

# MARKETING MANAGEMENT JOURNAL

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**How Social Media Use by Salespeople Translates  
into Sales Performance: The Mediating Role  
of Sales Strategy**

*Aniefre Eddie Inyang*

**Is Store or Service Satisfaction More Important to  
Customer Loyalty?**

*Thomas L. Powers, Eric P. Jack and Seongwon Choi*

**When Good Business Relationships Go Bad: A  
Quantitative Analysis of Dark Side Variables in Mature  
Supply Chain Relationships**

*Heather Monteiro, Jacqueline K. Eastman, C. David Shepherd,  
Kevin L. Eastman, Karl Manrodt and Dora E. Bock*

## **Editorial: Thoughts on Marketing Management Journal**

### **The Current Issue:**

In the present issue, there are three regular submission manuscripts. These articles highlight the wide scope of topics that fall within the realm of Marketing Management. I want to highlight several key takeaways I gleaned from each of these articles. The first article, “How Social Media Use by Salespeople Translates into Sales Performance: The Mediating Role of Sales Strategy,” by Inyang, examines the increasing importance of social media use within a business-to-business sales context. Using a sample of salespeople, the study finds that when salespeople use social media to implement the sales strategy dimensions of customer segmentation, customer prioritization, and the use of selling models, there is a positive effect on sales performance. As social media continues to increase in importance, furthering our understanding of how it influences sales force performance will have strong implications for sales force management.

The second article is titled, “Is Store or Service Satisfaction More Important to Customer Loyalty?” and is written by Powers, Jack, and Choi. This study examines two aspects of satisfaction (store and service) on two aspects of loyalty (attitudinal and behavioral). Results from this study suggest that store satisfaction has a stronger impact on aspects of loyalty than service satisfaction. The third article, “When Good Business Relationships Go Bad: A Quantitative Analysis of Dark Side Variables in Mature Supply Chain Relationships,” was written by Monteiro, Eastman, Shepherd, Eastman, Manrodt, and Bock. The study examines five dark side relationship variables as predictors of two performance outcomes (financial and relationship duration based outcomes). The study examines both direct and interaction effects in predicting the two aspects of performance. Findings suggest the examined antecedent variables have varying effects, supporting the importance of studying the dark side of supply chain relationships.

### **Special Issue Call for Papers:**

#### **Marketing Management Journal Special Section Call for Papers Non-Traditional Doctoral Programs: The Executive Viewpoint**

The number of non-traditional AACSB accredited doctoral programs have increased in number over the last decade. Some of the programs are focused toward executive education, with the majority of their graduates remaining or continuing to climb the corporate executive ladder, often using the wording “Executive” in the degree title. Other programs are focused on utilizing past experiences of executives and then providing rigorous research-focused academic training, often highlighting the research aspects of doctoral work. This type of program finds a number of their graduates entering into tenure-track roles at AACSB accredited universities. While both types of structures provide foundations for alumni to publish in high-quality journals, the latter group often feels increased pressure to publish in high-quality peer reviewed journals when entering academic roles.

Recognizing the importance of the experiences that these executives bring into the learning environment, *Marketing Management Journal* will have a special section of the Journal designated for research conducted by students in non-traditional AACSB accredited doctoral

programs. Students currently enrolled in non-traditional AACSB accredited doctoral programs are invited to submit manuscripts to the special section. Understanding that doctoral students have excellent research ideas, but limited experience in writing for academic journals, it is strongly recommended that manuscripts be coauthored by well-established senior scholars.

Specifically, submissions for this special section should meet the following guidelines:

- 1) The lead author of the manuscript should currently be enrolled in a non-traditional AACSB accredited doctoral program.
- 2) To help facilitate the development and integration of “real world” problems for optimal academic impact, lead authors are strongly encouraged to work with a senior scholar to help facilitate the development of the manuscript in a timely fashion.
- 3) Conceptual manuscripts are encouraged.
- 4) Manuscripts should range between 3,000 and 5,000 words.
- 5) Manuscripts can focus on topics within the scope of either Marketing or Management. However, all manuscripts must have managerial implications.
- 6) A limit of three manuscripts per University (lead author) will be considered for the special section.

Special Section Review Process:

- 1) Manuscripts should be submitted by April 15, 2020, for full consideration.
- 2) *Marketing Management Journal* is a double-blind peer reviewed journal published by the Marketing Management Association.
- 3) The Editor will review all manuscripts before entering them into the review process.
- 4) At least two independent reviewers will provide feedback on a given manuscript.
- 5) To facilitate timely publication, all manuscripts receiving an offer for revision will be due within 60 days.

# **MARKETING MANAGEMENT JOURNAL**

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# **MANUSCRIPT AND SUBMISSION GUIDELINES**

## **MARKETING MANAGEMENT JOURNAL**

**January 2019**

### **Scope and Mission**

The mission of the *Marketing Management Journal* (MMJ) is to provide a forum for the sharing of the academic, theoretical, and practical research that may impact the development of the marketing management discipline. Manuscripts that focus upon empirical research, theory, methodology, and review of a broad range of marketing topics are strongly encouraged. Submissions are encouraged from both academic and practitioner communities.

### **Submission Guidelines**

Manuscripts that do not conform to submission guidelines will not be distributed for review. Authors should submit manuscripts via email to mmj@mmaglobal.org. Each submission should consist of two files:

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2. A file containing the manuscript title, an abstract of no more than 150 words, keywords, and manuscript. Author identification or affiliation should not appear anywhere in this file.

Manuscripts should be submitted using 12-point Times Roman font and should not exceed 30 typewritten pages inclusive of body, tables and figures, and references. Margins must be one inch. Preparation of the manuscript should follow style guidelines in the most recent *Publication Manual of the American Psychological Association*, 6<sup>th</sup> edition. Tables and figures used in the manuscript should be included on a separate page and placed at the end of the manuscript. Authors should insert a location note within the body of the manuscript to identify appropriate placement. Tables and figures should be constructed in table mode of Microsoft Word.

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# HOW SOCIAL MEDIA USE BY SALESPEOPLE TRANSLATES INTO SALES PERFORMANCE: THE MEDIATING ROLE OF SALES STRATEGY

ANIEFRE EDDIE INYANG, *The College of New Jersey*

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*Despite the growing importance of social media to B2B sales, not much is known about the processes through which social media use by B2B salespeople translates into sales performance. Using a sample of 162 B2B salespeople, this study examines sales strategy implementation as a mediating process through which social media use by salespeople leads to performance. Results indicate that when salespeople use social media to implement the sales strategy dimensions of customer segmentation, customer prioritization, and the use of selling models, it has a positive effect on their sales performance. The results and their implications for managers and researchers are discussed.*

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## INTRODUCTION

Social media is rapidly transforming the sales role in many B2B organizations with social media being increasingly adopted into the sales process by sales organizations worldwide. Using social media as part of the sales process is also known as social selling. Social selling is defined as “leveraging social media to find the right prospects, build trusted relationships, and ultimately, achieve your sales goals. This sales technique enables better sales lead generation and sales prospecting process and eliminates the need for cold calling” (LinkedIn, n.d.). A recent study by Forrester Research found 77% of B2B organizations have adopted or in the process of implementing social media technologies for use by their sales force (Forrester Research, 2017), and expect social media to be the dominant medium through which salespeople engage with customers and potential customers. However, the same study by Forrester Research found only 20% of sales organizations were implementing social selling effectively, an indication that it takes more than the adoption of social media technology tools for social media use by salespeople to translate in sales performance.

Due to the increased use of social media by the sales force, sales scholars have begun to research how social media is impacting the day-

to-day activities of salespeople. Prior research on the role of social media in the sales force has examined the effects of social media use on salesperson performance (Schultz, Schwepker, & Good, 2012; Rodriguez, Peterson, & Krishnan, 2012), relationship performance (Trainor, Andzulis, Rapp, & Agnihotri, 2014; Rodriguez, Ajjan, & Peterson, 2016), customer satisfaction (Agnihotri, Dingus, Hu, & Krush, 2016), competitive intelligence gathering (Itani, Agnihotri, & Dingus, 2017), and post-sale service behaviors (Agnihotri, Trainor, Itani, & Rodriguez 2017). These studies have greatly enhanced our knowledge on how social media is impacting the sales force and the outcomes it yields for salespeople who can use social media effectively. However, there still exists important gaps in the literature on how social media influences salesperson performance and their daily activities. For example, not much is known about the processes through which social media usage by salespeople leads to performance. In seeking to understand how technology tools can have an impact on salesperson performance, Ahearne and his colleagues (2008) argued technology tools do not impact performance directly, but rather through “intervening variables..... germane to the selling context ..... should indirectly influence salesperson performance” (Ahearne, Jones, Rapp, & Mathieu, 2008, p. 674). Therefore, it is not the mere usage of technology tools such as social media that leads to performance, but rather the use of these tools can improve the efficiency and effectiveness of salesperson behaviors which ultimately leads to performance. Hence, drawing on this logic, this

paper argues that sales strategy implementation is one process through which salespeople can translate social media use into performance.

Another area that has yet to be explored in the literature is how social media can assist salespeople in implementing sales strategy. Prior research has observed a disconnect between the sales strategy used by the sales force and organizational strategy (Strahle & Spiro, 1996; Cespedes, 2014). With firm strategy and business unit strategy increasingly dependent on the activities of the sales force especially in B2B organizations (Cespedes, 2014; Cron, Baldauf, Leigh, & Grossenbacher, 2014), an evaluation of how tools such as social media can help salespeople be more effective in implementing sales strategy, can help minimize the gap between the activities of the sales force and the strategic focus of the organization.

Using Task-Technology Fit theory (TTF) as a theoretical base, this study will also examine how social media usage can help salespeople implement sales strategy. Additionally, this study will examine the mediating effect of salesperson implementation of sales strategy on the relationship between social media use and salesperson performance. This study contributes to the sales literature in three ways. First, this study answers the call for more research into the “drivers” of sales strategy implementation (Panagopoulos & Avlonitis, 2010), by exploring how social media use can help salespeople implement sales strategy. With the relatively limited amount of research on how to encourage salespeople to implement sales strategy (Terho, Eggert, Haas & Ulaga, 2015), this study will examine how social media can be one method that enables salespeople to implement sales strategy effectively. Second, this study evaluates the role of salesperson implementation of sales strategy as a mediator of the relationship between social media and sales performance. Although, the effects of social media on sales performance has been studied in the literature (Schultz et al., 2012; Rodriguez et al., 2012; & Itani et al., 2017), the processes through which social media impacts performance has been largely unexplored. Due to this gap in the literature, scholars have called for more research into the “chain of effects” of how social media use leads to performance (Itani et

al., 2017). Finally, this research study examines the performance outcomes of salesperson implementation of sales strategy, in contrast to prior studies that focused on sales strategy implementation at the firm level.

## THEORETICAL BACKGROUND

### Social Media and the Sales Force

Social media has many definitions, but in a sales context it has been defined by Agnihotri and his colleagues (2012) as “any social interaction enhancing technology that can be deployed by sales professionals to generate content (e.g., blogs, microblogs, and wikis) and develop networks (e.g., social networks, online communities)” (p. 334). Social media encompasses various technologies and platforms including social networking sites (LinkedIn, Google+), blogging sites (WordPress, Tumblr), microblogging sites (Twitter), podcasts (Soundcloud), video (YouTube and Vimeo), and many others. Social media can help a salesperson with each step of the sales process (Andzulis, Panagopoulos, & Rapp, 2012), from researching prospects and the challenges they face, to following up and keeping in touch with existing customers. When salespeople are effective in using social media, they are more effective in their jobs and achieve sales quota at a higher rate than salespeople who do not use social media (LinkedIn, 2017).

### Sales Strategy

Traditionally, the strategy of the sales force was subsumed under corporate marketing strategy. This was because the sales role was considered a tactical activity mainly responsible for executing strategies developed by the marketing department (Lane, 2009). However, the role of the sales force has changed to where sales are considered a strategic function on par with marketing (Piercy, 2010). While marketing strategy is primarily concerned with marketing activities and decisions that help organizations create, communicate and deliver products that offer value to customers (Varadarajan 2010), sales strategy is concerned with the activities and decisions about managing the sales force. Panagopoulos and Avlonitis (2010) defined sales strategy as “the

extent to which a firm engages in a set of activities and decisions regarding the allocation of scarce sales resources (i.e., people, selling effort, money) to manage customer relationships on the basis of the value of each customer for the firm" (Panagopoulos & Avlonitis, 2010, p. 48). They developed a sales strategy scale consisting of four dimensions: customer segmentation, customer prioritization, selling models, and the use of multiple sales channels. However, as the objective of this study is focused on understanding sales strategy implementation by individual salespeople, the multiple sales channel dimension of sales strategy is omitted from the model in this study, as it is not an activity typically practiced by salespeople.

Although the sales strategy scale developed by Panagopoulos and Avlonitis (2010) was intended to evaluate sales strategy implementation at the organizational or business-unit level, the activities described in the scale can also be practiced by individual salespeople. Salespeople can use customer segmentation to identify groups of customers with similar needs, and who are also a good fit with the firm's products and services. Salespeople can then tailor their sales approaches to address the unique needs of each customer segment (Panagopoulos & Avlonitis, 2010). Salespeople implement customer prioritization by choosing customers based on the potential value the customer represents to the firm and allocating more of their time in developing relationships with these types of customers. (Homburg, Schäfer, & Schneider, 2012). Finally, salespeople can use selling models to align their selling efforts with the relationship expectations of customers (Terho et al., 2015).

Although sales strategy just like other strategies in an organization is important, its real value lies in its successful implementation. The implementation phase of strategy is so important that it has been stated that "effective implementation of an average strategy, beats mediocre implementation of a great strategy every time" (Sterling, 2003, p. 27). For strategy to be implemented successfully, it requires employee participation (Crittenden & Crittenden, 2008).

### Task-Technology Fit Theory

The use of social media as a technology tool to help salespeople is consistent with TTF theory as conceptualized by Goodhue and Thompson (1995). According to TTF theory, technology tools are likely to have a positive impact on performance when the technology tool used is a good fit with the tasks users must perform. Social networking sites are technology tools that can help salespeople in their jobs to the extent that they are a good fit for the selling tasks that salespeople perform as part of their daily activities. In the extant sales literature, TTF theory has been used to explain how sales technology and customer relationship management (CRM) technology leads to performance through intervening variables such as customer service and adaptive selling behaviors (Ahearne et al., 2008; Rapp, Beitzelspacher, Grewal, & Hughes, 2008). Also using TTF theory, Agnihotri et al. (2012), proposed a framework in which social media helps salespeople create value with customers. Specifically, they argued that value creation with customers depends on the fit between social media and the service behaviors practiced by salespeople. Agnihotri et al. (2012) also proposed that social media is an enabler of information sharing, customer service and trust building behaviors of salespeople, which leads to value creation with customers. Similarly, this research argues that social media is an enabling technology tool that helps salespeople achieve performance through sales strategy implementation.

## HYPOTHESIS DEVELOPMENT

### Social Media Use and Salesperson Implementation of Sales Strategy

Using Panagopoulos and Avlonitis' (2010) conceptualization of sales strategy, salespeople implement sales strategy by segmenting among potential customers, those who are an ideal fit for the selling firm's products and services, prioritizing among customers and potential customers based on their potential value, and adopting a selling approach that meets the expectations of the customer. Social media can help a salesperson in these three areas. Social media can help salespeople segment among prospects by providing information on

prospects such as key decision makers, their likely wants, needs, and news (such as venture capital raised, reorganizations, new executives hired or fired, etc.) on prospects that may be useful to the salesperson in choosing which prospects are the best ones to initiate contact. Social media platforms such as LinkedIn can also help salespeople use strategies such as “social listening” (Newberry, 2018) in which a salesperson monitors conversations occurring online to discover prospects’ needs, challenges, and business goals. The salesperson can then use this information to identify prospects whose challenges can be addressed with the solutions offered by the salesperson, and then start a conversation with them.

Another use of social media is that it can help a salesperson ascertain among the many prospects who may need the salesperson’s services, those customers whose needs represent the best opportunity for value co-creation between the prospect and the selling organization. Also, social media can allow a salesperson to determine prospects’ and existing customers’ relationship expectations. According to Rackham and DeVincentis (1999), customers have various expectations for relationships with suppliers, ranging from transactional relationships in which the customer’s focus is on price and convenience with little to no expectations for ongoing interactions to enterprise relationships in which customers want in-depth, ongoing relationships with suppliers that involves frequent contact. When a salesperson uses social media, it enables them to determine customers’ relationship preferences early in the relationship-building process. Therefore, since social media can be an effective tool for a salesperson to perform the various tasks associated with implementing sales strategy, it is proposed that:

**H<sub>1</sub>:** Social media use has a positive effect on salesperson implementation of sales strategy.

### Salesperson Implementation of Sales Strategy and Customer Relationship Performance

Some of the goals of customer relationship management are to improve customer satisfaction and customer loyalty. Previous

research as identified communication as an important prerequisite to customer satisfaction (Ahearne, Jelinek, & Jones, 2007; Agnihotri et al., 2016). In a meta-analysis of relationship marketing studies, Palmatier and his colleagues (2007), found seller communication, seller expertise, interaction frequency, and relationship benefits all had positive effects on customer loyalty through the mediating variables of trust, satisfaction, and commitment. Therefore, when a salesperson implements sales strategy by communicating through social media with prospects and customers carefully selected based on the salesperson’s solutions being able to address their unique challenges, the salesperson will be in a good position to establish trust, an indicator of relationship quality. Also, when salespeople are able to interact with customers through social media in such a manner that it meets the relationship goals and expectations of customers, salespeople are likely to increase customer satisfaction. Customer relationship performance has been defined as the extent to which firms are able to satisfy and keep loyal customers (Trainor et al., 2014). When salespeople practice sales strategy through customer segmentation, customer prioritization, and aligning selling methods to customers’ expectations, it should result in the development of strong relationship bonds with customers. Therefore,

**H<sub>2</sub>:** Salesperson implementation of sales strategy has a positive effect on customer relationship performance.

