

**POWER, TRUST AND RELATIONSHIP COMMITMENT  
IN DEALER-SUPPLIER RELATIONSHIP IN THAILAND  
AUTOMOBILE INDUSTRY**



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**POWER, TRUST AND RELATIONSHIP COMMITMENT IN DEALER  
SUPPLIER RELATIONSHIP IN THAILAND AUTOMOBILE INDUSTRY**

**By**

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Administration**

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## ABSTRACT

In supplier-dealer relationships, commitment is referred to as a desire to develop a stable relationship and a willingness to make short-term sacrifices to realize long-term benefits from the relationship. Despite the many past studies conducted in the area of relationship commitment, little is known to what extent the power and trust factors influence relationship commitment. The present research examines the factors that influence relationship commitment, particularly the roles of the supplier's power and trust in enhancing relationship commitment among the dealers. Based on the Social Exchange Theory, this research endeavored to develop a conceptual model of relationship commitment that links the element of relationship commitment with the mediated and non-mediated power of the supplier as perceived by the dealer and the trust of the dealer towards the supplier. Using a questionnaire, data from 317 car dealers in Thailand were collected and analyzed to test the hypotheses. Data were analyzed using descriptive analysis, factor analysis, correlational analysis and regression analysis. The results show that the level of relationship commitment among car dealers towards their suppliers is at high level. Trust influences relationship commitment among the car dealers. However only non-mediated power (expert and referent) show significant influences on relationship commitment while mediated power (reward, coercive and legal legitimate) show no significant influence on relationship commitment. It was also found that trust plays a role as a partial mediator that links non-mediated power and relationship commitment. Theoretical, methodological and managerial implications are discussed along with suggestions for future research avenues.

**Keywords:** relationship commitment, automobile industry, trust, power, supplier.

## ABSTRAK

Di dalam perhubungan pembekal-pengedar, komitmen dirujuk sebagai keperluan untuk membangunkan hubungan yang stabil, dan kesanggupan untuk membuat pengorbanan jangka pendek bagi merealisasikan faedah masa hadapan dalam sesuatu perhubungan. Walaupun terdapat banyak kajian lepas dalam bidang komitmen perhubungan, namun tidak banyak yang diketahui tentang sejauh mana faktor kuasa dan kepercayaan memberi kesan kepada komitmen perhubungan. Justeru, kajian ini mengkaji faktor yang mempengaruhi komitmen perhubungan, iaitu peranan kuasa dan kepercayaan pembekal untuk menggalakkan komitmen perhubungan dalam kalangan pengedar. Berdasarkan Teori Pertukaran Sosial, kajian ini dijalankan dengan bertujuan untuk membangunkan model konseptual komitmen perhubungan yang menghubungkan antara elemen komitmen perhubungan dengan kuasa perantara dan bukan-perantara pembekal yang dilihat oleh pengedar dan kepercayaan pengedar terhadap pembekal. Dengan menggunakan borang soal selidik, data daripada 317 pengedar kereta di Thailand telah dikumpul dan dianalisis untuk menguji hipotesis kajian. Seterusnya, data dianalisis dengan menggunakan analisis deskriptif, analisis faktor, analisis korelasi dan analisis regresi. Dapatan kajian menunjukkan bahawa tahap komitmen perhubungan dalam kalangan pengedar kereta adalah pada tahap yang tinggi. Kepercayaan mempengaruhi komitmen perhubungan dalam kalangan pengedar kereta. Walau bagaimanapun, hanya kuasa bukan-perantara (kemahiran dan rujukan) menunjukkan hubungan yang signifikan dengan komitmen perhubungan manakala kuasa perantara (ganjaran, paksaan, dan legitimasi perundangan) menunjukkan hubungan yang tidak signifikan. Kajian turut mendapati bahawa kepercayaan memainkan peranan sebagai perantara separa yang menghubungkan antara kuasa bukan-perantara dan komitmen perhubungan. Implikasi teori, metodologi dan pengurusan turut dibincangkan bersama-sama dengan cadangan penyelidikan masa hadapan.

**Kata kunci:** komitmen perhubungan, industri automobil, kepercayaan, kuasa, pembekal.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

The concept of relationship commitment between buyers and sellers has generated substantial interests and has been the central focus in relationship marketing research. The purpose of this study is to examine the power influence in the relationship commitment between dealers and suppliers in the Thai automobile industry. This chapter introduces the background of study, problem statement, research objectives, research questions, significance of the study and thesis organization.

### 1.2 Background of the Study

The automotive industry is one of the leading industries in Thailand with significant contribution to the economy, employment, value added and automotive technology development in Thailand as well as supply chain related industries. The automotive industry is one of the main industries in Thailand that generates economic value for the country. Due to consistent economic and industrial growth in Thailand and Asia, in 2014, Thailand automotive production capacity manage to exceed 3 million vehicles each for automobile and motorcycles (<http://www.thaiauto.or.th/2012>).

At present, it is one of the largest industries in the country, which is crucial for the growth and security of economic system and national development. The industry has links with a variety supporting industries, which tend to be small and medium enterprises

(SMEs), as well as those producing raw materials such as those manufacturing metal sheets, rubber products and engineering plastic products. Since the initial formation of Thai automobile industry in 1960, this industry has gradually grown up. Consequently, automobile business is of ultimate importance for employment, revenue and industrial growth, resulting in added value in the nation and continuous development of industrial technology which promote and increase the capabilities for competition of countries in the world trade.

Thailand is a leading regional and global automotive manufacturer. It was ranked the first among ASEAN countries and 15th in the world in 2012. It is also a major regional production base for motorcycle and automotive parts. The car production has been steadily increasing since 1999. According to data from LMC Automotive, Thailand produced 1.92 million autos, including light, medium and heavy commercial vehicles this year and targeting to produce 3 millions cars a year by 2017 (<http://www.wsj.com/articles/falling-sales-threaten-thailands-car-making-supremacy-in-southeast-asia>). Since 2000, Thailand has been the key exporter of automotive vehicles in Asia. The production and export are in the form of completely built-up (CBU) vehicles and completely knocked-down kits (CKD kits). The automobile industry has been improved that Thailand can become the largest automotive market and assembler in Association of Southeast Asian Nations (ASEAN) market in three aspects.



Firstly, Thailand has joined China and India as primary production bases for exports to the rest of the world. Secondly, Thailand also exports vehicle parts, primarily to the rest of Southeast Asia. With the consolidation of the Asian Industry Cooperation (AICO) scheme, this is expected to grow. Finally, Thailand currently becomes a regional hub of vehicle production of leading carmakers in the world especially for one-ton pickups (Doner, Greg, & John, 2004).

According to report provided by Tractus Asia Ltd. ([http://www.smmmt.co.uk/wp-content/uploads/sites/2/Overview-of-Automotive-Industry-Sector-and-Route-to-Market\\_Automotive-Focus-Group-Thailand](http://www.smmmt.co.uk/wp-content/uploads/sites/2/Overview-of-Automotive-Industry-Sector-and-Route-to-Market_Automotive-Focus-Group-Thailand)), Thailand's automotive industry has been continually developing for over 50 years with strong support from both the public and private sectors. Thailand has been the automotive hub of ASEAN, also dubbed as the "Detroit of the East", with the largest automotive production among Southeast Asian countries, ranking 9th globally in 2013. The automotive sector's contribution to the Thai economy represents 12 percent of GDP as of 2013, making it Thailand's second largest export industry.

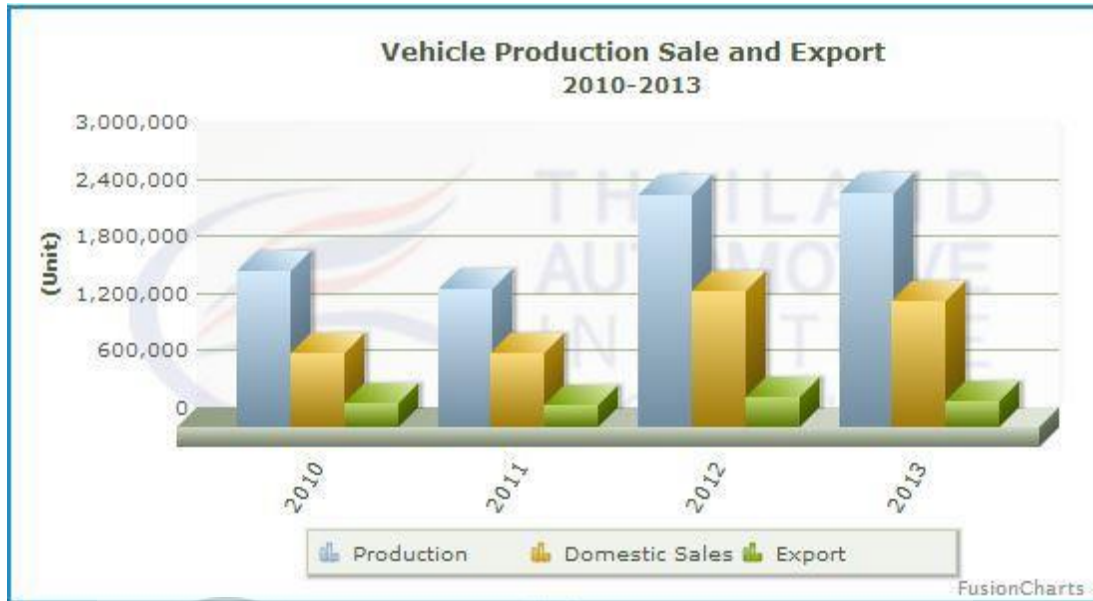
In addition, Thailand has been long welcomed for automotive industry as it launched industry-friendly policies focused on investment privileges and excise-tax benefits, government support for environmental friendliness, and development of workforce. These factors lead the country to be the best hub for eco-car and one-ton pickup producers. In the past couple of years the Thai automotive industry has increasingly

shifted its position in the world automotive market by turning from trade partner to competitor, influencing production base relocation and creating competitive advantage development through business collaboration.

According to Thailand Automotive Institute (2013), in domestic market, Thailand sales volume have been gradually increased from 2000 to 2012, reflecting the ongoing recovery from the economic crisis in 1998. It grew in 2010 by 800,357 units, 2011 by 794,081 units, and 1,401,387 units in 2012. Table 1.1 shows the production, sales and export in the automotive industry in the country. Since 2013, domestic sales accounted 54 percent out of total production in Thailand, while export accounted around 44 percent. Thailand automotive growth is not significant between 2012 and 2013 but reached 2,600,000 million vehicles in 2014, with 55 percent for export and 45 percent for domestic consumption.

In order to strengthen the position and competitive advantages of Thailand automotive industry in the dynamic global market, Thailand Automotive Industry Master Plan 2012 – 2016 emphasizes on proactive development to achieve excellence, besides being a major global production base. Both government and private sectors will determine the vision and objectives for excellence in automotive industry which will be implemented for the next 10 years. The Implementation of Thailand Automotive Industry Master Plan 2012 – 2016 will provide guideline to government and private organizations on how to effectively achieve the 10 years goals and adapt to the dynamic global market, market condition and consumer insight (<http://www.thaiauto.or.th/2012>).

Table 1.1  
 Thai Automobile Industry Production, Sales and Export (2010 – 2013)



Source: (<http://www.smmmt.co.uk/wp-content/uploads/sites/2/Overview-of-Automotive-Industry-Sector-and-Route-to-Market-Automotive-Focus-Group-Thailand>)

Competition in the automobile industry not only at the brand level but more sophisticatedly at the final and local market level among dealers. This is because all automobile suppliers have similar level of advanced technology and capabilities in producing cars. In this circumstance dealers differentiate among themselves in terms of sale and after-sales services the supplier provides in the retail business (Nadin, 2008). Similarly, in Thailand, due to the increasing competition and the new entrance in the Thai automobile market, suppliers must find new ways to influence dealers in selling their products (Doner, Greg, & John, 2004).

The automobile industry in Thailand has been controlled by the franchise system (Omar, 1998). The franchised dealership is a form of contractual arrangement between a franchisee (dealer) and a franchisor (supplier) for the right to sell the supplier's product and/or use its trademarks and business format in a given location for a specified period of time (Lafontaine & Morton, 2010). It is self-financed and serves as an extension of the supplier (Payan & McFarland, 2005). With this distributing channel, the suppliers need to recognize the importance of creating relationship with their dealers to cooperate in strategic planning in terms of administration, marketing, and brand creating, which will lead to an increase in sales and improvement in profit margin.

The partners in a dealer franchise system are mutually dependent on the supplier's objective to achieve their goals. The supplier sets performance standards and manages brand image and economics efficiencies, and has the power to terminate the dealer or force dealer to purchase inputs.

The dealer must be content with the restraints of the supplier franchise control, contractual specification and cost associated with the franchise system, and agrees to pay out portion of profits in the form of base fee and royalties (Baucus, Baucus, & Human, 1993; Harmon & Griffiths, 2008). Thus, the dealer depends on the supplier and this dependence is the basis for use of power by the supplier.

Success benefits not only the dealer, but also the end-customers; hence, the dealer can be motivated to change their strategies by focusing on the end-customers. A product is delivered to the end-customer via a supply chain of firms consisting of manufacturer, supplier, and dealers. Most firms are simply a link in the supply chain, and chain can only be as strong as its weakest link. Thus, a dealer cannot be responsive without a responsive supplier, and the benefits of such reaction cannot be transferred to the end-customer unless the distributors align with this strategy as well. In the automobile franchising system, the dealer's significant investment allows the supplier to spend its resources on research and development of product while the dealer spends its resources on sales, marketing, and customer handling.

Thus, the relationship between dealer-supplier generally involves retailing of a supplier's product directly to end-user. Both parties (dealer and supplier) are involved in the business-to-business relationship as well as strong and extensive social, economic, service and technical ties over time, with the intent of lowering total costs and/or increasing value, thereby achieving mutual benefits (Ritter, Wilkinson, & Johnston, 2004; Schurr, 2007). Because the main goal of the dealer and supplier is mutually beneficial, developing and maintaining marketing relationship may help inter-organizations to achieve their goal. In the automobile industry, the dealer plays a very important role in the distribution channel and is the 'face' with which the customer identifies and through whom he/she experiences the brand. However, not much has been studied about dealers and their role in the distribution channel even though significant research has been conducted on the upstream supply chain management in the automobile industry.

Previous research on relationship marketing reveals that concept relationship commitment is an important characteristic in a relationship marketing model (Scanzoni, 1979; Wetzels, Ruyter, & Biregelen, 1998; Dwyer, Schurr, & Oh, 1987; Gundlach & Murphy, 1993). Relationship commitment is conceptualized as an ongoing process with the partner, characterized by maximizing effort for long-term continuance of the relationship to enhance the effectiveness, productivity, and efficiency of relational exchanges (Morgan & Hunt, 1994). In recent years, relationship commitment has garnered much attention (Elizur & Koslowsky, 2001; Kim & Oh, 2002), as it is considered to be a key factor of business success. Studies have also shown that relationship commitment has positive effects on the long-term performance of marketing relationships (de Ruyter, Moorman, & Lemmink, 2001; Evanschitsky, Iyer, Plassmann, and Niessing, 2006; Sharma, Young, & Wilkinson, 2006; Anderson & Weitz, 1992; Kim & Oh, 2002). It also plays an important role in maintaining the relationship with a devoted supplier (Siguaw, Simpson, & Baker, 1998).

### **1.3 Problem Statement**

In many organizations, creating successful working relationships at various levels is important to ensure effectiveness. In a distribution business environment, establishing and maintaining a network of satisfied dealers is crucial to allow business organizations to compete successfully, because forging effective partnerships with suppliers and dealers can be beneficial to both buyers and sellers (Sheth & Sharma, 1997). The automotive industry is no exception in that developing long-term relationships at all levels of the distribution channel plays an important role in ensuring business success (Odekerken-

Schroder et al. 2003), particularly in an increasingly competitive environment where there are many redundant and deflationary products offered to a saturated market (Kazemi, Keskar & Esmacilli, 2010).

Within marketing research, management of channel relationships has garnered strong interests among scholars (Kazemi, Keskar & Esmacilli, 2010). In particular, relationship commitment has emerged attracted scholarly attention in relationship marketing and channel theory (Abdul-Muhmin, 2005; Ramaseshan, Yip, & Pae, 2006; Rodriguez, Agudo, & Gutierrez, 2006). Much interest has been developed in this topical area, suggesting the importance of the relationship aspects of a buyer-supplier exchange in affecting organizational effectiveness (Dwyer, Schurr, & Oh, 1987; Anderson & Narus, 1990; Iacobucci & Hibbard, 1999; Parsons, 2002; Kazemi et al., 2010).

Studies have found that relationship commitment is an important component in a successful business relationship because it has been shown to lead to lower transaction costs and promote greater economic value for both marketers and their customers (Geyskens & Steenkamp, 2000; Ping, 2003; Caceres & Paparoidamis, 2007). Furthermore, managing relationship commitment in business-to-business relationship in particular has huge potential to enable organizations, small and large, to develop better collaboration and coordination for long-term based strategies and satisfaction in business relationship.

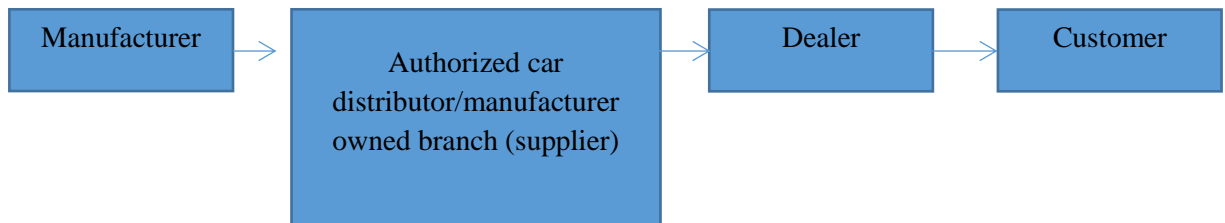
In the competitive age, relationship commitment is an effective option to enhance the market position of a business because relationships between buyers and suppliers are intangible and difficult to be duplicated by competitors (Hunt, Chonko, & Wood, 1985). As a result, new competitive advantages and opportunities would open up for organizations (Caceres & Paparoidamis, 2007)

Most studies in industrial marketing have focused on industrial relationship between manufacturer or original equipment manufacturers (OEM) and their supplier (Allard, Liljander, Semeijn, & Polsa, 2011; Kim & Michell, 1999). In the automobile business, research on dealer and supplier relationship is limited (Allard et al., 2011; Kim & Frazier, 1997) especially from the perspective of the dealers (Van Riel, Liljander, Semeijn, & Polsa, 2011). Therefore, there is a need to obtain more insight into the business environment and the nature of franchising structure of the automobile industry in order to understand the dealer-supplier relationship.

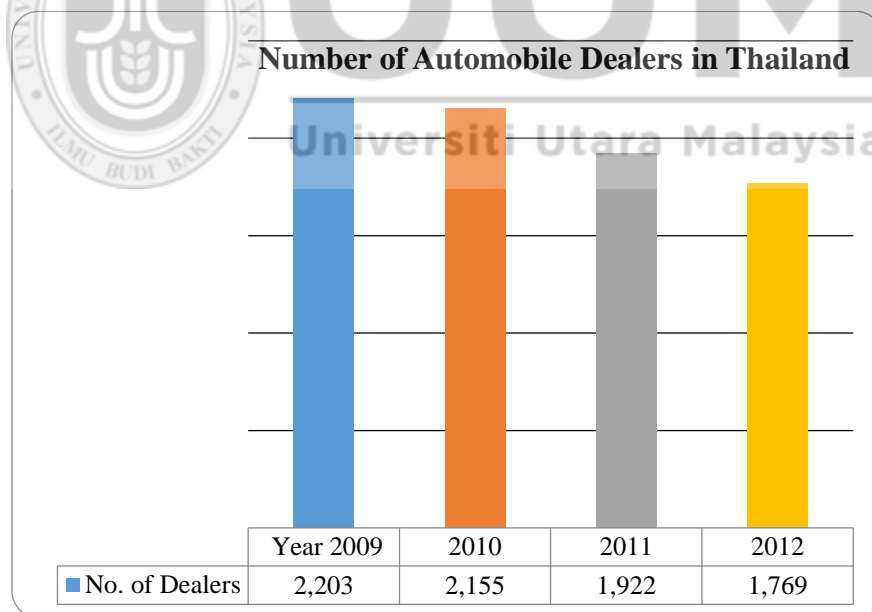
In Thailand, business-to-business relationship especially in the franchise dealership system is built on mutual benefit, which involves shared effort, enhanced profit, maximized market share, product sales, and growth for both parties (Justis & Judd, 1989). From the preliminary interviews conducted with some dealers, the distribution structure consists of the transfer sales from the manufacturer to their own branch or distribution via authorized car distributors (herewith referred to as supplier). The cars are then sold through the supplementary car dealers whether owned by supplier or other independent companies (herewith referred to as dealer). Figure 1.1 shows the structure.



Automobile dealers can be considered commercial ambassadors for automobile suppliers. They are responsible for making sales of automobiles and other products as well as servicing customers both before and after sales. The success in sales by the dealers reflects the success of the owner of the brand, which is characteristic of the dealer franchise system (Urban & George, 2003).

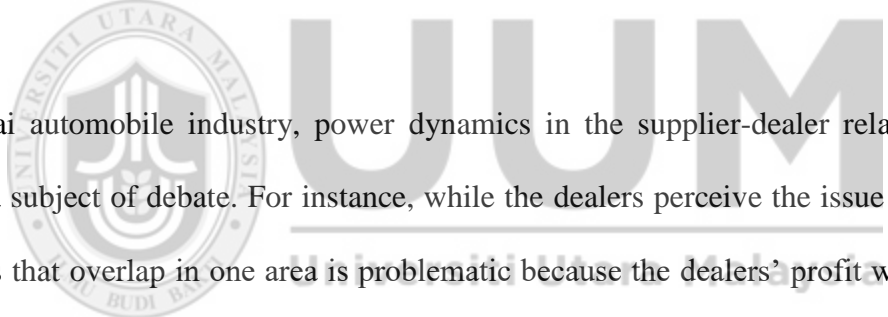


*Figure 1.1*  
Distribution structure in the Thai automotive industry  
Source: Nag, Banerjee, and Chatterjee (2007)



*Figure 1.2*  
The number of Thailand dealerships (2009—2012)  
Source: Department of Business Development (2013)

During 2010-2012, the Department of Business Development (DBD, 2013) recorded a steady decrease in the number of dealers, as shown in Figure 1.2. The reduction means that the company representatives have cancelled or do not continue to be dealers. The decreasing number suggests that misunderstanding or contradiction in policy administrations or conflict may play a role. The conflict between inter-organizations may occur as a result of power dynamics between the supplier and the dealer, which have a negative impact on the relationship commitment of both parties. As a result of the decrease in the number of dealerships, a negative impact on the brand image ensues which lead to reduced sales and lower market share.



