

Interfirm Structure and Buyer-Salesperson Behavior Impact on Relationship Outcomes

Julie T. Johnson-Busbin, James W. Busbin, James S. Boles and Hiram C. Barksdale, Jr.

Abstract - The individual level interaction between the buyer and salesperson can best be understood in the broader framework provided by the inter-firm relationship. Very little research has been conducted that examines both firm level and interpersonal level constructs in the context of business relationships. The primary purpose of this study is to design and test a theoretical model that examines the effect of inter-firm structure and buyer-salesperson behaviors on relationship outcomes. The results suggest that in established relationships, the external environment plays a role in determining the how buyer-seller firms structure their relationships. The way in which the relationship is structured plays an important role in determining how the buyer and salesperson interact. Both inter-firm structure and buyer-salesperson behaviors, in turn, influence buyer satisfaction.

Keywords - Buyer-seller relationships; Inter-firm structure; Relational outcomes; Buyer-salesperson behavior.

I. INTRODUCTION

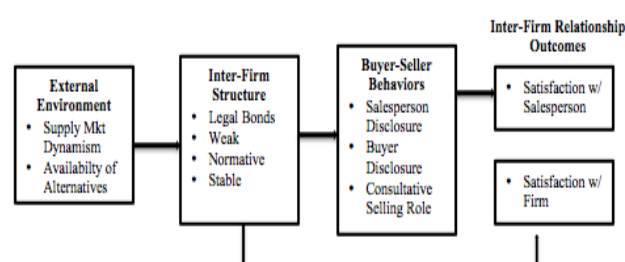
Over the past few decades, building relationships with customers has become the norm, rather than the exception for firms in a business-to-business environment. While relationships at the firm level are important, business practitioners also innately understand that relationships at the salesperson level are also critical. For example, some buyers are loyal to a firm and will continue to do business, regardless of the salesperson. However, other buyers are loyal to their salesperson and may switch to a different supplier when their salesperson leaves. Consequently, selling firms may want to explore ways to create inter-firm structures that encourage the development of a relationship with the firm while providing support for salespeople to build inter-personal relationships.

While many studies have focused on firm-level constructs, interpersonal dynamics are the foundation of inter-organizational outcomes [1, 2]. Richer information may be garnered by examining and interpreting interactions between individuals in terms of the larger context of the group in which they are embedded. Consequently, researchers also need to focus on systematically exploring the way in which interpersonal relationships might impact inter-firm outcomes [3].

Very little research has been conducted that examines both firm level and interpersonal level constructs in the context of business relationships. The hypothesized Model of Inter-firm structure and Buyer-salesperson behaviors Influence on Relationship outcomes (MIBIR) is shown in

Fig.1. This model posits that external environment factors influences inter-firm structure. Inter-firm structure impacts buyer-salesperson behavior, which subsequently affects relationship outcomes.

Figure 1 – MIBIR Model
Model of Inter-firm Structure and Buyer-Salesperson Behaviors
Influence on Relationship Outcomes



II. THEORETICAL FRAMEWORK

A. External Environment

The external environment refers to factors outside of inter-firm relationships and is important because it influences the way firms structure their relationships [4]. Specific dimensions of the external environment are believed to play a greater role in determining the inter-firm structure that is developed. One such dimension is the dynamism of the external environment. Supply market dynamism is defined as whether change in the supply market is perceived to be significant to the buying firm [4, 5]. It has been shown to impact how firms go about doing business [6]. Another environmental dimension that affects the way relationships are structured between firms is the availability of alternative suppliers. The availability of alternative suppliers is the availability of different suppliers who might offer comparable or better service. Availability of alternative suppliers is a subjective rather than an objective evaluation. One method of controlling dependence is by managing the stability and predictability of the exchange relationship. This can be accomplished by structuring the inter-firm relationship in such a way that the required resource supply is stable and predictable.

