

## **SESSION 6.1: BEHAVIORAL ISSUES IN DISTRIBUTION CHANNELS**

### **THE EFFECT OF SUPPLIER COMMITMENT ON CHANNEL PERFORMANCE**

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#### **ABSTRACT**

Channel relationships are often characterized by discord and a lack of cooperative behaviors, making the study of channel performance a priority. Previously, authors have attributed positive channel outcomes to the presence of relational norms, the use of specific monitoring and control mechanisms, the structure of the marketing organization, and the degree of collaborative communication in the relationship. While these factors are clearly important, they ignore the contribution of firms' attitudinal bonding toward one another. The primary purpose of this paper is to conceptualize and test a model that links a supplier's commitment to a focal reseller to channel performance. More specifically, we demonstrate that the nature of commitment is a key factor in determining the partners' ability to succeed in the reseller's territory.

Commitment among channel members is based on both, emotional, social reasoning and on rational, economic reasoning. This suggests two dimensions of attitudinal commitment, calculative commitment and loyalty commitment, which are related to one another through the notion of continuance, an understanding that the relationship will continue into the future. Calculative commitment is the supplier's attachment to a reseller based on a recognition of the sacrifices involved in switching to an alternative means of distribution. Loyalty commitment is an obligation to a specific reseller that exceeds contractual obligations and industry norms, and is based on an identification with the reseller's goals and values. Commitment theory provides a useful explanation for channel performance because commitment explains differences in how actors engage in important actions and organizing behaviors that contribute to organizational outcomes.

Six hypotheses are developed which specify the relationships among the two dimensions of commitment and three measures of channel performance (channel ability, conflict, and contribution to profit). The model is tested utilizing a structural equation modeling technique on a data set of 314 channel executives. All constructs are measured using multiple item scales. A measurement model is derived prior to testing the restricted structural model. The structural model exhibits excellent overall and incremental fit measures and the parameter estimates indicate the acceptance of all six hypotheses. By examining two dimensions of commitment we find positive performance implications for a firm committed out of loyalty, and negative performance implications for a firm committed for calculative reasoning. From a research perspective the findings highlight the importance of considering a multi-dimensional conceptualization of attitudinal commitment. From a managerial perspective, firms should be aware that a committed relationship does not necessarily portend the existence of a successful relationship.