

“An empirical study of important factors of value-added-reseller relationship in high-technology sales management: a dual perspective”

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ARTICLE INFO	Petri Parvinen and Shuanghong Niu (2010). An empirical study of important factors of value-added-reseller relationship in high-technology sales management: a dual perspective. <i>Innovative Marketing</i> , 6(3)
RELEASED ON	Thursday, 14 October 2010
JOURNAL	"Innovative Marketing "
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

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An empirical study of important factors of value-added-reseller relationship in high-technology sales management: a dual perspective

Abstract

The main contribution of this study is the suggested framework for applying inter-organizational theories in value-added-reseller relationships, and the identification of the underlying factors in VAR relationship management. This framework also shows the most important factors to be focused on (mutual business needs, trust, open communication and end-customer satisfaction). Additionally, factors (competence enabling, regular activities between supplier and VARs) are also added. This integrated framework with all the important factors provides a holistic view of VAR relationship management. More specially, this study tries to fill a significant research gap in applying well-established multi-theories to the important factors of VAR relationship management in a defined context from a dual perspective.

Keywords: value-added-reseller (VAR), relationship management, sales management, business-to-business marketing.

Introduction

Given the continuous growth in business across different regions and countries, one company with limited resources cannot manage all of its sales with its own sales force. The preference in many countries is for local contacts and local customer services. On the other hand, it is very expensive and time consuming for a company to establish a wide-ranging direct sales force in every market and for every product. Firms with limited resources, such as a small sales workforce, limited local knowledge, and a lack of end-user customer relationships, have to utilize the value added reseller (VAR) channel in order to maximize sales volume and profitability. Even though this involves sharing part of the profits with sales partners, there are clear advantages to both parties. Multichannel strategies allow firms to reach customers in multiple ways, increasing the firms' reach. In addition, multi-channels allow customers to reach businesses by using their preferred channel (e.g., Internet, sales force, or value-added-reseller) (Sharma & Mehrotra, 2007).

The distribution channel literature can be divided into design and management subject areas. Channel design research (Williamson, 1985) examines the organization of the distribution channel system and the rationale for having intermediaries such as VARs, agents, distributors, and retailers. In contrast, channel management research (Gaski, 1984; Frazier & Rody, 1991) examines how channel systems can be managed once they are in place. Most of the researches pertain to how manufacturers and distributors use their power base (Gaski, 1984) to influence the achievement of their business objectives (Frazier & Rody, 1991).

In the academic literature, relationship marketing has been characterized as a fundamental reshaping of the marketing field (Webster, 1992). Extensive researches and studies have been made in this area. Partner relationship management is a part of

customer relationship management. There have been a few partner relationship management (PRM) studies (Anderson & Narus, 1990; Anderson & Narus, 1991; Biong et al., 1997). However, among the existing studies, there is the lacking of an integrated theoretical applied framework regarding the important factors in VAR relationship management, especially from a dual perspective.

This study attempts to contribute to the literature by developing a multi-theory framework with the important factors in VAR relationship management. By building the framework on the basis of well-received theories and empirical research in related fields, and by testing the framework and the propositions, this study hopes to create a better understanding of the multi-theory framework developed with important factors in VAR relationship management. The primary question is about the important factors in VAR relationship management. Some useful practical business implications for the supplier company as well as for the VARs in the VAR relationship management are founded by this research.

1. Theoretical background

Channel relationship management literature in both the academic and managerial fields has noticed a shift from firms engaging in the more traditional corporate channel structures governed by the use of power to those relationships that exist between independent firms involving the use of contractual and normative control mechanisms (Nevin, 1995). Further on, Frazier (1999) points out that a growing body of literature indicates that many firms have recognized the inefficiencies of vertical integration and an increasing number are outsourcing those activities not related to their core business. Distributors gained power and influence in the 1980s, as they functioned as the manufacturer's sales arm (Hague, 1986), and as manufacturers increasingly relied on VARs to transfer to them their knowledge of customer needs and market trends. Marketing theory has embraced this trend

(Dwyer et al., 1987; Webster, 1992). In order to give a definition for VARs, a necessary step is to understand what kind of role the VARs play. There have been different terms to describe the VAR. The most often used terms are value-added-reseller, sales partner, external sales channel, indirect sales channel, sales distributor, sales agency. The terms reflect the scope in the sales process. However, value-added-reseller is the most suitable term to be used in this case.

A value-added-reseller is a company that adds some feature(s) to an existing product(s), resells it (usually to end-users) as an integrated product or complete “turn-key” solution. This value can come from professional services such as integrating, customizing, consulting, training and implementation. The value can also be added by developing a specific application for the product design for the customer’s needs which is then resold as a new package. Anderson and Narus (1986) defined a VAR as “a firm that resells products and provides attendant services to other firms for use in the production of those firms’ goods and/or services. For the sake of simplicity and consistency, in this study the supplier company is defined as the company which produces the core product(s)/service(s) of a marketplace offering. A VAR here is defined as a firm who takes the core product(s)/service(s) from manufacturers, and adds values to it (them), then offers the completed products/services enhanced towards end-customers.

VARs need to add values for their suppliers, and also for their customers. Both manufacturers and customers expect the VARs to play a role in helping them to grow their business (Mudambi & Aggarwal, 2003). The choice to utilize a VAR depends to some degree on the expectation of cost reduction and the expected impact on business growth. Decision-making is also shaped by past experience, reputations and so on (Mudambi & Aggarwal, 2003).

According to Rosenberg (1995), VARs purchase goods from a primary producer and add value through product assembly, modification and/or customization. A VAR should contribute positively to the firm’s competitive strategy by performing some activity or process in a way which is better than competitors and, as such providing some uniqueness or advantage (Kotler, 1997). Kotler (1997) points out that the task of a VAR is to produce value added activities and earn a price premium in the process. There are two main reasons for firms to have chosen to outsource certain aspects of their sales function (usually to smaller accounts in more fragmented markets) to VARs: (1) it allows the direct sales force to concentrate on the larger accounts; and (2) VARs more often have a much more intimate knowledge of these markets and can

penetrate them much more successfully than a direct sales person can (McQuiston, 2001). The decision ultimately depends on a combination of what the customer needs and what the company has the resources and skills to do.

Despite the recent surge of research interest in VAR relationship management, some researchers have examined a wide range of issues involving manufacturer-distributor relationships (Mudambi & Aggarwal, 2003). A review of existing business literature unveils that there is only a limited amount of research which has been done regarding the important factors in VAR relationships and dual perspective analysis offers even less.

There have been an increasing number of studies on the subject of channel management as far as the reseller, the channel sales, the VAR and the distributor are concerned. However, there is still a lack of research on the VAR, which is different from the normal type of sales agency, reseller, or distributor in that it adds great value in terms of providing the solutions and services to the end customers.

Ellram and Edis (1996) made a case study of successful supplier partnering implementation from the distributor’s perspective. Ellram and Edis (1996) concentrated on what the rationale for partnering was and how to develop the partnership in a distributor company. Later on McQuiston (2001) conducted a qualitative study and proposed a conceptual model for building and maintaining effective relationships between VAR and its suppliers. The results of his study indicate that there are six core values in the relationships. Further on Skarmeas and Katsikeas (2001) made a study on the drivers of superior importer performance in cross-cultural supplier-reseller relationships. Their study is also from the reseller’s point of view. Another relevant research study was done by Siguaw et al. (2003): Preliminary Evidence on the Composition of Relational Exchange and Its Outcomes: the Distributor Perspective.

