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Governance of international distributors: addressing distinct organizational levels and impacts on performance

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The purpose of this study is to examine how internationally operating manufacturers can govern the management team and the salesforce of their channel members. Through the application of governance mechanisms on two distinct levels within the distributorship and the investigation of their effects on performance and social satisfaction the study contributes to channel management research in which the influence on individuals of intermediaries are still under-represented. A survey of 120 Austrian machinery and equipment manufacturers was conducted and partial least squares path analysis tested the conceptualized model. The findings indicate that the management team is the key to success and by focusing on them, outcome- and behavior-based control methods and interpersonal socialization improve performance. Normative control mechanisms positively influence satisfaction with psychosocial aspects of the relationship. On the other hand, governing the distributor's salesforce only impacts performance and the degree of social satisfaction if all efforts are aligned with activities targeted at the distributor's management team. In particular, governance mechanisms applied to the management team fully mediate control mechanisms dedicated to the salesforce. Thus, these results show internationally operating manufacturers how they can globally improve their marketing channel activities.

Keywords: Channel Management, Governance, Performance, Salesforce, Machinery Manufacturing

Introduction

Globalization increasingly threatens internationally operating companies in local and international markets. As a result, the competitive situation confronts local and exporting manufacturers with the challenge of managing and continuously optimizing their international marketing and strategic activities (Wiersema and Bowen, 2008). Enterprises need therefore, a systematic and strategic configuration of their distribution management, particularly if this marketing task has been outsourced to independent channel members. The securing of channel intermediaries' cooperation and the improvement of the channel effectiveness are thus fundamental tasks of producers (Mehta, Dubinsky and Anderson, 2002). The governance of distributors is therefore, decisive for the success of manufacturers (Luo et al., 2001; Dong, Tse and Hung, 2010) although the selection of specific governance mechanisms remains debated in the scientific community (Huang et al., 2014). As channel management research focuses on inter-organizational relationships the focus is put on the institutional governance of channel members. Distinct levels within the distributors are usually not the center of governance research although predominantly in brand management studies the management and the salesforce of the intermediaries are highlighted as key groups for the success of the suppliers (Huges and Ahearne, 2010; Badrinarayanan and Laverie, 2011; Hughes 2013). Thus, this study explores the influence on performance and social satisfaction of distributors through the use of different governance mechanisms applied to the distributors' management team and salesforce. It finally aims at contributing to an increased understanding of governance mechanism constructs by considering distinct organizational levels within the distributor as additional elements.

Literature review

Governance or control mechanisms of international marketing channel members are classified from various viewpoints founded in diverse research streams and hence, allow broad interpretations (Zhuang and Zhang, 2011). Appearing noticeably in different research logics, including marketing (Lai, 2007), relational contracting (Zhou et al., 2015), economics (Grewal et al., 2013), and organization theory (Joshi, 2009) the governance construct principally refers to all cooperative and coordinative efforts to manage the business relationship with channel members with the final aim to reach one's own and also common targets (Homburg et al., 2009). A review of the literature pertaining to channel governance highlights the institutional or inter-organizational perspective as the main focus of previous studies (e.g. Dong, Tse and Hung, 2010; Gilliland, Bello and Gundlach, 2010; Hullova, Laczko and Frishammar, 2019; Grewal et al., 2013; Zhou, et al., 2015). Different governance objectives within the distributor, as the management team or the salesforce, are limitedly in the focus of studies in which operationalized scales predominantly aim at the company relationship level and not at specific individuals within distributors. Moreover, several researchers make use of two governance mechanisms frequently complementarily investigated: first control through relational mechanisms and second, outcome and/or behavior-based governance efforts guiding the business relationship through information about the performance and activities of the distributor (Gilliland, Bello and Gundlach, 2010).

The relational control mechanism embraces relational norms and interpersonal socialization (Luo et al., 2011). Hereby, relational norms allow the supplier and distributor to internalize and formalize their activities into accepted practices that finally guide the parameters of the business relationship (Yang, Su and Fam, 2012). This normative governance is often measured with flexibility, mutual understanding and problem solving, information exchange and participation. Interpersonal socialization encompasses personal ties and social activities between representatives of the enterprises in the business relationship (Zhang, 2019) discouraging opportunism and malfeasance through developed personal bonds (Granovetter, 1985).

The second set of governance mechanisms in channel management research, i.e. outcome and behavior-based control methods, primarily relies on Anderson and Oliver's (1987) conceptualization, which draws from theoretical approaches in organizational behavior, economics and psychology (Baldauf, Cravens and Piercy, 2005). It conceptualizes a formal management control system that measures

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observable consequences of a distributor's actions against predefined required behavior and outcome standards (Grewal et al., 2013). The outcome and behavior-based control mechanisms are intensively used in research about salesforce control systems (Piercy, Cravens and Lane, 2012) and could therefore, be also adapted at a personal level in the inter-organizational research.

