Organization Structure and Service Capabilities as Predictors of Supply Chain Performance: B2B Seller's Perspective

Harash Sachdev
Eastern Michigan University, harash.sachdev@emich.edu

Russ Merz
Eastern Michigan University, russ.merz@emich.edu

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Harash J. Sachdev and G. Russell Merz

AUTHOR INFORMATION

Harash J. Sachdev
Eastern Michigan University
harash.sachdev@emich.edu

G. Russell Merz
Eastern Michigan University
russ.merz@emich.edu

ABSTRACT

In buyer-seller exchanges the seller not only provides the goods and service but also transfers its organization capabilities on to the buying firm. Improper selection and usage of these capabilities may reduce the seller's sustainable competitive edge in future transactions in this supply chain. Through field interviews and Resource Based View literature, the authors propose and test a model linking organization structure, service capabilities, and seller's satisfaction and performance in business-to-business exchanges. Based on eighty-seven responses, the results indicate that autonomous structure had a positive impact on all three service capabilities. Formalization had a positive influence on only logistics service capability. The service capabilities had a direct impact only on satisfaction. The supply chain performance link in the model was mediated through satisfaction.

INTRODUCTION

While conducting exchanges, sellers of business services and goods create and deliver value for their buyers. Thus the buyers need to evaluate the capabilities of the seller before establishing and continuing business relations with them (Cheng and Yeh, 2007). These evaluative criteria have been modified from only measuring manufacturing capabilities to also include the dimensions of information and customer service capabilities (e.g. Zhao et.al, 2001; Ramaswami et al, 2009). Information and service capabilities have been considered a vital factor even in product-oriented firms and have performance implications (Gebauer, 2008). Although many articles have been published examining capability issues and channel performance, few focus attention on the organization resource capabilities transferred in these exchanges that give sellers a competitive advantage in conducting business with the buyers. In addition, it is often unclear how these capabilities affect seller's satisfaction and perceived performance?

Lack of proper organization capabilities may lead to inefficient exchanges. These inefficient business exchanges may not necessarily increase costs but decrease sales for the seller (Krasnikov and Jayachandran, 2008). Due to the inefficiencies in conducting exchanges, the buying firm may choose to buy less or not at all from such providers. Yet, few B2B research studies provide guidance as to

which market-based organization resource capabilities the sellers should focus on with respect to their buyers for improving the sellers' performance. Using Resource Based View (RBV) literature as it applies to popular organization market-based service capabilities and field interview data, we suggest that firms implementing customer-oriented services, efficient logistics services, and information sharing practices will witness positive satisfaction with its customers and high performance (e.g., Grunert et al. ,2005; Krasnikov and Jayachandran, 2008; Frazier at al. 2009). Moreover, selling firms operating under formalized and autonomous organizational structures will increase their ability for implementing these services. For example, autonomy over decision making at the strategic and tactical level will increase the efficient flow of information and goods as is required in these business transactions. Following formalization structure will ensure employees provide similar kinds of information to the receiving party and thus reduce communication errors (Schminke et al., 2000; Olson et al., 2005).

In this study, we study these capabilities from the seller's perspective. In most buyer-seller relationships sellers act as relationship managers and drivers since most customers have several options for buying goods and services (Bradford and Weitz, 2009). Moreover, the value provided by the seller and its ability to convince the buyer to stay in the relationship create a competitive advantage for this supply chain linkage (Spekman and Johnston, 1986). In the following sections, we first discuss the importance of intangible assets (service capabilities) using RBV. Tangible and intangible assets are tangible and intangible product attributes. In this study service is defined as the intangible product attributes that are exchanged between the seller and buyer and thus service is considered to be intangible, perishable, and inseparable. We, next, discuss our independent variables as they relate to market-based, intangible service capability resources for a seller. Our hypotheses are then presented, followed by our results and conclusions.

RESOURCE BASED VIEW - SELLER CAPABILITIES

RBV proponents assert that firms create a sustainable competitive advantage by capable use of its internal strategic resources. These resource capabilities are the fundamental core competencies of a firm for formulating strategies, building relationships, and obtaining superior performance. RBV theorists have provided support for the logic that sustained competitive advantage of a firm emanates from its unique resources (e.g., Lee et al., 2007).

RBV treats a firm as a bundle of resources. The more a resource is valuable, rare, immobile, and non-substitutable the greater the firm's strategic competitive advantage. These resource categories include assets, capabilities, knowledge, and organization processes possessed by the firm that gives it an identity in the market place (Barney, 1991). These resources may be further classified into physical capital, human capital, and organization capital. Physical capital consists of technology, plant, location, control over raw material, etc. Human capital includes items such as knowledge, training, experience, and skills of the employees. Organization capital encompasses the organization structure and mechanisms of running the organization.

