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VERTICAL POWER RELATIONSHIPS IN CHANNELS OF DISTRIBUTION: AN INTEGRATED AND EXTENDED CONCEPTUAL FRAMEWORK

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Summary

This paper seeks to extend the conceptual framework of interfirm power relationships within marketing channels. Based, in large part, on a review and synthesis of research on power in the marketing channels, social psychology, organizational behavior, sociology, and political science literatures, a general model of the interfirm power-influence process is developed which (1) clarifies major aspects of dimensions of interfirm power and (2) identifies constructs with a primary linkage to power within interfirm channel relationships.

INTRODUCTION

A growing body of theoretical and empirical research has aided our understanding of vertical power relationships within marketing channels in recent years. The early theoretical perspective on interfirm power (i.e., one firm's potential influence on the behavior and/or decision making of another firm) in terms of its primary sources, uses, and consequences is exhibited in Stern (1969) and Heskett, Stern, and Beier (1971). Bucklin (1973), Robicheaux and El-Ansary (1975), and Stern and Reve (1980) present models and/or theoretical frameworks contributing to the area's conceptual development. El-Ansary and Stern (1972) were the first to empirically analyze the distribution of power among firms in a marketing channel. Major empirical studies on interfirm power by Wilkinson (1973), Hunt and Nevin (1974), Lusch (1976, 1977), and Etgar (1976, 1978b) followed. Reve and Stern (1979) present a review of this research while offering additional insights into the theoretical basis for studying interfirm behavioral interactions in a distribution channel.

The previous modelling efforts by Bucklin (1973), Robicheaux and El-Ansary (1975), and Stern and Reve (1980) center more on the general nature of behavioral interactions among business firms than concentrating in depth on interfirm power. Absent from the marketing channels literature is a comprehensive conceptual model which centers specifically on interfirm power and its primary aspects or dimensions (e.g., the origin of power) and correlates (e.g., interfirm influence strategies) based on an integration of relevant research. The development of such a conceptualization would appear to have at least three benefits. First of all, a comprehensive conceptual model on interfirm power may serve to heighten the interest academic researchers have in studying interfirm power relationships by (1) synthesizing what is currently known in the area, (2) identifying and defining constructs with a primary linkage to interfirm power, and (3) suggesting issues for future research. This is critical considering the importance of understanding business firm interactions within marketing channels and the relative scarcity of empirical research in the interfirm power area at the present time.

Second, the development of a conceptual model which centers on interfirm power considerations (i.e., its primary dimensions and correlates) may broaden the scope of future empirical research in the area. Sheth (1976) contends that without a comprehensive conceptual perspective in an area, empirical research tends to localize on a few basic issues or orientations without considering many relevant, unexplored aspects on important topics of interest. What empirical research has been performed on interfirm power in marketing channels has centered primarily around the "bases of power" concept developed by French and Raven (1959). Aside from this limited focus, there is evidence that the bases of power concept is incomplete. As indicated by Wilkinson and Kipnis (1978), a number of studies in social psychology suggest that many relevant influence tactics do not readily fit into this classification.

A final benefit of a more complete conceptual model on interfirm power would be to shed light on the dynamics of power's usage in dyadic channel relationships. Etgar (1978a) suggests that power may be used most frequently to halt an ongoing conflict situation. Lusch (1978), on the other hand, contends that while power may be used at times in this context, its use may more frequently be the actual instigator of certain interfirm conflicts. A conceptual model which elaborates on the varying influence strategies applicable in interfirm settings and possible costs associated with their use may clarify, to a degree, the issues raised by Etgar (1978a) and Lusch (1978).

Accordingly, the objective of this paper is to extend the conceptual framework of interfirm power relationships in marketing channels. The paper revolves around seven aspects or dimensions of interfirm power: (1) the origin or source of power; (2) the level or amount of power; (3) the means of exerting or applying power; (4) the weight or strength of power; (5) the extension or domain of power; (6) the range or scope of power; and (7) the costs of exerting or applying power. These dimensions were identified based on a synthesis of Dahl (1957), Harsanyi (1962a, 1962b), Nagel (1968), and Beier and Stern (1969). While each of these dimensions appears to have applicability in a channels context, they have received little attention in the marketing channels literature.

A conceptual model of the interfirm power-influence process (i.e., the series of actions and reactions which result from the application of interfirm power) is developed within the paper, built around the first four dimensions previously mentioned. As will become evident, to address these dimensions adequately, the identification and definition of other constructs (e.g., influence strategies, types of influence) with a primary linkage to interfirm power is necessary.

A discussion of the latter three dimensions (i.e., the extension of power, the range of power, and the costs of applying power) is facilitated after the model's presentation.

The model is designed to help explain how one firm attempts to gain influence or effect on another firm's autonomous decision making and/or behavior. As such, an inspection and description of the bargaining behavior which takes place between two firms on their joint decision making is beyond the scope of this paper.

As suggested previously, the paper is largely based on a synthesis of the present marketing channels literature on interfirm power. Research is also drawn from the social psychology, organizational behavior, sociology, and political science literatures on power to supplement contentions made within the paper and/or to suggest possible additions to the conceptual framework of interfirm power relationships. Additionally, in a number of cases, the ideas of certain researchers are extended within the paper. Based on research by Gill and Stern (1969), Hunt and Nevin (1974), Robicheaux and El-Ansary (1975), and Lusch (1976), the concept of role performance or a firm's actual ability to carry out expected tasks based on its position in the channel is developed. One firm's perceived role performance in a channel dyad is posited to drive the level of the other firm's dependence in that relationship. A classification of previously identified influence strategies is devised ranging from relatively implicit, nonovert strategies to relatively explicit, pressurized strategies. Extending ideas by Alderson (1965), Tedeschi, et. al. (1973), and Lusch (1976), possible costs associated with the use of these varying strategies are discussed. Three types of influence or effect on a firm's perceptions, behavior, and/or decision making are identified: (1) implicit influence (i.e., source firm effect based on the target's perception change); (2) explicit influence (i.e., source effect based on pressurizing the target to do something); and (3) anticipatory influence (i.e., source effect based on target favors). Research by Simon (1953), Parsons (1963), Hunt and Nevin (1974) and Lusch (1976) was instrumental in identifying these types of influence. Following Stern, et. al. (1973), two dimensions of the "bases of power" rationale developed by French and Raven (1959) are identified, one dealing with resources which affect the goal attainment of the target firm making it synonymous with the basic foundations of dependence theory, the other centering at the means a firm's boundary personnel can utilize in applying their firm's power. Personal interviews with approximately forty new car dealers of various makes in the automobile distribution channel guided the development of these conceptual contributions.

INTERFIRM POWER AND INFLUENCE

Although power has been defined in a variety of ways in the social psychology, sociology, organizational behavior, and political science literatures (e.g., power as force or pressure, power as influence or control), power has been consistently defined in the channels context as one firm's ability to influence the perceptions, behavior, and/or decision making of members of another firm (i.e., potential influence) (e.g., El-Ansary and Stern 1972, El-Ansary 1973, Wilkinson 1973, Hunt and Nevin 1974). As indicated by Tedeschi, et. al. (1973), Wilkinson (1973), and Etgar (1977), defining power as "potential influence" allows a clear distinction between it and influence or actual effect on another's perceptions, behavior, and/or decision making.[1] This is important considering that a certain degree of power may be unused or inappropriately applied in a channel relationship (El-Ansary and Stern 1972). For example, a target firm with high power in a channel dyad may apply very little of it in a given period because his primary objectives center elsewhere at this time (e.g., enhancing consumer demand). Additionally, the costs of applying power may dictate that some power is unapplied in certain situations (Harsanyi 1962a, Bonoma 1976, Stern 1977). As a result, it appears that levels of power and influence will not be equivalent in dyadic channel relationships.