Indeed, brand management research highlights the importance of the different target groups within the distributor as a success factor for the supplier (Badrinarayanan and Laverie, 2011). Hereto, Hughes and Ahearne (2010) emphasize the channel member's management team as the primary point of interaction. Above, Hughes (2013) points out that suppliers should proactively manage brand perceptions of the salesforce of distributors, too. Hence, governance mechanisms of manufacturers may be targeted at these two levels, i.e. the distributor's management team and their salesforce to ultimately improve the performance for the supplying manufacturer.

Reviewing the channel marketing literature, however, indicates that there is a missing link between the governance mechanism constructs and the addressing of these distinct organizational levels. Most of the reviewed studies only focus on the inter-organizational governance mechanisms and their effects (Stadlmann, 2016). Even those few studies which operationalize the relational and the behavior and outcome-based control mechanisms through measurement constructs that could be targeted to different levels within the distributor (e.g. Huang, Cheng and Tseng, 2014; Luo et al., 2011; Gençtürk and Aulakh, 2007; Piercy, Cravens and Lane, 2012; Gilliland, Bello and Gundelach, 2010) still restrict their research to the company level only. Therefore, the literature review indicates an important gap in addressing distinct levels of the distributor when applying various governance mechanisms.

Hypotheses development

Governance mechanisms and their effects

The aim of this paper is to contribute to international channel marketing research by focusing on governance mechanisms targeted specifically on two distinct levels within the distributor's organization, i.e. on the management team and salesforce. Huang, Cheng and Tseng (2014) emphasize that research articles about the effects of channel governance mechanisms on channel performance are manifold and are still debated. Another investigated phenomenon which is currently being investigated is the effect of control systems on the social satisfaction with the channel relationship (Dong, Tse and Hung, 2010). Therefore, this study explores the influence of relational and the outcome and behavior-based governance mechanisms on both, the channel performance and the social satisfaction with the channel relationship.

Governance mechanisms targeted at the distributor's management team

Huang, Cheng, and Tseng (2014) point out that the effects of governance mechanisms on performance are still discussed in academia. However, various studies manifest a positive relationship between normative control mechanisms and the performance of the distributor for the supplier (Cannon, Achrol and Gundlach, 2000, Jap and Gensan, 2000, Gençtürk and Aulakh, 2007, Huang, Cheng and Tseng, 2014). As these studies are established within an interfirm approach and one main locus of contact for suppliers is the distributor's management team (Luo et al., 2011) – e.g. for negotiating contracts or discussing channel programs (Coughlan et al., 2006, p. 205) – we expect a positive relationship between the normative governance of the management team and the performance of the distributor. Moreover, Dong, Tse, and Hung (2010) detect a positive effect of normative governance and social satisfaction if the governance philosophies of the two channel partners are similar. Skarmeas, Zeriti, and Argouslidis (2019) highlight that normative governance also positively relates to relationship value in a distributor-manufacturer business constellation. Hughes and Ahearne (2010) accentuate that the governance activities of the manufacturer need to be aligned with the distributor's own control activities exercised by the distributor's management team. Hence, we argue that the normative control of the distributor's management team has finally a positive impact on the social satisfaction with the business relationship, too. Thus:

H_1: Higher normative control of the distributor's management team results in a) higher performance and b) higher social satisfaction.

Concerning interpersonal socialization Peng and Luo (2000) figured out a positive effect on affective commitment of the parties leading to a cooperative relationship. Luo et al. (2011) manifest this social bonding particularly among managers of both parties involved. Del Bosque Rodríguez, Agudo, and San Martín Gutiérrez (2006) and Skarmeas, Katsikeas, and Schlegelmilch (2002) have also shown that the distributor's commitment has a positive impact on economic performance and relationship satisfaction. Hence, we postulate that interpersonal socialization addressed to the distributor's management team has a positive influence both on performance and satisfaction with the relationship. Thus:

H_2: Increased interpersonal socialization with the distributor's management team results in a) higher performance and b) higher social satisfaction.

A consistent picture does not emerge regarding the effects of more formal or hierarchical governance mechanisms, as behavior and outcome-based control. However, various studies (Grewal et al., 2013; Bello and Gilliland, 1997) highlight either a positive or a moderated relationship with distributor performance. Conversely, Inkpen and Currall (2004) detect that trust emerges more slowly if formal control is too excessive in inter-organizational cooperation. Del Bosque Rodríguez, Agudo, and San Martín Gutiérrez (2006) add that trust positively correlates with social satisfaction. Therefore, we postulate that there is a positive relationship between behavior and outcome-based governance mechanisms and performance but a negative influence on social satisfaction when applying this control mechanism to the management team. Thus:

H_{3a}: Increased outcome and behavior-based control of the distributor's management team result in higher performance.
H_{3b}: Increased outcome and behavior-based control of the distributor's management team result in lower social satisfaction.