In Thai automobile industry, power dynamics in the supplier-dealer relationship have been a subject of debate. For instance, while the dealers perceive the issue of opening of outlets that overlap in one area is problematic because the dealers' profit will be thinner, the suppliers believe that such overlapping is a good opportunity to promote the product by opening more showrooms and offering customer services. Furthermore, the opening of more outlet or branches can increase the supplier's market share by 10 percent (DBD, 2013).

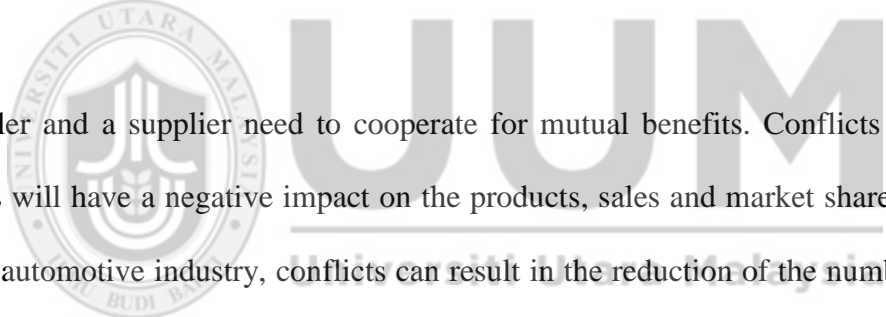
Another issue of concern is the requirement for maximum sales by the supplier, which increases the costs of keeping too many stocks. This problem was heightened especially in 2013 when the Thai government launched a policy that allowed people who bought their first cars in 2012 to get a tax refund of not more than 100,000 Baht per person per

car, resulting in a vast number of reservations for car purchases. As a result of this policy, the suppliers urged the dealers to market and get maximum reservations from the buyer before the end of 2012. With a large number of orders, the dealers had to plan on making the payment to the suppliers. Unfortunately, when the country faced economic and household consumption slowdown in 2011, a number of customers cancelled their reservations and postponed from buying a car. As a result, there were up to 13,000 cars that remained in stock. When this happened, the dealers faced a cash flow problem and ended up selling the cars at a cheaper price, prompting a price war that might damage the market (Caceres & Paparoidamis, 2007).

The problem of ignoring the reservation or delaying in the car purchase continues to be a major concern for the financial institutions or leasing companies that have provided loans to the dealers. If the dealers are not able to repay the loans and default, the loans become a Non Pay Loan (NPL). When this happens, the relationship between the supplier and dealer will be negatively affected as trust and relationship commitment are likely to be reduced.

According to Selvan (2011), in marketing channel relationship, researchers have revealed that a channel member's satisfaction increases long-term orientation and continuity. Under such a scenario, channel members, like dealers, must develop good working relationships with their suppliers in order to provide merchandise efficiently and effectively to the consumer. This is because the dealers and its suppliers are interdependent upon one another and this relationship is one of the keys to successful

channel distribution. In relation to that, building strong relationships between manufacturers, suppliers, distributors, retailers and customers appears to become an important channel strategy in both industrial and consumer markets. Through the utilisation of a relationship element, dealers and suppliers could coordinate various functions spread over different areas within them which at the end of the day lead to greater levels of channel trust and commitment. This effort could increase their ability to deal with today's worldwide trend towards building closer and more integrated relationships between channel intermediaries and suppliers (Corsten & Kumar, 2005; Leonidou, Palihawadana, & Theodosiou, 2006).



A dealer and a supplier need to cooperate for mutual benefits. Conflicts between both parties will have a negative impact on the products, sales and market share in the future. In the automotive industry, conflicts can result in the reduction of the number of dealers, which means reduced customer services. Hence, minimizing conflict and maximizing communication, mutual interdependence and shared motivation for success and profits need to be fostered (Justis & Judd, 1989). If both parties are able to understand what is expected of the other, it can be said that mutuality has been reached. Understanding factors that influence the dealer's relationship is therefore important for the supplier. This will help promote and develop the dealer commitment in the relationship and build long-term relationship for mutual benefit.

Literature demonstrates inconsistent results in trust and relationship commitment. While some studies found trust to positively influence relationship commitment (Andaleeb, 1996; Coote, Forrest, & Tam, 2003; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Kim, 2001; Kim & Frazier, 1997; Kumar, Scheer, & Steenkamp, 1995; Kwon & Suh, 2004; Morgan & Hunt, 1994; Rodriguez & Wilson, 2002; Ruyter, Moorman, & Lemmink, 2001; Walter & Ritter, 2003; Zineldin & Johanson, 2000), others found the contrary (Goodman & Dion, 2001; Moore, 1998; Siguaw et al., 1998). In recognition of the need to address this inconsistency in relationship commitment, this study contributes to the body of literature by examining the factors influencing relationship commitment in the automobile industry.

In conclusion, the problems that this research consequently seeks to address are “What are the key factors that affect the relationship commitment between dealer and supplier in Thai automobile industry?” and “Does the key mediating variable of trust affect relationship commitment in the Thai automobile industry?” The results would shed some light into what affects relationship commitment and offer practical recommendations to practitioners in the automobile businesses.

#### **1.4 Research Objectives**

The general objective of this study is to investigate the antecedents of relationship commitment. Accordingly, the specific objectives are delineated as follows:

1. To determine the level of relationship commitment toward the suppliers in Thai automobile industry.

2. To investigate the relationship between trust and relationship commitment among car dealers in the Thai automobile industry.
3. To examine the relationship between the mediated power (reward, coercive, legal legitimate) and non-mediated power (expert and reference) on relationship commitment of car dealers in the Thai automobile industry.
4. To examine the mediating effect of trust on the relationships between use of powers and relationship commitment.

### **1.5 Research Questions**

Based on the research background, this study seeks to address the following research questions to achieve the research objectives:

1. What is the level of relationship commitment toward the suppliers in the Thai automobile industry?
2. Does trust influence relationship commitment of car dealers in the Thai automobile industry?
3. Does mediated power (reward, coercive and legal legitimate) and non-mediated power (expert and reference) influence relationship commitment of Thai car dealers?
4. Is the relationship between use of powers and relationship commitment mediated by trust?

## 1.6 Significance of the Study

The study makes a valuable contribution to both theoretical and practical perspectives in dealer-supplier relationship commitment automobile industry. Most research studies characterize the buyer-supplier relationship as a long-term relationship which requires that the suppliers gain an in-depth knowledge of the buyers' behaviour and satisfaction in order for them to achieve a sustainable competitive advantage over the rival suppliers (Selvan, 2012a). One of the most important key constructs in this evolving paradigm of long-term relationship in a buyer-supplier context is relationship commitment (Ping, 2003; Rodriguez et al., 2006; Caceras & Paparoidamis, 2007).

For both practitioners and researchers, commitment in a relationship is a desirable business philosophy because it leads to the long-term relationship outcomes, trust, satisfaction and continuity of relationship. Rodriguez et al. (2006) argued that relationship satisfaction, commitment, and trust are issues of great interest at the moment. Thus, further examination on managing relationship commitment is needed because the competitiveness in business-to-business marketing depends on actively maintaining such relationships. For that reason, researchers have expressed a great deal of interest in creating and maintaining relationship commitment in business-to-business industry and marketing channel firms (Geyskens & Steenkamp, 2000; Abdul-Muhmin, 2002).

Theoretically speaking, studies on the antecedents of relationship commitment are lacking (Wilson, 2000; Sheu & Hu, 2009; Van Riel et al., 2011) especially within the Asian context (Tsai & Chen, 2008). Furthermore, scholars pointed out that scientific

investigation on relationship commitment is at its early stage and more empirical endeavors are needed (Shi et al., 2010). Furthermore, the scope of relationship marketing in industrial product research must be extended outside the Western countries to fill a serious gap in the literature (Chattananon & Trimetsoontorn, 2009; Petison, 2010) as much empirical research in commitment has been conducted in North America and Europe (de Ruyter et al., 2001; Goodman & Dion, 2001).

According to some commentators, because relationship marketing is yet to be explored widely in a non-Western industrial marketing context (Selvan, 2012b; Coote et al., 2003) and in developing countries (Roslin & Melewar, 2004). Skarmeas, Katsikeas, and Schlegelmilch (2002), a research work in these contexts is pertinent to further generalize previous findings. In a similar vein, Brown, Lusch, and Nicholson (1995) highlighted that empirical studies on understanding the role of commitment should further be extended across from different industries, types of channels, and geographic areas. Therefore, in order to bridge these gaps, this study focuses on relationship commitment in dealer-supplier relationship in the Thai automobile business. The research can help identify the key variables that affect the long-term relationship in Thai automobile industry. Furthermore, this study attempts to contribute to an expanding research stream by addressing the Thai perspective. It is important to investigate this issue in the Thai setting because the empirical findings in the West may not be applicable to other countries.



From the practical perspective, the findings of this study are important to the development of the automobile industry in Thailand. As Thailand has extensively developed its economy to achieve a total income of approximately 8.1% of 2009 GDP (Hanley, 2009), it continues to evolve in an increasingly dynamic business environment. By focusing on the relationship between dealers and suppliers, it is hoped that the research can contribute further to the effectiveness of this industry since dealership plays an importance role in the channel distribution in Thailand.

Also, the study of relationship commitment between dealers and suppliers from the perspective of the dealers can help improve the efficiency of the relationship. The results can be used as a tool to evaluate, assess and measure the level of relationship commitment of the dealers toward the suppliers. The proposed model can also be used to develop the supplier's management strategy to improve the rate of success of both parties. In addition, a good dealer-supplier relationship can enhance the Thai automobile industry and the national economy. Furthermore, entrepreneurs from other countries who are interested in the automobile market in Thailand can use the study as a guide on how to manage their customers, increase competitive capabilities, and continuously create sustainable growth of their organization to meet their business goals. Apart from the automobile industry, other businesses and industries that involve distributors can benefit from this study in developing a system to strengthen the bonds and maintain their relationship base as well as increasing competitive capabilities.

## 1.7 Scope of the Study

The present study focuses on the relationship commitment between dealers and suppliers in Thai automobile industry. Although relationship might occur in various settings, the present study focuses on the dealer-supplier relationship, particularly in automobile dealership. Apart from various types of relationship marketing elements, this study only concentrates on the element of relationship commitment. In automotive industry, good relationship with the suppliers plays a crucial role in dealer's supply chain management. A long term relationship between dealers and their supply chain members has been suggested by strategic partnership process. As building buyer-seller relationship has become recognized and appreciated in all the functional areas of business, good relationship commitment is crucial to be maintained for the sake of achieving efficient business improvements.



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The automobile industry has been selected to represent the focus of this study because the nature of this industry highly relies on the dealer and supplier supply chain system. Furthermore, the automotive industry is a vital sector for the country's economy as it contributes greatly to exports and trade inflows. It is Thailand's second-largest export industry, after computer parts and components. The sample for this study involves the car dealers operated in six regions in Thailand. Although dealers might be engaged in relationship with various partners, this study only targets on the relationship between dealers and their suppliers due to the fact that in business-to-business market settings, the relationship between dealer and supplier is frequently long term, close and involving a

complex pattern of interaction between and within each company. The dealer's and supplier's task in this case may have more to do with maintaining these relationships than with making a straightforward sale or purchase. This explains that commitment in business-to-business marketing should be understood as a relationship-specific rather than a transaction-specific construct.

### **1.8 Organization of the Thesis**

This research is divided into five chapters: Chapter one discusses the introduction, background of the study, problem statement, research objectives, research questions, and significance of the study. Chapter two provides a review of the literature related to the variables considered in this study including the concepts of relationship commitment and its antecedents. Based on the literatures reviewed, this chapter subsequently discusses the theoretical framework adopted and hypotheses generated for this study. Chapter three presents the research design, variable measurements, population and sample, data collection procedure, and questionnaire design. Statistical techniques used are also explained at the end of this chapter. Chapter four explains the findings along with the discussion. A profile of the respondents, goodness of measures, descriptive analyses and the results of hypotheses testing are presented. At the end of this chapter, a summary of results is provided. Chapter five contains discussion, implications and limitations of the present study. This chapter concludes with the recommendations for future research and some concluding remarks.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter begins with the role of relationship marketing followed by reviews of relevant literatures on relationship commitment. In particular, this chapter discusses selected antecedents of relationship commitment between dealers and suppliers in the automobile industry. Finally, the theoretical framework and hypotheses are demonstrated.

#### **2.2 Relationship Marketing in Nature**

The marketing environment has become so dynamic and fierce that a new approach to marketing is necessary. As customers have become more empowered, developing a good relationship with them determines business success. Hence, relationship marketing (RM) has become a new marketing tool and strategic vehicle to achieve the bottom line (Godson, 2010). As the business and customers interact with each other in various partnerships (Morgan & Hunt, 1994; Doyle, 1995), relationship marketing ensures involvement and integration of customers, suppliers and other related parties into a firm's developmental and marketing activities (McKenna, 1991; Shani & Chalasani, 1993). In this context, relationship marketing plays a role in "... attracting, maintaining and--in multi-service organisations--enhancing customer relationships" (Berry, 1983)

Relationship marketing changes the way personal selling and sales management are being practiced in order to develop a long-term buyer–seller relationships (Biong & Selnes, 1997; McDonald, Millman, & Rogers, 1997; Piercy, Cravens, & Morgan, 1997, 1998; Weitz & Bradford, 1999; Wotruba, 1996). To create value for the marketers and buyers, this relationship management (Storbacka, Davies, Nenonen, & Ryals, 2009; Piercy, 2006) sees increased involvement of various sales-related individuals such as customer partner, team coordinator, and service provider (Anderson, 1996; Marshall & Michaels, 2001; Rackham & DeVincentis, 1999; Storbacka et al., 2009). Furthermore, Seth and Parvatiyar (2000) identified various factors such as technological advancement, total quality programs, and increased competition in the service industry as the key forces to the growth and development of relationship marketing.

As relationship marketing is gaining prominence, this calls for major changes in the theory of marketing fundamentals. Instead of the traditional adversarial transaction cost analysis approach to buyer supplier relationships, cooperation now becomes the basis (Wilson, 1995). This is particularly emphasized by the Nordic schools, which view marketing as an interactive process between a buyer and a seller where relationship building and management is a vital cornerstone. Such active relationship is in direct opposition of the traditional marketing paradigm where the seller is active while the buyer is passive. Such a traditional view of marketing does not reflect the current reality of retail marketing practices.

Strategically, relationship marketing results in the versatile relationships in the business-to-business (B2B) settings, particularly in retail. According to Lambert et al. (1996), retailer-supplier partnerships can be categorised into three: (a) planned and coordinated partnership but on a very limited basis and for a short term period; (b) partnership involving integration of business activities between retailers and suppliers; (c) partnership based on an ongoing and stable integration with adequate significance. To Mentzer et al. (2000), another form of relationship involves operational partnering on one side and strategic partnering on the other side. The strategic variations in relationship marketing that moves from a short-term oriented transaction to a long-term relationship signifies the changes in the business environment. As succinctly stated by Kotler (1991), “What I think we are witnessing today is a movement away from a focus on exchange – in the narrow sense of transaction and toward a focus on building value chain relationships and marketing networks....we start thinking mostly about how to hold on to our existing customers....our thinking therefore is moving from a marketing mix focus to a relationship focus” (p. 65).

Historically, in ancient trading, creating and maintaining relationships were very important, as reflected in a very popular saying in the Middle East, “As a merchant, you’d better have a friend in every town”. But, in contemporary times, Berry (1983) was the one who first introduced the concept of relationship marketing from the services marketing perspective. For him, relationship marketing primarily aims to create mutual benefits and values between a buyer and a seller. He advocated a number of relationship strategies, including a core service strategy, customization, relationship pricing, and

internal marketing. He stressed that the attraction of new customers should be viewed only as an intermediate step in the marketing process. Solidifying the relationship, transforming indifferent customers into loyal ones and serving customers as clients also should be considered as marketing.

In a similar vein, Gronroos (1990) defined relationship marketing as follows: “Relationship Marketing (RM) is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchanges and fulfillment of promises”. Other definitions are offered as follows:

- a) “RM has the aim of building mutually satisfying long term relations with key parties-customers, suppliers, distributors- in order to earn and retain their businesses.” (Patrick et al., 2007).
- b) It is “... an ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end user customers to create or enhance mutual economic value at reduced cost, so that the objectives of all parties involved are met” (Baran et al., 2008).
- c) It “... involves the identification, specification, initiation, maintenance and dissolution of long term relationships with key customers and other parties, through mutual exchange, fulfilment of promises and adherences to relationship norms to satisfy the objectives and enhance the experience of the parties concerned” (Malley, 1997).

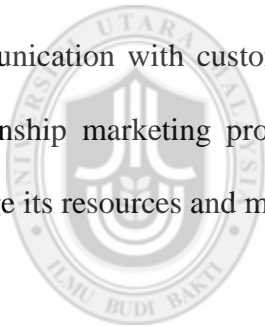
- d) as the process whereby a firm builds long-term alliances with both prospective and current customers so that both seller and buyer work toward a common set of specified goals. These goals are met by (1) understanding customer needs, (2) treating customers as service partners, (3) ensuring that employees satisfy customer needs, which might require employees to exercise initiatives beyond company norms, and (4) providing customers with the best possible quality relative to individual needs (Copulsky & Wolf, 1990).

Scholars emphasize that relationship marketing involves partnerships where “...social bonding, co-operation, and joint problem solving, sharing resources and activities, and basing relationship on common goals while claiming that long term relationships are mutually beneficial” (Ismail, 2009). Rachjaibun (2007) argued that the relationship marketing paradigm is a way to enhance customer satisfaction. Other scholars contended that effective relationship marketing will lead to the following positive outcomes: (1) a higher percent of satisfied customers, (2) greater customer loyalty, (3) a perception on the part of a firm’s customer that it is offered in better quality products and (4) increased profits on the part of the seller (Evans & Laskin, 1994).

Relationship marketing is as a strategy to overcome service intangibility and in appropriate form “credence” services, that is, services that are difficult for customers to evaluate even after purchase and use (Crosby & Stevens, 1987; Gilaninia, Almani, Pournaserani, & Mousavian, 2011; Mohammad, Shaharm, & Seyyed, 2011). It also does not seek a temporary increase in sales, but attempts to create involvement and product



loyalty by building a permanent bond with the customer. While it may be used to facilitate product repositioning, gain competitors' customers, or help to launch new products, the ultimate goal is to increase sales in the long term (Anderson, Fornell & Lehmann, 1994). Evan and Laskin (1994) asserted that relationship marketing firms invest in formal marketing programming not only to attract new customers but also to keep and improve existing customers. Furthermore, they argued that relationship marketing is a rather complex concept; thus, there is no commonly accepted definition. It is generally agreed that relationship marketing is a customer-centred approach whereby a firm seeks long-term business relations with prospective and existing customers. In this context, relationship marketing is a continuous process, requiring a firm to have constant communication with customers to ensure that goals are being met and to integrate the relationship marketing process into its strategic planning, enabling the firm to better manage its resources and meet future client needs (Evans & Laskin, 1994).

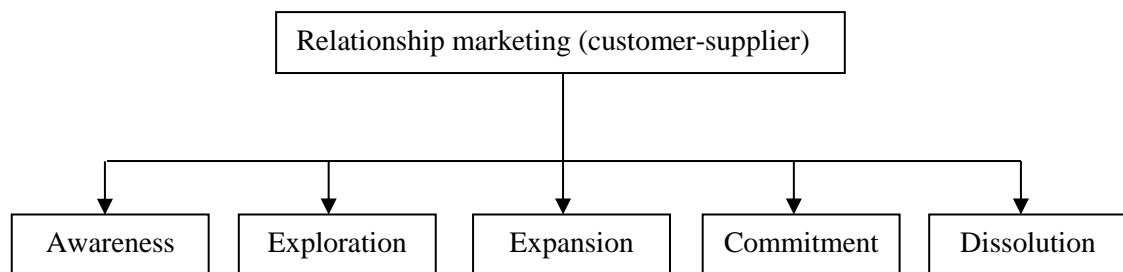


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Morgan and Hunt (1994) categorized relationship with reference to focal firm and its relational exchanges in four categories: (1) Supplier partnership such as partnership between a focal firm and goods or services supplier; (2) lateral relationship which is partnership between a focal firm and institution with the same level such as alliances with competitors, non-profit organizations and joint research and development with government; (3) buyer partnership such as long-term exchange between a focal firm and its ultimate customer, or relational exchange of working partnership like channel members or intermediary customers; and (4) internal partnerships with a focal firm such as with functional departments, employees and business units.

The relational exchange differs from discrete transaction on four dimensions. First, relational exchanges may decrease over time as this may be beneficial to one or both partners. Second, relational exchange partners can be expected to derive complex, personal, non-economic satisfactions and engage in social exchange. Third, because obligations and activities may be relatively complex and take place during an extended time period, partners may engage in carefully planning and controlling items of exchange. Finally, third parties may be called in to arbitrate and additional mechanisms for collaboration and resolving conflict may have to be designed (Evans & Laskin, 1994).

Relational exchange can provide a competitive advantage to the extent that it contributes to product and/or service differentiation and creates barriers to switching (Dwyer et al., 1987). Relationships between partners do not just emerge or exist, they evolve through a process over time. Dwyer et al (1987) found five general phases through which customer-supplier relationship is developed. They are awareness, exploration, expansion, commitment and dissolution (see Figure 2.1).



*Figure 2.1*  
Five phases of relationship marketing (customer-supplier)  
Source: Dwyer, Schurr and Oh (1987)

In these five phases, the fourth phase of commitment is the most desirable in the development of an ongoing relationship between a buyer and a seller. If the parties are not committed to their relationship, it will end at a rapid pace (Dwyer et al., 1987).

In sum, relationship marketing is defined as all exchange activities leading to development, quality improvement and relationship maintaining in order to improve competitive advantages and to overcome possible obstacles between buyers and sellers. It aims to create or enhance mutual economic value, at reduced cost, retain profitable customers by building and maintaining strong relationships, whereas traditional marketing aims to acquire new customers. Relationship marketing is a systematic and continuous process to develop strong, long-term relationship and cooperation between buyers and sellers for the achievement of business goal. Section 2.3 discusses in more detail the fourth phase (relationship commitment) of dealer-supplier relationship as proposed by Dwyer et al. (1987).

### **2.3 The Roles of Relationship Commitment**

Commitment between buyers and sellers has been well established as a crucial factor in relationship development and continuity (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994). Research has shown that relationship commitment has many benefits, including reducing uncertainty, increasing exchange efficiency and satisfaction, and enhancing performance and profitability (e.g., Anderson and Weitz 1992; Brown, Lusch, and Nicholson 1995; Dwyer, Schurr, and Oh 1987; Shanker, Brown, Basu & Hillburn, 2010).

