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UNIVERSITY OF OKLAHOMA
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A PROACTIVE MODEL OF COMMUNICATION IN MARKETING CHANNELS

A Dissertation
SUBMITTED TO THE GRADUATE FACULTY
In Partial fulfillment of the requirements for the
Degree of
Doctor of Philosophy

By

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Norman, Oklahoma
2001

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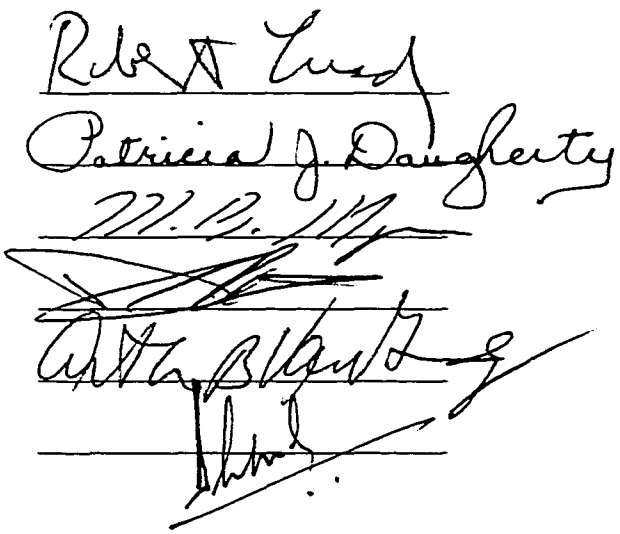
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A PROACTIVE MODEL OF COMMUNICATION IN MARKETING CHANNELS

A Dissertation APPROVED FOR THE
DIVISION OF MARKETING
MICHAEL F. PRICE COLLEGE OF BUSINESS

BY



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In the noble profession of pursuing knowledge, doctoral dissertation signifies an important milepost because it is likely to be the first scholarly effort towards an original and a comprehensive contribution in one's field of study. However, by no means is it an individual effort alone, and this dissertation is no exception.

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ABSTRACT

This study is about the role of communication in coordinating marketing channels and creating and managing relationships. Based on the literature review from communication, social psychology, organizational behavior, and marketing channels, a model of communication in marketing channel is offered. The model builds on the view that integrates the theoretical tenets of symbolic interactionism and mechanistic perspective. Communication is comprised of four dimensions: frequency, modality, direction, and content. The communication-related outcomes are conceptualized as being relational and instrumental. The relational outcomes include identification, trust, and commitment, while coordination is the instrumental outcome. The major features of the model are a clear conceptualization of instrumental and relational outcomes and a proactive role assigned to communication.

A survey of 1000 exclusive insurance agents was conducted, which yielded a usable response rate of 20.3%. The data was analyzed using structural equation modeling. The results provide support for fourteen out of eighteen paths hypothesized, suggesting that the data provide reasonable approximation of the model posited. The major managerial implication of this study is the reorganization of communication as a variable to be managed proactively. The major theoretical contributions include providing theoretically sound rationale for explaining the role of communication in marketing channels, and conceptually explicating the constructs of coordination and identification in the context of marketing channels. A list of suggestions for future research to further the research stream of communication in marketing channels is also provided.

Chapter 1

Introduction

This study is about how communication keeps the marketing channel together and helps build and maintain relationships among its members. Therefore, a brief introduction of the place of communication in organizational studies is appropriate.

Communication is one of the key constructs in organizational studies. In his classic work on organizations, Barnard (1938) linked communication with an organization's origin itself: "An organization comes into being when there are persons able to communicate with each other, who are willing to contribute actions to accomplish a common purpose" (p. 82). Pacanowsky and O'Donnell-Trujillo (1982) bestowed similar importance to communication when they argued that organizations are accomplished communicatively. In the similar vein, Weick (1979) points out that organizing involves collectively reducing the number of different meanings of information, therefore, an organization is built around communicative processes.

Even those scholars who do not relate the origin of organizations with communication nonetheless highlight its importance in the functioning of an organization. For example, Baughman (1989) states that "Communication within organizations is such a vital linkage so as to influence all organizational decisions and hence to influence the success of the organization in achieving its goals and fulfilling its missions" (p. 136). Since all organizations are dependent on other organizations for resources at some degree, these assertions extend to an interorganizational context as well. Thus, communication is a basic ingredient for integrating various activities within and between organizations.

Traditionally, marketing scholars interested in communication have focused on the role of communication in advertising, promotions, and public relations (e.g., Gardner and Trivedi 1998; McArther and Griffin 1997; Schultz 1998). However, marketing practitioners, in their role as boundary spanners, also link to stakeholders other than the ultimate consumers (addressed primarily through advertising) and policy makers (addressed primarily through public relations). For example, marketing channel[1] members also form an important audience for the communication efforts by a focal firm (Duncan and Moriarty 1998).

Governance structure in channels has been a major interest of marketing scholars, and leading theories of channel governance implicitly suggest a key role of communication. For example, theories exploring power dynamics in marketing channels deal with how power is exercised through demanding messages (Dwyer and Walker 1981; Frazier and Summers 1984). For agency theorists, behavior-based monitoring of agents by principals call for continuous communication with agents (Bergen, Dutta, and Walker 1992). Similarly, theories based on transaction cost analysis emphasize that lack of communication can be a major reason for information asymmetry, which may lead to opportunism by the partners (Klein, Frazier, and Roth 1990). In the same vein, communication is an important variable in theories explaining relational exchange in marketing (e.g., Morgan and Hunt 1994; Li and Dant 1997).

While the place accorded to communication in various marketing channel theories

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1 Henceforth, marketing channel is described as simply 'channel' as is the practice in marketing. However, this study draws considerably from the communication field, where 'channel' is often the medium for the message. Whenever 'channel' is used in the communication, rather than the marketing context, a suitable caveat will be provided to avoid any possibility of confusion.

attests its importance, initiatives such as closer collaboration with fellow channel members, ECR (Efficient Consumer Response), and the increasing importance of electronic commerce especially make proper communication in marketing channels indispensable. For example, practitioners rated proper communication as one of the top ten characteristics of the effective relations between channel members (Moody 1992). Vliet (1996) reports that managers cited communication as the number one factor that can facilitate effective collaboration among channel members. Conversely, lack of communication can result in increased conflict among channel members (Johnson 1997). In marketing channels pursuing the ECR initiative, the quality of communication is of paramount importance (Kraus 1999). Similarly, increasingly channel members are getting connected through extranets, where close collaboration is achieved through enhanced opportunities for communication (Boone 1997).

Literature Review of Communication in Marketing Channels

Marketing scholars recognized communication as one of the important constructs in earlier models depicting power, conflict, and satisfaction in channels (e.g., Beier and Stern 1969; El-Ansary and Stern 1972; Stern and Brown 1969). At the same time, the research stream on negotiations among channel members was also gathering momentum, in which, communication tactics among bargaining parties was an emerging area of interest (Walker 1971; Wilemon 1972). The research stream of negotiations relates closely to communication, because negotiations are carried out through various communication tactics. Dwyer and Walker (1981) brought together these two streams by exploring the effect of power structure on communication tactics during negotiations. They concluded that communication tends to be cooperative rather than threatening when

the channel members have symmetrical power, and weak bargainers tend to communicate more. The linkages between communication and negotiations in channels could be traced to later research on negotiations in channels. For example, Ganesan (1993) argues that communication tactics or type of negotiation strategy (problem solving, compromise, and aggressive) used by a channel member depends on situational factors such as power and long term orientation of that member and the level of conflict present in the relationship. Subsequently, problem solving and compromise are positively, while aggressive strategy is negatively related to channel member satisfaction with negotiations.

The researchers interested in how influence strategies work in marketing channels have incorporated the notions of power, conflict, and dependence in their conceptualizations. Frazier and Summers' (1984) article was another offshoot of the then-dominant power in channels research stream. They demonstrated the effects of various modes of exercising power on perception of the channel members at the receiving end. In their conceptualization, power was (or was not) exercised to influence perceptions (e.g., information exchange or recommendation), or to seek direct action (e.g., the use of promises, threats, legal actions, and requests) rather than changing perceptions. They hypothesized and empirically showed that the high level of interdependency between the firms will correspond to more use of information exchange and less use of threat and legal actions. Note that their conclusions parallel the conclusions drawn by Dwyer and Walker (1981) in the bargaining context.

Keith, Jackson, and Crosby (1990) argued that considering the bases of power alone was not sufficient. One should also account for the readiness of the target to respond (which correlates to the dependence level of the target on the focal firm). Frazier

and Sheth (1985) furthered this research stream by offering a framework that prescribed appropriate communication strategies (direct, indirect, mediated, and unmediated) in channels on the basis of attitude-behavior (in)consistency of channel partners.

Anderson and Narus (1984; 1990) chartered away from the tradition of characterizing communication in the shadow of negotiations and influence strategies. They defined communication as formal as well as informal sharing of meaningful and timely information between firms. In their model (1990), communication was a summary measure that leads to increased trust between channel members. Indeed, as Mohr and Sohi (1995) noted later, the marketing scholars largely took one of the two approaches: (1) study channel communication as an evaluative measure (e.g., adequacy and helpfulness of communication – see Guiltinan 1980), or (2) focus on the nature of communication flows (e.g., Brown and Day 1981; Anderson, Lodish, and Weitz 1987). Both approaches ignored the complex nature of communication, in that they do not acknowledge the possibility that the nature of communication flows may affect the evaluative judgement of communication.

Mohr and Nevin (1990) offered the first serious attempt at articulating an integrative theory of channel communication. They proposed a contingency theory in which communication strategy moderated the impact of channel conditions (structure, climate, and power) on channel outcomes (coordination, satisfaction, commitment, and performance). Communication strategy was measured as a combination of the four dimensions of communication – frequency of communication (high or low); modality (formal or informal medium); direction (predominantly a bi- or uni-directional flow of communication), and content (direct or indirect content of messages). A particular

combination of these four dimensions would characterize a strategy as more or less collaborative. Further, various channel conditions dictate the need for more or less collaborative strategy. When communication strategy matched the channel conditions, channel outcomes were enhanced in comparison with the outcomes when a communication strategy was mismatched with channel conditions. Their conceptualization was a significant step forward in that it provided a theoretically sound way to measure communication strategy in marketing channels, and clearly indicated its relationships with extant channel conditions and outcomes. The model proposed in the current study draws on their conceptualization of how to measure communication strategy, and therefore, later their research will be discussed in greater detail.

Simpson and Mayo (1997) provided an additional test of Mohr and Nevin's (1990) theoretical framework, while Mohr and Sohi (1995) focused on another set of antecedents and outcomes related to the more or less collaborative communication strategy. They argued that the norms of information sharing are positively related to relational communication strategy, which leads to better communication quality and satisfaction with communication.

Mohr, Fisher, and Nevin (1996) advanced this research stream by elaborating on how governance structure in marketing channels moderates effectiveness of communication strategy. They reported a diminishing effect of communication on channel coordination and member satisfaction when the level of channel integration or the degree of manufacturer control increased. Their rationale was that communication becomes somewhat redundant when other governing mechanisms (e.g., integration and control) are present.

While Mohr, Fisher, and Nevin (1996) discussed how the internal *economic* structure and processes moderate effects of communication in marketing channels, Li and Dant (1999) focused on the internal *sociopolitical* structure and processes, namely power structure and relationalism. In his study, power symmetry enhanced the positive effects of communication, while relationalism undermined them. The rationale was similar to the one in Mohr, Fisher, and Nevin (1996): power symmetry ensures that the negative effects of power imbalance are checked, while relationalism made communication rather superfluous.

Li and Dant (1997) studied communication in exclusive dealership arrangement which represented structurally a different kind of relationship between channel members than nonexclusive dealership. They argued that in exclusive dealership, the dealers were likely to invest more in their business with the manufacturer. The higher stake in this kind of relationship would encourage a higher level of information exchange and communication because the dealers want to make informed decisions about increasing returns on their investments.

The pioneer work by Mohr and her research colleagues has been extended to various other settings, most notably in the international context. Indeed, coordination between cross-border channel members often means overcoming the barriers in successful intercultural communication. Therefore, it is not surprising that scholars working in this area are more interested in understanding what leads to effective communication between channel members situated across the borders. Leuthesser et al (1995) found that manufacturer's support to distributors belonging to another country and culture is vital in reducing conflict and increasing open communication. LeBahn and

Harich (1997) were also interested in understanding the role of cultural sensitivity in promoting open communication in marketing channels spanning across cultures. They defined open communication as the extent to which the members of the exchange relationship openly share information and expectations. An interesting feature of their study was that it hypothesized and tested a direct link between communication and channel performance, which was originally proposed (but not tested) by Mohr and Nevin (1990).

Another band of researchers has focused on the *consequences* of effective communication in cross-border marketing channels. Ahmed and Al-Motwa (1997) argued that collaborative communication leads to dealer satisfaction, and is negatively related to conflict. Balabanis (1998) empirically showed that frequent, informal, and bi-directional communication from the focal firm leads to more cooperation from partner channel members in cross-national marketing channels.

The recent shift of research focus from power and conflict to relational exchange in channels has not diminished the importance of communication. Morgan and Hunt (1994) posited that trust and commitment are key mediating variables in a model depicting antecedents and consequences of relationship marketing. They posited communication as one of the antecedents of trust, because it assists in resolving disputes and aligning perceptions and expectations.

One surprising gap is the lack of any qualitative studies, which one would expect in a field still at the formative stage. The lone exception is in-depth interviews conducted by Hakkio and Laaksonen (1998) with designers, manufacturers, and retailers to understand at what extent they share the meaning of product, and its effect on channel

communication. Undoubtedly, the field will benefit from more qualitative studies since the 'grounded theory approach' can provide solid theoretical foundations for future efforts.

Problem Definition and Objectives

Several key themes emerge from the preceding literature review. First, the research area of communication in marketing channels is making steady progress, but it is still far from maturing. Second, while earlier research efforts remained fragmented, the research stream assumed new momentum and direction following the pioneering efforts of Mohr and her colleagues. Their conceptual heritage has a huge impact on the way the research stream is shaping up.

While the breakthroughs provided by Mohr and her colleagues' pioneering efforts are acknowledged, some aspects of their theoretical framework may need careful examination. First, their model is highly contingent on channel conditions, in which communication strategies influence the relations between channel conditions and outcomes. In other words, they treat communication as a moderating or even as a dependent variable. Their model depicts communication as primarily being shaped by channel conditions, rather than communication being an active ingredient in initiating and maintaining channel relationships. It is argued that assigning primarily a mediating role to communication is at odds with the received view in the social sciences which asserts that communication is both basic and important (Koehler et al 1981, Mead 1934). Indeed, Mohr (1989) herself suggests that "rather being a moderator variable, communication can be modeled as a direct link to channel outcomes" (p. vi). The current study is partly a response to this call. As the model suggests, communication strategy directly affects the

key channel outcomes. This is a key departure from Mohr's (1989) theory of channel communication and thus, also a key theoretical contribution.

Second, Mohr's model draws on communication theory *to measure* communication strategies, *not to explain* how they work. In other words, the outcomes of communication strategy are largely conceptualized on the basis of past literature in channel governance, ignoring the rich knowledge-base accumulated in the communication discipline. A marketing channel represents a special case of intra- or inter-organizational setup, and therefore, the research on channel communication should benefit immensely from the conceptual advances made in the communication discipline in general and organizational communication in particular. The model proposed here draws from the past literature in channel communication, social psychology, and organizational communication and enriches the theoretical base for the field of inquiry.

Third, Mohr and her colleagues' (1989, 1990) contingency approach leads to some counterintuitive hypotheses. For example, they propose that when the channel structure is less relational, climate is unsupportive, and power is asymmetrical; higher outcomes will be achieved by autonomous communication (i.e., lower frequency, more uni-directional flows, more formal messages, and more direct content). On the contrary, here it can be argued that the channel conditions described above are more conducive for collaborative communication (i.e., higher frequency, more bi-directional flows, more informal messages, and more indirect content) to succeed. Stated differently, collaborative communication should be conducive for outcomes desired by the focal firm in general, prevalent channel conditions notwithstanding.

The general objective of this dissertation is to conceptualize and test a model of

channel communication that is more parsimonious and commands more explanatory power than those proposed in the past. The specific objectives are, to: (1) advance the knowledge-base in the area of communication in marketing channels by offering a *proactive* model. The word *proactive* signifies that communication is not only a passive construct that is given by the channel conditions, but is also a force that *drives* the key channel outcomes, (2) specify the instrumental and relational outcomes of channel communication, (3) draw on theoretical advances in the communication literature and integrate them with the past literature on channel communication to explain the processes by which communication brings about desirable outcomes in marketing channels, (4) expound upon the constructs of identification and coordination in the context of marketing channels.

As mentioned before, communication is ubiquitous in society and organizations. Scholars maintain that "One cannot not communicate" (Watzlawick, Beavin, and Jackson 1967, p. 51). However, such overly generalized view of "communication is everything" is faulty (Mohr and Nevin 1990) or at least not useful theoretically. Therefore, the conceptualization of communication in the current study is limited to the conscious acts and processes of creating, transmitting, interpreting, and sorting of written and verbal messages within marketing channels (cf. Jablin 1990).

The proposed conceptual model is depicted in Figure 1.1. Communication strategy is measured as a combination of frequency, modality, direction, and content. Frequency is a measure of how often communication happens, modality is about the extent of formality in communication, direction refers to the uni- or bilateral direction of messages, and content refers to the directness of these messages. The communication

strategy is related to two types of outcomes: instrumental and relational. Relational outcomes are those outcomes which are most likely to signify a long-term relationship between the parties. In the present model, relational outcomes include identification, trust, and commitment. While communication directly relates to identification, trust is engendered both directly and indirectly (via identification) by communication. Trust is related to commitment, which is a linkage amply corroborated by marketing scholars. Commitment has three dimensions: continuance, behavioral, and affective. Continuance commitment is commitment due to inherent benefits of the relationship. Behavioral commitment suggests concrete actions (such as investment in relation-specific assets) by the committed party to express the commitment. Affective commitment is the general positive regard for the other party. These three dimensions account for the overall commitment, or the readiness to engage in long-term relations, with the other party. The other type of outcome is instrumental. It is defined as that outcome which is primarily utilitarian in nature. Here, the focus is on cost-benefit analysis alone, where the actions are judged on the basis of their impact on the bottom line. When firms are concerned with instrumental outcomes, they place emphasis on "getting things done" so that they can have some positive gain. This orientation is likely to be present in both the short-term and the long-term relations.

Coordination is the instrumental outcome in the present study. While potentially one can look at various functions of communication to derive other instrumental outcomes (e.g., persuasion, negotiations), the construct of coordination is chosen due to its linkages with symbolic interactionism, the theory which underlies the model presented here. As explained later, this theory tackles the issues of how people coordinate their

actions with each other through communication to make the social life possible. In the current study, that concern translates into how the focal channel member keeps the channel together, or coordinates the channel, through communication.

While the model is discussed at length in Chapter 3, several observations are in order. One, many of the past studies mentioned in the literature review take a limited view of communication, focusing on communication during specific situations, such as conducting negotiations or bringing on influence attempts. The model presented here takes a broader view, where any deliberate written or verbal messages are considered a part of communication. Two, despite a strong hint from the past literature to include power and dependence as moderating variables in communication-related linkages, they are not included in the model. The reason is that the current study charters away from the Mohr's (1989) theory of marketing channels, where communication is shaped by channel conditions. Since the current study signifies a new direction of thought in channel communication, in the beginning, it is appropriate to focus on the core argument that communication directly influences channel outcomes where the variance in channel conditions is secondary in effect, since it changes the magnitude, not the nature of the outcomes. Of course, this assertion is theoretical at this stage, and future studies must provide empirical evidence thereof. Thus, the core question addressed in this study is that how communication affects channel outcomes.

Summary

The objective of this Chapter was to highlight the importance of communication in marketing channels and to set the stage for discussing the model of communication in marketing channels by review the literature in communication in marketing channels. A

logical beginning was to review the importance of communication in organizations, since organizational studies often include interorganizational communication in discussions. In marketing, communication is predominantly studied in the areas of advertising, promotions, and public relations. However, of late, scholars have lamented this limited focus and advocated exploring the broader role played by communication in exchanges involving various stakeholders in marketing (e.g., Duncan and Moriarty 1998).

In the literature review, the implicit role accorded to various channel governance theories was made obvious. Theories emphasizing power of the focal channel members discuss how power is exercised through coercive communication. The research stream exploring negotiation tactics examined the nature of communication in negotiations in various context such as power asymmetry, long-term orientation, interdependency et cetera. However, communication did not become a focal research construct until Mohr and Nevin's (1990) conceptual paper described the facets of communication and how they mediate the relations between channel conditions and channel outcomes. The seminal contribution of this paper is evident by the number of researchers who took inspiration from it and enriched the field of communication in marketing channels.

As the literature review concludes, the field is far from maturing. The Mohr and Nevin (1990) model still remains probably the only major effort to portray the role of communication in marketing channels. Some shortcomings of their approach include relegating a mediating role to communication, using communication theories predominantly to measure, rather than to explain how communication affects channel outcomes, and the lack of empirical support for some key arguments in the model. Thus, there is still a pressing need for studies offering alternative explanations of the role of

communication in marketing channels. The current study is a modest attempt at furthering the boundaries of the field. The core constructs and their linkages are described in Figure 1.1.

In Chapter 2, the theoretical foundations of the model are discussed. Chapter 3 contains detailed discussion of each of the linkages and corresponding hypotheses. Measurement instruments and data collection protocol are described in Chapter 4. Chapter 5 spells out the empirical results. Finally, in Chapter 6, those results are reviewed, contributions of the study are discussed, and the possible areas for future research within the domain of communication in marketing channels are highlighted.

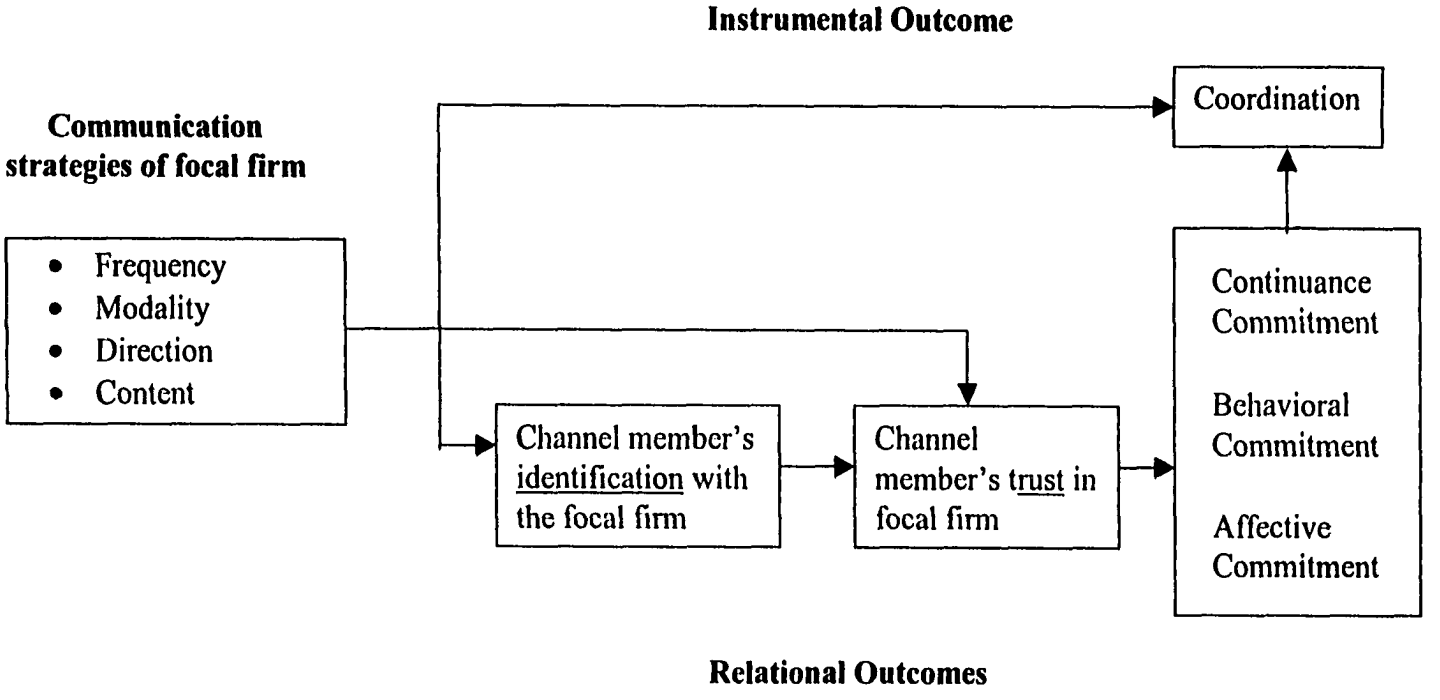


Figure 1.1 A Proactive Model of Communication in Marketing Channels

Chapter 2

Theoretical Foundations

Communication occupies a central place in the model depicted in Figure 1.1, congruent with the importance attributed to it in the social sciences. Theoretical perspectives from various disciplines, namely communication, organizational communication, social psychology, and marketing are used to set the conceptual model in place.