Governance mechanisms targeted at the distributor's salesforce

When governance mechanisms are targeted at the salesforce of the distributor, additional aspects have to be taken into consideration. As the distributor is an independent legal entity formal authority relationships with the distributor's sales people are not provided for the supplier leading to a lack of direct control of their activities (Celly and Frazier, 1996). Moreover, there is little performance transparency given which make monitoring and assessing of results of distributor's individual sales persons impossible for the supplier. Piercy, Cravens and Lane (2012) point out that the level of control and control competences directly influence the performance of sales people who are a central success factor for the supplier (Badrinarayanan and Laverie, 2011). Due to this lack of formal control, the manufacturer needs to rely on informal governance possibilities of the distributor's salesforce. Regarding this, the supplier's employees can communicate openly, behave flexibly and support the salesforce of the distributor in solving their problems as well as socializing with them (Huang Cheng and Tseng, 2014; Liu et al., 2008). Hence, the manufacturer can try to govern the distributor's salesforce primarily through relational control mechanisms. However, as social identity theory predicts (Tajfel and Turner, 1986) sales people's identification with their employer will be associated with their attitudes and behaviors (van Dick et al., 2006) and result in behavior which is consistent with the interests of their employer (van Knippenberg and Sleebos, 2006). Therefore, Hughes

and Ahearne (2010) highlight that control mechanisms targeted at the distributor's salesforce need to be discussed with their management team and should be aligned with internal control activities set by the distributor's management team. As relational control of the distributor has a positive effect on performance and social satisfaction (del Bosque Rodríguez, Agudo and San Martín Gutiérrez, 2006) we assume that normative control of and interpersonal socialization with the distributor's management team mediate the effects of control activities applied to the salesforce and performance or social satisfaction. Thus:

H_4: Normative control of the distributor's salesforce is indirectly related to a) performance and b) social satisfaction, mediated by normative control of the distributor's management team.
H_5: Interpersonal socialization with the distributor's salesforce is indirectly related to a) performance and b) social satisfaction, mediated by interpersonal socialization with the distributor's management team.

Relationship between social satisfaction and performance

Although business-to-business relationship performance is separated into financial and non-financial performance (O'Toole and Donaldson, 2002) the ultimate aim of channel relationships is considered to be economic performance (Noordewier, John and Nevin, 1990). However, satisfaction is decisive in a channel relationship, too (Lai, 2007). Focusing solely on economic results may undermine the satisfaction with psychosocial aspects of the relationship (Geyskens and Steenkamp, 2000). On the other hand, being satisfied with the social outcomes of a relationship – i.e. to appreciate the contacts with the distributor, to value the cooperation on a personal level and to be convinced that the distributor is concerned and respectful (Geyskens, Steenkamp and Kumar, 1999) – lead to a positive affective response on the relationship between the partners (Frazier, Gill and Kale, 1989) and hence, result in a higher likelihood of enhanced performance. Ramaseshan, Yip and Pae (2006) show that improving social satisfaction results in higher commitment and finally better strategic performance. Lai (2007) additionally proves the direct positive relationship between social satisfaction and performance. Therefore, we infer that higher social satisfaction should lead to better performance.

H_6: Social satisfaction has a positive effect on performance.

Summing up all six hypotheses, Figure 1 visualizes the postulated relationships between the different control mechanisms – applied to the distributor's management team and salesforce – and performance as well as social satisfaction.

Method

Study setting

The empirical context for this study is the Austrian machinery and equipment manufacturing sector. This sector was chosen because of its technological innovativeness, small- and medium-sized company structure characteristics (Statistik Austria, 2015a; 2015b) and a global export rate of 85% (Lang, 2015). Additionally, the sector is of enormous importance for the European Union concerning employment and monetary value (Eurostat, 2018). Moreover, the entire sector is facing increased global competition from emerging markets specifically Asian countries (Staffa and Daniels, 2018; Commerzbank, 2014). The channel relationships within this sector tend to be further categorized by tough, locally rooted distributors selling multiple product lines and brands with a high level of autonomy and hence, limited supplier power (Gilliland, Bello and Gundlach, 2010).