### Salesperson Implementation of Sales Strategy and Sales Performance

Salespeople implement sales strategy by segmenting customers based on fit, prioritizing among customers based on their potential value to the firm, and adapting their selling approaches to align them with customer preferences. Prior research has shown that when salespeople segment customers, they gain a better understanding of groups of customers with similar needs (Panagopoulos & Avlonitis, 2010). They are then able to tailor their sales approach to each customer segment based on each segment’s unique needs (Terho et al., 2015). Customer prioritization can help salespeople become more efficient in their selling efforts by allocating their time towards

prospects and existing customers who are likely to represent the greatest value to the salesperson's firm (Panagopoulos & Avlonitis, 2010). Finally, when salespeople adopt selling models ranging from transactional to consultative selling models that are aligned with customer preferences, salespeople are in a better position to co-create value (Rackham & DeVincentis, 1999). As sales strategy has been found to have a positive effect on organizational performance (Panagopoulos & Avlonitis, 2010), it should also result in beneficial sales outcomes for salespeople when incorporated into their sales process. Hence,

**H<sub>3</sub>:** Salesperson implementation of sales strategy has a positive effect on sales performance.

### The Moderating Effects of Sales Experience on the Relationship Between Social Media Use and Salesperson Implementation of Sales Strategy

Although recent research in the sales literature has extolled the benefits of social media use for salespeople (Rodriguez et al., 2016; Agnihotri et al., 2017; & Itani et al., 2017), many salespeople do not know how to use social media effectively. Previous research has found that more experienced salespeople tend to be more resistant to implementing new sales technology tools than less experienced salespeople (Weinstein & Mullins, 2012). One reason for the resistance towards new sales technology is that many experienced salespeople have developed elaborate knowledge structures on the sales process from prospecting to closing, (Ahearne, Rapp, Hughes, & Jindal, 2010), and may become resistant to changing their current practices. To use social media effectively, it requires salespeople to adapt to new ways of implementing the sales process. For example, experienced salespeople may already have become familiar with the various aspects of sales strategy, and may not feel the need to use social media as a tool to identify the right types of customers, or how to prioritize among customers.

Additionally, more experienced salespeople tend to doubt they can realize productivity gains by using technology tools (Guan, Barker, Faulds, & Gohmann, 2011), and therefore are not likely to use such technology tools such as

social media to their full potential. Therefore, it is proposed that:

**H<sub>4</sub>:** The positive effect of social media use on salesperson implementation of sales strategy will decrease as salesperson experience increases.

### Mediating Effects of Salesperson Implementation of Sales Strategy on the Relationship Between Social Media Use and Sales Performance

Most of the previous empirical research in the literature on salesperson use of social media has focused on the main effects of social media use on sales performance (Schultz et al., 2012; Rodriguez et al., 2012), with hardly any studies examining the processes through which social media use leads to sales performance. One exception is a study by Ogilvie et al. (2018), which showed when salespeople use social media; it has a positive impact on salesperson behaviors, which in turn has a positive impact on performance. With up to 72% of salespeople not being able to use social selling effectively (HubSpot, 2016), it becomes important to not only know that social media use leads to performance but also to know *how* social media use by salespeople leads to sales performance. In the study by Ogilvie and her colleagues (2018), the authors found social media use by salespeople had a positive effect on product information communication and adaptability. They also found salespersons' product information communication and adaptability had a positive effect on performance. However, in their study they did not test for the mediating effects these salesperson behaviors had on the relationship between social media use and salesperson performance.

In this study, it is proposed that salesperson implementation of sales strategy is one of the processes through which social media use leads to performance. When salespeople use social media tools such as LinkedIn Sales Navigator, Hubspot, Hootsuite, Twitter, and the many other B2B social media tools available, they can identify customer segments that are ideally suited to benefit from the salesperson's offerings. They also become more efficient in their time allocation by prioritizing among accounts more effectively and are able to adopt a selling approach that matches customer

preferences. Based on the preceding, it is proposed that:

**H<sub>5</sub>:** Salesperson implementation of sales strategy mediates the relationship between social media use and sales performance.

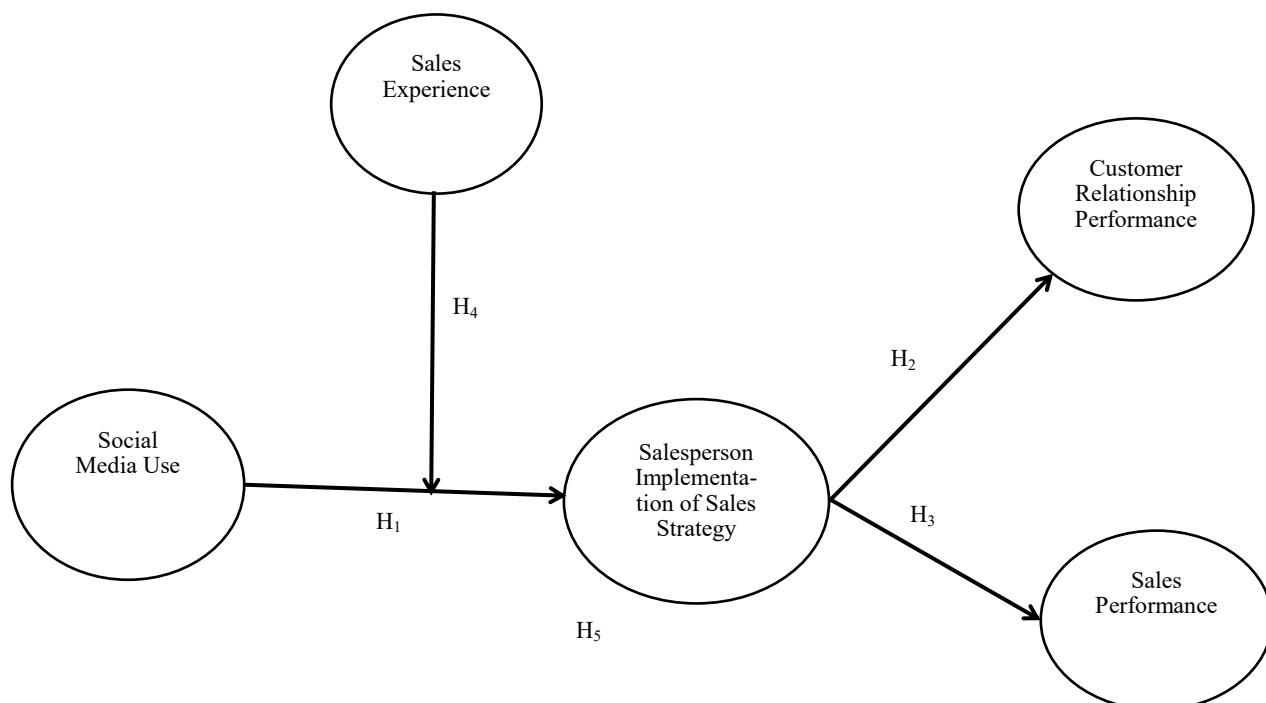
## METHOD

### Sample

The sample used in this study consisted of salespeople from various industries and organizations of different sizes. To obtain a diverse sample of salespeople, a list of U.S. based B2B salespeople was purchased from a commercial data provider. An e-mail with a link to an online survey was sent to a randomly selected sample of 2000 salespeople from the list. Salespeople were offered a chance to win

one of ten \$25 restaurant gift certificates as well as the summary of the study's findings in exchange for their participation. 217 salespeople accessed the online survey site and started the survey. Of the 217 salespeople who started the survey, 55 did not complete all survey items and were dropped leaving a final sample size of 162 salespeople, for an effective response rate of 8.1%. The demographic characteristics of the sample were as follows; 56% were men, with ages ranging from 25 years up to over 65 years with a mean age of 46.3 years ( $SD = 9.6$ ). 75% of the salespeople in the sample had a bachelor's degree or higher, and the average number of years of sales experience was 13.2 years ( $SD = 6.3$ ). The salespeople in the sample came from various industries including; business/professional services, financial services, computer/

**FIGURE 1:**  
Conceptual Model



<b>Controls</b>
Firm Size
Age
Gender
Sales Experience

information technology/software, healthcare/pharmaceutical, publishing/media, manufacturing, and telecommunications.

## Measures

To examine the relationships between the constructs used in this study, existing scales were used. Sales strategy was measured using eleven items from the Panagopoulos and Avlonitis (2010) sales strategy scale. The items were reworded to reflect the activities practiced by salespeople. Four items measuring social media use was used from Rodriguez et al. (2012) and Rapp et al. (2013). To measure customer relationship performance, five items from Trainor et al. (2014) was used. Sales performance was measured using seven items adapted from Panagopoulos and Avlonitis (2010) and Terho et al. (2015). Salesperson experience was measured using a single item of number of years in the sales profession. Age, gender and firm size were used as controls and measured with a single item. All constructs, except age, gender, firm size, and sales experience were measured on a 7-point Likert-type scale, and are listed in Table 1.

## Measurement Model

To examine the reliability and validity of the measures used in this study, an indicator analysis was used. As the model includes both formative and reflective constructs, the indicator analysis occurred separately for the formative and reflective constructs. To assess the reliability and validity of the only formative construct used in this study (salesperson implementation of sales strategy), collinearity and relevance of the indicators were examined (Hair, Hult, Ringle, & Sarstedt, 2016). To assess if collinearity exists between the indicators, each indicator was regressed against all other indicators, and variance inflation factor (VIF) scores were obtained. VIF scores for all indicators in each dimension of salesperson implementation of sales strategy, ranged from 1.4 to 2.9, which were below the recommended threshold of 5 (Hair et al., 2016), providing evidence that collinearity is not a problem. The next step in examining the validity of formative indicators is to determine their relevance. An indicator is relevant if the loading of each indicator is greater than 0.70

and is significant (Hair et al., 2016). Ten of the formative indicators' loadings on their respective dimensions were above the recommended 0.70 threshold and were all significant ( $p < 0.05$ ), providing evidence of indicator relevance. Two indicators had loadings below the recommended threshold of 0.70. However, low loadings of formative indicators ( $< 0.70, > 0.50$ ) is not necessarily a requirement for deletion in formative constructs (Garson, 2016), and therefore the two indicators were retained in the model.

To assess the reliability and validity of the reflective measures used in this study, Cronbach's Alpha, composite reliability, average variance extracted (AVE) and HTMT scores were calculated. The Cronbach's Alpha and composite reliability scores for each of the reflective measures in the model exceeded the recommended level of 0.70 (Hair et al., 2016), demonstrating convergent validity. Discriminant validity was assessed using AVE and the HTMT criterion. First, using the Fornell and Larcker (1981) procedure in which the square root of each construct's AVE should be higher than its correlation with any other construct (Fornell & Larcker, 1981), the results show the square root of AVE for all reflective constructs exceed their correlations with other constructs. Second, discriminant validity was evaluated using the heterotrait-monotrait (HTMT) ratio. The HTMT ratio for all pairs of reflective constructs was below the recommended level of 0.85 (Henseler, Ringle, & Sarstedt, 2015), providing further evidence of discriminant validity. The correlations between constructs and the results of the reliability and validity checks are listed in Table 2.

## Structural Model

The relationships among the constructs in the model were examined using partial least squares (PLS), and the analysis was conducted using SmartPLS 3 software (Ringle, Wende, & Becker, 2015). PLS structural equation modeling (PLS) was chosen as an appropriate method for two reasons. First, PLS is much better in handling mixed models (models that include both reflective and formative constructs), when compared to covariance-based structural equation modeling (CB-SEM)

**TABLE 1:**  
**Construct Items and Loadings**

Construct Name and Indicators	Indicator Loadings
<b>Salesperson Implementation of Sales Strategy</b> (adapted from Panagopoulos and Avlonitis, 2010) <b>(formative measure)</b>	
To what extent do the following statements describe what you practice as part of your sales activities (1= not at all; 7 = to a very great extent)	
<b>Customer Segmentation</b>	
I identify prospective customer groups based on the expected lifetime value/profitability of each customer to the firm.	0.65
I identify specific customer groups based on the customers' demographic characteristics (firm size, location, industry etc.)	0.85
I identify specific customer groups based on the customers' uses/applications of our products/services.	0.74
I identify specific customer groups based on the benefits that they expect from buying our products/services.	0.81
<b>Customer Prioritization</b>	
I prioritize customers that I have identified based on their expected importance to the firm.	0.81
I target my selling efforts to different customers.	0.70
I develop specific selling strategies for each targeted customer.	0.87
<b>Selling Models</b>	
I set different relationship objectives for different customers.	0.85
I consider customers' preferences when setting relationship objectives.	0.78
I use different selling models when selling to different customers.	0.69
I consider the costs (in time, resources etc.) and potential value associated with a particular customer when setting relationship objectives and selling models.	0.76
<b>Social Media Use</b> (adapted from Rodriguez et al. 2012 and Rapp et al. 2013)	
<b>Cronbach's Alpha = 0.86, Composite Reliability = 0.91</b>	
I use social media (e.g. LinkedIn, Twitter etc.) as a tool to identify potential new customers.	0.87
I use social media as a tool to identify decision makers.	0.89
I enhance my customer relationships through social media.	0.88
The use of social media for business purposes in my company is encouraged.	0.74
<b>Customer Relationship Performance</b> (adapted from Trainor et al. 2014)	
<b>Cronbach's Alpha = 0.87, Composite Reliability = 0.91</b>	
Relative to your competitors.....	
..... our customers work with our firm for a long time.	0.78
..... once we get new customers, they tend to stay with our company.	0.85
..... our customers are very loyal to our firm.	0.81
..... our customers are satisfied with our company.	0.86
..... customer retention is very important to our firm.	0.86
<b>Sales Performance</b> (adapted from Panagopoulos and Avlonitis 2010, and Terho et. al., 2015)	
<b>Cronbach's Alpha = 0.89, CR = 0.92 (1 = much worse, 7 = much better)</b>	
Relative to other salespeople working in your company, how would you evaluate your overall performance with regard to the following:	
I contribute to my company's market share.	0.80
I sell high profit margin products/services.	0.78
I generate a high level of dollar sales.	0.86
I quickly generate sales of my company's new products/services.	0.77
I identify and cultivate major accounts in my territory.	0.76
I exceed sales targets.	0.82
I assist my sales manager in meeting his/her goals.	0.68

CR = Composite Reliability

(Hair et al., 2016). Second, PLS is the recommended SEM method for studies that have small sample sizes (Hair et al., 2016). This study has a sample of 162 salespeople, making PLS an appropriate method.

To account for the possibility of common method bias, the full collinearity assessment approach (Kock, 2015) was used to identify any common variance that can be due to the method of measurement. In the full collinearity assessment approach, variance inflation factor (VIF) scores are generated for all of the constructs in the model. If the VIF scores for all constructs are below 3.3, then the model is considered free of common method bias (Kock, 2015). The VIF scores for the constructs in the model were in the range of 1.0 to 1.2, all below the recommended level of 3.3, demonstrating that the model is free of common method bias. Prior to running the PLS analysis, the formative construct in the model (salesperson implementation of sales strategy) was modeled as a second-order factor, with the dimensions of customer segmentation, customer prioritization and selling models used as indicators of sales strategy implementation in the structural model (Hair et al., 2016).

The PLS analysis was run using 5000 bootstrap samples to obtain parameter estimates. The model demonstrated adequate fit ( $\text{SRMR} = 0.075$ ) with the SRMR below the recommended level of 0.08 for good model fit (Hu and Bentler 1998). The PLS analysis path coefficient results show social media use has a positive effect on

salesperson implementation of sales strategy ( $\beta = 0.48, p < 0.001$ ) in support of  $H_1$ . Also, salesperson implementation of sales strategy has a positive effect on customer relationship performance ( $\beta = 0.39, p < 0.001$ ), providing support for  $H_2$ . Likewise, salesperson implementation of sales strategy has a positive effect on sales performance ( $\beta = 0.35, p < 0.001$ ), providing evidence in support of  $H_3$ . An analysis of the interactive effects of social media use and salesperson experience on salesperson implementation of sales strategy finds sales experience weakens the positive relationship between social media use and salesperson implementation of sales strategy ( $\beta = -0.20, p = 0.023$ ), confirming  $H_4$ . Finally, to examine the mediating effects of salesperson implementation of sales strategy on the relationship between social media use and sales performance, the mediation analysis procedure for PLS was utilized. Mediation exists when the indirect effect of an independent variable (IV) on a dependent variable (DV) is significant (Matthews, Hair, & Matthews, 2018). The mediation effect is considered to be partial if the direct effect of the IV on the DV is significant, or full mediation exists if the direct effect of IV on the DV is not significant (Matthews et al., 2018). In the PLS results the indirect effect of social media use on sales performance was positive and significant ( $\beta = 0.17, p = 0.001$ ), and the direct effect of social media use on sales performance was also positive, but not significant ( $\beta = 0.15, p = 0.10$ ), therefore, support was found for full mediation, corroborating  $H_5$ .

FIGURE 2



The R<sup>2</sup> values of the PLS results shows social media use accounts for 37 percent of the variance in salesperson implementation of sales strategy. Additionally, salesperson implementation of sales strategy accounts for 19 percent of the variance in customer relationship performance, and 42 percent of the variance in sales performance. All PLS results are shown in Table 3.