However, possession of these assets is not sufficient. It is the appropriate usage of these assets that determines its strategic value to the firm (Ray et al., 2004). For example, having access to an enterprise resource planning system (ERP software) may not be a sufficient reason for obtaining a strategic competitive edge. It is the knowhow of what information to share and effective training of staff members in using the ERP technology that constitutes its strategic value as a resource. Based on empirical research, these discussions have led Clulow et al. (2007) and Makhija (2003) to conclude that it is not the tangible but the intangible nature of assets and capabilities that creates a firm's strategic resource base. Although the tangible dimension does hold value and may be rare, it may be imitable by other firms by purchasing similar tangible assets.

Organization Structure

Organization structure is the major driver in implementing any strategic decisions and creates the usefulness of strategic choices (Author 1995; Olson et al., 2005). Dalton et al. (1980) suggest that an organization structure is analogous to a building structure; "The specific structure of a building is a major determinant of the activities of the people within it" (p. 49). Organization structure also works as an information filter and influences the type and amount of information that flows though the organization (Miller, 1987). In addition, performance is enhanced when structure compliments strategic choice (Hrebiniak and Joyce, 1985). If firms do not have supportive organization structures in place, it may lead to exploitation and inefficiencies in strategically managing resources (Zhang, 2007). In this study organization structure is measured as formalization and autonomous decision styles.

Subjects operating under autonomous/decentralized structure are conducive to new ideas and program improvement strategies, and in the long run, these decision-making styles empower managers to improve their organizational capabilities (Olson et al., 2005). In addition, an autonomous structure supports change, enhances flexibility, and makes a firm market-oriented in its decision-making processes (e.g., Hutt et al., 1998). Formalized rules and expectations help a firm better control and coordinate the activities of decision makers and manage inter-firm relationships (Author 1995; Wu et al., 2007). Formalized decisions also help the buying firm perceive that there are no hidden transaction costs in the exchange because they get similar responses from all the employees of the selling firm with whom they interact with.

The type of organization structure may also limit the type of activities that an employer of the selling firm may perform. For example, Lytle et al. (1998) claim that service capabilities are created and disseminated through an organization by adopting a collective set of policies and organization structure that are conducive to deliver such capabilities. Consequently, the organization design that promotes the service orientation of a firm will enhance it customer service (Gebauer 2008). In the case of logistics service employees of the selling firm should be able to furnish the same information and services if the process is formalized and can creatively participate in customer needs if given the autonomy.

H1a: As the organizational structure becomes more formalized, information sharing increases.

H1b: As the organizational structure becomes more formalized, logistics service improves.

H1c: As the organizational structure becomes more formalized, customer service improves.

H2a: As the organizational structure becomes more autonomous, information sharing increases.

H2b: As the organizational structure becomes more autonomous, logistics service improves.

H2c: As the organizational structure becomes more autonomous, customer service improves.

Information Sharing

The collection and dissemination of marketing information within and across firms is strategic in nature. Such information sharing is considered valuable to the next member in the supply chain since it reveals the seller's future plans for resolving customer supply chain needs and thus creates a sustainable competitive advantage for the buyer (Day, 1994). Information sharing capability is imitable and non-substitutable and has performance enhancing abilities attached to it (Gulati et al., 2000). It places firms on the same level of understanding pertaining to business transactions, which are specific to the exchange tasks at hand. Sharing strategic organizational information with channel members improves satisfaction and performance of the firm (Frazier at al., 2009). Overall,

information sharing reduces supply chain costs and creates a competitive advantage (Ramaswami et al., 2009). Several studies have found that as sellers transfer distribution-related information to their customers, they are more likely to improve quality of product and performance (Paulraj and Chen, 2007).

H3a: As information sharing increases, seller relationship satisfaction increases.

H3b: As information sharing increases, seller perceived performance increases.