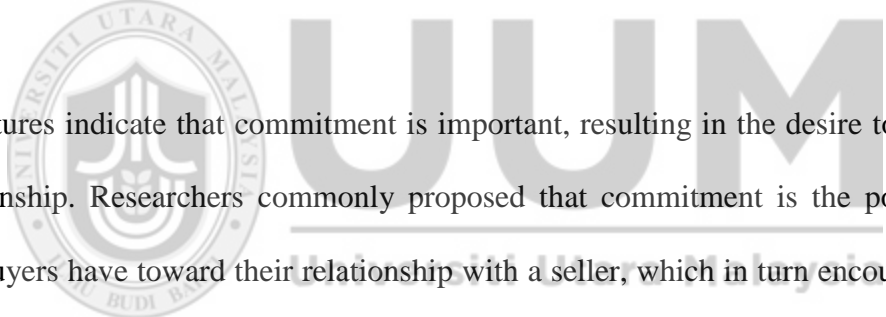
This study includes commitment in the dealer-supplier relationship and the elements that support such commitment. The present study focuses on relationship commitment because it is interesting to know how relationship commitment affects dealers' perceptions of threats and opportunities toward the suppliers in a radically changing regulatory environment.

Commitment is one of the most popular issues in relationship marketing research during the past decades because the marketplace has become more competitive. Many researchers realize the importance of commitment as a major determinant of long-term relationships, and theorize that the presence of relationship commitment and trust is central to successful relationship marketing (Bowen & Shoemaker, 2003; Morgan & Hunt, 1994). Commitment has been shown to lead to relationship maintenance (Bowen & Shoemaker, 2003), cooperation, long-term orientation, loyalty and decreasing propensity to terminate relationship (Abdul-Muhmin, 2005; Gounaris, 2005). It is a fundamental prerequisite for successful industrial marketing relationships and is considered to be central to all relational exchanges between the firm and its various partners (Dwyer et al., 1987; Gundlach & Murphy 1993), and may well become a focal point of explanation in marketing, as the discipline moves further away from the transactional view of exchange and embraces the relational view (Gundlach et al., 1995).

There are several definitions of commitment within the literatures of distribution channel. Morgan and Hunt (1994) defined commitment as an exchange partner believing that an ongoing relationship with another person is so important as to warrant maximum efforts at maintaining it. Other scholars defined it as an attitude towards the act of maintaining a relationship with a partner (Bansal, Irving, & Taylor, 2004; Bowen & Shoemaker, 2003; Fullerton, 2005), a desire to maintain a value relationship to both parties (buyer-seller) (Palmatier et al., 2006), and an implicit or explicit pledge of relational continuity between exchange partners (Dwyer et al., 1987). Relationship commitment has also been referred to as one member's identification with another member and its internalization of common norms and values with another member (Brown et al., 1995). Commitment increases the efficiency of exchange relationships by establishing relational norms that include flexibility and solidarity (Gundlach & Murphy, 1993) as well as enhances effectiveness because the parties can maximize their returns over a series of transactions (Mohr & Spekman, 1994).

Therefore, while trust is based on an evaluation of the partner's qualities (perceived reliability and integrity), relationship commitment involves a psychological attachment, a concern for the welfare of the organization. In this affective approach, relationship commitment results more from an identification process (congruence in values, affiliation and belongingness) than from an evaluation process where it is worth maintaining the current exchange relationship (Aurier & N'Goala, 2010).

In supplier-dealer relationships, relationship commitment is referred to as a desire to develop a stable relationship, a willingness to make short-term sacrifices to realize long-term benefits from the relationship (Anderson & Weitz, 1992; Gundlach, Achrol, & Mentzer, 1995). According to Morgan and Hunt (1994), commitment to the relationship is defined as a desire to maintain a valued relationship. Relationship value corresponds to the belief that relationship exists, only when the relationship is considered important. Enduring desire to maintain the relationship reflects a committed partner who wants the relationship to endure indefinitely and is willing to work at maintaining it. Based on the review of literature, commitment consists of two major aspects: importance and outcome of commitment.



Literatures indicate that commitment is important, resulting in the desire to maintain the relationship. Researchers commonly proposed that commitment is the positive feeling that buyers have toward their relationship with a seller, which in turn encourages them to maintain the relationship indefinitely. The key to develop a high level of commitment is to assist the buyer in realizing the importance of their relationship with the seller. As a result, there is a need to carry out a research to determine the factors that encourage a high level of commitment between the buyers and sellers, as a means to realize long-term benefits.

Park, Lee, lee and Truex (2010) argued that relationship commitment represents the highest level of ties among participating parties. It refers to how deeply organizations or individuals are involved in a transactional exchange relationship and the extent to which

they maintain the relationship over a long period. Along with trust, it is an important variable which may lead to mutually beneficial relationship on a longer term basis (Morgan & Hunt, 1994). Garbarino and Johnson (1999) described relationship commitment as a psychological attachment in which even the future welfare of an organization is based.

In a business relationship, prior research suggests at least two forms of commitment, namely affective and continuance (calculative) commitment (de Ruyter et al., 2001; Fullerton, 2005; Gounaris, 2005; Wetzels, Ruyter, & Biregelen, 1998). Affective commitment refers to an affective state of mind an individual or partner has toward a relationship with another individual or partner. Other scholars stated that affective commitment creates favourable intentions that help to preserve and reinforce the relationship (Gounaris, 2005; Wetzels, Ruyter, & Biregelen, 1998). Affective commitment is based on a general positive feeling towards the exchange partner (Konovsky & Cropanzano, 1991). It is brought about by a person sharing, identifying with, or internalizing the values of the organization (Morgan & Hunt, 1994), and generally seen to reflect feelings of unity or cohesion in a relationship. A high level of unity is likely to be sensed when a distributor views its supplier firm as sharing common business interests and being an ally (Dwyer et al., 1987). Thus, affective commitment is a genuine feeling that exchange partners have toward one another. This type of commitment should be the factor that encourages exchange partners to view the relationship as being important, and thus genuinely encourage them to stay in the relationship. A number of researchers in marketing relationship used affective

commitment when measuring commitment in their studies (Caceres & Paparoidamis, 2007; Garbarino & Johnson, 1999; Morgan & Hunt, 1994).

In contrast, continuance commitment is the perceived structural constraints that bind the firm to its partner and not a cognitive consideration of possible future opportunities (Gounaris, 2005). To Allen and Meyer (1991), calculative commitment is a result of a firm's calculation of costs and benefits from the partnership including the assessment of the relationship investments and the availability of alternatives to replace the foregone investments. This type of commitment is not a genuine feeling that exchange partners have toward one another. Customers only stay in a relationship because the cost of terminating the relationship is too high. The determinants of this type of commitment are expensive penalties that usually apply when exchange partners want to end a relationship, or when there is a lack of an alternative (Shanker et al., 2010).

In sum, relationship commitment has been defined as the effort to continue the relationship in a positive way. High affective commitment has been found to have a significant and strong positive impact particularly on intention to stay in a relationship, desire to stay in a relationship, performance, and willingness to invest in a relationship (Wetzels, Ruyter, & Birgenlen, 1998). In this context, the affective definition of commitment is more closely related to the long-term orientation (Ganesan, 1994).



## **2.4 Antecedents of Relationship Commitment**

A substantial number of studies have examined the antecedents of relationship commitment in a channel relationship (Andaleeb, 1996; Anderson & Narus, 1990; Dwyer et al., 1987; Gassenheimer & Rosemary, 1994; Geyskens & Steenkamp, 2000; Selnes, 1998). Researchers have explored the influence of dependence, shared value and cooperation on relationship commitment (Benton & Maloni, 2005; Frazier, Gill, & Kale, 1989; Ganesan, 1994; Mukherjee & Nath, 2003). The section below discusses the literatures on the antecedents of relationship commitment.

### **2.4.1 Dependence**

Dependence in the marketing channels relationships literature is defined as the extent to which a trade partner provides important and critical resources for which there are few alternative sources of supply (Buchanan, 1992). Dependence refers to the degree to which the target firm needs to continue or maintain its relationship with the source in order to achieve its desired goals (Frazier, 1983; Kale, 1986; Sezen & Yilmaz, 2007). Researchers also show that both interdependence, and the mutual dependence of both partners, and dependence asymmetry, or the imbalance between partners' dependence, are critical to understanding the impact of dependence in an exchange (Jap & Ganesan, 2000).

El-Ansary and Stern (1972) defined dependency as a function of: (1) the percentage of a channel member's business which he/she contracts with another member and the size of the contribution that the business makes to his/her profits; (2) the commitment of a

channel member to another member in terms of the relative importance of the latter's marketing policies to him/her; and (3) the difficulty in effort and cost faced by a channel member in attempting to replace another member as a source of supply or as a customer. It has also been indicated that dependence is greater when profits from the source firm increases (El-Ansary & Stern, 1972).

Many empirical researches accept the premise that interdependence positively affects exchange performance and relationship continuity because dependence increases both the partners' desire to maintain the relationship and the level of adaptation they undertake (Hallen & Sandstrom, 1991) and avoids destructive action at the same time (Hibbard, Kumar, & Stern, 2001). Provan and Gassenheimer (1994) found a positive relationship between dealer dependence and market leading suppliers regardless of commitment. Ganesan (1994) found a positive relationship between the dependence of a retailer and the retailer's long-term orientation with the supplying firm. Lusch and Brown (1996) found that as a wholesaler became more dependent on the supplier, the long-term orientation of that wholesaler increased. Overall research suggests that as the buyer's level of dependence increased, the buyer's long-term orientation to the relationship also increased.

Dependence is considered in a distributor-manufacturer model as an antecedent, with the consequences of commitment, power, conflict and satisfaction (Anderson & Narus, 1984). Dependence of dealer has been shown to result from the necessity and will to strengthen relationship (Frazier, Gill, & Kale, 1989). According to Spinelly and Burley

(1996), it is absolutely necessary to find convergent objectives between the two parties to maintain the relationship. The higher the dependence between two parties, the more one party needs the other party to benefit from the relationship (Kumar et al., 1995). All of these reflect the significant role of dependence on the relationship, especially in the business to business environment.

Based on the findings on dependence and commitment above, dependence is critical to establishing relationship commitment between a dealer and a supplier in a channel relationship. In most studies, dependence is considered an antecedent to commitment. The degree of dependence between exchange partners is positively related to commitment. The higher level of dependence between the two transacting parties (supplier-dealer) is seen when one party seeks the other party to obtain a greater benefit from the relationship, which ultimately leads to commitment and relationship performance.

#### **2.4.2 Shared Value**

Shared value plays an important role in “defining organizational culture and influence between organization member” (Huntley, 2006). Huntley emphasized value congruity at both the organizational and individual level. From the organization perspective, value congruence is related to the goals of the relationship, specifically in terms of being a driver of trust, commitment and relationship quality. From the individual perspective, value congruence is related to long-term relationship. He found that shared values, as

framed through value congruity/goal congruity, did in fact have a positive effect on trust, commitment, and relationship quality.

Other researchers have also shown similar result in that shared values between exchange partners provide a positive impact on the development of trust and commitment. Morgan and Hunt (1994), defined shared value as the extent to which partners have beliefs in common about what behavior, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong, revealed shared ethical values as an antecedent of trust and commitment. Mukherjee and Nath (2003) also found that customers were more likely to trust and commit to banks that value ethics, security, and privacy with their customers. In addition MacMilan, Money, Money, and Downing (2005) found that senior managers responsible for funding decision were likely to have higher trust and commitment towards non-profit organizations (NPO) when they believed that the NPO shared the same values.

### **2.4.3 Cooperation**

Stern and El-Ansary (1992) mentioned that a central theme of distribution channel theory and research is inter-organizational coordination. Morgan and Hunt (1994) viewed that relationship marketing success, in all its contexts, requires cooperative behaviours in channels of distribution. Several studies have looked into the concept of collaborative planning. For example, Barratt and Oliveira (2001), and Stern and Reve (1980) conceptualized cooperation as the process of coalescing with other for a good, goal, or

value of mutual benefit. It involves a combination of object-and collaborator-centre activity which is based on a compatibility of goals, aims, or values.

Cooperation implies an attitude characterized by joint effort, team spirit, and mutual collaboration, which is expressed in the form of common actions (Childers & Ruekert, 1982; Frazier, 1983). Anderson and Narus (1990) defined cooperation as “similar or complementary coordinated actions taken by firms in interdependent relationship to achieve mutual outcome or singular outcomes with expected reciprocation over time”. Humphries and Wilding (2004) stated cooperation as “working together/jointly to bring resources into a required relationship to achieve effective operations in harmony with the strategies/objectives of the parties involved, thus resulting in mutual benefit”. Young and Wilkinson (1997) defined cooperation as the activity undertaken jointly in collaboration with others which is directed towards common interests or rewards. Narus and Anderson (1987) proposed that successful working relationships are marked by coordinated actions directed at mutual objectives that consistent across firm.

Several researchers have used other features to characterize the construct of cooperation, including joint technical problem solving, reciprocity, continuity (Hakansson, 1982), concern with profitability, willingness to make cooperative changes, and owing favours (Cannon & Perreault, 1999). Anderson et al. (1994) mentioned that several processes and constructs can be adopted as being compatible with the concept of cooperation, including value-creating exchange, mutually pre-agreed activities, part of the initiation and expansion phases in the relationship development, joint action, and specific investment.

Cooperation has been also conceptualized as a multi-dimensional construct including resource/information sharing, joint action, harmony and flexibility (Heide & John, 1988; Noordewier, John, & Nevin, 1990).

Mutual goals and joint decision making between partners lead to increased satisfaction and commitment (Wilson, 1995). Other researchers found cooperative norms in a channel relationship led to commitment as the exchange parties believed that their dedication to the cooperative activities will motivate each other to make stronger commitment to the relationship (Anderson et al., 1994; Siguaw et al., 1998).

The above discussions have presented literatures on the effect of dependence, shared value, and cooperation on relationship commitment (Heide & John, 1988; Wilson, 1995), Siguaw et al., 1998; MacMilan et al., 2005; Morgan & Hunt, 1994; Anderson & Narus, 1984). However, these factors were excluded in the present study for several reasons. Firstly, previous studies on relation marketing proposed that power significantly relates to relationship commitment (Benton & Maloni, 2005; Maloni & Benton, 2000). However, some scholars argued that dependence can be considered to be the same as power (Emerson, 1962). As a result, dependence was not included as an antecedent in the present study. In addition, some studies on marketing channel operationalized dependence as power (Frazier et al., 1989; Heide, 1994; Keith, Jackson, & Crosby, 1990). Secondly, in the power base theoretical approach (Power & Reagan, 2007; Ryu, Park, & Min, 2007), the concept of referent power closely reflects shared values. Thirdly, cooperation has been conceptualized as trust (Luhmann, 1988). Despite the variety of

antecedents of relationship commitment, such as dependence, shared value, and cooperation, the present study focused on the role of power and trust.

#### **2.4.4 Trust**

Rapidly changing competitive environments are forcing firms to seek new method for meeting completion. Many firms have responded by building cooperative relationships with customer as a way to enhance competitive advantage (Cravens, 1995). Such cooperative relationship rely on high levels of trust (Doney & Cannon, 1997; Dwyer et al., 1987; Morgan & Hunt, 1994). Trust is a key construct in Relationship Marketing theory (Aurier & N'Goala, 2010; Dwyer et al. 1987; Palmatier et al. 2006). It is “existing when one party has confidence in the exchange partner’s reliability and integrity” (Morgan and Hunt, 1994).

Trust is one of the most widely examined concepts in relationship marketing (Dwyer et al., 1987; Ganesan, 1994; Mohr & Spekman, 1994). It has been established to be a central factor in relationship by various researchers (Palmatier et al., 2006; Rotter, 1967). It is central to long-term relationships (Leonidou, Tallas, & Leonidou, 2008; Van Riel et al., 2011), and develop over time between partners (Wilson, 1995).

The literature on marketing has provided numerous definition of trust. Most definitions involve a belief that the exchange partner will act in the best interest of the other partner. For example, trust is defined as one party’s belief that its needs will be fulfilled in the future by actions taken by the other party (Anderson & Weitz, 1989, 1992). Moorman et

al. (1992) viewed trust as a kind of willingness to rely on an exchange partner in whom one has confidence. Morgan and Hunt (1994), and Beatson, Lings, and Gudergan (2008) conceptualized trust in terms of confidence and reliability. According to Mohammad et al. (2011), trust is a belief or conviction about the other party's intention within the relationship. Chattananon and Trimetsoontorn (2009) demonstrated that trust is the dimension of business relationship that determines the level which each party feels they can rely on the integrity of the promise offered by the other. According to Moorman et al. (1993), trust is willingness to rely on an exchange partner in whom it has confidence. Ndubisi and Wah (2005) mentioned that a betrayal of trust by the supplier could lead to defection, which means taking mutually agree words as fact and reducing one's perception of the likelihood that either party will act opportunistically (Leung, Lai, Chan, & Wong, 2005).

Morgan and Hunt (1994) argued that trust is the most important antecedent of commitment. When participants in an exchange relationship trust each other, they are more likely to resolve difficult issues such as conflict and low profitability. In other words, trust generates relationship commitment that may lead to a longer term relationship (Dwyer, Schurr, & Oh, 1987; Park, Lee, Lee & Trux, 2010). Trust can be defined as confidence in the partner's honesty and belief (Crosby & Stevens, 1987). Trust exists when one party has confidence in reliability and integrity of the other party. Trust can thus be further defined as a willingness to rely on the partner for reliable exchange and transactions in a long term manner (Moorman et al., 1993).



In relationship marketing literature, trust is generally considered as a key antecedent of relationship commitment (Aurer & N'Goala, 2010; Morgan and Hunt 1994; Geyskens et al. 1996). Individuals are reluctant to commit themselves unless they have confidence in the service provider's ability to constantly meet their expectations in the future (reliability) and in its willingness to avoid any behavior that could be detrimental to them (benevolence). When they distrust a supplier, consumers tend to become less involved in the service relationship and to decrease their potential vulnerability to the partner.

Several researchers have classified trust into two essential elements: trust in the partner's credibility and trust in the partner's benevolence (Andaleeb, 1996; Anderson & Narus, 1990; Baker, Simpson, & Siguaw, 1999; Doney & Cannon, 1997; Dwyer et al., 1987; Ganesan, 1994; Kumar et al., 1995; Sezen & Yilmaz, 2007). Ganesan (1994) stated that trust occurs when a trusting party perceives that another party is trustworthy in terms of its credibility and benevolence. Credibility is based on the extent to which the retailer believes that the vendor has the required expertise to perform the job effectively and reliably. Benevolence is based on the extent to which the retailer believes that the vendor has the intention and motives beneficial to the retailer when new conditions arise. A retailer's trust in a vendor affects the long-term orientation of a retailer in three ways.

Firstly, it reduces the perception of risk associated with opportunistic behaviours by the vendor. Secondly, it increases the confidence of the retailer/distributor that short-term inequities will be resolved over a long period. Finally, it reduces the transaction costs in an exchange relationship. Ganesan also found that long-term orientation is affected by the

extent to which customers and vendors trust their channel partners. Each partner's ability to provide positive outcomes to the other determines commitment to the relationship. Later, Doney and Cannon (1997) also defined trust as the perceived credibility and benevolence of a target of trust. The first dimension of trust focuses on the objective credibility of an exchange partner, an expectancy that the partner's word or written statement can be relied on (Lindsfold, 1978) and, that he/she is sincere, and that he/she will perform his/her role effectively and reliably.

The second dimension of trust, benevolence, represents the extent to which one partner is genuinely interested in the other partner's welfare and motivated to seek joint gains. This definition of trust is relevant in an industrial buying context. In a similar vein, Sezen and Yilmaz (2007) conceptualized trust as the willingness to rely on the exchange partner in whom one has confidence. They revealed that trust was a key bonding factor in an exchange relationship. Trust in the exchange partner reduces perception of outcome uncertainties, facilitates risk-taking behaviours, and promotes a cooperative orientation.

In relationship marketing, trust acts to reduce transaction cost by reducing opportunism. It is also regarded as a fundamental element to build stable relationship (Ganesan, 1994; Garbarino & Johnson, 1999) and successful relationship (Berry, 1995; Moorman et al., 1993). In the channel relationship, high levels of trust reduce conflict and enhance channel member satisfaction (Anderson & Narus, 1990). Opportunistic behavior is negatively associated with trust and commitment encourages marketers to resist attractive short-term alternative in favour of the expected long-term benefits. This is supported by

Morgan and Hunt (1994) who stated that commitment and trust are key because they encourage marketers to: (a) work at preserving relationship investments by cooperating with exchange partners; (b) resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners; and (c) view potentially high risk actions as being prudent because of the belief that partners will not act opportunistically. Trust and commitment to a working multiple relationship "... distinguishes productive, effective exchange relationships from unproductive and inefficient, that's whatever making successful relationship marketing instead of failure ". These functions of trust and commitment are the core because they lead directly to cooperative behaviours that are conducive to relationship marketing success (Morgan & Hunt, 1994).

In the marketing channels literature, several studies have highlighted trust as a central construct in understanding relationship building and maintenance with positive relationship (e.g., Dwyer et al., 1987; Geyskens, Steenkamp, & Kumar, 1998; Morgan & Hunt, 1994). Empirical evidence has consistently shown that trust promotes and increases commitment to the relationship (e.g., Morgan & Hunt, 1994). There is support in the industrial marketing literature for the trust–commitment path. Morgan and Hunt (1994) reported a positive relationship between trust and commitment in their study of manufacturer–retailer relationships. de Ruyter et al. (2001) found support for the positive effect of trust on affective commitment in their study of high-technology markets.

Goodman and Dion (2001) reported a correlation of .57 between trust and commitment in their study of distributor–manufacturer relationships. There is also evidence supporting the positive effect of trust on commitment in commercial research relationships (Moorman et al., 1992).

Trust has been well discussed in business-to-business relationship literature in recent time. In a business-to-business relationship, trust is a firm belief that the customer (retailer/distributor) will attempt to reduce its perceived risk by selecting a supplier seen as capable of performing reliably (credibility) and demonstrate its interest in the buyer's wellbeing (benevolence). Trust can be traced as one party relying on or having confidence in other party (Morgan & Hunt, 1994). In dealer-supplier relationship, both parties search for a trustworthy partner (Coote et al., 2003). Kumar et al. (1995) investigated the effect of interdependence asymmetry and total interdependence on inter-organizational conflict, trust and commitment in the automotive industry among 417 USA car dealers. They found that dealers' trust and commitment to supplier were decreased when the latter increased interdependence asymmetry. On the other hand, greater total interdependence was associated with higher trust and commitment and lower conflict. In their study, two types of trust were proposed: trust in dealer's credibility and trust in supplier's benevolence. Trust in the supplier credibility is based on the extent to which the dealer believes that the supplier's word or written statement can be relied on and that the supplier will perform its role effective and reliably.