## DISCUSSION

Social media has become an increasingly valuable tool for salespeople to use in

developing and building relationships with customers. Social media use by salespeople has become so important that a whole new terminology “social selling” has been coined to describe how salespeople can use social media in the sales process. However, despite the increased attention paid in both the academic and practitioner literature on the use of social media by salespeople, there is a gap in the literature on *how* salespeople can use social media effectively. Practitioner research has shown that a large percentage of salespeople do not know how to use social media in selling effectively (HubSpot, 2016), and therefore the

**TABLE 2:**  
**Correlation Matrix**

	1	2	3	4	5	6	7	8
1. Social Media Use	<b>.85</b>							
2. Salesperson Implementation of Sales Strategy	.48**	N/A	-					
3. Customer Relationship Performance	.23**	.39**	<b>.81</b>					
4. Sales Performance	.37**	.52**	.50**	<b>.78</b>				
5. Sales Experience	-.03	.28**	.16*	.28**	1			
6. Age	-.003	.20*	.18*	.19*	.70**	1		
7. Gender	-.01	-.01	.12	.01	-.01	.06	1	
8. Firm Size	.06	.16*	.03	.21**	.10	-.15	-.13	1
Mean	4.94	5.52	5.71	5.72	13.2	46.3	-	-
Standard Deviation	1.46	0.94	0.93	0.97	6.3	9.6	-	-

\*Correlations significant at  $p \leq 0.05$ , \*\*Correlations significant at  $p \leq 0.01$ . Square roots of average variance extracted (AVE) shown on diagonal for reflective constructs.

**TABLE 3:**  
**PLS Results**

Hypothesis	Independent	Dependent	Path Coefficient	Results
H <sub>1</sub> (+)	Social Media Use	Salesperson Implementation of Sales Strategy	.48**	Supported
H <sub>2</sub> (+)	Salesperson Implementation of Sales Strategy	Customer Relationship Performance	.39**	Supported
H <sub>3</sub> (+)	Salesperson Implementation of Sales Strategy	Sales Performance	.35**	Supported
H <sub>4</sub> (+)	Social Media Use X Salesperson Experience	Salesperson Implementation of Sales Strategy	-.20*	Supported
H <sub>5</sub> (+)	Indirect Effect of Social Media Use	Sales Performance	.17*	Supported

\* Paths significant at  $p \leq 0.05$ , \*\* Paths significant at  $p \leq 0.001$ .

increased investments by many organizations in social selling tools (Forester Research, 2017), could yield suboptimal results. For social media to be beneficial to salespeople, they should know how to use it effectively as part of their daily activities.

As previous research has argued that technology tools such as social media do not impact performance directly (Ahearne et al., 2008), but indirectly through intervening variables, this study demonstrates that salesperson implementation of sales strategy is one process through which social media use by salespeople leads to sales performance. When salespeople use social media, they can find and identify customers who match the ideal customer profile of the salesperson's firm. Salespeople can also use social media to develop a list of accounts for targeting and build and nurture relationships with these prospects, prioritizing among the various accounts based on their level of engagement and the potential value they represent. Also, social media can help salespeople understand and meet the relationship expectations of prospects and existing customers. In summary, social media use can assist salespeople in performing all of the tasks associated with implementing sales strategy; customer segmentation, customer prioritization and the use of selling models. When salespeople use social media, they can improve their sales performance through sales strategy implementation. However, this study also demonstrates that the effects of social media use are not uniform across all salespeople, as more experienced salespeople are less effective in using social media to implement sales strategy.

## IMPLICATIONS FOR THEORY AND PRACTICE

### Implications for Theory

This study contributes to the literature in four ways. First, the research identifies social media use as one of the antecedents of salesperson implementation of sales strategy. In their development of the sales strategy scale, Panagopoulos and Avlonitis (2010) had issued a call for research into the "drivers" of sales strategy and its implementation, and this

research answers that call by showing that social media use can help salespeople implement sales strategy. Using TTF theory (Goodhue & Thompson, 1995), this research showed social media use is well suited towards the tasks of sales strategy implementation. Second, this study identifies salesperson implementation of sales strategy as a mediating variable in the relationship between social media use and sales performance. Prior research has primarily examined the main effects of social media use on sales performance (Schultz et al., 2012; Rodriguez et al., 2012), with hardly any empirical studies examining the processes through which social media use leads to sales performance. This study shows salesperson implementation of sales strategy fully mediates the relationship between social media use and sales performance, illustrating a process of how social media use by salespeople impacts sales performance. Third, this research demonstrates that sales experience weakens the relationship between social media use and sales strategy implementation. Hence, more experienced salespeople may not realize the productivity gains of using social media when compared to less experienced salespeople. Finally, this research contributes to the literature by showing a positive effect of sales strategy implementation on customer relationship performance and sales performance which has not been previously studied in the sales literature.

### Implications for Practice

The results found in this study provides some actionable information that can be used by managers to make their sales teams more effective in using social media. First, this research shows social media can help salespeople implement the sales strategy dimensions of customer segmentation, customer prioritization and the use of different selling models. With salespeople increasingly finding it difficult to find prospects who are a good fit for the products and services they offer (Richardson, 2016), sales managers can train their salespeople to use social media to find customers who are likely to be suitable candidates for the selling firm's offerings. With social media tools such as LinkedIn Sales Navigator, salespeople can identify ideal

prospects, and by using the filtering options available in LinkedIn Sales Navigator, salespeople can find prospects who have expressed an interest in solving challenges that the salesperson's solutions can address. A salesperson can then prioritize their prospecting efforts towards these highly motivated prospects and engage with them on the social network to share information on how the salesperson's solutions can help. With prospects having various needs and expectations, sales managers can instruct their sales teams to use social media to uncover the types of relationships that prospects expect from their suppliers. For example, if a prospect is only interested in a transactional relationship, and the salesperson can find that out through the use of social media, then the salesperson should refer that prospect to an inside sales team. When salespeople use social media effectively, they will be in a better position to ascertain prospective customers' needs and adopt a selling approach aligned with customer preferences. Hence, when managers are aware of how social media can be used to implement sales strategy, it will help their sales team in becoming more efficient and effective in their sales efforts, which should result in increased sales performance. Another important takeaway of this research for managers is the weakening effect of sales experience on the relationship between social media use and sales strategy implementation. With many organizations increasingly emphasizing the use of social selling over traditional prospecting techniques, (Forrester Research, 2017), many salespeople are ill-equipped to use social selling (Forrester Research, 2017), and therefore may not be able to improve their sales performance when using social media. This problem is further exacerbated among more experienced salespeople who tend to be more resistant to using new technologies (Weinstein & Mullins, 2012). Therefore, to reduce this problem particularly for more experienced salespeople, managers should train their salespeople to use social media to find the right prospects who are a good fit (and clearly define and explain what type of customers are consistent with their ideal customer profile) and train them on account-based selling. Managers should also make sure their sales representatives understand the strategic positioning of the firm and teach them to use social media to implement a sales

strategy that is consistent with the strategic focus of the organization. When managers instruct their sales teams to use social media to identify customer segments, prioritize among potential customers, and adapt their selling approaches to meet the needs of prospects, they are likely to reap the benefits of their investments in social selling tools through improved sales team performance.

## LIMITATIONS AND FUTURE RESEARCH

Although this research has shed some light on a process through which salesperson social media use leads to sales performance, this study and its findings do come with several limitations. The objective of this study was to identify and confirm sales strategy as a process through which social media use leads to performance. Although this was confirmed, sales strategy is likely just one of several processes through which social media use by salespeople translates into sales performance. Future research should try to identify other mediating mechanisms through which social media use leads to performance.

In operationalizing social media use, traditional measures of social media use in the sales literature were used. However, these measures may not fully capture how effective a salesperson is in using social media. For example, LinkedIn has come out with a tool called the Social Selling Index, which is an objective measure of how well an individual practices social selling activities. Measuring an individual's Social Selling Index (SSI) score, may provide a more accurate view of how effective a salesperson is using social media in their selling activities, and future researchers should consider incorporating SSI scores into research on social media which may provide a more granular view of the effects of social media use by salespeople.

Another potential limitation of this study is the construct of sales strategy was operationalized in the model as a second-order factor comprising of customer segmentation, customer prioritization, and selling models. Although, the various dimensions of sales strategy aggregated into a single measure has been used in the literature (Panagopoulos & Avlonitis, 2010),

how social media use affects the various dimensions of sales strategy has not been fully explored. Future research examining the relationship between social media use and sales strategy should examine how social media affects salesperson implementation of customer segmentation, customer prioritization, and the use of selling models, separately. The use of self-reported sales performance is another potential limitation of this study. However, the use of subjective sales performance measures has not been found to lead to higher sales performance results when compared to objective measures of sales performance (Franke & Park, 2006).

Additionally, the use of a single source of data is a potential limitation. As the study only included responses from salespeople, how effective salespeople are in implementing strategy cannot be fully determined. Future research should consider examining how effective salespeople are in implementing sales strategy by using dyadic data (e.g. salesperson-sales manager dyad, or salesperson-customer dyad). With the perceptions of how sales managers and/or customers view how salespeople implement sales strategy are taken into account, a more holistic view of how effective salespeople are in implementing sales strategy can be developed.

A final limitation of this study is the cross-sectional nature of the study. Even though a positive mediating effect of sales of sales strategy implementation on the relationship between social media use and sales performance was found, the effects of social media use are likely to be more pronounced over time. Therefore, future research should consider adopting a longitudinal design, to examine the effects of social media use by salespeople on various individual-level and organizational-level outcomes.

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# IS STORE OR SERVICE SATISFACTION MORE IMPORTANT TO CUSTOMER LOYALTY?

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*Understanding causes of customer loyalty is important to the discount retail industry, however limited research has been reported that examines the multiple dimensions of customer satisfaction and loyalty and how they may interact. This paper addresses the impact of two dimensions of satisfaction on two dimensions of customer loyalty in discount retailing. The research is based on a sample of Wal-Mart and Target retail customers and partial least squares structural equation modeling is used to test the hypotheses. The moderating effect of gender and store brand is also examined. The results indicate that both store and service satisfaction are related to attitudinal and behavioral loyalty. Gender was not found to moderate these relationships whereas store brand was. The paper contributes to the literature by providing insights on the interplay between multiple dimensions of customer satisfaction and loyalty in a discount retailing setting.*

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## INTRODUCTION

What has the greater influence on discount retail customer loyalty – satisfaction with the store, or satisfaction with its customer service? The relative influence of these satisfaction elements is important for marketers to understand as billions of dollars are spent annually on efforts to influence customer loyalty (Shi, Prentice, & He, 2014; Sorescu & Sorescu, 2016; Tarasi, Bolton, Gustafsson, & Walker, 2013). Satisfaction and loyalty both consist of two separate dimensions. Customer satisfaction consists of a tangible or product based dimension as well as an intangible or service based dimension (Devaraj, Matta, & Conlon, 2001; Walsh, Evanschitzky, & Wunderlich, 2008). In the present research, the tangible dimension of customer satisfaction examined is store satisfaction (Brucks & Zeithaml, 1987; Garvin, 1984; Jayasankaraprasad & Kumar, 2012; Menon & Chowdhury, 1995; Thomas, 2013). Service satisfaction represents the intangible dimension of satisfaction and relates to the customer's experience with store personnel and the customer service that they receive (Dabholkar, Thorpe, & Rentz, 1996; Walsh et al., 2008). Customer loyalty also consists of two distinct dimensions, attitudinal loyalty and behavioral loyalty (Rauyruen & Miller, 2007). Previous

research related to satisfaction influences on loyalty has often focused on the overall construct of customer loyalty rather than differentiating between its attitudinal and behavioral components.

The purpose of this paper therefore is to 1) examine relationships between dimensions of satisfaction and loyalty; 2) determine whether store or service satisfaction has the greater impact on attitudinal and behavioral loyalty; and 3) examine the moderating effects of gender and store brand on these relationships. It is important to study the effect of satisfaction on loyalty as it is an essential concern for managers (Curtis, Abratt, Rhoades, & Dion, 2011) and has a direct impact on profitability (Donio', Massari, & Passiante 2006). In the research reported in this paper both attitudinal and behavioral loyalty are examined as outcomes of service and store satisfaction. The literature provides mixed results on whether service or store related dimensions of satisfaction are greater in importance to customer loyalty (Mittal, Kumar, & Tsilos, 1999) and does not indicate how these may be related to the two loyalty dimensions. The research reported in this paper seeks to address these questions and is based on a sample of 308 Wal-Mart and Target customers. Partial least squares structural equation modelling was used to test the research hypotheses and were also used to assess the role that gender and store brand play as moderators in this research framework.

## LITERATURE REVIEW

Discount retailing is a large and dynamic industry and represents 12.5 percent of all retail purchases in the United States (Farfan, 2017; Green, 2017). Discount retailing is different from non-discount retailing in several respects. Discount retailers are both more prevalent than non-discount retailers and are facing greater levels of competitive threats including that of internet competition. New forms of competition have heightened this retail segment's traditional focus on competing based on store related attributes such as price and assortment as well as service related attributes. The discount retailing industry is experiencing new entrants, including both online retailers as well as various forms of brick and mortar stores. For mega discount retailers such as Wal-Mart and Target, the threat from online retailers and smaller retail chains has recently intensified (Dubas, Hershey, & Dubas, 2015). Smaller discount retail stores that are competitively priced, such as Dollar General and those solely focusing on grocery items such as Aldi and Sprouts are now prevalent. These stores are successful in appealing to customers who seek low price, high quality products as well as convenience when shopping (Courtemanche & Carden, 2014; Zwiebach, 2015). To face the price war with smaller grocery stores, larger discount retail stores such as Wal-Mart, have focused on cutting costs (Springer, 2016). However, in some cases this effort has resulted in customer dissatisfaction (Zwiebach, 2015). The turbulence in the discount retail industry has furthered the need to understand the nature of the satisfaction - loyalty relationship. In this literature review, store and service satisfaction are first presented. Attitudinal and behavioral loyalty are then discussed as well as the moderating effects of gender and store brand. Hypotheses are suggested and the research framework that reflects this review is seen in Figure 1.

### Store and Service Satisfaction

Satisfaction represents a judgment level of product or service consumption-related fulfillment (Oliver, 1997). Satisfaction is the result of the customer's evaluation of performance compared to the customer's expectations prior to encountering the product

or service (Anderson & Sullivan, 1993; Kanning & Bergmann, 2009; Kotler, 1991; Yi, 1990). When a product performs as well as or better than anticipated, expectations are confirmed creating a positive disconfirmation. The opposite effect, negative disconfirmation, occurs when product performance is less than the expected level (Churchill & Suprenant, 1982; Ofir & Simonson, 2001; Oliver & Bearden, 1985). The literature indicates that satisfaction is a predictor of customer loyalty (Pleshko & Baqer, 2008; Picón, Castro, & Roldán, 2014; Szymanski & Henard, 2001; Trif, 2013). However, when product and service satisfaction are observed as distinct variables, there are inconsistent findings as to which of the two dimensions of satisfaction is of greater importance to customer loyalty (Mittal, Kumar, & Tsilos, 1999).

*Store satisfaction* is related to the quality of retail merchandise or the store itself (Menon & Chowdhury, 1995; Walsh et al., 2008). Previous research identified store satisfaction as being an influence on customer repurchase intention and store loyalty (Bloemer & De Ruyter, 1998), both of which are positively associated with profitability (Helgesen, 2006; Zeithaml, 2000). Tangible elements of the store provide the customer with signals related to how they should move around in the store and what level of product or service they should expect to receive (Hooper, Coughlan, & Mullen, 2013). The physical environment of a store has been identified as playing an important role in generating positive emotional reactions of customers (Wakerfield & Blodgett, 1999). The nature of the experience that a customer receives at a retail store is multidimensional and includes the merchandise that is sold and the reputation of the retailer. In determining what elements may be important to include in the quality perceptions of a retail store, the literature indicates there are three dimensions of store satisfaction (Menon & Chowdhury, 1995). These three dimensions are a product-based dimension, a service-based dimension and an image-based dimension (Menon & Chowdhury, 1995). The product based dimension consists of the quality of the products sold, the service dimension relates to the service of the organization and the image dimension relates to the reputation of the store (Jayasankaraprasad & Kumar, 2012; Menon &

Chowdhury, 1995; Thomas, 2013), however, in the present research the service dimension is not included in store satisfaction as it is measured separately.

*Service satisfaction* represents the outcomes of the customer's experience with store personnel and the customer service experience (Dabholkar et al., 1996). Service satisfaction has been identified to have a positive relationship with customer repurchase intentions (Zeithaml, Berry, & Parasuraman, 1996). The impact of service satisfaction has been found to be greater for customers who have maintained a longer relationship with the firm than those who have shorter interactions with the firm (Walsh et al., 2008). In the present research, service satisfaction is measured based on items that were specifically developed for measuring service quality in retail stores (Dabholkar et al., 1996). These elements include keeping promises, error free transactions, attention given to customers, courteous behavior with customers and willingly handling returns and exchanges. Tangible and intangible elements have been examined previously in combination related to their impact on behavioral intentions (Hooper et al., 2013). In the present research, store and service satisfaction elements are considered separately related to their influence on multiple dimensions of loyalty. Given the relationship between store satisfaction and service satisfaction reported in the literature, it is appropriate to hypothesize that for discount retail customers:

**H<sub>1</sub>:** Store satisfaction is positively associated with service satisfaction.

### Attitudinal and Behavioral Loyalty

Loyalty represents the customer's intent to recommend the provider or to support the provider through patronage (Fornell, 1992; Lam, Shankar, Erramilli, & Murthy, 2004; Yuen & Chan 2010). Previous work that has examined loyalty as an outcome of satisfaction has primarily emphasized one dimension of loyalty (Gallarza & Gil-Saura, 2006; Gallarza, Ruiz-Molina, & Gil-Saura, 2016; Jaiswal & Niraj, 2011) or considered it as a single construct (Bei & Chiao, 2001; Chen, 2012). The literature on loyalty indicates that it consists of two distinct dimensions, attitudinal

and behavioral. This is expressed as intention to recommend and intention to return (Čater & Čater, 2009; Cheng, 2011; Dick & Basu, 1994; Evanschitzky, Iyer, Plassmann, Niessing, & Meffert, 2006; Leingpibul, Thomas, Broyles, & Ross, 2009; Rauyruen & Miller, 2007). Considering both attitudinal and behavioral loyalty allows not only richer conceptualization of the construct but it also provides a more useful practical application as to how to influence customers (Torres-Moraga, Vásquez-Parraga, & González, 2008). It has also been suggested that certain forms of loyalty may be more important than others in their association with customer satisfaction (Curtis, et al., 2011). These forms include interpersonal loyalty over brand loyalty (Guenzi & Pelloni, 2004) and attitudinal loyalty over behavioral loyalty (Flo & Treiblmaier, 2006). Research on the satisfaction-loyalty relationship is prevalent in the literature, however only a limited number of studies have considered this relationship in multiple dimensions. Previous studies often considered both satisfaction and loyalty as a single dimensional construct (Bei & Chiao, 2001; Chen, 2012) or only focused on one type of loyalty (Jasiwal & Niraj, 2011). Other researchers included both attitudinal and behavioral loyalty in the analysis however, treated satisfaction in a single dimension (Carpenter & Fairhurst, 2005; Chen & Quester, 2006; González, Comesaña, & Brea, 2007; Rauyruen & Miller, 2007; Shi et al., 2014). Some research has examined this relationship considering different types of satisfaction, however loyalty was still measured as a unidimensional construct (Gallarza et al., 2016; Torres-Moraga et al., 2008). Considering customer loyalty a single dimensional construct may lead to limited understanding (Flo & Treiblmaier, 2006). Despite the established stream of research, the two forms of loyalty have not been examined in a discount retail setting and done so as an outcome of store and service satisfaction.