These research findings provide a very good basis for further study in VAR relationship management. The aim in this paper is to fill in the gaps left by other researchers. First of all, we noted that these research findings lack a context. There is no information on the sample company’s background, which would be very useful in terms of understanding the research phenomenon. Secondly, the comparison lacks the dual perspectives of the supplier and the VAR, and thirdly, the effect of time on the determinants of VAR relationship management has been ignored. Table 1 listed the most relevant empirical studies in VAR relationship management, and Table 2 presented the difference in this study compared to other studies. Please, see the Tables in the following two pages.

Table 1. A list of most relevant empirical studies in VAR relationship management

Empirical studies	Research topic	Industry field under research	Research method	Perspective	Research on different stages of the relationship
McQuiston (2001)	A conceptual model for building and maintaining relationships between manufacturers' representatives and their principals	Sample companies are in the industrial fields of electrical components, industrial lighting, office products, and janitorial supplies in the US. All of the supplier companies interviewed in this study outsourced their sales function. No companies with a combination of direct and contract sales were surveyed.	Qualitative method with in-depth telephone interview, 22 people from supplier companies and 21 people from supplier companies' representatives; average interview time is approximately 20 minutes.	Even though data was collected from both the supplier companies and their representatives, the data from each side was not compared and analyzed separately.	No
Skarmas & Katsikeas (2001)	Drivers of superior importer performance in cross-culture supplier-reseller relationships	Importing distributors in the UK trading directly with overseas manufacturers of industrial products	Quantitative method of survey with questionnaire to 177 importer firms	From distributor's perspective	No
Siguaw et al. (1998)	Effects of supplier market orientation on distributor market orientation and the channel relationship: the distributor perspective	Firms from the National Association of Wholesalers in the industries of equipment, fluid power, electronics, welding supply and power transmission	Quantitative method with questionnaire survey with 179 respondents	From distributor's perspective	No
Anderson & Narus (1990)	A model of distributor firm and manufacturer firm working in partnerships	Firms from National Association of Wholesaler-Distributors in the US	Quantitative method of survey with questionnaire to 253 distributor firms and 217 manufacturer firms	Dual perspective on the model of working partnerships on the correlations of the constructs.	No
Siguaw et al. (2003)	Preliminary evidence on the composition of relational exchange and its outcomes: the distributor perspective	Importing distributors in the UK trading directly with overseas manufactures of industrial products	Quantitative method with questionnaire survey with 453 respondents	From distributor's perspective	No
Ghosh et al. (2004)	Understanding industrial distributors' expectations of benefits from relationships with suppliers	Membership companies listed in the US Industrial Distribution Association	Quantitative method with questionnaire surveys with 205 respondents	From distributor's perspective	Only at the beginning stage.

Table 2. Difference in this study compared to other studies

Empirical studies	Research topic	Industry field under research	Research method	Perspective	Research on different stages of the relationship
This study	An empirical study of factors of VAR relationship in high-technology sales management: a dual perspective	In the telecommunication and data communication industry. Supplier is from Europe, and VARs interviewed are from all around the world. The supplier has both direct sales forces and indirect VAR sales channel.	Combination of qualitative and quantitative method with face-to-face interviews	Dual perspective (both from supplier's perspective and VARs' perspective)	Yes. Factors are studied both at the beginning stage and in the later stages.

This study uses a multi-theoretical approach in identifying and analyzing the important factors in VAR relationship management. The integrative use of several theories in building research models is justified by numerous studies suggesting that a multi-theoretic approach is required to understand the complexity of inter-

organizational relationships (Gulati, 1998; Osborn & Hagedoorn, 1997; Park et al., 2001; Smith et al., 1995). The focus of the study is to the dyadic relationship between the supplier company and its VARs. The network approach is not used in this research. Theories applied in this study are illustrated in the following Table.

Table 3. Theories applied in VAR relationship management

Research theory	From the supplier company	From the value-added Resellers	Basis for the VAR relationship	Important factors in VAR relationship management
Resource-based view	Product/service, brand name	End-customer relationship, technical competence, added value with total solution and service	Motivations/reasons for establishing and maintaining VAR relationship for the exchange of resources	Mutual dependence; Shared goals and objectives; Investment of effort by top management; End-customer satisfaction
Transaction cost economics	Product/service, brand name	Money	Ensuring the value created exceed the costs in the relationship, minimizing transaction costs	Concern for the other party's profitability
Knowledge-based view	Product/technology knowledge	End-customer information	Mandatory means to keep the relationship afloat	Open communication
Social capital theory	Attitudes, values, norms	Attitudes, values, norms	Critical aspects to ensure relationship growth	Trust; Continuous improvement over time; Having professional respect; Developing a personal relationship

The VAR relationship management is a complexity of VAR research theories and approaches. The resource-based view is the fundamental basis for establishing the VAR relationship. The resource-based view has been used to explain the potential value of external resources and also the factors influencing the creation of inter-organizational relationships. Complementarities between two firms have been identified as a key factor in creating value through a combination of

resources and thereby, making one firm an attractive partner for another (Eisenhart & Schoonhoven, 1996). It has been recognized that the role of inter-organizational relationships in building boundless resources are valuable, rare, non-imitable, and hard to substitute (Chung et al., 2000; Das & Teng, 2000; Deeds & Hill, 1996; Eisenhardt & Schoonhoven, 1996; Lado et al. 1997; Rothaermel & Deeds, 2001).

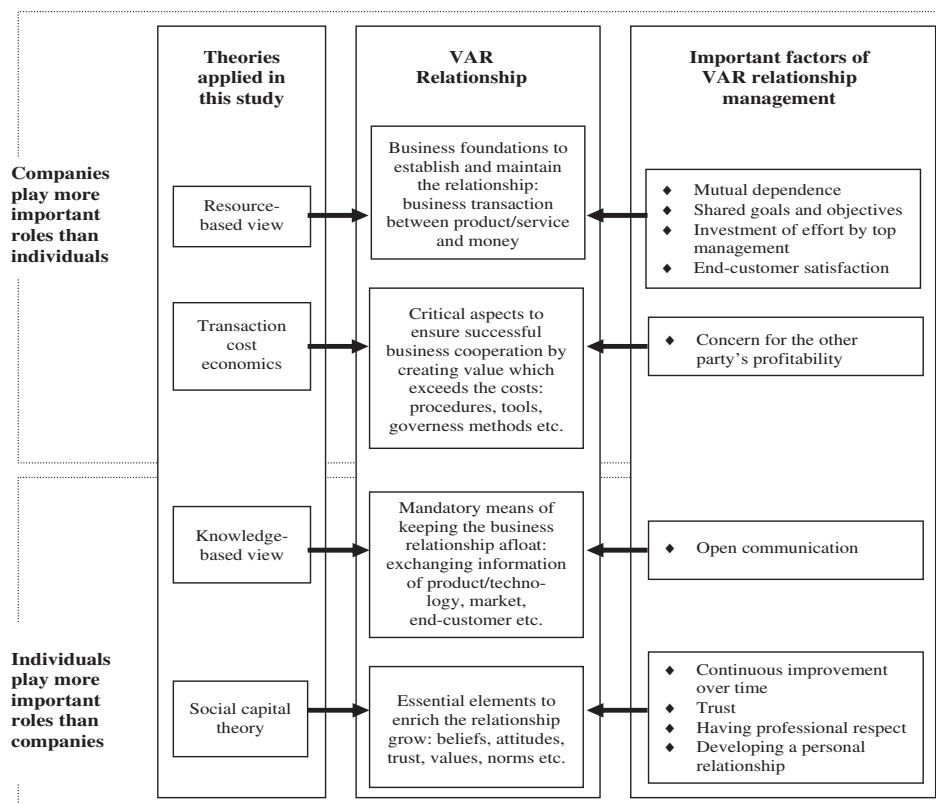


Fig. 1. A theoretical framework showing the determinants of VAR relationship management

Based on the empirical research findings and multiple well-established theories discussed above, the research framework of this study is formed. This research framework demonstrates the theories applied in the study, relationships in VAR management and the suggested important factors in

the VAR relationship. Business is conducted through companies by individual people in their companies. This is illustrated in Figure 1. Research approaches and propositions have been developed and discussed based on research frame. Table 4 provides a summary of all propositions.