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B. Inter-Firm Structure

Inter-firm structure is expected to be influenced by external environmental factors. Inter-firm structure refers to mechanisms that govern or control relationship between two firms. Inter-firm relationships can be structured in a variety of ways. One way to structure relationships is by using formal and informal control mechanisms. Formal control mechanisms are well documented written rules and regulations. Informal controls consist of group norms and organizational culture. Drawing on a common typology [7], formal control is viewed in terms of legal bonds that exist between the buying and selling firms. Legal bonds are defined as detailed and binding contractual agreements that specify the buying and selling firms' obligations and roles and have been shown to play an important role in structuring and controlling relationships between firms [5]. Informal control is studied by examining cooperative norms that exist between the buying and selling firms. Cooperative norms are defined as the expectations, attitudes and behaviors the buying and selling firm have about working together to jointly achieve mutual and individual goals and have been identified as being important in structuring inter-firm relationships [5].

Formal and informal control mechanisms can be combined in an infinite number of ways [7]. We propose a typology, adapted from previous research [4,8] which examines four different combinations of inter-firm structure. The four combinations are: (1) legal bonds structure (characterized by high legal bonds and low cooperative norms), (2) weak structure (characterized by low legal bonds and low cooperative norms), (3) normative structure (characterized by low legal bonds and high cooperative norms), and (4) stable structure (characterized by high legal bonds and high cooperative norms). Therefore, it is posted that:

H₁: The external environment will influence the inter-firm structure that is developed between firms.

H_{1a}: Buying firms who perceive their environment to be dynamic will be more likely to develop a stable structure (with high legal bonds and high cooperative norms) with the selling firm than any of the other three structures.

H_{1b}: Buying firms who perceive they have many alternative suppliers will be more likely to have a weak structure (with low legal bonds and low cooperative norms) with the selling firm than in any of the other three structures.

C. Buyer-Salesperson Behaviors

Group achievement theory maintains that formal structure of the group influences the role expectations and role performance of group members [9]. The role each individual plays is defined in terms of formal structure of the group [9]. In other words, structure of the inter-firm relationship should be important in determining buyer's role expectations and the role a salesperson plays. The MIBIR model asserts that four inter-firm structure combinations influence the buyer-salesperson behaviors. Buyer-salesperson behaviors deal with the interaction between individuals in buyer-salesperson exchange episodes. In an established relationship the buyer and salesperson are the primary participants in the buying

decision. One behavior that is critical for relationship maintenance is mutual disclosure between the buyer and seller. Buyer disclosure refers to the buyer's willingness to divulge business and personal information to the salesperson [10]. Seller disclosure refers to the buyer's perception that the salesperson is willing to divulge personal information to the buyer [10]. The amount and type of information that a buyer and supplier exchange is a function of the way the relationship between two firms is structured. If a relationship is discrete in nature, buyers are not concerned with exchanging information. This type of relationship is characterized by low levels of norms. If the buyer-seller interaction is relational in nature, buyers tend to communicate information that helps the seller understand the buyer's needs. A relational structure is characterized by high levels of norms [11].

Another behavior that can influence the the buyer-seller relationship is the salesperson's role. The extent to which selling behavior positively influences the buyer-seller relationship depends on the buyer's expectations about the salesperson's role. When the buyer and salesperson have a relationship, the buyer expects that the salesperson will be knowledgeable about the buying firm's business [5,10]. Inherent in this expectation is that the salesperson is knowledgeable about the product he or she sells and how it meets the buying firm's needs. Consultative selling role is defined as the extent to which the salesperson is knowledgeable about the buying firm's business and understands how his or her product can meet the buying firm's needs. Therefore, we hypothesize that:

H₂: The inter-firm structure that is developed between two firms will affect the way in which the buyer and the salesperson behave.

H_{2a}: Salesperson disclosure will be higher in the high normative structure than with any of the other three inter-firm structures.

H_{2b}: Buyer disclosure will be higher in the high normative structure than with any of the other three inter-firm structures.

H_{2c}: Consultative selling will be lower in the weak structure than in any of the other three inter-firm structures.