Fieldwork, pre-test, data collection and sample characteristics

A national sample of machinery and equipment manufacturers was drawn from the Austrian public statistical publications (Statistik Austria, 2015a; 2015b) identifying a population of 1325 Austrian companies belonging to the sector class (NACE 28) of the statistical classification of economic activities in the European Community (European Commission, 2008). Following the procedure of Brennan, Turnbull and Wilson (2003), a random sample of 485 firms was generated from a computer database of a commercial list broker and from lists from the Austrian Chamber of Commerce. As the export of machines can also be realized without distributors (e.g. through wholly owned subsidiaries) the expertise of a public machinery manufacturing cluster organization was requested with the aim of cleaning of the sampling list. Further, three specialist trade fairs were visited to identify possible firms and key informants, too. From the resulting list, 210 company representatives at board or head of sales management level were contacted via telephone or personally in order to introduce the study and identify the focal distributor and adequate key informants following the approach of Bello and Gilliland (1997). Similar to the study of Bello and Gilliland (1997) 25% of these firms did not export via distributors. A further 20 companies refused to participate leading to 129 participating firms that represent approximately 13% of the Austrian machinery and equipment manufacturers exporting via distributors. After cleaning the sample by removing a few unengaged respondents and those who only have a relationship with the management team and no access to the distributor's salesforce, a sample of 120 data sets resulted for further processing. Following Anderson and Narus (1990), the channel relationship to be investigated was identified together with the respondents. The partner with the fourth-largest turnover was selected as the focal distributor to reduce "positive evaluation bias" (Bello and Gilliland, 1997). This was necessary "to avoid potential restriction in range problems and to facilitate obtaining variation in the relationships studied" (Anderson and Narus 1990, p. 46). This viewpoint has been confirmed by our field research too as export managers inclined to describe their first and second biggest partners as "best" and their fourth ranked distributor as rather "typical". Due to the variety of machinery and equipment manufacturers (i.e. small, mid-sized and large enterprises) the key informant of the manufacturers responsible for the identified distributor-relationship were salesperson, project managers, area sales or export managers, international channel managers, sales and marketing directors and general managers. In line with the survey administration guidelines of Diamantopoulos and Schlegelmilch (1996) a short, personalized email was sent to the participants, briefly explaining the research study and guaranteeing absolute confidentiality and a copy of the report at the end. A small-scale pretest (n=5) was used to examine the practicability and interpretability of the items, which led to the fine-tuning and quality improvement of the standardized questionnaire concerning length, understandability and adequacy for the channel relationships. In the questionnaire design further measures were set to evaluate the key informant competences and to reduce common method bias (Podsakoff et al., 2003). Therefore, the questionnaire included post-hoc competence questions, revised answer formats, various scale lengths and explicit notes that there are no "right" or "wrong" answers (Söhnchen, 2009, pp.143). The survey methodology was predominantly personal interviews (84%) combined with telephone interviews (16%) to guarantee a high response rate (Diekmann, 2009, pp. 437) conducted by 7 interviewers to reduce interviewer bias. Non-response bias was evaluated by comparing early to late responses (Armstrong and Overton, 1977). The t-tests indicated no difference between the two waves of respondents. Hence, non-response bias is not seen to be a serious concern. Because of the data collection process utilized, common method variance may be an issue (Klarner et al., 2013) and hence, Harman's single-factor-test was calculated. As the first factor, extracted with the principal axis factoring without rotation counted for only 26% of the overall variance, no general apparent factor could be identified. Thus, it is unlikely that common method variance influences the results and seems to be of no critical concern for this study (Podsakoff and Organ, 1986).

Measures

For all latent constructs existing scales from the literature were used and, if necessary, adapted to the two specific foci within the distributorship (i.e. on the management team and salesforce). The measurement items, factor loadings and psychometric properties are presented in Appendix. Unless otherwise noted, all items are reflective and measured on seven-point Likert-type scales, ranging from "strongly disagree" to "strongly agree." The exogenous constructs for two relational governance mechanisms were taken from Luo et al. (2011) as they include both aspects of normative control and interpersonal socialization in their multi-item construct. The item "information exchange" from Heide and John (1992) was additionally included in the normative control construct as this aspect supplements the operationalized norms of flexibility, solidarity and participation of Luo et al. (2011). However, the relational governance mechanism is not operationalized as one composite construct but measured with the two constructs in isolation following Zhou et al. (2015). The more regulative governance mechanisms of outcome and behavior-based control were adapted from salesforce control (SFC) research and came from Panagopoulos, Johnson and Mothersbaugh (2015). Thereby, the governance constructs could be adjusted to the individual level of interest, i.e. for the management team of the distributor. This measurement adaptation was also plausible because both, the (interpersonal) SFC constructs and the (inter-organizational) channel management constructs (Bello and Gilliland, 1997; Grewal et al., 2013) rely on the operationalization from management control research, specifically on the work of Jaworski and MacInnis (1989). Various authors (Joshi, 2009; Grewal et al., 2013) set outcome and behavior-based control constructs in isolation investigating their individual effects on endogenous constructs. However, Panagopoulos and Avlonitis (2008) showed strong statistical evidence for a second-order factor structure, which is also in accordance with the conceptual definitions of Anderson and Oliver (1987). Hence, we conceptualized outcome and behavior-based control mechanisms into a second-order construct.

The endogenous construct of social satisfaction came from Geyskens and Steenkamp (2000) and the performance construct from Kumar, Stern and Achrol (1992), which are widely used in channel-management research.

Method

The methodological choice of a partial least squares structural equation modeling (PLS-SEM) reflects the aim of this study and the restrictions of data collection. Our goal is to contribute to channel governance research by taking a new perspective through the switch from an inter-organizational approach to an attempt to explain governance mechanisms applied to individuals within the distributor organization. Because of this exploratory nature, we selected the PLS-SEM technique that is a particularly useful multivariate analysis method and increasingly utilized in international marketing research (Henseler, Ringle and Sinkovics, 2009). The strengths of this variance-based SEM approach are its low sensitivity to small sample sizes and to distribution-free data characteristics (Reinartz, Haenlein and Henseler, 2009) and its appropriateness for complex model set-ups (Hair, Ringle and Sarstedt, 2011) as is the case in this study.