Table 4. Summary of the propositions (1-8)

Mutual dependence (modified later as "mutual business needs")	
1(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the management of a high-technology company's relationship with its VARs from the <i>VAR's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
2(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the management of a high technology company's relationship with its VARs from the <i>VAR's</i> perspective in the <i>later</i> stages of the VAR relationship.
3(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
4(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.
Shared goals and objectives	
5	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
6	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
7	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
8	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.

Table 4. Summary of the propositions (9-16)

Investment of effort by top management	
9	<i>Investment of effort by top management</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
10	<i>Investment of effort by top management</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
11	<i>Investment of effort by top management</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
12	<i>Investment of effort by top management</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.
End-customer satisfaction	
13	<i>End-customer satisfaction</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
14	<i>End-customer satisfaction</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
15	<i>End-customer satisfaction</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
16	<i>End-customer satisfaction</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.

Table 4. Summary of the propositions (17-24)

Open communication	
17	<i>Open communication</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
18	<i>Open communication</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
19	<i>Open communication</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
20	<i>Open communication</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.
Concern for the other party's profitability	
21	<i>Concern for the other party's profitability</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
22	<i>Concern for the other party's profitability</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
23	<i>Concern for the other party's profitability</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
24	<i>Concern for the other party's profitability</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.

Table 4. Summary of the propositions (25-32)

Continuous improvement over time	
25	<i>Continuous improvement over time</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
26	<i>Continuous improvement over time</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.

Table 4 (cont.). Summary of the propositions (25-32)

Continuous improvement over time	
27	<i>Continuous improvement over time</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
28	<i>Continuous improvement over time</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.
Trust	
29	<i>Trust</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
30	<i>Trust</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
31	<i>Trust</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
32	<i>Trust</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.

Table 4. Summary of the propositions (33-40)

Having professional respect	
33	<i>Having professional respect</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
34	<i>Having professional respect</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
35	<i>Having professional respect</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
36	<i>Having professional respect</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.
Developing a personal relationship	
37	<i>Developing a personal relationship</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from the <i>VARs'</i> perspective at the <i>beginning</i> stage of the VAR relationship.
38	<i>Developing a personal relationship</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs the <i>VARs'</i> perspective in the <i>later</i> stages of the VAR relationship.
39	<i>Developing a personal relationship</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective at the <i>beginning</i> stage of the VAR relationship.
40	<i>Developing a personal relationship</i> is extremely important in the relationship management of a high technology product company's relationship with its VARs from <i>the supplier company's</i> perspective in the <i>later</i> stages of the VAR relationship.

2. Research approach and methodology

The empirical method used was the case study. Case studies are acknowledged to be especially valuable in exploratory research in which the goal is to look for new variables and relationships. It is also a good approach in addressing the question of why observed phenomena occur, especially when the aim is to understand non-standard forms of behavior (Meredith, 1998; Stuart et al., 2002; Voss et al., 2002; Yin, 1989). The case study is a research strategy that focuses on understanding the dynamics present in a single setting (Eisenhardt, 1989). The single case study is a good approach when the aim is to acquire in-depth knowledge of various aspects of the organizational processes, contractual arrangements, and relationship complexity between the supplier company and its VARs. Information about these phenomena is often confidential and latent, and the researcher must have good access to the organization (Mitronen and Möller, 2003; Yin, 1994).

In this study, one supplier company is selected as the case company and 15 VAR companies are selected as its VARs to study the important factors of VAR relationship in high-technology sales management. Even though there are 15 VAR companies selected for

the study, they are regarded as the supplier company's VARs as one entity to study the dual perspective regarding the VAR relationship. Therefore, this study is considered as single case study. The single case study is a good approach when the aim is to acquire in-depth knowledge of various aspects of the organizational processes, contractual arrangements, and relationship complexity between the supplier company and its VARs. Information about these phenomena is often confidential and latent, and the researcher must have good access to the organization (Mitronen & Möller, 2003; Yin, 1994).

Information gathering developed through a variety of ways, one of which included gleaning the historical documentations particular to this case. Secondly, it is researching all the available web information and annual reports of companies under this study. Observing meetings, gatherings, and various projects and tasks constitutes the third means. Extensive in-depth interviews with all possible and relevant people in differing positions of both the supplier company and the most active VAR companies is the fourth means and included follow up interviews with guided questions in mind concerning certain factors in the research questions. Data resources are summarized in the following Table.

Table 5. Data sources

Data Resources		Number		Examples and clarifications
		Supplier company	VAR company	
Face-to-face interviews	Structured interviews with a questionnaire with averaging 90 minutes per interview	20	20	20 people from the supplier company from differing hierarchical organizational levels were interviewed in order to achieve rich data input. 20 people from 15 different value-added-reseller companies were interviewed. These 40 interviews provided sufficient and rich data for the research questions as the last few interviews provided no additional new information.
	Semi-structured interviews concerning the factors carried out whenever possible	5	8	This study asked research questions defined at the beginning. Therefore, sufficient time was given to discuss factors mentioned in the research questions.
Archival documents		over 100	over 50	VAR agreements, VAR business plans, Sales objectives and forecasts, Conference slides, Internal company meeting reports, Team meetings, VAR meeting notes, Company presentation slides, Letters to the end-users, Company annual reports, VAR newsletter,
Direct observations		over 30	over 16	Supplier company day-to-day work, VAR sales conferences, VAR visioning workshop, VAR competence training, Meeting with VARs, End-user days,
Company website		1	15	Websites of companies under study were heavily researched. For reasons of confidentiality, specific websites are not listed. Main business of the companies, sales revenues, news, etc. confirmed.

This supplier company concerned is an international manufacturer of high-technology products with a long history of and experience in developing its VAR. It started to use VARs at the beginning of the 1980s, mainly in countries in which it did not have direct sales forces at the time. On account of its growing business, it had twice the number of employees in the 1990s than in the 1980s. The use of sales distributors has caused some reduction in personnel. Nevertheless, given the changes in the organization and in the market economy, the company is concentrating more on its core competence and businesses. Using VARs to sell certain products has become more and more important in some of its business units. Indeed, it sometimes assumes critical proportions in selling certain products, and in some cases more than 60 percent of the sales are generated by VARs. The question of managing the relationships with the VARs has become more important than ever before.

At the time of the study, this supplier company had about 48 valid contracted VARs, 11 of which were the most active and comprized 80% of the total VAR sales. In the interests of acquiring deep knowledge of VAR relationship management in this single case, all of these active VARs and their responsible account managers were targeted for interview. Nine of them were network integrators and service providers, and the other two were big multi-division companies. One division in each of the two big companies was acting as an integrator and a service provider for the end-

customers. The 11 companies were situated all over the world: North and South-west Europe, East Africa, Latin America, China, and Asia Pacific countries. The interviewees were top-management and sales & technical people. Since the VAR companies are much smaller than the supplier company, the top-management people also deal with sales and technical issues. In order to gain different perspectives and to increase the reliability of the research results, we interviewed people in different positions.

The supplier company is a multi-national organization with a big and established direct sales force for its strategic products and strategic customer segments. VARs are used as an indirect sales channel for certain product groups and certain customer segments, complementing the direct sales force. The interviewees from the supplier companies included top managers, account managers, solution managers, and marketing managers. The idea was that the top management would provide the up-level management information regarding the strategies of using VARs as an alternative sales channel. The account managers mainly dealt with everyday sales-related issues, the solution managers provided all the necessary technical support to the VARs for increasing their sales, and the marketing people were the key persons in providing marketing support and managing the VAR relationship. We interviewed all the relevant people (top managers, account managers, solution managers, and marketing managers) from the

supplier companies in order to increase the reliability of this study. These people were geographically located all over the world.