D. Relationship Outcomes

The four inter-firm structure combinations also influence relationship outcomes. Additionally, buyer-salesperson behavior is expected to have an impact on relationship outcomes. Support for these assertions is found in group achievement theory and social exchange theory. One relationship outcome that is important to the maintenance and enhancement of relationships is satisfaction [5]. In this study, we measure satisfaction at both the firm level and the individual level [8]. Satisfaction with the firm is defined as a positive affective state resulting from the appraisal of all aspects of the buying firm's relationship with the selling firm while satisfaction with the salesperson is defined as a positive affective state resulting from the appraisal of all aspects of the buyer's relationship with the salesperson.

Group achievement theory posits that both group structure and individual behavior affect group outcomes such

as satisfaction. Satisfaction is an outcome of the structure between firms and is a result of the salesperson's behavior [10]. Therefore, we propose that:

- H3: The buying firm's satisfaction with the selling firm will be higher in a stable structure (high legal bonds and high cooperative norms) than in any of the other three inter-firm structures.
- H4a: The greater the salesperson's disclosure, the greater a buyer's satisfaction with the salesperson.
- H4b: The greater the buyer's disclosure, the greater the buyer's satisfaction with the salesperson.
- H4c: The greater the level of consultative selling, the greater the buyer' satisfaction with the salesperson.

III. FINDINGS

A. Sample

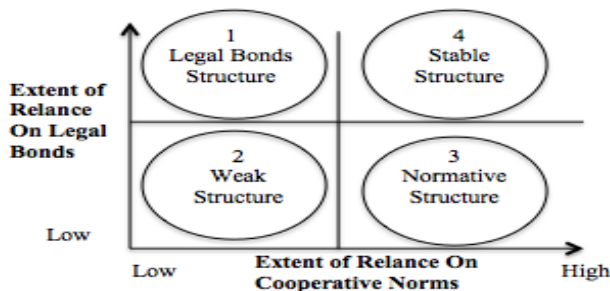
Data were collected from business customers who purchased products from a Fortune 100 company. The respondents spent, on average, \$1,000,000/year with the Fortune 100 company. Two hundred and thirty-four individuals completed the survey, for a 58.5% response rate.

B. Exploratory Factor Analysis and Reliability Analysis

Exploratory factor analysis with a principal components model was used to assess the dimensionality of the measures using a principal components analysis model. All measures demonstrated acceptable fit: supply importance ($\alpha = .81$); legal bonds ($\alpha = .75$); buyer disclosure ($\alpha = .86$); salesperson disclosure ($\alpha = .91$); satisfaction with the salesperson ($\alpha = .95$); and satisfaction with the firm ($\alpha = .88$). The summed measures were used in all subsequent analyses.

Next, the 4 inter-firm structure categories were created by examining two dimensions, legal bonds and cooperative norms (see Fig.2). Quadrant 1 (legal bonds structure) represents observations with a median above 1.50 for the legal bonds and below 1.47 for cooperative norms. Quadrant 2 (weak structure) was created with a median 1.50 and below for the legal bonds and 1.47 and below for the cooperative norms. Quadrant 3 (normative structure) consists of observations with a median 1.50 and below for the legal bonds and above 1.47 for the cooperative norms. Quadrant 4 (stable structure) has observations with a median above 1.50 for the legal bonds and above 1.47 for the cooperative norms.

Figure 2 – Typology of Interfirm Structure Combinations



C. Results

The Effect of External Environment on Inter-Firm Structure (Hypotheses 1, 1a and 1b - Supply Market Dynamism and Perceived Alternative Suppliers)

To test the hypothesis that external environment will influence the inter-firm structure that is developed between two firms (H_1), a Wilks' lambda test for equality of centroids, a multivariate significance test, was run. The test for equality of centroids indicated that the external environment had a significant effect on the inter-firm structure combinations (Value = .85; $F = 5.75$; significance of $F = 0.00$) which supports this hypothesis. Once it was determined that the external environment had a significant effect on the inter-firm structure combinations, multiple comparison tests were run to test hypotheses 1a and 1b.