Analyses and results

Model estimation and results evaluation

By the use of the statistical software SmartPLS (Ringle, Wende and Becker, 2015) the path model computation and parameter estimation were accomplished (Henseler, Ringle and Sinkovics, 2009). In assessing and documenting the results, the guidelines for PLS-SEM given by Chin (2010), Hair et al. (2017a) and Hair et al. (2017b) were applied. Following these guiding principles, the measurement model was evaluated before assessing the structural model. According to Sarstedt et al. (2019) the repeated indicator approach with factor weighting scheme applying Mode B was used for parameter estimation as the model consists of reflective measured lower-order constructs (outcome-based and behavior-based control) pointing formatively at the higher-order construct (outcome/behavior-based control). The repeated indicator method estimates all constructs simultaneously and, therefore, takes the entire nomological network into account and avoids interpretational confounding (Becker, Klein and Wetzel, 2012). To assess the structural model, the non-parametric bootstrapping method with 5,000 resamples was executed. Finally, indirect effects were assessed in order to identify expected and unexpected mediation influences (Hair, Ringle and Sarstedt, 2013). Figure 2 illustrates the path model conceptualized in SmartPLS 3.2.8 for assessing all hypothesized relationships.

Measurement model

The assessment of the measurement model follows the standard evaluation criteria (Hair et al., 2017a) and supports reliability and convergent validity through the measures of outer loadings, composite reliability (CR) and average variance extracted (AVE). Items below the required cut-off values were deleted (see Appendix). Discriminant validity was evaluated through indicator cross-loadings and the Fornell-Larcker criterion (Fornell and Larcker, 1981). Each indicator's outer loadings surpassed its cross-loadings with other constructs and the square roots of the AVE of every variable was higher than its correlation with any other variable of the model (Table 1). Hence, the measurement model shows satisfactory discriminant validity, too. The formative lower order constructs were further evaluated regarding significance, relevance and collinearity. The weights of the constructs, represented by their path coefficients to the higher order construct (Hair et al., 2017b, p. 51), the t-values (calculated through the bootstrapping procedure) and the variance inflation factor (Hair et al., 2017a, pp. 141) indicate satisfactory relevance, significance and no critical levels of collinearity (i.e. Outcome-based Control: weight = 0.566; t-value 21.229; VIF = 1.850; Behavior-based Control: weight = 0.524; t-value 20.217; VIF = 1.850).

Structural model

A bootstrapping method with 5,000 resamples was used to assess path coefficients' significance. Table 2 shows the corresponding values. Governing the distributor's management team with normative control mechanisms did not have a significant influence on performance (H1a, β = -0.008, n.s.) but was positive and significantly related to social satisfaction (H1b, β = 0.227, $p<0.10$). The interpersonal socialization with the management team showed a positive and significant effect on performance (H2a, β = 0.294, $p<0,05$) but not on social satisfaction (H2b, β = -0.025, n.s.). The hypothesis for outcome and behavior-based control of the management team and performance was supported too (H3a, β = 0.197, $p<0,05$). However, there is no evidence for a significant negative influence on social satisfaction (H3b, β = -0.086, n.s.).

Regarding the mediation of the relational governance mechanisms applied to the distributor's salesforce through the distributor's management team two hypotheses were supported. Normative control of the salesforce was indirectly related to social satisfaction being mediated by normative control of the management team (H4b, β = 0.091, $p<0.10$). Interpersonal socialization with the salesforce has an indirect positive effect on performance being mediated by

Figure 1. Hypothesized relationships

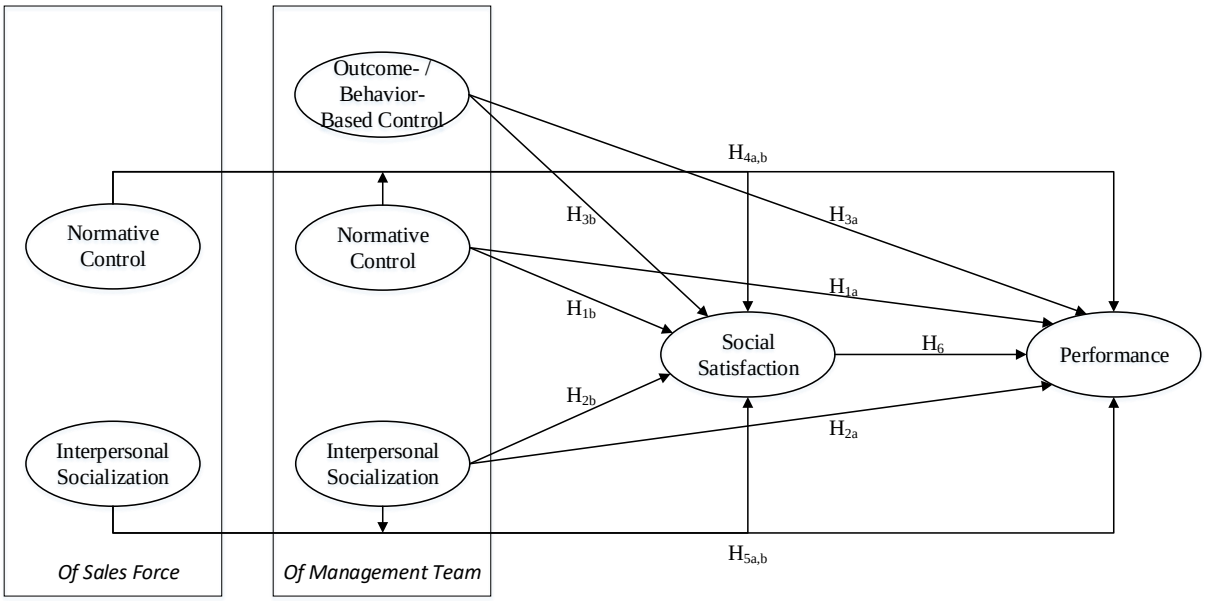


Figure 2. Path model conceptualization with repeated-indicator approach in SmartPLS

