

# Partnering Relationship Activities: Building Theory from Case Study Research

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*Both qualitative and quantitative techniques are used to gain an understanding of partnering activities in manufacturer-distributor relationships. This article is a meta-analytic summary of data gained from semi-structured interviews conducted by multiple teams of researchers. The process of building theory from case study research is illustrated in the context of business marketing relationships using guidelines developed by Eisenhardt (1989). Based on the results of our analyses, partnering activities are generally geared more toward marketing, planning, and communication between firms. Surprisingly, there were few reported incidences of partnering activities in logistics and information exchange (i.e., electronic access to information between firms). J BUSN RES 1997. 39:59-70 © 1997 Elsevier Science Inc.*

The purpose of this research is to formulate an inductive model of business partnering relationship activities using qualitative data in the form of case studies. Working forward from the literature review presented by Fontenot and Wilson (1997, this issue) and the case "observations" from various researchers, an inductive theory development perspective is adopted as we move from data to theory. This approach is an alternative to the more familiar positivistic traditions of theory development which tend to be used in this particular domain in marketing (e.g., Anderson and Narus, 1990; Morgan and Hunt, 1994). Because there is a solid base of deductively derived theoretical and empirical studies on relationships in business marketing, it is hoped that an inductively derived model may offer new insights about this phenomenon.

There are three objectives in this article. First, we illustrate, in detail, the process of building theory from case data following the procedures outlined by Eisenhardt (1989). Second, we use a relatively novel technique, "degrees of freedom analysis"

(Campbell, 1975), to statistically evaluate case data. Finally, our inductively developed model of partnering relationships is reviewed in light of four studies in the literature (Anderson and Narus, 1990; Dwyer, Schurr, and Oh, 1987; Mohr and Spekman, 1994; Morgan and Hunt, 1994).

## A Postpositivism Perspective for Theory Development

The orientation of the programmatic research on partnerships in this *Special Issue* includes the following key points. First, we are building theory, inductively, from case study data. This approach (perspective and method) is in the realm of postpositivism. "Postpositivism relies on multiple methods as a way of capturing as much of reality as possible" (Denzin and Lincoln, 1994, p.5). Thus, postpositivism is comparable to the "critical relativist" perspective described by Anderson (1986), Olson (1981), and Peter and Olson (1983), to name a few in marketing.

Historically, scholars in marketing have been trained to work under a positivistic (i.e., logical positivism, logical empiricism) orientation (Hunt, 1983; 1991). Guba (1990, p. 22) presents a simple distinction between positivism and postpositivism. "In the positivist version it is contended that there is a reality out there to be studied, captured, and understood, whereas postpositivists argue that reality can never be fully apprehended, only approximated." While a postpositive perspective does not assume an objective reality, "emphasis is placed on the discovery and verification of theories. Traditional evaluation criteria, such as internal and external validity, are stressed, as is the use of qualitative procedures that lend themselves to structured (sometimes statistical) analyses" (Denzin and Lincoln, 1994, p. 5). Such is the case in this program of research on partnering relationships.

As a final comment on postpositivism and theory development, Van Maanen (1988) maintains that theories are now

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read in narrative terms, as tales of the field. In addition, Lincoln (Denzin and Lincoln, 1994, p. 11) states that "the concept of the aloof researchers has been abandoned. More action-, activist-oriented research is on the horizon. . . . The search for grand narratives will be replaced by more local, small-scale theories fitted to specific problems and specific situations."

## Building Theory from Case Data

Case data represents one of many possible forms of inquiry for inductive theory building; other forms of data include participant observation, document analysis, in-depth interviews, field notes, etc. Eisenhardt (1989, p. 534) defines a case study as "a research strategy which focuses on understanding the dynamics present within single settings."

Stake (1994) maintains that a case is an integrated system with patterns of behavior and that greater understanding about some phenomenon may be reached by studying across cases. "Ultimately we may be more interested in a phenomenon or a population of cases than in the individual case. . . . We may simultaneously carry on more than one case study, but each case study is a concentrated inquiry into a single case" (Stake, 1994, p. 237). Such is the nature of the data in this *Special Issue*. The cases represent multiple observations about partnering and traditional buyer-seller relationships. Data in each case are examined and pooled (West and Oldfather, 1995) to note patterns of behaviors about interfirm relationships. In the remainder of this section of the article, Eisenhardt's (1989) process for developing theory from case data is reviewed in the context of business partnering relationships.

## Step 1: Getting Started

Activities in Step 1 include defining the research question and identifying *a priori* constructs that may be relevant. This allows the researcher to become grounded in whatever work is already present in the knowledge base.

### Research Questions

What is the nature of activities involved in partnering relationships between firms as opposed to more traditional (i.e., transaction-oriented) relationships? In other words, what specific activities tend to be associated with partnering relationships and what activities tend to be associated with traditional relationships?

Recalling the review of Webster's (1992) model by Fontenot and Wilson (1997, this issue), the domain for the research is toward the middle of the relationship continuum rather than at the two extremes. Partnering relationships resemble "buyer-seller partnerships" of Webster's model and what we call typical/average relationships are to the left (on that continuum) and have characteristics of transactional oriented relationships (short-term focus, adversarial behavior,

repeated transactions, more emphasis on price). See Fontenot and Wilson (1997, this issue) for details.