Conversely, trust in the supplier's benevolence is the dealer's perception of the extent to which the supplier is concerned about the welfare of the dealer. In sum, these findings suggest trust as being a critical construct in explaining commitment.

In summary, trust consists of many essential elements such as honesty, credibility, and benevolence. However, the elements of trust based on credibility and benevolence are suitably applied to this research because the automobile dealership especially in Thailand has been dependent on their suppliers for a long time. It is therefore important to determine the extent of trust they have developed with their supplier. Additionally, the level of trust may also affect their perception of the competitive threat and the willingness to maintain their current relationships at the potentially critical moment.

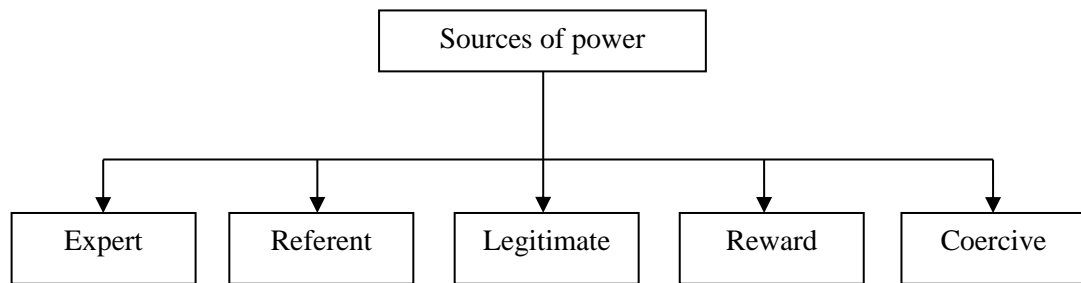
#### **2.4.5 Use of Power**

Power in marketing channels refers to the source's ability to influence decision variables in the marketing strategy of the target at a different level in a given channel (Brwon et al., 1995; El-Ansary & Stern, 1972; Frazier & Summers, 1986; Gaski, 1984). Power is normally considered significant for the understanding of buyer-supplier relationship (Frazier & Antia, 1995). Frazier (1999) stated that "power must be defined and examined in such a manner as to enrich our understanding of behavioural interactions and outcomes between channel members".

The issue of “power” in the distribution channels has received considerable attention in both academic and practitioner journals. A number of power theoreticians have put emphasis on the importance of treating power not as an attribute, but as a relationship (Busch, 1980). Cadotte and Stern (1979) argued that when conflict happens power is used to solve it. Power is a fundamental inter-organizational influence phenomenon because influence is clearly defined as “the use of power” (Gaski, 1986). Earlier, Gaski (1984) provided that power is the ability to get someone to do something he or she would not have done. For example, “A has the power over B to the extent that A can get B to do something that B would not otherwise do” (Dahl, 1957) or “When an agent, O, performs an act resulting in some change in another agent, P, it could say that O influences P. On the other hand, if O has the capability of influencing P, it could say that O has power over P” (Cartwright, 1965).

El-Ansary and Stern (1972) applied the notion of power to marketing channel. According to them, power of a channel member is his/her ability to control the decision variable in the marketing strategy of another member in a given channel at a different level of distribution. It should be different from the influenced member’s original level of control over his/her own marketing strategy. Frazier (1983) suggested a theme of potential influence or control of behavior as the basis of power. When analysing different existing definitions of power in marketing, the themes of “ability to change behavior” by “influence or control” on “decision activities” appear repeatedly.

In short, power is the potential or ability of one individual or group to control or influence the behavior of another (Coughlan, Anderson, Stern, & El-Ansary, 2006; Gaski & Nevin, 1985; Hunt & Nevin, 1974; Lusch & Brown, 1982).



*Figure 2.2* Sources of power  
Source: French and Raven (1959)

There are various sources of power (or sometimes called the power source, and base of power), which are exercised via a multitude of strategies. French and Raven (1959) were the first to offer the base of power research in the development of power consisting of: (a) expert (the source has knowledge, information and skills desired by the target); (b) referent (the target values to maintain identification with the source); (c) legitimate (the source has the legitimate right to influence behavior over the target. This is based primarily on traditional legitimate and legal legitimate); (d) reward (the sources retains the ability to mediate rewards to the target); and (e) coercive (the source has the ability to mediate punishment to target). The various sources of power is shown in Figure 2.2. In the context of supply chain management involving retailer (dealer) and supplier, the sources of power explain why one party holds authority over the other. French and Raven isolated five sources of power as follows.

1. Reward is defined as the dealer's perception that the supplier has the ability to mediate rewards to the target. The supplier has the ability to control valued resources whether such resources are tangible or intangible. To demonstrate reward, the supplier may grant the retail trade allowances or incentives, sharing advertising expenditures, sales promotion materials, and better trade terms (El-Ansary & Stern, 1972; Gaski, 1984; Hunt & Nevin, 1974). Furthermore, the supplier might offer lower price, better service, or improved technology (French & Raven, 1959).
2. Punishment or coercive is defined as the dealer's perception that the supplier has the ability to take disciplinary action over the dealer and has the ability to mediate punishment to the target. The supplier has the ability to force compliance from the dealer such as withdrawal of important support or service (Brownk, Lusch, & Mrchling, 1983; Gaski, 1986), termination of exclusive territorial right and slow delivery refusal to sell. This power is closely related to reward power since withholding an expected reward may be considered a form of punishment (French & Raven, 1959).
3. Legitimate power is defined as the dealer's perception that the supplier has a legitimate right to prescribe behaviour for him/her. Legitimate power is created from perceived standing and natural privileged to such power. The suppliers may believe that their dealers have the right to authority within the supply. Legitimacy involves mandating behaviour in an informal contractual agreement. The supplier is assumed to legitimately influence certain marketing policy on small dealers such as pricing policy or product returns policy.



4. Referent power is defined as the dealer's identification with the supplier, or the dealer's desire to be closely associated with the supplier (Kasulis & Spekman, 1980). Both parties' desire to be associated with another is out of admiration from them. They may respect the business practices or position of a chain member and feel they are required to respond to the firm out of allegiance.
5. Expert power is referred to the dealer's perception that the supplier has some special knowledge or expertise, information and skills that are valuable to the target, which will lead them to take proper action. The supplier is perceived to have expert power if the supplier holds good knowledge about its products or services or provides valuable information such as providing salesmen's training, business advice, inventory management assistance, product demonstration, and store layout advice (Brown et al., 1983; Gaski, 1986).

The five sources of power seem to be the dominant paradigm in channel power theory and are utilized in many research endeavours (Benton & Maloni, 2005; Brown et al., 1983; Dwyer & Welsh, 1985; Etgar, 1978; Gaski, 1984; Goodman & Dion, 2001; Hunt & Nevin, 1974; Lusch, 1976; Lusch & Brown., 1982; Maloni & Benton, 2000).

In addition to the sources of power above, other dichotomizations of power sources have been used by researchers. The most commonly applied dichotomies in channel research are coercive/non-coercive (Gaski, 1984; Gaski & Nevin, 1985; Hunt & Nevin, 1974; Liu & Wang, 2000; Lusch, 1976), direct and indirect outcome control (Kasulis, Spekman, & Bagozzi, 1979), contingent and non-contingent power (John, 1984), exercised and

unexercised (Gaski & Nevin, 1985), and mediated and non-mediated power (Benton & Maloni, 2005; Brown et al., 1995; Johnson, Koenig, & Brown, 1985; Kasulis & Spekman, 1980; Maloni & Benton, 2000). But, the most appropriate dichotomization of the business-to business environment is based on mediated and non-mediated power sources (Benton & Maloni, 2005; Brown et al., 1995; French & Raven, 1959; Johnson, Sakano, Cote, & Onzo, 1993; Kasulis & Spekman, 1980; Keith et al., 1990; Tedeschi, Schlenker, & Lindskold, 1972). Mediated power is when the source of the power decides whether, when and how to use power to influence the target's decision and behavior, whereas non-mediated power occurs when the source of the power does not mediate the reinforcement of the power over the target.

This study concentrated on the mediated and non-mediated dichotomy because the initial discussion with industry practitioners indicated that it best describes the power environment of the automobile industry (Brown et al., 1995). Mediated power sources, which include reward, coercive, and legal legitimate power, involve influence strategies that the source (supplier) specifically administers to the target (dealer). The intention is to bring about some direct action. Mediated bases represent the competitive and negative uses of power traditionally associated with organizational theory. On the other hand, non-mediated power sources, which are more relational and positive in orientation, include expert, referent, and traditional legitimate (Brown et al., 2004; Benton & Maloni, 2005; 1995; Maloni & Benton, 2000). These power bases occur as a natural part of the buyer-seller business transaction and do not necessitate intention from the source.

In fact, the source may not even be aware that non-mediated power bases exist (Brown et al., 2004; Benton & Maloni, 2005; 1995; Maloni & Benton, 2000). Brown, Lusch, and Nicholson (1995) found that the use of mediated power (coercive, legal legitimate, reward) will lower genuine commitment for the target due to the resentment over the subordinate situation; however, non-mediated power (expert, referent) source increases commitment.

Many studies have investigated the effect of the use of power sources (mediated and non-mediated power) on relationship behavior such as commitment and buyer-supplier relationships (Benton & Maloni, 2005; Brown et al., 1995; Chinomana, 2012; Fu, Lin, Hu, & Wen, 2013; Maloni & Benton, 2000). Brown et al. (1995) investigated the impact of power and relationship commitment on marketing channel member's performance from the relationship marketing perspective among 203 farm equipment dealers in the USA. The supplier's use of power significantly impacted relationship commitment, which led to the perceived performance of the supplier and financial performance of the retailer. They found that the supplier' use of non-mediated bases of expert, referent, and legitimate power positively impacted the retailer's affective (normative) relationship commitment, and the use of mediated base of reward and coercive power showed a negative impact. The use of non-mediated power was found to enhance the positive attitudes towards channel relationship and foster the congruency in the values and norms between channel members.

Maloni and Benton (2000) studied the relationship between suppliers and manufacturer in the automobile industry among 229 suppliers in the USA. They found that mediated power (reward, coercive and legal legitimate) was significantly and negatively associated with relationship commitment. In contrast, non-mediated power (expert and referent) was found to have a significant and positive link with relationship commitment. Benton and Maloni (2005) tested the effect of power factors of supplier commitment toward five manufacturers in the automobile industry in USA market. They found non-mediated power sources (expert and referent) had significant positive effects on supply chain buyer-supplier relationship. Coercive-mediated power source (coercive and legal legitimate) had a significant negative effect. Reward-mediated power was found to have a positive effect on supply chain.

In a recent study, Chinomano (2012) examined the effects of a dealer's non-mediated power (expert, referent and traditional legitimate) on trust, relationship commitment and satisfaction among 400 manufacturing SMEs in Taiwan. They found that expert, referent and traditional legitimate power sources were significantly related to trust and relationship commitment, satisfaction and cooperation. In their study on the use power, trust and commitment on company-farmer relationship in China, Fu, Lin, Hu and Wen (2013) observed that for non-mediated power (expert and legitimate) expert power was the most significant in enhancing the company's trust and commitment.

Legitimate power had a positive effect on the company's trust but a negative effect on the company's relationship commitment. For mediated power (reward and coercive), both reward power and coercive power showed a negative effect on the company's trust and relationship commitment.

In summary, the use of power can be defined as the ability of a firm to influence the action of another. Mediated power is assumed to influence a structure in a marketing channel with regard to switching to other suppliers or building up alliance to overcome a powerful supplier. On the other hand, non-mediated power is assumed to strengthen a current relationship. It is counter reactions to the power strategies used by the source. As mentioned earlier, the study of power is increasingly important as the need for relationship commitment between channel members grows. Because this study considered power, both mediated and non-mediated, as an antecedent of channel relationship commitment, the emphasis was on the use of power and how it impacts commitment of the automobile business in Thailand.

#### **2.4.6 Trust as Mediating Variable**

In the marketing field, the mediating effect of trust on commitment has been examined in various studies (e.g., Abolhasanpour, Seyed-Esfahai, Kimiagari, Abolhasanpoor, & Tajalli, 2011; Fu et al., 2013; Jonsson & Zineldin, 2003; Leonidou et al., 2008; Morgan & Hunt, 1994). As a consequence, the interest was drawn to consider whether trust as a mediator can also be applied as well to the present research.

Jonson and Zinedin (2003) revealed that two constructs, i.e. dependence and the use of power (coercive and non-coercive power), showed a significant proactive role in building trust and enduring commitment in the supplier-retailer relationship in the study of 113 Swedish lumber dealers. In their framework, trust was taken as mediator. More recent studies have also supported the role of trust as a mediator in a variety of businesses. Chinomano (2012) found that non-mediated power (expert, referent and traditional legitimate) had a significant effect on trust and relationship commitment, satisfaction and cooperation. Similarly, Fu, Lin, Hu, and Wen (2013) discovered that mediated power (reward and coercive) had a negative effect on the company's trust and relationship commitment. In both studies, trust was hypothesized as a mediator.

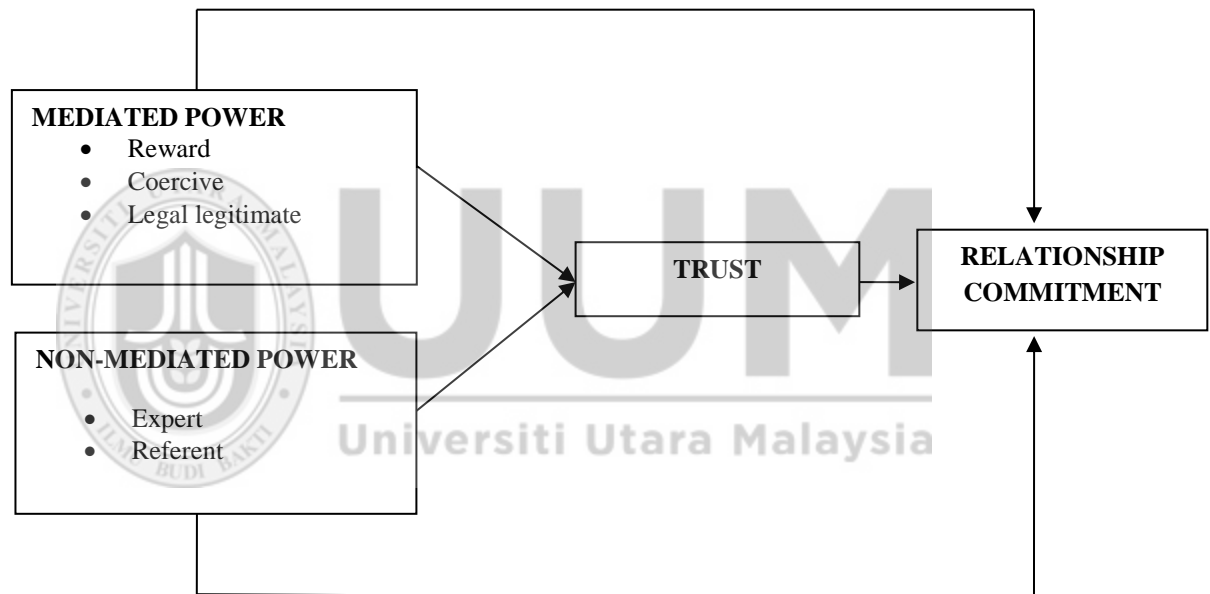
In a different study, Abolhasanpour et al. (2011) investigated how a supplier's exercising power is a critical factor that influences a buyer's trust in the supplier and the buyer's commitment. One-hundred and twenty four buyers in Iran cosmetics industry were sampled. They demonstrated that the use of non-mediated power improved trust between the buyer and supplier. The finding was similar to that of Benton and Maloni (2005), Maloni and Benton (2000), and Skinner et al. (1992). On the contrary, exercised coercive bases of power were found to have no significant influence on trust. Respondents reported that the level of coercive power usage was not as high as that of the non-coercive power usage. The low usage frequency might not be sufficient to catch the respondents' attention or the punishment might not be severe enough to erode trust between the buyer and the supplier. Usually, suppliers give punishment for contract issued legitimately, so the buyer won't think punishment is unreasonable. When the

power is exercised under justice, it will be acceptable for the other side. Abolhasanpour et al. further found that trust influenced commitment positively and significantly. The result is consistent with that of Leonidou et al. (2008) and trust-commitment theory (Morgan & Hunt, 1994).

Trust is considered to play a key role as a mediator between several antecedent variables and several outcome variables (Li, Browne, & Wetherbe, 2006; Ryu et al., 2007). Trust has an effect on relationship commitment in several contexts, including relationship marketing (Cho, 2006; Lee & Dawes, 2005) and interpersonal relationships (Bantham, Celuch, & Kasouf, 2002; Miller & Rempel, 2004; Wieselquist, 2009). However, within the context of Thai automobile relationship, few studies, to the best of the author's knowledge, have explored trust as a mediator between mediated power, non-mediated power and commitment as an outcome factor. Hence, this study extended previous research and looked at trust as a mediating variable between its antecedents and relationship commitment. The exogenous variables to trust are power factor. In this research, the sequence of the variables was important to establish. When a supplier has power over its dealers, the former may become more open to making change in return policies/processes. However, it may not actually make the change unless it believes that it is worthwhile to establish a long-term relationship with the dealers. That is, developing a long-term trust may help explain why and how power determines commitment. For this reason, trust is viewed as a key mediator between power use and commitment in the current research. If trust is present, it will enable the buyer-seller dyad to perform with greater efficiency and effectiveness.

## 2.5 Theoretical Framework

Based on the relevant literatures, a conceptual model of the effect of relationship commitment in supplier was developed. Apart from the direct relationship between mediated and non-mediated power on relationship commitment, this study also considered the mediating effect of trust on the relationship between power and relationship commitment. We therefore developed an integrative framework as shown in Figure 2.3 below.



*Figure 2.3*  
Theoretical framework

Although there are various theories to explain buyer-supplier relationship in the business-to-business environment, this research used social exchange theory as the foundation of the theoretical framework because it supports the proposed variables, as discussed below.



### **2.5.1 Social Exchange Theory (SET)**

In this section, the basic principle of Social Exchange Theory (SET) is discussed first, followed by its assumptions. Next, the applications and essentials of social exchange theory are described. After that, the special characteristics of social exchange theory in terms of relationship and outcomes are highlighted. Finally, the factors proposed in the framework of this research consistent with social exchange theory are elaborated.

Social Exchange Theory (SET) has been extensively applied to models of interpersonal interaction in social psychology with a number of definitions. According to Homans (1961), social exchange theory postulates that exchange interactions involve economic and/or social outcomes. Blau (1964) defined social exchange as “actions that are contingent on rewarding reactions from others. Thibaut and Kelley (1959) suggested that social exchange theory takes a behavioural approach to exchange logic and the order of relationship through the patterning of interdependencies and the resultant consequences. Emerson (1972) defined SET as an interactive relations between two parties based upon reciprocal reinforcement. Meanwhile, Cook and Emerson (1978) defined it as “An exchange relation (e.g., Ax; By) that consists of voluntary transactions involving the transfer of resources (x, y, ...) between two or more actors (A, B, ...) for mutual benefit”. Social exchange theory implies that an individual intends to build social relationship continuously based on the expectation that such relationship that might supportively lead to the strength and advantage of both parties. Social exchange theory is commonly used in business-to-business relational exchanges (Lambe, Wittmann, & Spekman, 2001).

Lambe, Wittman and Spekman (2001) defined the foundational assumptions of social exchange theory as follows:

“Social exchange theory postulates that exchange interactions involve economic and/or social outcomes. Over time, each party in the exchange relationship compares the social and economic outcomes from these interactions to those that are available from exchange alternatives which determine their dependence on the exchange relationship. Positive economic and social outcomes over time increase the partners’ trust of each other and commitment to maintaining the exchange relationship. Positive exchange interactions over time also produce relational exchange norms that govern the exchange partners’ interactions.”

The framework is based on the social exchange theory (SET) that incorporate economics, psychology as well as sociology (Lee, Mohamad, & Ramayah, 2010) and was grown out to comprehend the human social behavior from the economic perspectives (Homans, 1958). The major proposition behind the social exchange theory is that persons behave in such a way which adds value to the outcomes they treat positively and refrain from showing those behaviors that impact negatively on the outcomes in the relationship (Rodriguez & Wilson, 2002).

With the above underlying assumptions, the main point in making relationship between organizations is that the outcomes, whether economic or social, will be related. Major contributions of social exchange theory to distribution channel research include the identification of power-dependence association (Emerson, 1962; Gaski, 1984; Thibaut &

Kelley, 1959), with trust and relationship commitment as determinants of long-term relationship (Blau, 1964; Lambe et al., 2001; Thibaut & Kelley, 1959). Each of these social exchange theory determinants requires further explanation.

1. *Trust* is a key component in social exchange theory. Blau (1964) argued that trust is important because the exchange, to a large extent, is governed by “obligations” rather than by contracts. With increased levels of trust, increased levels of commitment will also occur (Lambe et al., 2001).
2. *Power* -- Turner (1986) stated that the outcome of a dependent relationship between enterprises will generate power. Blau (1964) contended that when there are unequal differences power will be generated. Emerson (1962, 1972) asserted the role of power in social exchange as the mutual relative dependence between the partnerships that determines their relative power.
3. *Relationship commitment* has long been central in social exchange theory (Blau, 1964; Thibaut & Kelley, 1959). Blau (1964) pointed out that establishment of exchange relation involves making investments that constitute commitment of the other party. The effective achievement of collective goals requires organizations with committed members. Cook and Emerson (1978) characterized commitment as a variable believed to be central in distinguishing social from economic exchange.

4. In relationship literature, commitment also has been recognized by scholars as an essential ingredient for successful long-term relationship (e.g., Dwyer et al., 1987; Garbarino & Johnson, 1999; Morgan & Hunt, 1994) and is referred to as an attitudinal component signifying a durable intention by the parties to develop and sustain a long-term relationship (e.g., Anderson & Weitz, 1992).

From the perspective of transaction cost theory, relationship commitment can be viewed as an investment in transaction-specific assets, which are difficult or impossible to redeploy when a relationship is terminated (Heide, 1994; Joshi & Stump, 1999). The variables use of power, trust and relationship commitment have been supported by social exchange theory. Consistent with this, the theoretical framework was set up accordingly to be tested in dealer-supplier relationship in this research.

Social exchange theory originated in the 1950s and was further developed by a number of sociologists to become one of the most prominent and ambitious theoretical conceptions in contemporary sociology (Cook, 2000). It often serves as a backdrop to research on inter-organization relationship such as buyer-seller relationship (Dwyer et al., 1987), manufacturer-distributor working relationship (Anderson & Narus, 1984), and relationship marketing (Morgan & Hunt, 1994). The term “social exchange” is appropriate to be applied here because it covers the process of giving and receiving both tangible and intangible resources with the prediction of expectation of a return.