A MODEL OF THE INTERFIRM POWER-INFLUENCE PROCESS

Figure 1 presents a general model of the interfirm power-influence process in a marketing channel which will be fully explained herein. Six primary aspects or dimensions of this process are identified on the left-hand column of Figure 1 each with a corresponding level in the general model. As indicated previously, four of these dimensions (i.e., the origin of power, the level of power, the means of applying power, and the weight of power) have been suggested by Dahl (1957), Harsanyi (1962a, 1962b), Nagel (1968), and Beier and Stern (1969) as being important to consider when analyzing and evaluating power. The "interaction" and "types of influence" dimensions fall naturally into the process. While the model was developed in the context of a franchise channel system, its general logic appears applicable to non-contractual channel settings as well.

[Place Figure 1 About Here]

Note that the model emphasizes the nature of two-way interaction in a channel dyad. Each firm in a channel dyad may have a certain level of power and may attempt to attain influence on the other's behavior and/or decision making (Beier and Stern 1969, Etgar 1976).

Origin of Power

The first dimension of Figure 1 which will be discussed is the origin or source of power. This concerns how power is first attained and subsequently maintained by a firm in a dyadic channel relationship. As indicated in Figure 1, the origin of a firm's power or potential influence in a channel dyad is posited to be driven by two factors: (1) the firm's authority in the relationship; (2) the other firm's dependence in the relationship. To more fully understand the constructs of authority and dependence, Figure 2 is presented.

[Place Figure 2 About Here]

Authority. A firm's authority in a dyadic channel relationship (V9 and V10) is its prescribed right to affect certain behaviors which is accepted by the other firm (Robicheaux and El-Ansary 1975). In large part, authority is based on the target firm's voluntary compliance on certain issues and/or decisions due to its beliefs in the source's right to command and its duty to obey (Bannister 1969, Hickson et. al. 1971, Bucklin 1973, Robicheaux and El-Ansary 1975). Beier and Stern (1969) indicate that a firm's authority is congruent with the concept of legitimacy developed by French and Raven (1959).

As exhibited in Figure 2, the business agreement between two firms (V1 in Figure 2) may generate a degree of authority for each in their relationship. The nature of the interfirm agreement can vary from long term contracts which exist in franchise channel systems, short term contracts specifying the terms of a yearly or one time sales transaction, to mere verbal agreements (Rubin 1978). Whatever the nature of the agreement, it will specify certain issues which each party must abide by in their relationship. This will establish certain levels of authority for each party on these issues.

Additionally, based on the vertical channel position of each firm in the dyad (V2 and V3), certain norms or rules of conduct may exist in the channel which guarantees each member certain levels of authority in the relationship aside from any formal agreements between the parties (Gill and Stern 1969). For example, a retailer may follow the manufacturer's recommended price list on certain products merely because of past precedent within their distribution channel.

Dependence. A firm's dependence on another firm (V8 and V11) represents its need to maintain the relationship in order to achieve its goals. Dependencies arise among firms because of task specialization and functional differentiation within the marketing channel (Reve and Stern 1979). "Because every channel member is responsible for some phase of channel task accomplishment, each member is dependent to some extent on the other members within the network" (Stern 1977). If a firm's level of goal attainment is high and it appears that few if any alternative relationships could provide the same level of goal attainment, the firm would be predicted to have high dependence in the relationship (Emerson 1962).

Within a dyadic channel relationship, the channel position of each firm (V2 an V3) contributes, in large part, to the set of inherent in determining its role performance and thus a target firm's dependence in their channel relationship.

The dependence of the target firm can also be affected by the nature and outcomes of the source's influence attempts over time. This feedback effect is illustrated in Figure 1 by the dotted line from a source firm's overall level of influence to the target's dependence. This issue will be considered in greater depth later in the paper.

The Bases of Power. While French and Raven's (1959) concept of legitimacy is congruent with a firm's authority and included at this dimension, the other bases of power (i.e., the reward, coercive, expert, and referent bases) are not explicitly included in the model. However, it will soon become evident that they do have a place at this dimension as well as at the "means of applying power" dimension.

Following the conceptualization and operationalization of this rationale in Stern, et. al. (1973), it appears that each base of power has two aspects, one centering on verbal statements that the source firm communicates to the target firm hoping to attain behavioral compliance on certain issues, the other dealing with target firm's evaluation of these communications and/or the general channel relationship. Discussing the second aspect first, the target may evaluate the resources (e.g., consumer demand, assistances) the source firm provides in the relationship to facilitate his goal attainment (Stern, et. al. 1973). Based on these evaluations, the target firm must decide whether compliance is required given the particular message communicated. For example, a source firm's regional manager may ask tasks or responsibilities that each party must perform to facilitate the other's goal attainment (Gill and Stern 1969). Responsibilities may be related to channel positions over time through tradition (Stern 1977), cost tradeoffs (Rubin 1978), managerial preferences (Cort and Stephenson 1978), or legal considerations (Hunt and Nevin 1974). They may also be negotiated in certain business situations (Robicheaux and El-Ansary 1975). Gill and Stern (1969) and Robicheaux and El-Ansary (1975) refer to these inherent tasks as each firm's <u>role set</u> in their relationship (V4 and V5).

The existence of the role set in channel relationships enables each party in the dyad to anticipate the behavior of the other firm to a degree (Gill and Stern 1969). Additionally, Hunt and Nevin (1974) and Lusch (1976) indicate that a source firm's performance in providing assistances (e.g., excellent training programs and operation manuals) to the target firm will have a significant bearing on the nature of their relationship. This suggests that a firm's performance on elements of its role set or its <u>role performance</u> (V6 and V7) (i.e., the ability to carry out expected tasks based on its position in the channel) will drive the level of the other firm's dependence in the relationship as it affects or is perceived to affect levels of that firm's goal attainment. For example, such elements as a source firm's ability to generate demand (Beier and Stern 1969), provide a high level of customer service or dealer support (e.g., product allocation) (Willet and Stephenson 1969), offer high quality assistances (e.g., operation manuals) and advice (Hunt and Nevin 1974, Lusch 1976), and meet other firm's behavioral expectations in interactions (e.g., the firm's cooperative nature) (Alderson 1965, Bucklin 1973) may be important terms of a firm's role performance. A target firm's desire to identify with a source firm (i.e., the referent base) may be driven by the sources' relative status in its industry (Beier and Stern 1969). Industry status may be driven by a firm's role performance on its marketing strategy variables which generates a high level of market demand and thus a relatively high market share. A firm's ability to provide quality advice and assistances (i.e., the expert base) may be an important element of its channel role (Hunt and Nevin 1974). By increasing role performance on certain issues (e.g., product allocations, renumeration on warranty claims), the source firm can enhance the "reward base" which exists in the relationship for the target firm. Contrarily, by decreasing role performance on certain issues, the "coercive base" comes into prominence. Considering this congruence, the "bases of power" rationale was not included as a separate philosophy at this dimension (i.e., the origin of power).

