nadin G. (2008c), *Managing relationship in the distribution networks: evidence from the automotive market*, paper presented at the 8th Global Conference on Business & Economics Florence Italy 18th and 19th October 2008
- Nunnally J. (1967), *Psychometric Theory*, New York, Mc Graw Hill
- Ring P.S. e Van de Ven A.H. (1994), *Developmental Processes of Cooperative Interorganizational Relationships*, *Academy of Management Review*, 19 (1): 90-118.
- Ritter T. e Ford D. (2004), *Interaction between suppliers and customers in business markets*, in Hakansson H., Harrison D. e Waluszewski A. *Rethinking marketing* John Wiley & Sons Chichester

Solomon, M., Surprenant, C., Czepiel, J. and Gutman, E. (1985), "A role theory perspective on dyadic interactions; the service encounter", *Journal of Marketing*, Vol. 49, Winter, pp. 99-111.

Volpato G. (1999), *La riorganizzazione della distribuzione automobilistica tra globalizzazione della concorrenza ed esigenze personalizzate della clientela*, Paper presented at the 1999 AIDEA conference.

Volpato G. and Buzzavo L. (2003), *European Automotive distribution; the battle for selectivity and exclusivity is not over* in Freyssenet, Shimizu and Volpato, *Globalisation or Regionalisation of the European car industry?* Gerpisa, Palgrave