As shown in the overall results in Table 1, the results indicate that only one hypothesis (H_{1b}) was partially supported. H_{1a} predicted that when the external environment is dynamic, firms are more likely firms to develop a stable structure. This finding indicates that a dynamic environment does not influence the type of structure that is developed between firms. Partial support was found for H_{1b} which predicted that when a firm perceives there are many alternative suppliers, they are more likely to develop a weak structure. The findings indicate that availability of alternative suppliers predicts inter-firm structure. The findings suggests that when a firm perceives there are many alternative suppliers, they are less willing to invest time developing cooperative norms with their current supplier.

✚

Variable	Mean Values				F	Signif of F	Scheffe Test for Significant Differences by Quadrant
	Legal (1)	Weak (2)	Norm (3)	Stable (4)			
DYNMSM (H_{1a})	1.71	1.71	1.75	1.76	2.45	.066	none
CLALT (H_{1b})	1.20	1.05	1.46	1.44	9.07	.000	2 & 4 2 & 3

The Effect of Inter-Firm Structure on Buyer-Salesperson Behaviors (Hypotheses 2, 2a, 2b and 2c)

H_2 posited that inter-firm structure developed between two firms influences the way in which the buyer and the salesperson behave. MANOVA was used to test the hypothesis. The metric dependent variables used to represent buyer salesperson behaviors were salesperson disclosure (DISCLAE), buyer disclosure (DISCLBY) and consultative selling role (AEROLE). The categorical independent variable was inter-firm structure. The results of the MANOVA indicate that inter-firm structure does effect buyer salesperson behaviors (Value = .82; $F = 4.60$; Significance of $F = .00$). A table of results for hypotheses 2, 2a, 2b and 2c is shown in Table 2. Once it was determined that the MANOVA results were significant, a series of one-way ANOVAs were conducted to test the effect of the independent variable, inter-

firm structure, on the 3 dependent variables (hypotheses 3a, 3b and 3c). When the ANOVA analysis was significant, multiple comparison tests (Scheffe) were examined to assess differences between structure combinations. The results for hypotheses 2a, 2b and 2c are shown in Table 2.

Table 2. The Effect of Inter-Firm Structure on Buyer-Salesperson Behaviors

MANOVA Results Multivariate Test: Hypothesis 2							
Test	Value	d.f.	F	Significance of F			
Wilks'	.82	9	4.60	.00			
ANOVA and Multiple Comparison Test Hypotheses 2a, 2b and 2c							
Mean Values							
Variable	Legal (1)	Weak (2)	Norm (3)	Stable (4)	F	Signif of F	Scheffe Test for Significant Differences by Quadrant
DISCLAE (H2a)	0.74	0.60	0.87	0.91	3.36	.020	quadrant 4 & 2
DISCLBY (H2b)	0.83	0.74	1.06	1.03	5.28	.001	3 & 2 4 & 2
AEROLE (H2c)	1.37	1.31	1.61	1.63	10.92	.000	2 & 3, 2 & 4 1 & 3, 1 & 4

H2a predicted that salesperson disclosure would be greater in the normative structure than the other three structures. However, the findings indicate this hypothesis is not supported since no significant difference exists. There is a significant difference between the mean of the stable structure and the mean of the weak structure. H2b predicted that buyer disclosure would be higher in the normative structure than any of the other three structures. Partial support was found for this hypothesis. While the mean was higher in the normative structure than any other structure, the differences were not statistically significant than either the legal bonds structure or the stable structure. The normative structure mean was significantly different from the weak structure mean, however. Additionally, a significant difference was found between the stable structure mean and the weak structure mean. For H2c, it was anticipated that consultative selling would be lowest in the weak structure compared with any of the other three structures. Partial support was found for this hypothesis. Four statistically significant differences were found. A significant difference was found between the mean of the weak structure and the mean of the normative structure. A significant difference was also found between the mean of the weak structure and the mean of the stable structures. No significant difference was found when the mean of the weak structure and the mean of the legal bond structure were compared. A significant difference was also found between the mean of the normative structure and the mean of the legal bonds structure. Finally, a significant difference existed between the mean of the stable structure and the mean of the legal bonds structure.