One needs to be cautious about transgressing the domain and scope of the original theory when it is applied in different milieu. In the context of the proposed model, the most relevant pitfall to look for is the indiscreet change in the level of abstraction – from individual to collective and vice versa- while borrowing the theories. However, when we discuss communication within marketing channels, often we deal with communication between specific people in different organizations within the channel (such as the boundary spanners or key actors in organizations - see Frazier 1983). Frazier and Sheth (1985) argue that often interpersonal processes and constructs are relevant in the interorganizational context as well, therefore, one can borrow theories, albeit, with due caution. Similarly, Mohr (1989) advocates that it is appropriate to borrow theories of intra-organizational communication and to apply them to the interorganizational case such as marketing channels.

The Major Theoretical Perspectives in Organizational Communication

Communication is ubiquitous, and therefore, is studied from wide ranging perspectives. Budd and Ruben (1972) documented 24 kinds of approaches to studying human communication, including information theory, semantics, neurophysiology,

psychology, and sociology. In another literature review, Krone, Jablin, and Putnam (1987) describe the following four approaches to organizational communication: mechanistic, psychological, systems-interactive, and interpretive-symbolic. All four perspectives have different assumptions about human communication, and are employed by scholars in organizational communication to various degrees. These perspectives are not mutually exclusive, and most researchers employ more than one perspective. Some examples of the use of multiple perspectives in marketing are provided later in this Chapter.

Mechanistic Perspective

In the mechanistic perspective, communication becomes a transmission process. This perspective is suitable to measure communication strategy because various elements of the communication process are identified, and given a concrete substance so that they can be measured. This perspective is rooted in information theory, the origin of which is attributed to Shannon and Weaver (1949). The theory originally dealt with the problem of transmitting signals from an origination to a destination. The central question in theory was, how a signal could be transmitted to a destination with a minimum of "noise". The theory had a very narrow scope because it was not concerned with the issues such as meaning and interpretation of messages. Figure 2.1 portrays the mechanistic model of the communication process, where a sender transmits a message through a medium to a receiver, who may provide a feedback. The original model proposed by Shannon and Weaver (1949) did not have the feedback component. However, Wiener (1954) proposed cybernetics perspective, where the key argument was that if one wants to know the effect of one's previous communication, feedback is a critical mechanism. The mechanistic perspective portrayed in Figure 2.1 is the integration of the Shannon-Weaver model and

the feedback concept from cybernetics. While the mechanistic model is narrower in scope, it is useful for empirical studies because it allows the measurement of communication elements. A comprehensive measurement of communication strategy should capture all the elements of communication comprising Figure 2.1.

Mohr (1989) paved a theoretically sound way to measure communication strategy based on the mechanistic perspective. She suggested the following four facets of communication strategy: direct or indirect content (which corresponds to "message"), formal or informal communication medium (which corresponds to "communication channel"), uni- or bi-directional messages (which correspond to presence or absence of "feedback"), and frequency (which corresponds to how often communication happens).

The epistemological assumptions of some research methodologies overlap with that of the mechanistic perspective. For example, researchers using network analysis in consumer behavior (e.g., Reingen and Kernan 1986) also endorse the mechanistic perspective because they focus on the referral flows in small social groups of consumers, where the message transmission process is emphasized. Similarly, content analysis is a method of analysis that includes counting items within established categories. Here, the assumption is that messages can be counted and classified, as if they were concrete entities.

Marketing scholars have used the mechanistic perspective predominantly in the advertising and sales areas. These studies share a common characteristic of focusing on the source-, message-, medium-, or receiver-related characteristics as if they were concrete entities which can be manipulated to affect message transmission and interpretation favorably. The studies examining source effects focus on the

characteristics of message sender. For example, Toncar, Munch, and Hu (1994) were interested in examining how salesperson characteristics affect the product evaluation during a telemarketing presentation. They found that even when the presentation was dominated by product information, subjects' perception of sales person attitude played a larger role in product evaluation. Similarly, studies examining the effects of source credibility (e.g., Harmon and Coney 1982) and expertise of the source (Wilson and Sherrell 1993) clearly fall in this category.

The second element in the mechanistic perspective is the message itself. In advertising, message-related studies are very common. Bennett (1998) wanted to highlight the difference between guilt and shame appeals in marketing communications. He concluded that certain communications which intended to invoke guilt might in fact produce shameful responses, with the negative consequences for the message sender. Similarly, Hahn and Insuk (1999) studied the effects of tempo and familiarity of background music on message recall. They concluded that when familiar music is used, there existed a U-shaped relationship between tempo and message recall. In the similar tradition, advertising scholars have examined the effects of various other message characteristics such as humorous appeals (Duncan 1979; Lammers, Leibowitz, Seymour, and Hennessey 1983), fear appeals (Duke, Pickett, Carlson, and Grove 1993), uniqueness of message (Boulding, Lee, and Staelin 1994), nonverbal aspects of message content (Haley, Richardson, and Baldwin 1984), and readability (Tixier 1992) on communication effectiveness.

The third element of mechanistic perspective is the medium used for message transmission and its effect on communication effectiveness and efficiency. Moenaert and

Souder (1996) studied the antecedents of information utility at the marketing and R&D interface. One of the antecedents of how far the information is perceived useful was the type of communication channel used, which reflects the concern with the medium characteristics. The medium characteristics are operationalized or conceptualized in various fashions, such as print vs. audio messages (Rao, Burnkrant, and Erevelles 1994), and commercial messages vs. word-of–mouth communication (Stern 1994).

The studies focusing on the external characteristics of receivers take demographic characteristics into consideration such as being older liberals or old blue collar blacks, and their effect on the influence brought about by the messages (e.g., Burnett and Oliver 1979). In another study, Uray and Dedeoglu (1997) studied demographic and behavioral characteristics of consumers who can be identified as fashion innovators, since they can be a targeted audience for a firm's communication efforts as they are more likely to spread word about the new fashion trends. Here, the focus is on the demographic characteristics of communication receivers during message transmission. Therefore, it embraces the mechanistic perspective. The receiver-related studies are few and far between in marketing, as the major emphasis seems to be on studying the characteristics of source and message, rather than recipients.

The final element of the mechanistic perspective is the effect of feedback on communication effectiveness. In marketing, communication feedback is studied most notably by scholars in the sales force management literature and those studying the interface of marketing with other departments. For example, Kohli and Jaworski (1994) examine how negative and positive feedback affect salespeople's role clarity, satisfaction, and performance. Similarly, Teas (1983) empirically demonstrated that the absence or

presence of feedback from managers affects the stress experienced by salespeople. Gupta, Raj, and Wilemon (1985) examine the marketing-R&D interface and conclude that there seems a need for regular feedback from marketing to R&D about the product performance. DeCarlo and Leigh (1996) study feedback as a dependent variable, where they examine how manager's liking for the sales person results in less coercive feedback to the later.

In summary, the studies endorsing mechanistic perspective in communication share an assumption that communication process can be understood in elements such as source, message content, medium, receiver, and feedback. Further, theses elements have inherent characteristics that affect the message effectiveness.

Psychological Perspective

There is some similarity between mechanistic and psychological perspective: the mechanistic perspective focuses on various elements of the model shown in Figure 2.1, and the psychological perspective also focuses on one of the elements in that model, namely the receiver. However, the psychological perspective - unlike mechanistic perspective, which focuses on message *transmission* - emphasizes how message *interpretation* processes affect communication. The focus of this perspective is understanding perception and cognition of communicators in terms of how they affect the communication process and its outcomes.

The studies embracing the psychological perspective focus on the psychological filters that influence message processing, and ultimately, communication outcomes. For example, Schoenbachler and Whittler (1996) argued and empirically demonstrated that a response to communication may be due to factors other than communication itself, such

as sensation seeking by the receiver. Wright (1975) studied how a receiver's general social confidence and information processing confidence affects the number of counterarguments to communication messages produced by him or her. Other psychological filters studied include involvement (Mano 1997; Pratkins and Greenwald 1993), and mood (Aylesworth and MacKenzie 1998).

Systems-Interactions

The systems-interactions approach focuses on categories, forms, and sequential patterns of communication behavior as a whole, rather than cause and effect relations among variables, as is the case with the above two perspectives. Consistent with the system's approach, the communication process is considered greater than the sum of its parts. Therefore, the pattern of sequential messages characterizes the communication process more potently than any one message. The changing pattern in communication over time is emphasized, rather than focusing on the antecedents or consequences of communication. While useful as a philosophical approach, this perspective is difficult to operationalize unless the scope of the study is altered, and therefore, this perspective cannot be incorporated in a major way in the model proposed here.

The systems-interactive perspective is used by the organization scholars to some extent, mostly in theoretical rather than empirical writings, while marketing scholars have not paid much attention to it. Moriarty (1984) proposed that organizational communication can be understood as a recurring pattern, which implies that traditional channels of communication with select group of employees should be used. Morel and Ramanujam (1999) advocate the use of systems theory in the context of understanding the evolution patterns of any organization.

Though marketing scholars have been shy in employing this perspective, there are some scattered examples of its use. Hutt, Reingen, and Ronchetto (1988) traced the communication patterns that emerged in formation of marketing strategy for new product development. Combining both qualitative and quantitative approaches, they identified key milestones in the process to identify a pattern in communication among key players in the organization. Belk and Costa (1995) study of tourism marketing shows how the relative power imbalance between the developed core countries and less-developed periphery countries brings about the dependence and de facto exploitation of the later. Though communication is not the focus of the study, the pattern of emergent relations between countries over time is emphasized.

Interpretive-Symbolic Perspective

Finally, in the interpretive-symbolic perspective, communication becomes a process of exchanging symbols. The meanings of the symbols are derived through the mutuality of experience. Hence, the subjective view of the communicator becomes important in the communication process. In mechanistic and psychological perspectives, organizational properties affect communication more than they being shaped by communication. Thus, communication is often a passive variable in studies following these perspectives. However, in interpretive-symbolic approach, communication assumes an active role.

The lineage of this perspective can be traced to the theoretical approach known as symbolic interactionism (Blumer 1969; Mead 1934). When symbolic-interactionism is applied to communication studies, the approach is known as interpretive-symbolic perspective. Therefore, symbolic interactionism is discussed in detail in a later section.

However, it must be understood that the scope of symbolic interactionism is wider than the scope of communication. Symbolic interactionism is relevant where any social action takes place, i.e., when an individual takes others in consideration. On the other hand, communication, as defined in the current study, is restricted to the conscious and overt acts of interactions with others. Therefore, even when social action happens, communication, as defined here, may not be happening. For example, if one is studying quietly in a library room so as not to disturb others, it is a social action and a candidate for scrutiny under symbolic interactionism. However, that act is not communication as defined in the current study, therefore, an interpretive-symbolic perspective would not be employed. However, since symbolic interactionism is discussed in the context of communication here, it will be used interchangeably with the phrase interpretive-symbolic perspective. A detailed description of the perspective follows later.

Like systems-interactive perspective, the interpretive-symbolic perspective is not used much by the marketing scholars, however, a few examples could be found. Wells (1994) analyzed audio-taped interviews with various Russian publics about their perceptions of Russian advertising and argued that imposing western concept on Russian advertising is problematic. Her use of the interpretive-symbolic perspective is apparent in the fact that she wanted to know how the Russian public interpreted their advertisement versus what is implied by the western models. Similarly, Solomon (1983) draws our attention to a specific sphere of symbolic behavior, namely the use of products as symbols by consumers, and how they are used in enacting social roles versus products as post hoc responses to underlying needs. Leigh and Gabel (1992) endorse the similar view and argue for the critical role of marketing communication in ensuring a proper symbolic

representation of a product. Since this perspective is derived from symbolic-interactionism (Blumer 1969; Mead 1934), it is discussed in greater detail in the following section because it forms a theoretical bedrock that supports the key assumptions and arguments of the model.

Symbolic Interactionism

Symbolic interactionism is one of the most widely studied theoretical perspectives in social sciences. While the scholars from social psychology have been at the forefront, those from other disciplines such as communication and anthropology have also recognized its value. What follows is, then, a very brief introduction to a prominent version of this perspective.

Mead (1934) was the chief architect of what is now known as the 'Chicago School' of symbolic interactionism. According to Mead, the term "symbolic interaction" refers to a unique characteristic of human communication. Humans interpret or define each other's actions, rather than merely reacting to them. This response is not made directly to the actions, but is guided by the meaning they attach to these actions. Thus, human communication is mediated by the use of symbols and their interpretations. Symbols are defined as social objects (i.e., objects used in social actions), used to represent whatever people agree they shall represent. An obvious example of a symbol would be a flower presented to express love for someone. But symbolic interactionism adopts a much broader view in defining symbols. For example, Blumer argued that all social objects are symbols, because they represent a line of action we may take towards them. "To take a line of action" is to make self-indication about the social object in question, which is explained later.

Symbols, such as written and spoken words, are not just used for representing something, but also for communication. Therefore, human communication is symbolic. During communication, humans interpret the symbols together. Therefore, in this view, the communication outcomes do not depend upon internal or external forces, but rather the outcome of a process of interpretation of what we note and define. Blumer (1969) credited himself for using the term 'symbolic interactionism' for the first time in 1937 in an article he wrote.

Blumer (1962) also observed that the above assertion that humans interpret each other's actions as the means of acting towards one another is not unique to Mead. However, only Mead sought to explain what implications it can have for *relationships*. Since the model proposed is explicitly positioned in the burgeoning research stream of relational exchange in marketing, it is appropriate to draw on Mead's analysis. Further, the concept of "symbolic interaction" is more generic than other relevant concepts in marketing such as exchange or information, therefore, it can be used to explain the full range of relationships among channel members such as conflict, cooperation, and domination (cf. Turner 1974). However, as mentioned in the first Chapter, here the explication of symbolic interactionism is limited only to theorizing the consequences of communication among channel members. An advantage of using symbolic interactionism for studying communication is that it treats communication as a transaction process, and comes closest to capturing the complexities of communication compared to any other theoretical approaches (Myers and Myers 1982).

Another important feature of Mead's analysis is a presumption that humans have "self", therefore, they can be an object of their own actions. This ability to act towards

themselves (i.e., 'self-indication') is the central mechanism by which humans deal with the world around them. As individual A interprets the actions of individual B, he or she points out to oneself what meaning those actions have. Mead (1934) argues that "We are calling out in the other person something we are calling out in ourselves, so that unconsciously we takeover these attitudes". (p. 68-69).

The importance of making indication to oneself is twofold. One, to indicate something is to hold something apart and make it an "object". Unlike a stimulus, which comes with an intrinsic meaning as advocated in the mechanistic perspective above, the meaning to "object" is conferred by an individual. In other words, individuals are not passive beings subject to stimuli, rather they "construct" the object by ascribing it a meaning. Thus, individuals "act" rather than taking stimuli as passive beings during communication. The proactive nature of the proposed model is congruent with this ability of individuals to take charge during communication process.

Second, by making indication to oneself, humans anchor themselves to the symbol they are dealing with. Since communication is a joint process of ascribing a meaning to a symbol, the overlapping meanings have profound implications for how humans relate. To the extent these meanings overlap, both individuals make similar kinds of self-indications about what they are dealing with. Therefore, they find common grounds for relating themselves. Hence, the ability to self-indicate enables individuals to respond in the same way to the same gestures, sharing one another's experiences.

Moreover, during communication, "we are unconsciously putting ourselves in the place of others and acting as others act" (Mead 1934, p. 69). This phenomenon is called "role-taking", and is an essential part of the communication process. Through role-taking,

individuals try to reach out to others, and see the world from the perspective of others (i.e., "assume other's attitudes"). Thus, communication provides opportunities to relate through self-indication and role-taking. The theoretical basis of the consequences of communication proposed in the model acknowledge the contribution of self-indication and role-taking in creating and maintaining relationships.

The explanatory power of symbolic interactionism is not limited to individual-to-individual interactions. Mead argues that groups can be conceptualized as 'generalized others', and hence, the theoretical explications of his approach can be extended into group situations as well. For example, the McDonald's as a franchiser organization is comprised of all the systems, assets, and people working for it. On the other hand, the McDonald's franchisees are united under various coalitions such as American Franchisee Association. These collectives (franchisers and franchisees) regularly 'negotiate' and 'engage in conflict', as if they were persons. Focal channel organizations such as Amway communicate regularly with their distributors so that their distributors identify with the focal organization as if it were a singular entity like a person (Pratt 1994). Social scientists (e.g., Blumer 1969) assert that the same processes that characterize individual interactions are also present in interactions among the collectives. Indeed, marketing scholars have successfully demonstrated the relevance of constructs such as trust and commitment in the collective setting on the basis of individual level-theories (e.g., Morgan and Hunt 1994). Therefore, applying symbolic interactionism in the channels context is appropriate.

Integration of the Mechanical and the Interpretive-Symbolic Perspectives

The above four perspectives in communication have different assumptions and scopes, and therefore, cannot always be used in a single study. In the current context, the systems-interactive and the psychological perspectives are found to be the candidates of exclusion from consideration for the following reasons. The systems-interactive perspective assumes an interaction pattern as a unit of study and requires a longer time-framework. Therefore, employing this perspective demands resources, time, and efforts beyond consideration for the present study. Further, the general goal of the study is to look at the outcomes of various communication strategies, which requires conceptualization of distinct constructs. However, explicit conceptualization of the independent and dependent variables is difficult within the systems-interactive perspective. Similarly, the psychological perspective is concerned with the psychological filters within the receiver and their impact on the communication outcomes. Though this perspective can be very useful in studies addressing specific issues such as communication effectiveness, it may not be usefulness for a comprehensive theoretical framework addressing the general outcomes of communication in marketing channels.

The remaining two perspectives, namely, mechanistic and interpretive-symbolic are found to be comprehensive enough to serve as a springboard for a broader framework describing the communication in marketing channels. At the first glance, the theoretical assumptions of these two perspectives seem to be tangential to each other. For example, the mechanistic perspective assumes the receiver as a passive being while the interpretive-symbolic approach assumes him or her as an active being participating the process of interpretation of the symbols. However, a closer look reveals that the two

perspectives address different issues at the different levels of abstraction, and therefore, can provide a complementary view of reality.

However, broadening the traditional view of the mechanistic perspective is in order before attempting its integration with the symbolic interactionism. A strict mechanistic view of parceling out meanings to the other party must give way to a broader one that holds that under this view, only messages are exchanged, not the meanings. The resultant process of meaning construction may not be within the scope of this view. With this proposition, a complementary view of the two perspectives is argued in the following section.

The mechanistic perspective describes the "logistics of communication" in that it provides a list of critical elements in the communication process, and assumes them coming together in the message transmission process. Therefore, this perspective may serve as a benchmark for describing various communication strategies.

A comprehensive description of a communication strategy should encompass all the critical elements of the communication process, portrayed in Figure 2.1. Mohr (1989) suggests that the following four facets capture the key elements of communication as described in the mechanistic perspective: frequency, content, modality, and the direction of communication. She argued that frequency of communication relates to the amount of communication, which can be more or less; content can be direct (desiring a specific action by the receiver) or indirect (merely discussion-oriented); modality can be captured by a continuum ranging from a formal to informal communication style; and finally, the direction could be understood as a one-way versus two-way communication. Thus, the

conceptualization and operationalization of communication strategy is driven by the mechanistic perspective in Figure 1.1.

In addition, mechanistic perspective also underlies the epistemology of the research study. In the current model, the communication process is conceptualized in discreet components, which are considered to be the measurable elements. Further, the message transmission process elicits response among the receivers (e.g., a heightened feeling of identification), which is again an implicit endorsement of the way communication process is illustrated in the mechanistic perspective. The symbolic-interactive perspective is not concerned with the measurability of communication elements, as the focus is on the point of view of an individual.

Though the mechanistic perspective outlines the major elements of the communication process and suggests a flow of messages and response thereof, barring a general notion of feedback, it is mute on the specific *consequences* of communication. The interpretive-symbolic perspective provides theoretical guidelines as to what these consequences could be. Like mechanistic perspective, interpretive-symbolic perspective highlights the *interaction* of the participants. However, unlike the traditional mechanistic perspective, it does not conclude that a meaning is transferred from the sender to the receiver, rather, it is co-created during a communication episode. Indeed, the "process-orientation" of the symbolic-interactive perspective bestows a greater theoretical depth to the understanding of the human communication process compared to the other three perspectives.

However, the increased explanatory power is coupled with some serious definitional and operationalization-related problems. To start with, despite a rich history

of scholarly work in various disciplines, there is still a considerable disagreement among the scholars as to how to define the core concepts of symbolic interactionism. For example, the concept of role-taking has been used to mean several different terms such as role-playing, empathy, and identification (Lauer and Handel 1977). Further, operationalization of the concepts becomes much difficult, because as Zeitlin (1973) charged, "Society, from this standpoint, becomes a plurality of disembodied, unconstrained selves floating about in amorphous situations" (p. 218). While most studies harping on symbolic interactionism use naturalistic inquiry as a preferred methodology, scholars have generated testable hypotheses and used a variety of research methods, including, survey (e.g., Lauer and Boardman 1971) and experiments (e.g., O'Tool and Dubin 1968). These studies have validated many of the theoretical insights of this perspective, which are used here to compensate for the lack of the theoretical depth of the mechanistic perspective. Conversely, when symbolic interactionism is integrated with the mechanistic perspective, the efforts to analyze and measure various elements and processes of communication, rather than simply focusing on the interaction as something that could be understood subjectively only, gain more credibility.

To recoup, the mechanistic perspective and the interpretive-symbolic perspective deal with communication at the different levels of abstractions. The mechanistic perspective is concerned with the elements of communication and the message transmission process, while the interpretive-symbolic approach is concerned with the micro-processes that take place when individuals communicate. These processes can be analyzed in their elements, which is congruent with the tenets of mechanistic perspective. Therefore, at the most basic level, these two perspectives are not necessarily at odds.

Indeed, it is suggested here that the message transmission process between the individuals, as depicted in the mechanistic perspective, needs to be understood from the interpretive-symbolic perspective at the finer level to understand the consequences of communication.

Figure 2.2 portrays the integrated view of the two perspectives. The mechanistic model is simplified to show the apparent exchange of messages between two parties. An elaborated view of this interaction is provided by the symbolic-interactionism perspective at the right-hand side, where these parties engage in the interpretation of the symbols represented in the messages. Their interpretations do not coincide fully, as complete understanding is deemed impossible in communication. Further, in the interpretation process, the parties make indications to each other, and to themselves. Thus, in a seemingly simple 'message exchange process' depicted in the mechanistic view is put under microscope when looked through the theoretical lens of symbolic interactionism. It is argued that the symbols contained within messages are interpreted jointly by the communicators. However, the most important advantage of the integrated view is that unlike the 'pure' symbolic interactionism, it does recognize the role of factors other than the interaction itself (e.g., personality traits) in final outcome of communication. These factors are not incorporated in the current model, but they could be, if scope of the study demands in future. This integrated view of communication forms the conceptual basis for the theoretical development of the model in Figure 1.1.

Summary

In summary, in this Chapter, four major theoretical perspectives in communication, namely mechanistic, psychological, systems-interaction, and

interpretive-symbolic perspectives are reviewed. Distinguishing characteristics of each of the perspectives are described and examples from the marketing literature are offered that demonstrated the use of a particular perspective in marketing setting. Among all four perspectives, two perspectives, namely mechanistic and interpretive-symbolic were deemed the candidates for further theoretical considerations. The mechanistic perspective is general, and aids empirical examination. The symbolic interactionism accords active role to communicating parties and potentially explains a wide range of phenomenon related to relational exchange. According to symbolic interactionism, humans communicate through exchanging symbols. The basic premise of this approach is that objects around us do not come with an inherent meaning, rather, we interpret them together. In communicating with others, both parties make indications to themselves as to what meaning to ascribe to the object or a symbol. To the extent these meanings overlap, joint interpretation of objects occurs. The individuals take each other's role in the process of communication. The ability to take role is an aspect unique to human communication. Thus, the process of joint interpretation bridges communicating parties through self-indication and role-taking. An attempt was made to integrate the mechanistic and interpretive-symbolic perspectives. The integrative view of the two perspectives will underlie the development of the model of communication in marketing channels in the next Chapter.