Our research questions, motivated by the external environment (marketplace trends), have been examined in the academic and practitioner literature. Some firms are cooperating more with channel partners in order to work more efficiently, compete more efficiently, and increase chances for long-term growth and survival (Heide and John, 1990; Mohr and Spekman, 1994). An outcome of this project is to have an inventory, or profile, of partnering activities as they are manifested in the wood products industry.

## Step 2: Selecting Cases

According to Eisenhardt (1989, p. 533), two activities occur at this stage. First, the population of interest is specified. For the present research, the population of interest is the wood products industry; particularly relationships between channel partners for wood products. Specifying a particular population helps to limit extraneous variation and sharpens external validity.

Second, the sample of cases must be determined based on their theoretical usefulness. Random sampling is not a requirement. Because distributor-manufacturer relationships in the United States and Canada were needed, we contacted research teams in both countries. Research teams that collected the data and generated the case reports contained in this *Special Issue* were selected because of their training in either marketing and/or wood science, their interest in relationship marketing topics, and their geographical proximity to the respondents.

## Step 3: Crafting Instruments and Protocols

At this stage, Eisenhardt (1989) and Yin (1989) call for multiple data collection methods to triangulate evidence. Qualitative and quantitative data are recommended to offer a synergistic view of the research phenomenon. Multiple investigators should be included to foster divergent perspectives; further grounding the research in reality (Strauss and Corbin, 1994).

### Data Collection Instruments: Prediction Matrix and Semi-Structured Questionnaire

Eisenhardt (1989, p. 536) recommends a *a priori* development of constructs for the emerging theory. "A priori specification of constructs can also help to shape the initial design of theory building research. . . . If these constructs prove important as the study progresses, then researchers have a firmer empirical grounding for the emergent theory." Thus, relevant theoretical constructs to be included in the present study (trust, cooperation, commitment, communication, and power) were identified from the literature (see Fontenot and Wilson, 1997, this issue).

From these unobservable constructs, we then developed an inventory of representative activities thought to be associated with partnering relationships. For example, cooperation (theoretical construct) may be reflected by joint working between firms such as sales training activities, cooperative advertising and dealer promotions, and product line management (e.g., development of new products, deletion decisions). Trust may be reflected by non-opportunistic behavior in pricing. Communication is assumed to be reflected in information exchange activities such as allowing access to computer files for manufacturer and distributor, use of electronic data interchange (EDI), and frequency of interaction, to name a few. A full discussion of the development of the prediction matrix and its associated research conjectures is contained in Fontenot and Wilson (1997, this issue); the matrix is shown in Table 1.

Open-ended questions, written to address each cell of the matrix, are presented in the Appendix. The research teams were given a blank version (i.e., no predictions) of the matrix and asked to summarize the results of their in-depth interviews into yes/no answers after all interviews with respondent(s) had been completed. This information is the basis for the degrees-of-freedom analysis, explained later.

### Questionnaire Overview

The final questionnaire consisted of four parts. First, respondents were asked general demographic information about their company. Next, the distributor informant was asked to identify his/her firm's best relationship with a manufacturing principal. The partnering activities questions were asked in the context of this relationship. Third, the respondent was asked to identify a principal with which the distributor firm had an average/typical relationship. The activities questions were asked again in the context of this average/typical supplier relationship. Finally, the respondent was asked to complete 30 scaled items to gain additional measures about the partnering and average relationships. These items were adapted from Han and Wilson (1993), Kumar, Scheer, and Steenkamp (1994), and Vlosky and Wilson (1994).

The questionnaire was reviewed by two expert judges (not the authors). Problems with question wording and other minor corrections were made before entering the field. The general format and many of the relationship activities questions were also pretested in earlier studies (Vlosky, 1993).

### Protocol

Teams were instructed to obtain answers to all the questions on this questionnaire but could also ask additional questions of their own to facilitate understanding about their particular distributor's situation and the case writing process, in general. Given the depth of the questionnaire, most research teams visited the distributor respondent on multiple occasions to gather all the data.

Following Eisenhardt's guidelines, semi-structured questions offer qualitative data and scaled items are quantitative

data. Multiple investigators developed the questionnaire while a different set of individuals/teams completed the site visits with respondents and wrote the cases according to their perceptions and perspectives.

## Step 4: Entering the Field

Potential respondents for each research team were contacted by the project coordinators by phone and letter. Respondents were informed about the project and encouraged to participate. The local researcher/team was identified so that the respondent would expect a follow-up call to set up an appointment.

Of 18 research teams initially recruited, the final sample of cases ( $n = 10$ ) represents those that completed the task of field work and case writing. In some cases there were problems in getting cooperation from the respondents and in other cases the researchers had to decline to participate due to other commitments. The six teams that completed the interviews and case writing, worked with a cross section of wood products distributors in the United States and Canada. While most teams studied one partnering relationship and one average relationship for a focal distributor and its principals, Paun (this issue) collected case data on five partnering and five average relationships between a distributor and its principals. Thus, we have 10 case study observations to note patterns and consistencies within relationship systems, using Stake's (1994) definitions.

At this point, the issue of sample size deserves comment. Case study researchers trained in qualitative methods maintain that even one observation/case is sufficient for improving understanding (Stake, 1994). Eisenhardt (1989, p. 535, Table 2) reviews seven recent examples of inductive case study research. The original articles focused mostly on organizational behavior topics. Samples of organizations/cases range from one (researched over multiple time periods) to eight. One study dealt with bringing technical innovations to market and included 10 observations/cases. So, our sample of ten case study observations is comparable to other studies employing a qualitative, case-oriented methodology.