Logistics Service Capability

Logistic service as a competitive advantage resource is receiving increasing attention in marketing channel literature because these services add value to the delivery needs of the customer. Logistics service is a strategic capability since it helps sellers realize the competitive advantages for their product offerings (Paulraj and Chen, 2007). Very few studies have empirically studied the link between logistics service and performance although qualitative research has pointed in this direction (Paulraj and Chen, 2007). Although the seller may use machinery (tangible product attributes) to provide the logistics function, in this study we focus on the overall perceived service provided to the customer. Since this study focuses on services capabilities in buyer and seller exchanges, understanding how logistics service capabilities function as tools for strategic competitive differentiation is an important component of the research. Logistics services include improving delivery efficiencies and effectiveness, service flexibility, and cost (Krasnikov and Jayachandran, 2008). Also, logistics service capabilities are valuable, rare, and inimitable resource because of their causal ambiguities. These ambiguities make it harder for competitors to decipher the exact features that create the competitive advantage for these services (Shang and Sun, 2004). For example, service providers create these capabilities with their clients by acquiring knowledge of their logistics service needs such as routing and scheduling, cargo loading and unloading patterns, dock employee behavior, etc., which may be difficult to replicate. Logistics service capabilities are both scarce and difficult to replicate because they require organizational knowledge and skills and have boundary-spanning implications (Clulow et al., 2007).

H4a: As Logistics Capability improves, seller relationship satisfaction increases.

H4b: As Logistics Capability improves, seller perceived performance increases.

Customer Service Capability

Being customer-oriented is one of the major factors associated in creating value for the customer and enhancing performance for the selling firm (Leahy et al., 1995; Franke and Parke, 2006). This capability adds value to a firm's delivery process because it is tied to customer management (Fornell, et al., 2006). By being customer-oriented the seller may better deliver what the buyer wants. This capability is strategic since it is both planned and implemented at an organizational level rather than an activity-based level (Pelham, 2009). In addition, duplicating such a capability is difficult (Galbraith, 2001). "Overall, marketing capability is likely to be immune to competitive imitation and acquisition because of the distributed, tacit, and private nature of the underlying knowledge," (Krasnikov and Jayachandran, 2008, p. 3). Finally, unless the selling firm engages in customer-oriented behaviors the selling may be short-tem oriented with little regard to resolving a customer's need.

H5a: As customer orientation improves, seller relationship satisfaction increases.

H5b: As customer orientation improves, seller perceived performance increases.

Satisfaction – Performance

While the debate in academics still continues on the advantages of soft versus hard measures of performance and financial versus non-financial measures, in this study, we have taken a middle ground approach by asking managers to compare themselves with their competitor's on financial measures of performance. These measures meet the research objectives of our study since we explain RBV capabilities impact on seller's performance through the eyes of the selling firm. Also, most strategic literature considers such self-reported data to be reliable (e.g., Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987).

Formulating a satisfaction model is fundamental for recognizing the importance of any behavioral channel relationship. Channel satisfaction reduces all disharmony in the channel, makes a seller ask for more business from the buyer, and clears the way for superior performance (e.g., Wang, Ho, Lin, Chou, 2007). Moreover, the link between a firm's satisfaction with its financial performance is generally accepted in the supply chain literature (Wang et al., 2007; Voon et al., 2009).

H6: As seller relationship satisfaction increases, the greater the perceived financial performance.