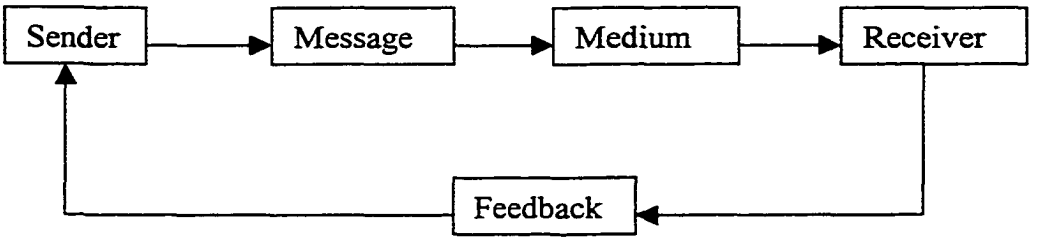


Figure 2.1 The Mechanistic Model of Communication

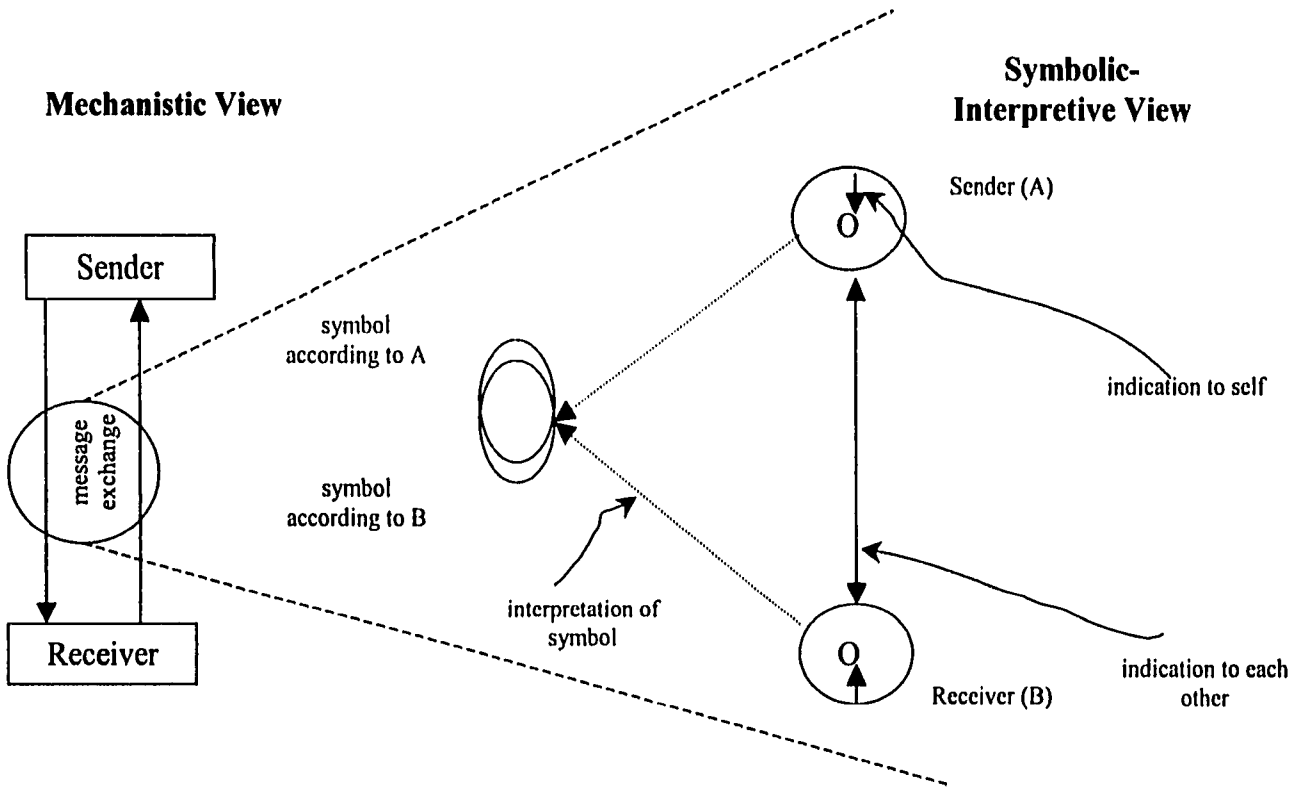


Figure 2.2 An Integration of the Mechanistic and Symbolic Interpretive View

Chapter 3

Development of Hypotheses

In the previous Chapter, an integrated view of the mechanistic perspective and symbolic-interactionism was developed. The proposed model depicted in Figure 1.1 uses a combination of the four facets of communication suggested by Mohr and Nevin (1990) -frequency, direction, modality, and content of communication - to characterize a particular communication strategy. It incorporates the factors related to messages, marketing channels, and environment and shows how they influence a channel member's commitment to the focal organization, and also overall channel coordination. Before elaborating on the model, each of the four facets of communication will be discussed. The same definitions as adopted by Mohr (1989) are used because they are well grounded in theory, and also, they allow for an easy comparability between the two studies.

The Four Facets of Communication Strategy

A particular communication strategy can be described as a combination of four facets of communication: frequency, modality, direction, and content. As mentioned before, communication strategy conceptualized thus endorses the mechanical perspective, since the key argument of the mechanical perspective is that communication is comprised of various components which can be measured.

The first facet, frequency of communication, is the amount of contact between channel members (Farace, Monge, and Russell 1977). It is based on the premise that channel members interact with the focal firm with varying degree, and that it has

implications for the communication outcomes. This measure is adopted form the intraorganizational communication literature, where the focus of study is the communication flows between management and employees (or vertical communication, e.g., Lewis 1999) or communication flows among team members (or horizontal communication, e.g., Pelled, Eisenhardt, and Xin 1999; Smith and Smith 1994). Though it is possible that less frequent communication can carry more information, in long-term relations, frequent communication can be a good measure of the amount of communication. Indeed, scholars studying communication in marketing channels focus on the frequency of communication among channel members as a proxy measure for amount of communication (e.g., Boyle et al 1992).

Modality of communication refers to the nature of the media through which communication occurs. Organization communication scholars have focused on the effects of the type of media on communication outcomes. For example, Bouas and Arrow (1995) compared the effects of face-to-face and computer-mediated communication. Marketing scholars have also used similar basis to study the effects of marketing communication on stakeholders. Rao and Burnkrant (1994) studied print versus audio and Stern (1994) focused on commercial versus word-of-mouth in advertising literature.

In organizational communication, another way to capture the modality is suggested: formal and informal media. Formal communication is structured and follows an organizational chart, while informal communication is unstructured and charters away from the formal organizational set up (McDonald and Williams 1993). This conceptualization is adopted by channel scholars as well (Mohr and Nevin 1990). Formal

modes are perceived by channel members as official modes sanctioned by the focal firm. Communication occurs through official modes such as a letters, planned sales calls, and agent councils. Informal modes are less routinized and less structured, such as informal gatherings during a training session and word-of-mouth contacts.

Direction relates to the vertical movement of communication in marketing channels. It could flow predominantly in one direction ("unidirectional") or both directions ("bidirectional"). In context of the mechanistic model discussed before, directionality refers to the absence or presence of feedback. The effects of feedback from management to employees (e.g., Allen 1995; Brotherton 1996), employees to management (e.g., Atwater and Rousch 1995), and among coworkers (e.g., Dennis 1996) are widely studied by organizational behavior scholars. Marketing scholars have drawn on this literature to study the effects of supervisory feedback (e.g., Walker, Churchill, and Ford 1977) and coworker feedback on sales people (Kohli and Jaworski 1994). In marketing channels, scholars have studied the effect of feedback from focal firm to other channel members (Mohr 1989).

The fourth facet of communication is the content of messages or influence attempts. Content refers to what is contained in the message. In the advertising literature, content is variously characterized as the humorous versus serious (Lammars et al 1983), credible versus noncredible (Harmon and Coney 1982; Tixier 1992); and verbal versus nonverbal (Haley, Richardson, and Baldwin 1984). Based on Frazier and Summers (1984) and Frazier and Sheth (1985), Mohr (1989) categorizes communication as either direct or indirect, which is adopted in the current study because it is well established in the

channels literature.

The common theme underlying direct communication strategy is that the source firm (i.e., the originator firm for the influence attempt) asks the target firm (i.e., the firm towards which the influence attempt is directed) to take a specific action or a set of actions. Frazier and Summers (1984) defined each of the direct communication strategies as following. Recommendation is the strategy where the personnel from the source firm predict that the source firm will be more profitable if the target firm follows the source firm's suggestions regarding a given set of actions. However, the expected reward is not mediated by the source firm. Promise strategy implies that the source pledges to provide that target with specific reward contingent on target's compliance with the source's stated desires. Legal pleas are said to be used in situations where the source contends that the nature of the formal legal contract or informal agreement suggests that the target perform certain actions. The request strategy refers to those situations where though the target mentions specific actions, no consequences thereof are specified. Finally, in indirect communication strategy, the source uses information exchange and general discussions to alter target's perceptions about how the target firm may be more profitable. Here, the source simply shares the information through discussion without implying any actions.

A particular communication strategy lies on a continuum anchored by relational and nonrelational strategies. The concept proposed by Mohr (1989) is adopted here: a relational communication strategy is characterized by high frequency, bi-directional flow, increased presence of informal messages, and more indirect communication. A non-relational communication strategy is characterized by low frequency, unidirectional flow,

predominantly formal messages, and direct communication. This nomenclature is justified as per the arguments made in the following paragraph.

The relational strategy is defined as the communication strategy aimed at creating and maintaining long term relationships. On the other hand, the nonrelational strategy is defined as the communication strategy aimed at merely executing transactions, without much of long term perspective on the future of the relationship. The long term orientation is signified by the presence of commitment. Therefore, to the extent the parties are committed, they intend to seek long term relations. Further, commitment is posited to be positively related to frequent, informal, indirect, and bidirectional communication, as argued later in this Chapter. Therefore, the definitions adopted for relational and nonrelational communication are conceptually consistent with the overall framework presented here.

An important feature of the model presented in Figure 1.1 is the conceptual distinction between instrumental and relational concerns as communication outcomes. Scholars interested in communication theory -including those from marketing- have long recognized the dual nature of communication outcomes (e.g., Fisher, Maltz, and Jaworski 1997), but an explicit conceptualization is lacking. In his treatise on interpersonal communication, McCarthy (1978) refers to the "double structure" of communication (p. 282), wherein while exchanging messages, the speaker and the listener come to understand (1) that what is said, and (2) each other. Similarly, Dewey (1925) makes distinction between "instrumental" and "consumatory" communication. Instrumental communication is directed at accomplishing some utilitarian purpose, while consumatory

communication is for mere socialization. In marketing, Dwyer and Walker (1981) make distinction between "economic" and "affective" outcomes of communication during negotiations (p. 105).

Indeed, the dual nature of communication is at the heart of the thinking of influential social philosophers including Aristotle, Weber, and Habermas. For example, one of the central tenets of Habermas (1968) theory of communicative action is that communication accomplishes two kinds of tasks: instrumental and relational. Communication is employed to address instrumental goals such as integration of diverse activities and carrying out negotiations. Partners "pursue economic interests" through communication (Habermas 1981, p. 395). Communication as an instrumental activity helps achieve "rationally motivated consensus" (p. 398). On the other hand, communication is inherently a human process where the emphasis could be on social interactions and resultant relationships. Weber (1956) argues that "affective-emotional" aspects of social interactions are different from "purposive-rational" aspects (p. 2).

Instrumental Aspects of Communication

The above discussion gives general indication of what could be the instrumental outcomes of communication, however, their nature is not conceptualized explicitly by scholars. The theoretical tenets of symbolic interactionism help specify these outcomes.

The central question in symbolic interactionism is how humans adjust to each other in social life, and how group life becomes possible by fitting together of individual lines of action. According to this theoretical perspective, each individual aligns his or her action to the actions of others by ascertaining what they are doing or what they intend to

do (Blumer 1962). Individuals ascertain meaning of other's acts and intentions by taking the role of other individual or a group. Their own actions are aligned on the basis of the interpretation of other's actual or intended acts. In Figure 1.1, the construct of coordination represents such alignment of acts or fitting together of activities.

In common parlance, coordination is understood as the harmonious adjustment or functioning of different parts of a system. In organizational context, it is variously defined as "fitting together the activities of organization members" (Argote 1982, p. 423), and "the act of managing interdependencies between activities" (Malone and Crowston 1991, p. 101). Two common themes emerge from these definitions: one, interdependence among members is a condition that necessitates coordination. Two, coordination requires a meaningful temporal sequencing of activities, as highlighted by the phrases such as "fitting together".

Mintzberg (1979) makes a case for why coordination matters in organizations: "Every organizational human activity... gives rise to two opposing requirements: the division of labor into various tasks to be performed and the coordination of these tasks to accomplish the activity. The structure of any organization can be defined simply as the sum total ways in which it divides its labor into distinct tasks and then achieves coordination among them" (p. 2). Cushman, King, and Smith (1988) argue that, "Organizational communication has as its principal function the coordination of human activity in regard to production" (p. 57). Koehler et al (1981) and Schrueder (1993) make similar remarks.

We can extend this observation in the interorganizational context because division of labor is at the basis of the existence of different organizations -including marketing

channels- with different resources and goals. In fact, coordination is all the more important in interorganizational context because the need for a smooth interface between people and systems belonging to different organizations is more acute. Miller, Scott, Stage, and Birkholt (1995) argue that coordination may be the primary objective of interorganizational relationships. It is no surprise, therefore, that channel scholars have extensively researched coordination-related issues over the years.

However, in marketing, scholars typically measure concepts such as cooperation, acquiescence, and commitment (Morgan and Hunt 1994; Ganesan 1994), which may be related to coordination, but are not coordination itself. Indeed, there is hardly any explicit discussion in marketing literature about the nature of coordination and how to operationalize and measure it. Even in social sciences, after Bernstein's (1967) seminal work, only recently scholars have started paying attention to the conceptual dimensions of coordination (Turvey 1990; Malone and Crowston 1991). For example, Zalesny, Salas, and Prince (1995) mention four components of coordination: identifying goals (i.e., what are the objectives of joint activities), mapping goals to activities (i.e., what specific activities are needed), mapping activities to actors (i.e., who does what), and managing interdependencies (i.e., sequencing and synchronizing activities). This definition of coordination is adopted for the following discussion.

Communication and Coordination

In context of the channels as social systems, the relevant question is, how communication helps channel members coordinate their activities. In coordinating activities, two or more actors engage in joint determination of outcomes. Each actor selects from alternatives, considering the expected behavior from the other actor. They set

up common expectations through communication (Cushman and King 1989).

Frequency of Communication and Coordination

Theoretically, more communication frequency leads to better coordination, but not always. Too much communication can hamper coordination, when the recipient ends up making poor decisions because too much communication results into distraction. However, a review of trade literature in insurance industry suggested that it is not characterized by excessive communication. Indeed, lack of communication was typically cited as a problem. With some sacrifice of external validity, therefore, it could be posited that higher communication frequency leads to better communication in the current context as per the following rationale. The four dimensions of coordination suggest joint efforts among the channel members. To carry out joint efforts, the parties must comprehend the perspective or intentions of the other party. According to the integrated view of the symbolic interactionism set forth in Figure 2.2 (or just the *integrated view* henceforth), higher frequency of communication should lead to the higher level of coordination. The actors have different notions about the meanings of the symbols they exchange. With succeeding interactions, the actors confer or deny the intended inferences of the other (Warriner 1970). Therefore, a higher frequency of communication implies more opportunities for closer interpretation of symbols. Having a reasonably close interpretation of symbols is necessary in identifying mutually acceptable goals and activities necessary to achieve them.

This is acknowledged in the communication literature, too. As the frequency of communication between two parties increases, each party's ability to predict the other's view accurately increases. Similarly, Smith et al (1994) argue that higher communication

frequency helps develop similar vocabulary, paradigm, and even objectives by setting up 'aggregate cognitive endowments' through which similar interpretation of symbols is facilitated, which makes achieving coordination easier. On the other hand, lower communication frequency is found to be related to high level of conflict in organizations (Siegall and Cummings 1995), which is detrimental to coordination efforts.

The studies in organizational communication also mention another rationale for the linkages between communication frequency and coordination. Some scholars (e.g., Susskind and Miller 1998) maintain that communication frequency is related to cohesion within the parties. In the terms of symbolic interactionism this would mean that as parties exchange more symbols, they come closer in their interpretation of symbols, therefore, there spheres of common experience overlap at a higher degree. Thus, cohesive teams are found to "have a greater shared understanding of their organization and industry...such teams will be more likely to comprehend the specific idiosyncrasies, strength and weaknesses of their organizations and the key issues in the industry. This common basis of understanding accelerates decision making" (Smith et al 1994, p. 6).

In light of the above reasoning, it could be argued that more frequent communication may help in all the four facets of coordination. It can help identify goals that are acceptable to the majority, and help achieve consensus on what are the necessary activities to achieve those goals. Frequent communication can also aid negotiations during task assignments, a situation where constructing mutually acceptable meanings is especially important (cf. Zalesny, Salas, and Prince 1995). Finally, sequencing and synchronizing activities can benefit from frequent communication because it brings about more clarity on what to expect from the other party. Stated formally,

H1a: Frequent communication is positively related to coordination in marketing channels.

Modality of Communication and Coordination

The second dimension of communication, modality, refers to formal or informal modes of communication. In the past literature, this communication dimension is often discussed under topics such as scheduled versus unscheduled meetings. Here, an argument is made about the stronger linkages between informal communication and coordination.

According to the integrated view, formal communication means the messages are exchanged in a formal setting (e.g., formal meetings) and the co-creation of the meaning has to take place through official channels (e.g., written communication through office memos). However, for the individuals in communication, the symbols have complex meanings and connotations. Therefore, emphasizing a rigid set up for meaning creation may leave holes in the communication process. Further, formal communication is not conducive in coordination beyond a point, since once a task is set in motion, team members need to adjust their activities to accomplish the task (Zalesny, Salas, and Prince 1995, p. 90).

Informal communication fills the gaps in communication, as it is flexible in nature. Informal communication helps make sense of limited interpretation of symbols permeating through formal channels, create common organizational culture, and provide more cohesion (Baron and Greenberg 1990), since few restrictions exist when actors feel free to nudge around creating and interpreting symbols.

No surprise, then, that informal communication is considered to be faster than

formal communication (Crampton and Hodge 1998; Davis 1977). It is also considered to be more personal and accurate (Baron and Greenberg 1990; Rakes and Cox 1993). These characteristics partly explain the positive relations found between informal communication and coordination (e.g., Kraut and Streeter 1995), since fast and accurate communication is likely to help coordination. Thus, unplanned modes of coordination, including informal communication, may be important in achieving coordination. This is not to deny the importance of standardized rules in channel member communication. However, often they tend to ignore the changing dynamics taking place during symbol interpretation. Here, the argument is that the presence of informal communication brings in flexibility necessary to achieve coordination among channel members belonging to different organizations. Therefore, greater presence of informal communication is likely to aid coordination. Drawing on the preceding discussion, it can be stated that

> H1b: The increased presence of informal communication is positively related to coordination in marketing channels.

Direction of Communication and Coordination

Direction of communication flows is a third dimension of communication strategies. According to the integrated view, increased flow of back and forth messages, or feedback is indicative of increased bidirectional communication. In this view, communication requires two actors engaged in joint interpretation of a symbol. However, feedback is not automatic, since if the other actor does not revert back with a message, feedback (or bidirectional communication) does not exist. Feedback is important in the integrated perspective from several viewpoints.

One, unlike the strict mechanistic view, the integrated view does not assume that

the meaning is delivered through the message, rather, it is co-constructed by the actors. This meaning construction process is dynamic due to inherently vague nature of symbols. Therefore, bidirectional communication is essential to ensure a reasonable overlap between the interpretations construed by the actors. Two, according to this view, during communication, before interacting with others, the actors first interact with themselves. This provides an opportunity to reexamine one's position and make necessary corrections. Thus, bidirectional communication helps clarify the message content from both sides engaged in the act. Third, since the meanings are constructed jointly, often the context provided by the other actor brings about more clarity in communication. A fairly extensive body of literature attests that often parties have a unique piece of information that can be utilized for garnering optimum outcome only if that piece of information is shared through communication. Constant exchange of messages through feedback aids in sharing information, which provides a basis for coordinated efforts in achieving heightened outcome (Dennis 1996). Feedback also has a cueing function that reduces the uncertainty on the part of the feedback receiver as to the goals he or she is expected to focus on (Dalton 1971; Dubinsky et al 1986). In summary, feedback helps achieve judgement accuracy and shared understanding (Thompson and DeHarpport 1994; Tudge and Winterhoff 1996), since it reveals other party's point of view (Schibeci and Barns 1999). Thus, bidirectional communication helps in achieving coordination.

In symbolic interactionism, the symbols are important since communication is carried out through their interpretation. When the act of communication itself becomes a symbol for something, it is known as "metacommunication". One line of reasoning suggests that providing feedback may be part of metacommunication because it conveys

to the relevant parties that their input is actively sought and valued. Therefore, feedback elicits positive feelings and induces the parties sending feedback to behave in a more cooperative fashion (Allen 1995; Peterson 1999). Parties with cooperative and positive attitude towards each other are more likely to achieve coordination, because it becomes easier to set goals, decide on activities, assign task, and synchronize activities. Thus, bidirectional communication is conducive to coordination, because it connotes back and forth flow of messages, necessary to achieve a relatively higher level of understanding and overlapping expectations. It also signifies the supportive climate between the parties. Indeed, scholars have empirically demonstrated the positive linkages between bidirectional communication and coordination (Cooper and Dejong 1992). On the other hand, predominantly unidirectional messages suggest a lack of input from the other partner, which can be detrimental to achieving coordination. Thus,

H1c: Bidirectional communication is positively related to coordination in marketing channels.

Content of Communication and Coordination

Finally, communication content can be direct (asking for a specific action) or indirect (information exchange only). The common theme underlying direct communication strategy is that the source firm asks the target firm to take some action. This influence attempt can be recommendation, promise, request, or legal pleas, through which specific actions could be asked. On the other hand, indirect communication strategy refers to the source using information exchange and general discussions to alter target's perceptions about how the target firm may be most profitably operated.

In the integrated view, the content of communication refers to the nature of symbols – whether they represent a concrete directive from the focal firm, or a simple information exchange. Direct communication implies emphasizing one's point of view about desired goals and activities, and having control on assigning tasks and synchronization of activities. Thus, the content of communication symbolizes how much regard the focal firm has for the channel members.

Frazier and Summers (1984) suggest that due to the explicit communication of the intended behavior under recommendations, it symbolizes an attempt by the source firm to influence the autonomous decision making of the target firm. Then the target may become suspicious of the source's motives, and may resist the source firm's attempts for coordination. In general, caution should be exercised when rewards are offered in return for compliance, because it may actually increase the conflict between the parties. The target may perceive that the promises symbolize bribery, and feel insulted (Raven and Kruglanski 1970).

Similarly, the use of requests is warranted in situations where the source desires the target to perform some actions promptly, which only provides direct benefits to the source (Frazier and Summers 1984). Therefore, the increased use of requests may be interpreted by the target as something that represents the selfish motives of the source firm. Thus, in long-term relations, the request strategy seems to have limited effectiveness in achieving coordination. Finally, legalistic strategies are least used in marketing channels (Frazier and Summers 1984). The source firm may use legal threats not just to convey their intentions, but also to symbolize to the target firm that the later has gone too far in its dealings, and the relationship is not worth maintaining. Further, under legal

threats, the target may comply overtly, but may harbor ill will towards the source firms. Thus, direct communication may be related negatively to communication.

Conversely, indirect communication implies mere information exchange with the target firms, without mentioning any specific actions. Since the focus is on perception change, the target is likely to interpret these strategies as less intrusive. Indeed, indirect communication leaves plenty of room for the target firm to develop its line of action, rather than following the path suggested by the source firm. This may induce cooperative relations between the two firms, since the target firm is not forced to follow a certain path.

In summary, according to the integrated view, direct communication is detrimental to coordination probably because the parties do not agree on the appropriateness of the type of communication stance used (e.g., promise, legal pleas), and not because they do not agree on the meanings of the symbols exchanged. This line of reasoning is reflected in the past channels literature as well. Frazier and Summers (1984) argue that indirect strategy is related to cooperative relations between the source and the target firms, therefore, higher incidences of successful coordination efforts are likely to be found where more, rather than less indirect strategy is used. Frazier and Summers (1984) also argue that the indirect strategy is most useful when the behavior is related to common goals. We can extend these arguments to include behavior related to consensus on required activities, role assignment, and sequencing various activities to fulfill the goals. Thus,

> H1d: Indirect communication is positively related to coordination in marketing channels.

H1e: Direct communication is negatively related to coordination in marketing channels.