The second aspect of each base of power concerns the actual character or content of the communication presented by the source to the target. With the reward, coercive, legitimate, and expert bases, the nature of the communication appears straightforward. For example, a boundary person may stress that rewards (e.g., wider profit margins, better product allocations) will be granted if the target complies with his firm's requests. With the referent base, the communications may tend to be more covert (e.g., a boundary person implies that their friendship or the target's need to identify with the source firm requires compliance). This dimension of the bases of power becomes a target firm to increase its product inventories in a given period. In return, he may promise the target firm increased cooperation on product allocations and deliveries in the future (e.g., a reward centered approach). In such cases, the target may evaluate the source firm's previous contributions to its goal attainment (e.g., previous rewards) as well as the potential for additional contributions in the future (e.g., the credibility of the source firm in providing promised rewards). Similar examples could be made for the other "bases of power."

The main point of this discussion is that such evaluations all relate to consideration surrounding the target's goal attainment, whether past, present, or future. As such, this aspect of the "bases of power" appears consumed in the dependence approach. Emerson (1962) highlights this possibility when, in referring to the French and Raven (1959) paper, he states, "Careful attention to our highly generalized conception of dependence will show that it covers most if not all of the forms of power listed in that study." Guiltinan (1977) recognizes a degree of overlap exists between the bases of power rationale and dependence theory. Like Emerson (1962), he suggests that dependence theory is the more encompassing and general approach. This reasoning is also supported, in part, by Heskett, et. al. (1969) who indicate that the strength of a source firm's various bases of power may be positively related to the level of a target firm's dependence in their dyadic channel relationship.

To further illustrate the close similarity between this aspect of the bases of power rationale and dependence theory, consider that the referent, expert, reward and coercive bases can be interpreted in important after a firm's decision to apply power has been made. Therefore, it centers at power's use rather than at power's origin and has apparent applicability at the "means of applying power" dimension. This point will become clearer later in the paper.

Level of Power

The level or amount of a firm's power refers to how much potential influence it actually has in a relationship. As exhibited in Figure 1, and inferred previously, the level of a firm's power is seen driven by levels of its authority and the other firm's dependence in their dyadic channel relationship. As Kotter (1976) indicates, an entities formal authority does not necessarily guarantee levels of influence; it is only a resource that can be called on at various points in time in attempts to attain influence. Ridgway (1957), Beier and Stern (1969), Wilemon (1973), and Bucklin (1973) have indicated the close relationship between a firm's authority and its level of power in a marketing channel.

Thibaut and Kelly (1959) and Emerson (1962) propose that a source's power can be inferred based on the target's dependence in their relationship. As Pfeffer and Salancik (1978) indicate, "The target's dependence reflects how much the source firm must be taken into account and, also, how likely it is that it will be perceived as important and considered in the target's decision making." A number of organizational behavior and marketing channel researchers have recognized the applicability of this approach to explain the origin of interfirm power in channels of distribution (e.g., Thompson 1967, Beier and Stern 1969, El-Ansary and Stern 1972, Etgar 1976, Benson 1975, Pfeffer and Salancik 1978, Reve and Stern 1979, Cadotte and Stern 1979).

Note that a high level of target dependence does not preclude the possibility that a high level of dependence also exists for the source firm in their relationship. Thus, following Wilkinson (1973), the applicability of the "zero sum game" concept to interfirm power settings is questioned based on the nature of the relationships depicted and explained in Figures 1 and 2.

Feedback effects may also directly impact a source firms level of power as exhibited in Figure 1. This will be discussed later after a description of the other components of the model.

Means of Applying Power

Boundary personnel (i.e., persons whose job centers at facilitating transactions and exchanges of products, services, and/or information with other firms) are responsible for utilizing their firm's power in attempts to attain influence in dyadic channel relationships (Ridgway 1957).[2] The motivation behind a firm's attempts to seek influence on another firm's behavior and/or decision making may result from (1) interfirm coordination and marketing strategy execution considerations (e.g., cooperation on sales promotion campaigns) (Alderson 1965), (2) the presence of conflicting channel goals (Stern 1977), and/or (3) a boundary person's desire to meet territorial performance objectives (Ridgway 1957). Whatever the specific motivations, interfirm influence strategies or the means a firm's personnel utilize in their influence attempts deserve attention in this context.

Tedeschi, et. al. (1973) indicate that much of the social psychology research on power has centered on influence strategies that people use in attempting to manuever others rather than centering on either the origin or ultimate effects of power (e.g., Horai and Tedeschi 1969, Tedeschi, et. al. 1972, Lindskold and Tedeschi 1972). Use of influence strategies have also received some conceptual attention in the sociology and organizational behavior literatures (e.g., Parsons 1963, Benson 1975). In the marketing channels literature, while Hunt and Nevin (1974) and Lusch (1976) empirically analyze the use and effects of certain coercive strategies in a channel setting (e.g., threats of termination), little has been done to conceptualize the nature of varying interfirm influence strategies.

A review of the aforementioned research areas as well as personal interviews with approximately forty franchisees in the automobile channel was undertaken to identify alternative influence strategies with apparent applicability in distribution channels. Only influence strategies which can be directly utilized by boundary personnel in attempts to apply their firm's power on a target firm's autonomous decision making and/or behavior or on issues where the source firm might reasonably apply its authority were considered.[3] The guiding philosophy behind this review was provided by Stern and Heskett (1969) when they propose that the use of power..."may be of any degree of compulsion from the gentlest suggestion to absolute domination."

Each strategy identified through the literature review and interviews was classified into one of two general types of influence strategies as indicated in Figure 1. Implicit influence strategies are relatively indirect, non-overt strategies where the boundary person does not directly mention his desires nor states the implications of the target's compliance or noncompliance with his wishes. Rather, discussions are used to hopefully direct or modify the target's general perceptions of how he should operate his business to maximize its goal attainment. On the other hand, explicit influence strategies are where the boundary person directly mentions his desires and/or states or infers the implications of the target firm's compliance or noncompliance with his wishes. Figure 3 exhibits a breakdown of these strategies in greater detail.

[Place Figure 3 About Here]

Implicit Influence Strategies. As indicated in Figure 3, two primary types of implicit influence strategies appear to exist. Information exchange strategies (V3) are where the boundary person gives generalized opinions and/or information on business issues (e.g., "A forty-five days supply of new cars is best for most dealers") within interfirm discussions in a straightforward manner. Aside from direct conversations, other information sources such as computer printouts or recommended price lists may be utilized. Information control strategies (V4) which are identified and discussed by Tedeschi, et. al. (1973) are similar to the information exchange strategies in that they are relatively indirect where the intent or purpose behind the influence attempt may not be obvious. However, in using these strategies, the boundary person withholds or possibly manipulates objective information (i.e., information filtering) in attempts to facilitate target compliance. Thus use of information control strategies involves direct deception.

Explicit Influence Strategies. Two main types of explicit influence strategies appear to exist. Explicit, unweighted strategies (V5) are where the boundary person merely communicates his desires on a particular issue (e.g., a desired level of the target's new product inventories) with no consequences of the target's compliance or noncompliance either mentioned or implied by his verbal tone. While the target may make inferences about likely consequences, these inferences are not based on anything the boundary person has explicitly communicated. The "command" strategy which Angelmar and Stern (1978) define as a statement where the source suggests that the target perform a certain action is directly applicable here although it appears better referred to as a "direct request" strategy in this context.