To understand social exchange theory easily, it can be discussed through three core elements namely outcome, comparison level and comparison level of alternatives (Thibaut & Kelley, 1959). Outcome of a relationship is the difference between the costs of obtaining an object and the rewards realized from owning and using that object that means,  $\text{Outcome} = \text{Rewards} - \text{Costs}$  (Thibaut & Kelley, 1959). Comparison level (CL) indicates a person's expectation from a particular relationship that he feel reasonable to receive (Thibaut & Kelley, 1959). Social exchange theory holds that in addition of considering one's expectation from the relationship, a person should compare the alternatives available that has essential impact on keeping or breaking an existing relationship (Thibaut & Kelley, 1959).

Thus, the perception of outcome, comparison level and comparison level of alternatives can be used in many areas of personal and organizational level. An appropriate understanding of these three variables of social exchange theory can be used to judge the condition of relationship exist between two parties. A brief representation of these three aspects is presented in the following Figure 2.4.

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Outcomes > Comparison Level (CL) = Satisfaction;
Outcomes < CL = Dissatisfaction
Outcomes > Comparison Level of Alternative (Clalt) = Relationship Continuation;
Outcomes < Clalt = Relationship Termination
CLalt > Outcome > CL = Relationship Termination

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Figure: 2.4  
*A Summary Effect of Social Exchange Theory*

In the exchange relationship interaction involves outcomes relating to economic outcomes and social outcomes. With the passes of time parties evaluate these outcomes with their expectation of rewards and the available alternative outcomes. The resulting outcomes determine their satisfaction and resultant staying with the relationship for long or termination. Lambe, Wittmann and Spekman (2001) explain that if the results or outcomes are positive in the long run, then parties will show higher trust on each other and greater commitment to keep the relationship for long.

The study of Mills and Clark (1982) mentions that exchange relationships require return within a stipulated period of time, are related to the exchange of financial and semi-economic offerings and are influenced by self-interest of the persons involved. For instance, in the case of dealer-supplier relationships, a supplier makes an offering to its dealers via reward and giving expert advice. These contributions may be relational assets, better performance through internal coordination, senior management supports and involvement and so on. In turn, dealer develops an expectation of getting some rewards in future which may include profits, enhanced relationship, business continuity or repeat order and development of trust. As buyers are realizing various benefits from company, a sense of commitment develops within him to repay company in the form of proper

attitudinal and behavioral reactions which may include relational intimacy, investment in relational assets, or maintaining relationship for long. As is explored by Fischer and Bristol (1994), “social exchange theory explicitly predicts social relationships to be based on each partner’s motivational investment and anticipated social gain.” Consequently, this theory expresses that at the basic level of maintaining or leaving from relationship self-interest and relationship rewards play vital role (Oliver & Swan, 1989; Smith & Barclay, 1997). Moreover, Moore and Cunningham (1999) mention that as benefits are exchanged between parties it help to develop mutual inter-dependence and higher level of trust.

Among the works by various sociologists, a deeper explanation of social exchange theory by Blau (1964) and Emerson (1972) can fit well with our study. This is because both authors specified exchange structuralism. Blau (1964) emphasized that trust and commitment are two important constructs. Trust is crucial for the relation to be stable. In contrast, Emerson (1972) focused on a behavioural aspect. He supplemented power and dependence in his exchange theoretical framework. He also pointed out the importance of complexity of relationship among organizations, hence the term exchange network. Therefore, it is argued here that social exchange theory is appropriate to be the framework in analysing the relationship between a dealer and a supplier.

## **2.6 Statement of Hypotheses**

The main objective of this study was to investigate the role of relationship commitment between dealers and suppliers in Thai automobile industry. The proposed research framework as shown in Figure 2.3 was formulated after the relevant literatures had been thoroughly examined. Based on the presented theoretical framework, several research hypotheses were proposed for further empirical investigation.

### **2.6.1 Trust and Relationship Commitment**

Allard, Liljander, Semeijn, and Polsa, (2011) found that trust directly influenced relationship commitment. The result suggests that trust in the main supplier appears to increase car dealer commitment in three countries (Finland, Belgium, and the Netherlands). Dealer commitment was expected to play a major role in the perception of threats from the competitive environment, and to influence expansion intention within and beyond the current supplier's network. They found that dealers were highly dependent on their main supplier. In a similar vein, Geysken et al. (1996) revealed that increased trust positively impacted affective commitment. Therefore, the following hypotheses were formulated.

*Hypothesis 1: There is a positive relationship between trust and relationship commitment.*

### **2.6.2 Use of Power and Relationship Commitment**

Previous studies examined the relationship between the use of power and relationship commitment (Brown et al., 1995; Maloni & Benton, 2000) in which the power bases



were dichotomized to mediated (reward, coercive, and legal legitimate) and non-mediated (expert, and referent). It was found that the use of mediated power by the supplier decreased the commitment between two parties (buyer and supplier). However, when the supplier held more power, the use of mediated power was not significantly related to the buyer commitment to the relationship. As a weaker member of the channel expects its powerful counterparts make use of the mediated power, the use of it by the supplier will not improve the commitment of the retailer to the relationship.

On the other hand, it was found that non-mediated power and relationship commitment were positively related. When the supplier uses non-mediated power the retailer's commitment to the relationship increases and the retailer's assessment of the supplier's performance is enhanced. The result indicates that the positive impact of the supplier's non-mediated power over the retailer's attributions of the supplier's performance is heightened when the supplier is more powerful than the retailer. Thus, the following hypotheses were formulated.

*Hypothesis 2: Mediated power (reward, coercive, legal legitimate) has a negative influence on relationship commitment.*

*Hypothesis 3: Non-mediated power (expert, referent) has a positive influence on relationship commitment.*

### 2.6.3 Mediating Relationship

Past researchers have found trust to mediate the relationship between power use and commitment. For example, Jonson and Zinedin (2003) revealed that the use of power (coercive and non-coercive power) played a significant proactive role in building trust and enduring commitment in the supplier-retailer relationship. In their framework, trust was taken as mediator. In Abolhasanpour et al.'s (2011) study, power, trust, and commitment relationship was straightforward. They investigated the influence of a supplier's exercising power on a buyer's trust in and commitment to the supplier in Iran. Therefore, the following were formulated:

*Hypothesis 4: Trust mediates the relationship between mediated power (reward, coercive, legal legitimate) and relationship commitment.*

*Hypothesis 5: Trust mediates the relationship between non-mediated power (expert, and referent) and relationship commitment.*

### 2.7 Summary

Chapter two starts with a brief discussion on the relationship marketing that shows its evolution in the business-to-business arena. It follows a brief discussion relating to characteristics of relationship marketing. The concept of relationship commitment is stated then. It follows an elaborated literature review on relationship commitment that covers the period of 1970s to 2000s and onward. In the subsequent sections antecedents and consequences of relationship commitment are discussed. This follows a theoretical framework developed on the basis of the literatures reviewed and discussion on hypotheses forwarded for this study.

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Introduction

This chapter describes the method and procedure employed to examine the role of relationship commitment between dealer and supplier in Thai automobile industry. This chapter also discusses the research design, operationalization of variables, population and sample of the study, and variable measurement. It also reports result of a pilot test and data collection procedure. The chapter ends with a discussion of the statistical techniques used for data analysis.

#### 3.2 Research Design

Research design involves planning and structuring the research to achieve explanation of the findings. In this regard, Berry (1983) explained that the domain of research methodology is not confined within the limit of data collection and rules for confirmation, but greater ways of explanations. A research needs to be designed in such a way that the researcher is able to justify his/her research (Jonker & Pennink, 2010). The research design must clearly explain the different steps to be taken during a research program to reach the objective of a particular research (Sahu, 2013; Creswell, 2009).

Generally, there are three research approaches to answering research questions: quantitative, qualitative, and mixed method (Creswell, 2009). Sahu (2013) stated that a quantitative research is a kind of research in which systematic investigations having

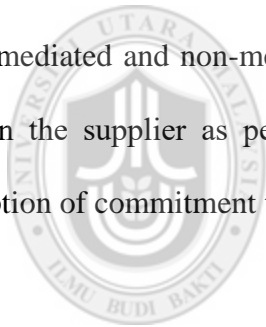
quantitative property and phenomenon are considered. This research approach allows the researcher to measure or quantify the phenomenon and analyze it numerically. This approach also allows the researcher to deal with and find out a solution for a research problem in a concerted manner (Frankfort-Nachmias & Nachmias, 1992). In a particular research phenomenon, clear specification of both independent and dependent variables are required and quantitative research can do these with utmost efficiency and distinction (Matveev, 2002). In addition, keeping the main research focus on original goals, coming up with objective conclusions, examining hypothesis(es), isolating the driving variables, avoiding or minimizing the issue of subjective judgement are fruitfully dealt with by the quantitative method (Frankfort-Nachmias & Nachmias, 1992). Besides, the availability of mechanism for controlling observation, group surveys, or existence of different types of manipulating mechanism, and high level of reliability on collected data can be ensured (Balsley, 1970). Therefore, the present research used the quantitative approach instead of the two approaches.

With regards to time horizon, there are two options available. The first option is a longitudinal study and the second cross-sectional study. The longitudinal study is more appropriate when the researcher aims to seek how things vary over time, which requires data to be collected from the same sample units at multiple points in time (Sahu, 2013). In a longitudinal study, data are collected over an extended period. On the other hand, in a cross-sectional study, data for dependent and independent variables are collected and measured at the same point of time (Bhattachherjee, 2012) where the sampled people are asked to reflect their past experience on research questions (Cooper & Schindler, 2006;

Sekaran & Bougie, 2010; Zikmund, Babin, Carr & Grifin, 2010). The present study engaged in a cross-sectional study where data were to be gathered once to discover simultaneously the relationships between power, trust and relationship commitment. Furthermore, the present study selected cross-sectional over longitudinal design because of budget and time imposition. This study considered each car dealer's response as a unit of data source.

According to Slattery et al. (2011), surveys and questionnaires are powerful research tools to create meaningful data through correct construction, implementation and management. Questionnaires refer to a specific tools, also known as an instrument for gathering information through series of questions and are usually self-administered. In the present study, a survey method was employed to collect data. Kerlinger and Lee (2000) mentioned that survey research is best suited to collect facts, beliefs or attitudes relating to personal and social aspects. In the same vein, Kotler, Keller, Koshy, and Jha (2009) noted that survey method is used to learn knowledge, beliefs, preferences and satisfaction. Cooper and Schindler (2006) mentioned that as a versatile approach all categories of abstract information can be collected through survey research. Additionally, questionnaires are less costly and less time consuming than observation. In the context of Thai automobile industry, this approach was deemed suitable because previous researchers had used this method. To study the various issues relating to the dealer-supplier relationship in this industry like trust, use of power and relationship commitment, a survey research was utilized (Absar, 2001; Khosla, 2009; Islam & Liang, 2013).

In order to ensure that the adaptation of the questionnaires was carried out appropriately, they were reviewed by two experienced academicians in the related field and two professionals in car dealership. The purpose of this review exercise was to ensure the content items were valid to represent the study's variables, made sense and relevant to the context of the study so that they would be clearly communicated and avoid misinterpretation by the respondents (Slattery et al., 2011; Lietz, 2010). A self-administered questionnaire was employed to distribute the data collection instrument. The design of the questionnaire was divided into four parts: Part 1 was related to profile of the respondents. This part asked about the location of the respondent, ownership, and sales turnover. Part 2 required the respondents to give their opinions on the use of power (both mediated and non-mediated) by the supplier. Part 3 asked about the perception of trust in the supplier as perceived by the dealer. Finally, Part 4 covered the dealer's perception of commitment to the relationship with the supplier.



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The questionnaire was developed to operationalize the variables within the scope of the research framework. The instruments with good psychometric properties used to measure the respective variables were adapted from several published studies. Modifications were carried out in the wording of the items of the questionnaires in order to meet the consistency among variables.

The total number of indicators used in the present study was 35. The questionnaire consisted of eight items to measure relationship commitment, seven items to measure trust, and 16 items to measure mediated and non-mediated power. The other four items were related to the background information of the respondents.

With the exception of demographic factors, the present study used a five-point Likert scale, ranging from '1' "strongly disagree" to '5' "strongly agree." The respondents were asked to circle the response from among the list provided that best reflected their perceptions of relationship commitment, trust, mediated and non-mediated power of the supplier. The use of the scale was to ensure consistency among the variables and to avoid confusion among the respondents (Ackfeldt & Coote, 2005; Ingram, Lee, & Lucas, 1991).

### **3.3 Operationalization of Variables**

According to Jonker and Pennink (2010), an operational definition is the translation process of changing an abstraction of a theoretical construct into a concept, so that it can be characterized and measured through tangible indicators in the empirical reality. An operational definition of a certain variable describes how variables are defined and measured within the framework of a research study (Sahu, 2013). Table 3.1 summarizes the variables and the items used to measure them.

1. *Trust* in this study was operationalized as the dealer's level of trust to the supplier.

It is a multidimensional construct composing two dimensions: credibility and benevolence. Credibility is based on the extent to which the buyer believes that

the supplier has the required expertise to perform the job effectively and reliably. Benevolence is based on the extent to which the buyer believes that the supplier has intention and motives beneficial to the buyer when new conditions arise (Ganesan, 1994). The eight items scale in Doney and Cannon (1997) were used to measure the trust level to the supplier.

2. *Use of power* was operationalised to assess the extent to which the supplier used its mediated (reward, coercive, and legal legitimate) and non-mediated (expert and referent) sources of power to influence the behavior of the dealers. The five items to measure the use of constructs power were adopted from Maloni and Benton (2000).
3. *Relationship commitment* was the dependent variable in this study. It was operationalised as a multidimensional construct consisting of two dimensions: identification and internalization. Identification occurs when an individual accepts influence because he/she wants to establish or maintain a satisfying self-defining relationship to another person or a group. Internalization can be occur when the individual accepts influence because the content of the induced behavior—the idea and actions of which it is composed—is intrinsically rewarding (Brown et al., 1995). Eight items were used to measure relationship commitment (Brown et al., 1995).



Table 3.1  
*Summary of Variables and Total Number of Items*

<b>Variables</b>	<b>Dimensions</b>	<b>No. of items</b>	<b>Source</b>
Relationship commitment	Identification	3	Brown, Lusch and Nicholon (1995)
	Internalization	5	
Trust	Credibility	4	Doney and Cannon (1997)
	Benevolence	3	Doney and Cannon (1997)
Mediated power	Reward	4	Maloni and Benton (2000)
	Coercive	4	Maloni and Benton (2000)
	Legal legitimate	4	Maloni and Benton (2000)
Non-mediated power	Expert	4	Maloni and Benton (2000)
	Referent	4	Maloni and Benton (2000)

### 3.4 Measurements

With the exception of demographic factors, all other variables included in this study were measured using multiple items drawn from previous research. However, phrasings of the items were modified to suit the sample and local setting. The scales adapted from previous research used in this study are as follows:

*Trust scale* was adapted from Doney and Cannon (1997). It had eight items that captured the dealer's level of confidence. Credibility were measured by four items, while benevolence by three items. Doney and Cannon (1997) reported the scale's reliability to be .94. Table 3.2 shows the items used to measure trust.

Table 3.2

*Items to Measure Trust*

**Items to measure credibility**

1. The main supplier keep promises it makes to our firm.
2. The main supplier is always honest with us.
3. We believe the information that this supplier provide us.
4. The main supplier is genuinely concern that our business succeeds.

**Items to measure benevolence**

1. When making important decisions, the main supplier considers our welfare as well as its own.
2. The main supplier is trustworthy.
3. We find it is not necessary to be cautious with the supplier.

Source: Doney and Cannon (1997)

*Use of power factors.* Power factors were operationalised as a separate, but related constructs of positive use of mediated (reward, coercive and legal legitimate) power and non-mediated power (expert and referent). The use of power scale was adapted from Maloni and Benton (2000). Each power dimension was measured by four items each. The internal reliabilities reported of mediated power were as follows: reward .75, coercive .87 and legal legitimate .92, while of non-mediated power: expert .72, referent .83 (Maloni & Benton, 2000). Table 3.3 shows all items.

Table 3.3

*Items to Measure Use of Power*

**Items to measure reward power**

1. The supplier offers incentives when we were initially reluctant to cooperate with a new program.
2. We feel that by going along with the supplier, we will be favored on other occasions.
3. The supplier offers rewards so that we will go along with their wishes.
4. The supplier emphasizes they will do in return for cooperation.

**Items to measure coercive power**

1. If we do not do as asked, we will not receive very good treatment from the supplier.
2. If we do not agree to their suggestions, the supplier could make things difficult for us.
3. The supplier makes it clear that failing to comply with their requests will result in penalties against us.
4. The supplier treats to reduce business if demands not met.

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**Items to measure legal legitimate power**

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1. The supplier often refers to portions of an agreement to gain our compliance on a particular request.
  2. The supplier makes a point to refer to any legal agreement when attempting to influence us.
  3. The supplier uses sections of our sales agreement as a "tool" to get us to agree to their demands.
  4. The supplier makes biased interpretations of agreement to gain cooperation.
- 

**Items to measure expert power**

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1. The supplier is an expert in the automobile industry.
  2. We respect the judgment of supplier's representatives.
  3. The supplier retains business expertise that makes them likely to suggest the proper thing to do.
  4. The people in the supplier's organization know what they are doing.
- 

**Items to measure referent power**

---

1. We really admire the way supplier runs their business so we try to follow their lead.
  2. We often do what supplier asks because we are proud to be affiliated with them.
  3. We talk up the supplier to our colleagues as a great business with which to be associated.
  4. The supplier views us as an important "team member"
- 

Source: Maloni and Benton (2000)

*Relationship commitment* instrument was adapted from Brown et al. (1995). The instrument had three items of identification and five items of internalization. The items focused on enduring desire to maintain the existing relationship by the dealers. The internal reliability reported by Brown et al. (1995) was .80. Table 3.4 shows the items used to measure commitment.

Table 3.4

***Items to Measure Relationship Commitment***

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**Items to measure identification**

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1. We talk up the supplier, to our friends and acquaintances, as a great supplier to be connected with
  2. We feel that our major supplier views us as being an important "team member," rather than our being just another dealer.
  3. We are proud to tell other that we are a dealer for this supplier.
-

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**Items to measure internalization**

---

1. Our attachment to this supplier is primarily based on the similarity of our values and those of the supplier.
  2. The reason we prefer this supplier to others is because of what it stands for, its values.
  3. During the past year, our dealership's values and those of the supplier have become more similar.
  4. What this supplier stands for is important to our dealership.
  5. If the values of this supplier were different, our dealership would not be as attached to this supplier.
- 

Source: Brown, Lusch and Nicholon (1995)

*Profile information.* The company's profile information captured in this study included the geographical location of the firm, the respondent's current position, the length of the relationship with the present supplier, the form of ownership, and the approximate annual sales turnover.

### **3.5 Population and Sampling Method**

Sahu (2013) noted that quantitative nature of a research depends on the collection of data, the accuracy of data collected, and the consistency and efficiency of the data. Therefore, a discussion on the population, sampling frame, sampling size and data collection procedure is apt, as follows.

Population is defined as the full universe of people or things from which the sample is selected (Greener, 2008) or a collection or totality of well-defined objects (Sahu, 2013). In the present study, general population comprised all car dealers operating in Thailand. In 2013, there were 1,769 car dealers in total in Thailand (Chearanaipanit, 2013).

Obtaining a sampling frame is very important to ensure the sampling is complete and accurate with the latest information (Saunders et al., 2009). An ideal sampling frame of the present study was a complete list of all respondents in the target population. The sampling frame used in this study was the directory of all car dealers in 77 provinces in Thailand, which was available from the website (<http://www.thaiwebsites.com/cars.asp>). The directory from the website provides comprehensive information that helps to identify the dealers' location, name of sales manager and contact information of the dealers. According to the Royal Institute of Thailand, Thailand is divided into six regions: North (example; Chiang Mai, Chiang Rai, Lampang), Northeast (example; Amnat Chareon, Bueng Kan, Udon Thani), Central (example; Bangkok, Ang Thong, Chainat, Uthai Thani), West (example; Kanchanaburi, Tak, Phatchaburi), East (example; Nakhon Nayok, Chon Buri, Sa Kaeo) and South (Chumphon, Nakhon Si Thammarat, Narathiwat, Pattani) (UNEP, 2011). Table 3.5 shows 1,769 car dealers in Thailand with their respective brand in the year 2012.

Table 3.5  
*Number of Car Dealers and Their Brands in Thailand (2012)*

No.	Car brand	Number of dealers
1	Toyota	316
2	Isuzu	256
3	Nissan	177
4	Mitsubishi	176
5	Honda	167
6	Mazda	132
7	Ford	113
8	Chevrolet	97
9	Suzuki	62
10	Tata	48
11	Proton	41
12	Benz	30
13	Hyundai	24

14	DFM	22
15	Citroen	19
16	BMW	16
17	KIA	16
18	Volkswagen	15
19	Volvo	13
20	SsangYong	8
21	Scania	6
22	Peugeot	6
23	Subaru	4
24	Lexus	3
25	MINI	1
Total		1,769

Source: Chearanaipanit (2013)

According to Sahu (2013), it is critical for researchers to determine whether the sample size is adequate to provide sufficient accuracy to base decisions on the findings with confidence. With an adequate sample size, the margin of error is decreased (Saunders, 2009), the statistical effect variability can be standardized and is sufficient to be generalized to the population of interest.

For this matter, the sample size table by Krejcie and Morgan (1970) was used to determine the sample size. For a population of 100,000 and above, the recommended study sample size was 384. Meanwhile, Tabachnick and Fidell (1996) suggested that at least 300 cases should be available for factor analysis. According to Sekaran (2010), the response rate of 30 percent is acceptable for surveys and Hair et al. (2010) suggested that for regression type of analysis, the sample size should fall between five and ten times the number of independent variables. Similarly, Cohen (1992) also suggested that determining the sample size is very important due to the respondents' linearity as well as the cost impact.

Based on the table by Sekaran and Bougie (2010), for a population of 1,769, the minimum sample required is 317. Taking into the account that the survey method has poor response rate, which in average around less than 50 percent in Thailand (Rice et al., 1996; Pornpitakpan, 2001), and to ensure minimal response of 317 was obtained, the sample sized was doubled to 634.

The sample size of each car dealer depended on the number of a target group (Zikmund, Babin, Carr, & Griffin, 2010). Sekaran and Bougie (2010) explained that a proportionate stratified random sampling procedure ensures each subpopulation that exists in the total population is well represented. Similar to other studies conducted in automobile industries (Frazier & Summers, 1986; Kumar et al., 1995), the population of this study was divided into six groups or regions in Thailand, and the percentage was calculated. The number of sample in each region was then identified. To select a sample of dealers from each region, systematic sampling was used. The detailed statistics of population frame are depicted in Table 3.6.