*Attitudinal loyalty* reflects the positive opinion that the consumer maintains of the organization providing the product or service (Yuen & Chan, 2010). Attitudinal loyalty can also be representative of the customer's psychological attachments and attitudinal advocacy towards the selling organization (Jaiswal & Niraj, 2011; Rauyruen & Miller, 2007). Attitudinal loyalty

represents the customer's intention to recommend a product or service through positive word-of-mouth communication (Cheng, 2011). Factors that may lead to attitudinal loyalty are emotional and intangible features of the shopping encounter such as the personal interaction with the sales force (Cater & Cater 2009). Positive attitudinal loyalty manifests itself in the consumer intending to recommend the organization and its product and service offerings to other potential consumers (Torres-Moraga et al., 2008). In contrast, customers who have an unpleasant encounter with a company may engage in negative word-of-mouth behavior such as complaining to their peers. Not surprisingly, it has been shown that dissatisfied customers partake more in negative word-of mouth communication (Anderson, 1998). Satisfaction has been shown to be an antecedent of attitudinal loyalty (Bennett, Härtel, & McColl-Kennedy, 2005; Bennett & Rundle-Thiele, 2004; Cater & Cater, 2009; Jaiswal & Niraj, 2011; Rauyruen & Miller, 2007), thus supporting the research design in the present research.

*Behavioral loyalty* represents the repurchase intention of the customer (Bei & Chiao, 2001; Bolton, 1998; Bolton & Lemon, 1999; Cheng, 2011; Yuen & Chan, 2010). Behavioral loyalty is representative of customer tendencies and probabilities of future purchase based on the evaluation of previous purchases of the same brand or patronage of the same store (Yavas & Babakus, 2009). This intention to repurchase is an important consideration for retailers as it is positively associated with customer's actual repurchase (Bilgihan, Madanoglu, & Ricci, 2016). While evidence is limited, behavioral loyalty is considered to have a more direct influence on firm's profitability (Babin & Darden, 1996; Patrick, De Wulf, & Steenhaut, 2003). A body of literature indicates that customer satisfaction and loyalty are related (Boshoff, 2005; Caro & Garcia, 2007; Carpenter & Fairhurst, 2005; Curtis et al., 2011; Gallarza et al., 2016; Kumar, Pozza, & Ganesh, 2013; Szymanski & Henard, 2001; Walsh et al., 2008; Yang & Peterson, 2004; Yen & Lu, 2008). Based on the literature it is appropriate to hypothesize that for discount retail customers, both store and service satisfaction are related to attitudinal and behavioral loyalty.

Therefore, it is hypothesized that:

- H<sub>2</sub>:** Store satisfaction is positively associated with attitudinal loyalty;
- H<sub>3</sub>:** Store satisfaction is positively associated with behavioral loyalty;
- H<sub>4</sub>:** Service satisfaction is positively associated with attitudinal loyalty;
- H<sub>5</sub>:** Service satisfaction is positively associated with behavioral loyalty.

It is also important to consider the relationship between attitudinal and behavioral loyalty in order to develop a complete framework for the present study. Attitudinal loyalty may predict behavioral loyalty (Baldinger & Rubinson, 1996; Jaiswal & Niraj, 2011; Leingpibul et al., 2009). The literature indicates that the greater likelihood with which a customer is willing to recommend a product (attitudinal loyalty) is a strong predictor of the customer's return intentions (behavioral loyalty) (Donio' et al., 2006). This relationship has not been examined in the context of store and service satisfaction influencing these forms of loyalty (Lam et al., 2004). In addition, this relationship has not been tested in the context of discount retailing. In a discount retail setting it is entirely possible that attitudinal loyalty may influence behavioral loyalty differently than in a non-discount setting where attitude represents a stronger antecedent to behavior (Leingpibul et al., 2009). Therefore, it is hypothesized that:

- H<sub>6</sub>:** Attitudinal loyalty is positively related to behavioral loyalty.

## Gender and Store Brand Influences

The literature suggests there are gender differences in the satisfaction-loyalty relationship (Bendall-Lyon & Powers, 2002; Gonclaves & Sampaio, 2012). For example, males are more likely to be loyal customers of a store or brand than females (Yuen & Chan, 2010). It has also been reported that males are typically more satisfied with their purchases and are more likely to repurchase (Mechinda, Serirat, & Guild, 2009; Mittal & Kamakura, 2001). However, other research has reported that gender was not a significant moderator on repurchase intentions (Walsh et al., 2008). Given the possible differences in behavior between males and females, it follows that gender may further explain the association between satisfaction and loyalty along the

dimensions in this research. It is therefore hypothesized that:

**H<sub>7</sub>:** Gender moderates the relationship between store satisfaction, service satisfaction, attitudinal loyalty and behavioral loyalty.

The specific discount retail store may also assist in further understanding the satisfaction-loyalty relationship. This consideration is an important research issue as the relationship between store brand and customer loyalty has not been extensively addressed (Martos-Partal & González-Benito, 2011). It has been reported that the type of store brand positioning may influence customer loyalty (Zielke & Dobbelstein, 2007). When the store puts greater emphasis on quality than price, it has been reported that store brand has a stronger influence on customer loyalty (Martos-Partal & González-Benito, 2011). Based on the literature that indicates that store brand may moderate the satisfaction-loyalty relationship it is hypothesized that:

**H<sub>8</sub>:** Store brand moderates the relationship between store satisfaction, service satisfaction, attitudinal loyalty and behavioral loyalty.

## RESEARCH METHOD

A survey of discount retail shoppers was conducted using an online survey instrument. The customer panel used consisted of discount retail customers from Target and Wal-Mart. Respondents were self-identified as being primarily a Target or Wal-Mart customer and completed the questionnaire specific to that retailer. Given the dominance of Wal-Mart and Target in the discount retail industry it is worthwhile to utilize this setting. Both Target and Wal-Mart represent a direct customer interface with a product and a service provider. These two store types are used in the study as they represent two variations in format and approach within discount retailing, which enabled the research to further assess the relative importance of store versus service satisfaction influences. A total of 513 panel members were invited to visit the online survey. In total, 155 Target and 153 Wal-Mart customers completed the survey, representing a sample of 308 people and a 60 percent response rate. Males represented 47% of the sample;

females 53%. On education, 1% of the sample had some high school, 20% were high school graduates, 25% had some college, 38% were college graduates and 16% had postgraduate degrees. Based on income, 33% of the sample had household incomes of \$50,000 or less, 24% had incomes above 50,000 to 75,000, 20% had incomes above \$75,000 to \$100,000, 17% had incomes above \$100,000 to \$150,000 and 6% had incomes above \$150,000. Six percent of the sample were 18-24 years of age, 23% that were 25-34, 27% that were 35-44, 19% that were 45-54, 11% that were 55-64 and 14% that were 65 or older. The Target sample was younger, more educated and had higher incomes than Wal-Mart sample. The Target sample had an equal number of male and female respondents, while the Wal-Mart sample had a slight majority of female respondents.

By using two different, but related store brands in the sample, differences between shoppers across these discount retail formats may be revealed. Target is a close competitor to Wal-Mart and also operates large stores with a wide assortment of merchandise along with food discount stores. Target represents a differentiator strategy whereas Wal-Mart is the prime example of a cost leadership strategy in the discount retailing industry (Bloom & Perry, 2001; Facenda, 2003; Mottner & Smith, 2009). Target's strategy is slightly different than Wal-Mart as it offers both everyday essentials along with more fashionable and differentiated products. For this reason, it is possible that Wal-Mart customers may put a greater emphasis on the price of products than the services provided by the store (Salegna & Fazel, 2011).

The measures used in this research were adapted from the previous literature. The measure of store satisfaction was based on Menon and Chowdhury (1995). The measure for service satisfaction was based on Dabholkar et al. (1996) and customer loyalty measures were adapted from Gremler and Gwinner (2000). The items were anchored on a seven point strongly agree to strongly disagree scale. In order to test for non-response bias, a comparison early and late responders were compared across the six scaled measures (Hulland, Baumgartner, & Smith, 2018). Non-response bias was found to be statistically

insignificant, indicating no significant differences between early and late responders. As seen in Table 1, all scales were considered acceptable as their reliability measures were greater than 0.70, the accepted threshold for published empirical research (Nunnally & Bernstein, 1994). Tests of normality, skewness and kurtosis were performed on each of the indicators for each construct in order to test for the statistical validity of the survey and to address possible instances of covariation. To overcome this shortcoming, a non-parametric analytical approach was used to test the model and hypotheses. Partial Least Squares (PLS) was used to test the research model and associated hypotheses. PLS is a non-parametric estimation procedure used to explain the maximal variance in the endogenous variables included in a hypothesized structural equation model (Lohmöller, 1989; Wold, 1982). PLS entails a series of ordinary least squares regressions that test the research model and its associated hypotheses (Ringle, Wende, & Becker, 2014). Multicollinearity between study variables was also tested. A common rule of thumb is that multicollinearity may exist when the variance inflation factor (VIF) coefficient is

higher than 4.0. There were no VIF issues for either the measurement model nor for the structural model.

Convergent validity exists when the factor loadings are at least 0.4 for each indicator; scale reliability exists with Cronbach's alpha greater than 0.70; and average variance extracted (AVE) for each construct greater than 0.50 (Gefen & Straub, 2005). As presented in Table 1 these conditions were met. Discriminant validity exists if the square root of AVE for each construct is greater than its inter-construct correlation and item loadings on their respective constructs are greater than loadings on other constructs. The conditions for discriminant validity were also satisfied by comparing the inter-construct correlations with the square root of their respective AVEs. The explained variance for the model was relatively good as it explained 67% of the variance in service satisfaction, 46% of the variance in attitudinal loyalty and 67% of the variance in behavioral loyalty. The redundancy measures for the three endogenous variables were .46, .37 and .36 respectively, which were sufficient for the prediction capability of the exogenous

**TABLE 1:**  
**Factor Loadings, Scale Reliability and Average Variance Extracted**

Constructs	Items	Factor Loading	Reliability	Average Variance Extracted (AVE)
Store Satisfaction	The overall quality of the products that this organization sells is good.	0.95	0.82 <sup>n</sup>	0.91
	The reputation of this organization is good.	0.94		
Service Satisfaction	When this store promises to do something by a certain time, it will do so.	0.82	0.90	0.72
	Customers feel safe in their transactions with this store.	0.88		
	This store gives customers individual attention.	0.84		
	Employees in this store are consistently courteous with customers.	0.87		
	This store willingly handles returns and exchanges.	0.82		
Attitudinal Loyalty	I am willing to encourage friends and relatives to do business with this retailer.	0.95	0.78 <sup>n</sup>	0.89
	I am willing to go out my way to recommend this retailer.	0.95		
Behavioral Loyalty	I would prefer to continue to purchase from this retailer compared to other retailers when both companies have similar products.	0.95	0.83 <sup>n</sup>	0.91
	I would consider myself to be a loyal customer of this retailer.	0.96		

Note (n): for 2-item scales, the reliability is calculated as the square of the item correlations.

variables. Using the Stone-Geisser  $Q^2$  measure, the predictive relevance of the model was tested. A blindfolding procedure was used to estimate the model's ability to reproduce the observed variables. Measures of the cross-validated redundancy (estimated using latent scores) and the cross-validated communality (estimated using latent variables) were used. The cross-validated communality for each of the three endogenous variables was .71, .88 and .92.  $Q^2$  values above .50 are considered indicative of a model with high predictability (Chin, 2010).

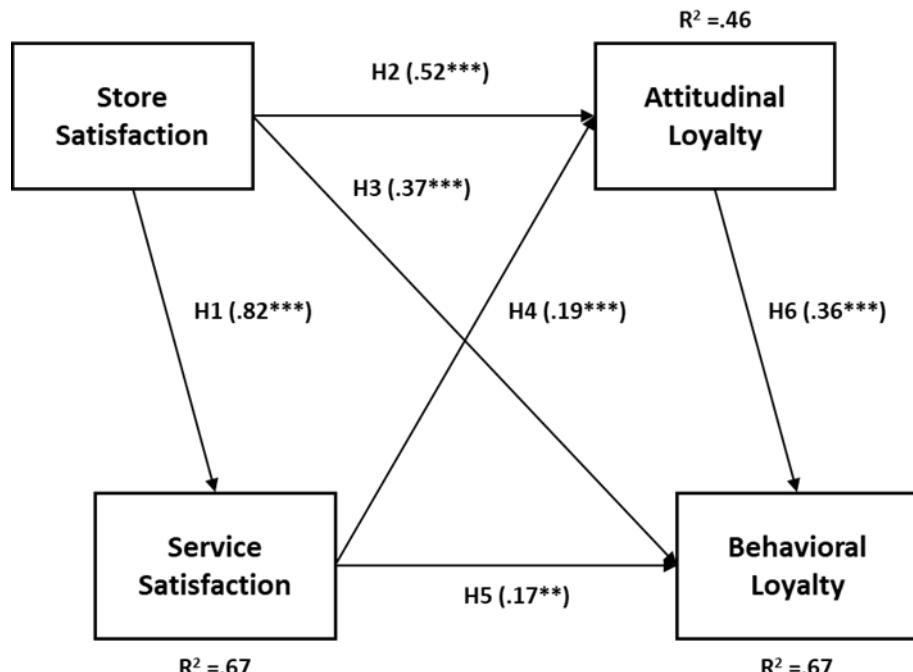
## RESULTS

The significance of the path coefficients was assessed by a bootstrapping procedure evaluating 5,000 random samples of the 308 original cases (Henseler, Ringle, & Sinkovics, 2009). The majority of hypotheses were supported as seen in Table 2. Hypothesis 1 was supported showing a positive linkage between store satisfaction and service satisfaction ( $\beta$

= .82, t-value = 37.04). Hypothesis 2 was supported with a positive linkage between store satisfaction and attitudinal loyalty ( $\beta$  = .52, t-value = 6.67). Hypothesis 3 was also supported indicating a positive relationship between store satisfaction and behavioral loyalty ( $\beta$  = .37, t-value = 4.35). Hypothesis 4 was supported indicating there was a significant relationship between service satisfaction and attitudinal loyalty ( $\beta$  = .19, t-value = 2.36). Hypothesis 5 was also supported indicating a statistically significant relationship between service satisfaction and behavioral loyalty ( $\beta$  = .17, t-value = 2.45). Hypothesis 6 was supported indicating a positive association between attitudinal loyalty and behavioral loyalty ( $\beta$  = .36, t-value = 5.39).

An analysis was performed to investigate the extent gender (Hypothesis 7) and store brand (Hypothesis 8) moderated the relationship between the antecedent variables and the endogenous variables. The sample was divided into four subgroups: males (145), females

**FIGURE 1:**  
**Hypotheses Test Results**



\*\*\*significant at the .01 level.

\*\*significant at the .05 level.

**TABLE 2:**  
**Results for Hypotheses 1-6**

	Paths	Sample Mean	Standard Error	T-value
H <sub>1</sub>	Store Satisfaction à Service Satisfaction	0.82	0.02	<b>37.04</b>
H <sub>2</sub>	Store Satisfaction à Attitudinal Loyalty	0.52	0.08	<b>6.67</b>
H <sub>3</sub>	Store Satisfaction à Behavioral Loyalty	0.37	0.09	<b>4.35</b>
H <sub>4</sub>	Service Satisfaction à Attitudinal Loyalty	0.19	0.07	<b>2.36</b>
H <sub>5</sub>	Service Satisfaction à Behavioral Loyalty	0.17	0.07	<b>2.45</b>
H <sub>6</sub>	Attitudinal Loyalty à Behavioral Loyalty	0.36	0.07	<b>5.39</b>

Note: t-value greater than 1.96 is significant at the .05 significance level; t-value greater than 2.58 is significant at the .01 significance level.

(163), Target customers (155) and Wal-Mart customers (153). Group comparisons were made using a parametric t-test to detect significant differences between the path coefficients for each subgroup (Henseler et al., 2009; Keil et al., 2000) as seen in Table 3. There were no significant differences for the hypothesized relationships between the two groups.