Alternatively, the boundary person may feel more than a simple statement of his desires on an issue is necessary. Explicit, weighted strategies (V6) are where he states or infers actual consequences of compliance or noncompliance with his wishes and can be of either an indirect or direct nature. In using indirect explicit, weighted strategies (V7), the boundary person infers consequences of compliance or noncompliance which he himself does not control. On the other hand, direct explicit, weighted strategies (V8) are where the boundary person states he will directly perform certain actions given the nature of the target's behavior.

Table 1 presents a breakdown of alternative indirect and direct explicit, weighted strategies identified in the literature review. As evident, these strategies have received the most attention in previous research. It is also clear from Table 1 that French and Raven's (1959) "bases of power" rationale clearly has applicability in the influence strategy area. Each of the five bases of power are included at one point or another in this classification.

[Place Table 1 About Here]

Other Strategic Elements. Many other factors may affect the nature of boundary personnel influence attempts as indicated by the "other strategic elements" components (V9 and V10) of Figure 3. The general delivery and mannerisms of the boundary person may have an affect on the outcomes he achieves (Spiro, et. al. 1977). The time pattern of multiple influence attempts (e.g., every week or every other week) may be critical. The selection of the influencing agent (e.g., whether a district or regional manager) may have an important effect based on such factors as relative status, personality, and persuasive abilities (Spiro, et. al. 1977). The mode of communication (e.g., whether in person, by mail, by phone, by third party) may affect the outcome of the influence attempt (Balderson 1958). Finally, given the availability of each influence strategy alternative, the boundary personnel must decide when it is worthwhile to make an effort to reach an influence objective and with which strategy (i.e., the frequency of using each strategy) (Bonoma 1976, Cadotte and Stern 1979).

Interaction

Given culmination of the boundary person's planning surrounding the influence attempts on the target's autonomous decision making, actual interaction with the target will take place. The objective of such interaction from the source firm's point of view is to obtain influence on the target firm's perceptions, behavior, and/or decision making. Within such interfirm contacts whether in person, by phone or mail, the boundary person may utilize various combinations of the previously identified strategies on a variety of issues. For example, within one personal contact, a boundary person might use an implicit influence strategy in attempting to alter the targets level of local advertising while utilizing a combination of strategies (e.g., explicit, unweighted and then indirect explicit, weighted) in trying to increase his inventory levels.

Whatever the specific nature of the interaction, a large number of variables may have an impact on the success of a firm's influence attempts aside from its power and its boundary personnel's influence strategies. As indicated in Figure 1, one variable which may have an impact in this context is the corresponding level of the target's power. It may determine, in part, the target firm's ability to withstand pressurized influence attempts from the source firm (Emerson 1962, Etgar 1976, Stern 1977). Examples of other variables which have been suggested in past research as having an important affect on the success of a source firm's influence attempts are presented in Table 2.

[Place Table 2 About Here]

Level of Influence

This dimension has been typically referred to as the weight or strength of power in the past (e.g., Harsanyi 1962a). This is interpreted to represent the level (or degree) of influence or effect that a source firm actually attains on a target's perceptions, behavior, and/or decision making. As indicated previously, the construct of influence has an inherent place in the conceptual framework given power is defined as "potential influence." If a source firm is successful in an influence attempt with a target firm, influence will result. Influence may take the form of actual behavior change or merely a change in the probabilities of performing certain behaviors (Harsanyi 1962a, Heskett, et. al. 1971).

Types of Influence

Three primary types of influence in which actual direction in behavior and/or change in the probability to act may result from interfirm interactions as indicated in Figure 1. First, a firm's boundary personnel may affect a target's behavior by changing his general perceptions of what constitutes optimal decision strategies. The target may begin the relationship with preconceived notions of proper decision making in specific areas (e.g., new product inventory levels, number of salespeople). Through interactions over time, these perceptions may become more congruent with the source's positions on these issues if implicit influence strategies are used properly with an adequate level of power. Moreover, some changes in the targets perception can occur without the conscious implementation of any implicit influence strategies (as indicated by the line segment from a firm's level of power to the interaction phase and beyond). Merely through the existence of a dependent channel relationship, some changes in perception can result (Parsons 1963). Influence on another firm's general decision making which is facilitated through the target's perception change over time will be referred to as <u>implicit influence</u>.

The boundary personnel of a source firm may take a more direct route in attempts to alter the target's behavior and/or decision making. Rather than try to change the target's general perceptions of optimal decision making, explicit influence strategies may be utilized. Even though the target may feel that the recommended or desired actions are not in his best interests, he may still alter his behavior if the pressure applied by the source's boundary personnel is high enough to overcome any resistance on his part (Hunt and Nevin 1974, Lusch 1976). Influence on another firm's general decision making or behavior which is facilitated through use of pressure in overt attempts to change the target's behavior and/or decision making within specific issues will be referred to as explicit influence. Explicit influence may also be gained without the direct use of any influence strategies. The target may perceive that the source will use pressure in the near future if he does not alter his behavior. If he wants to avoid such a confrontation, he may react in a manner agreeable with the source's desires on an issue or issues.

Finally, the third form of influence identified in this research is based on the target doing favors for the source either to (1) reward past favors or (2) build credits with the source which he can use at some future point in time. Thus "give and take" or reciprocal motivations on one hand and conscious manueverings for the future on the other may result in the target altering his behavior. Which actions he actually performs will be based on his anticipation of the source's expectations in the relationship (e.g., more local advertising is always desired) and his beliefs concerning the source's reactions to certain of his behaviors (Simon 1953, Nagel 1968, Lehman 1969). As such, this type of effect will be referred to as anticipatory influence. In situations where the source firm's expectations on important issues are readily discernable, no influence attempts may be required by the source's boundary personnel in obtaining levels of anticipatory influence (symbolized by the line from a firm's power through the interaction phase to anticipatory influence). As suggested in Figure 1, use of explicit, unweighted strategies where the expectations of the source firm are directly translated to the target may also contribute to the level of a source firm's anticipatory influence in a relationship.

Note that like explicit influence, anticipatory influence involves deviations from the target's perceptions of his optimal positions on issues aside from taking the source firm into account. However, whereas the former deals with behavior and/or probability of behavior change externally motivated by the source, anticipatory influence is based on the internal motivations of the target. For example, if a source's boundary person asks for a personal favor or repayment of a debt with a referent influence strategy, any alteration in the target's behavior would be classified as explicit influence and not anticipatory influence.[4]

Feedback Effects

As suggested previously and exhibited in Figure 1, the manner in which boundary personnel influence a target firm may subsequently feedback to affect future levels of their firm's power (Heskett, et. al. 1971). The level of the target's dependence in the relationship may be affected by any costs he perceives to arise based on the source firm's use of power over time. Tedeschi, et. al. (1973) refer to these as target-based costs and predict they may result from the target's resistance to influence, his retaliation, or any counter-influence attempts on his part. Additionally, in an interfirm context, any profits which the target perceives his firm to lose as a result of source firm influence need to be included here. Tedeschi, et. al. (1973) indicate that the route a source firm takes in its influence attempts can dramatically affect such costs, "The source can minimize target-based costs by the judicious choice of influence modes, because a target probably will not retaliate in response to a persuasive communication but is much more likely to respond to coercive influence with coercive countermeasures."

Of course, it is also possible that the target may perceive his profitability to be enhanced due to source firm influence. This may be especially true if a large level of implicit influence is achieved by the source in their relationship. In such cases, the targets dependence may actually be increased based on the source firm's use of power.