The Effect of Inter-Firm Structure on Relationship Outcome

Hypothesis 3 tested the effects of inter-firm structure on the relationship outcome, satisfaction with the firm (SATFIRM). This analysis was conducted using ONEWAY ANOVA. A multiple comparison test (Scheffe) was used to

see if differences between the structure combinations exist. The results indicate that inter-firm structure effects the relationship outcome, satisfaction with the firm. The results are shown in Table 3.

Table 3: The Effect of Inter-Firm Structure on Relationship Outcomes (Satisfaction with the Firm)

ANOVA and Multiple Comparison Test Hypotheses 3							
Mean Values							
Variable	Legal (1)	Weak (2)	Norm (3)	Stable (4)	F	Signif of F	Scheffe Test for Significant Differences by Quadrant
SATFIRM (H4)	1.54	1.40	1.73	1.73	22.10	.000	4 & 2, 4 & 1, 3 & 2, 3 & 1 1 & 2

The results provide partial support for H3. The findings indicate that satisfaction with the firm is highest in the stable and normative structures. There was no significant difference between satisfaction with the firm in the stable and normative structures. However, a statistically significant difference was found between satisfaction with the firm and the stable structure. Satisfaction with the firm is greater in the stable structure than the legal bonds structure. Satisfaction with the firm is also higher in the stable structure than the weak structure. Additionally, statistically significant differences exist between satisfaction with the supplier firm and the normative structure. Satisfaction with the supplier firm is greater in the normative structure than the legal bonds structure. Satisfaction with the firm is also greater in the normative structure than the weak structure. Satisfaction with the supplier firm is higher in the legal bonds structure than the weak structure. This finding suggests that cooperative norms are essential in creating satisfaction with a relationship. Supplier firms may want to focus on creating cooperative norms with the buying firms. Unfortunately, little research exists which examines how cooperative norms are developed. Research needs to be conducted to determine ways to develop cooperative norms between firms. In the event that it is not possible to develop cooperative norms, supplier firms should focus on creating legal ties with their buying firms. This is because relationships with legal bonds appear to result in greater satisfaction with a supplier than relationships with no legal ties and no cooperative norms.

The Effect of Buyer-Salesperson Behaviors on Relationship Outcomes (Hypotheses 4a, 4b, 4c)

Hypotheses 4a-c tested the effects of buyer-salesperson behaviors on the relationship outcome, satisfaction with the salesperson. The buyer-salesperson behaviors examined were salesperson disclosure (DISCLSP), buyer disclosure (DISCLBUY) and consultative selling role (CONSULT). The analysis was conducted using simple regression. Simple regression is appropriate when there is one metric dependent variable (satisfaction with the salesperson) and one metric independent variable. The results are shown in Table 4.

H4a predicted that salesperson disclosure would be positively related to the buyer's satisfaction with the salesperson. Support was found for this hypothesis. As Table

4 indicates, there is a significant, positive relationship between salesperson disclosure and satisfaction with the salesperson. However, salesperson disclosure did not account for much of the variation in the buyer's satisfaction with the salesperson (only 4%). H_{4b} predicted that buyer disclosure would be positively related with a buyer's satisfaction with the salesperson. Support for this hypothesis was also found. There is a significant and positive relationship between buyer disclosure and a buyer's satisfaction with the salesperson. Buyer disclosure accounts for 10% of the variation of a buyer's satisfaction with the salesperson. Finally, H_{4c} anticipated that consultative selling would be positively related with satisfaction with the salesperson. Support was also found for this hypothesis. Consultative selling accounted for 46% of the variation in buyer satisfaction with the salesperson.