Reliability refers to the extent to which the results of research can be replicated. Reliable measurements are close to their “true” values with little measurement error. A triangular structure is recommended in order to link the data-collection methods: direct observation by the researcher, interviews with the various actors involved in order to explain and support the interpretation of the phenomena, and analysis of the written documentation (Denzin, 1979). Several steps were taken in order to ensure the reliability of this study.

First, the interviewees were chosen carefully in order to maximize the reliability of the data collected. They were the key informants, and represented different positions and geographical areas. As many people as possible were interviewed up to the point when no further information was forthcoming. Secondly, the questionnaire was carefully designed according to established guidelines, and it was tested and modified several times. The design should allow the reliability of the responses to be checked qualitatively and quantitatively. Thirdly, other information obtained from direct observation, company websites and archival documents completed the triangulation process.

Validity refers to the extent to which a measurement instrument does what it is intended to do (Nunnally, 1978), while internal validity refers to the validity of the research process as research (Eden & Huxham, 1996). In this case the research process was carefully designed and executed in order to guarantee the internal validity. External validity is required in order to establish the domain in which the findings can be generalized (Kidder & Judd, 1986). It concerns the degree to which the results can be justified as being representative of the situation in which they were obtained. The external validity problem has been a major barrier in conducting case studies. Critics typically state that single cases offer a poor basis for generalizing. However, these critics are implicitly contrasting the situation to survey research, in which a “sample” (if selected correctly) readily generalizes to a larger universe. This analogy to samples and universes is inappropriate in the context of case studies in that survey research relies on statistical generalization, whereas case studies rely on analytical generalization. Researchers aiming at the latter strive to generalize a particular set of results to some broader theory (Yin, 1994).

Several methods were used in order to increase the external validity of this study. First, Yin’s (2003) suggestion to apply the theory during the design phase in single-case studies was adopted. Secondly, there is a large body of literature covering the beginning phase

of a study and the research design was based on commonly used theories and findings. Thirdly, in order to enhance the generalizability we gave a thorough description of the research process and the specific context of the empirical study. Fourthly, we arrived at the research results not only by means of interpretive methods of description, interpretation and explanation, but also through the analysis of statistical data. Last but not least, we had a clearly defined context. The supplier company is an international high-technology manufacturing organization. Even though only one supplier company in one industry is chosen for the case study, but there are 20 VAR companies of the supplier companies selected in this study. The supplier company situation in the market or market power, the distributors’ situation and industry distribution network can be some moderating factors of the results obtained. Thus, results obtained can be considered as good explanatory factors to the quantitative test in a broader sample. The VARs investigated in this study are not traditional sales agencies that only receive the middleman’s share: they add value in the chain leading to the end-customers.

3. Data analysis

Mixed methods and triangulation were applied in order to enhance the reliability and validity of the research results. The terms “triangulation” and “mixed methods” are referred to in many research studies. It has been argued that different methods complement each other and thus, increase the validity of the findings (Denzin, 1978; Esienhardt, 1989; Jick, 1979). However, the effectiveness depends on how well the weakness of one method is compensated by the strength of another (Creswell, 1994; Denzin, 1978; Jick, 1979).

During face-to-face interviews, each factor is explained before the question to avoid any miss-understanding of the wordings. Each interviewee is asked to rate the importance of each factor, and to explain how they have formulated their opinion. Additionally, each interviewee is asked following the interview questionnaire to quantitatively judge each factor based on the opinion of importance and in order of importance. As a result, four different elements of data were obtained: first being the primary qualitative data received from interviews with extensive descriptions of the phenomenon; second being the quantitative data based on the opinion of importance; and third being the quantitative data based on the order of importance; fourth being another set of qualitative data collected through direct observations, archive documents, and the Internet. Each of the four sets of data are used both qualitatively and quantitatively to generate the research results. The data analysis approach is represented in Figure 2.

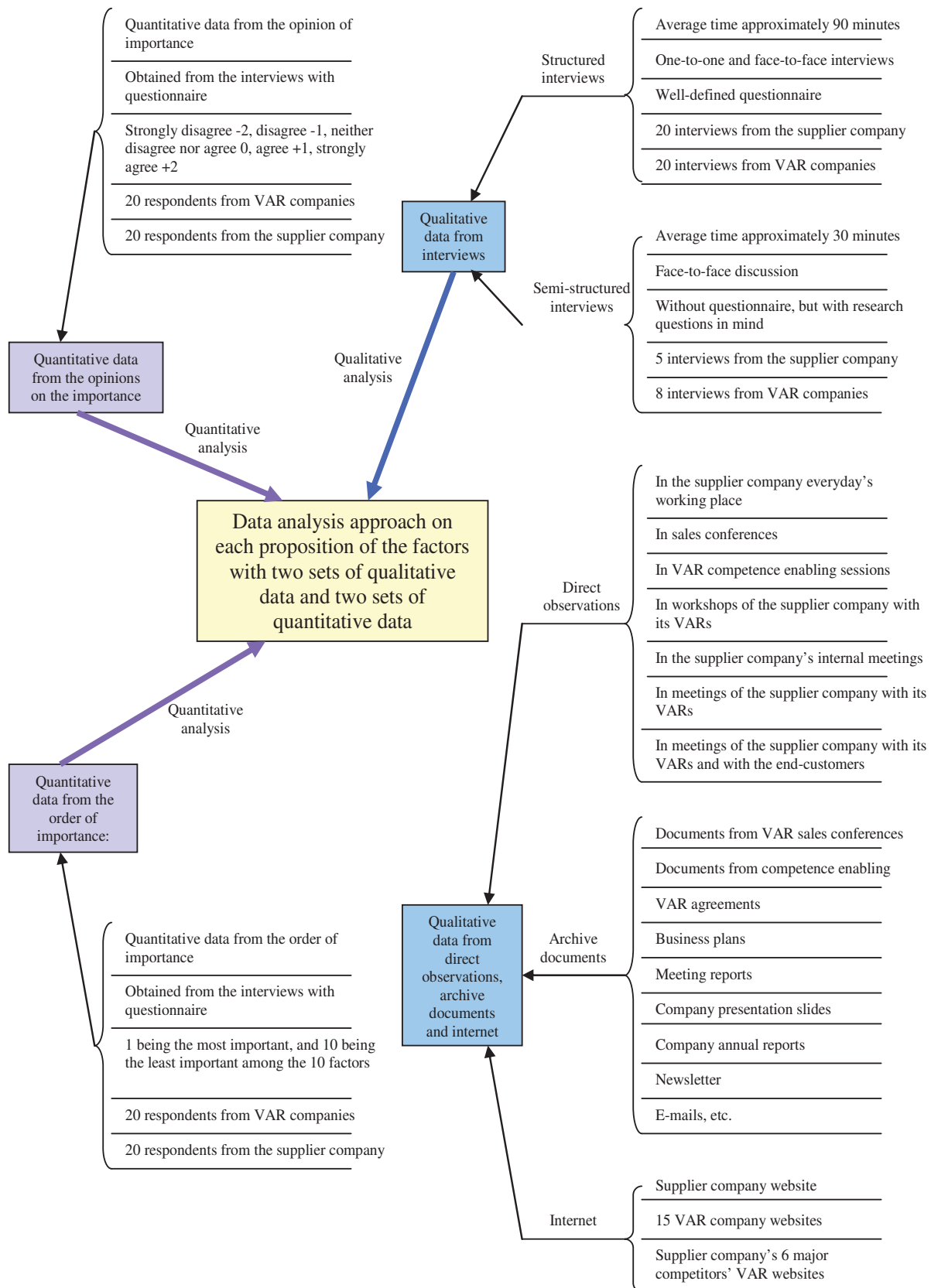


Fig. 2. Data analysis approach with qualitative and quantitative data

Qualitative and quantitative data is represented by Table 6, and shows that VARs think that the following five factors are most important at the beginning stage: (1) mutual business needs; (2) investment of effort by top management; (3) end-customer satisfaction; (4)

open communication; (5) trust. And in the later stages, the most important factors according to the VARs perspective are: (1) mutual business needs; (2) shared goals and objectives; (3) end-customer satisfaction; (4) open communication; (5) trust. The least important

factors according to the VARs' opinion both at the beginning stage and in the later stages are: (1) continuous improvement over time; and (2) developing personal a relationship.