Figure 1
Conceptual Model and Hypotheses
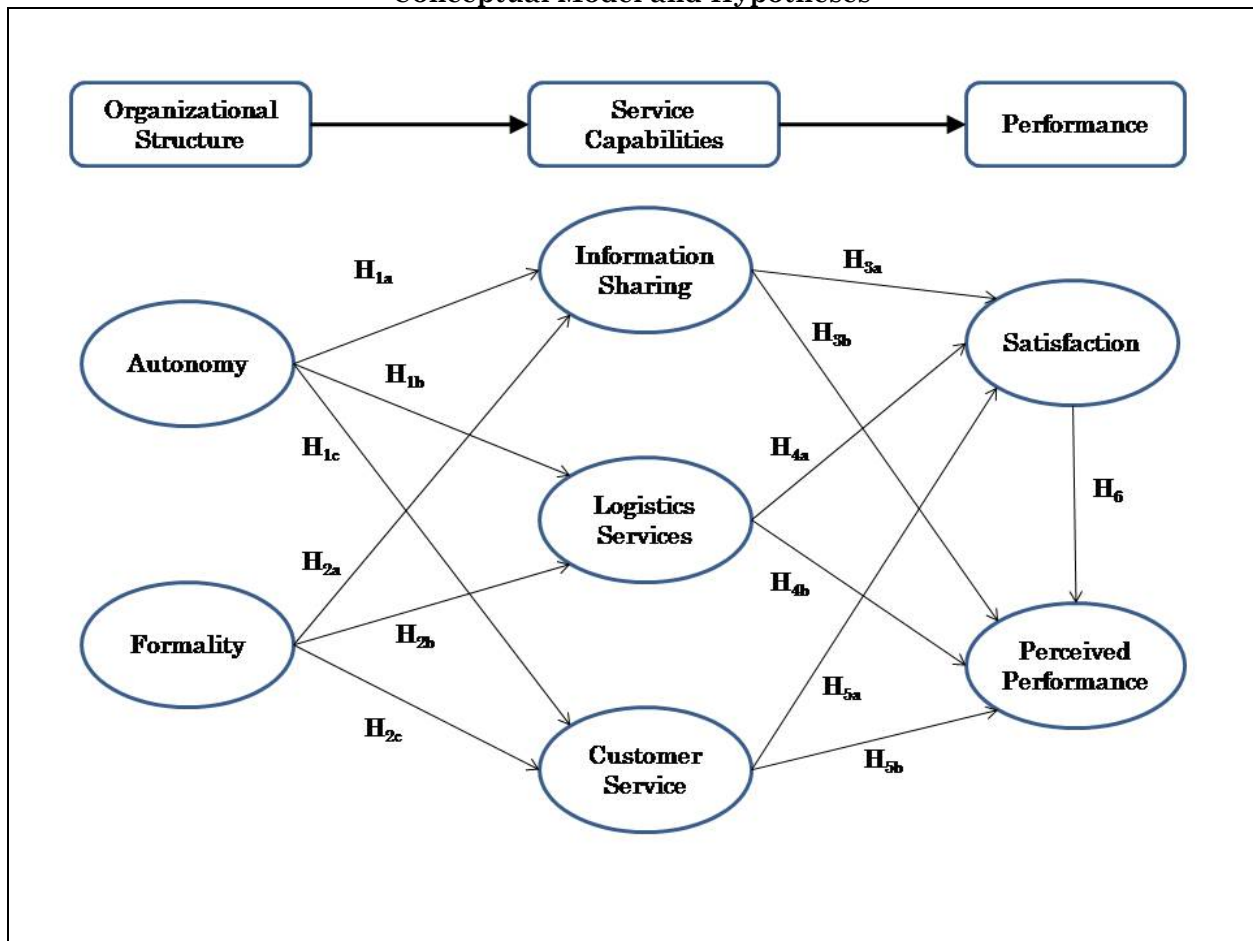
METHODOLOGY

This research uses a self reported questionnaire using pre-established scales. In this study, customer service, information sharing, and the autonomous and formalization aspects of organizational structure are measured using the scales provided by Khong (2005), Zhao et al. (2001) and Schminke et al. (2000), respectively. Scales for the logistics service capability and financial performance were borrowed from Lynch et al. (2000). The satisfaction scales are adapted from Redondo and Fierro (2005). Initially, 30 third party logistics (3PL) service providers for a fortune 500 manufacturer selling commodity industrial products were e-mailed the questionnaire. The accounts managers of these companies were pre-notified by the logistics manager of the manufacturing firm and asked to fill out the questionnaire. Fifteen respondents returned completely filled surveys. Based on the reliabilities of measures, the items were acceptable for all variables except the customer service scales. Only three items emerged as a reliable set for the customer service. Due to the small sample size for this survey, all items of the questionnaire were retained for the national survey. Participants were selected from a national database of a supply chain association directory. After removing duplicate entries from the directory (more than one person was a member from the same firm), participants were contacted via telephone and a commitment made from 150 of the 300 people called. Four weeks after the initial mailing, respondents were reminded via a follow up letter to fill out the survey. Of the 150 mailed surveys, 95 were returned and 87 were completely filled, resulting in a 58% response rate.

Data Analysis

To test hypotheses shown in Figure 1, a structural equations model (SEM) with latent variables was estimated using a latent variable partial least squares (LV-PLS) algorithm (Ringle, et al., 2005). LV-PLS is a useful SEM algorithm when samples are small, and the objective of the study is theory building and exploratory as opposed to confirmatory in nature. In addition, LV-PLS does not make any assumptions about the underlying distributions of the data, so it operates quite well with skewed and non-normal data (Gefen, Straub and Boudreau 2000). The measurement model in PLS is assessed in terms of item loadings and reliability coefficients (composite reliability), as well as the convergent and discriminant validity. An essential test of measurement model adequacy is based on the loadings of the individual indicators onto hypothesized latent variables. Measures with loadings onto underlying latent variables of greater than 0.7 possess acceptable levels of association with a component (Fornell and Larcker, 1981). Interpreted like a Cronbach's alpha for internal consistency reliability, a composite reliability of 0.7 or greater is considered as an acceptable level of reliability (Fornell and Larcker ,1981). The average variance extracted (AVE) measures the variance captured by the indicators relative to the measurement error, and it should be greater than 0.5 to justify using a construct (Barclay et al., 1995). The discriminant validity of the measures (the degree to which the items differentiate among constructs or measure distinct concepts) is assessed by examining the correlations between the measures of potentially overlapping constructs. Items should load more strongly on their own constructs in the model, and the average variance shared between each construct and its measures should be greater that the variance shared between the constructs and the other constructs. The structural model in LV-PLS is assessed by examining the path coefficients (standardized betas) and associated t-statistics computed from standard error estimates generated by a bootstrapping routine. In addition, the path coefficients of determination (R^2) are used as indicators of the overall predictive strength and fit of the model.

