

ABSTRACT

This thesis studies the impact of social capital on co-opetition and relationship quality of buyerseller relationships in distribution channels. Social capital is an important construct in sociology literature and is defined as the “glue that binds” different actors in a network. In the context of distribution channels the network of relationships can be on account of both social and business relationships. Additionally there is literature that conceptualizes social capital from both a structure and content perspective. Both perspectives are used to explain the formation of relationships in distribution channels. The study investigates the effects of social capital in two different contexts through a cross-country study in an organized context – Finland and a highly intermediated context – India.

Research context - Applying economic sociology to marketing thought: The basic premise of this thesis is that the social networks that dyads are embedded in have an important effect on the relationship quality of individual dyads. Embedded refers to the impact of ongoing social relations on institutions and behavior of economic actors (Granovetter, 1985). This thesis is an extension of Granovetter (1985) classic argument that “standard economic analysis neglects the identity and past relations of individual transactors” while simultaneously eschewing the sociological perspective that “once we know the individual’s social class everything else in behavior is automatic since they are so well socialized.” Both the under and oversocialized accounts illustrated above were singled out by Granovetter for “their neglect of ongoing structures of social relations” and he argued that any “sophisticated account of economic action must consider its embeddedness in such structures.” This study uses two conflicting social network theories to build a co-opetition based model of relationship quality that incorporates both the control perspective on the managerial school that dominates North American channel

literature and the co-operation perspective that dominates IMP (Industrial Marketing & Purchasing)/relationship marketing literature. The primary research questions that are addressed are as follows:

1. What are the dimensions of an intermediary's social capital?
2. Is social capital of the intermediary desirable or otherwise for their business partners?
3. Are channel relationships governed by the notion of coopetition?

Methodology-Exploiting cross-country research: The objective of using a cross country study is to analyze the differences in the nature of ties that govern relationships between business actors in contrasting network structures. The Finnish channel is highly organized and concentrated as compared to the Indian channel. The top two firms in Finland account for about 70 percent of the total grocery trade while the Indian channel is highly fractured with organized retail accounting for less than 5 percent of the market. Additionally the varying levels in the deployment of technology have further consolidated the level of organization in the Finnish channel as compared to India. ECR (Efficient Consumer Response) and category management has resulted in the development of formal structural bonds in the Finnish supply chain. The Indian channels remain highly disorganized with informal ties dominating at the expense of efficiencies derived from technological leadership. Given the contrasting context of both these channel systems it would be interesting to study the subsequent differences in the development and management of buyer-seller relationships in both these countries. Two contrasting social network theories – classical social capital theory (Bourdieu, 1992) and structural hole theory

(Burt, 1992) are used to offer alternative explanations to the formation of high quality buyerseller relationships in the groceries retailing sector of India and Finland.

The thesis uses multiple regression analysis to test a set of hypotheses relating network structure and content to relationship quality. Relationship quality is measured as a multi-dimensional construct involving trust, commitment and satisfaction of both members of the client-agent dyad.

A cross-country survey has been used to highlight the moderating role of network structure on relationship quality. A questionnaire survey design has been used to collect data on the nature of 400 dyads within the grocery retail channel of India and Finland.

Addressing research gaps-Contribution and materiality: The primary contribution of this study is to analyze the client-agent dyad in this context of their social embeddedness. The networks lens helps in capturing the trade-off that channel partners make between cooperation and control in a single conceptual model using two conflicting network theories. Social Capital as a multi-dimensional construct has never before been examined in the channel context. Coopetition and relationship quality are also evolving fields within marketing literature and have not been empirically tested in the channel context. The primary research gaps that this thesis bridges while contributing to the theoretical discourse in channel management are as follows:

1. Channel literature: (a) This thesis addresses the recent call in channel literature to address distribution channels as social networks (Wuyts, 2004) (b) Introduces important

constructs in economic sociology (social capital), interaction approach (coopetition) and relationship marketing (relationship quality) to distribution channels.

2. Economic Sociology literature: It draws upon the classic work of economic sociologists such as Grannovetter, Burt, Bourdieu and Coleman to formally vindicate their collective stand that social structure impacts economic action.

3. Relationship Marketing/Interaction approach: Investigate the role of social networks (operationalized through the construct of social capital) on important relationship marketing/interaction approach constructs such as coopetition and relationship quality. Additionally, cross-country research in channel literature is rare but provides useful insights on the role of the cultural environment in directing and shaping business evolution. Data from two completely different countries has provided insight on the differences in the manner in which social capital is operationalized in these countries. Finally, the cross-country survey design helps investigate the role of network structure on dyadic relationship quality. The main finding of this study is that social capital has a direct positive impact on relationship outcomes between channel partners. However, in highly intermediated contexts such as India social capital has an indirect negative impact on relation value and quality by promoting coopetition. Both social capital and coopetition are constructs that are relatively new to channel literature and their impact has important implications for suppliers, intermediaries and retailers as the contention of economic sociologists that economic action is influenced by social structure would formally stand vindicated. Managers would hence need to more actively incorporate social structure and its resulting influences in the strategic maintenance and development of distribution channels

than is presently the case by incorporating the following aspects in the design and maintenance of their distribution channels:

1. Corporate social responsibility: Firms with higher levels of social reputation have better relationships with their partners. Relationships with partners do not function in isolation. Firms that better manage their relationship with society as a whole are more likely to better manage their relationships with partners.

2. Co-opetition: Relationships are not unipolar. Enforcing purely co-operative relationships runs the risk of reducing partner commitment. All relationships need to be based on interdependence and the paradox of relationships being simultaneously co-operative and competitive needs to be addressed.

3. Functional conflict: Literature suggests that dissent and aggressive bargaining are characteristics of stable relationships (Hunt, 1994). Functional conflict needs to be encouraged to ensure commitment in business relationships. However, while this might be true in low intermediation contexts such as Finland, this study indicated that in channels in highly intermediated contexts such as India, coopetition destroys relationship quality and value.

Keywords: Social Networks, Business Networks, Social Capital, Relationship Quality, Coopetition