Qualitative and quantitative data represented by Table 7, list the perspective of the supplier company and the following four factors are most important at both the beginning stage and in the later stages: (1) mutual business needs; (2) shared goals and objectives; (3) end-customer satisfaction; (4) open communication; (5) trust. However, strong opinions arise from the supplier company based on qualitative data that the

supplier company's top management maintain a strong commitment to the VAR indirect channel sales strategy and that this is extremely important in establishing the VAR business relationship at the beginning stage and in growing the VAR business in the later stages.

The least important factors, according to the supplier company's perspective both at the beginning stage and in the later stages are the same factors as the VARs' opinions. They are: (1) continuous improvement over time; and (2) developing a personal relationship.

Table 6. The most important factors from the VARs' perspective

VARs' perspective	At the beginning stage			In the later stages		
Factors	Quantitative data from the order of importance (1 being the most important factor)	Quantitative data from opinions on the importance (maximum: 2)	Qualitative data based on observations, archives, websites (the 5 most important factors marked with X)	Quantitative data from the order of importance (1 being the most important factor)	Quantitative data from opinions on the importance (maximum: 2)	Qualitative data based on observations, archives, websites (the 5 most important factors marked with X)
Mutual business needs	4.25	1.65	X	4.95	1.8	X
Shared goals and objectives	4.8	1.45		4	1.8	X
Investment of effort by top management	5.35	1.7	X	7	1.55	
End-customer satisfaction	4.15	1.75	X	3.5	1.8	X
Open communication	3.85	1.8	X	3.45	1.8	X
Concern for the other party's profitability	6.55	1.65		6.15	1.7	
Continuous improvement over time	7.8	0.9		6.55	1.5	
Trust	3.95	1.7	X	4.55	1.85	X
Having professional respect	5.9	1.55		6.7	1.6	
Developing a personal relationship	8.4	1.1		7.95	1.4	

Table 7. The most important factors from the supplier company's perspective

Supplier's perspective	At the beginning stage			In the later stages		
Factors	Quantitative data from the order of importance (1 being the most important factor)	Quantitative data from opinions on the importance (maximum: 2)	Qualitative data based on observations, archives, websites (the 5 most important factors marked with X)	Quantitative data from the order of importance (1 being the most important factor)	Quantitative data from opinions on the importance (maximum: 2)	Qualitative data based on observations, archives, websites (the 5 most important factors marked with X)
Mutual business needs	3.2	1.65	X	4.2	1.9	X
Shared goals and objectives	3.5	1.8	X	3.6	1.9	X
Investment of effort by top management	6.85	1.55	Top management's commitment to VAR indirect channel strategy	7.35	1.45	
End-customer satisfaction	4.65	1.85	X	3.35	1.7	X
Open communication	3.5	1.8	X	3.7	1.8	X
Concern for the other party's profitability	6.3	1.55		6.55	1.65	
Continuous improvement over time	8.5	0.7		7.5	1.3	
Trust	4.45	1.7	X	4.85	1.85	X
Having professional respect	5.95	1.5		6.05	1.65	
Developing a personal relationship	8.1	0.95		7.85	1.25	

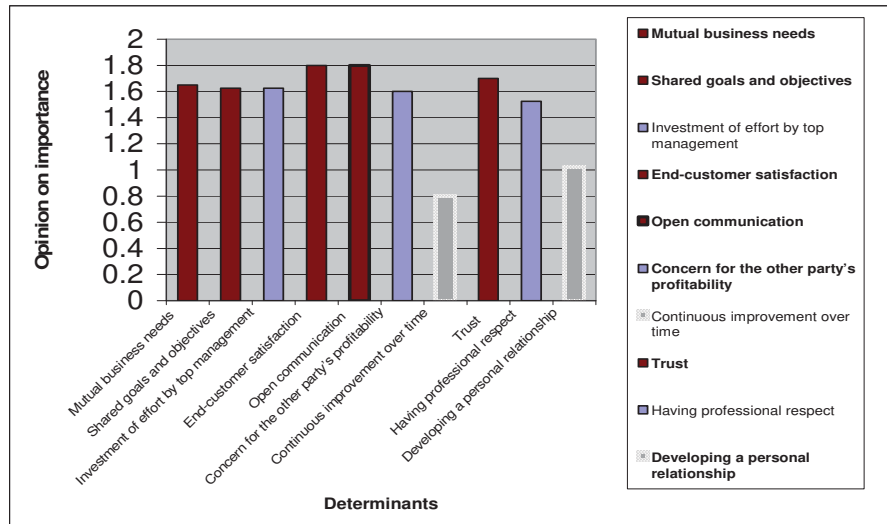
Figure 3 and Figure 4 represent the quantitative data with opinion on importance and order of importance

at the beginning stage for both the most important factors and the least important factors.

Most important determinants and least important determinants, at the beginning stage, quantitative data: opinion on importance

(Strongly disagree = -2, disagree = -1, neither disagree nor agree = 0, agree = 1, strongly agree = 2)
(with a total of 20 respondents from VARs and 20 respondents from the supplier company)

Mutual business needs	1.65	Concern for the other party's profitability	1.675
Shared goals and objectives	1.625	Continuous improvement over time	1.4
Investment of effort by top management	1.625	Trust	1.85
End-customer satisfaction	1.8	Having professional respect	1.625
Open communication	1.8	Developing a personal relationship	1.325



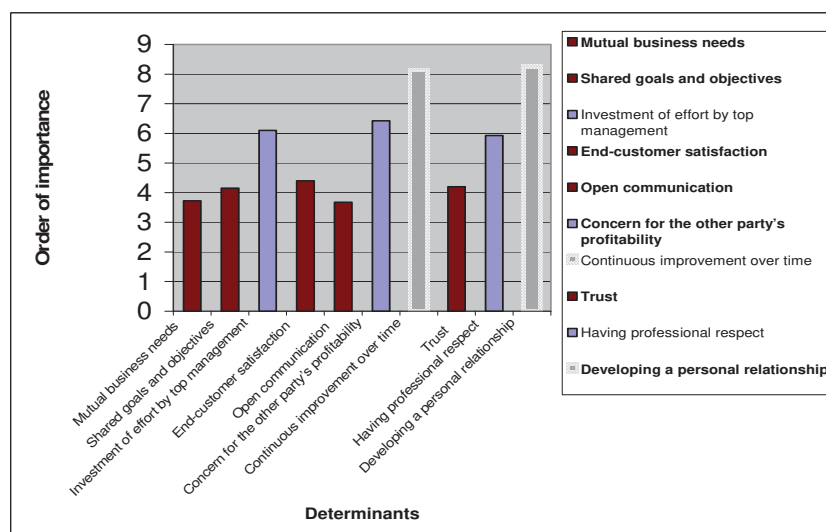
Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

Fig. 3. Quantitative data of opinion on importance at the beginning stage

Most important determinants and least important determinants, at the beginning stage, quantitative data: order of importance

(1 being the most important, 10 being the least important when comparing all determinants)
(with a total of 20 respondents from VARs and 20 respondents from the supplier company)

Mutual business needs	3.725	Concern for the other party's profitability	6.425
Shared goals and objectives	4.15	Continuous improvement over time	8.15
Investment of effort by top management	6.1	Trust	4.2
End-customer satisfaction	4.4	Having professional respect	5.925
Open communication	3.675	Developing a personal relationship	8.25



Note: Please notice that if the value (order of importance) of each determinant in this diagram is closer to 1, it is more important, and if the value is closer to 10, it is less important.