It also appears possible that the level of source firm's power may be directly affected based on absolute and relative levels of influence in the relationship. If the source's overall level of influence in the channel relationship is greater than the expected level from the target's point of view (Bucklin 1973), this may serve to hamper the firm's potential influence in the future. Additionally, if the source firm has attained a high level of influence on the target's behavior but the target perceives he has attained very little corresponding influence on the source firm's behavior, the source's potential influence in the future may be constrained to a degree.

OTHER DIMENSIONS OF POWER

Extension of Power

The extension or domain of a firm's power refers to the set of firms over which it exhibits some level of power. As suggested in Figure 1 and in research by Beier and Stern (1969) and Etgar (1976), any firm may exhibit some power in each of its ongoing channel relationships. This reasoning results from the fact that each commercial channel member is directly dependent to some degree on the other institutions in the channel for accomplishing its tasks and achieving its goals (Beier and Stern 1969, Stern 1977). Only in channel transactions which involve one shot sales contracts where no business relationship exists over time would a source firm have no authority or the target firm have no dependence in their relationship. Of course, the level of a firm's power may vary considerably across channel dyads. Additionally, as indicated by Stern and Reve (1980), levels of power may vary to a large extent across alternative channel systems (e.g., a franchise versus an administered channel system).

Scope of Power

The scope or range of a firm's power refers to the percentage of the target's decisions which can be affected by the source firm (Beier and Stern 1969). With a high level of source power or potential influence, every decision of the target may be influenceable to a degree. Contrarily, very few target decisions may be affected by a source firm with low power. Of course, many of the other variables discussed within the paper (e.g., the target's level of power, a boundary person's persuasive abilities) may have an impact on this dimension. An especially important consideration appears to be the relative importance of the target's decisions which the source attempts to influence as suggested by Dahl (1957) and Lusch (1977). A high level of target resistance may result when the source firm attempts to influence a relatively important decision. On the other hand, the relative importance of a target's decisions must also be evaluated from the source firm's point of view. There may be some target decisions which are so unimportant to the source that no influence attempts occur on them.

Costs of Applying Power

The costs of applying or exerting power in a channel relationship is a dimension which boundary personnel must consider in developing their influence strategy. As indicated by Harsanyi (1962a) and Bonoma (1976), the costs of applying power may become so high on certain issues that it makes the use of power prohibitive.

Tedeschi, et. al. (1973) also identify another type of cost (i.e., aside from target based costs) associated with a source firm's influence attempts, "source based costs." They are defined as costs voluntarily incurred by the source given he decides an influence attempt is necessary. Tedeschi, et. al. (1973) discuss (1) communication costs (e.g., letters, phone calls, boundary person trip expenses), (2) surveillance costs associated with observing the target's reactions to influence attempts, and (3) costs associated with carrying out threats as being applicable source based costs. They also indicate that the time the source spends in its influence attempts will have associated financial costs. This may be especially critical in terms of opportunity costs boundary personnel incur when spending time in influence attempts rather than on other job responsibilities (Harsanyi 1962a). Additionally, within interfirm settings, financial costs associated with any training programs designed to enhance the boundary person's ability to interact with target firms must also be considered as well as any supplemental materials (e.g., computer printouts, market fact sheets, operation manuals) utilized by them in their influence attempts.

There also may be certain "unintended" costs associated with the source firm's influence attempts. If certain influence strategies are used in an inappropriate manner (e..g, too much pressure is applied), they may have an adverse effect on the source firm's actual financial performance. If the target becomes disenchanted with his business and fails to run it diligently as a result of outside interference, his firm's sales and financial performance can be hampered. This can feedback to affect the size of its sales transactions with the source firm. Additionally, if the source firm tries to maximize its short run gains by domineering the target firm, it may affect the long run financial stability of their relationship. High turnover among organizations within the source's distribution channel can result, further hampering its financial performance.

Another unintended source based cost associated with the use of power may be a reduction in its subsequent level of power. As discussed previously, if target based costs due to a source firm's influence attempts are high, the target's dependence in the relationship may be lessened. Moreover, a high level of current influence may constrain the future level of power to a degree.

It also appears that another category of costs associated with a source firm's influence attempts can be identified in an interfirm context. "Dyad based costs" may be defined as costs which are jointly incurred by both firms in a channel dyad as a result of interfirm influence attempts. Costs involved in transacting everyday business between the two firms may be affected by the use of power. "If each party in the dyad try to get the best of the other party transaction by transaction, a loss to both sides may occur in terms of mounting transactional costs" (Alderson 1965). This may be due to the additional time and effort required to meet the requirements of any exchange agreements as well as any intrachannel conflict that may arise in this context. As Lusch (1976) suggests, the nature of the influence strategies used in a relationship (e.g., coercive versus noncoercive) can have a direct bearing on levels of intrachannel conflict. This may be especially true if the source's use of power is seen to impede the target's goal attainment or autonomy (Stern and Heskett 1969). Target attributions of the effects a source's influence strategies have on the dyads joint performance as well as each firm's individual performance levels may have a critical impact here.

An important factor to consider in future research is the degree to which the aforementioned costs vary based on the specific influence strategy utilized. For example, an information exchange strategy may contribute very little to any intrachannel conflicts which arise between two firms. Because they merely involve discussions and the presentation of information, a congenial relationship between the parties may be facilitated through their usage. However, time involvement, training, and supplemental material costs (e.g., use of computer reports) may be relatively high as a result of their frequent use. On the other hand, use of a coercive influence strategy, while relatively less time consuming, may have a dramatic effect on transaction costs because its use involves direct pressure on the target's autonomous decision making.

THE POWER-CONFLICT RELATIONSHIP

Earlier, the issues raised by Etgar (1978a) and Lusch (1978) concerning the relationship between the use of power and intrachannel conflict were mentioned. Etgar (1978a) proposes that (1) the use of power may be most frequently utilized as a response to intrachannel conflict and (2) the use of power may be most effective in solving high level intrachannel conflicts. Lusch (1978), on the other hand, cites a variety of research which indicates that Etgar's basic orientation may be inappropriate. He observes, "On the basis of the preceding evidence it should be clear that Etgar's statement that the use of power is an end result of conflict is, at best, highly speculative and not consistent with the literature on the conflict process."

Lusch (1978) contends that given the dynamics of power's usage over time, it may be a cause as well as a response to intrachannel conflict.

The model presented within this paper as well as the discussion of costs associated with power's use over time certainly support the more open philosophy offered by Lusch (1978). As indicated previously, a firm may be motivated to use its power for a variety of reasons (e.g., enhancing channel coordination or channel member business efficiency) other than putting an end to intrachannel conflicts. Indeed, the primary objective of most influence attempts may be to gain an impact on a target's perceptions, behavior, and/or decision making. In the process, if certain pressurized strategies are utilized frequently, high levels of conflict within the relationship may result. As suggested by Lusch (1978), while power may be used in attempts to reduce intrachannel conflict, in many cases, this may simply result in additional conflict especially if pressurized influence strategies are utilized.

SUMMARY AND CONCLUSIONS

The objective of this paper is to extend the conceptual framework of interfirm power relationships in a marketing channel. A general model of the interfirm power-influence process is developed and explained based on previously identified dimensions of interfirm power.