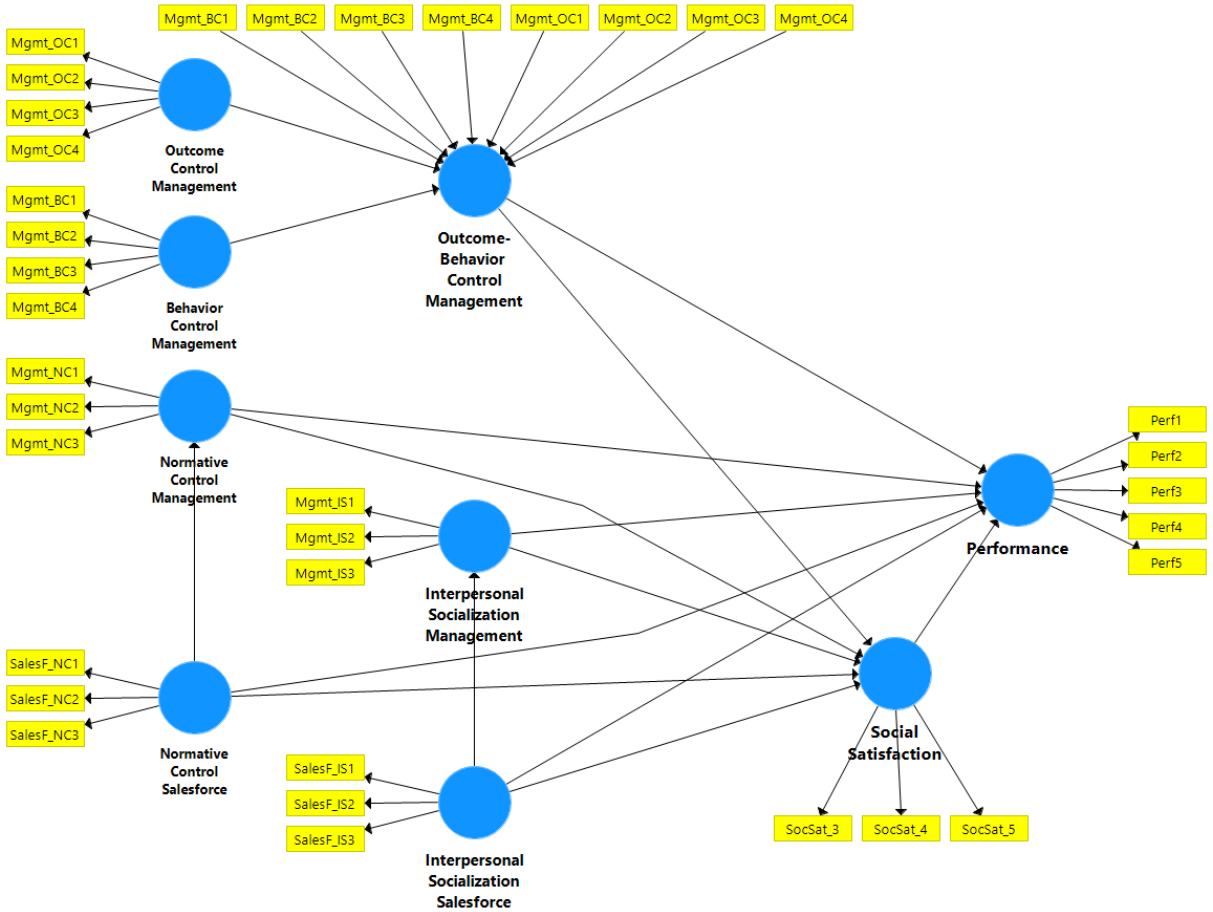


Table 1. Correlation matrix

No.	Construct	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.
1.	Outcome Control_Mgmt	4.29	2.06	0.849							
2.	Behavior Control_Mgmt	4.44	1.76	0.678	0.756						
3.	Normative Control_Mgmt	6.20	1.07	0.048	0.206	0.765					
4.	Interperson. Socialization Mgmt	5.31	1.66	0.399	0.304	0.31	0.827				
5.	Normative Control_SF	5.24	1.85	-0.063	0.04	0.4	0.081	0.876			
6.	Interperson. Socialization SF	4.34	1.87	0.282	0.197	0.214	0.606	0.568	0.887		
7.	Social Satisfaction	6.21	1.11	-0.167	-0.071	0.186	-0.136	0.028	-0.197	0.715	
8.	Performance	4.71	1.06	0.215	0.187	0.159	0.247	-0.006	0.056	0.288	0.832

Notes: SD = Standard Deviation. Mgmt = Management Team. SF = Salesforce. The diagonal values represent the square roots of the AVE. Correlations between constructs are significant ($p < 0.05$).