Fig. 4. Quantitative data of order of importance at the beginning stage

These figures demonstrate that at the beginning stage, the most important factors among all the factors are: mutual business needs, shared goals and objectives, end-customer satisfaction, open communication and trust; and the least important factors among all factors are: continuous improvement over time,

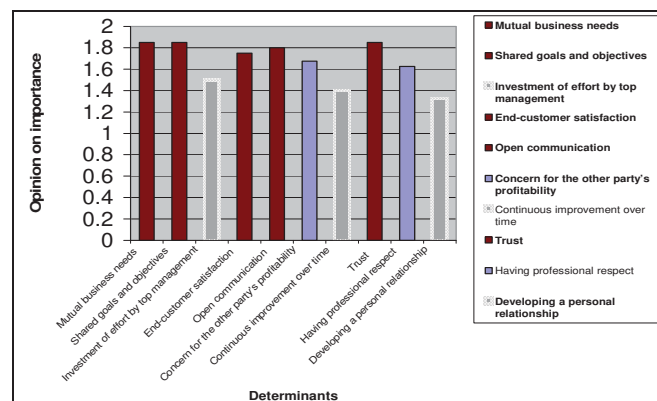
developing a personal relationship.

Figures 5 and 6 represent the quantitative data with opinion on importance and order of importance in the later stages for both the most important factors and the least important factors.

Most important determinants and least important determinants, in the later stages, quantitative data: opinion on importance

(Strongly disagree = -2, disagree = -1, neither disagree nor agree = 0, agree = 1, strongly agree = 2)
(with a total of 20 respondents from VARs and 20 respondents from the supplier company)

Mutual business needs	1.85	Concern for the other party's profitability	1.675
Shared goals and objectives	1.85	Continuous improvement over time	1.4
Investment of effort by top management	1.5	Trust	1.85
End-customer satisfaction	1.75	Having professional respect	1.625
Open communication	1.8	Developing a personal relationship	1.325



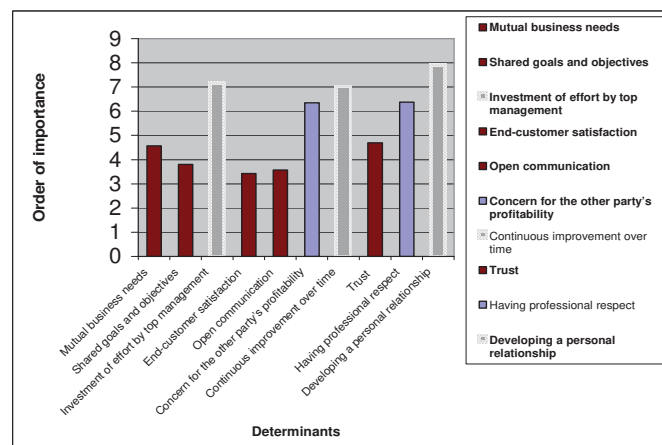
Note: Please notice that if the value (opinion importance) of each determinant in this diagram on is closer to 2, it is more important, and if the value is closer to 0, it is less important.

Fig. 5. Quantitative data of opinion on importance in the later stages

Most important determinants and least important determinants, in the later stages, quantitative data: order of importance

(1 being the most important, 10 being the least important when comparing all determinants)
(with a total of 20 respondents from VARs and 20 respondents from the supplier company)

Mutual business needs	4.575	Concern for the other party's profitability	6.35
Shared goals and objectives	3.8	Continuous improvement over time	7.025
Investment of effort by top management	7.175	Trust	4.7
End-customer satisfaction	3.425	Having professional respect	6.375
Open communication	3.575	Developing a personal relationship	7.9



Note: Please notice that if the value (order of importance) of each determinant in this diagram is closer to 1, it is more important, and if the value is closer to 10, it is less important.

Fig. 6. Quantitative data of order of importance in the later stages

These Tables demonstrate that in the later stages, the most important factors among all the factors are: mutual business needs, shared goals and objectives, end-customer satisfaction, open communication and

trust; and the least important factors among all factors are: investment of effort by top management, continuous improvement over time, developing a personal relationship.

Table 8. Order of importance from a dual perspective at different stages

Importance	Factors	VARs' perspective		The supplier company's perspective	
		At the beginning stage	In the later stages	At the beginning stage	In the later stages
High	Mutual business needs	Extremely important	Extremely important	Extremely important	Extremely important
	Open communication	Extremely important	Extremely important	Extremely important	Extremely important
	Trust	Extremely important	Extremely important	Extremely important	Extremely important
	End-customer satisfaction	Extremely important	Extremely important	Extremely important	Extremely important
	Shared goals and objectives	Important	Extremely important	Extremely important	Extremely important
Medium	Investment of effort by top management	Extremely important	Important	Important	Important
	Having professional respect	Important	Important	Important	Important
	Concern for the other party's profitability	Important	Important	Important	Important
Low	Continuous improvement over time	Doesn't matter	Important	Doesn't matter	Important
	Developing a personal relationship	Doesn't matter	Good to have, but not important	Doesn't matter	Good to have, but not important

This Table 8 highlights both the most important factors and the least important factors in the VAR business relationship from dual perspectives at

different stages, suggesting business implications for management. The results are summarized in Table 9.

Table 9. Summary of the results

Propositions		Results					
	Factors	Perspective	Stage	Qualitative data analysis from interview	Qualitative data analysis from direct observations, archives, websites	Quantitative analysis from the importance (strongly disagree, disagree...)	Quantitative data analysis from the order of importance (1 being most important, 10 being least important)
1	Mutual dependence	VAR	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
2		VAR	Later	Not supporting	Not supporting	Not supporting	Not supporting
3		supplier	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
4		supplier	Later	Not supporting	Not supporting	Not supporting	Not supporting
1b	Mutual business needs	VAR	Beginning	Supported	Supported	Supported	Supported
2b		VAR	Later	Supported	Supported	Supported	Supported
3b		supplier	Beginning	Supported	Supported	Supported	Supported
4b		supplier	Later	Supported	Supported	Supported	Supported
5	Shared goals and objectives	VAR	Beginning	Partially supported	Partially supported	Partially supported	Partially supported
6		VAR	Later	Supported	Supported	Supported	Supported
7		supplier	Beginning	Supported	Supported	Supported	Supported
8		supplier	Later	Supported	Supported	Supported	Supported
9	Investment of effort by top management	VAR	Beginning	Partially supported	Supported	Supported	Partially supported
10		VAR	Later	Partially supported	Partially supported	Partially supported	Partially supported
11		supplier	Beginning	Partially supported	Partially supported	Partially supported	Partially supported
12		supplier	Later	Partially supported	Partially supported	Partially supported	Partially supported