Relational Aspects of Communication

Many scholars think that the importance of communication lies in its ability to spawn relations. For example, King (1989) asserts that establishing relationships is one of the important functions of communication. Similarly, for McCarthy (1978), communication is a human process that takes life of its own and leads to interpersonal relations. However, why communication leads to relationship requires deeper explanation of the underlying processes.

The integrated view is a suitable theoretical school to explain such processes because in it, one individual takes into account another individual. In the following section, the processes by which communication leads to relationships are examined in more detail, where it is argued that the relational aspects of communication include identification, trust, and commitment as its correlates.

Communication and Identification

Identification is defined as "the process through which individuals come to define themselves at least partly in terms of collective's identity" (Ashforth 1998, p. 209). Identification is a fundamental human process that occurs whenever individuals perceive themselves to be members of a collective (Tajfel 1982).

Scholars in organizational studies are increasingly recognizing identification as a desirable feature from the organization's point of view (though, identification can have undesirable consequences when the organization receives negative publicity – see Dutton, Dukerich, and Harquail 1994 for details). They also highlight the strategic importance of

identification in achieving organizational coordination. Pratt (1998) argues that "identification is a fundamental task of organizations: organizations must engender identification to facilitate their functioning" (P. 171). Cheney (1983) mentions that "..fostering identification is intent of the many corporate policies, for with it comes greater assurance that [individuals] will decide with organizational interest.. in their mind" (p. 156). In the present context, identification refers to how far the channel members define themselves in terms of their association with the focal firm (cf. O'Reilly and Chatman 1986).

Though most studies in organizational identity examine the relations between employee-organization, it need not be the only valid setting. In relational exchange, the boundaries of organizations often become blurry and the definitions of outsider and insider become diffused (Pratt 1998). Identification can occur in any setting that implies a relationship between an individual and collective. For example, scholars have applied the concept of identification to explore the relationship of members with a museum (Bhattacharya et al 1995) and alumni with their alma maters (Mael and Ashforth 1992). Despite an important place of identification in the nomological net of various relationship variables, marketing scholars have only recently started examining its role in exchange relationships (e.g., Bhattacharya et al 1995; Fisher, Maltz, and Jaworski 1997; Gilly and Wolfinbarger1998).

The integrated view, which draws heavily on symbolic interactionism, holds that role-playing is an integral part of interacting with others, in which the individuals try to take perspective of the other individual. On the other hand, individuals not only communicate, but also develop their social identity through role playing (Hogg, Terry,

and White 1995; Stryker and Serpe 1982). Thus, through role playing, individuals develop their identity, and also incorporate other's values and beliefs in that identity. Therefore, communication is the basic process by which individuals imbibe other's identity in forming their own, ultimately resulting in the identification with the other.

The actors in the communication process described here can be individuals or organizations ("generalized others"). For example, in small organizations such as franchised fast food outlets, the owners or the managers represent the organization and articulate the core organizational values. Their extent of identification with the franchiser organization partly depends on the level and nature of interactions they have with the parent company (Scott and Lane 2000). Even in large organizations, identity represents something that is central, distinctive, and enduring about the organization (Albert and Whetten 1985). Therefore, to the extent one organization's identity is defined by the identity of the other organization through reciprocal communication flows, organizations act as 'generalized others' and one organization can collectively identify with the other organization (cf. Pratt 1998).

Consistent with the arguments made here, scholars have recognized communication as a basic correlate to identification. Identification implies construction of identity, which is a social process, deriving from repeated interactions with others (Cooley 1909). Scholars studying the processes leading to identification have, therefore, recognized communication as a principal mechanism shaping identification (Bhattacharya et al 1995; Weick 1995). Gioia (1998) argues in a similar vein that identification is formed and sustained via social interactions. Indeed, communication is so essential to identification that some scholars take the view of "communication as identification"

(Burke 1969). Byker and Anderson (1975) also take the similar view and note, "identification comes through understanding another's reasoning, empathizing with another..., comprehending another's beliefs, attitudes, and values, sympathizing with another's pleasures and pains, ...interpreting another's verbal and nonverbal codes" (p. ix). Therefore, as depicted in the model, it is argued that communication influences identification directly. The following section discusses how each of the dimensions of communication strategy influences identification.

Communication Frequency and Identification

Though it is likely that more frequency of communication reveals unfavorable details about the parties that prove counterproductive for the development of identification, in long-term relations, it can be assumed that one party had sufficient time to be familiar with the other party. With this background, based on the integrated view offered before, it can be argued that identification is generally related to increased communication frequency for the following reasons.

When parties communicate frequently, they are likely to find themselves sharing similar experiences during the symbol interpretation process. This sharing of common experiences leads to positive regard for the other party. Communication scholars have found support for this rationale where frequent interactions led to positive sentiments and feelings for the other party (Homan 1950; Amir 1975). Positive regard and liking for the other party is a precondition for possible identification with that party. Fox and Inazu's (1980) study provides an empirical support for the positive linkages between the communication frequency and identification. They studied communication between

mothers and daughters and found that increased communication frequency from mother was positively related to daughter's identification with the mother.

Two, greater contact with the focal firm in the channel increases a channel member's predisposition to define himself or herself as a member of a particular channel. The rationale is that more frequency implies more opportunities to exchange information and recognize the organization as an entity congruent with one's self-concept (cf. Dutton, Dukerich, and Harquail 1994). With frequent communication, members are exposed more and more to the totems and symbols that remind them of their connection with the focal entity. According to the integrated view, these totems and symbols become part of who the members are, leading to increased identification with the focal organization. Past literature supports these arguments. For example, Gaertner and his coauthors (1996) suggest that frequent communication may enhance the opportunities for self-revealing interactions and cooperative interdependence, thus, helping to transform members' perceptions from "us vs. them" to "we".

Another line of reasoning suggests that more frequency of communication from the focal organization is likely to align the channel member expectations with what the focal organization has to offer, since the actors engage in role playing and come to empathize with the position of the other party. As a result, their expectations are more aligned, they feel higher satisfaction and tend to identify more with the focal organization. Drawing on the above thread of reasoning, it is proposed that,

> H2a: Frequency of communication from the focal organization in marketing channels is positively related to the extent of fellow channel

members' identification with the focal organization.

Modality of Communication and Identification

Communication modality refers to the methods used in transmitting information (e.g., face-to-face, letter, phone). The integrated view recognizes that messages flow through various media. Accordingly, since various media have differing capacities for transmitting cues, content and accuracy of messages transmitted often depend on communication method. Mohr and Nevin (1990) classify modality into two categories: formal and informal modes of communication. Formal modes are related to structured and routinized communication and informal modes refer to personalized communication, such as a face-to-face discussion in an informal setting.

It is proposed here that informal communication from the focal firm leads to greater identification of the channel members with the former. As argued before, the modality of communication defines the set up where the symbol interpretation process takes place. When an attempt is made to exchange and interpret symbols through formal means, often it is constrained by the limitations of the formality inherent in the communication channel used. When symbols are interpreted in interorganizational communication, multitude versions of interpretations can be employed to address the needs of the developing line of action. When the meanings of the symbols are constructed within the strict norms of the formal channels, no longer they serve the need of the dynamic situation. In situations like these, the channel members are unlikely to accept the emerging interpretations whole-heartedly. They are also unlikely to accept the values and beliefs of the focal organizations as constructed through formal channels as their own, as

formality inherent in the communication channel does not permit any elbow room for adjusting one's view point.

In addition, informal communication often charters away from the communication patterns dictated by formal communication structure, where people communicate as a part of their job. On the other hand, when people communicate because of interpersonal liking, as they do when they communicate informally (Barnard 1938; Dessler 1980), they do so by choice. When people choose to communicate because of interpersonal liking, they are likely to find common grounds for interactions, which may lead to higher possibility for identification with the other party. Pratt (1994) calls this phenomenon "identification through affinity" (p. 174). In summary, when the target is subject to informal communication, he or she is more receptive to the source organization's attempts to modify his or her pattern of symbol interpretation to make it more congruent with organizational values. The above course of logic leads to the following hypothesis:

> H2b: The extent of informal communication from the focal organization is positively related to the extent of fellow channel members' identification with the focal organization.

Direction of Communication and Identification

The rationale of the integrated view suggests that two-way communication is positively linked to identification because the process of identification – incorporating other's values and beliefs in one's own identity – must involve active exchange of messages among the actors over time. Channel members initially construct and interpret symbols in congruence with their value system. However, as they receive more messages

from the focal firm as a result of increased bidirectional communication, their repertoire of values and beliefs start integrating values and beliefs of the focal firm as well. Further, this process is mutual in that the focal firm also starts imbibing some of the values of the channel member. While it is difficult to change one's core values, or make space for other's values which are not congruent with one's own, the argument here is that an increased flow of bidirectional communication makes it easier for the actors to incorporate other's values.

As mentioned before, the literature on feedback is relevant to the discussion of bidirectional communication. Also, the outcomes of feedback can be explained by the integrated view. Channel members are a direct target for the focal firm's actions, therefore, they can provide feedback to the later. Also, many behaviors are dyad-specific, and are observed only by the channel members and the specific firms. Therefore, providing feedback to each other may be crucial in enhancing the overall channel functioning.

Atwater and Roush (1995) argue that when A provides feedback to B, B's self evaluation is likely to become more similar to that provided by A. This process may lead to increased identification of B with A since the parties rely on similar interpretation for symbols in questions. Indeed, research in social psychology demonstrates that feedback can directly affect an individual's identity (Cohen et al 1999). Ganiere and Enright (1989) posit a direct link between identity and feedback and state that identity of young adults is shaped by current social feedback provided to them. Ibarra (1996) studied the novice investment brokers getting ready to play the role of expert consultants for their clients and noted that their professional identity forms over time with meaningful feedback from

their peers and clients.

In the context of marketing channels, feedback provided to the reseller by the focal firm shapes the readiness of the reseller to identify with the focal firm. As explicated in the beginning of this section, with increased flow of feedback messages to each other, the parties have concurring views about each other. When parties have overlapping views about each other, they are more likely to identify. Together, the above arguments lead to the following hypothesis

> H2c: Bi-directional communication is positively related to the extent of fellow channel members' identification with the focal organization in marketing channels.

Communication Content and Identification

Finally, communication content refers to what is transmitted in the message. As discussed before, following Frazier and Summers (1984), Mohr (1989) identifies direct and indirect influence strategies in channels, based on which, content could be categorized as direct or indirect. Direct communication content includes specific requests, recommendations, promises, and legal threats. On the other hand, indirect communication content means the sender seeks to influence the receiver's perceptions through information exchange, rather than directly asking for desired actions.

It is argued that indirect communication from the focal organization is positively related to channel members' likelihood to identify more with the focal organization. The rationale is that the target of identification is belief, i.e., when the channel member potentially identifies with a focal organization, he or she sees his or her beliefs about what the focal organization is as self-defining (cf. Pratt 1998). Indirect communication is

concerned with influencing beliefs rather than behaviors. Also, identification implies adopting other's values and beliefs. When indirect communication is adopted, the existence of other's symbol interpretation system is recognized, as no concrete behaviors are enforced. This practice may induce the channel members to look at their relationship with the focal firm as a satisfactory one, which is a precursor to identification. Hence, indirect communication is likely to be related positively with channel members' increased identification.

Conversely, the target of direct communication is behavior. Direct communication does not recognize the divergent interpretation system the channel members may be adopting. The overt mechanism used in direct communication is promise, request, and legal threats. The increased use of these mechanisms may actually repeal the target firm, since direct communication is outcome oriented and does not attempt to address change in values and beliefs, on which the channel members may draw to interpret symbols. Thus, excessive use of direct communication may be detrimental to cultivating identification. Therefore,

> H2d: Indirect communication is positively related to the extent of fellow channel members' identification with the focal organization in marketing channels.
>
> H2e: Direct communication is negatively related to the extent of fellow channel members' identification with the focal organization in marketing channels.

Trust, Identification, and Communication

Organizations, including marketing channels, are increasingly engaging in relational exchange, where they develop intense relational ties with fewer partners. Reliance on fewer partners means an increase in the firm's vulnerability to opportunism by partners. Therefore, trust between partners is a key to successful relational alliances (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994). In recent years, there has been a proliferation of conferences, special issues, and books dedicated to studying trust and related concepts. Geyskens, Steenkamp, and Kumar (1998) did a metaanalysis of trust-related studies in marketing and found significant relations between trust and channel outcomes.

Rousseau and her coauthors, (1998), after an overview of the cross-disciplinary collection of scholarly writings, define trust as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of others" (p. 395). This definition is consistent with the way trust is conceptualized by those marketing scholars who suggest that it is comprised of credibility and benevolence (Geyskens et al. 1996; Ganesan and Hess 1997).

Trust defined as above is related to identification because one of the antecedents to trust is "shared values" (Morgan and Hunt 1994), which also signifies identification (Kelman 1961). In other words, when a channel member adopts values of a focal organization as his or her own, he or she also shows readiness to have confidence in other's positive intentions (i.e., belief in other's credibility and benevolence). Also, the more the target firm identifies with the

source firm, the more likely it is to perceive the source firm as credible (O'Keefe 1990; Tedeschi et al 1975).

Strub and Priest (1976) conducted a field study of marijuana users and showed how they induce trust from fellow marijuana users by signaling common identity. Kramer, Brewer, and Hanna (1996) draw on social psychology theory of group cooperation and propose how psychological and social processes associated with organizational identification increase individuals' propensity to confer trust on others and their willingness to engage in trusting behavior. Elliott and Wattanasuwan (1998) extend these assertions in the context of consumer-brand relationship and argue that consumer's trust in a brand is positively related to his or her identification with the brand.

Identification is related to trust most saliently by Shapiro, Sheppard, and Cheraskin (1992) and Lewicki and Bunker (1996) when they discuss identification-based trust. According to Lewicki and Bunker (1996), trust based on identification "..exists when the parties effectively understand and appreciate each other's wants. This mutual understanding is developed to the point that each can effectively act for the other..the other can be confident that no surveillance or the monitoring of the actor is necessary" (p. 122). Based on the above discussion, it is hypothesized that,

H3: Fellow channel members' identification with the focal organization is positively related to their trust in it.

Communication and Trust

Figure 1.1 shows that trust is related to communication not merely via identification, but also directly. Marketing scholars have posited the direct links between communication and trust in past studies (e.g., Morgan and Hunt 1994; Geyskens,

Steenkamp, and Kumar 1998). The following discussion pertains to how the specific facets of communication strategy relate to trust according to the integrated view.

When the actors communicate with increased frequency, they engage in joint interpretation of symbols more frequently. Therefore, the actors receive more information about the expectations of the other party. As parties become aware of the intentions and attitudes of the other party, they start incorporating that knowledge in the symbol interpretation process. Therefore, more frequency is likely to bring about more accuracy in communication, and accuracy is a precursor to trust. Indeed, Mellinger (1956) empirically showed that more accurate communication is related to higher trust among communicators. This is congruent with the way we conceptualize trust because accurate communication is likely to bring in more credibility, which is a dimension of trust.

Past literature provides empirical evidence for the proposition that communication frequency and trust are likely to be positively related. For example, Jaasma and Koper (1999) studied the dynamics of communication between student-faculty and concluded that increased communication frequency between them led to increased trust for faculty by the students. In the channels context, a relatively higher communication frequency from the focal organization may indicate its willingness to share information, which may lead to increased trust by other channel members. It also assures that the channel member had enough opportunities to judge the likelihood that the focal organization will follow up on its promises and maintain its credibility.

Another line of reasoning suggests that while symbol interpretation is a highly dynamic and subjective process, with increased communication, actors become more familiar with each other's stance in symbol interpretation and thus, increases familiarity

with the other party. Gulati (1995) empirically shows that familiarity breeds trust in interorganizational relations, and a higher level of communication is one way to cultivate familiarity. Therefore, it is hypothesized that,

H4a: Frequent communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

There are not a significant number of studies that reveal the relationship between informal communication and trust, but there is some indication that the relationship is likely to be significant and positive. The rationale is that informality in communication reflects the positive set up in communication between the partners, which may be inductive to the cultivation of trust between them.

The informal communication set up implies that the focal firm recognizes the innate dynamism of the symbol interpretation process, and does not try to impose formal boundaries in terms of specifying official channels for communication. Not only this makes communication faster and more accurate, but also signals the willingness of the focal firm to be flexible. The focal firm is likely to be perceived as benevolent for letting go of the opportunity to control communication. Further, the faster and more accurate communication is likely to make the focal firm look more credible. Also, informal communication signifies information flow among the "insiders", where the norms of trust may be prevalent.

Some examples from communication and marketing literature seem to underscore the positive relations between informality in communication and

trust. Matejko and Williams (1993) studied communication between different ethnic groups and argued that informal communication flows were conducive to the production of interethnic trust. Similarly, Henthorne, LaTour, and William (1993) suggest that people tend to rely more on informal communication when there is a greater risk involved in decisions. This may be due to more trust between the communicators, as suggested in the literature on word-of-mouth. Price and Feick (1987) suggest that consumers believe that informal sources of communication (e.g., advice from a friend) are more credible than the formal sources of communication (e.g., presentation by a sales person). Thus,

H4b: Informal communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

It is argued that bi-directional, compared to predominantly uni-directional communication is positively related to trust. A channel member trusts the focal firm when there is a reason to believe that later will show benevolence and credibility in its dealings. Most often, opportunity to work closely with a new partner affords opportunity to see first hand how much one can trust it. When one sees the new partner showing concern for the other party and encouraging its involvement in the decision making, suitable conditions for trust to establish emerge.

One way to show concern and involve the other party in the decision making is through encouraging bidirectional communication. Knoke (1981) provides empirical evidence that communication can compensate for the lack of direct involvement in making decisions. The integrated view implies that bidirectional communication means the focal firm cares for the views of the channel members, which demonstrates its

benevolence.

Continued uni-directional communication from the powerful focal organization to the channel members means the later are not encouraged to express their ideas (we assume here that the channel members are rational beings and they seek their voice in their relation with the focal organization). On the other hand, continued uni-directional communication from channel members to the focal organization means either the focal organization is ignoring channel members, or is unable to provide timely feedback. In contrast, bi-directional communication implies receiving communication from the channel member, and articulating a response that builds on the interpretation of the original message. In this iterative process, many misconceptions are cleared, making the communication process more effective. Further, when the firms build on each other's view points, they find enough opportunities to express their concerns, provide explanations, and live up to their promises. This, of course, is likely to make the focal firm seem the one with credibility (for its accurate communication) and benevolence (for taking time to engage in communication). Past studies in communication seem to reinforce theses arguments. For example, Walker (1997) empirically showed the positive linkages between bidirectional communication and trust in a study of high school principals and teachers. Therefore,

> H4c: Bidirectional communication between the focal organization and fellow members in marketing channels is positively related to the fellow members' trust in the former.

Direct mode of communication involves requesting the specific action through request, recommendation, promise, and legal threats. Indirect mode of communication

involves changing belief and attitudes of a target without directly asking for a specific action (Frazier and Summers 1984). It is argued that indirect communication from the focal organization is more likely to be associated with fellow channel members' trust in it as per the following line of reasoning. Indirect communication involves mere information exchange, rather than suggesting a course of action. Therefore, it tells the channel members that they have a greater latitude regarding the future course of action. Symbolically, this could be construed by the message receiver as trust expressed by the focal organization. Literature suggests that trust begets trust (Johnson and Cullen 1996), therefore, the growth in trust is likely to be mutual.

Further, when someone from the focal organization engages in indirect communication, he or she tries to change attitude and beliefs of the channel members, rather than imposing the will of the organization. Therefore, he or she is likely to provide rationale behind the proposed course of action to persuade the channel members. In the terminology of the integrated view professed before, this means that he or she engages into role playing and cares for what the symbols stand for the other party. This demonstration of benevolence results into the increased trustworthiness of the focal firm. On the other hand, direct communication symbolizes the overbearing tone of the focal firm in its dealings with the channel members. Further, direct communication precludes providing rationale behind actions, which is likely to be deleterious to cultivating trust. Therefore, it is proposed that,

H4d: Indirect communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

H4e: Direct communication from the focal organization in marketing

channels is negatively related to the fellow members' trust in it.

Commitment to Relationship

Commitment is a central variable in relationship-based exchange, as opposed to purely economics-based exchange (Cook and Emerson 1978). It is a valuable prerequisite to effective cooperative efforts (Robertson and Tang 1995). Therefore, with increasing interfirm alliances, scholars in social sciences, including those in marketing, are examining interorganizational commitment more closely. Morgan and Hunt (1994) identify commitment as a variable central to relationship marketing. Gundlach, Achrol, and Mentzer (1995) suggest that "the concept of commitment may very well become a focal point of explanation in marketing" (p. 78).

Relationship commitment is defined as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it" (Morgan and Hunt 1994, p. 23). Relational exchange implies long-term orientations of concerned parties, therefore, without commitment, relational exchange is not possible.

Commitment is conceptualized as a complex construct in organizational studies, and its study as a multifaceted construct is advocated (e.g., Meyer, Allen, and Gellatly 1990; Somers 1993). Scholars in organizational behavior have conceptualized it in two ways in general (Reichers 1985). One framework is based on Mowday and Porter's work (see Mowday, Porter, and Steers 1982; Mowday, Steers, and Porter 1979). They conceptualize commitment as an individual's identification with and involvement in an organization. The other framework is based on Becker's view of 'side bets', where an individual is committed to the organization because of the unfavorable costs and loss of

incentive related to leaving the organization.

Marketing scholars have drawn from the above schools of thoughts among others, and conceptualized commitment as a multifaceted construct (Anderson and Weitz 1992; Brown, Lusch, and Nicholson 1994; Mohr, Fisher, and Nevin 1996). However, Kim and Frazier's (1997) critical review of this research stream revealed that there is considerable inconsistency in the way commitment is conceptualized and operationalized in the literature. Based on an extensive literature review and the theoretical work of Allen and Meyer (1993), they envision commitment as comprised of the following three dimensions: continuance, behavioral, and affective.

In organizational studies, continuance commitment is defined as a member's tendency to stay in an organization because of the prohibitive costs of leaving, e.g., lost benefits and pension, lack of alternative opportunities etc (Becker 1960). In other words, it is recognized here that parties may be committed to each other due to a favorable cost-benefit analysis (Somers 1993). Typically, age, tenure, and education are considered to be antecedents to continuance commitment (Cohen and Kirchmeyer 1994; Shore, Barksdale, and Shore 1995). With increased age, one is likely to face decreased opportunities outside one's organization. Also, with increased tenure, pension and other benefits from the organization may act as an exit barrier for leaving the organization. However, with increased educational qualification, one is likely to find increased employment opportunities outside the organization. Thus, age and tenure are related positively, but education is related negatively to continuance commitment. The consequences of continuance commitment include increased organizational performance, decreased absenteeism (Gellatly 1995), decreased alienation (Witting-Berman and Lang 1990), and

increased cooperation from members (Shore and Wayne 1993).

In a channels context, continuance commitment can be conceptualized as a channel member's need and desire to maintain exchange relationship due to favorable cost-benefit analysis. Drawing on the organizational literature, it could be suggested that it is likely to be positively related to the age of relationship because the parties are likely to make increased idiosyncratic investments over years, raising the bar for exiting the relationship. However, an exploration of these linkages is beyond the scope of the current study.

Behavioral commitment is the extent to which the commitment is manifested through concrete acts such as investment in assets specific to the dyad. In organizational studies, often tenure itself is conceptualized as behavioral commitment (Pfeffer and Lawler 1980), and therefore, behavioral commitment is considered a related but distinct construct from other types of commitment (Putti and Aryee and Phua 1990; Mottaz 1988). Typical correlates of behavioral commitment in organization setting include job involvement and cohesion with the work group (Kaldenberg, Baker, and Zvonkovic 1990). In the channels setting, behavioral commitment can be indicated by the extent to which the member rushes to the focal firm's aid when assistance is needed (Narus and Anderson 1988). Consequently, behavioral commitment is defined as "the extent to which a distributor provides special help to its supplier in times of need" (Kim and Frazier 1997, p. 143).

Finally, affective commitment is conceptualized as the generalized sense of positive regard for, and attachment to, the organization (Konovsky and Cropanzano 1991). Most prior studies discussing the channel member commitment have focused on

the affectively motivated commitment (Geysken at al 1996), where the channel member desires to continue the relationship because it likes the focal firm and enjoys the relationship. It is worth noting that sometimes affective commitment is defined as an individual's identification and involvement with the focal organization (Porter and Steers 1974). However, conceptually affective commitment (desire to continue relationship due to general positive regard) is different from identification (the identity of channel members defined at least partly by that of the focal firm). Therefore, the two variables are treated as two related but distinct constructs.