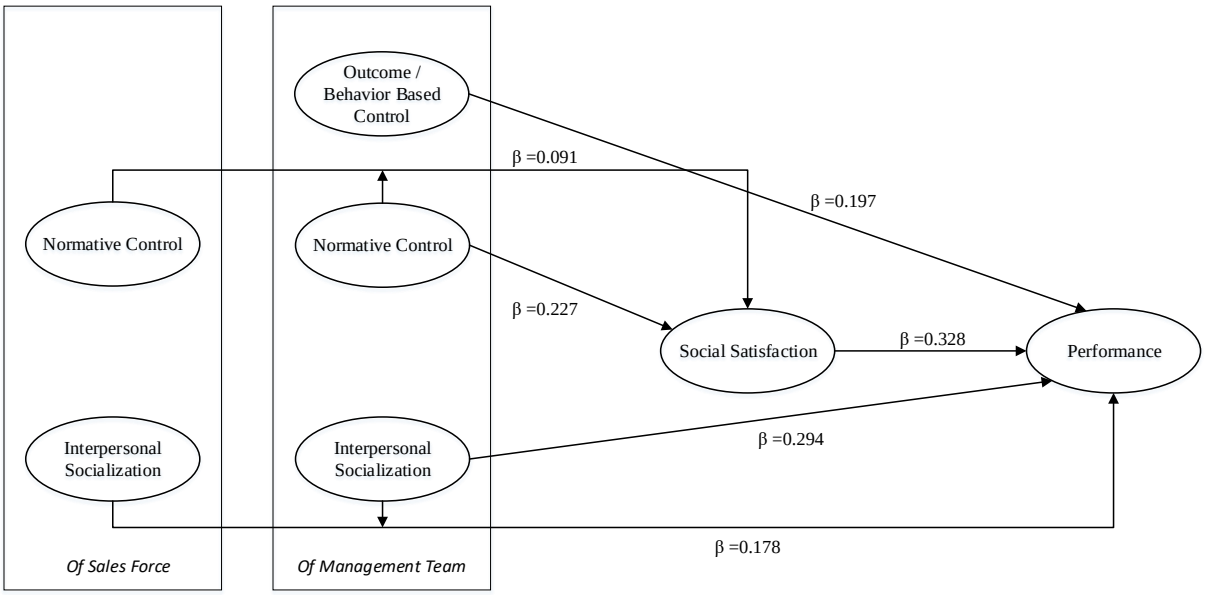
Table 2. Structural model results

Hypothesis	Path	β	t-value
	Direct control of the distributor's Management Team		
H1a	Normative Control → Performance	-0.008	0.069
H1b	Normative Control → Social Satisfaction	0.227	1.926[a]
H2a	Interpersonal Socialization → Performance	0.294	2.428[b]
H2b	Interpersonal Socialization → Social Satisfaction	-0.025	0.166
H3a	Outcome-/Behavior-based Control → Performance	0.197	2.045[b]
H3b	Outcome-/Behavior-based Control → Social Satisfaction	-0.086	0.716
H6	Social Satisfaction → Performance	0.328	2.825[c]
	Mediation effects		
	Direct and indirect control of the distributor's Salesforce		
	Normative Control of Salesforce → Performance	0.042	0.343
H4a	Normative Control of Salesforce → Normative Control of Management → Performance	-0.003	0.065
	Normative Control of Salesforce → Social Satisfaction	0.082	0.589
H4b	Normative Control of Salesforce → Normative Control of Management → Social Satisfaction	0.091	1.811[a]
	Interpersonal Socialization with Salesforce → Performance	-0.133	1.034
H5a	Interpersonal Socialization with Salesforce → Interpersonal Socialization with Management → Performance	0.178	2.358[b]
	Interpersonal Socialization with Salesforce → Social Satisfaction	-0.253	1.607
H5b	Interpersonal Socialization with Salesforce → Interpersonal Socialization with Management → Social Satisfaction	-0.015	0.164

Notes: The t-values are computed with bootstrapping resampling procedure in SmartPLS (120 cases, 5,000 runs); [a]$p < 0.10$; [b]$p < 0.05$; [c]$p < 0.01$.

interpersonal socialization with the management team (H5a, β = 0.178, p<0.05). Both indirect effects represent a full mediation, as the direct effects are not significant. This means that the mediating governance mechanisms applied to the management team fully absorb the effects of the same control mechanisms targeted at the salesforce and completely strengthen or hinder their influence on social satisfaction and on performance (Nitzl, Roldan and Cepeda, 2016). However, no evidence was found for the other two hypothesized mediating relationships (H4a, β = -0.003, n.s.; H5b, β = -0.015, n.s.). Finally, the proposed positive influence of social satisfaction on performance was confirmed (H6, β = 0.328, p<0.01). Figure 3 depicts the model with all significant paths.