The moderation results for store brand are also seen in Table 3. There were two significant differences found between the Target and Wal-Mart subgroups. Target customers compared to Wal-Mart customers showed a significantly lower relationship between store satisfaction and attitudinal loyalty (H<sub>2</sub>). Target customers, however, had a significantly higher relationship between service satisfaction and attitudinal loyalty than did Wal-Mart customers (H<sub>4</sub>). A final question that remained is whether store satisfaction has a greater influence on both the dimensions of customer loyalty as compared to service satisfaction. In order to examine this relationship a post hoc test was performed using an ordinary least squares regression. Comparatively, store and service satisfaction explained 46% of the variance in the attitudinal loyalty model and 67% of the variance in the behavioral loyalty model. The results of the analysis showed that overall, store satisfaction had a greater influence than service satisfaction

on attitudinal ( $\beta = .52, p < .000$ ) and behavioral loyalty ( $\beta = .37, p < .000$ ).

## DISCUSSION

The research provides unique and important findings on the multiple dimensions of satisfaction and loyalty specific to discount retailing. This line of research is important as the results found for discount retailing were consistent with the literature. It has been previously reported that satisfaction is a key predictor of customer loyalty (Pleshko & Baquer, 2008; Picón, Castro, & Roldán, 2014; Szymanski & Henard, 2001; Trif, 2013). This relationship was also found to be prevalent in a discount retailing setting. The other findings also provide insights for managers and researchers in the context of discount retailing. First, it was found that store satisfaction is positively related to service satisfaction. Based on this finding, as retail managers seek to improve service satisfaction, the variables related to store satisfaction should also be addressed, as well as addressing service satisfaction to improve store satisfaction (Genestre & Herbig, 1996). The result that store satisfaction is related to both attitudinal and behavioral loyalty supports and extends the literature in this area (Torres-Moraga et al., 2008; Walsh et al., 2008). It also verifies that for the discount retail manager, focusing on store satisfaction has to be a priority in the wide

**TABLE 3:**  
**Subgroup Analysis: Hypotheses 7 and 8**

Path		Male vs. Female					Target vs. Wal-Mart				
		Male		Female			Target		Wal-Mart		
		Sample Mean	t-Stat	Sample Mean	t-Stat	T <sub>diff</sub>	Sample Mean	t-Stat	Sample Mean	t-Stat	T <sub>diff</sub>
<b>H<sub>1</sub></b>	Store Satisfaction à Service Satisfaction	0.82	<b>28.94</b>	0.82	<b>26.39</b>	0.18	0.81	<b>26.05</b>	0.83	<b>26.97</b>	0.42
<b>H<sub>2</sub></b>	Store Satisfaction à Attitudinal Loyalty	0.52	<b>5.41</b>	0.49	<b>4.06</b>	0.07	0.26	<b>2.43</b>	0.72	<b>8.49</b>	<b>3.36</b>
<b>H<sub>3</sub></b>	Store Satisfaction à Behavioral Loyalty	0.37	<b>3.74</b>	0.35	<b>2.62</b>	0.06	0.30	<b>2.36</b>	0.39	<b>3.85</b>	0.60
<b>H<sub>4</sub></b>	Service Satisfaction à Attitudinal Loyalty	0.16	1.45	0.24	<b>2.05</b>	0.46	0.40	<b>3.82</b>	0.02	0.09	<b>2.66</b>
<b>H<sub>5</sub></b>	Service Satisfaction à Behavioral Loyalty	0.23	<b>2.18</b>	0.13	1.33	0.72	0.30	<b>2.76</b>	0.09	1.03	1.55
<b>H<sub>6</sub></b>	Attitudinal Loyalty à Behavioral Loyalty	0.29	<b>3.14</b>	0.42	<b>4.58</b>	0.95	0.28	<b>2.85</b>	0.43	<b>4.46</b>	1.03

Notes: T<sub>diff</sub> compares subgroup differences of path coefficients (Males – Females) using t-test (Keil et al., 2000) where:

$$T_{\text{diff}} = \frac{b_1 - b_2}{\sqrt{\left( \frac{(n_1 - 1)^2}{n_1 + n_2 - 2} se(b_1)^2 + \frac{(n_2 - 1)^2}{n_1 + n_2 - 2} se(b_2)^2 \right) \frac{1}{n_1} + \frac{1}{n_2}}}$$

Notes: t-value greater than 1.65 is significant at the .10 significance level; t-value greater than 1.96 is significant at the .05 significance level; t-value greater than 2.58 is significant at the .01 significance level.

mix of retail challenges and activities. It was also found that service satisfaction is related to attitudinal and behavioral loyalty. The literature indicated the importance of service satisfaction to loyalty (Yuen & Chan, 2010) and it was hypothesized that service satisfaction would be positively related to both dimensions of loyalty. The results suggest that this is the case.

It is important to consider that store satisfaction had a greater influence than service satisfaction on attitudinal ( $\beta = .52$ ,  $p < .000$ ) and behavioral loyalty. Managers are therefore advised to acknowledge the practical implications of these relationships. Service satisfaction may not be

as important to discount retail customers as store satisfaction, but it remains a significant element in developing loyalty. It is likely that customers at the large discount retail stores like Walmart or Target place greater emphasis on the elements related to products that stores offer (i.e., price or assortment). These results may of course differ from other retail store types. Although service satisfaction is a critical component of overall customer satisfaction (Goff, Boles, & Stojack, 1997; Moshe & Moshe, 2010; Tatikonda, 2013), product related satisfaction may have a more lasting impact on customer repurchase intentions. Service satisfaction may be a form of ‘spurious’ brand loyalty where customers repeat their purchase

behavior simply because of inertia instead of true commitment to the brand or the store (Bloemer & Kasper, 1995). With spurious brand loyalty, good customer service may be important but it may not have a constant or lasting effect of store satisfaction. This notion also corresponds to Torres-Moraga et al. (2008) who suggest that the product is primary importance to satisfaction, while other elements are secondary. Although it is unwise to suggest that managers reduce their emphasis on service, the results do indicate that efforts put forth in the store area are more likely to have positive results related to loyalty. As suggested by the literature (Curtis et al., 2011; Donio' et al., 2006), it was found that attitudinal loyalty is related to behavioral loyalty. It remains important for managers to understand that the outcomes of store satisfaction result in not just favorable feelings of customers, but in improved future customer return behavior as well.

In terms of the influence of gender, there was no significant difference between males and females. This is contrary to findings in the previous literature. It may be that in the context of discount retailing gender does not play a significant role as it would in other industries. Further research is warranted to examine the role of gender in discount retailing, however. The findings based on store brand are likewise interesting. There were two differences found between the Target and Wal-Mart subgroups. For Wal-Mart customers, store satisfaction influenced their attitudinal loyalty more so than for Target customers. For Target customers, service satisfaction has a greater impact on attitudinal loyalty than it did for Wal-Mart. These findings may account for some of the mixed findings in the literature (Curtis et al., 2011), as store type (i.e., Target versus Wal-Mart) did make a difference in these results. For deep discounters such as Wal-Mart, the service dimension is not as critical as the store dimension. For higher level retailers, service may take on an additional level of importance. Looking at the two subgroup analyses in combination, for Walmart customers store satisfaction is greater importance to attitudinal loyalty, whereas for Target customers service satisfaction is greater importance to attitudinal loyalty. There are limitations to the research that should be noted. The study was based on

individuals that are participating in a consumer panel and may not be completely representative of other discount retail shoppers. In addition, the results based on Target and Wal-Mart shoppers may not be generalizable to other discount retailers. Related to the measures used, this research was exploratory in nature and the measures were adapted from other contexts or in some cases developed for this research. Future research is suggested to address these issues.

## SUMMARY AND CONTRIBUTIONS

This paper has contributed to the literature by providing insights on the relationship between multiple dimensions of satisfaction and loyalty in the discount retailing industry. The research contributes to the understanding of this area by simultaneously examining store and service satisfaction and attitudinal and behavioral loyalty. Ultimately, this research offers several opportunities to further explore the relationship between satisfaction and loyalty. First, consideration should be given to the terminology and definition of the constructs used. The present research viewed satisfaction as consisting of two dimensions; tangible and intangible that were operationalized as store and service satisfaction. The store satisfaction dimension examined customer quality perceptions of tangible elements such as the quality of the retail product and physical components of the store itself. Service satisfaction addressed customer perception of the quality of intangible elements of the store, such as customer service or interactions with store personnel. There are numerous directions for future research that can expand these findings. Among these are exploring the possible spurious nature of service satisfaction and loyalty and the impact on dimensions of loyalty (Bloemer & Kasper, 1995). Investigation of the possible nonlinear and asymmetric nature of the relationships observed in this paper (Anderson & Mittal, 2000) is also desired.

Additional research that considers these relationships in different settings may be beneficial. The influence of satisfaction on loyalty has been shown to vary in importance based on industry, customer segment and other variables (Kumar et al., 2013). It would

therefore be desirable to consider the multiple dimensions of satisfaction and loyalty in this manner. As related to store satisfaction, it may be useful to include the influence of brands as satisfaction with the brand represents a more advanced stage in customer loyalty (Torres-Moraga et al., 2008; Yuen & Chan, 2010). Moreover, examining these relationships as they relate to the relative importance of the products purchased at the store may be beneficial (Kanning & Bergmann, 2009; Tam, 2011). The relationships observed, particularly that related to service satisfaction, may be more important for higher level purchases, making a variety of store levels appropriate to study (Choi & Kim, 2013). Although satisfaction and loyalty may be determined at the point-of-purchase level (Aurier & de Lanauze, 2011), it would be insightful to also examine the dimensions on satisfaction and loyalty in an online setting. While the relationships examined in this study showed no significant differences between males and females, considering gender in other contexts such as high-end retailers may expand and clarify the results based on gender.

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# WHEN GOOD BUSINESS RELATIONSHIPS GO BAD: A QUANTITATIVE ANALYSIS OF DARK SIDE VARIABLES IN MATURE SUPPLY CHAIN RELATIONSHIPS

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*A survey of supply chain managers examines the dark side effect of relationship variables in mature business relationships. Specifically examined was the moderating impact of relationship quality on the relationship between five potentially dark side relationship variables with two variables of performance. There was evidence of the positive moderating effect of relationship quality between the relationship variables of relationship-specific investment and long-term relationship orientation and performance. For the majority of relationship variables, however, relationship quality did not have a positive moderating effect (social capital, reciprocity, and learning/absorptive capacity), suggesting a potential for diminishing returns indicative of a dark side effect.*

## INTRODUCTION

While the supply chain literature encourages firms to develop strong relationships as a means of improving performance and reducing uncertainty (Cannon & Perreault, 1999; Hove-Sibanda & Pooe, 2018; Kwamega, Li, & Abrokwah, 2018), empirical studies have shown the effects of such relationships to be mixed (Grayson & Ambler, 1999; Pillai & Sharma, 2003; Barnes, 2005; Teller, Kotzab, & Grant, 2012) or even negative (Granson & Ambler, 1999; Backhaus & Buschken, 1999; Raweewan & Ferrell, 2018). Supply chain collaboration may not be sustainable over the long run (Barratt, 2004) and collaboration may be difficult to implement and benefit from (Barratt, 2004; Min et al., 2005). While strategic alliances may fortify partners against outside competition, they may also increase dependence among the partners or vulnerability of one partner (Hamel, Doz, & Prahalad, 1989) and these closer relationships do not always deliver the expected value (Piercy, 2009). Empirical evidence shows that very few businesses achieve the anticipated level of results from collaborative efforts (Jap &

Ganesan, 2000; Anderson & Jap, 2005; Villena, Revilla, & Choi, 2011).

While previous work has explored the ways in which close relationships may not realize the benefits expected of them, it does not address the dark side of these organizational relationships (Anderson & Jap, 2005; Musarra, Robson, & Katsikeas, 2016). This dark side refers to factors and behaviors expected to have a positive impact on the relational outcome but whose actual effects have potential hidden risks (Chowdhury, Gruber, & Zolkiewski, 2016). While business relationships may experience negative factors such as conflict and strife which make them likely to dissolve, dark side variables work from the inside to undermine relationships even when one or both parties feel satisfied with their partnership and their received benefits (Anderson & Jap, 2005). These dark side variables may actually result from the efforts of the partners to develop strong, lasting relationships (Bensaou & Anderson, 1999; Grayson & Ambler, 1999; Anderson & Jap, 2005; Grover et al., 2006; Gu Hung & Tse, 2008; Lechner et al., 2010; Villena et al., 2011).

Thus, the dark side of business relationships remains a limited area of research. Research has addressed network interdependence, personality traits, and dependence on various dependent

variables such as value co-creation, brand performance, lock-in and basic performance outcomes (Gupta, Vaatanen, & Khaneja, 2016; Musarra, et al., 2016; Schmitz, Schweiger, & Daft, 2016). They often represent a unidimensional approach to investigation and do not address context such as the life cycle of the organizational relationship and the level of relationship quality in the existing relationship. Therefore, this study will contribute to previous literature by empirically studying whether the positive effects of business relationships suggested in the literature hold in the mature phase or if the dark side effect of relationship variables occur with adding the focus of relationship quality as a moderator.

The results of this study hold considerable managerial implications. When buyers and suppliers evaluate their relational portfolio, they select partners with whom to maintain or enrich relationships, and partners with whom they will reduce or terminate relationships. In managing those relationships, it is essential for organizations and their decision-makers to clearly understand both the potential upsides as well as the potential dark side of these relationships (Abosag, Yen, & Barnes, 2016). With this goal, this study presents an essential evaluation of the potential dark side effect of five variables on organizational relationships and helps answer the question of the existence of the dark side, in the presence of multiple relational variables in mature supply chain relationships. Specifically, the effects of five potentially dark side relationship variables (social capital, reciprocity, long-term relationship orientation, relationship-specific investment, and learning/absorptive capacity) on relationship success (perceptions of relationship financial performance and the likelihood of relationship termination) given the moderating impact of relationship quality are investigated. This paper will first discuss the literature, presenting the proposed model and hypotheses. Then it will discuss the methodology of surveying supply chain managers to test the hypotheses. Finally, the results and implications will be discussed.

## LITERATURE REVIEW

Business relationships are not static and the progression of a relationship may alter the

effect of relational constructs (Johnson & Selsnes, 2004; Eggert et al, 2006; Kusari et al., 2013). Researchers agree there are distinguishable phases in a relationship life cycle (Jap & Ganesan 2000; Eggert et al., 2006; Kusari et al., 2013). Firms intending to expand their relationships are in the growth phase, while those with lower intention to expand those relationships are in the mature phase, and those who intend to diminish their relationships are in the decline phase (Eggert et al., 2006). The growth phase is characterized by potential errors and a bumpy learning process, while the mature phase often finds partners who are experiencing the satisfaction and rewards they expected from the relationship and thus a relaxation of expectations regarding their partner's motivations and intentions (Jap & Ganesan, 2000; Kusari et al., 2013). During the mature phase, partners have illustrated competence, leading to additional trust (Kusari et al., 2013) and partners are more willing to forego short-term benefits for the expectation of long-term benefits (Jap & Ganesan, 2000; Kusari et al., 2013).

Jap and Ganesan (2000) identified four phases of the relationship life cycle: exploration, buildup, maturity and decline. The phases vary in terms of their direction of relationship growth (i.e., increasing or decreasing) and their relationship strength. This study uses the Jap and Ganesan (2000) conceptualization of the relationship life cycle and focuses on the maturity phase, which is characterized by: (1) an acceptable level of benefits and satisfaction for both partners in (most often) a longer-term relationship; and (2) an often-unspoken pledge to continue the relationship even longer (Blau, 1964; Dwyer et al., 1987; Jap & Ganesan, 2000). This, however, may also be the stage in which complacency sets in, fatigue and opportunity costs become problematic and commitment and trust are taken for granted (Jap & Ganesan, 2000), potentially causing the relationship to move into decline or deterioration. Thus, this research examines if the positive impact holds or if a dark side impact occurs during this phase.

This study focuses on the mature relationship stage for two important reasons. First, earlier stages of the relationship are often characterized by low trust and low investment

which are indicative of a transactional relationship and an increased probability of relationship termination (Pillai & Sharma, 2003). Further, earlier relationship stages are often prone to turbulence that may create instability in the relationship. Because this turbulence is experienced in the earlier relationship stages, organizations with mature relationships are perceived as having moved beyond that type of volatility and settled into a more stable relationship with a relational, as opposed to transactional, focus (Dwyer, Schurr, & Oh, 1987; Pillai & Sharma, 2003).