Regardless of the dimension of the commitment being considered, it entails vulnerability of those who commit, because they narrow down their options. Trust evolves over time, and on the other hand, current behavior is believed to be a strong predictor of future intentions. Therefore, channel members are likely to believe that the organization will act with credibility and benevolence in the future, if they see the organization doing the same now. Consequently, channel members will commit to the extent they trust the focal organization. Marketing scholars consider trust as a precursor to commitment (Achrol 1991; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994). Based on the above reasoning, it is proposed that,

> H5: The fellow members' trust in the focal organization in marketing channels is positively related to their continuance, behavioral, and affective commitment to the latter.

Finally, it is argued that all three dimensions of commitment lead to coordination. As mentioned before, when parties want to coordinate, they need to identify goals, map those goals to activities and actors, and finally synchronize activities. Channel members

typically belong to different organizations, who may put emphasis on different values, and may pursue different goals. Thus, there is a possibility of conflict at any or all stages of coordination, which involves give-and-take from various parties (Zalesny, Salas, and Prince 1995). However, if parties are committed, they typically look beyond short term gains, and tend to cooperate more with their counterparts. Committed parties are willing to work out their differences amicably, without engaging in dysfunctional conflict (Morgan and Hunt 1994). Therefore, committed parties are more likely to achieve coordination than less committed parties. Hence,

H6: The fellow members' commitment to the focal organization in marketing channel is positively related to coordination.

Summary

In this Chapter, theoretical support was provided for the paths depicted in Figure 1.1. Communication strategy was conceptualized as relational or non-relational in nature, depending upon the combination of frequency, directionality, modality, and content of communication. A rationale was provided for conceptualizing the instrumental and relational outcomes of communication. Symbolic interactionism points towards the primary role of communication in making societal organization possible through 'mutual adjustment' of social actors. It was argued that coordination represents 'mutual adjustment' of channel members, and it is primarily brought about by communication. On the other hand, relational nature of communication outcomes was acknowledged and rationale was provided for conceptualizing identification, trust, and commitment as relational outcomes of communication.

With all the hypotheses stated formally, in the next Chapter, the research design will be discussed.

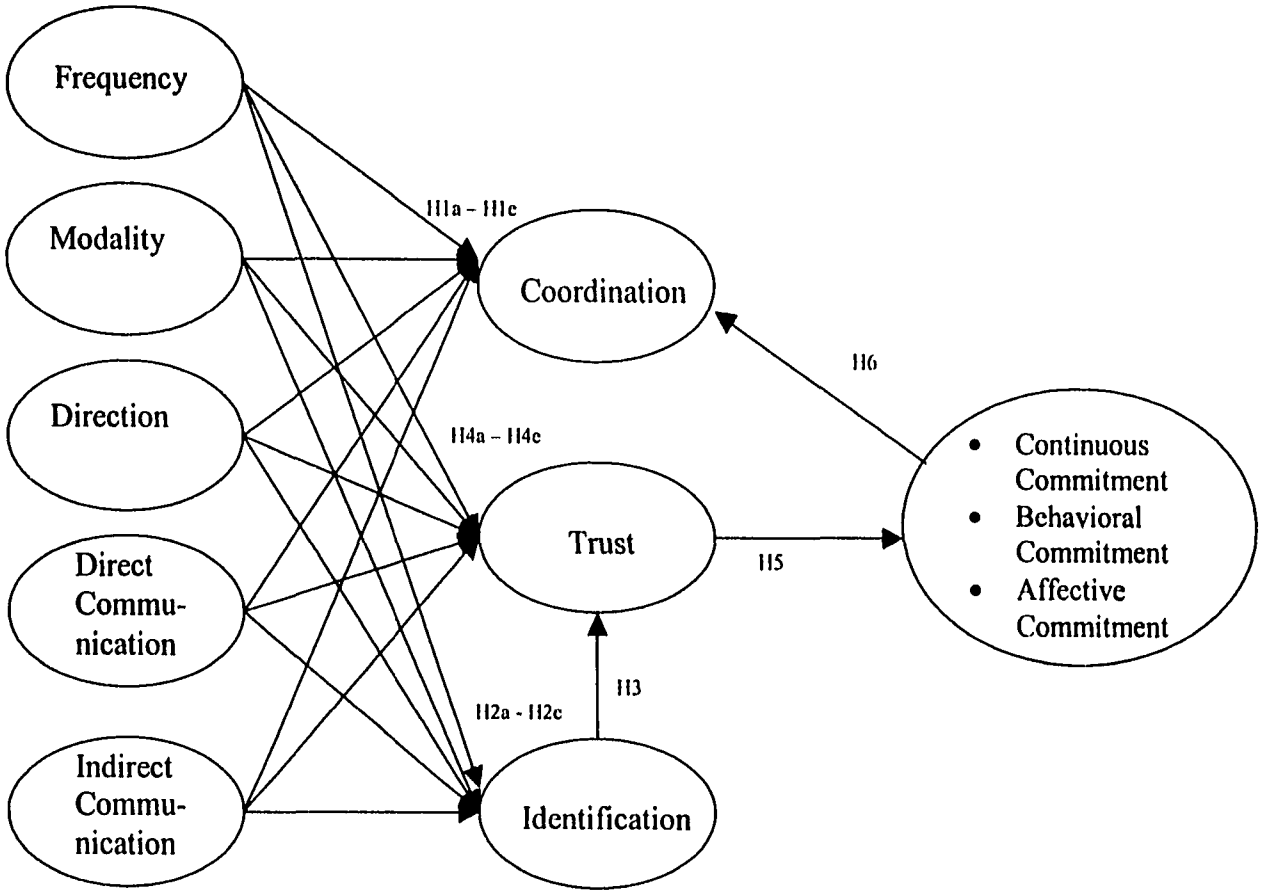


Figure 3.1 Path Diagram of the Proposed Model

Chapter 4

Research Design

This Chapter describes the research design adopted to test the theoretical model presented in Figure 1.1. Specifically, the measurement unit, the sampling method, and the details on questionnaire development and data collection are described.

Research Context and Method

Marketing channels exist with various arrangements, e.g., corporate-owned, direct, franchise system etc. The franchise system was chosen because one is likely to find higher incidences of relational orientation (Mohr 1989) and thus, the constructs of interest in it. Also, franchising accounts for about half the retail sales in United States (www.franchise.org), providing a worthy context for study. Moreover, the franchise system has not received its fare share of channel communication studies, therefore, using the franchise system as a context could be useful. Finally, exploratory interviews taken up later with franchisers from different business settings revealed a likelihood of finding significant variance among key constructs.

A decision was made to explore a service context, as it is not used in past studies in channel communication. Within services, a specific industry background was needed to test the hypotheses specified in the preceding Chapter. On the basis of a survey of the trade literature, three service industries were chosen for exploratory interviews, where a franchise arrangement is very common: hospitality (hotels and motels), fast food, and insurance. During January and February 1999, interviews were conducted with five different franchise owners from the three industries. In these semi-structured interviews, the respondents were asked about communication between their firm and the franchiser

(how often, what kind, by what means etc.). They were also asked to comment in general about their communication with the franchiser. Each interview was conducted by the researcher, and lasted for about half an hour. All interviews took place at the business premise of the franchiser. The respondents were also asked if they would mind the interviewer taking the notes, to which no one objected.

The emergent theme of the interviews was that in the fast food business, as a matter of industry practice, the franchisees did not receive much communication from the franchiser. In the hospitality industry, the incident level of channel communication was comparatively higher, but the highest level was observed in the insurance industry. The insurance agents mentioned that they need to communicate with the parent company almost on a continuous basis due to heterogeneous client needs, where they need to base their judgements in consultation with the *parent companies*, also known as *underwriters* or *home offices*. Further, it was felt that enough variance in communication practices could be found in this industry. Therefore, the insurance industry was chosen as a suitable context. While choosing multiple industry setting could increase the generalizability of the study, the required time and efforts to gain the sufficient industry knowledge precluded this possibility.

The insurance industry uses a variety of marketing channels to reach out to end consumers, which could be classified under three major groups. In the first type of arrangement, the parent company reaches out to the end consumers through independent agents. These agents are freelancers and typically represent more than one underwriter. In contrast, captive agents represent just one parent company, as is the case with most franchise systems. The agents typically receive commission from the underwriters in both

arrangements. National-level organizations such as Allstate and Shelter have captive agents while some lesser-known firms and regional players tend to rely on independent agents.

In yet another type of arrangement, agents operate in a separate facility bearing the parent company's name, but they are actually employees of the company. They receive support from the parent company for maintaining the facility, and are typically compensated by a mix of salary, benefits, and commission. However, unlike the independent and captive agents, they do not own the client roster. Therefore, when they retire from the business, they cannot put their business up for sale. Some insurance firms, such as State Farm, have a mix of captive and salaried agents.

Finally, some companies do not have branch offices or franchise outlets. Rather, they rely on direct marketing to reach out to potential customers. Typically, they use a mix of direct mail, TV, radio, telemarketing, and the Internet as vehicles for messages. GEICO is an example of a direct marketer in insurance business. Firms also differ in their relative emphasis on end consumers versus business clients and various types of insurance (i.e., home, life, auto etc).

The final two types of arrangements discussed above (agent-as-employee and direct marketing) can be dropped from the consideration here, because they do not have a third party as a channel member. Further, a decision was made to restrict sampling to captive agents only, as the presence of relational constructs such as identification, trust, and commitment is more likely to be detected in the exclusive, rather than freelance relationships. Restricting the sampling frame may raise questions about the generalizability of the study, however, the major goal at this stage is to demonstrate that

the theoretical linkages posited in the model do exist.

Measures for all constructs, except 'coordination,' were adopted from past studies after careful literature review. Since these scales have gone through extensive testing in prior studies, pretesting them was deemed unnecessary. For 'coordination', a scale was developed on the basis of the detailed conceptual explication provided by Zalesny, Salas, and Prince (1995). An elaborate description of the scales and their psychometric properties is provided in Chapter 5.

Questionnaire Development

A structured questionnaire was developed and pretested on 10 insurance agents from four different insurance companies. The respondents were asked to verbalize any concerns they had as they responded to the questionnaire. Further, a senior faculty member who had considerable experience as a consultant to the insurance industry and an executive from a major commercial firm specializing in insurance consultation were provided with a draft of a questionnaire to provide feedback. A final draft of the questionnaire (Appendix B) reflects the suggestions of the professionals mentioned above.

Key informants can provide accurate information about the issues of interest (Zaheer et al 1998), especially when it is a small business owned by an individual, such as an insurance agency. The business owner or the person responsible for managing day to day operations was identified as a key informant. The datum was the communication interaction between a parent company and an insurance agent. When the owners had more than one agency, they were asked to respond with respect to the biggest agency by sales

volume.

A mailing list of 1000 insurance agents was purchased from a commercial database company. The company drew the names randomly from a comprehensive database that tried to list all the insurance agents in the mainland United States. The list contained the names of the agent and the parent company, contact information, and the number of employees, among other details. A cover letter was prepared (Appendix A), which was personalized for the owner of the agency. Each letter was signed personally. A post-it note with a hand written phrase "Thank you for your help" was put on each of the cover letters. The first page of the questionnaire contained instructions on who should respond, how, and a toll-free number in case they had any questions. A dollar bill was inserted in each of the packets as a token of appreciation. Further, a self-addressed, postage paid envelope was included. The survey was mailed on October 25, 1999, with a request to respondents to return the filled survey in three weeks. A reminder (Appendix C) was sent to all addresses in which they were thanked in case they had already replied, and urged to respond soon otherwise. No replacement questionnaire was sent, but the toll-free number was included again, in case they wanted a new questionnaire. There were three requests for a replacement questionnaire, which were promptly fulfilled.

Out of 1000 questionnaires mailed, one questionnaire was returned due to invalid address. Also, 20 questionnaires were returned blank, because of various reasons such as company policy of not responding to surveys, and not being an agent but a claim office, et cetera. Total 252 filled questionnaires were returned, representing a raw response rate of 25.22%. However, 52 questionnaires were either from employees or from freelance

agents, which were excluded from the data analysis. Since 203 responses were usable, the final response rate was 20.3%. This response rate is comparable with past studies in channel communication (22.4% in both Mohr 1989 and Li and Dant 1999).

Estimating Nonresponse Bias

It is possible that the part of the sample which responded, systematically differs from the part of the sample that did not respond on the constructs being measured in the study. For example, in the context of the present study, it is possible that the agents who communicate a lot with the parent company do so because they like to communicate in general. If that is the case, then they are more likely to fill up the questionnaire, as in doing so, they are engaging in written communication with the researchers. Therefore, it is important to assess if there exist any systematic differences between respondents and nonrespondents on key variables, also known as nonresponse bias.

Nonresponse bias can be estimated by computing responding versus nonresponding population on some key variables. In the case of this survey, it was not possible to identify respondents versus nonrespondents, as anonymity was assured to increase the response rate. In this kind of situation, marketing researchers extensively use the technique suggested by Armstrong and Overton (1977). According to this technique, the early respondents are compared with the late respondents on key variables to estimate the nonresponse bias. The rationale is that the late respondents are likely to resemble the nonrespondents, rather than the early respondents on key variables. Table 4.1 shows the response pattern of the survey. In this table, 29 responses are reported as "missing" because, due to an administrative problem, the arrival date of some questionnaires could not be determined. Since the omission of recording the arrival date was random, there is

no reason to believe that there is any pattern in the missing data due to this omission that can affect the estimate of the nonresponse bias. Of the remaining responses, nearly three-fourth were received within two weeks. The sample was divided into two segments, so that 128 responses (73.6%) received within the first two weeks were classified as "early responses" and the 46 responses (26.4%) received later were recorded as "late responses." Then, they were compared for difference in sales volume, number of employees, tenure with the parent company, frequency of communication, and the level of commitment. The results (Table 4.2) show that there is no significant difference ($p < .05$) between the two groups on these variables. Therefore, nonresponse bias does not seem to be a problem in this study.

Sample Characteristics

The demographic information of the agents, including the number of employees, the number of employees that communicate with the parent company (number communicating), the length of their tenure with the parent company, and the sales volume is presented in Table 4.3. Since most of the agencies are small businesses, the modal value of number of part- and full-time employees was 2, with a minimum of 1 to a maximum of 100. The modal value of the number of employees communicating with the parent company was also 2, with a minimum of 1 to a maximum of 10. The mean value of the length of the relationship with the parent company was about 17.8 years; modal value was 15 years, and the range was bounded by a minimum of 1 year to a maximum of 50 years.

Summary

This Chapter describes the research design employed to test the model proposed

previously. After exploratory interviews, the insurance industry was chosen as a context and a decision was made to include only the exclusive agents in the sample. The sampling frame was a complete database available from a commercial firm, of which, 1000 agents were chosen randomly. A survey was sent through mail, where a response was requested either from the owner or a manager. The response rate was acceptable and there was no evidence of a nonresponse bias. The sample was mapped in terms of the basic demographic details. In the next Chapter, data analysis is performed and results are discussed.

Table 4.1 The Response Pattern

Week	Number of Responses	% of Responses	Cumulative %
1	63	31.6	31.6
2	84	42.0	73.6
3	28	14.3	87.9
4	12	05.8	93.7
5	04	01.7	95.4
6	08	03.5	98.9
7	04	01.1	100.0
Missing	29		
Total	203		

Table 4.2 Comparison of Means: Early versus Late Responses

Variables	Early	Late	t-value	df	Probability
Relationship Tenure (Years)	18.0	17.4	.376	171	.325
Number of Employees	05.4	04.1	.675	169	.501
Sales Volume ($1,000)	1805.55	1639.20	.691	168	.490
Frequency of Communication	05.9	06.1	-1.47	168	.143
Commitment	02.2	02.2	.603	100	.548

Table 4.3 Demographic Information on Sample

Variable	Mean	Mode	Std. Deviation
Number of Employees	04.97	3	11.15
Number Communicating	03.29	2	02.16
Relationship Tenure (Years)	17.79	15	09.67
Volume	$1780778.90	$1385489.60	

Chapter 5

Data Analysis and Results

In this Chapter, the overall model is specified and data analysis is performed using structural equation modeling (SEM). This is an appropriate data analysis technique for the current study for the following reasons. One, SEM is useful when several indicators underlie a latent construct. In the proposed model, five latent constructs are measured using various sets of indicators. Two, SEM examines a series of dependence relationships simultaneously. Thus, it is very useful when the research inquiry involves a set of interrelated questions. Hair et al (1992) mention that SEM is particularly useful when one dependent variable becomes an independent variable in subsequent relationships, as is the case with the model under investigation. The ability of SEM procedures to treat a single variable as both independent and dependent variable allows the measurement of indirect effects of variables (Hoyle 1995). Three, SEM allows specification and incorporation of the measurement error, which helps improve the estimation of structural model. Finally, SEM facilitates testing of competing models by allowing modifications in the original models within the boundaries set by the underlying theories.

Two-Step Approach in Model Testing

Anderson and Gerbing (1988) argue in favor of the separate estimation and respecification of the measurement model prior to the simultaneous estimation of the measurement and structural submodels. As they argue, interpretational confounding (assigning empirical meaning to the latent variable that does not match its conceptual meaning) can be minimized with the above procedure, known as the two-step approach.

This two-step approach is used here for its soundness over the one-step approach, which excludes separate estimation of the measurement model.

The software programs of LISREL VIII (Joreskog and Sorbom 1993), PRELIS 2.0, and SPSS 9.0 were used at various stages of data screening and analysis. The raw data were first entered into SPSS 9.0 software. The screening of univariate data was accomplished by the visual inspection of the outputs of SPSS LIST and SPSS FREQUENCIES command. For an out of range value found in one instance, the original questionnaire was consulted and the entry was corrected. Listwise deletion was adopted for the missing values. Normality of all the noncategorical variables was assessed through visual inspection of the histograms and by examining the values of skewness and kurtosis. It was deemed that there was no serious violation of the normality assumption. The data were also screened for detecting the possible cases of singularity and multicollinearity by examining the correlation between all possible pairs of variables. Again, all the correlation values were within prescribed limits by Tabachnick and Fidell (1996). The screened raw data were imported into PRELIS 2.0. A variance-covariance matrix was produced and imported into LISREL VIII for further analysis.

Various scales are used in the study to measure different constructs. It is important to specify different validity of these constructs before analyzing the data. The following definitions of various types of validity are accepted for the current study. Content or face validity of the scale is systematic evaluation of the representativeness or sampling adequacy of the scale. The question asked is: Is the content of this scale representative of the universe of the content being measured (Kerlinger 1986)? The establishment of this validity is through subjective means such as literature review. When a scale is well-tested

over time, often this validity is taken for granted in the study. Convergent validity exists when evidence from different sources gathered in different ways all indicates to the same or similar meaning of the construct. On the other hand, discriminant validity is concerned with differentiating the construct from other constructs that may be similar (Kerlinger 1986). Finally, nomological validity is a type of validity that assesses the relationship between constructs as predicted by a theory (Malhotra 1999).

The communication strategy is comprised of the following four facets: frequency, modality, direction, and content. Each of these measures is examined for validity, and when appropriate, for reliability.

Communication Frequency

The facet of communication frequency reflects the amount of communication between channel members. It is assessed by asking respondents to rate the use of different communication means in terms of the agency using them for providing information to the parent company and also the parent company using them to provide information to the agency. A Likert-type scale was used, where 1 = "very frequently", 5 = "very infrequently" and intermediate frequencies corresponded to intermediate numbers. A lower number would indicate a higher level of communication according to this scale. Also, this scale was made of 10 items in "my agency provides information to the parent company" and 13 items under "the parent company provides information to my agency".

The frequency of communication from the agency (FREQ_DLR) was an average of the sum across the items. Similarly, the frequency of communication from the parent company (FREQ_PRN) was the average of the summation across the communication modes. The overall communication frequency (FREQUENC) was the linear addition of

the average communication from the agency and from the parent company. Finally, the items that comprised the scale did not define the construct. Instead, all the items in a given scale were averaged to derive a final score. Therefore, reliability analysis of the scale is not appropriate.

The agents were asked to indicate how much more or less communication they desired (DIS_FREQ) on a 1 to 5 scale where 1 meant "considerably more", and 5 meant "considerably less", with intermediate numbers corresponding to intermediate levels of agreement. This measure is used to assess criterion validity of the frequency measure. It is plausible that high frequency of communication from the parent company (FREQ_PRN) would be negatively associated with more desire for communication by the agent. The correlation between the communication frequency and the desired frequency is $r = -.107$ ($P < 0.1$), which indicates criterion validity of the frequency scales. However, this correlation was not significant at $p < 0.05$, therefore, there is only a weak support for the preceding assertion.

Also, as Mohr (1989) indicates, channel members are more likely to be satisfied with a higher, rather than a lower level of communication. Therefore, a significant correlation between communication frequency (FREQUENC) and communication satisfaction (SAT_COM) could be additional evidence of criterion validity. This indeed is the case here ($r = 0.363$, $p < 0.001$). Also, the correlation between frequency and distortion of information (INFO_DIS) is not expected to be significant, as one can distort communication regardless of the level of communication frequency. This correlation was -0.065 ($p > 0.1$), which is evidence of the discriminant validity of the scale.

Further, the correlation between 'communication from the parent company' and

the following variables was positive and significant: adequacy of communication ($r = .352$, $p < .001$); completeness of communication ($r = .380$, $p < .001$); credibility of communication ($r = .377$, $p < .001$); accuracy of communication ($r = .404$, $p < .001$); timeliness of communication ($r = .401$, $p < .001$); and years with the parent company ($r = .187$, $p < 0.05$). Thus, increased communication efforts from the parent company seem to be related to positive evaluation of those efforts from the members, and the managers of the parent company seem to concentrate communication more on the members with longer tenure.

However, more frequent communication is not always a worthy goal. For example, it was also noticed that the correlation between 'desired frequency of communication' and 'communication satisfaction' was negative and significant ($r = -.265$, $p < .001$). This result implies that those channel members who perceive that the management sends too much communication are dissatisfied with the overall communication efforts of the parent company.

Modality

Communication modality is defined as the extent to which communication follows a structured, formal route. It was assessed through a 5-point Likert-type scale, where lower values signify higher modality. The scale was composed of the following 4-items, based on Ruekert and Walker (1987):

MOD1: "In coordinating our activities with the parent company, formal communication channels are followed versus casual, informal, word-of-mouth modes."

MOD2: "The terms of our relationship have been written down in detail."

MOD3: "The parent company's expectations of us are communicated in detail."

MOD4: "The terms of our relationship have been explicitly verbalized and discussed."

A confirmatory analysis of the scale indicated that the scale fits the data acceptably. The result showed that $\chi^2 = 4.11$ ($p > .1$, $df = 2$), GFI = .99, CFI = .99, and RMSEA = 0.069. Also, the composite reliability (CR) was .82 and the variance extracted (VE) was .55, exceeding the recommended values of respectively .70 and .50. The discriminant validity of this and other latent constructs are reported later.

Since modality is a latent construct, confirmatory factor analysis is possible. However, the other three facets of communication strategy, namely communication frequency, direction, and content are either made of checklist items or a single item, therefore, reliability analysis as performed above is not possible. However, validity can be assessed by alternative means.

Following Mohr (1989), a global measure of satisfaction with communication was included in the survey to measure criterion validity of the above scales. It was comprised of the following two items, "We are satisfied with our communication with the parent company" and "We are satisfied with the parent company's communication with us". The respondents were asked to rate their agreements on a 1 to 5 scale, where 1 = "strongly agree" and 5 = "strongly disagree", with intermediate numbers for the intermediate levels of agreement (the same scale format was adopted throughout the questionnaire unless indicated otherwise). Scores on both the items were linearly added to derive the same on satisfaction with communication (SAT_COM).

Similarly, for ascertaining discriminant validity, a single item measure of information distortion (INFO_DIS) was used. It asked respondents to show their level of agreement to the following statement : "We often change the nature of information before passing it on to the parent company." Any of the four facets of communication are not expected to link with this statement, since, information distortion could occur regardless of frequency, modality, direction and content of communication. Thus, low or no correlation of this measure with the four facets of communication strategy can be evidence of the discriminant validity of communication measures (Mohr 1989).

Communication Direction

Communication direction is conceptualized as the extent to which communication is unidirectional or bidirectional. The following question appeared in the survey: "Of the time spent in communication with the parent company, what percentage is initiated by you or people in your agency?" The respondents circled on a scale anchored by 0% at the left end and 100% at the right end, with increment by 10% (recorded as INI_COM). Based on Mohr (1989), the following transformation to the scale was applied:

- Communication Direction = {[% communication initiated by the agent * (-1)] + 100%}*2, when INI_COM >= 50%
- Communication Direction = [% communication initiated by the agent * 2], when INI_COM < 50%

The above transformation ensures that the higher outcome of the above equations corresponds with higher index of bidirectionality, and is recorded as BIDIRECT. Further, BIDIRECT can range from 0 to 100, where 0 means no bidirectional communication at all, while 100 means the maximum level of bidirectional communication. Due to the

nature of the transformed BIDIRECT variable, the values it assumed were in steps of 20 only (0, 20, 40 etc.). As a result, the statistics of the BIDIRECT subscale (mean, standard deviation etc.) do not fall in the similar range as that of other subscales. Therefore, when the BIDIRECT subscale is combined with other subscales of communication strategy, it may not facilitate the linear addition. For example, an outlier value in the BIDIRECT subscale is likely to have a disproportionate effect on the computations, when it is combined with other subscales, compared to the effect of outlier values in other subscales.