Table 3.6  
*Statistics of Population Frame for Each Region in Thailand*

	Northern	Eastern	North- Eastern	Western	Central	Southern	Total
No. of dealers	185	166	243	81	954	140	1,769
Percentage	10	9	14	5	54	8	100
Proportional representation	32	29	44	16	171	25	317
Selected no. of dealers	64	58	88	32	342	50	634

Data were collected using mail surveys. According to Baldauf, Reisinger, and Moncrief (1999), a mail survey was chosen over other methods as this technique provides convenience for the businessperson. In addition, the use of mail surveys has been used a great deal in the business-to-business sector and is one of the most effective ways of gathering business-to-business data. A mail survey does not interrupt the business persons in their daily duties and allows them to complete the survey when convenient. This convenience factor is deemed to be important in gaining accurate answers to a detailed questionnaire and to overcome the problems of low response rates in business research (Baldauf et al., 1999). Accompanying the questionnaire was a cover letter. All respondents were given two weeks to complete the questionnaire and were asked to mail the completed questionnaires to the researcher using pre-stamped envelopes enclosed. The envelopes also conveyed the importance and urgency of the study. The content of the cover letter covered the survey objectives and guarantee of data confidentiality. The survey period was between September and October, 2014.

### **3.6 Pilot Study**

Before the actual implementation of the questionnaire, a pilot study was conducted using a convenience sample of 60 dealer companies. Pilot testing refers to a trial run of a particular instrument in small scale (Pallant, 2001). It is necessary to conduct a pilot test to identify difficulties in wording, answer respondents' questions, and check on the ease of completion. The reliability test for each instrument was calculated using the pilot study data.



One of the criteria for selecting past instruments is the internal consistency of the scales. Table 3.7 shows that all variables exhibited an accepted reliability estimates, which ranged from .87 to .94. The reliability suggests that the indicators were sufficient because the values were higher than the recommended value by Nunnally (1978). As a Cronbach's alpha value of .70 was used as the minimum point of reliability in this study (Sekaran & Bougie, 2010), so the scales can be regarded as relatively reliable. The pilot test also identified several in terms of content, understanding of items, and the time taken to complete the survey. Some vague sentences were noted and corrected. The final version of the questionnaire had six pages (refer to Appendix A).

Table 3.7  
*Reliability Coefficients of Multiple Items in Pilot Study (n=60)*

<b>Variable</b>	<b>Alpha (<math>\alpha</math>)</b>
Reward	.873
Coercive	.883
Legal legitimate	.930
Expert	.875
Referent	.898
Trust	.940
Commitment	.880

### **3.7 Data Analysis**

SPSS software version 20.0 was used to analyse the data. Specific statistical techniques employed for such purpose are discussed below. Factor and reliability analyses were carried out first to ensure the goodness of measures. Next, descriptive statistics to describe the characteristic of the respondents and to test the differences in the level of relationship commitment among respondents were run. Then, correlational analysis to

describe the relationship between variables was performed, followed by regression analyses to test the relationships of power and trust on relationship commitment.

### **3.7.1 Factor and Reliability Analyses**

The main important step in data analysis is to understand the dimension of the variables in the proposed model or relationships in empirical research (Hair et al., 2006). Factor analysis is conducted to identify the structure of interrelationship (correlation) among a large number of items. This is done by defining the common underlying dimensions, known as factors (Hair et al., 2006). In the present study, the cut-off point chosen for significant factor loading was .30, which was suggested by Hair et al. (2006) for a sample of more than 350.

In assessing the appropriateness of factor analysis, Hair et al. (2006) suggested, as a general rule, a minimum of at least five times as many observations as there are variables to be analysed. The more acceptable size would have to be a ten-to-one ratio. The present study had seven variables; therefore the minimum sample size needed was 35 (7 X 5 variables) or preferably 70 observations (7 X 10 variables).

Another test to determine the appropriateness of factor analysis is the Barlett test of Sphericity which examines the presence of sufficient number of significant correlations among the variables. It provides the statistical probability that the correlation matrix has significant correlations among at least some of the variables (Hair et al., 1998). The measure of sampling adequacy (MSA) was also examined in order to quantify the degree

of correlations among the variables and the appropriateness of factor analysis. Hair et al. (2006) indicated that the measure can be interpreted with the following guidelines: .80 or above, meritorious; .70 or above, middling; .60 or above, mediocre; .50 or above, miserable; and below .50, unacceptable. In the present study, the MSA values for each variable were first examined and those values falling to the unacceptable range were excluded. Once the individual variables achieved an acceptable level, then the overall MSA was evaluated before decision on continuance of the factor analysis was made.

In determining the internal consistency of the items, Cronbach's alpha is recommended and widely used (Sekaran & Bougie, 2010). A reliability analysis is performed on the scale to determine the applicability of the instrument. In general, the closer the reliability coefficient gets to 1.0, the better it would be. Sekaran (2010) noted that reliability less than .60 is considered to be poor, those in the .70 range is acceptable, and those over .80 are good. However, for the purpose of the present study, a minimum reliability value of .50 was set, which is the threshold recommended by Nunnally (1978). In the early stages of research, as in the case in this study, Nunnally (1978) further suggested that reliabilities of .50 to .60 are indicative of instrument reliability (Wright, Pearce, & Busbin, 1997). The minimum of .50 is consistent with other researchers such as Chee and Peng (1996), Nicholson and Goh (1983), and Wright et al. (1997).

### **3.7.2 Normality Test**

To conduct a parametric analysis such as hypothesis testing, data must be normally distributed (Chua, 2008; Bhasah, 2007). Various methods can be used to determine a

normal distribution of the data. In this study, the Kolmogorov-Smirnov test, skewness and kurtosis value and Normal P-P plot were used to determine whether the data were normally distributed. According to Pallant (2011) and Bhasah (2007), normality is indicated when a non-significant result (sig. value) is more than .05. That is, the Kolmogorov-Smirnov statistic values are more than .05.

### **3.7.3 Descriptive Statistics**

Fundamentally, descriptive statistics (mean values and standard deviations) were employed to summarize the raw data obtained to allow comparisons between units (Trochim & Donnelly, 2007), and to acquire a feel for the data. In short, the purpose of descriptive analysis is to present the raw data into a form that will make them easy to understand and interpret.

### **3.7.4 Test of Differences**

One way analysis of variance (ANOVA) was used to examine whether there exist any differences in the level of relationship commitment of the respondents. Such analysis was performed on the demographic variables that had more than two categories (e.g., length of relationship and sales volume). As ANOVA test assumes equal variances, the Levene's test for homogeneity of variance was first examined in order to ensure that the assumption of homogeneity of variance was not been violated.

### **3.7.5 Correlation Analysis**

Correlation analysis is used to describe the strength and linear relationship between two variables (Pallant, 2001). In this regard, Pearson correlation was used to describe the strength and direction of the relationship between two variables. In this study, the relationship between relationship commitment and trust as well as between antecedent factors (mediate and non-mediated power) and relationship commitment were examined using this analysis. A positive correlation indicates that as one variable increases, so does the other. A negative correlation indicates that as one variable increases, the other decreases. A perfect correlation of 1, or  $-1$  indicates that the value of one variable can be determined exactly by knowing the value of the other variable. On the other hand, a correlation of 0 indicates no relationship between the two variables.

### **3.7.6 Multiple Regression**

Multiple regression is utilised to examine the prediction ability of a set of independent variable on one dependent variable (Pallant, 2011). Multiple regression is a more sophisticated extension of correlation and is used to explore the predictive ability of a set of independent variables on one dependent variable (Pallant, 2007). According to Sekaran and Bougie (2010), a multiple regression analysis is able to reveal how much variance in the dependent variable is clarified when hypothesized to concurrently influence the dependent variable.

Additionally, this analysis allows the researcher to understand about the relationship between both variables besides knowing what is the best predictor (Aczel & Sounderpandian, 2002). Multiple regressions analysis was also used to examine the amount of variance of relationship commitment predicted by trust, and mediated and non-mediated power.

The basic assumption of linearity, normality of the data distribution, and homoscedasticity on the data were first examined before other analyses can be conducted. Data that had the value of standardised residual above 3.3 or less than -3.3 (Pallant, 2011) were deleted to minimised outliers. The variance inflation factor (VIF) was also examined to see the degree of multicollinearity. Hair et al. (1998) stated that the value of VIF near 1.00 indicates little or no multicollinearity, and VIF of 1.00 to 10.00 is considered acceptable. The path analysis method was not utilised in the present study because it was felt that multiple regression was adequate for this study as the objectives of this study was not to establish the pattern of causation of the model.

### **3.8 Summary**

The present chapter explained the research methodology. In particular, it talked about various methodological issues such as sampling, data collection procedures, and questionnaire development, instrumentation etc. The chapter ended by discussing data analysis methods employed to examine the proposed hypotheses. The following chapter addresses the findings.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND FINDINGS**

#### **4.1 Introduction**

The chapter presents the result of data analysis. Firstly, this chapter describes an overview of data collection. Secondly, it presents a profile of the respondents. It then follows with analysis on goodness of measures by testing the validity and reliability of the variables. Finally, the results of hypotheses testing are presented.

#### **4.2 Overview of Data Collected**

##### **4.2.1 Response Rate**

The sample study comprised Thai car dealers in Thai automobile industry. The sample size was determined based on the table proposed by Sekaran and Bougie (2010). For data collection purposes, 634 questionnaires were distributed to car dealers in Thailand. However, 321 were returned and 4 questionnaires were incomplete, giving the final valid response rate of 50 percent or 317 responses. Consequently, a total of 317 responses were usable and used for subsequent analysis. The sample size appears to be adequate and the response rate obtained was comparable to other researchers' that used the automobile industry as the study sample (Brown et al., 1995; Maloni & Benton, 2000).

##### **4.2.2 Test of Non-Response Bias**

Non-response bias is described as the differences in the responses or the differences between early respondents and late respondents owing to their differing demographic

factors like gender, age and level of education. According to Armstrong and Overton (1977), late respondents should be treated like non-respondents. Non-response bias test is often carried out to make sure similarity in some of the major criteria among the respondents and the population similar. Armstrong and Overton (1977) added that data should be separated between early response, referring to questionnaires returned within one month after distribution, and late response, referring to questionnaires returned after. Therefore, in the present study, those responses received within a month were considered early response and those after a month late responses. As mentioned earlier, the present study made use of a survey questionnaire as the data collection tool. The questionnaires were distributed in all study locations. But after the collection of questionnaires, it became necessary to carry out non-response bias test because some respondents returned the questionnaires only after several reminders and visits.

An independent sample T-test was conducted for the assessment of the non-response bias in which the early responses were compared to their late counterparts in terms of the study variables. In this regard, Armstrong and Overton (1977) contended that if such differences are significant, they may show the differences underlying the respondent and non-respondents. In this study, t-test was conducted to compare 240 early respondents and 77 late respondents in terms mediated power, non-mediated power, trust, and relationship commitment. Results of the test are presented in Tables 4.1 and 4.2.



Table 4.1  
*Descriptive Statistics of Early and Late Responses (n=317)*

Variable	Construct	Responses	N	Mean	Std. deviation	Std. error of mean
Mediated power	Reward	Early Responses	240	4.0875	0.7457	0.0481
		Late Responses	77	4.1818	0.5614	0.0640
	Coercive	Early Responses	240	3.5458	0.9852	0.0636
		Late Responses	77	3.5519	0.9180	0.1046
	Legal legitimate	Early Responses	240	3.5167	1.0590	0.0684
		Late Responses	77	3.4870	1.0211	0.1164
Non-mediated power	Expert	Early Responses	240	4.2615	0.7035	0.0454
		Late Responses	77	4.2890	0.6439	0.0734
	Referent	Early Responses	240	4.0948	0.7582	0.0489
		Late Responses	77	4.1688	0.6379	0.0727
Trust	Credibility	Early Responses	240	4.1063	0.7750	0.0500
		Late Responses	77	4.1948	0.6610	0.0753
	Benevolence	Early Responses	240	4.0583	0.7853	0.0507
		Late Responses	77	4.0563	0.7559	0.0861
Relationship commitment	Identification	Early Responses	240	4.1708	0.8096	0.0523
		Late Responses	77	4.1905	0.7442	0.0848
	Internalization	Early Responses	240	4.2406	0.6490	0.0419
		Late Responses	77	4.2532	0.5685	0.0648

As evident from Table 4.1, small differences exist in the mean scores between early and late respondents in terms of each individual construct, indicating that the two respondent groups were similar based on their perceptions of the constructs. Nevertheless, prior to

concluding the equality of variances between the two groups, the researcher conducted Levene's test of the equality of means. The test results are presented in Table 4.2, which shows no significant differences between late and early responses for the entire variables.

Table 4.2  
*Independent Sample t-test Results for Non-Response Bias (n=317)*

Variable	Construct	Levene's test for equality of variances		t-test for equality of means		
		F value	Sig	t-value	DF	Sig
Mediated power	Reward	3.505	0.062	-1.020	315.000	0.308
	Coercive	0.558	0.456	-.048	315.000	0.962
	Legal legitimate	0.311	0.578	.216	315.000	0.829
Non-mediated power	Expert	0.427	0.514	-.305	315.000	0.761
	Referent	2.862	0.092	-.773	315.000	0.440
Trust	Creditability	0.860	0.355	-.903	315.000	0.367
	Benevolence	0.107	0.743	.020	315.000	0.984
Relationship commitment	Identification	.024	0.876	-.189	315.000	0.850
	Internalization	.808	0.370	-.153	315.000	0.879

It is also evident from Table 4.2 that there is no significant mean difference between the two groups of respondents for all variables. Considering the above results, the researcher concluded that there was no non-response bias exist in the present study, as recommended by Armstrong and Overton (1977).

### 4.3 Profile of the Respondents

The respondents' demographic characteristics are listed in Table 4.3 in terms of their location, title position, duration as authorized dealer, and volume of sales (in million per year).

Table 4.3  
*Sampling Profile of the Respondents*

<b>Demographic Characteristic</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Region	Northern	30	9.5
	Eastern	29	9.1
	North-Eastern	38	12.0
	Western	12	3.8
	Central	179	56.5
	Southern	29	9.1
	Total	317	100.0
Title position	Director	67	21.1
	Manager	250	78.9
	Total	317	100.0
Length of relationship with supplier (year)	0-5	79	24.9
	6-10	53	16.7
	11-19	61	19.2
	Over 20 years	124	39.1
	Total	317	100.0
Sales volume (million baht/year)	Less than 10	12	3.8
	10-100	60	18.9
	100.1-200	48	15.1
	200.1-300	44	13.9
	300.1-400	25	7.9
	400.1-500	16	5.0
	More than 500	112	35.3
	Total	317	100.0

There were 317 dealers involved in this study and they represented six regions namely Northern, Eastern, North-Eastern, Western, Central and Southern as the new car dealer. Slightly more than half (56.5 %) of the respondents were located in the Central region, followed by North-Eastern (12.0 %), Northern (9.5%), Eastern (9.1%), Southern (9.1%),

and finally Western (3.8%). The overwhelming number of respondents located in the Central region is because central region consists of Bangkok, the capital city of Bangkok and majority of the car manufactures and dealer set-up their headquarters in Bangkok.

In terms of title position, more than 78% of the respondents were managers, while only 21% directors. This was expected because in Thailand, managers comprise a great proportion of the workforce and the directors' freedom to work in public sectors is limited. Added to this, managers in Thailand are responsible for dealing with all the issues relating to car dealers on behalf of their dependent families.

With regards to the length of relationship with supplier (year), almost one third of the surveyed individuals had less than 5 years of relationship with the supplier, 16.7% had between 6 and 10 years of relationship, 19.2% between 11 and 19 years, and 39.1% had more than 20 years of relationship.

In terms of sales volume, 3.8% of the respondents had sales volume of less than 10 million baht/year, 18.9% between 10 and 100 million baht/year, 15.1% between 100.1 and 200 million baht/year, 13.9% between 200.1 and 300 million baht/year, 7.9% between 300.1 and 400 million baht/year, 5% between than 400.1 to 500 million baht/year, and 35.3% had over 500 million baht/year.

To conclude, the above discussions indicate that the sample of this study does not deviate significantly from the general population of Thai new car dealers. Therefore, the sample for this study can be considered as representing the population of interest.

#### 4.4 Normality Test

Bhasah (2007) and Chua (2008) stated that to enable parametric statistical techniques to be carried out, the data must be normally distribution. In this study, the Kolmogorov-Smirnov test, and skewness and kurtosis value were used to determine normal distribution. In this study, the normal distribution was tested on the independent and dependent variables to detect serious violation from the basic assumptions of normality (Bhasah, 2007; Chua, 2008). According to Pallant (2011) and Bhasah (2007), if the Kolmogorov-Smirnov statistic values are more than 0.05, normality is achieved. As shows in Table 4.4, the significance values for all variables were .000, suggesting violation of the assumption of normality. However, Pallant (2011) stated that this is quite common in social science research that has a larger sample. In this case, the distribution of scores was reasonably normal.

Table 4.4  
*Values of Kolmogorov-Sminov for All Variables*

Variables	Kolmogorov-Smirnov		
	Statistic	df	Sig.
Relationship commitment	.115	452	.000
Trust	.175	452	.000
Reward	.115	452	.000
Coercive	.107	452	.000
Legal	.101	452	.000
Referent	.114	452	.000
Expert	.105	452	.000

Using skewness and kurtosis values, Pallant (2011), Bhasah (2007) and Chua (2008) stated that if the distribution is perfectly normal, the skewness and kurtosis values would be 0. Kline (2011) suggested that the acceptable value for skewness is  $\pm 3.0$  and for kurtosis is  $\pm 10.0$ . The values of skewness and kurtosis in this study were all less than  $\pm 3.0$ , confirming that the scores appeared to be reasonably normally distributed. Table 4.5 shows the result.

Table 4.5  
*Values of Skewness and Kurtosis for All Variables*

Variable	Construct	Mean Statistic	Skewness		Kurtosis	
			Statistic	Std. error	Statistic	Std. error
Mediated power	Reward	4.110	-1.084	0.137	1.758	0.273
	Coercive	3.547	-.700	0.137	0.264	0.273
	Legal	3.509	-.672	0.137	-0.147	0.273
Non-mediated power	Expert	4.268	-1.369	0.137	2.797	0.273
	Referent	4.113	-1.174	0.137	2.425	0.273
Trust	Creditability	4.128	-.947	0.137	1.105	0.273
	Benevolence	4.058	-.869	0.137	0.970	0.273
Relationship commitment	Identification	4.176	-1.295	0.137	2.374	0.273
	Internalization	4.244	-.923	0.137	1.705	0.273

#### 4.5 Goodness of Measures

Even though the discriminant and convergent validity of the borrowed measurements have been confirmed, there was a need to re-examine the validity of measure because this study was conducted in a Thailand setting, which may differ from other countries/settings.

### **4.5.1 Construct Validity**

In order to ascertain whether the measurements used in this study have construct validity, that is, measure what they are supposed to measure, exploratory factor analysis was conducted on all items, measuring the constructs of relationship commitment, trust, mediated power (reward, coercive, and legal legitimate) and non-mediated power (expert and referent).

For factor analyses purposes, the items in the questionnaire were grouped into four components. The first component was relationship commitment, consisting of eight items and the second component had seven items to measure trust. The third and fourth components were the mediated and non-mediated variables that consisted of 20 items altogether. Factor analysis was based on principal component method with Varimax rotation. Result of each factor analysis conducted is summarized below and also available in Appendix G.

#### **4.5.1.1 Relationship Commitment**

The factor analysis conducted on relationship commitment showed the Kaiser-Meyer-Olkin (KMO) value of .89, exceeding the recommended value of .50 (Hair et al., 2006) and the Barlett's test of sphericity was highly significant ( $p = .00$ ), supporting the factorability of the correlation matrix. These indicate that the assumptions of factor analysis were met. Principal components analysis revealed the presence of only one component with an eigenvalue exceeding 1. This factor captured 61.23 percent of the total variance in the items.

As shown in Table 4.6, the factor loadings were between .49 and .87. Reliability (Cronbach's alpha) of this factor was .86, which indicates high reliability. Since this factor measured the desire of the dealers to develop a stable relationship and willingness to make short-term sacrifices to realize long-term benefits from the relationship with the suppliers, its original name was retained.

Table 4.6  
*Factor and Reliability Analysis on Relationship Commitment*

	<b>Items</b>	<b>Factors loadings</b>
1.	We are proud to tell other that we are a dealer for this supplier.	.87
2.	We talk up the supplier, to our friends and acquaintances, as a great supplier to be connected with.	.86
3.	During the past year, our dealership's values and those of the supplier have become more similar.	.85
4.	We feel that our major supplier views us a being an important "team member," rather than our being just.	.84
5.	What this supplier stands for is important to our dealer.	.82
6.	The reason we prefer this supplier to others is because of what it stands for its values.	.80
7.	Our attachment to this supplier is primarily based on the similarity of our values and those of the supplier.	.55
8.	If the values of this supplier were different, our dealership would not be as attached to this supplier.	.49
Eigenvalue		4.58
% of variance		61.23
Cronbach's Alpha ( $\alpha$ )		.86
Kaiser-Meyer-Olkin Measures of Sampling Adequacy		.89
Bartlett's Test of Sphericity : Approx Chi-Square		1520.190
	df	28
	Sig	.000



#### 4.5.1.2 Mediated and Non Mediated Power

For the mediated and non-mediated power, a separate factor analysis was conducted. For the mediated power which consisted of reward, coercive and legal legitimate, factor analysis was conducted based on 12 questions of reward (4 items), coercive (4 items), and legal legitimate (4 items). As shown in Table 4.7, for all 12 items, the overall value of Kaiser-Meyer-Olkin was found to be .85. A close inspection of the individual communalities value suggests that all 12 items had values within the acceptable range, which was between .52 and .84. Furthermore, the result of the Bartlett test was highly significant ( $p = .00$ ), which indicates the assumptions of factor analysis were met.

From the output, measures of the mediated power factors produced three factors with eigenvalues more than 1. These three factors captured 69.55 percent of the total variance of the items. With a total of 12 items, the factor loadings of the items were between .56 and .90. These loadings were greater than .30 which is the minimum level required for a sample of size 350 and above (Hair et al., 2006). On the basis of the factor loadings, the three factors extracted were named accordingly. The first factor was dominated by questions relating to the dealer's perception that the supplier has a legitimate right to prescribe behavior for him/her. Accordingly, the factor was named Legal Legitimate. The second factor was dominated by questions relating to the dealer's perception that the supplier has the ability to mediate rewards to the target; therefore it was labelled Reward. The third factor, named Coercive, contained questions related to the dealer's perception that the supplier has ability to take disciplinary action over the dealer and has the ability to mediate punishment to the target.