## Step 5: Analyzing Data

We use an "embedded design" for analyzing the data; that is, multiple levels and types of analysis are employed within a single study/project (Yin, 1989). First, a degrees of freedom analysis is used to note the patterns of reported behavior in partnering and transactional relationships. Second, the quantitative (scale-item) data are statistically summarized. Before a specific discussion of the findings, a brief overview of the degrees of freedom technique is offered.

### Degrees of Freedom in Case Study Research

In statistics, the phrase "degrees of freedom" refers to the number of parameters being estimated for a test of a model.

**Table 1.** The Prediction Matrix of Relationship Activities

Relationship Activity	Indicator*	Partnering Supplier	Typical/Average Supplier
Programs	Development of new product or service programs?	Yes	No
	Joint programs to market manufacturer's products?	Yes	No
	Involvement in product deletion decisions?	Yes	No
Pricing	Offer trade discounts?	More generous than normal	Industry norm only
	Special pricing problems?	No	Yes
	Claim policy?	Better than industry norm	Industry norm
	Payment terms?	Better than industry norm	Industry norm
Logistics	Typical shipment size?	LTL accommodated	Full truck load required
	JIT inventory management?	Yes	No
	Method of transportation	Truck or other options	Truck only
	FOB mill or FOB delivered?	FOB mill	FOB delivered
Dealer Promotion	Supplier featured in promotional literature?	Yes	No
	Sharing of customer lists with supplier?	Yes	No
	Sales volume incentives offered by supplier?	Better than industry norm	Industry norm
Advertising	Co-op advertising?	Yes	No
Salesforce Activities	Joint sales training?	Yes	Little to none
	Joint sales calls to distributors customers?	Yes	No
	Joint performance reviews of supplier's salesforce?	Yes	No
	Joint performance reviews of distributor's salesforce?	Yes	No
	Joint customer lead development for distributor?	Yes	No
Marketing Planning	Conduct joint marketing planning with supplier?	Yes	No
	Does supplier request a written marketing plan?	Yes	No
Performance Reviews	Conduct annual performance reviews with supplier?	Yes	No
Manufacturing	Does supplier configure shipments to your specs?	Yes	No
	Does supplier use/offer UPC bar coding?	Yes	No
	Does supplier manufacture products to your specs?	Yes	No
	Does supplier offer special packaging services?	Yes	No
Communication	Does distributor visit supplier?	Yes	No
	Does supplier visit distributor?	Yes	No
	Seek out supplier at tradeshow or association meetings?	Yes	No
Information Exchange	Does supplier have access to distributor's computer files?	Yes	No
	Does distributor have access to supplier's computer files?	Yes	No
	Face-to-face communication frequency	Multiple times per week	Less than once per week
	Telephone communication frequency	Multiple times per day	Once per day or less
	Electronic communication frequency	Multiple times per day	Once per day or less
	Which department mostly communicates with supplier?	Multiple departments	Purchasing
	Other departments that communicate with supplier?	Multiple departments	Senior management
Use of EDI between supplier and distributor?	Yes	No	

\* See the Appendix for a complete list of the semi-structured interview questions as they relate to cells of this prediction matrix.

Campbell (1975) maintains that a researcher can test predictions (propositions or hypotheses) about some phenomenon using observational (case) data by matching expectations (parameters) to the observed outcome.

In a case study done by an alert social scientist who has thorough local acquaintance, the theory he uses to explain the focal difference also generates predictions or expectations on dozens of other aspects of the culture, and he does not retain the theory unless most of these are also

confirmed. In some sense, he has tested the theory with *degrees of freedom* [emphasis added] coming from the multiple implications of any one theory. The process is a kind of pattern-matching in which there are many aspects of the pattern demanded by theory that are available for matching with his observations on the local setting. (Campbell, 1975, pp. 181-2).

Our central thesis (reflected in the prediction matrix) is that different patterns of events occur and are associated with

partnerships compared to traditional/typical relationship interactions between firms. We do not expect the case data to be "clean" in that all predictions are confirmed for each type of pattern. Some partnership relationships may contain activities that would be expected in the transaction relationship and vice-versa. However, we expect the partnership activities to be confirmed by the partnership supplier in more cases than one would expect by chance alone.

Similarly, we expect the transactional activities to be present for transactional suppliers in more cases than would be expected by chance. A critical test (Carlsmith, Ellsworth, and Aronson, 1976) can be done by noting the relative "fit" of the case report data to our predictions. In particular, a simple *z*-test is employed to note whether the "hit rate" proportion is significantly different from 50% (assumed to be expected by chance).

Campbell's (1975) "degrees-of-freedom" approach has been used by Dean (1986) and Wilson and Wilson (1988). In both of these studies, case data were used to note the relative fits of four competing theories of organizational decision making (the rational model; bounded rationality model; political process model; garbage can model). Both studies found that the bounded rationality model tended to have a better fit to the data compared to the other theories. These two field research applications of theory testing using degrees-of-freedom and case data represent important steps in development of an applied epistemology—an integration of qualitative and quantitative knowing.

### Degrees of Freedom Analysis Results

Table 2 contains information to evaluate the partnering supplier relationship predictions. Each prediction is included in the table along with the proportion of hits (matches) based on the case data. Sample sizes range from a high of 10 observations since there were 10 cases (recall that Paun reported five while the other teams reported one each) to a low of five observations. This discrepancy is because in some cases, questions were not applicable to the particular relationships studied.