Table 9 (cont.). Summary of the results

Propositions		Results					
13	End-customer satisfaction	VAR	Beginning	Supported	Supported	Supported	Supported
14		VAR	Later	Supported	Supported	Supported	Supported
15		supplier	Beginning	Supported	Supported	Supported	Supported
16		supplier	Later	Supported	Supported	Supported	Supported
17	Open communication	VAR	Beginning	Supported	Supported	Supported	Supported
18		VAR	Later	Supported	Supported	Supported	Supported
19		supplier	Beginning	Supported	Supported	Supported	Supported
20		supplier	Later	Supported	Supported	Supported	Supported
21	Concern for the other party's profitability	VAR	Beginning	Partially supported	Partially supported	Supported	Partially supported
22		VAR	Later	Partially supported	Partially supported	Supported	Partially supported
23		supplier	Beginning	Partially supported	Partially supported	Supported	Partially supported
24		supplier	Later	Partially supported	Partially supported	Supported	Partially supported
25	Continuous improvement over time	VAR	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
26		VAR	Later	Partially supported	Supported	Partially supported	Partially supported
27		supplier	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
28		supplier	Later	Partially supported	Supported	Partially supported	Partially supported
29	Trust	VAR	Beginning	Supported	Supported	Supported	Supported
30		VAR	Later	Supported	Supported	Supported	Supported
31		supplier	Beginning	Supported	Supported	Supported	Supported
32		supplier	Later	Supported	Supported	Supported	Supported
33	Having professional respect	VAR	Beginning	Supported	Supported	Partially supported	Partially supported
34		VAR	Later	Supported	Supported	Partially supported	Partially supported
35		supplier	Beginning	Supported	Supported	Partially supported	Partially supported
36		supplier	Later	Supported	Supported	Partially supported	Partially supported
37	Developing a personal relationship	VAR	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
38		VAR	Later	Partially supported	Not supported	Not supported	Not supported
39		supplier	Beginning	Not supporting	Not supporting	Not supporting	Not supporting
40		supplier	Later	Partially supported	Not supported	Not supported	Not supported

Conclusion, contributions and business implications

The main contribution of this study is the suggested framework for applying inter-organizational theories in VAR relationships, and the identification of the underlying factors in VAR relationship management. The integrated framework with all the important factors provides the basis for VAR relationship management. It summarizes the business cooperation with business transaction flow, information flow and relationship flow. This framework also shows the most important factors to be focused on (mutual business needs, trust, open communication and end-customer satisfaction). Additionally, factors (competence enabling, regular activities between supplier and VARs) are also added. This integrated framework with all the important factors provides a holistic view of VAR relationship management.

The main approach in this study is to test the well-defined propositions of the important factors in VAR relationship with a defined context and at the same time to discover other possible important factors with grounded theory in the case study. In order to answer research question 1: what are the important factors in VAR relationship management, a list of propositions which are defined based on existing literature were tested and other possible important factors were discovered via this empirical case study. Four propositions were made on one important factor to demonstrate the dual perspective and dynamical nature of this study in order to answer research questions 2 and 3: do the supplier and its VARs look at the important factors in the relationship in the same way? And will the importance of the factors change during different stages of the VAR relationship? Figure 9 demonstrates the research questions related to propositions.

We considered and compared all the determinants from dual perspectives (of the supplier company and the VARs), and analyzed them over time (at the beginning and later stages). We also established an order of importance among all the factors. This is an important contribution in terms of promoting effective and efficient management practices in the supplier company and its VARs given the need to prioritize and focus and the limited available resources and time. No previous studies have done anything like this: taken a dual and dynamic perspective on the importance of the factors. The following diagram shows the managerial implications for the supplier in managing VAR relationship.

This research is limited in that the supplier company has high-technology products. This clearly

makes it different from companies producing consumer goods, which manage their indirect sales channels quite differently. We neglected other relationships such as those among the VARs, and did not discuss channel conflicts, control and autonomy, nor the VAR selection process, its categorization, contracts and motivation, for example.

We have thoroughly investigated the important determinants in VAR relationship management dynamically over time from a dual perspective. However, there are still certain questions for future research. How are these important determinants inter-linked, and what logic connects them? How do they affect the company's performance?