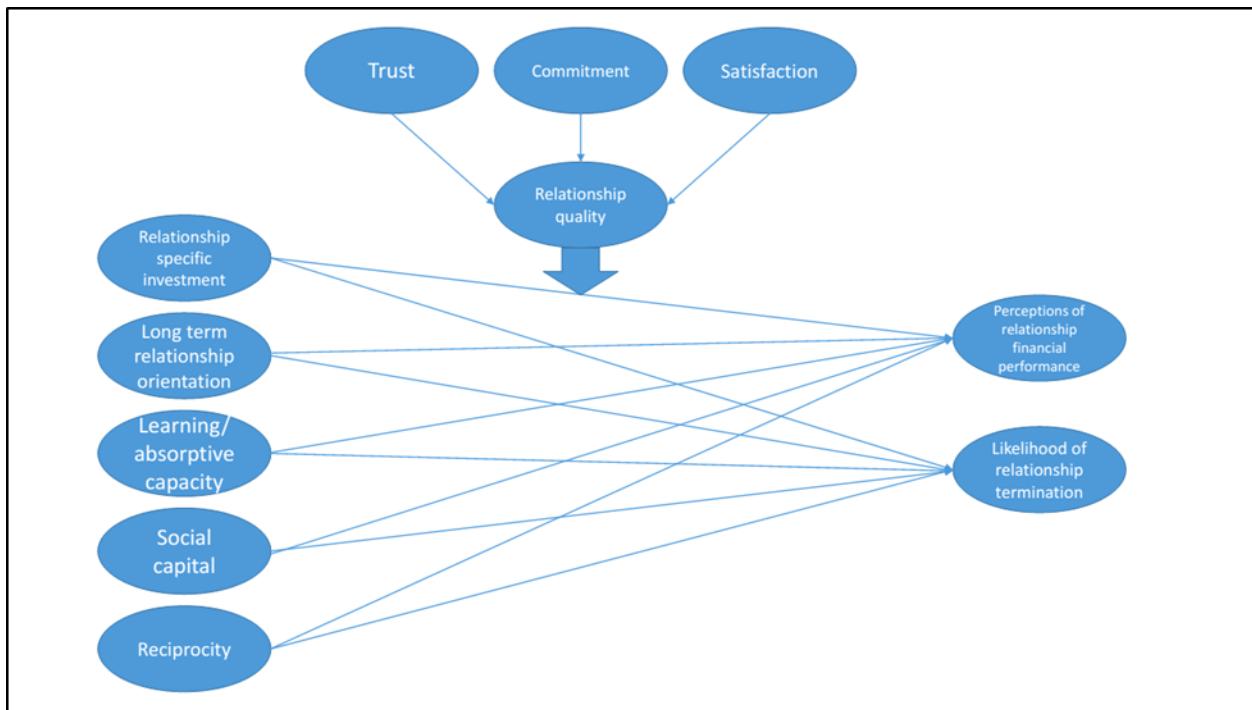
Second, mature relationships are perceived to exhibit higher trust and commitment to one another, with ongoing, anticipated, mutual benefit (Ganesan, 1994; Pillai & Sharma, 2003). While mature relationships are often anticipated to have the highest rate of survival, empirical observations of mature relationships have shown mixed results (Pillai & Sharma, 2003). Some research has shown a lack of positive results and some has revealed the presence of negative results from a long-term,

ongoing, mature relationship (Pillai & Sharma, 2003). Relationship damage is unavoidable (Samaha, Palmatier, & Dant, 2011; Abosag, Yen, & Barnes, 2016) at any stage of the relationship life cycle. Relationship tension tends to build over time, reaching a delayed breaking point (Beverland & Lockshin, 2003) in a mature relationship. Because often the buyer-supplier relationship goal is to retain each party, strong relationships are a prime focus so that buying will continue into the future (Theoharakis & Hooley, 2003). These relationships frequently experience opportunism (Chowdhury, Gruber, & Zolkiewski, 2016) or an unanticipated termination. Because of the potential outcomes of the maturity stage, we focus on this stage of the relationship life cycle in examining the dark side effect shown in Figure 1.

### Social Exchange Theory

Social Exchange Theory (SET) has been very influential in business disciplines (Croppanzano & Mitchell, 2005). The central tenet of the

**FIGURE 1:**  
Structural Model



Note: Relationship Quality is a moderator for the links for all the IVs and DVs.

theory is that series of social exchanges create social obligations which, over time, will create mutually beneficial relationships (Emerson, 1976; Cropanzano & Mitchell, 2005). SET predicts that benefits accumulate when partners behave in a reciprocal way to benefit one another (Homans, 1958; Thibaut & Kelley, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976). According to SET, the costs to develop and maintain a supply chain relationship are lower in socially close relationships (Thibaut & Kelley, 1959). In the business context, behaviors by one firm, according to SET, will result in reciprocal behavior by the other firm (Thibaut & Kelley, 1959; Hald et al., 2009) as the primary motivation for creating partnerships is to avoid punishments and seek rewards (Emerson, 1976; Griffith, et al, 2006). Some of the earlier theoretical conceptualizations of SET, though, support the point of diminishing returns for reciprocity and social exchange (Homans, 1958; Thibaut & Kelley, 1959; Blau, 1964; Emerson, 1976) and the fatigue and satiation concepts (Thibaut & Kelley, 1959). These concepts are central and supportive to the study of the dark side effect in business relationships which will be explored in this research.

### **Relationship Quality**

One of the more effective moderators of a business relationship outcome is relationship quality (Kusari, Hoeffler, & Iacobucci, 2013). Relationship quality refers to the condition in which partners can rely on performance levels and honesty of one another because these mutual expectations are essential to maintaining a productive relationship (Crosby et al., 1990; Fang et al., 2011) and it has a strong effect on relationship performance (Crosby et al., 1990; Kumar et al., 1995; Nyaga & Whipple, 2011). Relationship quality is impacted by the fairness of suppliers (Kumar et al., 1995) and is positively related to relationship continuity (Crosby et al., 1990), relationship satisfaction and supply chain operational performance (Nyaga & Whipple, 2011). Per Rauyruen and Miller (2007), relationship quality significantly influences attitudinal loyalty.

Relationship quality is most often conceptualized as a higher-order construct made of trust and commitment (Morgan &

Hunt, 1994; Palmatier et al., 2007; Fang et al., 2011) and relationship satisfaction (Crosby et al., 1990; Palmatier et al., 2007). Trust between partners reduces the likelihood of opportunistic behavior and provides a greater focus on long-term, mutual benefits by making the actual economic exchange more transparent and efficient (Fang et al., 2011). A high level of commitment in a relationship reduces the desire to seek alternative partners, increases the amount of effort and investment expended on improving the relationship and improves perceptions and expectations of future rewards (Fang et al., 2011). Given the importance of relationship quality, it is included as a moderator of the paths between the dark side variables and the dependent variables. Relationship quality will be tested as a second order construct composed of satisfaction, commitment and trust.

### **Relationship Performance**

There are two dependent variables of interest in exploring if a relationship is performing successfully or not: (1) the likelihood of relationship termination; and (2) perceptions of relationship financial performance. Because close business relationships are promoted for improving firm performance, perceptions of the financial costs and benefits of a buyer-supplier relationship can affect the partners' perceptions of relationship success (Spekman & Carraway, 2006; Duffy, 2008). These two dependent variables are expected to show a more complex picture of relationships that end or are expected to end due to a relationship failure.

### **Dark Side Variables**

While research has corroborated the positive side of buyer-supplier relationships touting greater benefits from a strong relationship than from a transactional one, the high quantity of failed and underperforming business relationships emphasizes the need for clear understanding of all dimensions of organizational relationships—including the dark side (Musarra, et al., 2016). The dark side of relational variables results in tension, conflict and reduced cooperation, commitment and trust (Abosag, Yen, & Barnes, 2016). These dark side factors can lead to reduced relational performance, organizational

performance and relationship termination (Abosag, Yen, & Barnes, 2016). These dark side effects have been underrepresented in organizational literature (Grayson & Ambler, 1999; Schmitz, Schweiger, & Daft, 2016).

Dark side variables are those that may have positive effects on the relationship performance but, at some point, begin to exhibit diminishing returns while still requiring increasing costs in time and investment (Villenna et al., 2011; Anderson & Jap, 2005). This study is addressing what variables may be more prone to this dark-side effect in the mature stage of the relationship life cycle and thus includes the following as potentially dark-side variables: (1) relationship-specific investments (Backhaus & Buschken, 1999; Bensaou & Anderson, 1999; Jap & Ganesan, 2000); (2) long-term relationship orientation (Grayson & Ambler, 1999; Barnes, 2005); (3) learning/absorptive capacity (Hamel, 1991; Dyer, Singh, & Kale, 2008); (4) social capital (Inkpen & Tsang, 2005; Autry & Griffis, 2008); and (5) reciprocity (Gu et al., 2008; Lechner et al., 2010). These variables chosen are relevant to SET as they include social behaviors, determined by human behavior patterns in which social norms and the norm of reciprocity create an expected equal return in behavior.

***Relationship-Specific Investment.*** Relationship-specific assets are those which are mutual, though not necessarily balanced and cannot be used with other business partners (Bensaou & Anderson, 1999). These assets are the reason a continuous relationship makes economic and operational sense and they help create an atmosphere of mutual commitment (Backhaus & Büschken, 1999). Since each partner's investment is at risk of loss if the relationship ends before the return is realized, relationship-specific investments may hold a firm in a relationship even when there is dissatisfaction with it (Backhaus & Büschken, 1999) and may increase a firm's vulnerability to opportunism (Backhaus & Büschken, 1999; Bensaou & Anderson, 1999). This is particularly true when relationship-specific investments are asymmetrical, allowing one partner to experience increased bargaining power and thereby gain benefits in excess of what the other partner receives (Jap & Ganesan, 2000; Lavie, 2006; Dyer et al., 2008). Thus, assets

created to protect business relationships may actually endanger those relationships by increasing the potential gains of opportunistic behaviors and actions (Bensaou & Anderson, 1999).

Research has produced contradictory results regarding the contribution of relationship-specific investments to the performance of supply-chain relationships (Jap & Ganesan, 2000). Jap and Ganesan (2000) and Poppo et al. (2008) found that balanced relationship-specific investments increase the perception of commitment of the other party only in the exploration phase of the relationship life cycle. A mature position in the relationship life cycle would suggest that relationship-specific investments, if used, would lead to a feeling of satisfaction and commitment. Achrol and Gundlach (1999) found that relationship quality is positively related to relationship performance and reduces the likelihood of relationship dissolution. The following hypotheses are proposed to determine if the positive impact of these variables hold or if there is a dark side effect:

**H<sub>1a</sub>:** The relationship between relationship-specific investment and relationship financial performance is stronger for mature supply chain relationships with a higher level of relationship quality than for mature supply chain relationships with a lower level of relationship quality.

**H<sub>1b</sub>:** The relationship between relationship-specific investment and likelihood of termination is stronger for mature supply chain relationships with a lower level of relationship quality than for mature supply chain relationships with a higher level of relationship quality.

***Long-Term Relationship Orientation.*** Long-term relationship orientation involves continuous business relationships between two partners, as opposed to arm's-length, market- or transaction-based (i.e., short-term) relationships. Research suggests longer-term relationships reduce costs and increase profits to both parties over time (Ganesan, 1994; Skarmeas, 2006), increase trust and commitment (Bitner, 1995; Barnes, 2005;

Poppo et al., 2008) and reduce risk (Bitner, 1995).

Despite the potential advantages, longer-term relationships increase the need for relationship-specific investments (Backhaus & Büschken, 1999) and may not result in either greater profit (Moorman et al., 1992; Reinartz & Kumar, 2003) or sales growth (Kalwani & Narayandas, 1995) than transactional relationships. They may also increase the potential for opportunism as the dissolution of the relationship can be difficult and expensive (John, 1984; Anderson & Weitz, 1992). As relationships develop over time, negative influences may become more common (Grayson & Ambler, 1999; Barnes, 2005) and reduce the long-term relational impact on trust and commitment (Grayson & Ambler, 1999). Expectations often increase with the duration of the relationship (Moorman et al., 1992), which contributes to the potential diminishing returns of long-term relationships. Complacency can become normal in long-term relationships (Barnes, 2005), resulting in "relational inertia" (Villena et al., 2011), or a reluctance to seek other partners or replace current partners even if expected benefits are not forthcoming (Anderson & Jap, 2005; Fang et al., 2011). Relational inertia limits innovation (Anderson & Jap, 2005), knowledge creation (McFadyen & Cannella, 2004) and product/market development (Fang et al., 2011).

Long-term relationship orientation may affect supply chain relationships positively but can also produce negative results. Because relationship quality is composed of trust and commitment, this moderator is expected to improve the potential longevity and performance of the relationship. SET suggests that the trust and commitment inherent in relationship quality will improve the outcomes of the relationship. Kusari et al. (2013, p. 119) though offer "there is a time and a place to trust one's business partners and a time and a place to verify their trustworthiness" suggesting the potential downsides of a long-term relationship orientation. Therefore, the following hypotheses are proposed to determine if the positive impact of these variables hold or if there is a dark side effect:

**H<sub>2a</sub>:** The relationship between long-term relationship orientation and relationship financial performance is

stronger for mature supply chain relationships with a higher level of relationship quality than for mature supply chain relationships with a lower level of relationship quality.

**H<sub>2b</sub>:** The relationship between long-term relationship orientation and likelihood of termination is stronger for mature supply chain relationships with a lower level of relationship quality than for mature supply chain relationships with a higher level of relationship quality.

*Learning/Absorptive Capacity.* Absorptive capacity is the ability of a firm to exploit the knowledge base of its partners by identifying, evaluating and assimilating that knowledge (Cohen & Levinthal, 1990). Firms often enter alliances with a perception of value arising from acquiring new knowledge (Cohen & Levinthal, 1990; Lavie, 2006; Poppo et al., 2008; Dyer et al., 2008; Li et al., 2008). These relationships most often occur when knowledge asymmetries are involved and the process of collaboration creates a conduit through which knowledge can be shared (Hamel, 1991). Absorptive capacity is partially responsible for greater firm performance (Lavie, 2006) and deeper learning strengthens business relationships, making it more difficult for partners to dissolve the relationship (Poppo et al., 2009). There is, however, a potential dark side. A learning goal may be an effort to poach as much knowledge and technology as possible and then quit the relationship to avoid the dependence which comes along with it (Hamel, 1991; Dyer et al., 2008). This suggests a lack of commitment to the relationship. Firms involved in learning-type alliances must balance the flow of knowledge in both directions and try to protect any knowledge they do not wish to share (Inkpen & Beamish, 1997; Li et al., 2008). Concerns about unintentional knowledge transfer, partner encroachment and information poaching may lead firms to invest in information gatekeepers, employees who monitor and restrict the flow of knowledge between partners (Hamel, 1991), indicating a lack of trust in the relationship.

Hamel (1991) found that if a firm cannot learn from its partner as quickly as its partner can learn from it, the firm becomes dependent upon

the faster-learning partner and to the relationship itself. Thus, a higher level of absorptive capacity results in a higher level of bargaining power for the faster-learning partner. Inkpen and Beamish (1997) assert that the acquisition of knowledge creates an imbalance of power which may, in the longer run, make the relationship obsolete. When firms behave opportunistically in their desire to win the learning race, this may lead to an inability to gain or maintain a competitive advantage and hence reduced levels of performance and innovation (Li et al., 2008).

In the mature stage of the relationship life cycle, learning paths between partners would be expected to be relatively well-established and stable. SET suggests that learning would improve relationship financial performance and reduce the likelihood of termination (Homans, 1958; Thibaut & Kelly, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976). This is particularly true when learning is combined with high levels of relationship quality, which includes trust and commitment (Palmatier et al., 2007; Nyaga & Whipple, 2011). We propose to determine if there is a positive impact of these variables or a dark side effect:

**H<sub>3a</sub>:** The relationship between learning/absorptive capacity and relationship financial performance is stronger for mature supply chain relationships with a higher level of relationship quality than for mature supply chain relationships with a lower level of relationship quality.

**H<sub>3b</sub>:** The relationship between learning/absorptive capacity and likelihood of termination is stronger for mature supply chain relationships with a lower level of relationship quality than for mature supply chain relationships with a higher level of relationship quality.

*Social Capital.* Social capital is defined as the interpersonal relationships between individuals (McFadyen & Cannella, 2004). It includes perceptual variables such as reciprocity, respect and friendship which are developed over longer-term relationships (Villena et al., 2011). SET suggests that social capital creates value for partners by increasing trust, commitment and performance, however others have cautioned

against the dark side of social capital (Portes & Sensenbrenner, 1993; Inkpen & Tsang, 2005).

Lock et al. (1999) states firms that base their competitive advantage goals primarily on social capital will likely encounter extreme disadvantage. Personal networks are capable of creating very strong group identification and group norms, which limits the members' openness to other groups (McFadyen & Cannella, 2004). This results in a failure to consider new options (Kern, 1998), which reduces the performance of both the firm and the partnering relationship (Villena et al., 2011). It may also lead to opportunistic behavior, non-optimal decision making or loss of objectivity (McFadyen & Cannella, 2004; Grover et al., 2006; Villena et al., 2011).

A mature position in the relationship life cycle would support the positive effects of social capital on relationship performance, increasing performance while reducing the probability of termination. Adding relationship quality as a moderator would accentuate the positive results and further reduce the probability of termination. So, the following hypotheses are proposed to determine if the positive impact of these variables hold or if there is a dark side effect:

**H<sub>4a</sub>:** The relationship between social capital and relationship financial performance is stronger for mature supply chain relationships with a higher level of relationship quality than for mature supply chain relationships with a lower level of relationship quality.

**H<sub>4b</sub>:** The relationship between social capital and likelihood of termination is stronger for mature supply chain relationships with a lower level of relationship quality than for mature supply chain relationships with a higher level of relationship quality.

*Reciprocity.* Reciprocity involves a perception of increased benefit based on cooperation and an expectation of similar behavior from a partner (Gouldner, 1960; Poppo et al., 2008). When partners understand it is in their best interest to act cooperatively, they frequently assume that the other party is also aware of this often-unspoken agreement (Poppo et al., 2008).

SET suggests that reciprocity can create substantial performance benefits in supply chain relationships and this conclusion has been supported by empirical evidence (Gu et al., 2008).

The dark side of reciprocity results from its consumption of resources without a guarantee of return on investment (Lechner et al., 2010). When reciprocity is strong, a feeling of obligation may diminish the importance of the original goals or effective actions (Uzzi, 1997; Lechner et al., 2010). Unintended consequences include ignorance of true market conditions (Gu et al., 2008), failure of network relationships (Uzzi, 1997) and even excessive debt accumulation (Vanhonacker, 2004). This can affect a firm's performance and survival (Gu et al., 2008).

SET predicts that reciprocity would have a positive effect on relationship performance and a negative effect on likelihood of termination but the original conceptualization of the theory suggests there is a point of diminishing returns for reciprocity on the dependent variables (Homans, 1958). Therefore, the following hypotheses are proposed to determine if the positive impact of these variables hold or if there is a dark side effect:

**H<sub>5a</sub>:** The relationship between reciprocity and relationship financial performance is stronger for mature supply chain relationships with a higher level of relationship quality than for mature supply chain relationships with a lower level of relationship quality.

**H<sub>5b</sub>:** The relationship between reciprocity and likelihood of termination is stronger for mature supply chain relationships with a lower level of relationship quality than for mature supply chain relationships with a higher level of relationship quality.