Kline (1998) suggests transformation of the scale to facilitate further statistical analysis when faced with this kind of situation. Accordingly, BIDIRECT was transformed into BIDIR_LN by taking natural log of values in the BIDIRECT scale. This transformation brings the statistical parameters of the BIDIRECT subscale in line with other subscales.

Since this measure is made of a single item, reliability analysis is not possible. However, its validity can be assessed as following. It is logical that more bidirectional communication will translate into more communication from the agent and the parent company. Further, since frequency of communication is conceptualized as the linear addition of the communication from the agent and the parent company, more bidirectional communication will also mean more frequency of overall communication. The positive correlation of the bidirectional communication with frequency of communication from agent ($r = .23$, $p <= .001$); frequency of communication with parent company ($r = .17$, $p < .01$); and total frequency ($r = .23$, $p <= 0.001$) implies the nomological validity of the scale.

As mentioned before, information distortion (INF_DIST) is a variable that captures the extent the agents distort the information before they pass it on to the parent company. The agents can distort the information regardless of if the communication is frequent, informal, bidirect, or indirect. The correlation between the measure of bidirect communication and that of information distortion is 0.08 ($p > 0.1$), which indicates the discriminant validity of the scale.

The agents are more likely to be satisfied with communication when it is initiated by the parent company. The positive and significant correlation between overall satisfaction with communication and the frequency of communication initiated by parent company ($r = .388$, $p < 0.001$) suggests nomological validity. Further, more bidirectional communication is likely to be related to overall satisfaction with communication, which indeed is the case here ($r = .276$, $p < 0.001$). This provides additional evidence of the nomological validity of the bidirectional communication scale. Data analysis also revealed a negative but nonsignificant correlation between the power of the parent company and the frequency of communication directed to channel members ($r = .074$, $p > .1$). While the relationship between power and communication practices is not within the scope of this study, the exploratory analysis may indicate some interesting hypotheses for future studies.

Communication Content

As described in Chapter 3, communication content could be direct or indirect. Direct communication includes direct influence, promise, recommendation, legal threat, and request. Indirect communication is mere exchange of information. The following question format was used by Frazier and Summers (1984) to assess communication

content and was adopted in the current study:

"In their interactions with your agency, the parent company may try to influence attitudes and behaviors. Circle a number to estimate the frequency with which the parent company's staff employ each of the following methods to influence attitudes and behaviors. How frequently does the staff:

DI_COM1: directly try to influence your behavior in a key decision area (e.g., use of promotional dollars)

DI_COM2: make a promise that you would receive better service and/or cooperation if you complied with this request

DI_COM3: make a recommendation that by following their suggestions, your agency will be more profitable

DI_COM4: state that your contractual agreement either required or suggested compliance with their request

DI_COM5: request, without mentioning or implying any consequences of noncompliance, that your agency follow the parent company's wishes on an issue

IND_COM: merely discuss the overall strategy of agency operations (e.g., the effects of liberal quotes) without making specific statements about what the parent company would like your agency to do."

Direct communication is the mean of the first five items, while indirect communication is comprised of a single item, recorded as the last one. Since the content scale, like the frequency scale, is a checklist measure, reliability analysis is not relevant.

Coordination

A new 5-point, Likert-type scale was developed to measure coordination on the basis of a literature review, and was subject to peer review to ascertain its content validity. After taking into consideration their comments, the following seven items were included in the scale. The lower scores indicate the higher level of coordination:

COORD1: Generally, we do not have any problems agreeing with the parent company on what goals need to be set.

COORD2: Generally, we do not have any problems agreeing with the parent company on what activities need to be done.

COORD3: Generally, we do not have any problems agreeing with the parent company on deciding "who does what".

COORD4: Our activities with the parent companies are generally well-synchronized.

COORD5: Our activities with the parent company fit together to provide a higher level of consumer satisfaction.

COORD6: Our people and those from the parent company make an effort to avoid creating problems or interference with each other's duties.

COORD7: Our activities with the parent company are well-coordinated.

Confirmatory factor analysis was conducted using LISREL VIII. The chi-square value was 145.22 ($df = 14$ and $p = 0.00$). Though CR = .95 and VE = .73 exceeded the recommended values, the goodness of fit values (GFI = .82, CFI = .91 and RMSEA = .22) indicated a marginal fit.

A closer examination of the standardized residual matrix indicate that the item COORD1 shares a large residual with four other items, and includes the largest positive

as well as negative residuals. Since goal setting is likely to be the integral part of agreeing on what activities need to be performed, resultant consumer satisfaction, reduced conflict with the other party, and overall coordination, the shared residual may not be surprising.

After deleting this item, a confirmatory analysis was again performed. The revised χ^2 was 57.88 ($df = 9$, $p = 0.00$). While there was a slight reduction in the values of CR (.94) and VE (.71), they were still above the recommended levels. On the other hand, GFI (.92), CFI (.96), and RMSEA (.16) showed considerable improvement. Though the chi-square value was significant, the scale was deemed unidimensional and reliable since it is well known that this test is very sensitive to the sample size (Bagozzi and Yi 1988).

Identification

Identification was measured by a scale suggested by Bhattacharya, Rao, and Glynn (1995), which was comprised of the following items:

ID1: When someone criticizes my parent company, I feel it is a personal insult.

ID2: I am very interested in what others think about the parent company.

ID3: When I talk about the parent company, I usually say 'we' rather than 'they'.

ID4: The parent company's success is my success.

ID5: When someone praises the parent company, I feel it is a personal compliment.

ID6: If a story in the media criticizes the parent company, I would feel embarrassed.

Results of the confirmatory factor analysis of this scale indicated that the chi-square value was 69.79 ($df = 9$, $p = 0.00$). The values of CFI (.84) and GFI (.90) were considered, respectively, poor and adequate. While CR = .78 exceeded the norm, the value of VE (.40) fell well below the guidelines. Also, RMSEA was .18, which represents a poor fit.

Since the error variance of ID1 correlated highly with that of the subsequent 3 items, deleting ID1 was considered. The χ^2 value of the respecified model was 17.95 (df = 5, p = 0.003). While the values of CR (.70) and VE (.33) were reduced, the revised values of GFI (.97), CFI (.93), and RMSEA (.11) suggest that otherwise the scale fits the data adequately.

Trust

For assessing trust, a scale proposed by Ganesan and Hess (1997) was adopted. It is comprised of the following items:

TRSTCRD1: Promises made by this parent company are reliable.

TRSTCRD2: The parent company has been frank in dealing with us.

TRSTCRD3: If problems arise, the parent company is honest about them.

TRSTCRD4: The parent company has been consistent in terms of its policies.

TRSTBLV1: The parent company cares for us.

TRSTBLV2: The parent company considers our interests when problems arise.

TRSTBLV3: The parent company has gone out of its way to help us out.

TRSTBLV4: The parent company has made sacrifices for us in the past.

The results of confirmatory factor analysis indicated the chi-square value of 73.42 (df = 20, p = 0.00). The values of CR (.92) and VE (.60) were well beyond their respective norms. While the values of GFI (.90) and CFI (.95) indicated an acceptable fit, the value of RMSEA was 0.13, exceeding the norm of 0.05. The modification indices indicated that TRSTBLV2 had a large shared error variance with TRSTBLV3, TRSTBLV4, and TRSTCRD4. Since the adopted measure of trust is relatively complex and yet to be tested extensively, it is possible that its content does not capture all possible

facets of trust. Allowing the errors to be correlated would yield interpretational confounding, therefore, the model was respecified after deleting TRSTBLV2. The χ^2 value was 34.04 (df = 14, p = .02), with the revised values of fit indices, where CFI improved to .98 and GFI improved to .95. The revised values of CR was .91, while VE remained at .60. Also, the values of RMSEA was reduced to .08, which was close to the norm of .05. Thus, it was concluded that the scale fitted the data adequately.

Commitment

Commitment was measured by a 3-component scale developed by Kim and Frazier (1998). Their conceptualization of commitment having affective, continuous, and behavioral component is similar to that proposed by other scholars (e.g. Meyer and Allen 1991b). The scale included the following items:

CMTAF1: Even if we could, we would not drop the parent company because we like being associated with it.

CMTAF2: We want to remain in the agent network of the parent company because we genuinely enjoy our relationship with it.

CMTAF3: Our positive feelings towards the parent company are a major reason we continue working with it.

CMTCON1: We expect our relationship with the parent company to continue for a long time.

CMTCON2: The renewal of our relationship with the parent company is virtually automatic.

CMTCON3: It is unlikely that our agency will still be doing business with the parent company in two years.

CMTBEH1: If the parent company requested it, we would be willing to make further investment in supporting the parent company's products.

CMTBEH2: We are willing to put more efforts and investment in building our business in the parent company's products.

CMTBEH3: In the future, we will link our agency with the parent company in the customer's mind.

Initially, an exploratory factor analysis was performed using SPSS package, with the three facets of commitment as three factors. Unfortunately, the indicators did not load on three distinct constructs as hypothesized. A confirmatory factor analysis using the LISREL 8.0 showed that chi-square = 101.38 (df = 27, p = 0.00). GFI = .91, CFI = .94, and RMSEA = 0.08. The values of CR (.93) and VE (.65) exceeded the norms. Further, modification indices showed that CMTBEH3 should be freed to load on both affective and continuous components. The indicator CMTBEH3 relates to the agency's desire to link itself with the parent company in order to achieve higher customer satisfaction. It is plausible that such behavior is fueled by the affective commitment to link with the parent company, and continuance commitment of reaping higher benefits by providing higher customer satisfaction. Therefore, its linkages with the behavioral commitment alone could be problematic. Thus, it was necessary to eliminate CMTBEH3 from further analysis. Also, since the three-factor solution does not hold, a single factor solution was adopted.

The results of a confirmatory factor analysis with CMTBEH3 deleted were as

following. The chi-square = 74.55 (df = 20, p = .32), GFI = .92, CFI = .95, and RMSEA = .03. The values of CR (.91) and VE (.60) indicated good reliability. Therefore, it was concluded that the scale fits the data acceptably. A complete summary of the confirmatory factor analysis of all the scales is reported in Table 5.1.

The Full Measurement Model

In the next stage of estimating and respecifying the measurement model, the remaining 30 indicators of all the latent variables were subjected to confirmatory factor analysis. The chi-square value was 1507.32 (df = 395, p = 0.00), GFI = .71, CFI = .83, and RMSEA = 0.1. All the values of CR and VE exceeded the respective norms of .70 and .50 and were as following: for modality .96 and .87, for identification .90 and .67, for trust .97 and .82, for commitment .95 and .72, and for coordination .96 and .81. However, despite good CR and VE values, based on fit indices, the results showed a poor fit and respecification of the measurement model was necessary.

The modification indices suggested that ID3 ("When I talk about the parent company, I usually use "we" rather than "they"") and ID6 ("If a story in media criticizes the parent company, I would feel embarrassed") should load on coordination, commitment, and trust. It is possible that sound coordination integrates two firms so much that the agency people may start referring to the parent company as "we". Similar arguments can be made for cases where high level of trust and commitment prevail. While the linkages of ID6 with coordination are not clear, the literature examining the conceptual nature of trust and commitment can explain their linkages with ID6. Thus, these two items were considered as candidates for deletion.

The revised model had $\chi^2 = 1264.80$ (df = 340, p = 0.00), GFI = .72, CFI = .85,

and RMSEA = 0.1. The respective values for CR and VE were: modality .85 and .60; identification .85 and .66, trust .95 and .77; commitment .94 and .67; and coordination .95 and .75. Again, the fit indices implied a poor fit. The following items were deemed the candidates for elimination. The modification indices hinted that TRSTBLV1 ("The parent company cares for us") and TRSTCRD2 ("The parent company has been frank in dealing with us") should load on commitment. The close linkages between trust and commitment are extensively studied in marketing (e.g., Achrol 1992, Morgan and Hunt 1994). In cross-sectional study like this one, untangling the linkages between these closely related constructs may not be a frivolous task. Further, the modification indices also suggested that CMTAF1 ("Even if we could, we would not drop the parent company because we like being associated with it") shared common variance with identification and coordination. This is not surprising since again, identification and commitment are so closely related that some scholars argue that identification is a form of commitment (Meyer and Allen 1991a). Likewise, close coordination may be one of the ways the company feels associated with the parent company. Therefore, for interpretational clarity, these three items were deleted from further analysis.

The result showed the following: $\chi^2 = 875.55$ (df = 265, p = 0.0), GFI = .77, CFI = .88, and RMSEA = 0.097. The CR and VE values changed for trust (respectively .93 and .74) and commitment (respectively .93 and .66). The results suggest that the model still requires respecification. Particularly, TRSTBLV3 ("The parent company has gone out of its way to help us out") shared large variance with commitment, while CMTBEH2 ("We are willing to put more efforts and investment in building our business in the parent company's products") shared large error variance with CMTBEH1 ("If the parent

company requested it, we would be willing to make further investment in supporting the parent company's products"). The first case was again an instance where commitment, the logical outcome of trust, may be difficult to differentiate in close relationship such as franchising in a cross-sectional study, and therefore, TRSTBLV3 was deleted. Similarly, in the second case, CMTBEH2 was eliminated.

The results showed improvement in fit indices: χ^2 was 648.56 (df = 220, p = 0.0), while GFI was .80, CFI was .90, and RMSEA was 0.089. The CR and VE values for trust were, respectively, .92 and .74, and .89 and .58 for commitment. While some indices indicated acceptable fit, results were examined to see if any theory-supported respecification was justified. Two coordination items, COORD3 ("Generally we do not have any problems with the parent company deciding on 'who does what'") and COORD7 ("Our activities with the parent company are well-coordinated") shared large variance, respectively, with identification and modality. In the first case, it is plausible that in case of the high level of identification with the parent company, the agents would be less likely to draw strict lines of responsibility and quarrel about who should do what. In the second case, when the activities are well-coordinated, the informal mode of communication may be followed as discussed in the prior Chapters. Therefore, the above two items were excluded from further analysis. Finally, MOD1 ("In coordinating our activities with the parent company, formal communication channels are followed versus causal, informal, word-of-mouth modes") was excluded because of it shared considerable error variance with CMTAF2 ("We want to remain in the agent network of the parent company because we genuinely enjoy our relationship with it").

The above respecification yielded the following result: $\chi^2 = 383.69$ (df = 160, p =

0.0), GFI = .85, CFI = .94, and RMSEA = 0.076. Other fit indices were also encouraging: RMR was 0.05 and NNFI was 0.92. The changed CR and VE values for coordination were, respectively, .91 and .73, and .88 and .72 for modality. Thus, it was decided to retain this measurement model. Table 5.2 reports the confirmatory factor analysis of the measurement model.

Subsequently, the following four measures (which were either single item constructs or scales comprised of a battery of items put together for empirical, rather than conceptual reasons), were incorporated into the above model: bidirectionality (BIDIR_LN), communication frequency (FREQUENC), direct communication (DI_COM), and indirect communication (INDI_COM). The overall measurement model with these scales had the following statistics: $\chi^2 = 495.51$ (df = 220, p = 0.0), GFI = .84, CFI = .93, RMSEA = 0.072, and NNFI = .91. Thus, the overall measurement model was deemed to have an acceptable fit. The standardized loadings are reported in Table 5.3, while Table 5.4 depicts the estimated correlations of latent constructs. The model respecification procedure is summarized in Table 5.5a and 5.5b.

As Table 5.6 shows, no scale had the composite reliability less than .70. All but identification scale had the value of variance extracted in excess of .50. Also, the exploratory factor analysis of all scales yielded only one eigenvalue greater than 1 in each case, providing evidence of their unidimensionality. Further, Bagozzi and Philips (1982) suggested a method for examining discriminant validity, which was used here. The items of two constructs were put in a single model and subjected to confirmatory factor analysis twice. Once the two latent constructs were freed and the other time they were constrained to unity. If the value of the chi-square difference between these two models exceeds the

critical value of 3.84, then discriminant validity is established. The pairwise tests indicated that discriminant validity should be upheld for all measures.

Analysis of the Structural Model

The improved fit of the measurement model leads to minimum respecification when the structural model is evaluated. Indeed, in the present analysis, no respecification was required in the structural model after constraining the measurement model.

For the final structural model, chi-square = 537.72 (df = 228, p = 0.0), GFI = .83, CFI = .92, NNFI = .90, and RMSEA = 0.076. Out of 18 paths, fourteen were significant at $p < 0.05$. The directionality of all paths was consistent with the theory. Thus, the results indicate that the model fits acceptably and represents a reasonably close approximation in the population. The coefficients and t-values are listed in Table 5.7. The structural model itself is depicted in Figure 5.1.

Further, the facets of communication, identification, and trust exert direct and indirect effects on coordination. The total effect of the exogenous variables on coordination is a linear addition of their direct and indirect effects. Similar calculations can be performed for other constructs as well. Direct, indirect, and total effects of various constructs are summarized in Table 5.8, while Table 5.9 lists the total variance explained by structural equations.

Hypothesis 1 stated:

H1a: Frequent communication is positively related to coordination in marketing channels.

H1b: The increased presence of informal communication is positively related to coordination in marketing channels.

H1c: Bidirectional communication is positively related to coordination in marketing channels.

H1d: Indirect communication is positively related to coordination in marketing channels.

H1e: Direct communication is negatively related to coordination in marketing channels.

The results from the analysis suggest that hypothesis 1 is partially supported, as two of the five coefficients are significant at 0.05 level and all the relationships are in the hypothesized direction. Specifically, the parameter values for the path to coordination from various facets of communication are as following: for frequency, $\lambda = .019$ and $t = .57$; for modality, $\lambda = .12$ and $t = 2.18$; for direction, $\lambda = .093$ and $t = 2.67$; for direct content, $\lambda = -.13$ and $t = -2.71$; and for indirect content, $\lambda = .062$ and $t = 1.62$. Thus, except for frequency and indirect content, the facets of relational communication, as defined in Chapter 3, are more likely to be related to the higher level of coordination. The exception observed in this set of results is discussed in detail in the following Chapter.

Further, the correlation between 'communication from the parent company' and the following variables was positive and significant: adequacy of communication ($r = .352$, $p < .001$); completeness of communication ($r = .380$, $p < .001$); credibility of communication ($r = .377$, $p < .001$); accuracy of communication ($r = .404$, $p < .001$); timeliness of communication ($r = .401$, $p <$

.001); and years with the parent company ($r = .187$, $p < 0.05$). Thus, increased communication efforts from the parent company seem to be related to positive evaluation of those efforts from the members, and the managers of the parent company seem to concentrate more on the members with the longer tenure in their communication.

Also, it was observed that the correlation between bidirectional communication and satisfaction is positive and significant ($r = .238$, $p = .001$), which highlights the importance of bidirectional communication in creating and maintaining satisfaction with the overall communication efforts. The correlation between informal communication and tenure with the parent company was positive and significant ($r = .201$, $p < .01$). If the assumption is true that with time, in an alliance, the relationship among the surviving firms becomes stronger, then informal communication seems to be a correlate of relational ties between the firms.

Hypothesis 2 stated:

H2a: Frequency of communication from the focal organization in marketing channels is positively related to the extent of fellow channel members' identification with the focal organization.

H2b: The extent of informal communication from the focal organization is positively related to the extent of fellow channel members' identification with it.

H2c: Bi-directional communication is positively related to the extent of fellow channel members' identification with the focal organization in marketing channels.

H2d: Indirect communication is positively related to the extent of fellow channel members' identification with the focal organization in marketing channels.

H2e: Direct communication is negatively related to the extent of fellow channel members' identification with the focal organization in marketing channels.

The results of the analysis provide partial evidence for the above hypotheses. The parameter values were as following: for frequency, $\lambda = .12$ and $t = 2.39$; for modality, $\lambda = .21$ and $t = 2.68$; for direction, $\lambda = .087$ and $t = 1.66$; for direct communication, $\lambda = -.36$ and $t = -5.66$; and for indirect communication, $\lambda = .2$ and $t = 3.44$. Here, the hypothesis is supported weakly in regard to the bidirectional communication, because the t-value is significant in one-tail test only. However, all other facets of relational communication are positively related to identification. Again, this result is discussed at length in Chapter 6.

Hypothesis 3 stated:

H3: Fellow channel members' identification with the focal organization is positively related to their trust in the focal organization.

As the results show, trust has a major impact on cultivating identification. The λ was .43, while the t-value was 5.89. These values of parameters indicate that identification is positively related to trust, thus, hypothesis 3 is supported.

Hypothesis 4 stated:

H4a: H4a: Frequent communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

H4b: Informal communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

H4c: Bidirectional communication between the focal organization and fellow members in marketing channels is positively related to the fellow members' trust in the former.

H4d: Indirect communication from the focal organization in marketing channels is positively related to the fellow members' trust in it.

H4e: Direct communication from the focal organization in marketing channels is negatively related to the fellow members' trust in it.

This set of hypotheses is also partially supported because though all the facets of communication are related positively to trust, bidirectional communication and indirect communication do not have a significant relationship. The parameter values are as following: for frequency, .14 (t = 3.47); for modality, .42 (t = 6.09); for direction, .042 (t = 1.01); for direct communication, -0.42 (t = -7.49); and for indirect communication, .019 (t =

.41). Possible explanation for the insignificant relationship between the two facets of communication and trust is offered when results are discussed in detail later.

Hypothesis 5 stated:

H5: The fellow members' trust in the focal organization in marketing channels is positively related to their commitment to the latter.

The linkages between trust and commitment are extensively studied in marketing. The results of the analysis adds to the evidence of the strong linkages between these two variables ($\lambda = .92$, $t = 14.68$). It is also interesting to note that the correlation of the distortion of information by channel members had a significant correlation with how much the channel members trusted the parent company ($r = -.278$, $p < .001$) and how much they were committed to it ($r = -.228$, $p = .001$). This is an expected result, and highlights the value of trust and commitment in reducing the destructive behavior by the members.

Finally, hypothesis 6 stated:

H6: The fellow members' commitment to the focal organization in marketing channel is positively related to coordination.

The results show that this hypothesis is also supported ($\lambda = .62$, $t = 10.90$). Thus, overall, the results support the posited hypotheses, with a few exceptions. All results (t-values and significance levels) are reported in Table 5.7. Table 5.8 summarizes the result of each hypothesis test in terms of weather it is supported, not supported, or weakly supported.

The direct, indirect, and total effects of various paths are listed in Table 5.8. While elaborate discussion of the Table follows in Chapter 6, it is worth noting here that except one case (indirect communication), all other facets of communication have an indirect effect on coordination that is never less than their direct effect. This may indicate the key mediating role of the relational outcomes. Table 5.9 lists the total explained variance of the four latent variables, namely coordination, commitment, trust, and identification. A value of .70 is generally considered satisfactory, therefore, the variance in all but the identification construct can adequately be explained by the model. In other words, a significant portion of the variance in identification cannot be explained by communication alone.

Since the data for the current study were yielded from a single source by a single method, it was possible that common method variance dominantly influenced the results. Podsakoff and Organ (1986) suggest the following post hoc analysis, which focuses on finding a single factor underlying all the variables. This factor should represent the variance due to common method. As a thumb rule, if the fit indices are .90 or higher, the presence of common method variance should be worrisome. A confirmatory factor analysis with a single-factor assumed yielded the following result: $\chi^2 = 1428$, df = 252, GFI = .62, AGFI = .55, CFI = .69, NFI = .64, NNFI = .66. Thus, the model does not fit the data well, and common method variance alone cannot explain the results.

Summary

The results of the data analysis are presented in this Chapter. Structural Equation Modeling (SEM) was deemed as an appropriate techniques for the data analysis, primarily

because it examines a series of relationships (as is the case with the present study) simultaneously. Data screening was undertaken using the SPSS package. Anderson and Gerbing's (1988) two-step approach, which involves separate estimation of measurement and structural model, was adopted for data analysis. Initially, the individual scales were subject to confirmatory factor analysis. Then, the overall measurement model was estimated using all the measures simultaneously. The items contributing to interpretational confounding were removed. Finally, the overall model was tested, which showed favorable fit indices. The posited hypotheses were supported partially, as fourteen out of 18 paths were significant at the significance level of .05. A post hoc analysis suggested that the variance due to the common method alone could not account for the results. These results are discussed in detail in Chapter 6.