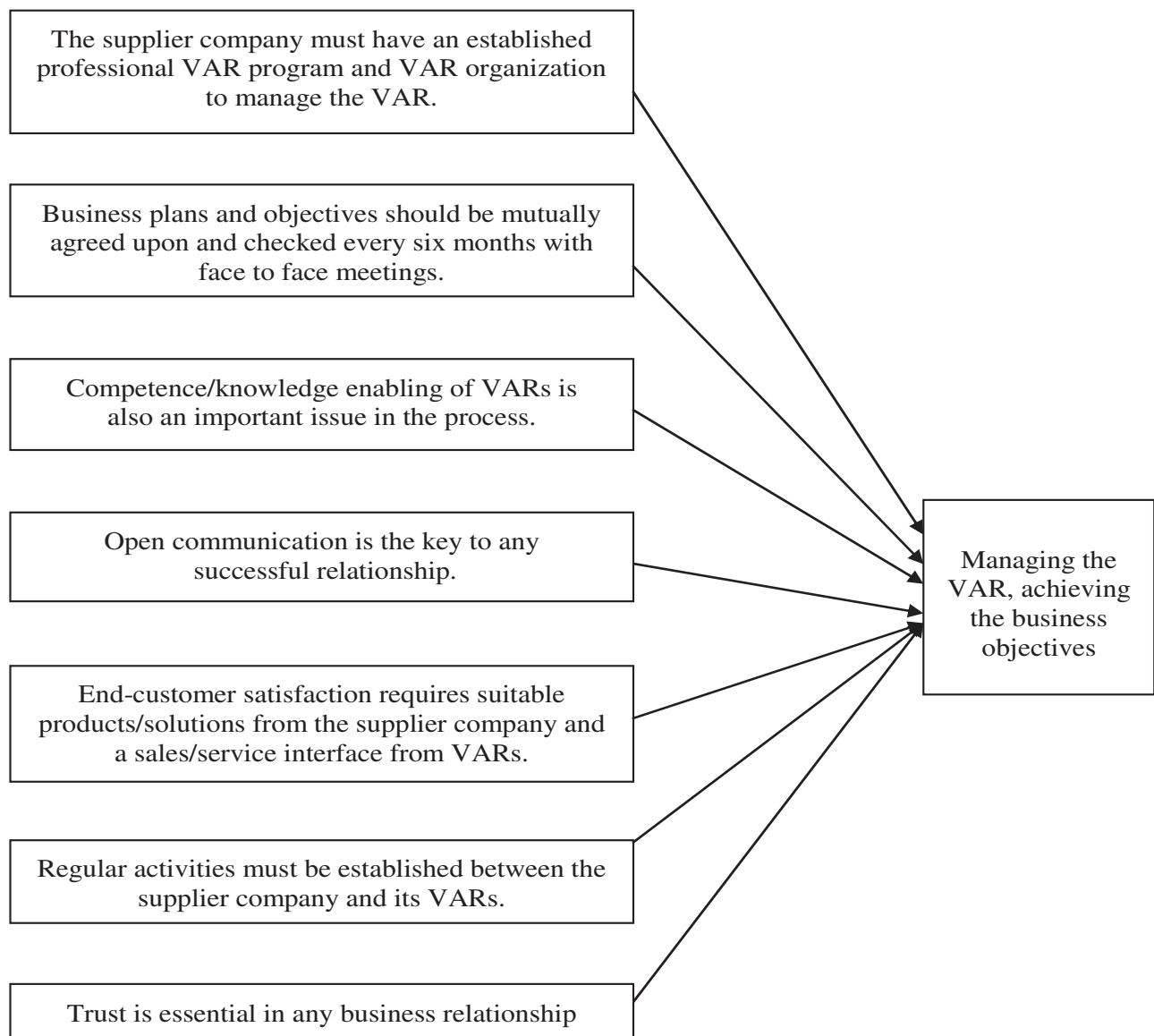


Fig. 7. Managerial implications for the supplier in managing VAR relationship

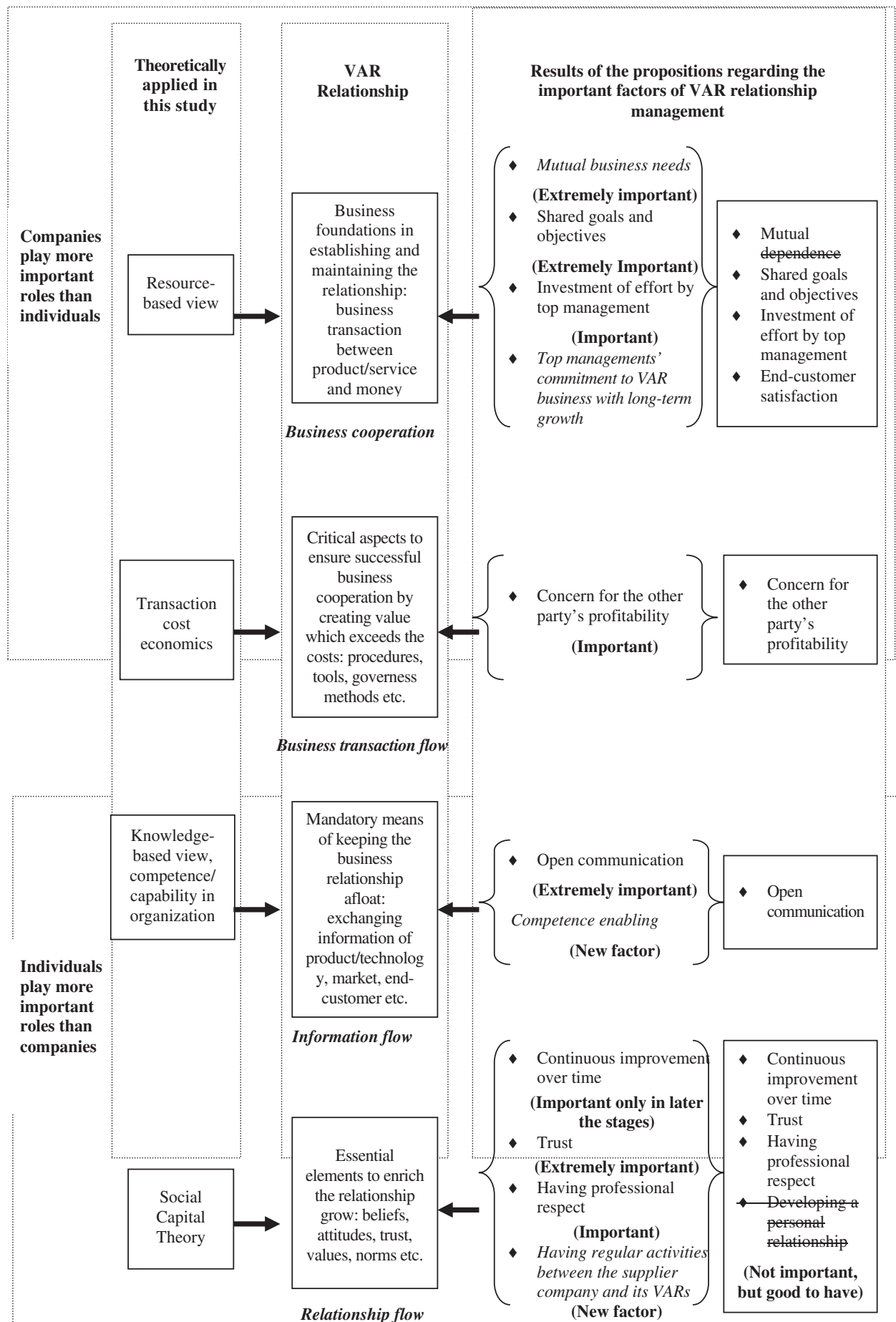


Fig. 8. Integrated framework of factors based on multi-theory approaches

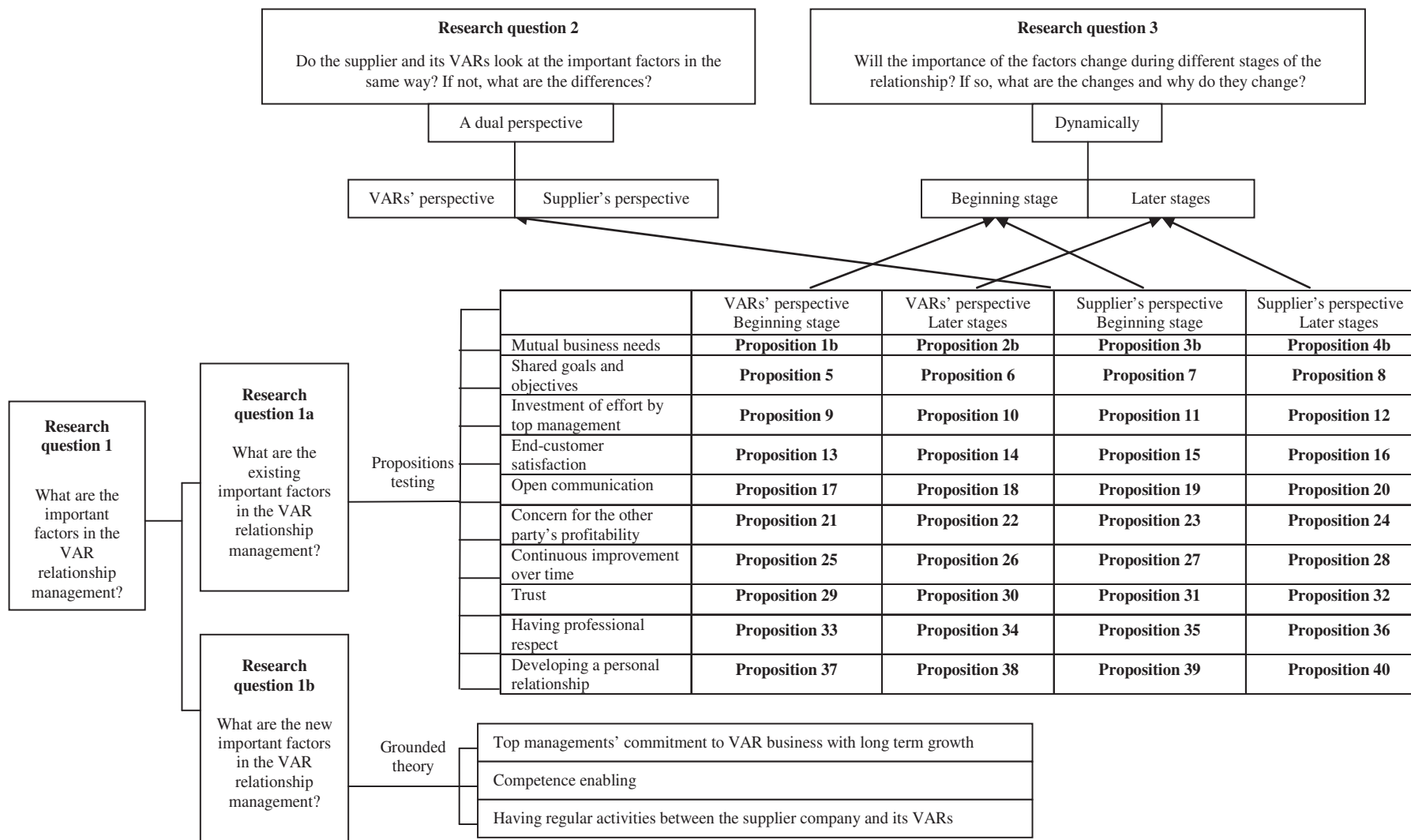


Fig. 9. Research questions related to propositions

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