## METHODOLOGY

This research examines the proposed relationships with a cross-sectional survey of supply chain professionals administered online via Qualtrics. The survey was successfully pretested with twelve logistics professionals and academics to assure the readability, face

validity, understandability and ease of completion of the survey.

## Sample and Measures

The target respondents were mid- and upper-level managers who were involved in mature supply chain relationships. Following a general approach suggested by Bartell (2014), social media was utilized to obtain a robust list of logistics professionals at these management levels. As Bartell (2014) pointed out, social media is becoming a widely used research recruitment tool due to its cost, time and convenience benefits. To that end, an email contact list of 3,600 subscribers of a professional logistics and supply chain management blog (The Logistics of Logistics) was obtained for this study. Invitations to participate were sent in a pseudo-random approach by systematically sending an invitation to participate to every other one of the 3,600 potential subjects. Invitations to participate were made in two stages (the initial first wave and a subsequent second wave approximately four weeks later). As incentive to participate in the survey, subscribers were offered access to a summary practitioner report published exclusively on the blog once the survey was complete. There were 305 initial responses to the survey. Deletion of incomplete surveys and those not involving mature business relationships resulted in a final sample size of 191 respondents. The demographics of the respondents are summarized in Table 1. The majority of participants were supervisors/managers (69.6%) who have been in the position for at least a year (97%) for the same firm (98%). There was a diversity of industries and firm sizes (measured by revenue and number of employees) represented in the sample.

The survey respondents were instructed to consider a business relationship in which they were involved that was in the mature phase of the life cycle (the definition being provided in the survey instructions). They were then asked to briefly describe the relationship, as a check on their understanding of the type of relationship being studied. That open-ended question was followed by the survey items for each variable, with each item adapted from established, tested scale items as described in

**TABLE 1:**  
**Demographics of Respondents**

Demographic Variable	Frequency	%
<b>Job Title</b>		
Supervisor/ Manager	132	69.6%
Front-line employee	43	22.5%
Vice President	2	1%
Director	13	6.8%
C-suite	0	0%
<b>Length in Position</b>		
Less than one year	4	2.1%
Between one and five years	102	53.4%
Between five and ten years	62	32.5%
Between ten and fifteen years	13	6.8%
More than fifteen years	10	5.2%
<b>Industry category for partner company</b>		
Manufacturing	35	18.3%
Logistics	17	8.9%
Retail	28	14.7%
Information technology	44	23%
Marketing	10	5.2%
Hospitality	14	7.3%
<b>Length with this company</b>		
Less than one year	4	2.1%
Between one and five years	73	38.2%
Between six and ten years	78	40.8%
Between eleven and fifteen years	27	14.1%
More than fifteen years	9	4.7%
<b>Approximate annual revenue of your company.</b>		
Less than \$100,000	15	7.9%
Between \$100,000 and \$500,000	32	16.8%
Between \$500,001 and \$1,000,000	39	20.4%
Between \$1,000,001 and \$2,000,000	30	15.7%
Above \$2,000,000	75	39.3%
<b>Number of employees in your company</b>		
Less than 50	52	27.2%
Between 50 and 100	34	17.8%
Between 101 and 200	26	13.6%
Between 201 and 500	26	13.6%
More than 500	53	27.7%
<b>Industry category for your company</b>		
Manufacturing	30	15.7%
Logistics	21	11%
Retail	44	23%
Information technology	43	22.5%
Marketing	12	6.3%
Hospitality	21	11%
Research/ development	20	10.5%

Table 2. Where appropriate, the more-general word “partner” was substituted (for supplier, customer, etc.) since respondents could have different roles in the particular business relationships used as the basis for their responses. All adapted items are tested on a 5-

point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

The survey responses were analyzed using structural equation modeling (SEM). One advantage of SEM is the ability to include

**TABLE 2:**  
**Final Survey Items Analyzed**

Construct	Source	Item	Tested in hypothesis:
Relationship termination - 4 items	Johnson (1999)	We expect the relationship with this partner to last a long time. (R) It is likely that our relationship with this partner will be terminated within the next 2 years. Our firm has been successful in getting this partner to commit to long term cooperation. (R) This partner is hesitant to come to any long term agreements.	All
Perceptions of relationship financial performance – 9 items originally	Duffy (2008)	We see a lot of future growth potential with this partner. Investments we have made in this relationship have made our business operations more cost effective and efficient. Returns we have made from this relationship have enabled us to reinvest and expand our business with this customer. <i>The amount of business we have with this partner is growing.</i> <i>The future viability of this relationship does not look good. [R]</i> <i>Investments of time and money in this partner have been worthwhile.</i> <i>The cost of servicing this partner is low given the amount of business it generates.</i> <i>We have been required to make investments in this relationship that have cost us a lot of money but offer little benefit to our own operations. [R]</i> <i>We are satisfied with the level of profits we achieve with this partner.</i>	All
Relationship specific investment – 3 items	Nyaga & Whipple (2011)	We have invested substantially in personnel dedicated to this relationship. We have provided proprietary expertise and/ or technology to this relationship. We have dedicated significant investments (e.g. equipment or support systems) to this relationship.	H <sub>1a</sub> , H <sub>1b</sub>
Long term orientation – 7 items originally	Ganesan (1994)	We believe that over the long run our relationship with this partner will be profitable. Maintaining a long term relationship with this partner is important to us. We are willing to make sacrifices to help this partner from time to time. We expect this partner to be working with us for a long time. Any concessions we make to help out this partner will even out in the long run. <i>We focus on long term goals in this relationship.</i> <i>We are only concerned with our outcomes in this relationship. [R]</i>	H <sub>2a</sub> , H <sub>2b</sub>
Learning and absorptive capacity - 6 items originally	Schoenheit et al. (2014)	Working with this specific partner, we have developed processes for: Protecting knowledge from inappropriate use outside the organization. Encouraging the protection of knowledge. Acquiring knowledge about new products or services within our industry. Generating new knowledge from existing knowledge. <i>Restricting access to some sources of knowledge.</i> <i>Collaborating.</i>	H <sub>3a</sub> , H <sub>3b</sub>

TABLE 2: *Continued*

Construct	Source	Item	Tested in hypothesis:
Social Capital – 5 items	Villena, Revilla & Choi (2011)	Please indicate the extent to which the relationship between your company and this supplier is characterized by:  A close personal interaction between the partners.  Mutual respect between the partners.  Mutual trust between the partners.  Personal friendship between the partners.  Reciprocity between the partners.	H <sub>4a</sub> , H <sub>4b</sub>
Reciprocity – 4 items originally	Chan and Li (2010)	When my partner needs my help, I am willing to assist them even if it may cost me time and effort.  When I ask this partner for help, I think they will help me.  Even if this partner, who I have helped may not help me in return, I believe they will in the future.  <i>I am willing to help and share information with my partner when they need it.</i>	H <sub>5a</sub> , H <sub>5b</sub>
Trust – 5 items	Kumar et al. (1995)	When making important decisions, this partner is concerned about our welfare.  We can rely on this partner handling critical information on our company confidentially.  When we have an important requirement, we can depend on this partner's support.  We are convinced that this partner performs its tasks professionally.  We can count on this partner's promises made to our firm.	All
Commitment – 4 items	Anderson & Weitz (1992)	We are patient with this partner when they make mistakes that cause us trouble.  We are willing to dedicate whatever people and resources it takes to grow sales for this partner.  We are quite willing to make long-term investments in this partner.  We are not continually on the lookout for another partner to replace this partner.	All
Satisfaction – 4 items	Nyaga & Whipple (2011)	My firm is satisfied with this partner in terms of:  Coordination of activities.  Level of commitment.  Level of information sharing.  Management of activities.	All
Statistical Process Controls (Marker)	Shah & Ward (2007)	At my company, we make extensive use of statistical techniques to reduce variance in our business volume.	Marker

Note: Removed items are in *italics*; R means reverse coded items

latent variables in a complex model (Lowry & Gaskin, 2014). The full model was evaluated using Partial Least Squares (PLS-SEM), a mathematically iterative approach which maximizes the explained variance of the dependent variables, or latent constructs (Hair, Ringle, & Sarstedt, 2011). PLS-SEM allows rigorous analysis with a smaller sample size than covariance-based SEM methodologies (Hair et al., 2011). The software used to run the PLS-SEM analysis was WarpPLS 4.0 which, unlike other PLS software, is capable of

estimating nonlinear relationships among the latent variables (Kock, 2013). Since WarpPLS path coefficient calculation allows interpretation of the path coefficients as if they are the path coefficients of linear regressions (Kock, 2014), there is no need to split the data set into high or low conditions of the moderator (i.e., it allowed the data set to be tested in its entirety).

The minimum required sample size to run PLS-SEM is the number required to run the

estimates for one latent variable block at a time. In this study, the largest number of manifest variables in the model belongs to the perceptions of financial performance variable. Because the maximum number of paths from manifest variables to this latent construct is 9, the recommended sample size for a significance level of 5 percent is 181 to detect R-squared values of 0.10 and to achieve statistical power of 80 percent (Hair et al., 2014). As the final sample size of 191 respondents is greater than the sample size of 181 recommended by the Hair et al. (2014) approach, it is therefore sufficient to achieve the specified levels of predictive power.

## RESULTS

### Initial Data Analysis

Initial data analysis showed no evidence of outliers. Although normality is not a required distribution assumption for partial least squares analysis (Hair et al., 2014), examination of skewness and kurtosis indicated non-normality only with respect to the nature of the relationship (which, as requested and expected, was heavily skewed toward mature relationships). Since respondents not involved in mature relationships were eliminated during the data cleansing process, the non-normality of this item did not affect the analysis of the data. In terms of nonresponse bias, early versus late responders were tested for significant differences (Armstrong & Overton, 1977) using data collected over roughly a two-month period. There were no significant results, indicating that nonresponse bias is not problematic in this data set.

Common method bias was tested by including a marker variable in the survey instrument which is theoretically unrelated to the constructs of the study (Lindell & Whitney, 2001; Lowry & Gaskin, 2014). The marker variable is then correlated to the data; if correlations are higher than expected, then the common method bias may be present (Lowry and Gaskin, 2014). The best way to address this problem using the marker variable is to include a theoretically unrelated variable in the questionnaire to justify the a priori zero correlation between this marker variable and the other study variables (Lindell and Whitney, 2001). Previous research

supports the use of a single-item Likert-scale marker variable (Johnson & Hall, 2005; Williams, Hartman, & Cavazotte, 2010), therefore the marker variable used in this study was a measure of lean production methods adapted from Shah and Ward (2007), "At my company, we make extensive use of statistical techniques to reduce variance in our business volume". The marker variable was non-significant to both the likelihood of relationship termination ( $p=.167$ ) and perceptions of relationship financial performance ( $p=.490$ ) as well as the rest of the variables in the model, indicating that common method bias is not a concern. Finally, to test for multicollinearity, the variance inflation factor (VIF) was calculated for each variable to evaluate indicator multicollinearity. All indicators satisfied even the most restrictive threshold of  $VIF < 3.3$  (Kock, 2014), indicating that multicollinearity is not an issue.

### The Final Model

The model underlying this study was provided in Figure 1. To perform a more robust analysis, the model was revised to include control variables related to both the firm and the demographics of the respondents (Villena et al., 2011). Firm-level control variables include: (1) individual firm financial performance, measured as the approximate value of annual net sales (Tokman et al., 2007; Modi & Mabert, 2007); (2) firm size, measured by number of employees (Tokman et al., 2007; Modi & Mabert, 2007); (3) relationship criticality, measured by the percent of business satisfied by the particular relationship in question (Modi & Mabert, 2007); and (4) industry (Modi & Mabert, 2007). Consistent with the Modi and Mabert (2007) study, demographic control variables including age, duration at the current position and job title were collected.

The impacts of the control variables on the model were tested by including the control variables in the full model and evaluating the paths for significance. Only one control variable (importance of this partner to your company) was significant for the dependent variable of likelihood of relationship termination and this was incorporated in the structure of the final model. None of the other

control variables significantly impacted the dependent variables and thus were excluded from further tests. The path coefficients and significance of the control variable paths are provided in Table 3.

The internal consistency of the model was evaluated using reliability, convergent validity and discriminant validity. This evaluation involved an iterative process which first evaluated all internal consistency measures and then removed eleven measurement items illustrated in Table Two which were reducing internal consistency. Six of the items removed came from Duffy's (2008) nine item scale related to the perception of relationship financial performance, two items removed came from Ganesan's (1994) seven item scale related to long-term orientation, two related to

Schoehert et al.'s (2014) six item scale related to learning/absorptive capacity and one item was removed from Chan and Li's (2010) reciprocity scale. Per Duffy (2008), it is acceptable to refine measures to correct lower internal consistency scores, including reliabilities. Once those were removed, reliability, convergent validity and discriminant validity were within accepted thresholds and an adequate number of items remained for the final measures utilized as illustrated in Table 2.

Reliability was calculated for each latent variable using both Cronbach's alpha and composite reliability (see Table 4). When calculating reliability for the first-order constructs which make up the second-order latent construct (relationship quality), the

**TABLE 3:**  
**Effect of Control Variables**

Control Variable	Likelihood of Relationship Termination		Perceptions of Relationship Financial Performance	
	Path Coefficient	P Value	Path Coefficient	P Value
Importance	-0.162	0.006	0.065	0.160
Marker	0.063	0.167	0.002	0.490
Job Title	0.085	0.096	-0.048	0.233
Duration in Position	0.033	0.307	0.010	0.443
Partner Industry	-0.087	0.090	0.033	0.443
Duration at Company	0.044	0.251	0.011	0.435
Own Revenue	-0.106	0.051	0.045	0.247
Own Employment	0.091	0.082	0.006	0.464
Own Industry	0.001	0.496	-0.038	0.279

**TABLE 4:**  
**Reliabilities for Latent Constructs**

Construct	Final # of Items	Cronbach's Alpha	Composite Reliability
Relationship-specific investment	3	0.781	0.873
Long-term orientation	5	0.876	0.910
Learning/ absorptive capacity	4	0.827	0.885
Relational social capital	5	0.795	0.860
Reciprocity	3	0.713	0.840
Relationship termination	4	0.816	0.879
Relationship financial performance	3	0.751	0.858
Relationship Quality	13	0.893	0.934

recommendation is to calculate a reliability for the second-order construct (Kock, 2014). All latent construct reliabilities exceed the 0.7 threshold for both Cronbach's alpha and composite reliability.

The criterion for acceptable convergent validity is average variance extracted (AVE) above 0.50 (Hair et al., 2013). With the original set of measurement items, only one construct (perceptions of relationship financial performance) did not achieve the 0.50 threshold. After removal of the eleven items described above, the AVE increased for long-term orientation (0.572 to 0.669), learning and absorptive capacity (0.527 to 0.658), reciprocity (0.615 to 0.636) and perceptions of relationship financial performance (0.45 to 0.668). The criterion for discriminant validity is that the square root of the AVE is higher than the correlation between the latent variables (Hair et al., 2010). Table 5 shows (on the diagonal) the correlations between latent variables and the square root of AVE. All constructs demonstrate discriminant validity.

PLS-SEM evaluates a model by fitting it to the sample data, thereby optimizing the parameter estimates and maximizing the explained variance ( $R^2$  and adjusted  $R^2$ ) in the dependent variables (Hair et al., 2014). PLS-SEM uses measures of the model's predictive ability ( $Q^2$ , or predictive relevance) instead of goodness-of-fit statistics to determine the value of the model in predicting the effects of the independent variables on the dependent

variables (Hair et al., 2014). For the dependent variable of the likelihood of relationship termination, the  $R^2$  was .523, the adjusted  $R^2$  was .480 and the  $Q^2$  was .621. For the dependent variable of perceptions of financial performance, the  $R^2$  was .657, the adjusted  $R^2$  was .629 and the  $Q^2$  was .729. The  $R^2$  values in this model are moderate (above 0.50) for both likelihood of relationship termination and perceptions of relationship financial performance (Hair, Ringle, & Sarstedt, 2011). The exogenous variables in the full model are responsible for 52% of the variance explained for likelihood of relationship termination and 66% of the variance for perceptions of relationship financial performance.

Adjusted  $R^2$  takes into account the explanatory power of the model as well as the sample size and complexity of the model. This measure is affected by the number of exogenous relationships within the model and adjusts the  $R^2$  accordingly (Hair et al., 2014). The adjusted  $R^2$  for the likelihood of relationship termination is 0.48 and for perceptions of relationship financial performance is 0.629, showing that the model complexity does not detrimentally affect its explanatory power. An additional measure of the model's value is its predictive relevance ( $Q^2$ ), also called the Stone-Geisser test (Geisser, 1974; Stone, 1974). A PLS-SEM model has predictive relevance if the independent variables accurately predict the dependent variables. Positive  $Q^2$  values indicate acceptable levels of predictive relevance for the model (Hair et al., 2014). Both endogenous variables have positive  $Q^2$ ,

**TABLE 5:**  
**Discriminant Validity of Full Model**

	SocCal	LTO	RSI	Learn	Recip	Term	Perf	RQ
<b>SocCal</b>	<b>0.744</b>	0.673	0.41	0.451	0.551	0.48	0.618	0.711
<b>LTO</b>	0.673	<b>0.818</b>	0.573	0.509	0.664	0.75	0.799	0.798
<b>RSI</b>	0.41	0.573	<b>0.834</b>	0.559	0.435	0.397	0.538	0.547
<b>Learn</b>	0.451	0.509	0.559	<b>0.811</b>	0.434	0.322	0.557	0.541
<b>Recip</b>	0.551	0.664	0.435	0.434	<b>0.798</b>	0.51	0.631	0.777
<b>Term</b>	0.48	0.75	0.397	0.322	0.51	<b>0.803</b>	0.617	0.695
<b>Perf</b>	0.618	0.799	0.538	0.557	0.631	0.617	<b>0.817</b>	0.795
<b>RQ</b>	0.711	0.798	0.547	0.541	0.777	0.695	0.795	<b>0.908</b>

indicating predictive accuracy of the model. *Hypothesis Tests.* Effect sizes ( $f^2$ ), path coefficients and p-values are used to determine which paths are significant and substantial to the full model. Effect sizes of 0.35, 0.15 and 0.02 are viewed as large, moderate and small, respectively (Hair et al., 2014). The model

exhibits both small and moderate effect sizes, as shown in Table 6. The hypothesized interactions of relationship quality with each of the independent variables were tested one at time as recommended by Hair et al. (2010; 2013).