Table 1
Construct Assessment Results

Constructs	Autonomy	Formality	InfoShare	LogServ	CusServ	Satis	Perform
Autonomy	0.801	0	0	0	0	0	0
Formality	0.159	0.794	0	0	0	0	0
InfoShare	0.598	0.295	0.869	0	0	0	0
LogServ	0.487	0.307	0.434	0.781	0	0	0
CusServ	0.291	0.199	0.388	0.418	0.825	0	0
Satis	0.490	0.272	0.486	0.498	0.510	0.963	0
Perform	0.263	0.118	0.252	0.257	0.176	0.384	0.956
Composite Reliability	0.877	0.872	0.902	0.903	0.865	0.949	0.934
Cronbachs Alpha	0.814	0.805	0.838	0.871	0.768	0.928	0.915
Ave. Var. Extracted (AVE)	0.642	0.631	0.755	0.609	0.681	0.823	0.739
R-Square	0	0	0.398	0.291	0.109	0.408	0.159
Redundancy	0	0	0.269	0.141	0.057	0.150	0.022

Diagonal elements are the square roots of the average variance extracted.

Off diagonal elements are the correlations among the constructs.

Diagonal elements should be larger than off-diagonal elements in order to obtain the discriminant validity.

Results

Table 1 displays the reliability, convergent and discriminant validity indicators for the constructs in the model, while Table 2 displays the loadings and cross loading of the modeled components. All of the constructs possess acceptable levels of composite reliability (>0.7), and the Cronbach's Alphas meet the minimums for good measurement reliability. An examination of the AVE values reveals that all of the constructs exceed the 0.5 level a construct must have to possess acceptable construct validity. The test for acceptable discriminant validity in the model is met since the square roots of the AVEs for each construct exceeds the off diagonal inter-correlations between the latent variables in the model. In addition, it is apparent that all of the measures load at 0.7 or greater on their respective construct. The construct and discriminant validity tests are met indicating that the structure is acceptable for exploratory analysis (Fornell and Larcker, 1981).

Table 2
Loadings and Cross Loadings

| VarName	Autonomy	Formality	InfoShare	LogServ	CusServ	Satis	Perform
Auto1	0.835	0.082	0.528	0.383	0.317	0.491	0.295
Auto2	0.759	0.172	0.452	0.412	0.253	0.359	0.190
Auto3	0.818	0.159	0.477	0.407	0.233	0.380	0.208
Auto4	0.790	0.096	0.454	0.356	0.108	0.323	0.134
Formal1	0.061	0.719	0.157	0.167	0.225	0.181	-0.005
Formal2	0.135	0.863	0.290	0.328	0.185	0.349	0.143
Formal3	0.169	0.826	0.242	0.225	0.147	0.222	0.191
Formal4	0.131	0.761	0.225	0.222	0.071	0.053	0.009
Infor1	0.541	0.216	0.884	0.457	0.435	0.437	0.212
Infor2	0.521	0.267	0.875	0.417	0.352	0.445	0.226
Info3	0.495	0.287	0.848	0.250	0.216	0.382	0.218
LogSv1	0.405	0.246	0.446	0.850	0.283	0.388	0.270
LogSv2	0.379	0.338	0.369	0.701	0.331	0.410	0.083
LogSv3	0.368	0.156	0.321	0.780	0.371	0.371	0.187
LogSv4	0.296	0.279	0.250	0.793	0.194	0.343	0.300
LogSv5	0.480	0.206	0.366	0.808	0.392	0.434	0.218
LogSv6	0.327	0.207	0.255	0.743	0.386	0.376	0.139
CusServ1	0.274	0.274	0.378	0.403	0.895	0.499	0.184
CusServ2	0.234	0.159	0.413	0.428	0.769	0.338	-0.003
CusServ3	0.209	0.027	0.174	0.209	0.807	0.401	0.224
Sat1	0.419	0.302	0.442	0.450	0.510	0.926	0.369
Sat2	0.467	0.201	0.452	0.457	0.489	0.895	0.292
Sat3	0.437	0.261	0.390	0.489	0.366	0.878	0.255
Sat4	0.456	0.225	0.472	0.421	0.473	0.928	0.457
Perf1	0.054	0.099	0.064	0.050	0.065	0.228	0.807
Perf2	0.220	0.108	0.198	0.271	0.146	0.252	0.848
Perf3	0.205	0.135	0.225	0.288	0.185	0.268	0.883
Perf4	0.308	0.096	0.302	0.233	0.172	0.469	0.845
Perf5	0.241	0.076	0.199	0.208	0.150	0.322	0.911