The notes in Table 2 aid interpretation. The significance of the proportion of hits for each prediction is evaluated using a sign test (Siegel, 1956). As shown in the note at the end of the table, predicted partnering activities denoted "++" were observed in a significant number of case observations ( $p < .05$ ). For example, joint programs to market the manufacturing principal's products were present in eight of the 10 cases (80% hit rate). Predicted partnering activities denoted "+" were observed in more than half the cases; this result is consistent (directionally) with the prediction matrix but not statistically significant by a sign test. Lack of directional and statistical support are also noted in Table 2.

Overall, an evaluation of the prediction matrix and patterns from the case data are assessed using an adjusted average of the hit rate weighted by the sample size. This adjusted average hit rate of predictions to observations is 53%; thus, our predictions for partnering relationship activities are confirmed ap-

proximately half the time. While not statistically significant, this analysis does point out some interesting implications about the nature of partnering relationships, discussed in detail in the next section.

Table 3 contains details for the predictions and observations for the typical/average relationship based on the case data. Sample sizes here ranged from a high of nine (Kozak and Cohen [1997, this issue] only examined partnering relationships in interviews with their local respondent) to a low of four (again, not all questions were relevant to all respondents). Results in Table 3 are interpreted similarly to those in Table 2 (use of a sign test and significance levels, etc.).

The weighted average hit rate of predictions to observations for typical suppliers is 64%; a significant number of matches between predictions and observations ( $p < .05$ ). This finding is not surprising; the typical relationship between distributors and manufacturers is generally thought of as "the rule" while partnering relationships represent "exceptions to the rule." Thus, our predictions of partnering relationships are interesting in what activities are involved. The typical relationship is relatively less interesting because many of the predictions were for no activity and uninvolvement between firms.

### Scale Analysis Results

Thirty scale items were included at the end of the questionnaire. Constructs examined were dependence, comparison level of alternatives/suppliers ( $CL_{alt}$ ), relationship specific investments, information exchange, trust, and commitment. Table 4 contains descriptive information regarding these data.

Data analyses for the six scales includes assessments of reliability (coefficient alpha) for partnering supplier responses and typical supplier responses. One item was dropped from two of the scales (dependence and  $CL_{alt}$ ) before paired-mean comparisons were conducted. All of the scales exhibited accepted levels of internal consistency (Nunnally, 1967).

Responses for each scale item (5-point, strongly agree—strongly disagree) were summed to provide a scale mean. Means for partnering supplier responses were compared to means for typical supplier responses via a *t*-test for paired samples. Recall that we have data on both partnering and typical suppliers from nine of ten cases. Thus, the *t*-tests are based on nine observations and have eight degrees of freedom.

Statistical support was found for information exchange and commitment with partnering supplier means significantly greater than typical supplier means. For dependence,  $CL_{alt}$ , and relationship investments, the means were in the expected direction and statistical support was marginal ( $p = .10$  approximately). The results for the  $CL_{alt}$  scale make sense because the item wording reflects higher scores for traditional suppliers (many alternatives in the market) and lower scores for partnering suppliers (see the Appendix for further details). Directional support was found for the comparisons of means on the trust scale but the difference was not significant.

**Table 2.** Degrees of freedom analysis for partnering supplier relationship predictions

Relationship Activity	Indicator*	Prediction	Hits (%)	Sample Size (n)	Significance*
Programs	Development of new product or service programs?	Yes	70	10	+
	Joint programs to market principal's products?	Yes	80	10	++
	Involvement in product deletion decisions?	Yes	30	10	-
Pricing	Offer trade discounts?	Yes	80	10	++
	Special pricing problems?	No	80	10	++
	Claim policy?	Better than industry norm	60	10	+
	Payment terms?	Better than industry norm	20	10	—
Logistics	JIT inventory management?	Yes	10	10	—
	FOB mill or FOB delivered?	FOB mill	20	10	—
Dealer Promotion	Supplier featured in promotional literature?	Yes	20	10	—
	Sharing of customer lists with supplier?	Yes	20	10	—
	Sales volume incentives offered by supplier?	Better than industry norm	50	10	0
Advertising	Co-op advertising?	Yes	50	10	0
Salesforce Activities	Joint sales training?	Yes	70	10	+
	Joint sales calls to distributor's customers?	Yes	70	10	+
	Joint performance reviews of supplier's salesforce?	Yes	20	10	—
	Joint performance reviews of distributor's salesforce?	Yes	10	10	—
	Joint customer lead development for distributor?	Yes	100	10	++
Marketing Planning	Conduct joint marketing planning with supplier?	Yes	60	10	+
	Does supplier request a written marketing plan?	Yes	0	10	—
Performance Reviews	Conduct annual performance reviews with the supplier?	Yes	70	10	+
Manufacturing	Does supplier configure shipments to your specs?	Yes	100	5	**
	Does supplier use/offer UPC/Bar coding?	Yes	20	5	**
	Does supplier manufacture products to your specs?	Yes	100	5	**
	Does supplier offer special packaging services?	Yes	40	5	**
Communication	Does distributor visit supplier?	Yes	100	10	++
	Does supplier visit distributor?	Yes	100	10	++
	Seek out supplier at tradeshow or association meetings?	Yes	100	10	++
Information Exchange	Does supplier have access to distributor's computer files?	Yes	20	10	—
	Does distributor have access to supplier's computer files?	Yes	20	10	—
	Face-to-face communication frequency	Multiple times per week	20	5	**
	Telephone communication frequency	Multiple times per day	90	10	++
	Electronic communication frequency	Multiple times per day	40	5	**
	Which department mostly communicates with supplier?	Multiple departments	40	5	**
	Other departments that communicate with supplier?	Multiple departments	40	5	**
	Use of EDI between supplier and distributor?	Yes	30	10	-

\*The test of statistical significance is a sign test (Siegal, 1956) using the following indicators:

++ the partnering relationship prediction is supported both directionally and statistically ( $p < .05$ )

+ the partnering relationship prediction is supported directionally

- the partnering relationship prediction is not supported directionally

— the partnering relationship opposite to that predicted is supported statistically ( $p < .05$ )

\*\*No statistical testing inferences are made in these cells due to the small number of observations.