The origin of a firm's power is seen to be a function of (1) its authority and (2) the target's dependence in the interfirm relationship. The level of a firm's power may be inferred by developing measures of these two elements. Authority may be reflected by analyzing the nature of the sales agreement in the channel dyad. Channel norms which provide levels of authority for firm's based on their channel positions must also be considered. By measuring the source firm's role performance (i.e., its perceived ability to carry out expected tasks based on its position in the channel), an indicant of the target firm's dependence in the relationship may be obtained.

Influence strategies or the means a firm's boundary personnel utilize in attempts to attain influence on the target's decision making have a primary place in the model. Based on a review of the literature, previously identified influence strategies are classified into a number of categories based on (1) whether they are relatively non-overt or overt in nature (i.e., implicit versus explicit strategies), (2) whether they specify consequences of the target's behavior (i.e., explicit, unweighted versus explicit, weighted), or (3) whether the boundary personnel directly intervenes given the nature of the target's behavior (i.e., indirect versus direct explicit, weighted strategies). Later in the paper, possible costs associated with the use of these strategies are discussed.

Three primary types of influence (i.e., effect on a firm's behavior and/or decision making) are identified. Implicit influence is based on the targets' perception change while explicit influence is based on the source firm's boundary personnel pressuring the target into some behavior or behaviors. Anticipatory influence is based on the target doing favors for the source firm in order to build up future "credits" in their relationship. Feedback effects between levels of influence, the target firm's subsequent dependence and the source's level of power are discussed.

Throughout the paper, the wide variety of variables which appear to have applicability in this context were discussed. Such variables as the target's tolerance and expectations concerning autonomy and the source firm personnel's persuasive abilities may have a considerable impact on the source firm's success in attaining influence on the target firm's decision making. The actual decision of the target firm which the source firm attempts to influence must also be considered.

Based on the descriptions of power's origin and the means of applying power, it is clear that French and Raven's (1959) "bases of power" rationale has applicability at each dimension. As such, it is important for researchers to clearly establish which of these dimensions they are analyzing in future studies.

This paper suggests a wide variety of future research needs. Developing new measures of interfirm power based on dependence and authority appears extremely important considering that in the past power has been most frequently measured as a source firm's "attributed influence" in a relationship from the target firm's point of view as indicated by Reve and Stern (1979). Power and influence are two separate constructs and, as evident from the discussions herein, may not be equal to each other in channel dyads.

More conceptual work is required in developing improved classifications of applicable influence strategies and identifying additional types of influence within channel settings. Measures of influence strategies and overall influence and its types must be devised. The suggested linkages of these variables with other constructs in the general model (e.g., power) as well as each other must be empirically tested. The costs associated with the use of each influence strategy must be empirically specified.

Special attention must be given to the use of implicit influence strategies within dyadic channel relationships in the future. In the past, channel researchers have concentrated on explicit strategies which are used in direct attempts to alter a target firm's behavior on certain decisions. Implicit strategies may have a more long run impact as they deal with an orientation of the target's thinking in the channel relationship.

The impact of such variables as the target's tolerance for influence or the source's persuasive abilities as well as the nature of feedback effects in this process must be empirically evaluated. Moreover, other behavioral constructs related to the power-influence process (e.g., satisfaction, cooperation) must be studied. Perhaps an integration of Robicheaux and El-Ansary's (1975) general model with the model developed in this paper would lead to additional insights here.

Stern and Reve (1980) develop a political-economy approach to the study of distribution channels which attempts to chart out or classify the total field of channel interaction. They center on the internal political economy which deals with the internal structuring and functioning of the distribution channel. This paper emphasizes the internal socio-political structure and functioning of a distribution channel which Stern and Reve (1980) generally specify. Additionally, it also distinguishes some important economic processes within the channel (e.g., a source firm's role performance on generating consumer demand) highly related to the nature of interfirm behavioral interactions. As such, this paper expands on some basic elements of the general framework developed by Stern and Reve (1980). Through such efforts, the development of a theory on power specific to marketing channels may be facilitated.

FOOTNOTES

[1] Influence and control are seen as synonymous constructs in this research.

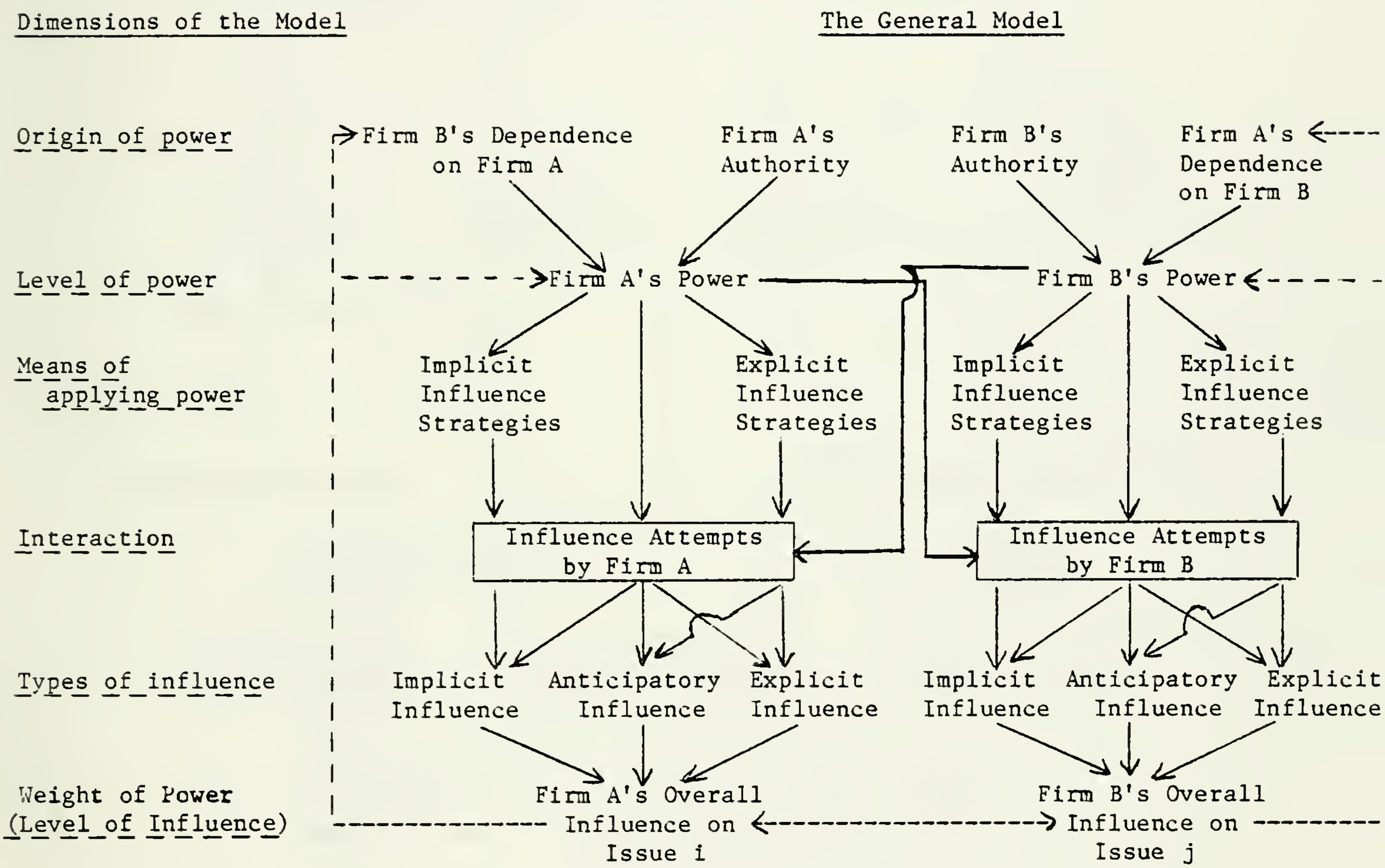
[2] It is assumed that boundary personnel are one resource of a business firm. As such, any interpersonal power they may exhibit is seen to contribute to the level of their firm's power.