Table 4.7  
*Factor and Reliability Analysis on Mediated Power*

Items	Legal legitimate	Reward	Coercive
The supplier makes a point to refer to any legal agreement when attempting to influence us.	.90		
The supplier often refers to portions of an agreement to gain our compliance on a particular request.	.85		
The supplier uses sections of our sales agreement as a "tool" to get us to agree to their demands.	.84		
The supplier makes biased interpretations of agreement to gain cooperation.	.56		
The supplier offers rewards so that we will go along with their wishes.		.83	
The supplier emphasizes they will do in return for cooperation.		.82	
We feel that by going along with the supplier, we will be favored on other occasions.		.81	
The supplier offers incentives when we were initially reluctant to cooperate with a new program.		.76	
If we do not do as asked, we will not receive very good treatment from the supplier.			.86
The supplier makes it clear that failing to comply with their requests will result in penalties against us.			.77
The supplier treats to reduce business if demands not met.			.71
If we do not agree to their suggestions, the supplier could make things difficult for us.			.66
Eigenvalue	4.75	2.49	1.10
% of variance	39.62	22.55	7.39
Cronbach's Alpha ( $\alpha$ )	.87	0.82	0.84
Kaiser-Meyer-Olkin Measures of Sampling Adequacy	.85		
Bartlett's Test of Sphericity : Approx Chi-Square	1995.790		
df	66		
Sig	.000		

For all eight items of non-mediated power, the overall value of Kaiser-Meyer-Olkin was found to be .91, as shown in Table 4.8. A close inspection of the individual communalities value suggests that all eight items had values within the acceptable range, which was between .61 and .81. Furthermore, the result of the Bartlett test was highly significant ( $p = .00$ ), which indicates the assumptions of factor analysis were met.

From the output, measures of the non-mediated power factors produced two factors with eigenvalues more than 1. These two factors captured 72.30 percent of the total variance of the items. With a total of eight items, the factor loadings of the items were between .41 and .88. These loadings were greater than .30, which is the minimum level required for a sample of size 350 and above (Hair et al., 2006).

On the basis of the factor loadings, the two factors extracted were named accordingly. The first factor was named Expert since the four items were dominated with questions relating to the dealer's perception that the supplier has some special knowledge or expertness, information and skills that are valuable to the target and will lead them to take proper action. The second factor was dominated by questions relating to the dealer's identification with the supplier, or the dealer's desire to be closely associated with the supplier; therefore it is named Referent.

Table 4.8  
*Factor and Reliability Analysis on Non-Mediated Power*

<b>Items</b>	<b>Expert</b>	<b>Referent</b>
The supplier is an expert in the automobile industry.	.88	
We respect the judgment of supplier's representatives.	.73	
The supplier retains business expertise that makes them likely to suggest the proper thing to do.	.66	
The people in the supplier's organization know what they are doing.	.63	
We really admire the way supplier runs their business so we try to follow their lead.		.59
We talk up the supplier to our colleagues as a great business with which to be associated.		.45
The supplier views us as an important "team member".		.42
We often do what supplier asks because we are proud to be affiliated with them.		.41
Eigenvalue	3.123	1.231
% of variance	54.033	18.262
Cronbach's Alpha ( $\alpha$ )	.85	.86
Kaiser-Meyer-Olkin Measures of Sampling Adequacy	.92	
Bartlett's Test of Sphericity : Approx Chi-Square	1592.391	
df	28	
Sig	.000	

#### 4.5.1.3 Trust

As shown in Table 4.9, factor analysis for trust shows the existence of one dimension with eigen value of 68.6 percent. The varimax rotation revealed that all seven items had factor loadings between .64 and .89. Reliability (Cronbach's alpha) for this factor was .92, indicating high reliability. The factor was dominated by items related to perceived credibility and benevolence of a target dealer. Therefore, it was named Trust.

Table 4.9  
*Factor and Reliability Analysis on Trust*

Items	Factors loadings
1. We find it is not necessary to be cautious with the supplier.	.89
2. The main supplier is always honest with us.	.87
3. The main supplier is trustworthy.	.86
4. We believe the information that this supplier provide us.	.85
5. The main supplier keep promises it makes to our firm.	.83
6. The main supplier is genuinely concern that our business succeeds.	.82
7. When making important decisions, the main supplier considers our welfare as well as its own.	.64
Eigenvalue	4.80
% of variance	68.62
Cronbach's Alpha ( $\alpha$ )	.92
Kaiser-Meyer-Olkin Measures of Sampling Adequacy	.88
Bartlett's Test of Sphericity : Approx Chi-Square	1664.650
df	21
Sig	.000

With the exception of relationship commitment and trust, results of the exploratory factor analysis on the mediated and non-mediated power indicated that the dimensions were similar to the original dimensions. Variables such as trust and relationship commitment produced only one single dimension, which was different from the original conceptualizations.

### 4.5.3 Reliability Test

The internal consistency was examined using Cronbach's alpha. Table 4.10 below summarizes the reliability test of the measures. As shown, the Cronbach alphas of the measures were all comfortably above the lower limit of acceptability that is  $\alpha > .50$ . Hence, all measures were highly reliable. Thus, the instruments used for the data

collection were valid and reliable to produce generalizable result with regards to the hypotheses of the study.

Table 4.10  
*Reliability Coefficients for the Variables in the Study*

<b>Variables</b>	<b>Number of items</b>	<b>Reliability</b>
Relationship Commitment	8	.86
Trust	7	.92
Reward	4	.82
Coercive	4	.84
Legal legitimate	4	.87
Expert	4	.85
Referent	4	.86

#### **4.6 Descriptive Analyses**

This section discusses the descriptive analysis to determine the level of relationship commitment among car dealers in Thailand.

##### **4.6.1 Major Variables**

Descriptive statistics of the final list of variables of the study are shown in Table 4.11 and in Appendix E. With the exception of the dealer's profile, the scale measurements used was a five-point Likert scale. For ease of interpretation, the five point Likert-scale was categorized into equal sized ranges/categories of low, moderate and high. The scores of less than 2.33 [ $4/3 + \text{lowest value (1)}$ ] was considered low; scores of 3.67 [highest value (5) –  $4/3$ ] high, and those in between moderate.

Table 4.11 shows that the mean values for relationship commitment, trust, reward power, expert power and referent power fell in the range of 4.09 and 4.27. Clearly, the respondents exhibited high level of relationship commitment and trust towards the suppliers. They also perceived the suppliers to have high level of expert, referent, and reward power. For coercive and legal legitimate power, the mean scores were at the moderate level. These indicate that the respondents perceived that the suppliers had a moderate level of the coercive and legal legitimate power.

Table 4.11  
*Descriptive Statistics for Dimensions of Variables*

<b>Dimensions (Variables)</b>	<b>M</b>	<b>SD</b>
Relationship commitment	4.15	.61
Trust	4.09	.72
Reward	4.11	.71
Coercive	3.55	.97
Legal legitimate	3.50	1.05
Expert	4.27	.69
Referent	4.11	.73

#### **4.6.2 Level of Relationship Commitment among Car Dealers in Thailand**

The first question asks in Chapter One was, “What is the level of relationship commitment toward the supplier in Thai automobile industry?” Table 4.11 shows that all the mean scores of the variables and dimensions were high, ranging from 3.50 to 4.27. The mean values suggested that mediated power, non-mediated power, trust, and relationship commitment were highly important. Meanwhile, the standard deviation of .61 indicated that statistically the variations of relationship commitment of the dealers towards the suppliers tend to be high.

Although not part of the objective of the present study, the level of relationship commitment across the respondents was ascertained. In particular, this study was interested to know whether there are differences in relationship commitment across length of relationship and sales volume of the dealers. To test these, analysis of variance (ANOVA) was used. Table 4.12 and Appendix F show the results. It was found that level of relationship commitment of the dealers towards the suppliers did not vary by length of the relationship with the supplier ( $F = 1.879$ ;  $p = .133$ ) and sales volume of the dealers ( $F = 1.076$ ;  $p = .377$ ).

Table 4.12

*Relationship Commitment by Length of Relationship and Sales Volume of the Dealers*

<b>Independent variables</b>		<b>Mean Square</b>	<b>F-value (p value)</b>
Length of relationship	Between groups	.684	1.879 (.133)
	Within groups	.364	
Sales volume	Between groups	.394	1.076 (.377)
	Within groups	.366	

Note: \* $p < .05$ ; \*\* $p < .01$ ;  $N = 317$

To summarize, the level of relationship commitment of the car dealers towards their suppliers in Thailand was encouraging. The commitment of the dealers in the relationship did not vary by the dealers' sales volume and duration of the relationship with the suppliers.



## 4.7 Correlation Analysis

Correlation analysis is used to describe the strength and linear relationship between two variables (Pallant, 2001). In this regard, Pearson correlation analysis was conducted for the assessment and clarification of the relationship strengths among the study variables. Table 4.13 shows the result. The computation of the Pearson correlation coefficients was performed to obtain an understanding of the relationship between all the variables in the study. The values of the correlation coefficients ( $r$ ) indicate the strength of the relationship between variables. Table 4.13 and Appendix I show that the overall correlation values were below .5, indicating weak associations between variables.

Table 4.13  
*Pearson Correlations of Study Variables*

	RC	Trust	Reward	Coercive	Legal legitimate	Expert	Referent
Relationship commitment (RC)	1.0						
Trust	.460**	1.0					
Reward	-.440**	-.418**	1.0				
Coercive	-.160**	-.149	.089	1.0			
Legal legitimate	.039	.096	.069	.388**	1.0		
Expert	.494**	.491**	.380**	.009	.101	1.0	
Referent	.444**	.431**	.438**	.012	.113*	.322**	1.0

Note: \* $p < .05$ ; \*\* $p < .01$

## 4.8 Hypotheses Testing

### 4.8.1 Re-statement of Hypotheses

In light of the results of the factor analysis, some amendments were made to the original statement of hypotheses stated earlier. The new hypotheses tested in this study were as follows:

i. Relationship between trust and relationship commitment

Hypothesis 1a: Trust has a positive influence on relationship commitment.

ii. Relationships between mediated power and relationship commitment.

Hypothesis 2a: Reward power is negatively related to relationship commitment.

Hypothesis 2b: Coercive power is negatively related to relationship commitment.

Hypothesis 2c: Legal legitimate is negatively related to relationship commitment.

iii. Relationships between non-mediated power and relationship commitment.

Hypothesis 3a: Expert power is positively related to relationship commitment.

Hypothesis 3b: Referent power is positively related to relationship commitment.

iv. Mediating effects of trust on the relationships between mediated power and non-mediated power on relationship commitment

Hypothesis 4a: The relationship between reward and relationship commitment is mediated by trust.

Hypothesis 4b: The relationship between coercive and relationship commitment is mediated by trust.

Hypothesis 4c: The relationship between legal legitimate and relationship commitment is mediated by trust.

Hypothesis 4d: The relationship between expert and relationship commitment is mediated by trust.

Hypothesis 4e: The relationship between referent and relationship commitment is mediated by trust.

#### **4.9 Hypotheses Testing**

In order to answer the second and third research questions, which address the relationship between trust and relationship commitment as well as the influence of mediated and non-mediated power on relationship commitment of the Thai car dealers, regression analyses were conducted. However, before conducting the analysis, the data were first examined to detect whether there were any serious violations of the basic assumptions underlying the regression analysis, namely linearity, normality and homoscedasticity (Hair et al., 2006). These assumptions can be checked from the residuals scatterplots which are generated as part of the multiple regression procedure (Pallant, 2001). Residuals are the difference between the obtained and the predicted dependent variable scores.

The first assumption, linearity, was assessed by analysing partial plots. The plots in the Appendix B show the relationship between a single independent variable and the dependent variable. A visual examination of the plots indicated that there was a straight-line relationships with predicted dependent variables scores and there was no obvious U-shaped or other curvilinear relationship, meeting the assumption of linearity for each independent variable.

The next assumption dealt with homoscedasticity. As suggested by Hair, Babin, Anderson, and Tatham (2006), to show the existence of homoscedasticity, diagnosis is made by plotting the residuals (studentized) against the predicted dependent values and comparing them to the null plot and the variance of the residuals about predicted dependent variable scores should be the same for all the predicted scores (Pallant, 2001). The scatter plots in Appendix C show no discernible patterns, indicating homoscedasticity in the multivariate (the set of independent variables) case.

The final assumption, which is normality, was examined by normal probability-plot (P-P) of the residuals. From the normal p-p plot in Appendix D, the values fell along the diagonal with no substantial or systematic departures, and the residuals were normally distributed about the predicted dependent scores (Pallant., 2001) indicating that the residuals were about normally distributed.

Overall, the inspection on the data revealed no serious violation of the basic assumptions. Therefore, the use of regression for subsequent analysis was appropriate. The interpretation of the regression analysis was based on the standardized coefficient beta ( $\beta$ ) and  $R^2$ , which provide evidence whether to support or not to support the hypotheses stated earlier in the chapter.

#### **4.9.1 Regression Analysis on Trust on Relationship Commitment**

In order to answer the second research question of, “Does trust influence relationship commitment of the Thai car dealers?” regression analyses was conducted. In this

analysis, trust was treated as the independent variable and relationship commitment as the dependent variable. From the casewise diagnostics, cases 69 and 81 were detected as outliers and were removed in the next analysis of the regression. Through regression analysis procedure, trust was regressed on relationship commitment. Table 4.14 and Appendix J show the relationship between trust and relationship commitment.

Table 4.14  
*Influence of Trust on Relationship Commitment*

<b>Independent variable</b>	<b>B</b>	<b>SE B</b>	<b><math>\beta</math></b>
Trust	.638	.031	.76**

Note:  $R^2 = .58$ ;  $F = 431.893$ ; Sig.  $F = .00$ ; \*\* $p < .01$

B = Unstandardized beta coefficient; SEB = Standard error of regression coefficient;  $\beta$  = Beta coefficient

An F value of 431.893 ( $p = .00$ ) indicated that trust significantly influenced relationship commitment. The model was rather strong with trust explaining 58 percent of the variation in relationship commitment. Furthermore, we note that trust positively influenced relationship commitment ( $\beta = .76$ ). Therefore, hypothesis 1a was supported.

#### **4.9.2 Regression Analysis on Mediated and Non-Mediated Power on Relationship Commitment**

In order to answer the third research question of, “Which mediated and non-mediated power influence relationship commitment of the car dealers?” regression analysis was undertaken on the mediated power (reward, coercive, legal legitimate) and non-mediated power (expert and referent) factors and relationship commitment.

Results of regression analysis revealed that cases 36 and 44 were outliers, which were removed in the next regression run. Table 4.15 and Appendix J provide evidences of the influence of mediated and non-mediated power on relationship commitment. The F-statistic ( $F = 120.516$ ,  $p < .01$ ) indicated that the relationships between independent and dependent variables were significant. The  $R^2$  obtained indicated that the power factors accounted for 66 percent of the variation in relationship commitment. Of all the variables included in the regression equation, only two variables emerged as significant predictors of relationship commitment. These were expert and referent power of the supplier. As hypothesized, expert and referent power were found to have a positive influence on relationship commitment of the dealers toward the suppliers. The variables reward, coercive power, and legal legitimate were found to have no significant effects on relationship commitment. Based on the results, hypotheses 3a and 3b were supported, while hypotheses 2a, 2b, and 2c were rejected.

Table 4.15  
*Influence of Mediated and Non-Mediated Power on Relationship Commitment*

<b>Factors</b>	<b>B</b>	<b>SE B</b>	<b>β</b>
Reward	.321	.043	.374
Coercive	.050	.029	.080
Legal legitimate	.038	.027	.065
Expert	.155	.052	.176**
Referent	.273	.053	.330**

Note:  $R^2 = .66$ ;  $F = 120.516$ ; Sig.  $F = .00$ ; \*\* $p < .01$

B = Unstandardized coefficient; SE B = Standard error of coefficient; β = Beta coefficient

The variance inflation factor (VIF) and the condition index for all mediated and non-mediated power were examined to detect multicollinearity. The VIF should be close to 1.00 to indicate little or no multicollinearity (Hair et al., 2006). Hair et al. (2006) suggested a cutoff value of 10.00 as an acceptable VIF. The tolerance and VIF values shown in the output indicated no multicollinearity effect of the independent variables on the dependent variable.

#### **4.10 The Mediating Effect of Trust**

The recommendations by Baron and Kenny (1986) were used to test the mediating effect of trust between mediated and non-mediated power variables and relationship commitment. The authors recommended four assumptions in testing the mediating effect, as follows:

1. The independent variable (IV) must influence the dependent variable (DV) significantly ( $\beta_1$  must be significant).
2. The IV must influence the mediating variable (MV) significantly ( $\beta_2$  must be significant).
3. The mediating variable must influence the dependent variable significantly ( $\beta_3$  must be significant).
4. To establish that the mediating variable fully mediates the relationship between the independent variable and dependent variable, the impact of the independent variable on the dependent variable should be zero or  $\beta_4$  which is not significant; whereas, partial mediator exists when  $\beta_4$  is significant but reduced.

In the first step, that is the relationship between independent variables (mediated and non-mediated power factors) and dependent variable (relationship commitment), the analysis conducted earlier (refer to Table 4.15) showed that only expert and referent were significantly related to relationship commitment. Therefore only these two variables met the first assumption.

For the second assumption, that is the independent variable must influence the mediating variable significantly ( $\beta_2$  must be significant), regression analysis was conducted between mediated and non-mediated power on trust. The result is shown in Table 4.16. The F-statistic ( $F = 100.512, p < .01$ ) indicated that the relationships between the independent and dependent variables were significant. The  $R^2$  obtained indicated that the power factors accounted for 62 percent of the variation in trust. Of all the variables included in the regression equation, only two variables emerged as significant predictors of relationship commitment. These were expert and referent power of the supplier, thus meeting the second assumption.

Table 4.16  
*Regression Analysis for Mediated and Non-Mediated Power Factors Influencing Trust*

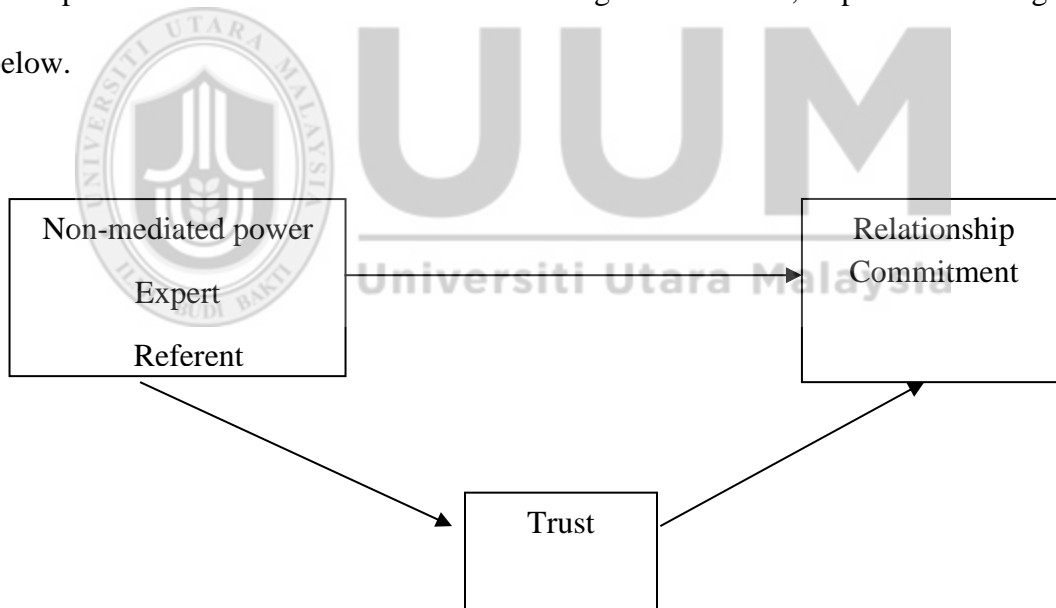
Factor	B	SE B	$\beta$
Reward	.361	.055	.353
Coercive	.039	.037	.052
Legal	-.037	.034	.053
Expert	.211	.066	.201**
Referent	.295	.067	.298**

Note:  $R^2 = .62$ ;  $F = 100.512$ ; Sig.  $F = .00$ ; \*\* $p < .01$

B = Unstandardized coefficient; SE B = Standard error of coefficient;  $\beta$  = Beta coefficient



The third assumption is that the mediating variable must influence the dependent variable significantly ( $\beta_3$  must be significant). In this case, it refers to trust as the mediator and relationship commitment as the dependent variable. As shown in Table 4.14, trust was significant in influencing relationship commitment, thus the third assumption was met. In other words, the non-mediated power, namely, expert and referent power, was found to influence trust and relationship commitment, while trust also influenced commitment. This indicated a possible mediating effect of trust on the relationship between expert and referent power and commitment. The final regression coefficient was conducted using expert and referent power as the independent variables and relationship commitment as the dependent variable to establish the mediating effect of trust, as presented in Figure 4.1 below.



*Figure 4.1*  
Mediating effect of trust

Table 4.17 displays the results of the hierarchical regression equation testing the mediating effect of trust on the relationship between non-mediated power and relationship commitment. The results revealed that expert and referent power influenced

relationship commitment in step 1 and step 2 upon the introduction of trust (mediating variable) in step 2. The beta coefficients for the direct path (step1) between expert and referent and relationship commitment were .25 and .54, respectively. When trust was included as a mediator (step 2), the beta coefficient for both expert and referent dropped to .13 and .32, indicating that mediation did exist in the relationship, but referent and expert power were still significant. In addition, in step 2, the relationship between trust and relationship commitment was significant ( $\beta = .76, p < .01$ ). Therefore, it could be interpreted that trust partially mediated the relationship between expert and referent power and relationship commitment ( $\beta$  was significant but reduced to .13 and .32). This implied that expert and referent power indirectly influenced relationship commitment of the dealers through the formation of trust. Therefore, hypothesis 4d and 4e were supported. Hypotheses 4a, 4b and 4c were rejected because they did not meet the assumptions in step 1, as discussed earlier.