The weighted average hit rate of predictions to observations is 53%; that is, our predictions for partnering relationship activities are confirmed approximately half the time. By a z-test, this proportion of hits to misses is not significant.

## Discussion of Findings

Based on the analyses, not all activities in our prediction matrix were confirmed. Thus, partnering between firms is not a global practice. We found certain dimensions with a lot of activity and other dimensions with very little activity. For example, from the degrees of freedom analysis, activity predictions tended to be confirmed for two items regarding marketing programs (joint marketing efforts and new

product development). We did not find a pattern of activity for making product line deletion decisions. This may be because of the distributor's unwillingness to let the partnering principal have too much control over relatively proprietary decisions.

Joint activity tended to be present for pricing decisions (trade discounts). Most (80%) firms indicated that the partnering principal offered trade discounts and there did not tend

**Table 3.** Degrees of freedom analysis for typical/average supplier relationship predictions

Relationship Activity	Indicator	Prediction	Hits (%)	Sample Size (n)	Significance*
Programs	Development of new product or service programs?	No	100	8	++
	Joint programs to market principal's products?	No	56	9	+
	Involvement in product deletion decisions?	No	100	9	++
Pricing	Offer trade discounts?	Industry norm only	44	9	-
	Special pricing problems?	Yes	89	9	++
	Claim policy?	Industry norm	89	9	++
	Payment terms?	Industry norm	100	4	**
Logistics	JIT inventory management?	No	100	9	++
	FOB mill or FOB delivered	FOB delivered	100	4	**
Dealer Promotion	Supplier featured in promotional literature?	No	75	4	**
	Sharing of customer lists with supplier?	No	75	4	**
	Sales volume incentives offered by supplier?	Industry norm	56	9	+
Advertising	Co-op advertising?	No	44	9	-
Salesforce Activities	Joint sales training?	No	33	9	-
	Joint sales calls to distributor's customers?	No	33	9	-
	Joint performance reviews of supplier's salesforce?	No	100	4	**
	Joint performance reviews of distributor's salesforce?	No	75	4	**
	Joint customer lead development for distributor?	No	78	9	+
Marketing Planning	Conduct joint marketing planning with supplier?	No	89	9	++
	Does supplier request a written marketing plan?	No	100	4	**
Performance Reviews	Conduct annual performance reviews with the supplier?	No	89	9	++
Manufacturing	Does supplier configure shipments to your specs?	No	0	4	**
	Does supplier use/offer UPC/bar coding?	No	75	4	**
	Does supplier manufacture products to your specs?	No	25	4	**
	Does supplier offer special packaging services?	No	100	4	**
Communication	Does distributor visit supplier?	No	44	9	-
	Does supplier visit distributor?	No	22	9	-
	Seek out supplier at trade shows or association meetings?	No	67	9	+
Information Exchange	Does supplier have access to distributor's computer files	No	89	9	++
	Does distributor have access to supplier's computer files	No	89	9	++
	Face-to-face communication frequency	Less than once per week	100	4	**
	Telephone communication frequency	Once per day or less	22	9	-
	Electronic communication frequency	Once per day or less	100	4	**
	Which department mostly communicates with supplier?	Purchasing	75	4	**
	Other departments that communicate with supplier?	Senior management	25	4	**
	Use of EDI between supplier and distributor?	No	88	8	++

\*The test of statistical significance is a sign test (Siegal, 1956) using the following indicators:

++ the partnering relationship prediction is supported both directionally and statistically ( $p < .05$ )

+ the partnering relationship prediction is supported directionally

- the partnering relationship prediction is not supported directionally

- the partnering relationship opposite to that predicted is supported statistically ( $p < .05$ )

\*\*No statistical testing inferences are made in these cells due to the small number of observations.

The weighted average hit rate of predictions to observations is 64%; that is, our predictions for typical/average relationships are confirmed greater than half the time. By a z-test, this proportion of hits to misses is not significant ( $p < .05$ ).

to be pricing problems. Activities to maintain above average claims policies were also reported by most of the respondents.

Salesforce activities (training, joint calls, lead development) tend to involve a high degree of interfirm activity as well as marketing planning, and communication (supplier and distributor visits, tradeshow). Evidence of joint marketing planning was evident (6 of 10 cases) but no distributor respondents, however, reported that their partnering supplier requested a

written marketing plan. Thus, planning activity is probably somewhat informal. Annual reviews of a general nature (not the salesforce) were reported for a majority of respondents (70%).