The path coefficients from the PLS analysis are shown in Figure 2 and summarized with bootstrapping results in Table 3. The significance level of the path coefficients was assessed by running a bootstrapping routine to generate estimated t-statistics. Five hundred samples were used in the bootstrapping procedure that generated the standard errors of the estimates displayed in Table 3. Eight of the thirteen hypothesized paths are significant indicating a moderate degree of support for the underlying theoretical model. The organizational structure components of *autonomy* and *formality* are predictive of all service capability constructs explaining 39.8% of the variance in *info sharing*, 29.1% of the variance in *logistics operations,* and 33% of the variance in *customer service*. All three of the service capability components are predictive of *satisfaction* explaining 40.8% of the variance. However, perceived market *performance* is only significantly predicted by *satisfaction* with 15.9% of the variance explained. None of the direct effects of service capabilities

proved to be significant predictors of market *performance* directly suggesting that *satisfaction* is a mediating predictive variable.

Table 3
Path Coefficients, Bootstrapping Results, Significance levels

Hypothesized Path	H	Std Coef	Bootstrap Results		p
			Std Error	t -Stat	
Autonomy -> InfoShare	H1a	0.565	0.092	6.154	0.000
Autonomy -> LogServ	H1b	0.450	0.122	3.692	0.000
Autonomy ->CusServ	H1c	0.266	0.142	1.879	0.100
Formality -> InfoShare	H2a	0.205	0.139	1.471	ns
Formality -> LogServ	H2b	0.235	0.137	1.718	0.100
Formality ->CusServ	H2c	0.156	0.159	0.985	ns
InfoShare -> Satis	H3a	0.256	0.139	1.845	0.100
InfoShare -> Perform	H3b	0.076	0.189	0.401	ns
LogServ-> Satis	H4a	0.261	0.146	1.781	0.100
LogServ-> Perform	H4b	0.081	0.252	0.322	ns
CusServ -> Satis	H5a	0.302	0.128	2.354	0.050
CusServ -> Perform	H5b	-0.060	0.266	0.225	ns
Satis -> Perform	H6	0.338	0.174	1.939	0.100