Table 4. The Effect of Buyer-Salesperson Behaviors on Relationship Outcomes (Satisfaction with the Salesperson)

Dependent Variable: Satisfaction with the Salesperson				
Independent Variable	b	t	Significance of t	R ²
DISCLSALES (H _{4a})	.13	2.98	.00	.04
DISCLBUY (H _{4b})	.25	4.76	.00	.10
CONSULT (H _{4c})	.69	13.30	.00	.46

V. MANAGERIAL IMPLICATIONS

The findings of this study have several managerial implications. Probably the most important implication is that managers should encourage their employees to develop cooperative norms with their customers. Cooperative norms are essential for developing successful long term relationships. They play an important role in determining whether the salesperson can move beyond being "just a salesperson" to being a consultant. One reason for this is that the buyer is more inclined to share information with the salesperson when cooperative norms exist. By obtaining information from the buyer, the salesperson can begin to develop a thorough understanding of the buyer's needs. By developing a thorough understanding of the buyer's needs the salesperson can work with the customer to solve problems for the buying firm. The salesperson must understand the buyer and the buyer's organization before he or she can provide value-added consultative services. Buyers who perceive their salespeople as consultants are more satisfied with their salespeople. Buyer satisfaction with the supplier salesperson is an essential element in the buyer being satisfied with the firm. Customers who are very satisfied are more likely to be loyal.

It is easy to see why selling firms should develop cooperative norms with buying firms. However, it is difficult to ascertain what managers can do to facilitate the development of cooperative norms. Neither the marketing literature nor the social psychology literature identifies the processes through which cooperative norms are developed. Nevertheless, it is possible to speculate on ways managers can help their customer contact people develop cooperative norms. Managers must understand that cooperative norms are developed early in the buyer-seller relationship. In a new buy situation, many people are involved in the buying and selling

centers (Wilson, Lilien and Wilson, 1991). All of these individuals are responsible for the establishment of inter-firm norms (Shaw, 1971, p.238). While managers cannot influence the buying center, they can have an impact on the selling center.

One way in which cooperative norms may be developed is through repeated customer contact. More customer contacts could be seen as being productive to the buying center provided that the selling center is following up on buying center requests. It is important for the selling team to follow-up quickly and to meet all commitments they make regarding response time. However, visiting the customer more frequently will not guarantee that cooperative norms are developed. While the amount of time spent with the customer may play an important role in developing cooperative norms, the quality of the customer visit is also important. All customer contact people must learn to identify customers' expectations early on in the sales process. If the sales team is able to understand the customer's needs and develop solutions to meet those needs, then it seems likely that a cooperative spirit will develop. One way in which managers can facilitate this process is by providing sales training to all customer contact people, not just salespeople. For example, training all customer contact people in selling techniques that focus on needs analysis would equip them with the skills necessary to identify customer problems and meet customer needs.

Another issue managers should consider is to develop a compensation plan in which cooperative norms are an integral component. All customer contact people should be compensated, in part, based on how cooperative the buying center perceives the selling center. By having a common compensation plan based on cooperation, all customer contact personnel should be motivated to develop cooperative norms with the buying firm. It is important for managers to understand that cooperative norms exist between firms. Once cooperative norms are established, they tend to be stable over time and are likely to persist even when group membership changes (Shaw, 1971, p.236; Thibaut and Kelley, 1959, p. 135). This has implications for the selling firm. If the buying firm has established a relationship with the selling firm, it seems likely that the buying firm will remain with the selling firm even if the salesperson leaves. By establishing cooperative norms, the selling firm has taken a step toward developing customer loyalty with the firm.

Finally, this study indicates that managers in supplier firms may be missing out on an important opportunity if they view contractual agreements solely as barrier to exiting the relationship. Contractual agreements do not play a significant role in determining buyer satisfaction. It is likely that dissatisfied customers will exit the relationship once the contract has expired. However, legal agreements can serve as the starting point for the development of cooperative norms with the selling firm. Selling firms should take advantage of buying firms' interest in developing cooperative norms once a contract is signed. Viewing legal contracts as a precursor to developing cooperative norms may be a more productive orientation for the selling firm in the long run.

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