There was little reported activity in five areas outlined in the prediction matrix; this is probably because of the nature of the wood products market environment—a resource based commodity industry. First, very little logistics activity was reported between distributors and their manufacturing princi-

**Table 4.** Scale Data Analysis

Construct/Scale (no. of items in original scale)	Final no. of items	Coefficient Alpha: Partnering Responses	Coefficient Alpha: Typical Responses	Scale Mean for Partnering Supplier (std. dev.)	Scale Mean for Typical Supplier (std. dev.)	Test of Significance*
Dependence on supplier (5)	4	0.63	0.61	14.7 (3.5)	11.1 (3.6)	$t = 1.82, p < .11$ marginal statistical support
Comparison level of alternatives/ suppliers (4)	3	0.70	0.66	7.11 (3.0)	9.44 (2.6)	$t = -2.04, p < .08$ marginal statistical support**
Relationship investments (5)	5	0.70	0.71	18.4 (4.3)	14.1 (4.0)	$t = 1.90, p < .10$ marginal statistical support
Information exchange (2)	2	0.96	0.78	8.11 (1.8)	5.6 (2.4)	$t = 2.75, p < .03$ directional and statistical support
Trust (7)	7	0.85	0.88	27.7 (5.2)	26.1 (7.4)	$t = 0.52, p < .60$ directional support only
Commitment (7)	7	0.84	0.92	22.00 (2.7)	16.8 (4.9)	$t = 2.5, p < .04$ statistical and directional support

\* Tests of mean differences were based on nine observations; thus, eight degrees of freedom are associated with each  $t$ -test for paired samples.

\*\* The scale items for Comparison level of alternatives/suppliers were worded in such a way that higher scores correspond to typical suppliers and lower scores correspond to partnering suppliers. Thus, the means are in the anticipated direction. See these items in the Appendix.

pals. Only one firm reported joint activity for just-in-time inventory. Most principals did not make any efforts to eliminate risk in shipments of products; eight of 10 reported shipping products FOB mill rather than FOB distributor's location. Weitz and Jap (1995) maintain that distribution is possibly the final frontier for gaining competitive advantage; suppliers of wood products could use this as a positioning tool to gain market share.

Second, little activity was reported in the area of distributor promotions. Suppliers do not tend to be featured in the distributor's promotional literature, nor do distributors share customer lists with suppliers. Some (50%) respondents reported sales volume incentives from the supplier. Third, cooperative advertising was only reported by half (50%) of the respondents.

These findings, again, reflect the realities of the wood products industry. Because distributors and suppliers are often viewed as potential competitors (regardless of channel status), sharing of marketing resources (promotions, customer lists, advertising dollars) is rare. While not a source of partnering activity now, dealer promotions and cooperative advertising activities, like logistics, could be areas for future development as the competitive environment becomes increasingly hostile.

Fourth, special manufacturing activities are not widely supported (we had complete data in only five cases; thus these findings are preliminary, at best). For example, UPC bar coding was not widely used (one of five firms) nor were special packaging services (two of five firms). These findings are not surprising, considering the nature of the industry. Vlosky and Smith (1994) report that distributors tend to be relatively

slow to adopt new technologies. When they do, the primary reason is that downstream retail customers are forcing them to adopt the new technologies. Thus, as distributor partnerships evolve as part of competitive positioning, firms in the wood products sector will need to develop internally driven technology strategies (Vlosky, 1995).

Finally, information exchange activity was primarily via telephone rather than electronically. Very few respondents reported having computer access to the principal or vice versa (20%). Face-to-face communication was not a predominant activity, nor was electronic communication by fax (two of five firms). Departments that reported to the supplier were usually purchasing (based on open-ended responses) and in one case, sales. Other departments communicating with the supplier were reported to be senior management, finance, and accounting across the cases. Use of EDI was not prevalent (30%) among partnering relationships studied.

Based on these results, one conclusion is that our case data exhibit a high level of external validity; the realities of the wood products industry are reflected in our findings. For example, Vlosky and Smith (1994) have reported low level of adoption of technological innovations among distributors. Our findings support this point in the manufacturing and information exchange areas, in particular.

## Step 6: Shaping New Research Promotions

In reviewing the findings of Table 2, a posterior (*post-hoc*) profile of partnering activities in the wood products industry



**Table 5.** A Posterior Profile of Partnering Relationship Activities

Activity	Indicator	Prediction
Programs	Development of new product or service programs?	Yes
	Joint programs to market principal's products?	Yes
Pricing	Offer trade discounts?	Yes
	Special pricing problems?	No
	Claim policy?	Better than industry norm
Salesforce activities	Joint sales training?	Yes
	Joint sales calls to distributor's customers?	Yes
	Joint customer lead development for distributor?	Yes
Marketing planning	Conduct joint marketing planning with supplier?	Yes
Performance reviews	Conduct annual performance reviews with supplier?	Yes
Manufacturing	Does supplier configure shipments to your specs?	Yes
	Does supplier manufacture products to your specs?	Yes
Communication	Does distributor visit supplier?	Yes
	Does supplier visit distributor?	Yes
	Seek out supplier at trade shows or association meetings?	Yes
Information exchange	Telephone communication frequency	Multiple times per day

is developed and shown in Table 5. Researchers may find this summary of interest in formulating more formal research propositions and conducting future research on partnering activities in other business-to-business contexts. Practitioners may gain insight on the particular types of partnering activities that should be expected or cultivated among potential relationship candidates.