[3] As such, general communication strategies which may be used to (1) gather from the source to utilize in subsequent strategy formulation (i.e., a question strategy (Angelmar and Stern 1978)) or (2) build a personal relationship to be utilized at a later point (i.e., complimentary or supportive strategies) are not considered further in this context.

[4] The definitions of the primary constructs in this study are included in the Appendix.

FIGURE 1

A General Model of the Power-Influence Process in Dyadic Channel Relationships



Direct impact ⟶

Feedback impact - - - - - - - - ->

Issue i ranges from 1 to m of B's decision variables.

Issue j ranges from 1 to n of A's decision variables.

FIGURE 2

A General Model of the Determinants of Dependence and Authority in Dyadic Channel Relationships

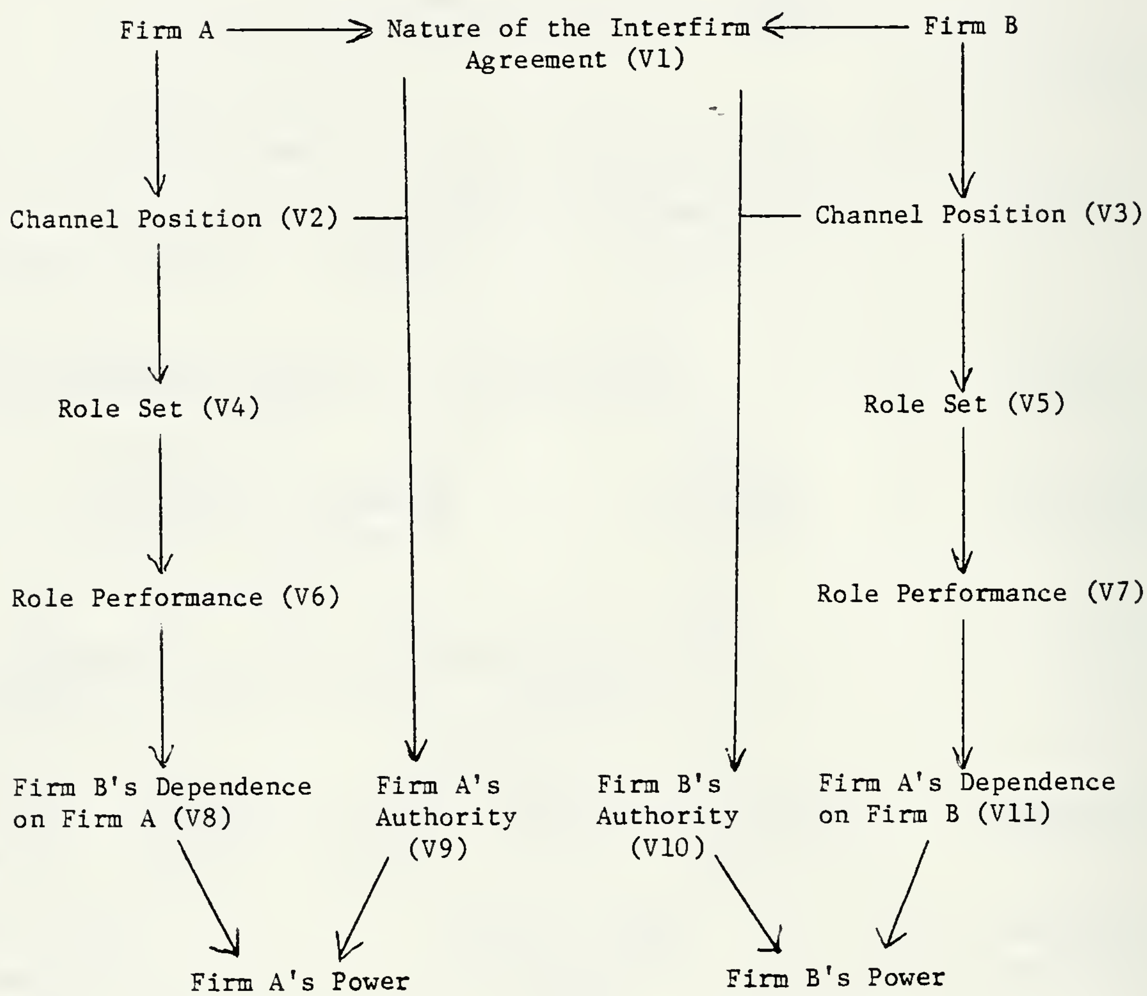


FIGURE 3

A Breakdown of Alternative Influence Strategies
and Other Strategic Elements

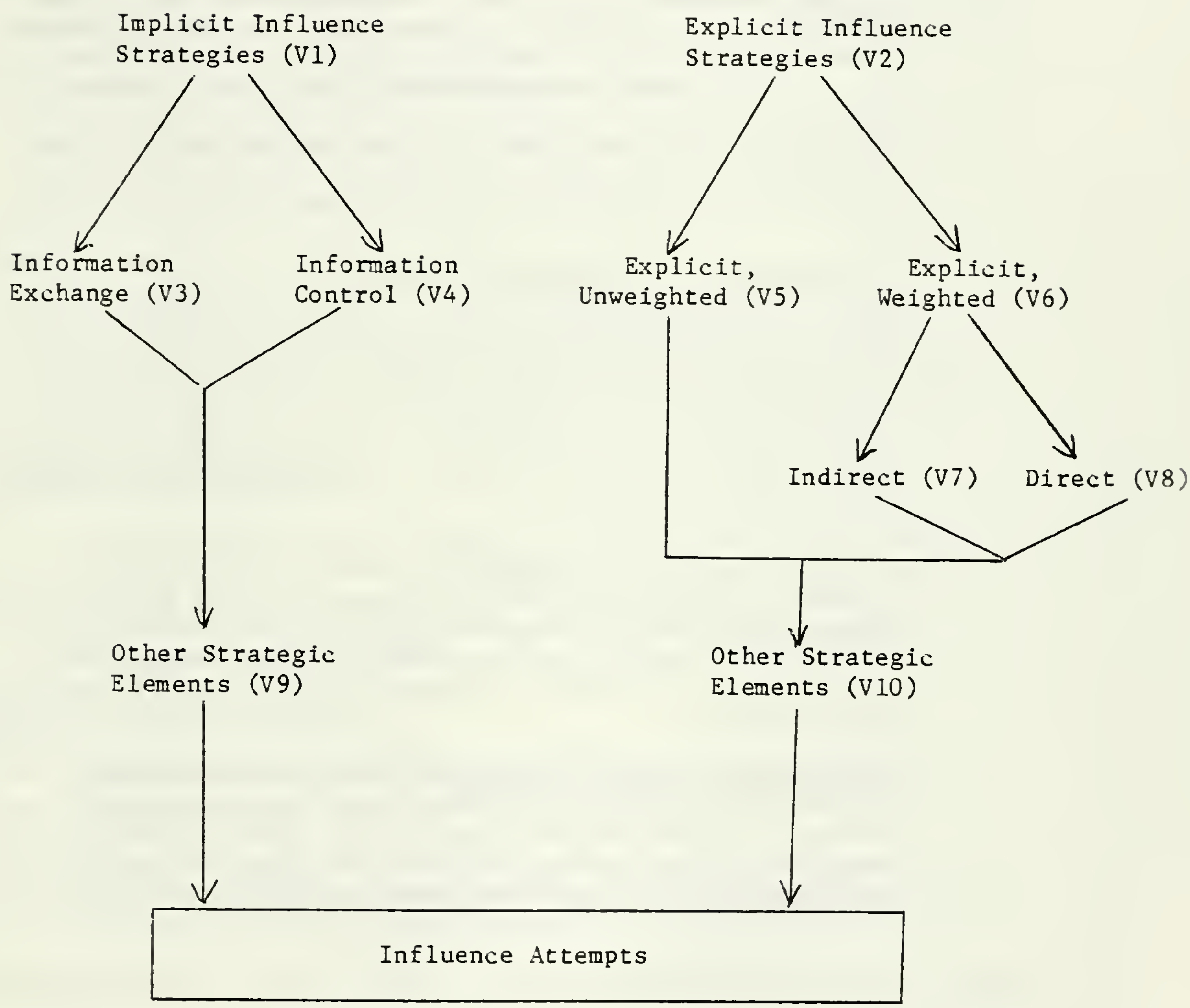


Table 1

A Classification of Explicit, Weighted Strategies

Indirect Explicit, Weighted Strategies

1. Warnings (Tedeschi, et. al. 1973, Angelmar and Stern 1978): the source predicts harmful consequences from the environment if the target refrains from doing an action he recommends (e.g., "Your profits will decrease if you do not increase your product inventories"); similar to the following strategies identified in the literature: (a) the expert base of power (French and Raven 1959); (b) a negative expertise strategy (Marwell and Schmitt 1967); and (c) persuasion (Parsons 1963).

2. Recommendations (Angelmar and Stern 1978): the source predicts favorable circumstances to occur from the environment if the target follows his recommendations (e.g., "Your profits will increase if you increase your product inventories"); similar to the following strategies identified in the literature: (a) the expert base of power (French and Raven 1959); (b) a positive expertise strategy (Marwell and Schmitt 1967); (c) mendations (Tedeschi, et. al. 1973); and (d) persuasion (Parsons 1963).

3. A negative, normative strategy (Angelmar and Stern 1978): A statement in which the source indicates that the target's past, present, or future behavior was or will be in violation of channel norms; similar to the normative appeal strategies identified by (1) Bonoma and Rosenberg (1975) and (2) Tedeschi, et. al. (1973).

3. A positive, normative strategy (Angelmar and Stern 1978): A statement in which the source indicates that the target's past, present, or future behavior was or will be in conformity with channel norms; similar to the normative appeal strategies identified by (1) Bonoma and Rosenberg (1975) and (2) Tedeschi, et. al. (1973).

Direct Explicit, Weighted Strategies

1. A coercive strategy: the source threatens the target with punishments (e.g., less cooperation on product allocation) for noncompliant behavior; similar to the following strategies in the literature: (a) the coercive base of power (French and Raven 1959); (b) deterrents (Parsons 1963); and (c) threats (Tedeschi, et. al. 1973, Angelmar and Stern 1978).

Table 2

Examples of Other Variables Which May Affect the Influencibility of a Target

<u>Personal traits and characteristics of the target</u>

1. Tolerance for influence (Bucklin 1973, Robicheaux and El-Ansary 1975)

2. Risk taking propensities (Harsanyi 1962a)

3. Assertiveness and need for dominance (Hickson, *et*. *al*. 1971)

4. Bargaining tendencies (Stephenson, *et*. *al*. 1979)

5. Persuasive abilities (Spiro, *et*. *al*. 1977)

6. Rigidity and authoritarianism (Crutchfield 1955, French 1956)

7. Certainty of one's opinions (French 1956, French and Snyder 1956)

<u>Expectations of the target</u>

1. Concerning minimum, acceptable, and maximum levels of source from influence (Bucklin 1973)

2. Concerning the outcomes of performing the desired action (Tedeschi, *et*. *al*. 1973)

<u>Decision centered variables</u>