Figure 2
Model Path Coefficients, T-Values and Coefficients of Determination
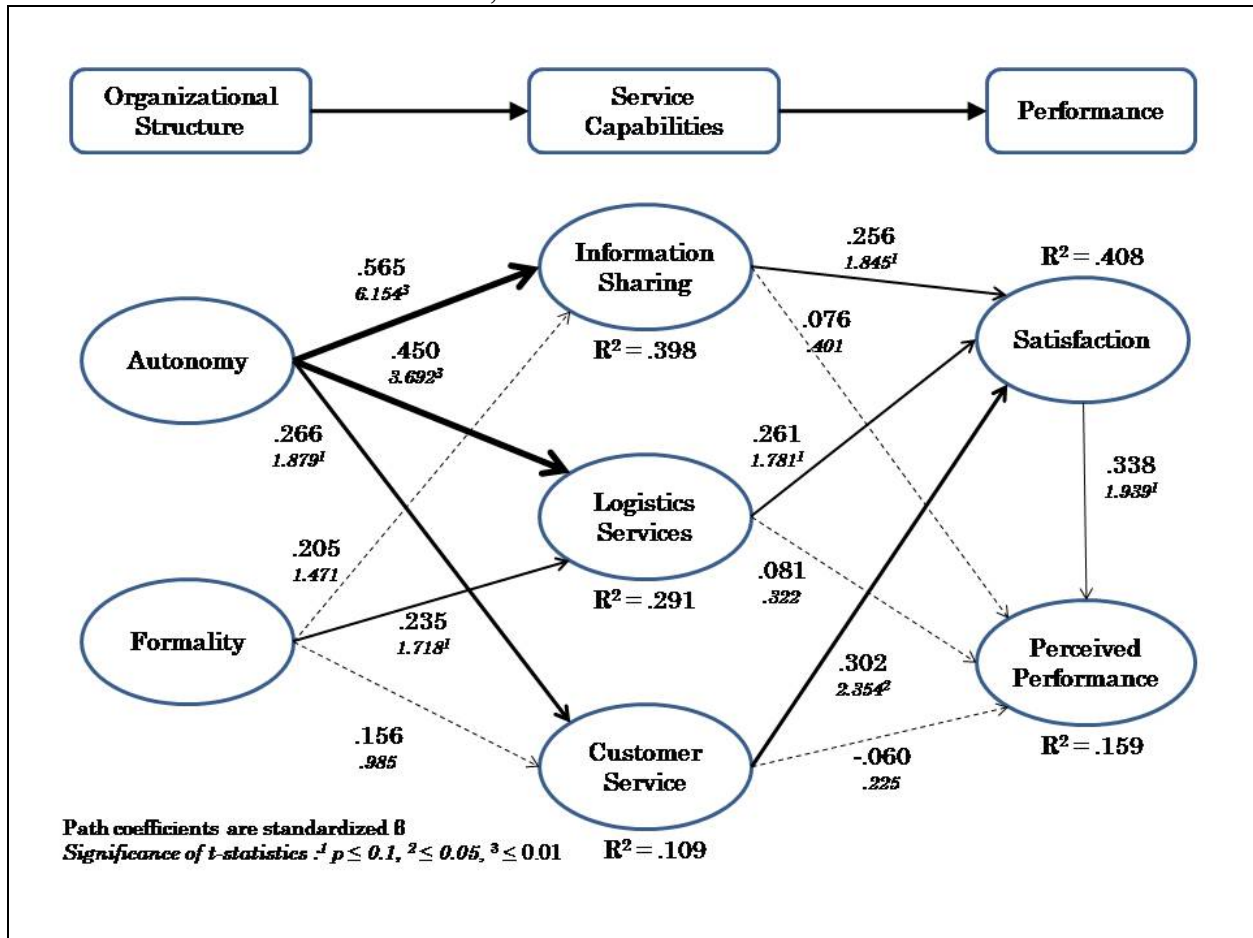
DISCUSSION

In a buyer-seller exchange, it is to the seller's advantage to act as the relationship driver since the seller's products and services are at stake. Although previous studies have addressed relationship marketing issues needed to conduct business-to-business exchanges, limited attention has been placed on the types and degree of resource-based capabilities being transferred from the seller to the buyer during such exchanges. These resource capabilities not only strengthen the competitive advantage of the seller's value chain but become part of the relational rent of the exchange (Dyer and Singh, 1998). Thus the seller needs to recover this rental investment in the relationship through performance.

Completed questionnaires from eighty-seven sellers of product and logistics services provide support for the RBV based structure-capability-performance model proposed in this study. The findings may strengthen the seller's belief to use appropriate organization capabilities in order to better compete in the market place. When tangible assets are easily imitated in the short run, sellers may use intangible, non-imitable capabilities as the basis of their strategic alliances with buyers. Based on the RBV theoretical framework, this study identified three market-based organizational capabilities of information sharing, logistics service, and customer service as rare seller resources that may have an effect on relationship satisfaction and perceived financial performance. Furthermore, the organizational structure components of formalization and autonomy were presumed to influence

these capabilities in a positive direction as hypothesized.

Although the overall model was supported, five of the thirteen hypothesized paths were not statistically significant (the path coefficients between formalization and customer service, formalization and information sharing, customer service and financial performance, information sharing and financial performance, and logistics service and financial performance). Moreover, formalization only had a marginally significant impact on logistics services capability. Based on our findings, formalized rules and policies may make dissemination of information easy but may not necessarily strengthen the strategic component of information sharing. It may also mean that the firm's upper management may selectively restrict such information to employees. For the customer service construct, although the three-item scale for customer service was reliable for the pilot and the full study, the items may not be influenced by a formalized structure. Written formalized rules and procedures may not necessarily motivate employees to address customer complaints and feedback for improving products and services. It may take a focused cross-functional team approach to relate customer messages back to the design and service improvement teams. Of the two organizational structures in our study, an autonomous/decentralized structure was the key driver of market-based intangible resource capabilities. This finding reinforces Drucker's (1992) suggestion that modern organization structures should be decentralized in order to pursue innovation and adaptability. Jaworski and Kohli (1993) also found that decentralized/autonomous structures play a stronger role than formalization in marketing-orientated organizations.

This study corroborates Daugherty et al.'s (2009) findings that information sharing and logistics/marketing capabilities influence a firm's supply chain success. It also replicates Zhao et al.'s (2001) result of a positive link between customer orientation and satisfaction. Moreover, our study found customer-focused capability to be a more important construct than information sharing in a firms' success. Zhao et al. (2001) found a similar result although in their study the information-focused construct and satisfaction path was non-significant. Our findings also reinforce the opinion of supply chain experts that information systems may play the role of an enabler rather than as a main stream functional role in supply chains.