### Latent Constructs

Respondents completed the scale items for the latent constructs in relation to their focal partnering supplier as well as their typical supplier. The results in Table 4 corroborate, in general, the findings in the degrees of freedom analysis. For example, means for trust and commitment are greater, as expected, for partnering suppliers versus typical suppliers. The various joint marketing, selling, planning, pricing, and communication activities help to establish these outcomes over time. Information exchange is also significantly greater for partnering suppliers. This is consistent with the degrees of freedom findings regarding communication, in particular, since personal (telephone) communication activities were more prevalent than technology-based forms of information exchange (sharing computer files and EDI).

Distributor dependence on the partnering supplier,  $CL_{dt}$ , and investment in the relationship were supported directionally and marginally significant statistically. Again, a number of activities may reflect these unobservable constructs. The dependence of the distributor on the supplier (due to the lack of suitable alternatives and/or because of investments made) would foster collaborative activities for the mutual benefit of the firms.

### Step 7: Enfolding the Literature

How do our findings compare with studies in the literature? In this section, we return to the literature to note consistencies with and departures from the findings of earlier research. We found support for many of the latent constructs used by other researchers (i.e., Mohr and Spekman, 1994; Morgan and Hunt, 1994). For example, distributors and their supplier partners (compared to typical suppliers) tended to engage in more joint activity in marketing programs. This requires cooperation and reflects the mutual commitment of the two firms. It was interesting to find that this joint effort is expended to a point; joint involvement by partnering firms in product deletion decisions, for example, did not tend to be practiced.

Cooperation was also reflected for partnering firms by joint promotional activities, joint salesforce activities, and joint marketing planning between the manufacturing principal and distributor. Again, this cooperation only goes to a point. While joint salesforce activities included training and calls, it did not include joint performance reviews of the salesforce on either side of the dyad. In the case of marketing planning, cooperation was evident in the form of informal planning but not formal planning; no *written* plan was requested by the manufacturing principals.

Trust and forbearance from opportunism were evident from the pricing activities (trade discounts, lack of pricing problems, and good claims policies on returns) which is supportive of Anderson and Narus (1990). Joint performance reviews reflect functional conflict between the partnering firms. While we did not examine problem solving activities specifically, the presence of functional conflict is supportive

of Mohr and Spekman's (1994) findings for conflict resolution methods among firms in successful partnerships.

Findings for communication are consistent with Mohr and Spekman (1994) with partnering firms exhibiting higher levels than firms in a typical buyer-supplier relationship. However, the principals and distributors still do maintain some distance in terms of the information exchange that takes place. For example, few firms reported having computer access to their partner's firm and few reported use of EDI. This reflects a limit to our inventory of partnering activities.

Contrary to the research conjectures (see Fontenot and Wilson, 1997, this issue), benefits of the partnership do not come in the form of dealer promotions, cooperative advertising, logistics services, or information exchange. These findings do, however, reflect the nature of the wood products industry. Although not specifically stated as research conjectures, benefits to the distributor firms are in the whole working relationship and all that it entails (better prices and terms in many cases, and increased efficiencies from joint activities, in general).

Activities of partnering firms approach the expansion and commitment phases of Dwyer, Schurr, and Oh's (1987) model while traditional (typical) manufacturer-distributor relationships are oriented toward the awareness and exploration phases. Our study has addressed Dwyer, Schurr, and Oh's (1987) call for more research on the later stages of the relationship model.

## Step 8: Reaching Closure

Two issues should be considered at this point: when to stop adding cases and when to stop iterating between theory and data. For the purposes of the research reported here, we have the cases from the authors and no others at this time. It would be worthwhile to collect a few more data points to address cells in our matrix with fewer than 10 observations. In our opinion, theoretical saturation on several issues has not been attained (the usual criterion for determining that one has enough cases) due to small n's in some cells. Although Eisenhardt (1989) maintains that between four and 10 cases is usually sufficient, we would be more confident if perhaps five to seven additional case observations could be incorporated into the analyses. Because more observations are warranted, additional iterations between theory and data are also necessary. These additional cases would represent new data for comparison to both the *a priori* and *posterior* prediction matrices.

## Conclusion

Mohr and Spekman (1994, p. 148) maintain that firms are generally unprepared about managing partnering relationships and "research has not systematically addressed the array of skills needed to help ensure that partners' mutual goals are achieved." Thus, we offer an in-depth look at specific activities as manifested between manufacturer-distributor firms in part-

nering relationships and contrasted those to the activities of typical manufacturer-distributor relationships. The insights from this inductive study will further the development of a partnering skills inventory for these and other relationship forms.

Because our study is specific to the wood products industry, we encourage future research to address partnering activities in other business-to-business contexts. Both inductive and deductive approaches can be used to achieve this goal. Aside from the substantive contribution, this research provides an illustration of how qualitative techniques can be used to build an inductive (i.e., grounded) model.

While a substantial number of studies using postpositivistic methods have been done in marketing, most tend to be in consumer contexts (e.g., Belk, Sherry, and Wallendorf, 1988; Belk, 1992). Because relationships, in general, are a uniquely human experience, we echo Olson's (1981) call for encouragement of those scholars who want to use an alternative epistemology (as opposed to traditional logical-empirical methods). Future research from a variety of theoretical perspectives (deductive or inductive, positivistic or postpositivistic) and methods (qualitative and quantitative) will provide a richer understanding of the dynamics of relationships in business marketing.

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## Appendix. Data Collection Instruments

Wood products distributor respondents were asked to answer the following questions in relation to one manufacturing principal that represented an especially productive and mutually beneficial partnering relationship. Respondents were not required to name this company, but instructed to keep it in mind when answering the questions.