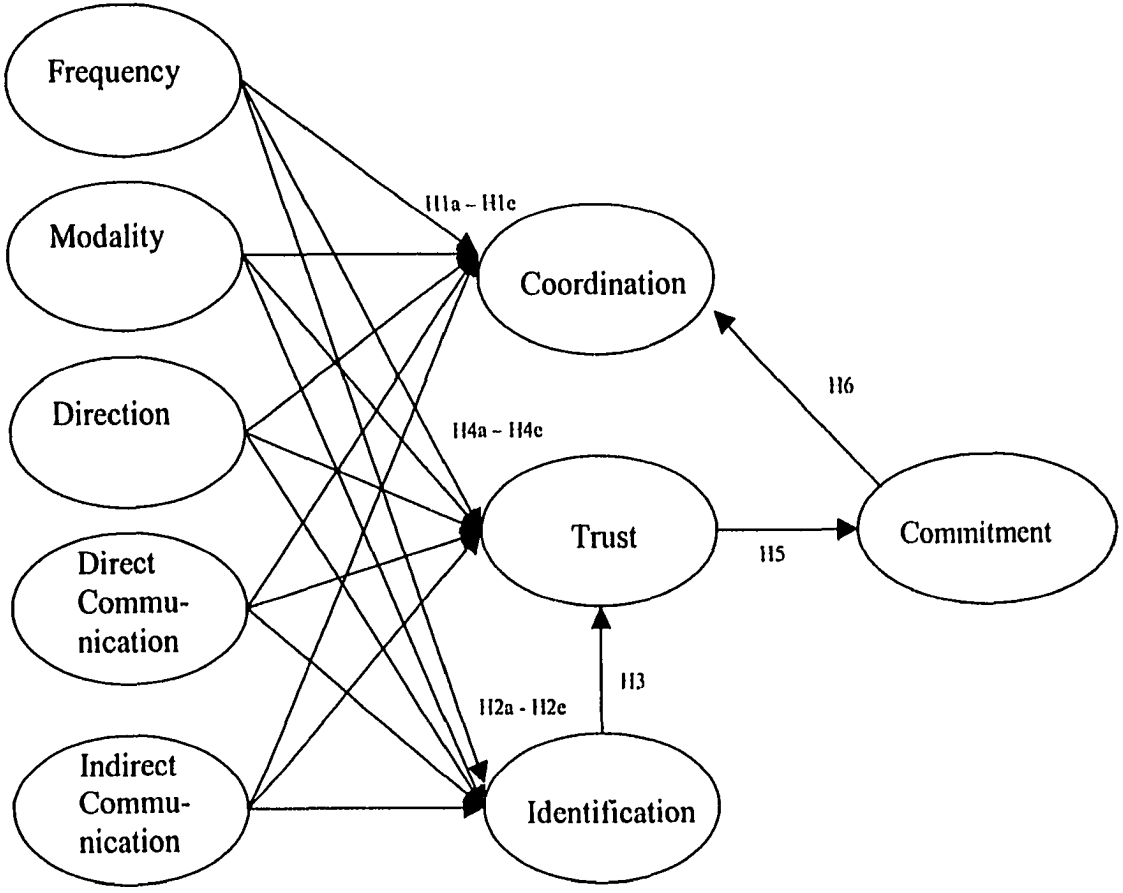


Figure 5.1 Final Structural Model

Table 5.1 Confirmatory Factor Analysis of Scales

Constructs	Items	Factor Loadings	λ^2
Modality	MOD1	.47	.22
	MOD2	.71	.50
	MOD3	.84	.70
	MOD4	.88	.78
Coordination	COORD1	.91	.84
	COORD2	.92	.84
	COORD3	.90	.82
	COORD4	.60	.36
	COORD5	.87	.76
	COORD6	.86	.74
	COORD7	.88	.77
Identification	ID1	.85	.72
	ID2	.55	.30
	ID3	.30	.55
	ID4	.74	.20
	ID5	.73	.53
	ID6	.28	.08
Trust	TRSTCRD1	.64	.41
	TRSTCRD2	.88	.78
	TRSTCRD3	.90	.81
	TRSTCRD4	.85	.73
	TRSTBLV1	.62	.38

Table 5.1 Confirmatory Factor Analysis of Scales (continued)

Constructs	Items	Factor Loadings	λ^2
Trust	TRSTBLV2	.85	.73
	TRSTBLV3	.70	.49
	TRSTBLV4	.70	.50
Commitment	CMTAF1	.82	.67
	CMTAF2	.92	.84
	CMTAF3	.88	.77
	CMTCAL1	.84	.70
	CMTCAL2	.64	.41
	CMTCALR	.47	.22
	CMTBEH1	.74	.55
	CMTBEH2	.80	.63
	CMTBEH3	.75	.56

Table 5.2 Confirmatory Factor Analysis of the Measurement Model

Constructs	Items	Factor Loadings	λ^2
Modality	MOD2	.73	.54
	MOD3	.86	.74
	MOD4	.94	.89
Coordination	COORD2	.80	.65
	COORD4	.88	.78
	COORD5	.90	.81
	COORD6	.82	.68
Identification	ID2	.76	.57
	ID4	.89	.79
	ID5	.79	.63
Trust	TRSTCRD1	.64	.41
	TRSTCRD3	.90	.81
	TRSTCRD4	.85	.73
	TRSTBLV4	.70	.48
Commitment	CMTAF2	.96	.91
	CMTAF3	.92	.85
	CMTCAL1	.87	.76
	CMTCAL2	.69	.47
	CMTCALR	.59	.35
	CMTBEH1	.76	.58

Table 5.3 Standardized Loadings (λ's)

	coordination	commitment	trust	identification	modality	bidirect	frequency	direct	indirect
indirect	--	--	--	--	--	--	--	--	1.00
direct	--	--	--	--	--	--	--	1.00	--
frequency	--	--	--	--	--	--	1.00	--	--
bidirect	--	--	--	--	--	1.00	--	--	--
mod2	--	--	--	--	.72	--	--	--	--
mod3	--	--	--	--	.84	--	--	--	--
mod4	--	--	--	--	.97	--	--	--	--
id2	--	--	--	.76	--	--	--	--	--
id4	--	--	--	.88	--	--	--	--	--
id5	--	--	--	.80	--	--	--	--	--
trstcrd1	--	--	.87	--	--	--	--	--	--
trstcrd2	--	--	.94	--	--	--	--	--	--
trstcrd3	--	--	.91	--	--	--	--	--	--
trstblv4	--	--	.69	--	--	--	--	--	--
cmtaf2	--	.96	--	--	--	--	--	--	--
cmtaf3	--	.92	--	--	--	--	--	--	--
cmtcon1	--	.87	--	--	--	--	--	--	--
cmtcon2	--	.68	--	--	--	--	--	--	--
cmtconr	--	.59	--	--	--	--	--	--	--
cmtbeh1	--	.76	--	--	--	--	--	--	--
coord2	.81	--	--	--	--	--	--	--	--
coord4	.89	--	--	--	--	--	--	--	--
coord5	.90	--	--	--	--	--	--	--	--
coord6	.82	--	--	--	--	--	--	--	--

$\chi^2 = 495.51$ (p = 0.0) CFI = .93 GFI = .84 AGFI = .79 RMR = .048 RMSEA = .072

Table 5.4 Estimated Correlations (Φ) of Latent Constructs

	coordination	commitment	trust	identification	modality	bidirect	frequency	direct	indirect
coordination	1.00	--	--	--	--	--	--	--	--
commitment	.85	1.00	--	--	--	--	--	--	--
trust	.85	.83	1.0	--	--	--	--	--	--
identification	.58	.67	.62	1.0	--	--	--	--	--
modality	.28	.24	.36	.20	1.00	--	--	--	--
bidirect	.21	.14	.19	.18	.00	1.0	--	--	--
frequency	.30	.31	.34	.25	.16	.23	1.00	--	--
direct	-.47	-.45	-.50	-.29	.11	.04	.03	1.0	--
indirect	-.01	-.04	-.07	.12	.11	.06	.14	.44	1.0

Table 5.5a Summary of the Measurement Model Respecification Process: Individual Scales

Changes Made from Previous Test	χ^2	df	GFI	CFI	CR	VE
Identification						
None	69.79	9	.90	.84	.78	.40
Delete ID1	17.95	5	.97	.93	.70	.33
Trust						
None	73.42	20	.90	.95	.92	.60
Delete TRSTBLV2	34.04	14	.95	.98	.91	.60
Commitment						
None	101.38	27	.91	.94	.93	.65
Delete CMTBEH3	74.55	20	.92	.95	.91	.60
Coordination						
None	145.22	14	.82	.91	.95	.73
Delete COORD1	57.88	9	.92	.96	.94	.71

CR = Composite Reliability
VE = Variance Extracted

Table 5.5b Summary of the Measurement Model Respecification Process: Full Measurement Model

Changes Made from Previous Test	χ^2	df	GFI	CFI	RMR	RMSEA
None	1507.32	395	.71	.83	.067	.10
Delete ID3, ID6	1264.80	340	.72	.85	.053	.11
Delete TRSTBLV1, TRSTCRD2, CMTAF1	875.55	265	.77	.88	.053	.097
Delete TRSTBLV3, CMTBEH2	648.56	220	.80	.90	.054	.089
Delete COORD3, COORD7, MOD1	383.69	160	.85	.94	.051	.076

Table 5.6 Descriptive Information and Reliability of Measures

Construct	Mean	Standard Deviation	Composite Reliability	Variance Extracted
Modality	2.43	.09	.85	.66
Identification	1.79	.19	.70	.44
Trust	2.63	.34	.85	.60
Commitment	2.25	.35	.88	.58
Coordination	2.43	.08	.88	.66

Table 5.7 The Final Structural Model

Path	Maximum Likelihood Estimate	t-value
Frequency → Coordination	.02	.57
Modality → Coordination	.12	2.18
Bidirect Communication → Coordination	.09	2.67
Direct Communication → Coordination	-.13	-2.71
Indirect Communication → Coordination	.06	1.62
Frequency → Trust	.14	3.47
Modality → Trust	.42	6.09
Bidirect Communication → Trust	.04	1.01
Direct Communication → Trust	-.42	-7.49
Indirect Communication → Trust	.02	.41
Frequency → Identification	.12	2.39
Modality → Identification	.21	2.68
Bidirect Communication → Identification	.09	1.66
Direct Communication → Identification	-.36	-5.66
Indirect Communication → Identification	.20	3.44
Identification → Trust	.43	5.89
Trust → Commitment	.92	14.68
Commitment → Coordination	.62	10.19

χ^2 = 537.72 (p=0.0) df = 228 GFI = .83 AGFI = .78 CFI = .92 NFI = .87 NNFI = .90

RMR = .058 RMSEA = .076

Table 5.8 Direct, Indirect and Total Effects

	Direct Effect	Indirect Effect	Total Effect
modality → coordination	.12	.29	.41
modality → commitment	.00	.46	.46
modality → trust	.41	.09	.50
modality → identification	.21	.00	.21
frequency → coordination	.02	.11	.13
frequency → commitment	.00	.18	.18
frequency → trust	.14	.05	.19
frequency → identification	.12	.00	.12
bidirect → coordination	.09	.05	.14
bidirect → commitment	.00	.07	.07
bidirect → trust	.04	.04	.08
bidirect → identification	.09	.00	.09
direct → coordination	-.13	-.33	-.46
direct → commitment	.00	-.53	-.53
direct → trust	-.41	-.16	-.57
direct → identification	-.36	.00	-.36
indirect → coordination	.06	.06	.12
indirect → commitment	.00	.10	.10
indirect → trust	.02	.09	.11
indirect → identification	.20	.00	.20
commitment → coordination	.62	.00	.62
trust → coordination	.00	.57	.57

Table 5.8 Direct, Indirect and Total Effects (continued)

	Direct Effect	Indirect Effect	Total Effect
identification → coordination	.00	.25	.25
bidirect → identification	.09	.00	.09
trust → commitment	.92	.00	.92
identification → commitment	.00	.40	.40
identification → trust	.43	.00	.43

Table 5.9 Total Variance Explained by Structural Equations

Construct	Explained Variance
Coordination	.76
Commitment	.70
Trust	.67
Identification	.27

Table 5.10 A Summary of the Results of Hypotheses Testing

Hypothesis	Linkages between	Conclusion
H1a	Frequent Communication and Coordination	Not Supported
H1b	Informal Communication and Coordination	Supported
H1c	Bidirectional Communication and Coordination	Supported
H1d	Indirect Communication and Coordination	Not Supported
H1e	Direct Communication and Coordination	Supported
H2a	Frequent Communication and Identification	Supported
H2b	Informal Communication and Identification	Supported
H2c	Bidirectional Communication and Identification	Weakly Supported
H2d	Indirect Communication and Identification	Supported
H2e	Direct Communication and Identification	Supported
H3	Identification and Trust	Supported
H4a	Frequent Communication and Trust	Supported
H4b	Informal Communication and Trust	Supported
H4c	Bidirectional Communication and Trust	Not Supported
H4d	Indirect Communication and Trust	Not Supported
H4e	Direct Communication and Trust	Supported
H5	Trust and Commitment	Supported
H6	Commitment and Coordination	Supported

Chapter 6

Discussion and Conclusion

In this Chapter, results presented in the previous Chapter are discussed, limitations and contributions are highlighted, and the managerial and academic implications are also discussed along with the future research agenda.

Discussion

The major objective of the current study was to offer a proactive model of communication in marketing channels. The basic premise was that the prevalent literature in communication in marketing channels did not provide a proactive role for communication. Also, it was too restrictive in terms of how communication could be managed to achieve desired channel outcomes. The results of this study throw light on how communication is instrumental in managing channel relationships. The discussion of the results is organized under major theoretical constructs. First, communication strategy is discussed, followed by the discussion of coordination, identification, trust, and commitment. The model is also discussed in the general context throughout the Chapter.

Communication and Coordination

Based on Mohr (1989), communication strategy is conceptualized as having four facets: frequency, modality, direction, and content. Relational communication strategy is comprised of higher frequency, more reliance on informality, bi-directional flows, and indirect content. Conversely, nonrelational communication strategy is comprised of lower frequency, more reliance on formality, unidirectional flows, and direct content. The results show that in general, relational communication strategy brings about increased

level of desirable channel outcomes in the form of heightened identification, trust, and commitment from the channel member, and higher level of coordination for the channel overall.

Achieving coordination is an essential feature of long-term relations between channel members. The results show that various facets of communication are significantly related to coordination, except frequency and indirect communication. As hypothesized, frequency has positive relation with coordination, however, it was not significant at the 0.05 level. It could be argued that in general, it represents an "amount of communication" (Mohr 1989), which may not be enough in itself for achieving coordination. Though it was argued before that communication frequency could help set up common expectations and achieve coordination, it is also plausible that two channel members can communicate frequently without agreeing on the meanings of the symbols exchanged, which may hamper coordination. Thus, frequency of communication should probably be considered with the effectiveness of communication, defined as the extent to which the parties interpret symbols in a similar fashion (Shelby 1998). Since communication requires time, efforts, and resources, it was expected that managers would be selective in their communication efforts. In this context, as discussed before, it is worth noting that managers seemed to concentrate more on the channel members with longer tenure in their communication.

Indirect communication is also related positively with coordination, but the relationship is nonsignificant at the probability level of 0.05. One possible explanation is that indirect communication connotes mere information exchange, without any suggestion of taking actions. Such communication strategy may fall short of setting up

common goals, deciding on activities, who does what, and overall synchronization of activities. While the channel members may desire indirect communication (as it provides a greater flexibility in taking a future course of action), system-wide outcomes may suffer since it may not lead to a desired level of coordination. Of course, the linkages between various communication modes and coordination are not studied widely. Therefore, further research is needed to illuminate the relationships. Direct communication, on the other hand, implies asking the target firm to take some action. The results indicate that it is negatively related to coordination. This confirms that the excess of direct communication may itself be a symbol of infringement of the channel member autonomy by the target firm, which may induce them to comply less with the coordination efforts by the source firm. Further, it is interesting to note that the damaging effect of direct communication seems to be more potent than the productive effect of indirect communication.

It was posited that informal communication might be related positively to coordination, which was validated by the results. They seem to support the rationale that informal communication signifies a set up where symbols are exchanged in an environment marked by personal relations. Therefore, it may be perceived as more flexible and more personal in nature compared to formal communication, aiding coordination efforts. It is noteworthy that Mohr (1989) posited that informal communication would be related to relational channel structure, which was not supported. She speculated that the unexpected result might be due to the relatively new channel (at that time) of computer resellers, where formal communication was necessary to provide stability in relations. In contrast, the current study, where the hypothesis is upheld, examines a mature channel, which operates in a relatively low-tech environment.

Bidirectional communication was hypothesized to relate positively with coordination, and indeed that was the case. Bidirectional communication signals constant exchange of information, which is pivotal in any coordination efforts.

Communication and Relational Outcomes

The results provide empirical evidence for the positive linkages between communication strategy and relational outcomes in all but three relational paths. All the results are discussed below under appropriate sections.

First, the linkages between communication and identification are examined. The positive linkages between frequency and identification seem to validate the proposition that increased exchange of symbols between parties make them more comfortable with each other and increase their positive attitudes towards each other, when there is no conflict. Since increased liking is a precursor to identification, increasing communication frequency may lead to increased identification by the recipient party. Another argument can be made that more communication facilitates better predication of the symbol interpretation pattern used by the other party, which leads to higher satisfaction, which may act as a catalyst for identification. The positive and significant correlation between communication frequency and satisfaction brings home this possibility. Also, intuitively it makes sense that too much communication may lead to information overload and desire for less communication. However, data analysis indicates that excessive communication is not a concern in this particular setting. Indeed, the modal response for the question "how much communication would you like with the parent company" was "about the same".

The positive linkages between modality and identification seem to support the argument that informal communication brings about affinity, which leads to increased identification. Also, informal communication may induce the subjects to be more flexible in their symbol interpretation, leading them to be more receptive to the source organization's attempts to modify belief and values. Thus, informal communication seems to play major role in cultivating identification in targets.

The relationship between the bidirectional communication and identification is positive, but significant in a one-tail test only. A close examination of the operationalization of bidirectional communication suggests that it is possible that it does not capture the construct fully. When both parties initiated communication 50% of the time each, bidirectionality was conceptualized at its highest. Conversely, when only one of them kept on initiating communication (i.e., 100% of the time), bidirectionality was considered to be the lowest. It can be argued that even in the later case, where one party initiates communication all the time, bidirectionality can be high if the other party always bothers to respond. Since this linkage is significant in the one-tail test, further conceptual explication, more precise operationalization of the construct, and empirical testing in other settings is required to gain better understanding of this relationship.

It was hypothesized that direct communication from the focal firm had damaging effect on identification of the fellow channel members, and the results verify it. Direct communication contains symbols that may be perceived as too intruding and demanding. On the other hand, identification implies voluntarily concurring to the values and beliefs of the source firm. Therefore, indirect communication provides supportive environment for identification. Once again, the damaging effect of direct communication was more

pronounced than the rewarding effect of indirect communication.

Another precursor to identification was trust. Identification touches upon the core values and beliefs. It addresses the question of how one defines one's identity in terms of the other. Trust follows identification, because with increased identification, parties become more similar, and people tend to trust similar others. The results indicate strong and positive relation between identification and trust, which underscores this rationale. Indeed, a certain level of identification seems to be the required assurance before people make themselves vulnerable to others, as they do when they trust others.

Three facets of communication strategy (modality, frequency, and direct communication) related to trust significantly and in a hypothesized direction, after accounting for the direct linkages between identification and trust. All the paths from communication strategy to trust are discussed in the following section.

Increased communication frequency was positively and significantly related to trust. It seems that increased communication allowed the channel members to interpret symbols more often, thus, share more information, (supported by the positive correlation between 'frequency' and 'perceived completeness of communication'), which allowed them to be familiar with the other party. This increased familiarity seems to have led to increased trust between the parties.

Results also indicate that informal communication may signify a communication set up where actors are likely to engage in symbolic interaction in a disarming way. This may lead to the increased level of trust among the parties. It could also be argued that informal communication was perceived to be more accurate and credible, which increased the propensity of the channel members to trust the focal firm. The positive and

significant correlation between accuracy and credibility of communication with informal communication seems to support these arguments.

Bidirectional communication was related positively to trust, however, this relationship was not significant as hypothesized. This is a surprising result because trusting climate is difficult to imagine without active give-and-take between commercial partners. One possible explanation is that as argued before, the operationalization of bidirectional communication may not be adequate. The operationalization of bidirectionality in the current study emphasizes who initiates communication how many times, which may be misleading. The reason is that for inducing the trust from the channel member for the focal firm, the key issue may be the presence of communication, regardless of who initiates it. Future attempts at operationalizing the construct should account for this possibility.

Direct content was postulated to relate negatively with trust, which indeed was the case. A focal firm that directly makes request or demands for desired action may symbolize selfishness and arouse suspicion about its motives. Since trust required vulnerability on the part of the channel members, they probably chose not to trust their partner when direct communication dominated the communication flow. However, though indirect communication was related positively with trust, the relationship was not significant at 0.05 level as hypothesized. One interpretation of this result could be that the presence of indirect communication in itself may not be sufficient to trigger trust among the partners. The overreliance on this communication mode (i.e., mere information exchange) by the focal firm may be interpreted by the channel members as lack of support

or leadership by the former. As Frazier (1999) argues, exercise of power by the focal firm by giving a clear directive (rather than relying on just information exchange) is not necessarily a bad thing. It can even be conducive to streamlining the activities of disparate channel members. It is also possible that understanding the effects of some moderating variables is crucial in gaining the clearer picture of the relationship.

The relationship between trust and commitment showed no surprises. This is a well-tested relationship in the marketing literature, where empirical results have been consistent with the theoretical rationale. In this particular case, the channel members were exclusive agents of the focal firm, so higher level of trust and commitment were expected. Further, like most commercial relationships, the channel members showed higher commitment when the level of trust was higher. The high level of explained variance (70%) and direct effect (0.92) further validate the robust relationship among the constructs.

Finally, coordination had a positive and significant relationship with commitment. Indeed, in their written comments, the channel members did not always endorse the position of their focal firms. However, conflict can coexist with their commitment to the focal firm, more so, since an assurance of solid commitment allows one to express opinions freely. However, they also probably understood the importance of working together as a system, therefore, committed partners highly rated the level of coordination with their parent firms.

The direct, indirect, and total effects of the variables are listed in Table 5.6, from which, some important trends can be observed. One, the indirect effects of communication facets on coordination are never lower than their direct effects, except in

the case of content of communication (i.e., indirect communication). While this result may be insufficient to conclude that relational outcomes of communication are more prominent than the instrumental outcomes, it does indicate the critical role of relational outcomes. Two, as a corollary to the above observation, it could be seen that the direct effects of the facets of communication on trust is never lower than the indirect effects, except in the case of, again, indirect communication. Three, the effect of trust on commitment is the strongest one of all, followed by the effect of commitment on coordination. Together, the above three observations highlight the key role of trust and commitment in relationship management, which vindicates the past research in the field of relationship marketing (e.g., Morgan and Hunt 1994). Similarly, the relatively new variable of identification exerts strong impact on other variables in the model, which suggests it as an important explanatory variable in relationship management. Overall, in conclusion, strong relations between communication and channel outcomes are observed that are congruent with the hypotheses posited.

Managerial Implications

Generally, communication in marketing is synonymous with communication with customers. This study takes a stand that managing communication with other constituencies, such as channel members, is also very important. Some current initiatives such as ECR and larger trends such as increased reliance on technology for managing information makes understanding communication in marketing channels all the more important. However, as Mohr (1989) notes, communication-related rhetoric is generally devoid of theoretical rigor. Since then, a decade has passed and some scholarly work has

been done in the area of channel communication, which has brought out some important managerial insights. This study validates many of those insights and provides a few new ones.

First, this study treats communication as an independent variable, and therefore, signals a major managerial implication: communication is a variable to be actively managed. The theoretical perspective employed here puts much stock in understanding individuals as cocreating meanings of the symbols, and its implications for them. It was proposed that communicators not only reach out to others, but also touch base with their self during the communication process through self-indication and role-playing. Thus, communication is a powerful process that bonds people in commercial relationships, among others. Therefore, employing an appropriate communication strategy is of critical importance for managers preaching and practicing relationship marketing. The position taken in this study, though empirically not validated, is that regardless of the channel conditions, managers can benefit from practicing relational communication. To reiterate, relational communication means a strategy that combines frequent, informal, bi-directional, and indirect communication.