**TABLE 6:**  
**Effect Size ( $f^2$ ) in the Full Model**

Effect Size ( $f^2$ )				
	Likelihood of Relationship Termination		Perceptions of Relationship Financial Performance	
Relationship-Specific Investment	0.007	Very small	0.029	Small
Long-Term Orientation	0.525	Large	0.333	Moderate
Learning & Absorptive Capacity	0.029	Small	0.140	Small
Relational Social Capital	0.035	Small	0.031	Small
Reciprocity	0.032	Small	0.118	Small
RQ * Relationship-Specific Investment	0.095	Small	0.105	Small
RQ * Long-Term Orientation	0.048	Small	0.129	Small
RQ * Learning & Absorptive Capacity	0.010	Very small	0.069	Small
RQ * Relational Social Capital	0.156	Moderate	0.042	Small
RQ * Reciprocity	0.046	Small	0.128	Small

**TABLE 7:**  
**Test of Paths in Full Model**

Latent Independent	Perceptions of Relationship Financial Performance			Likelihood of Relationship Termination		
	Path Coefficient	P-value	$R^2$	Path Coefficient	P-value	$R^2$
Relationship Specific investment	0.050	0.280	0.657	-0.0174	0.420	0.523
Long-Term Orientation	0.413	<0.001		0.697	<0.001	
Learning	0.223	0.004		0.073	0.235	
Relationship Social Capital	0.048	0.287		0.071	0.203	
Reciprocity	0.185	0.014		0.078	0.128	
RQ x RSI	0.259	<0.001		-0.264	<0.001	
RQ x LTO	0.249	<0.001		0.109	0.099	
RQ x SocCal	-0.091	0.142		0.410	<0.001	
RQ x Recip	-0.273	<0.001		0.113	<0.001	

The path testing results are provided in Table 7. The main effects testing reveals three positive significant paths for perceptions of relationship financial performance: (1) long-term orientation; (2) learning; and (3) reciprocity. For the main effects of the likelihood of relationship termination, there was a positive significant path for long-term orientation. For the impact of the moderating variable of relationship quality, the hypotheses results are described next.

*Hypothesis 1 - Relationship-Specific Investment.* The first hypothesis examines the moderated relationship between relationship-specific investment and perceptions of relationship financial performance (Hypothesis 1a) and likelihood of relationship termination (Hypothesis 1b). In support of Hypothesis 1a, the results revealed a significant interaction between relationship-specific investment and relationship quality on perceptions of relationship financial performance (path coefficient = 0.259,  $p < 0.001$ ). Perception of relationship financial performance was found to be positively and significantly affected by relationship-specific investment, where that effect is stronger for higher levels of relationship quality. Similarly and in support of Hypothesis 1b, the results revealed a negative interaction between relationship-specific investment and relationship quality on likelihood of relationship termination (path coefficient = -0.264,  $p < 0.001$ ), such that the effect of relationship investments is stronger for higher levels of relationship quality.

*Hypothesis 2 - Long-Term Relationship Orientation.* Hypothesis 2 examined the moderated relationship between long-term orientation and perceptions of relationship financial performance (Hypothesis 2a) and likelihood of relationship termination (Hypothesis 2b). In support of Hypothesis 2a, the results demonstrated a positive interaction between long-term orientation and relationship quality on perceptions of relationship financial performance (path coefficient = 0.249,  $p < 0.001$ ), indicating that the relationship between long-term orientation and performance is stronger for higher levels of relationship quality. However, contrary to Hypothesis 2b, the results revealed a positive and marginally

significant interaction between long-term orientation and relationship quality on the likelihood of relationship termination (path coefficient = 0.109,  $p < 0.099$ ). Thus, Hypothesis 2b was not supported.

*Hypothesis 3 – Learning/Absorptive Capacity.* Hypothesis 3 examined the moderated relationship between learning/absorptive capacity and perceptions of relationship financial performance (Hypothesis 3a) and likelihood of relationship termination (Hypothesis 3b). The results indicated a significant but negative interaction between learning/absorptive capacity and relationship quality on perception of relationship financial performance (path coefficient = -.186,  $p = 0.013$ ). Thus, Hypothesis 3a was not supported, suggesting a dark side effect. Similarly, although the relationship between the interaction term of relationship quality and learning/absorptive capacity was significant ( $p = 0.004$ ), the path coefficient was positive (0.027), indicating a higher likelihood of relationship termination at higher levels of relationship quality. Therefore Hypothesis 3b was also not supported. Collectively, these results illustrate the dark side effects of learning/absorptive capacity that are not mitigated by the presence of even high levels of relationship quality.

*Hypothesis 4 - Relational Social Capital.* Hypothesis 4 examined the moderated relationship between relational social capital and perceptions of relationship financial performance (Hypothesis 4a) and likelihood of relationship termination (Hypothesis 4b). With respect to perceptions of financial performance, the interaction term between social capital and relationship quality was found to be nonsignificant ( $p = 0.142$ ). Therefore, hypothesis 4a was not supported. However, there was a significant interaction between social capital and relationship quality on the likelihood of relationship termination (path coefficient = 0.41,  $p < 0.001$ ) but contrary to predictions, the path coefficient was positive (0.41), indicating a higher likelihood of relationship termination at higher levels of relationship quality. Thus, hypothesis 4b was not supported. This result indicated that, in the presence of relationship quality, relational social capital had an effect indicative of dark side effects.

*Hypothesis 5 – Reciprocity.* Hypothesis 5 examined the relationship between reciprocity and perceptions of relationship financial performance (Hypothesis 5a) and likelihood of relationship termination (Hypothesis 5b). As it relates to perceptions of relationship financial performance, the relationship between the interaction term (reciprocity and relationship quality) was highly significant ( $p<0.001$ ) but the path coefficient was negative (-0.273). For a given level of reciprocity, there was a reduced perception of relationship financial performance at higher levels of relationship quality. Hypothesis 5a was not supported. Similarly, with respect to likelihood of relationship termination, the relationship between the interaction term (relationship quality and reciprocity) was highly significant ( $p<0.001$ ) but the path coefficient (0.113) was positive, indicating an increased likelihood of relationship termination at higher levels of relationship quality. Hypothesis 5b was not supported suggesting a dark side effect of reciprocity.

*Post Hoc Testing.* The main effects of the independent variables, when significant, were evaluated for their linearity in relation to the dependent variables to determine the existence of the dark side effect of relationship variables in this data set, where nonlinear relationships are indicative of diminishing returns and hence dark side effects (Anderson & Jap, 2005). The only significant nonlinear relationship found in the full model was the relationship between learning/absorptive capacity and perceptions of relationship financial performance. This indicated that for relationships involving learning/absorptive capacity, there was a point at which an incremental increase in learning/absorptive capacity did not create a proportional gain in perceptions of relationship financial performance. This finding suggests a point at which the expected return on the relationship variable is not attained, i.e., the dark side effect (Anderson & Jap, 2005).

Post-hoc testing of each independent variable individually with each of the two dependent variables, however, revealed that some of the variables, when tested alone, exhibit a warped relationship and a potential dark side effect on the dependent variable. Two main effects, relational social capital and relationship-

specific investment exhibited significant curvilinear relationships with each of the two dependent variables when tested individually. The main effects of both relational social capital and relationship-specific investment were generally positive with respect to perceptions of relationship financial performance and negative in relation to the likelihood of relationship termination. However, in each case there was a flattening of the curve that indicates a point of diminishing returns (i.e., a point of reduced effectiveness in increasing perceptions of relationship financial performance or reducing the likelihood of relationship termination). These results supported the existence of dark side effects, suggesting diminishing returns in the business relationships.

## DISCUSSION

The support of  $H_{1a}$  suggests that if one partner invests in relationship-specific investments, the other partner will act in a similar way, thereby strengthening and extending the relationship (Homans, 1958; Thibaut & Kelly, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976). Likewise, as it relates to Hypothesis 1b, SET predicts that creation of relationship-specific investments would strengthen and extend the continuity of a relationship (Emerson, 1976; Cropanzano & Mitchell, 2005), thereby reducing the likelihood of relationship termination. The significant positive (negative) effect from the interaction between relationship-specific investment and relationship quality on perceptions of relationship financial performance (likelihood of relationship termination) emphasizes the beneficial effect of maintaining high levels of relationship quality. There is no evidence of a dark side effect of relationship-specific investment on perception of relationship financial performance or likelihood of relationship termination, when moderated by relationship quality.

The findings with respect to Hypothesis 2a also support the current formulation of SET, which includes mutually beneficial behavior and return of social obligation in response to good treatment (Emerson, 1976; Cropanzano & Mitchell, 2005). There is no evidence of dark-side effects of long-term orientation on perceptions of relationship financial

performance. The results suggest that high levels of relationship quality can mitigate potential dark side effects with respect to perceptions of relationship financial performance. In contrast, the findings related to Hypothesis 2b do not support the current SET formulation, which would predict that the likelihood of relationship termination would decrease as business relationships are strengthened through repeated social interaction. If business partners begin to feel dissatisfaction due to their increased comparison level (Thibaut & Kelly, 1959) or level of diminishing return on their reciprocal obligations (Blau, 1964; Emerson, 1976; Cropanzano & Mitchell, 2005), they prematurely end the relationship, despite high levels of long-term relationship orientation, relationship quality and perceptions of financial performance.

The lack of support for H<sub>3</sub>, H<sub>4</sub> and H<sub>5</sub> suggests the concepts of diminishing returns, fatigue and comparison levels leading to feelings of dissatisfaction (Blau, 1964; Emerson, 1976; Cropanzano & Mitchell, 2005). In terms of H<sub>3</sub>, if learning is the initial goal but knowledge gains remain the same over time, one or both partners may begin to feel they are not receiving the relationship benefits they were expecting. The results are also consistent with Inkpen and Beamish's (1997) finding that an abnormally high percentage of relationships terminate in the case of learning alliances. Hamel (1991) states that relationships in which learning is a specific goal may be ended suddenly when one party achieves its learning objective. In terms of H<sub>4</sub>, particularly H<sub>4b</sub>, it is possible that as relational social capital increases, there is a point of fatigue for the partner at which there is dissatisfaction, which may lead to an increase in the likelihood of relationship termination. The results are also consistent with organizational literature related to the dark side effect of relationship variables (Portes & Sensenbrenner, 1993; Inkpen & Tsang, 2005). In terms of H<sub>5</sub>, our findings suggest that the positive effects of reciprocity predicted by the current formulation of SET, which is focused on social obligations and its resulting mutual benefit, did not occur due to perceptions of diminishing returns.

## Theoretical Implications

SET has been long used to support the positive effect of relationship variables on various performance measures (Homans, 1958; Thibaut & Kelly, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976). However, literature over decades has pointed out and in some cases empirically supported, mixed results, non-significant results, or significant negative results suggesting that relationship variables do not always have the positive results desired by business partners (Backhaus & Buschken, 1999; Grayson & Ambler, 1999; Pillai & Sharma, 2003; Barnes, 2005; Teller, et al., 2012; Raweewan & Ferrell, 2018). SET has included the norm of reciprocity and the concept of social obligations created by iterative interactions which strengthen the relationship and enhance performance of both parties (Homans, 1958; Thibaut & Kelly, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976). This can be seen in the support for hypotheses H<sub>1</sub> (a and b) and H<sub>2a</sub>. The results of this study, though, suggest earlier concepts within SET, such as the concept of diminishing returns of increased relationship variables, fatigue and satiation and comparison level (Homans, 1958; Thibaut & Kelly, 1959; Gouldner, 1960; Blau, 1964; Emerson, 1976) may also explain relationship performance between businesses. Namely, the rejection of H<sub>3</sub> through H<sub>5</sub> supports the existence of the dark side effect of those independent relationship variables. Thus, the hypotheses that were supported indicate that high levels of relationship quality can help keep the dark side effect for some relationship variables at bay. The hypotheses not supported indicate some relationship variables for which, regardless of the level of relationship quality, there is the potential for diminishing returns, or the dark side effect of those variables in which one partner increasing their efforts at learning, social capital and/or reciprocity for the other partner may have the opposite result in trying to enhance their financial performance perceptions or decrease the likelihood of termination.

## Managerial Implications

The results of this study provide evidence of both positive and potential dark-side effects of relationship variables. Relationship-specific investments and long-term orientation were

both found to have an amplifying effect on perceptions of relationship financial performance and the former was also shown to reduce the likelihood of relationship termination. Relationship-specific investments represent a shared risk in the relationship, which may produce a buffering effect in which two different positions are brought to bear on tactical and strategic decisions which are involved in the perception of long- and short-term financial success. An organic self-correction process takes place which may not occur when the risk is carried by just one partner. This knowledge contributes confidence to managers in the positive effect expected when investing in relationship-specific investments and can contribute faith in the likely benefits of doing so. Additionally, long-term orientation creates a strategic business environment that sees past the volatile nature of short-term results and encourages corrective actions and strategic responses with the perception of greater probability of financial results yielding results beyond the short-term expectation.

On the other hand, the results also suggest dark-side effects and a point of diminishing returns to investing in relationship variables. Investments to strengthen relationships, particularly in terms of learning/absorptive capacity, social capital and reciprocity should be done with understanding the possibility there may be a point at which the higher investment yields no additional financial benefit and the relationship may still nonetheless end. This suggests the need for managers to take time to analyze the impact of their business relationship efforts on a continual basis and to not assume that previous efforts will have the same impacts during the mature phase of the business relationship.

Thus, the results do suggest there can be benefits of managers building relationship quality in terms of trust, commitment and satisfaction with their business partners. Building these elements of relationship quality may particularly enhance the impact of relationship-specific investment in terms of both perceptions of financial performance and reduced likelihood of relationship termination. There can also be benefits with building relationship quality with enhancing perceptions

of relationship financial performance when there is a long-term relationship orientation. Managers though must be aware that, while there may be an ongoing beneficial nature of maintaining high levels of relationship quality, building these high levels of relationship quality may not always be enough to mitigate the dark side effect of all relationship variables. In this study, the results suggest this dark side effect when increasing the relationship variables of learning/absorptive capacity, social capital and reciprocity can occur with diminishing impact of perceptions of relationship financial performance and reducing the likelihood of relationship termination.

### **Limitations and Future Research**

In this research, supply chain managers were reached through an online blog for participation. The use of the online blog to get a sample of supply chain managers for this cross-sectional survey had the practical benefit of getting logistics managers' perspectives. While this seems an acceptable approach for an initial study, care must be used when generalizing the results of this study in other populations. An additional issue is that the survey involved asking these managers to consider a business relationship in the mature phase of the life cycle. While checked with the use of the respondents' description of the relationship, this type of relationship may have been more complicated to utilize in answering the survey questions as it involved more careful thought. Future research, using a variety of data collection approaches to tap into managers' perspectives of the mature phase of the relationship life cycle, is needed to determine if these results can be replicated with other managers to determine if there are business relationship variables that are consistently more prone to diminishing returns. Additionally, the use of a larger sample of managers may aid in reducing the non-effects. The use of a longitudinal study may also be better able to measure the atrophy of the relationship as part of the relationship evolution.

This study hypothesized that the five relationship variables of relationship specific investment, long-term relationship orientation, learning/absorptive capacity, social capital and reciprocity will increase perceptions of

relationship financial performance and decrease the likelihood of relationship termination when there is relationship quality. While there was support for three of the ten hypotheses dealing with relationship specific investment and long-term relationship orientation, there was lack of support for the other three variables. Post hoc testing suggests a dark side effect could be a possible explanation but future research is needed to determine more definitively when the dark side effect occurs. One potential way could be with an experiment to test different conditions in which diminishing returns occur. Another potential need is for qualitative research along with dyadic research to determine if these diminishing returns are felt by both parties involved.

A final limitation is this research only examined five relationship variables due to constraints with survey length. Future research is needed to examine additional measures of these relationships as well as additional relationship variables to determine if they are prone to a dark side effect. For example, future research is needed to examine additional measures for financial performance perceptions given the number of items that had to be deleted to obtain acceptable internal consistency (Duffy, 2008). Thus, while this research aims to explain why collaboration between supply chain partners may decline in mature relationships and when relationship quality may be able to enhance performance for supply chain organizations, more research is needed.

## CONCLUSION

This research supports three hypotheses ( $H_{1a}$ ,  $H_{1b}$  and  $H_{2a}$ ) related to the positive effects of relationship variables while, at the same time, providing evidence of potential dark side effects and lending support to the inclusion of earlier tenets of SET related to the potential negative side of relationships. The hypotheses that were supported suggest that high levels of relationship quality can help keep the dark side effect of relationship variables at bay but the unsupported hypotheses indicate there are some relationship variables for which there is the potential for diminishing returns, regardless of the level of relationship quality. Post-hoc testing for nonlinear effects of the relationship

variables on the dependent variables found that learning, relational social capital and relationship-specific investment each exhibit a point of diminishing returns which is indicative of dark side effects and is consistent with the newly emphasized facets of SET brought forth in this study. The results of the study show that high levels of relationship quality do not always improve the perceptions of relationship performance or the likelihood of relationship termination. In fact, for three of the five relationship variables tested, higher levels of the relationship variable itself and/or relationship quality did not improve the relationship outcomes. As such, our findings support the inclusion of earlier theoretical constructs of SET related to the dark side effect.

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