### Survey Questions

**Programs:** Do you work with this supplier in their development of new products or services? If yes, please share an example or two.

Do you work with this supplier in developing programs to market their products? If yes, please share an example or two.

Do you work with this supplier when making decisions about products your company wants to delete from its product line. If yes, please share an example or two.

**Pricing:** Does this supplier offer trade discounts? If yes, please share an example or two.

Do pricing problems generally occur with this supplier? If yes, please share an example or two.

Would you characterize this supplier's return or claim policy as superior, average, or below average? Why do you think this?

Does this supplier offer better than average payment terms? Please describe these credit terms.

**Logistics:** Do you conduct any sort of just-in-time (JIT) inventory management with this supplier? If so, please describe.

Do you purchase product from this supplier FOB mill or FOB your location?

**Dealer Promotion:** Is this supplier featured in any of your company's promotional literature or brochures? Briefly explain.

Do you share your customer lists with this supplier for the products you purchase from them and redistribute?

Does this supplier offer you incentives for purchasing certain volumes or reaching certain sales levels for the products you purchase? If yes, please describe these incentives.

**Cooperative Advertising:** Does your company conduct any cooperative advertising activities with this supplier? If yes, please describe.

*Salesforce Activities:* Does your company and this supplier conduct joint sales training? If yes, please describe.

Do you and this supplier conduct joint sales calls on the customers you serve for this supplier's products?

Do you and this supplier conduct joint performance reviews for their salesforce? If yes, please describe.

Do you and this supplier conduct joint performance reviews for your salesforce? If yes, please describe.

Does this supplier work with you in generating customer leads?

*Marketing Planning:* Does your company conduct joint marketing planning with this supplier? If yes, please describe.

Does this supplier request a written marketing plan from your firm?

*Performance Reviews:* Does your company conduct annual account performance reviews with this supplier? If yes, please describe.

Does this supplier configure shipments to your specifications? If yes, please describe.

Does this supplier UPC bar code the products you purchase from them?

Does this supplier manufacture products to your specifications? If yes, please describe.

Does this supplier offer any special packaging services of options to you? If yes, please describe.

*Communication:* Do people from your company typically visit this supplier's manufacturing facilities frequently, infrequently, or never? If yes, what are the nature of these visits?

Do people from this supplier ever visit you? Frequently, infrequently, or never? If yes, what are the nature of these visits?

Do people from your company seek out people from this supplier's company at tradeshow and associations meetings? Always, sometimes, or never?

*Information Exchange:* Does this supplier have access to any of your company's computer files? If yes, please describe.

Do you have access to any of your supplier's computer files? If yes, please describe.

On average, how often does your company communicate face-to-face with this supplier?

On average, how often does your company communicate on the telephone with this supplier?

On average, how often does your company communicate electronically with this supplier?

Which department in your company is most involved in communicating with this supplier?

Do other departments in your company communicate with persons in this supplier's company? If yes, name the functions and describe the communications.

Does your company conduct electronic data interchange (EDI) with this supplier?

*Typical/Average Supplier Questions:* Wood products distributor respondents were then asked to answer the same questions in relation to one manufacturing principal that represented a typical or average supplier relationship. Again, respondents were not required to name this company, but instructed to keep it in mind when answering the questions.

#### Scale Items

All items are scaled 1 = strongly disagree to 5 = strongly agree. Items denoted with an asterisk (\*) were removed for the final reliability and mean difference analyses shown in Table 4.

*Supplier Dependence:* We feel dependent on this supplier.

\*This supplier is strategically important to my company.

It would be difficult for our firm to replace the sales and profits generated by this supplier.

It would be difficult for this supplier to replace the sales and profits generated by my company.

We feel we have an equal partnership with this supplier (reverse coded).

*Comparison Level of Alternatives/Suppliers*

*Note:* Items in this scale generally are worded so that agreement is in the direction of the traditional supplier and disagreement is in the direction of the partnering supplier.

\*There are many alternative suppliers for the products we buy from this supplier.

The next best alternative to this supplier would be just as valuable to my company.

Compared to other suppliers, our relationship with this supplier is better.

There are many alternative suppliers that have the same value to my company that this supplier does.

*Relationship Investments:* It would be disruptive to my company's operations to end the business relationship with this supplier.

The investment we have made to implement a partnership with this supplier is significant.

Our total cost of switching to an alternative supplier would be very large.

The investments we have in developing a relationship with this supplier are easily transferable to other processes or operations in my company (reverse coded).

The mechanisms we have set up for the business relationship would make it difficult to end the relationship with this supplier.

*Information Exchange:* My company exchanges more information with this supplier than other suppliers.

My company shares information with this supplier that we would not share with other suppliers.

*Trust:* We feel this supplier is looking out for our interests.

Transactions with this supplier do not have to be supervised closely.

We are convinced that this supplier respects confidentiality of information received from us.

We have full confidence in the accuracy of information provided to us from this supplier.

This supplier withholds important information from us (reverse coded).

We would accept product from this supplier without manually checking for tally accuracy.

This supplier has earned our trust.

*Commitment:* We expect our relationship with this supplier to continue for a long time.

We expect our relationship with this supplier to strengthen over time.

We expect to increase our purchases from this supplier in the future.

We are willing to put considerable effort and investment into building our business with this supplier.

We have invested a lot of effort in the relationship with this supplier.

We are committed to this supplier.

The business relationship with this supplier can well be described as being a "partnership."