Our findings also strengthen Palmatier, et al.'s (2007) suggestion that the RBV framework should be extended to understand supply chain management. Our study suggests that market-based resource capabilities should have a prominent place in supply chain literature in addition to informational skills and knowledge. Since the importance of service-driven activities may not be properly understood by buyers (e.g. Lai et al., 2008), it is important for sellers to develop these capabilities for their buyers and then demonstrate to them the efficiencies realized.

IMPLICATIONS FOR MARKETING PRACTITIONERS

Researchers and the popular press have constantly emphasized that organizations are spending too much on physical capital resources without realizing the added benefits or limitations on the service-oriented capabilities of the focal organization (e.g., Ramaswami et al, 2009; Gebauer, 2008). Such organizations may go through troubled times because of their over investment in asset-based resources, such as information technology, without understanding the organizational service capabilities needed for implementing the resources. These organizational capabilities may create additional value-added benefits to the buyer as well as reduce total cost ownership for the buyer, thereby improving business performance.

Our research highlights the importance of customer service, logistics service, and information sharing capabilities and their impact on the seller's satisfaction. Sellers should seek better ways of investing in such capabilities. First, the selling firm should identify strategic and tactical customer and logistics services needs for their different clients. Next, the firm should identify specific capabilities that add value to each of these clients.

The selling firms should also understand the needs/wants of their downstream customers, segment their customers, and design the appropriate service capability and organization structure for each customer segment. The focal selling organization may then invest in the asset-based resources needed to serve these different customer segments. This organized segmentation approach may entice the selling firm to place its primary focus on investments in buyer-seller exchanges and secondary focus on revenue generation methods, rather than the other way around (Ramaswami et al., 2009). In the process the firm may need to train those employees, dealing with cross-boundary transactions, in the areas of customer and logistics service and information sharing capabilities.

Finally, the selling firm should not only analyze its internal organization but also study the client's organization before deciding upon an organizational structure. For example, since an autonomous structure affects the type and degree of knowledge shared between supply chain partners (Kasper et. al., 2008), alignment of organizational structures and organizational capabilities may be an effective way of transferring knowledge and skills between the exchange partners and improve supply chain performance. Wade et al. (2010) found firms that aligned their supply chain network capabilities with their contractual structure not only improved their technical and supply chain efficiencies but also reduced other supply chain disturbances, such as environmental turbulence, in their upstream supply chain.

There may be several theoretical implications from our study. First, organizational capabilities are people-driven constructs (human capital). This means that the employees must be satisfied with what is expected of them before superior financial performance can result at the overall firm level. Second, the results are consistent with existing channel theory that specifies for channel relationship success, satisfaction is a fundamental driver of performance (e.g., Robicheaux and El-Ansary, 1976). Finally, the findings are consistent with the view held by some RBV proponents that service capabilities are more human resource than capital resource driven; that is, two firms having identical logistical technology may be at different points along a sustainable competitive advantage continuum, with the firm possessing the superior human resources capability in implementing the technology in the lead (e.g. Clulow et al., 2007). Future studies may need to incorporate the interaction between tangible and non-tangible resource capability of a firm as a predictor of performance outcomes.

To date supply chain researchers have investigated separately the value, non-value, and redundant activities performed in a focal firm's supply chain network. Future studies should examine how the value-added activities resulting from a firm's resource capabilities, compared to their competitor's capabilities, result in stronger supply chain market-oriented capabilities overall (Narver and Slater, 1990). In this study we tested the service capabilities of the selling firm. Future studies should tap the firm's knowledge capability or experience gained about the market place (Claver-Cortés et al., 2007). Furthermore, information that is transferred between supply chain partners should not only be valued and agreed upon by the receiving party but should also contain market place content pertinent to supply chain partners.

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ACKNOWLEDGEMENTS

ABOUT THE AUTHORS
Harash J. Sachdev (Ph.D. in Marketing, Georgia State University) is a Professor of Marketing at Eastern Michigan University. His research interests include writing cases and research papers in the areas of supply chain management and marketing management. He teaches in the areas of marketing strategy and supply chain management.

G. Russell Merz (Ph.D. in Marketing, Michigan State University) is a Professor of Marketing at Eastern Michigan University. He teaches and consults in the areas of new product development, brand management, marketing research and marketing strategy. His research interests include statistical modeling applications, website interactivity, brand management and customer satisfaction.