1. The importance of the target's decision which the source attempts to influence (Simon 1953)

2. Degree to which the opinions, perceptions, and/or goals of the parties differ on the decision in question (Festinger and Thibaut 1951, French 1956, Cadotte and Stern 1979)

<u>Variables external to the channel</u>

1. The state of the economy (Bucklin 1973, Stern and Reve 1980)

2. Interchannel competition (Bucklin 1973, Stern and Reve 1980)

3. Legislative actions (Assael 1968, Bucklin 1973)

Table 1 (continued)

2. <u>A reward strategy</u>: the source promises future mediated inducements (e.g., more cooperation on product allocation) for target compliance; similar to the following strategies in the literature: (a) the reward base of power (French and Raven 1959); (b) inducements (Parsons 1963); and (c) promises (Tedeschi, <u>et</u>. <u>al</u>. 1973, Angelmar and Stern 1978).

3. <u>A legitimate strategy</u>: the source refers to normative, ethical, or legal standards in their relationship and implies that he will take punative actions should the target fail to comply with his desires; similar to the following strategies identified in the literature: (a) the legitimate base of power (French and Raven 1959); (b) activation of commitments (Parsons 1963); and (c) a debt strategy (Marwell and Schmitt 1967).

4. <u>A referent strategy</u>: the source stresses their friendship or previous favors in attempts to attain target compliance; similar to the following strategies in the literature: (a) the referent base of power (French and Raven 1959); and (b) liking or debt strategies (Marwell and Schmitt 1967).

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APPENDIX

Definitions of Key Constructs

Authority: A firms prescribed right to affect certain behaviors which is accepted by another firm.

Dependence: A firm's need to maintain a relationship in order to achieve its goals.

Influence: The actual effect one firm has on another firm's behavior and/or decision making.

Anticipatory Influence: Source firm influence facilitated through target favors in the relationship.

Explicit Influence: Source firm influence facilitated through its use of pressure in the relationship.

Implicit Influence: Source firm influence facilitated through the target's perception change in the relationship.

Influence Strategies: The means boundary personnel utilize in applying their firms power in attempts to attain influence on another firm's behavior and/or decision making.

Explicit influence strategies: Direct strategies where the boundary person mentions his desires and/or states or infers consequences of the target's compliance or noncompliance.

Explicit, unweighted: the boundary person merely communicates his desires to the target.

Explicit, weighted: the boundary person states or infers consequences of the target's compliance or noncompliance with his wishes.

Direct explicit, weighted: the boundary person says he will directly perform certain actions based on the target's compliant or noncompliant behavior.

Indirect explicit, weighted: the boundary person predicts consequences of the target's behavior which occur as a result of the environment.

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<u>Implicit influence strategies</u>: Indirect strategies where the boundary personnel use discussions in hopes of motivating the target's perception change on certain issues.

Information control: the boundary person withholds or possibly manipulates objective information in attempts to facilitate target compliance.

Information exchange: the boundary person gives generalized opinions and/or information on business issues within interfirm discussions in a straightforward manner.

<u>Power</u>: A firm's ability to influence the perceptions, behavior, and/or decision making of another firm (i.e., potential influence).

<u>Role Performance</u>: A firm's actual ability to carry out expected tasks and responsibilities based on its position in the channel as perceived by members of another firm.