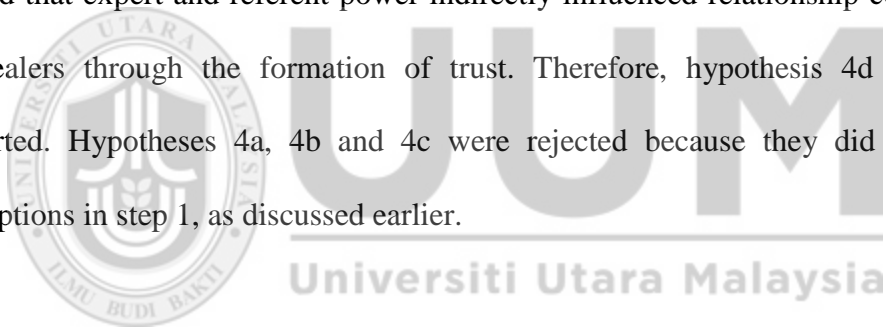


Table 4.17  
*Mediating Effect of Trust between Non-Mediated Power and Relationship Commitment*

<b>Dependent variable</b>	<b>Variables</b>	<b>Beta</b>	<b>Beta</b>	<b>Results</b>
Relationship commitment	<i>Independent variables</i>	Step 1	Step 2	<b>Partially mediated</b>
	Expert	.25**	.13**	
	Referent	.54**	.32**	
	<i>Mediating variable</i>			
	Trust		.44**	
	R <sup>2</sup>	.58	.55	
	$\Delta R^2$	.02	..09	
F change	212.215	78.312		

Note: Significance level: \*p < .05; \*\*p < .01

#### 4.11 Summary of Findings

The chapter presented the findings based on several statistical analysis outputs using SPSS Ver.20 for Windows. The test of non-response bias revealed no statistically significant difference between early and late responses. Therefore, the issue of non-response bias did not significantly affect the generalizability of the findings in this study. The findings on validity test and reliability test were shown. Regression analyses were then conducted. Additionally, the mediation analysis was carried out as per criteria established by Baron and Kenny (1986) to determine the mediating impact. Table 4.18 summarises the results of regression analysis and mediation analysis.

Table 4.18  
*Summary of Hypotheses Testing Analysis*

Hypothesis	Description	Decision
H1a	Trust has a positive influence on relationship commitment.	Supported
H2a	Reward power is negatively related to relationship commitment.	Rejected
H2b	Coercive power is negatively related to relationship commitment.	Rejected
H2c	Legal legitimate power is negatively related to relationship commitment.	Rejected
H3a	Expert power is positively related to relationship commitment.	Supported
H3b	Referent power is positively related to relationship commitment.	Supported
H4a	The relationship between reward power and relationship commitment is mediated by trust.	Rejected
H4b	The relationship between coercive power and relationship commitment is mediated by trust.	Rejected
H4c	The relationship between legal legitimate power and relationship commitment is mediated by trust.	Rejected
H4d	The relationship between expert power and relationship commitment is mediated by trust.	Supported
H4e	The relationship between referent power and relationship commitment is mediated by trust.	Supported

## CHAPTER FIVE

### DISCUSSION AND CONCLUSION

#### 5.1 Introduction

This chapter discusses the findings, theoretical and managerial implications, as well as limitations of the study. This chapter ends with recommendations for future research and conclusion.

#### 5.2 Recapitulation of the Study Findings

In general, this study sought to understand the influence of power and trust on relationship commitment between dealer and supplier in the Thai automobile industry. In order to address the research problem stated in the first chapter, trust and use of power, mediated and non-mediated power, were treated as the independent variables and relationship commitment as the dependent variable. Trust was also placed as a mediator in the relationship between mediated and non-mediated power and relationship commitment.

As noted in Chapter Three, data were gathered from dealers in the Thai automobile industry. The population size of this study was 1,769 of car dealers in Thailand, categorized into six regions. A mail survey was employed to collect the data. A total of 634 questionnaires with self-addressed envelopes were sent to the randomly selected subjects. A total of 50 percent valid response rate was obtained. This study attempted to achieve several research objectives, as follows:

1. To determine the level of relationship commitment of car dealers toward the suppliers in the Thai automobile industry.
2. To investigate the relationship between trust and relationship commitment among cars dealers in the Thai automobile industry.
3. To examine the relationship between mediated and non-mediated power on relationship commitment of car dealers in the Thai automobile industry.
4. To examine the mediating effect of trust on the relationship between use of power and relationship commitment among car dealers in the Thai automobile industry.

Revisiting the objectives, this study was undertaken to answer several questions, as follows:

1. What is the level of relationship commitment toward the suppliers in the Thai automobile industry?
2. Does trust influence relationship commitment of car dealers in the Thai automobile industry?
3. Does mediated and non-mediated power influence relationship commitment of Thai car dealers?
4. Does the relationship between use of power and relationship commitment mediated by trust in the Thai automobile industry?

Exploratory principal component factor analyses were utilized to test the factorial validity of the measures in this study. The analyses produced various dimensions of the antecedent factors and relationship commitment. The hypotheses were then reformulated

using these new dimensions. The internal consistency of the measures was then tested by computing the reliability coefficient. Finally, the data were analysed using regression analyses to test the hypotheses. The .05 level of significance was used as the critical level for decision making regarding the hypotheses.

Responding to the first research question, this study found that the level of relationship commitment of the car dealers towards their suppliers in Thailand was encouraging. The commitment of the dealers in the relationship did not vary by the dealers' sales volume and duration of the relationship with the suppliers.

To answer the second research question, the finding indicated that the hypotheses related to trust and relationship commitment was supported, and a positive relationship was discovered between trust and relationship commitment.

With regards to the third research question, regression analysis undertaken revealed that out of five hypotheses tested, only two hypotheses were supported. That is, expert and referent power which were found to have a significant effect on relationship commitment but not reward, coercive, and legal legitimate power.

For the fourth research question, that is the mediating effect of trust, the finding showed that trust partially mediated the relationship between expert and referent power, and relationship commitment. In the next section, the findings are elaborated in detail.

## **5.3 Discussion**

### **5.3.1 Level of Relationship Commitment by Dealers**

The first research question postulated in Chapter One was to examine the level of relationship commitment among the dealers toward their supplier in the Thai automobile industry. To the best of our knowledge, there are a few studies on the relationship among dealers in Thailand. This study revealed that the level of relationship commitment among dealers toward their supplier was high. From the view of the dealers, they receive expected outcomes from the existing business relationship with the suppliers. The suppliers provide both initial and continuous services to their dealers in the automobile industry. Initial services include market survey and site selection, facility design and layout, lease negotiation advice, financing advice, operating manuals, management training programs, dealer employee training. Continuous services include field supervision, merchandising and promotional materials, management and employee retraining, quality inspection, national advertising, centralized planning, market data and guidance, auditing and record keeping, management reports, group insurance plans.

Another reason to explain this finding is perhaps because the dealers are more dependent on their suppliers. The dependence relies mainly on the notion that the suppliers are the possessor of a brand/idea/format (i.e. knowhow), and although the dealers invest their own money in the business, it is shaped according to the supplier's accumulated experience. Another plausible reason is due to the nature of the dealer-supplier system, which in automobile industry is essentially a channel of distribution with a unilateral dependency relationship. The suppliers, being the strong channel member, have mediated

and non-mediated power sources that can be exercised to control the dealers. The direction of power for most decisions has already been built into the relationship by means of the dealership contract.

Relationship commitment is considered to be one of the key constructs in the context of business-to-business, where several researchers are of the consensus that commitment is a crucial part in relationship development. It is crucial to create and maintain relationships that are long-term (Gundlach et al., 1995), and focus on the inclination to continue such relationship (Kumar et al., 1995; Scheer & Stern, 1992) as this can result in relationship maintenance (Bowen & Shoemaker, 2003), cooperation, long-term orientation, loyalty, and decreased willingness to terminate the relationship (Abdul-Muhmin, 2005; Gounaris, 2005). Commitment is also a basic requirement for successful industrial marketing relationships and is deemed to be the core of all relational exchanges between the firm and its partners (Dwyer et al., 1987; Gundlach & Murphy, 1993) and may well be considered as the source of explanation in marketing as the discipline shifts towards the relational view of exchange and away from the transactional view (Gundlach et al., 1995).

### **5.3.2 Relationship between Trust and Relationship Commitment**

The second research question postulated was, “Does trust influence relationship commitment of car dealers in the Thai automobile industry?” This study found that relationship commitment was positively related to supplier benevolence and creditability. The finding supports earlier finding by Ganesan (1994) and Coote et al (2003). This



indicates that trust, in the notion of credibility, signifies that another party can be relied on to fulfil written and spoken promises, and, in the notion of benevolence, exists when an exchange partner is concerned about the welfare of their partner. Trust exists when one party has confidence in the honesty, reliability and integrity of their partner (Coote et al., 2003). The result indicates that if the dealers display high trust, then they will eventually develop relationship commitment with the supplier.

The result of the investigation shows a strong correlation between trust and relationship commitment. If dealers trust more in their suppliers, then they also exhibit a relationship commitment toward them. Therefore, the suppliers need to create trust along with relationship commitment to support the relationship with the dealers in the future. This is consistent with previous findings in the supplier-dealer context. Morgan and Hunt (1994) found that relationship commitment and trust acted as key variables that mediated successful relationship marketing. If cooperative relationships are required for relationship marketing success, their results suggest that commitment and trust is a central key. Indeed, trust is major determinant of relationship commitment (Achrol, 1997). In support of the argument, de Ruyter et al (2001) revealed a positive effect of trust on affective commitment in their study of high-technology markets. Goodman and Dion (2001) reported a correlation of .57 between trust and commitment in their study of distributor-manufacturer relationship. There is evidence supporting the positive effect of trust on commitment in commercial research relationships (Moorman et al., 1992).

### **5.3.3 Relationship between Mediated Power and Non-Mediated Power on Relationship Commitment**

The third research question pertained to “Does mediated and non-mediated power influence relationship commitment of Thai car dealers?” Result of this study found that only non-mediated power (expert and referent powers) has a positive influence on relationship commitment. However, mediated power (reward, coercive, and legal legitimate powers) did not show a significant effect.

As hypothesized, non-mediated power (expert and referent powers) was found to have a significant and positive influence on relationship commitment among the car dealers toward the supplier in Thai automobile industry. In other words, when non-mediated power is used in the organization, relationship commitment will be highly perceived by the dealers. These finding provide insight into power-relationship commitment theory from the dealer’s perspective. When a dealer accepts its supplier’s influence because of the latter’s specialized knowledge and expertise of good reputation, it learns from the supplier such as through training programs. Basically the training programs are perceived as assistance, designed to strengthen the dealers’ knowledge and to maintain co-operative relationship etc. This fosters identification with and internalization of the supplier’s values and norms, enhancing relationship commitment. This is consistent with Brown et al.’s (1995) findings.

The referent power's positive effect on relationship commitment signifies the advantages the dealers can obtain from the buyer-supplier relationship. This implies that the targets that wish to maintain visibility with the power source will intrinsically seek a closer relationship. Such a result indicates that the dealers in the automobile industry value identification with certain suppliers, thus promoting a team-oriented supply chain environment driven by the leadership of the supplier. From the results, expert and referent power bases indicate how power can actually be used to enhance relationship between dealers and suppliers in the automobile industry. It is very important that the suppliers are able to recognize their own level of expert and referent power and subsequently develop their relationship strategies to exploit such strengths.

On the other hand, mediated power sources (reward, coercive, and legal legitimate powers) were found to have no significant effect on relationship commitment toward the suppliers in the Thai automobile industry. Although coercive-oriented strategies may be necessary at times, the research indicates that use of coercion will not damage the relational orientation of both party dealer and supplier. Coercive power has historically been a visible part of the US automotive industry, but this research indicates that the suppliers who continue to rely on coercive tactics will help be able to effectively integrate with their dealers. This could affect the ultimate competitive competence of the suppliers. Legal legitimate power did not have any significant effect on the strength of the buyer-supplier relationship commitment.

Although contracts are often seen as an inevitable element of transactional relationship, this research finding argues that although it is in the best interest of the involved parties to use the contract to strong-arm the other, they do not bring have any legal power to the relationship commitment.

Although previous studies have found that reward power able to give beneficial effect on relationship commitment, this study found the non-significant relationship. Traditionally, suppliers in the auto industry emphasized reward programs to drive performance improvements by their dealer, but the outcome from the reward suggests that the relational benefits of reward-based incentive programs in the industry appear to be somewhat limited in their effect.

It is interesting that mediated power (reward, coercive and legal legitimate powers) had no significant on relationship commitment, since these powers are classified as “mediated” sources of power in the Western literature (Brown et al., 1995). This may reflect the Thai tendency to use positive feedback to regulate and manage relationships. The non-significant influence of mediated power on relationship commitment contradicts the finding by Brown et al. (1995), who found that the use of mediated power contributed to reduce the dealer’s commitment. When mediated power behaviour was forced by the supplier, especially when reward, coercive, legal legitimate power was applied, the dealer’s relationship commitment was undermined. The result suggests that Thai channel members behave differently from Western counterparts in responding to channel partner mediated power. One plausible reason is that the Thai culture values harmony. In the

Thai culture, attempts are made to avoid conflict. Moreover, avoiding making a partner lost face is more important in maintaining a positive relationship for Thais than other countries in Asia. This is unique when doing businesses with Thais as they value a buyer-supplier relationship as a long term relationship. Moreover, characteristics of Thai buyer-supplier relationship are influenced by degree of power distance (Itthiopassagul & Blois, 2000; Petison, 2010) whereby the dealers are more understanding and tolerant to mediated power by the supplier because Thailand's collective culture places a high value on harmonious inter-organization relationship.

#### **5.3.4 Mediating Effects of Trust on the Relationships between Mediated Power and Non-Mediated Power on Relationship Commitment**

This study was designed to examine the mediating effects of trust on the relationships between mediated power and non-mediated power on relationship commitment. Results demonstrated that trust was a partial mediator between non-mediated power (expert and referent) and relationship commitment. Prior research also suggests that trust plays a mediated role influencing the impact of expert power and referent power on relationship commitment (Chinomana, 2012; Fu et al., 2013). In other words, a dealer who has greater trust in a supplier seeks a long-term commitment with the supplier. Thus, the mediating effects of trust partially demonstrates that the dealer's perceptions of non-mediated power produce commitment through trust. The development of a sense of trust in a dealer-supplier relationship can help improve relationship commitment as well as making the relationship more resistant to any occasional problem that might inevitably develop from time to time. Furthermore, trust is able to bring about productivity by motivating

relational exchange and to bring about productivity by urging investments in specific assets, improving inter-firm coordination and cooperation, and utilizing monitoring cost (Doney & Cannon, 1997; Morgan & Hunt, 1994).

#### **5.4 Contributions of the Study**

This research and the findings evident in chapter five have made several contributions to the academic literatures, field of methodology and to managers responsible for managing dealer-supplier relationships in automobile industry. The following elaborates them.

##### **5.4.1 Theoretical Contributions**

Social exchange theory (SET) was used to underpin the research framework of this study. Social exchange theory is driven by the central concept of exchanging resources via a relationship exchange. It suggests that the behavior between the firm and its partner in a transaction cannot be explained solely by economic factors, but should also be explained by social factors including repeated exchanges, future obligations and the belief that each party will fulfil its obligations (Blau, 1964; Thibaut & Kelley, 1959).

SET has provided empirical knowledge on relationship commitment of dealer and supplier in the automobile industry, which has been limited especially in the perspective of the dealers in the channel literature (Allard et al., 2011; Keysuk & Frazier, 1997; Van Riel et al., 2011). Result showed that commitment of the relationship improved, benefiting both the dealer and the supplier in the Thai automobile industry.

The theoretical model was tested outside the Western and North American countries (de Ruyter et al., 2001; Goodman & Dion, 2001; Skarmeas et al., 2002) because the developing countries have largely been ignored (Roslin & Melewar, 2004). Result showed differences in the strength of the relationship between the constructs, which may be due to the cultural differences. In an attempt to minimize the knowledge gap in the literature relating to relationship commitment, the present study contributes by considering the antecedents of relationship commitment and validating the findings in the context of the Thai automobile industry.

This study contributes to a new body of knowledge in dealer-supplier relationship in the Thai automobile industry by investigating the use of power and relationship commitment, a topic which is not much known so far. In addition, an academic contribution is made to the existing body of business-to-business (B2B) marketing literature related to major dealer and supplier relations by systematically exploring the influence of powers drawn from social norms or institutional acceptance of use of power on relationship commitment dimensions in the context of automobile industry. The finding of the present study suggests significant relationship between the use of power and relationship commitment. Meanwhile trust significantly mediated the relationship between power and relationship commitment. Obviously, the study has offered some contributions to the theory development. It is expected that this study would inspire future studies to examine the theoretical model used in different contexts.

#### **5.4.2 Practical Contributions**

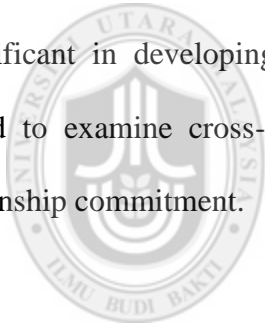
The present study found the importance of trust and non-mediated power (expert, referent) in enhancing relationship commitment. The result of this research will help dealers and suppliers understand the importance of establishing long-term relationship and apply a long-term orientation strategy with their partner.

Relationship marketing helps buyers and sellers to build, develop, and maintain the relationship. The goal in the dealer-supplier relationship is to establish and maintain the relationship with the dealer for long-term sales instead of maximizing short-term sales. Dealers and suppliers devote their attention to long-term relationship in order to increase the pie rather than divide the pie (Jap, 1999). Both dealers and suppliers look for effective relationships in order to maximize their profits, minimize their costs, which ultimately lead to long-term trust and commitment (Brown et al., 1995).

Relationship commitment and trust are the major variables of relationship marketing model in many research works (Ganesan, 1994; Morgan & Hunt, 1994). Based on the research findings, firms must build relationship commitment and trust their customers to have long-term businesses. The model shows that the use of power by supplier is the most important. Of the five types of power, expert and referent power is especially important in improving relationship commitment. Therefore, suppliers should strive to enhance their expert power by hiring knowledgeable people and managing their expertise and skill to influence their dealers.



The present study demonstrated how the use of different types of power influenced relationship commitment. In this study, it was found that the relationship between power and relationship commitment in Thailand was different from that reported by Brown et al. (1995), who used data from the USA. Therefore, it can be speculated that these differences might be caused by the differences in national culture between Thailand and the USA. In the case of Thailand, the most important values that Thai people hold to are respect, self-control, respects on hierarchical relationships, non-confrontational attitude and looks for compromises in difficult situations (<http://www.slideshare.net/joeldaldrich/thailand-culture-traditions>). These types of values put the influence of mediated power (coersive, reward and legal legitimate) to be insignificant in developing commitment in business relationship. Further studies are needed to examine cross-cultural differences in the relationship between power and relationship commitment.



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Focusing on relationship commitment from the dealer's perspective can assist firms in improving the efficiency of the dealer-supplier relationship. The result can be utilized to evaluate, assess and gauge the relationship commitment level of the dealers that could result in the suppliers' loyalty. The research model can be used to develop the strategy to enhance the success rate of parties, dealers and suppliers. Added to this, superior dealer-supplier relationship can result in strengthening the Thai automobile industry and the country's economy.

Moreover, new entries to the automobile industry from other countries that are looking to invest in the industry can employ the study as a guideline to develop a system of customer care in terms of business operation strategies, competitive capabilities, and creation of sustainable growth of organization for goal achievement.

Aside from the automobile business, other industries and businesses can also take advantage of the study findings to develop a system that strengthens the relationship to increase competitive edge particularly in businesses that involve distributors.

Finally, the study results can be utilized to initiate further examination of relationship commitment management for both producers and distributors. To conclude, the present study provides valuable information (theoretical and practical) for the establishment of an effective management strategy geared towards building long-term relationship between supplier and dealer especially in the context of the Thai automobile industry. The overall implication of the findings is that managers can utilize expert and referent power to attain channel commitment with dealers, in addition to garnering their trust, and relationship commitment. In this respect, they should endeavour to acquire skills, knowledge, values, reputation, experience and other capabilities that enable them to attain these powers.

## **5.5 Limitations and Future Research Directions**

Although this study makes significant contributions to both academic and practice, it has several limitations. The sample of dealers was taken from one industry. The impact of industry was explicitly investigated in this study. In some other industries, the

relationship between trust, power and relationship commitment may be different due to differences in customer requirements. Another limitation is the language of the questionnaire and the culture of the sampling group. Relationship between automobile suppliers and their dealers might be different in the Thai culture as compared to other cultures. Although the research questionnaire was translated into the Thai language and back translated into English, some words may have yielded different meanings to the study's respondents. Consequently, the language and cultural variables played a role in how the respondents interpreted the scale items. In other words, the different languages and cultures might give different results.

This study only examined trust and sources of supplier power from the perspective of the dealer. Future studies should collect the perspective of both dealers and suppliers to compare both views. Such exercise may shed new light on the relationship between trust, power and relationship commitment.

In addition, future research should add more factors to model in order to determine whether other factors contribute to greater understanding of relationship commitment. For example, future research might focus on the different positions, for example, of salespersons with the supplier organization. The dealers' perception is affected by both salespersons and the company's behaviour.

The study data was gathered with the help of a cross-sectional design. Due to the complexity of the joint effect in strategies such as variables of mediated power, non-mediated power and trust upon relationship commitment, a different study design like a longitudinal design may assist in enriching the findings pertaining to the phenomenon. Such design has better capability in identifying the changes in the variables' relationships.

This study focused on Thai context to develop and test the model. Although relationship commitment had an acceptable Cronbach's alpha, future studies should further develop this construct to provide a deeper understanding of it in Thai. Because culture may have a significant influence on the conceptualization of trust, power and relationship commitment and their interrelationship, future studies should examine configural and structural differences in these constructs and their relationship in different cultures. For example, studies should be conducted in Malaysia, Singapore, and Indonesia to validate further the current findings.

In addition, the effect of trust was examined in the present study as a mediator between the study variables (mediated power, non-mediated power) and relationship commitment. To this end, some other variables could be examined as mediators (e.g., loyalty, satisfaction, cooperation) in an attempt to contribute to relationship commitment enhancement.

## 5.6 Conclusion

The results of this study have provided insight into the influence of power and trust in explaining the variation in relationship commitment in Thai automobile industry. These findings provide additional evidence to the growing body of knowledge concerning the importance of relationship-based approach in dealer-supplier relationships. With regards to the role of power in influencing relationship commitment, several inferences can be concluded from the findings. The regression analysis reveals that only the non-mediated power (i.e expert and referent) are significantly related to relationship commitment and trust partially mediates the relationships between expert and referent power with relationship commitment. The present study suggests that these two factors as important elements that can enhance dealers' relationship commitment with suppliers.

The finding gives academicians and managers a much stronger basis than intuition and anecdotes for recommending the wisdom of adopting and implementing relationship-marketing approach. Specifically, from the perspective of the supplier, the findings would assist in developing a set of managerial actions of a relationship based strategy that can potentially strengthen the commitment between suppliers and dealers. Also, the findings could be useful not only for supplier firms but also other organizations towards precise thinking and decision making to enhance relationship commitment. Some recommendations were presented under the above discussion section for the purpose of enhancing relationship commitment. Preferably the management should take initiative in the way that has been suggested under discussion for the purpose of harmonizing the

dealer-supplier relationship. There must be a rightful desire within both the supplier and dealer to understand each other, to feel the importance of the relationship, and arrive at decisions that are acceptable to each party besides working together towards progress of both in terms of specific goals and long-term relationship.



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