On average, the channel members expressed desire for slightly more communication than what was the norm. If this context is not atypical, then managers in general may examine if they need to increase the frequency of communication with the channel members. Since increased communication brings about desirable instrumental and relational outcomes, it should be a part of communication strategy. However, managers should also note that they will be wise to first benchmark the perceived level of communication. For example, in this study, those who said they already received too

much communication were also dissatisfied with overall communication efforts by the focal firm. Therefore, if they received still more communication, the channel outcomes are not likely to be favorable.

While there is no doubt that some minimum formality in communication is inevitable in any commercial relationship, channel members respond positively to informal communication. Since informal communication is likely to be absent from formal planning and strategy, managers may be underestimating its positive effect on desirable channel outcomes. It seems that informal communication emerges as relationship matures, as it had a significant and positive relationship with the tenure of relationship. If that is the case, then rather than waiting for the informal communication to happen, managers should actively try to pursue it. For example, frequent contact between the channel members and the firm personnel should be encouraged outside formal settings, such as trade shows and weekend retreats.

Managers should also make sure that communication flows both ways. Indeed, in this study, whenever there was higher bidirectional communication, channel members expressed increased satisfaction with both their communication with the parent company, and the parent company's communication with them. While it was not within the scope of this study, data analysis also suggested that as parent companies became more powerful, they engaged in less bidirectional communication. It can be speculated that powerful players may neglect the need of the less powerful players to express their views, since they can control their behavior by coercive means. However, in light of the demonstrated benefits of bidirectional communication, it should be harnessed to maximize desirable channel outcomes. Further, with fast changing business environment in general, power

equations can change in a relatively short time frame, and over-reliance on power may prove short-sighted in the future. Pragmatically, this may mean opening more avenues of communication, and making deliberate efforts to initiate and maintain two-way flow of communication with the channel members.

While it is tempting for managers (particularly when their firm is more powerful) to engage in direct communication with the channel members and ask for specific actions, in the long term, it may not be a prudent strategy. The results of the current study amply show that the negative effects of direct communication exceed the positive effects of indirect communication. While legal threat for garnering cooperation of channel members is an extreme example, seemingly repeated requests or recommendations for a specific action can also undermine channel outcomes. This can particularly be true when the channel members' dependence on a focal firm is far more than the focal firm's dependence on them. In that situation, a simple request or recommendation can virtually be interpreted as a fiat from the focal firm, since the channel members do not have much choice otherwise. On the other hand, indirect communication involves simple exchange of information, and is positively (though not always significantly) related to favorable channel outcomes.

The ability of relational outcomes such as trust, identification, and commitment to bring about channel coordination is remarkable. The favorable dyadic outcomes go a long way towards affecting the systemwide outcomes such as coordination. This study clearly demonstrates to managers the linkages among these key variables, and shows how communication can be leveraged to manage them. As the data analysis shows, ensuring

trust and commitment also reduces chances that the channel members will engage in destructive behavior such as distortion of information.

Theoretical Contributions

Communication is related to origin of organization itself. Scholars in marketing in general and channels in particular have acknowledged the critical place of communication in various theoretical schools of different social science fields. This is evident from the prominent place of communication in various models in marketing. However, in the literature pertaining to communication in marketing channels, it is often conceived as a mediating variable that has little direct bearing on channel outcomes.

This study acknowledges the above mentioned shortcoming in the current literature, and offers a model that attributes a critical role to communication. It is noteworthy that while the present model departs from the current thinking in channel communication in some fundamental ways, it is also rooted firmly in the past literature. For example, the conceptualization of communication is the same as in previous studies. Thus, a major contribution of this study is reflected in its title: it bestows a proactive role to communication, consistent with its prominence in other disciplines. However, it does so without neglecting the current literature-base in channel communication.

Two, an integrated view of the mechanistic and interpretive-symbolic perspectives is offered, which harps on the theoretical depth of symbolic interactionism and the empirical possibilities offered by the mechanistic perspective. It is proposed that this integrated view provides theoretical rationale as to why communication leads to relationships and coordination among organizations.

Three, most past efforts draw disproportionately from the channel literature while underutilizing the theories in communication. They draw on communication mostly for conceptualizing and measuring communication strategy, not for explaining how communication affects channel outcomes. The current model draws extensively from communication literature as well, in discussing both communication strategy and its outcomes. Two dominant perspectives in communication are used in the theoretical development of the model. As in the past studies, the mechanical perspective is used to measure communication strategy. On the other hand, interpretive-symbolic perspective is used to explain the channel outcomes. Both these perspectives are dominant in communication literature, and have stood the test of time. As mentioned before, the current model is also rooted in the past literature in channel communication. Thus, it makes a theoretical contribution by adopting a balanced perspective that takes into account literature both from channels and communication.

Four, the model explicitly recognizes the instrumental and relational nature of outcomes. By doing so, it provides a fine-grained picture of consequences of communication. While it was not the focus of this study, the strength of the differential effect of communication strategy on both types of outcomes can be discerned and theoretically explicated. The model also highlights various leverage points that could be used to attain desirable outcomes.

Five, the study introduces two new variables in the channels literature: identification and coordination. The study of identification is pursued very vigorously in other disciplines, including organizational behavior. It is a key construct with a considerable explanatory power in the realm of how individuals relate to other individuals

and organizations. With increased emphasis on relational exchange in marketing, it may become a focal point of explanation in the near future. This study is one of the first to incorporate it in the channels literature. Another variable, coordination, is not really a new construct in channels. However, channel scholars have not bothered to elucidate its true nature. Consequently, there are hardly any studies in marketing that operationalize coordination. Drawing on the literature from other disciplines, this study establishes theoretical basis for describing the nature of this construct and suggests a way to operationalize it. Finally, the empirical results in this study validate fourteen out of eighteen hypotheses posited, therefore, it provides a solid ground on which future research on channel communication could be built.

Limitations and Future Research

As like any other empirical study, this research effort is not without limitations. One, communication, by its very nature, involves at least two parties and is interactive. Therefore, any study dealing with communication should ideally inquire from both sides. However, in this study, responses were collected only from the channel members, and not from the focal firm. This is a limitation that may compromise the validity of the study.

Two, the measures used in this study are all perceptual, which may make the study vulnerable to response bias. Three, only a survey research method was used to collect responses. Exclusive reliance on one method can introduce method bias, which may affect the empirical results. Four, the commitment scale failed to demonstrate three distinct dimensions. As a result, the proposed measurement model has to be modified. In the similar vein, the coordination scale was developed and utilized without first testing it. Ideally, one should follow the guidelines suggested by Churchill (1979) while designing a

new scale. Of course, the reason for not taking up an extensive testing of the scale was the limited time and resources.

Additionally, this study was conducted in the context of a single industry and a single type of governance mechanism, which may limit the generalizability of the study. Specifically, the insurance industry seems to have some unique characteristics that may have affected the results. For example, the insurance seems to be a very mature industry. At least in case of the current sample, the median age of the relationship between the parent company and the insurance agent is 17 years. Therefore, it is not clear how the results of this study could be generalized to a setting where the buyer-seller relationship is at a much earlier stage. An attempt was made to split the current sample into two groups of high and low tenure and to conduct separate analysis for both groups. However, enough data points were not available such analysis. Therefore, the results of this study must be generalized with a caution. However, as mentioned before, the main objective of this study is to demonstrate that the theoretical linkages hypothesized in this study do exist.

Another limitation of the study is the cross-sectional nature of data. All data were collected at a single point in time and, therefore, may not be suitable basis for making causal assertions. While causality is more than just a temporal issue, data collected at two points in time is a necessary condition.

Future research in this field may try to overcome these limitations. First, qualitative inquiry should precede the quantitative efforts of understanding channel communication. As mentioned before, no studies exist in the marketing field that examine channel communication using qualitative methods. This is an urgent need

because the field is still evolving, and it can benefit much from the grounded theory approach. Future research also should be conducted in a context other than the one chosen here. In other words, the model should be tested in the background of other than the franchise arrangement in the insurance industry, where long term relationship seems to be norm. That will definitely lend more generalizability to the model. It also will be beneficial in future efforts to collect data from both sides rather than a single side.

Future researchers also should consider including other important channel variables in the model, such as power, dependency, and conflict. While it is argued that the posited model holds regardless of these conditions, an empirical test of this claim will go a long way towards bestowing credibility on it. It is plausible that while the linkages posited hold in different channel conditions, their magnitude may change. For example, when mutual dependency is low, relational communication may not lead to the same level of identification as it would in the high dependency conditions.

The weak and sometimes insignificant effects of some communication facets (i.e., indirect and bidirectional communication) should be addressed in the future studies. If no reasons could be found in the realm of methodology or operationalization, then uncovering the theory underlying the lack of strong effects would be a worthy goal for future research. Scholars also should look at the possibility of including new instrumental and/or relational variables with theoretical justification thereof in future studies, since the mechanistic and symbolic interaction perspectives alone guide the inclusion of variables in this study. Also, the instrumental and relation outcomes should be examined in comparison with each other. In relationship marketing, scholars have

started examining the relative impact of relational and utilitarian concerns on commercial relationships. Therefore, this would be a natural extension of the present study.

Summary

In this Chapter, results of the data analysis were discussed, managerial and academic contributions were recognized, limitations were acknowledged, and the suggestions for future research were provided. It was proposed that relational communication is comprised of higher frequency, informality, and bidirectional and indirect messages than nonrelational communication. The positive and significant effect of relational communication strategy on the channel outcomes validated the majority of the posited hypotheses. It also was observed that the negative effect of direct communication on channel outcomes was stronger than the positive effect of indirect communication. Overall, all the hypothesized relationships were supported by empirical results. Managerially, a major implication of this study is that communication is a powerful variable which should be managed actively. With some qualification, generally higher frequency, informality, bidirectionality, and indirect messages should be a part of a managerial strategy to derive favorable outcomes in marketing channels. The major theoretical contribution of this study is the proactive role accorded to communication. The introduction of identification and coordination constructs in the channel literature also is notable. The major limitations of the study include the lack of variance in the length of relationship between the parent company and the insurance agent. Future research efforts should expand the study in different contexts and channel conditions.

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Appendix A Cover letter with the Questionnaire

The University of Oklahoma

Michael F. PRICE College of Business

October 25, 1999

R Putney
Farmers Insurance Group
103 W Grant Rd
Tucson, AZ 85705-5585

Dear Ms. Putney:

Communication between an insurance agent and his or her home office (including related departments such as underwriting and sales) is often considered to be a key to fruitful business relationships. We are conducting a study to understand the role of communication between insurance agents and their home offices, under the aegis of the Distribution Research Program at the University of Oklahoma. The study is important to businesses like yours and the insurance industry because it may indicate ways of improving dialogue between an agent and his or her home office (henceforth, "the parent company").

We would appreciate your taking ten minutes to respond to this survey. There are no "right" or "wrong" answers, rather, they will reflect your personal experiences and background. Your responses will be confidential. They will be combined with other responses for reporting purposes. It will not be possible to link any particular responses to a specific survey respondent.

Your contribution is important to your industry/business and our project. We recognize the value of your time and would gladly provide you a summary of the results, provided you give us your address at the appropriate place in the survey. Enclosed is a new $1 bill. We know it does not adequately compensate you for your time, but perhaps you might wish to give it to a child you know, or buy soft drink for yourself while you finish the questionnaire. We request you to return the completed questionnaire in the pre-addressed, stamped envelope by November 17, 1999.

Your cooperation is truly appreciated.

Cordially,

Birud Sindhav
Research Coordinator
Distribution Research Program

Robert F. Lusch
Professor, Accounting and Marketing
Helen Robson Walton Chair and
George Lynn Cross Professor

Division of Marketing, 307 West Brooks, Room 1, Norman, Oklahoma 73019-4001 Phone: (405) 325-3561

Appendix B Questionnaire

University of Oklahoma
A Survey of Insurance Agents

Notes to this survey:

- This survey is designed for insurance agents affiliated with specific parent companies (or 'captive agents'). It is not meant for independent and freelance agents.

- The survey is conducted by an academic institution without any commercial motive. However, the results will be beneficial to the insurance industry, and ultimately to insurance agents.

- We are interested in assessing the role of communication in business-to-business relationships. Communication is defined broadly in this study and can include any interactions that you have with the parent company by any means: personally, over the phone, letters, emails etc.

- This survey should be completed by the owner or the general manager, who is responsible for decision-making in day to day operations. If you own or manage more than one agency, please select any one agency as a reference firm for responding to the survey questions.

- All questionnaires will be processed and handled by the Distribution Research Program staff at the University of Oklahoma. Answers are strictly confidential and will be reported only in the aggregate.

- We need your frank and truthful responses. If there is not a precise answer, give us your best guess. It is very important to answer all questions.

- If you have any questions, please call Birud Sindhav at the University of Oklahoma, 1-877-868-3059, and leave your name, phone number and a brief message for him to call you back. If you have any questions regarding the rights of research participants, please contact the Office of Research Administration at (405)-325-4757.

- Please return the completed questionnaire in the pre-addressed, postage paid envelope. We truly appreciate your help!

Distribution Research Program
Michael F. Price College of Business Administration
University of Oklahoma
307 W. Brooks, Room 7A
Norman, Oklahoma 73019-0450

Section 1. In this section, we want to know about the communication your agency has with your parent company. Listed below are pairs of words that can describe your communication with the parent company. Please read each pair of words **and circle the appropriate number from "1" to "5"** that best describes your communication.

1. To what extent do you feel that your communication with the parent company is....

Timely	1	2	3	4	5	Untimely
Accurate	1	2	3	4	5	Inaccurate
Adequate	1	2	3	4	5	Inadequate
Complete	1	2	3	4	5	Incomplete
Credible	1	2	3	4	5	Not credible
Informal	1	2	3	4	5	Formal

2. How many people at your agency, including yourself, are involved in communication with the parent company?

1 2 3 4 5 6 7 8 9 10 10+

3. Of the time spent in communication with the parent company, what percentage is initiated by you or people in your agency?

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

4(a). The parent company and your agency can use a variety of modes (e.g., letters, phone, email) to communicate with each other. OVER A TYPICAL 4-WEEK PERIOD, please estimate the frequency with which you provide information to the parent company. Use a rating of "1" for "very frequently" and a rating of "5" for "very infrequently". Use intermediate numbers for other ratings.

MY AGENCY PROVIDES INFORMATION TO THE PARENT COMPANY

Communication Modes:	Very frequently	Frequently	Neither frequently nor infrequently	Infrequently	Very infrequently
a. Face to face	1	2	3	4	5
b. Phone	1	2	3	4	5
c. Fax	1	2	3	4	5
d. Technical Support	1	2	3	4	5
e. Written Letters	1	2	3	4	5
f. Email	1	2	3	4	5
g. Data exchange through computer	1	2	3	4	5
h. Agent Councils	1	2	3	4	5
i. Training Programs	1	2	3	4	5
j. Other _____ (please specify)	1	2	3	4	5

4(b). OVER A TYPICAL 4-WEEK PERIOD, please estimate the frequency with which the company provides information to your agency.

THE PARENT COMPANY PROVIDES INFORMATION TO MY AGENCY

Communication Modes:	Very frequently	Frequently	Neither frequently nor infrequently	Infrequently	Very infrequently
a. Face to face	1	2	3	4	5
b. Phone	1	2	3	4	5
c. Fax	1	2	3	4	5
d. Technical support	1	2	3	4	5
e. Written Letters	1	2	3	4	5
f. Email	1	2	3	4	5
g. Data exchange through computer	1	2	3	4	5
h. Agent Councils	1	2	3	4	5
i. Training Programs	1	2	3	4	5
j. Advertising (from the company to you)	1	2	3	4	5
k. Sales Literature (from the company to you)	1	2	3	4	5
l. Newsletter	1	2	3	4	5
m. Other_____ (please specify)	1	2	3	4	5

5. You may feel that too much or too little communication with the parent company occurs. How much communication would you like with the parent company? Circle an appropriate number:

Considerably more	More	About the same	Less	Considerably less
1	2	3	4	5

6. *In their interactions with your agency, the parent company may try to influence attitudes and behaviors.* Circle a number to estimate the frequency with which the parent company's staff employ each of the following methods to influence attitudes and behaviors.

How frequently does the staff:	Very frequently	Frequently	Neither frequently nor infrequently	Infrequently	Very infrequently
a. directly try to influence your behavior in a key decision area (e.g., use of promotional dollars)	1	2	3	4	5
b. make a promise that you would receive better service and/or cooperation if you complied with this request	1	2	3	4	5
c. make a recommendation that by following their suggestions, your agency will be more profitable	1	2	3	4	5
d. state that your contractual agreement either required or suggested compliance with their request	1	2	3	4	5
e. request, without mentioning or implying any consequence of noncompliance, that your agency follow the parent company's wishes on an issue	1	2	3	4	5
f. merely discuss the overall strategy of agency operations (e.g., the effect of liberal quotes) without making specific statements about what the parent company would like your agency to do	1	2	3	4	5

7. Communication practices differ in the extent to which they are formal or informal. For each item, please respond with a score from (1) "strongly agree" to (5) "strongly disagree." Use intermediate numbers for ratings that fall between these two end points.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
a. In coordinating our activities with the parent company, formal communication channels are followed versus casual, informal, word-of-mouth modes.	1	2	3	4	5
b. The terms of our relationship have been written down in detail.	1	2	3	4	5
c. The parent company's expectations of us are communicated in detail.	1	2	3	4	5
d. The terms of our relationship have been explicitly verbalized and discussed.	1	2	3	4	5

Section 2. In this section, we want to know about the relationship you have with your parent company.

8. Please evaluate your relationship with your parent company by indicating how strongly you agree or disagree with each of the following statements. For each item, please respond with a score from (1) "strongly agree" to (5) "strongly disagree". Use intermediate numbers for ratings that fall between these two end points.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
a. When someone criticizes my parent company, I feel it is a personal insult.	1	2	3	4	5
b. I am very interested in what others think about the parent company.	1	2	3	4	5
c. When I talk about the parent company, I usually say 'we' rather than 'they'.	1	2	3	4	5
d. The parent company's success is my success.	1	2	3	4	5
e. When someone praises the parent company, I feel it is a personal compliment.	1	2	3	4	5
f. If a story in the media criticizes the parent company, I would feel embarrassed.	1	2	3	4	5
g. Promises made by the parent company are reliable.	1	2	3	4	5
h. The parent company has been frank in dealing with us.	1	2	3	4	5
i. If problems arise, the parent company is honest about them.	1	2	3	4	5
j. The parent company has been consistent in terms of its policies.	1	2	3	4	5
k. The parent company cares for us.	1	2	3	4	5
l. The parent company considers our interests when problems arise.	1	2	3	4	5
m. The parent company has gone out of its way to help us out.	1	2	3	4	5
n. The parent company has made sacrifices for us in the past.	1	2	3	4	5
o. Even if we could, we would not drop the parent company because we like being associated with it.	1	2	3	4	5

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
p.	We want to remain in the agent network of the parent company because we genuinely enjoy our relationship with it.	1	2	3	4	5
q.	Our positive feelings towards the parent company are a major reason we continue working with it.	1	2	3	4	5
r.	We expect our relationship with the the parent company to continue for a long time.	1	2	3	4	5
s.	The renewal of our relationship with the parent company is virtually automatic.	1	2	3	4	5
t.	It is unlikely that our agency will still be doing business with the parent company in two years.	1	2	3	4	5
u.	If the parent company requested it, we would be willing to make further investment in supporting the parent company's products.	1	2	3	4	5
v.	We are willing to put more efforts and investment in building our business in the parent company's products.	1	2	3	4	5
w.	In the future, we will link our agency with the parent company in the customer's mind.	1	2	3	4	5
x.	We are satisfied with our communication with the parent company.	1	2	3	4	5
y.	We are satisfied with the parent company's communication with us.	1	2	3	4	5
z.	We often change the nature of information before passing it on to the parent company.	1	2	3	4	5
aa.	There are strong penalties for violating the parent company's procedures.	1	2	3	4	5
bb.	We yield to recommendations of the parent company on general business practices.	1	2	3	4	5
cc.	We rely on the parent company for answers about business practices.	1	2	3	4	5
dd.	Our activities are approved by the the parent company.	1	2	3	4	5
ee.	We must provide reports to the the parent company on a regular basis.	1	2	3	4	5
ff.	The parent company pretty much dictates how we sell their products.	1	2	3	4	5
gg.	The parent company has a significant influence on our operations.	1	2	3	4	5
hh.	In the past 6 months, the parent company has changed or influenced our programs and policies.	1	2	3	4	5
ii.	In the past 6 months, we have changed or influenced the parent company's programs and policies.	1	2	3	4	5
jj.	We have a significant influence on the the parent company's programs and policies.	1	2	3	4	5
kk.	In our geographic area, there are other insurance agents who can be the parent company's agent in case we discontinue working with the parent company.	1	2	3	4	5

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
ll.	In our geographic area, the parent company would incur minimum cost in replacing our agency with another agency.	1	2	3	4	5
mm.	It would be difficult for the parent company to replace the sales and profits our agency generates.	1	2	3	4	5
nn.	There are other insurance companies (home offices) who could provide us with comparable products.	1	2	3	4	5
oo.	Our total cost of switching to a competing parent company's products would be prohibitive.	1	2	3	4	5
pp.	It would be difficult for our agency to replace the sales and profit generated from the parent company's products.	1	2	3	4	5
qq.	Generally we do not have any problems agreeing with the parent company on what goals need to be set.	1	2	3	4	5
rr.	Generally we do not have any problems agreeing with the parent company on what activities need to be done.	1	2	3	4	5
ss.	Generally we do not have any problems with the parent company deciding on "who does what".	1	2	3	4	5
tt.	Our activities with the parent company are generally well-synchronized.	1	2	3	4	5
uu.	Our activities with the parent company fit together to provide a higher level of consumer satisfaction.	1	2	3	4	5
vv.	Our people and those from the parent company make an effort to avoid creating problems or interference with each other's duties.	1	2	3	4	5
ww.	Our activities with the parent company are well-coordinated.	1	2	3	4	5
xx.	The way things are done in our relationship with the parent company keeps changing.	1	2	3	4	5
yy.	We can never tell when our chief contact person from the parent company will change.	1	2	3	4	5
zz.	The only thing we can be sure about our relationship with the parent company is that something is going to change.	1	2	3	4	5
aaa.	We are never sure what to expect from our parent company.	1	2	3	4	5

9. Agencies and their parent companies need to make a variety of business decisions. We want to know, in general, who has the most control in making these decisions. Please circle an appropriate number, where "1" means "agency has substantially more control" and "5" means "company has substantially more control". Use intermediate numbers for other ratings.

Agency has substantially more control		**Agency and Company have equal control**		**Company has substantially more control**
1	2	3	4	5

10. We are interested in knowing how quickly the market conditions for your agency change. For each item, respond with a score from (1) "change very quickly" to (5) "change very slowly". Use intermediate numbers for ratings that fall between these two end points.

	Change very quickly	Change quickly	Change moderately	Change slowly	Change very slowly
a. competitor's products/service offerings	1	2	3	4	5
b. customer's preference for product/ service features	1	2	3	4	5
c. competitor's selling strategies	1	2	3	4	5
d. competitor's promotion/advertising strategies	1	2	3	4	5
e. the price customers expect to pay	1	2	3	4	5

Section 3. In this section, we need some information about your agency that we plan to use in profiling our sample of respondents.

11. How long have you been doing business with the parent company? (in years) .....

12. How many employees (full- and part-time) work at this agency? .....

13. Approximately how much premium is collected by the agency annually? Please check the appropriate box.

- ☐ Less than $250,000
- ☐ $250,001-$500,000
- ☐ $500,001-$1,000,000
- ☐ $1,000,001-$2,000,000
- ☐ $2,000,001-$5,000,000
- ☐ Over $5,000,000

14. Which of the following best describes your agency? Please check the appropriate box.

- ☐ Independent Agent
- ☐ Captive Agent for the parent company (receive form 1099)
- ☐ Salaried Employee of the parent company (receive form W-2)

15. Please make any comments you would like about the relationship with the parent company, your communication with them, or the situation in general. Use the next page, if more space is needed.

If you would like a summary of the results, please provide your address, phone number and e-mail or attach your business card. Remember, your responses are confidential.

Name:

Company:

Address:

Phone #: ( ) .

E-mail:

Thank you.
We appreciate your time and attention!

Appendix C Reminder Letter

Dear Owner/Manager:

We recently asked for your participation in a study of communication between insurance professionals like yourself and your home office. If you have already responded, please disregard this letter, and accept our sincere appreciation. However, if you did not respond, please consider taking time to complete and return the questionnaire. Input from professionals like you is important in pointing out how the insurance industry can achieve better coordination between home offices and their agents. Remember, confidentiality of your response is ensured. If you need another questionnaire, please call our toll-free number 1-877-868-3059 and leave your name and address.

Sincerely,

Birud Sindhav
Research Coordinator

Robert F. Lusch
Professor, Accounting and Marketing
Helen Robson Walton Chair and
George Lynn Cross Professor