Figure 3. Final model



In order to measure the in-sample predictive power of the structural model, R^2-values were calculated with an R^2 of 0.11 for social satisfaction and 0.20 for performance. For the interpretation of the R^2-values, Döring and Bortz (2016, p. 54) point out that these should be compared to previous similar content-related research. Due to the exploratory nature of this study comparable R^2-values are missing. Hence, the commonly used reference values of Cohen are used, indicating a minor predictive power level for the construct social satisfaction and a moderate level for performance (Döring and Bortz, 2016, p. 820). With these R^2-values, the given sample size and the number of paths pointing at the endogenous constructs, the statistical power was further calculated with a post-hoc statistical power test (Soper, 2017) showing sufficient power for the analyzed model, i.e. >80% with an 0.05 error probability level (Döring and Bortz, 2016, p. 811). Further, Stone-Geisser's Q^2 was calculated to evaluate the out-of-sample predictive relevance of the model (Geisser, 1974; Stone, 1974). Q^2–values were obtained by using the blindfolding procedure with an omission distance of 7. Both endogenous constructs show a value above 0 (with 0.03 for Social Satisfaction and 0.12 for Performance) that indicate sufficient predictive relevance for all endogenous constructs (Hair et al., 2017a, pp. 202).

Discussion

As globalization is leading to increased competition from emerging economies in the machinery and equipment manufacturing sector (Staffa and Daniels, 2018; Commerzbank, 2014), companies selling globally through independent distributors need to continuously optimize their coordinative and regulative governance mechanisms for channel members in order to reach marketing targets (Homburg et al., 2009). This study contributes to the governance research by focusing on the target groups within the distributor organization, specifically on the management team and the salesforce of the distributor. The results of the empirical study highlight that controlling the management team is the key for increased satisfaction with psychosocial aspects of the relationship and for improving performance. However, only the normative governance mechanism influences the social satisfaction if applied to the management team. Hence, being flexible in unexpected situations, mutually sharing information and having a problem-solving attitude to the distributor's management team improves the satisfaction with the relationship but has no impact on performance. On the other hand, an outcome and behavior-based control of the management team and socialization at this level can positively change the performance but not affect the degree of social satisfaction.

Concerning the governance of the distributor's salesforce the results show a different picture. Despite the significant role of the distributor's salesforce for the manufacturer's success (Badrinarayanan and Laverie, 2011), this study shows that governance mechanisms do not directly influence performance or social satisfaction if applied to this group. Control activities that can improve performance and social satisfaction need to be aligned with the mechanisms set for the management team. This confirms Hughes' and Ahearne's call (2010) for alignment of the manufacturer's and distributor's control mechanisms. The results of this study indicate that the effects of control mechanisms targeted at the salesforce are fully mediated by activities targeted at the management team. Similarly interpersonal socialization with the salesforce can only indirectly influence performance whereas normative control only indirectly impacts social satisfaction.

Finally, this study shows that higher satisfaction with psychosocial aspects of the relationship improves performance, too. In this regard, further implications for research and practitioners can be drawn.

Theoretical implications

This paper has developed a different channel governance approach through the perspective of who is influenced by internationally operating manufacturers. The investigation at different levels within the distributorship are notably under-represented in current channel management studies. The results of this study show that it makes a difference if the institution "distributor" is governed (i.e. inter-organizational governance) or distinct groups within the distributor are key subjects to be targeted. This study further extends existing governance measures through the operationalization of Salesforce Control research. Findings from intra-organizational Salesforce Control are also indicated in the inter-organizational discipline. Concerning this aspect, the lack of direct control competence of the manufacturers over the distributor's salesforce, hinders a direct influence on performance and social satisfaction. However, this lack of control can be overcome if the manufacturer simultaneously governs the distributor's management team with the same mechanism and hence, indirectly influences the salesforce. Additionally, the study separates relational control into normative control and interpersonal socialization and shows that the first has an impact on social satisfaction whereas the second positively influences performance.

Managerial implications

The findings of this study emphasize that channel managers need to be aware of the different governance mechanisms and their effects. If internationally operating companies want to improve the performance of the distributor they can use outcome and behavior-based control mechanisms for the management team and socialize with them. Additionally, this effect is strengthened if they socialize simultaneously with the distributor's salesforce. If they want to improve psychosocial aspects of the relationship, normative governance of the distributor's management team is the best. Again, a simultaneous application of this mechanism on the salesforce increases this effect. A sole focus on the salesforce does not lead to any improvement. Hence, the alignment of control mechanisms together with the management team of the distributor is strongly recommended. Finally, managers need to be aware that being unsatisfied with the relationship will deteriorate performance. Hence, they should consider the psychosocial aspects of the relationship too.

Limitations and further research

Regardless of its merits, this study has certain limitations that provide an avenue for further research. First, despite the notable participation of Austrian machinery and equipment manufacturers, the selection of one sector and the few participating companies limit the sample size and as well the generalizability of the findings. Further research with bigger samples could be beneficial for verifying the findings and detecting smaller effects. Second, all the data were collected from a single source, however, common methods analysis did not indicate single source or subjective measurement bias disturbances. Multiple responses on the same distributor relationship would offer better design characteristics and reduce potential respondent bias. Third, the endogenous construct performance is subjectively evaluated and operationalized. Plouffe, Bolander and Cote (2014) point out that the objective performance in sales cannot be simply exchanged through a subjectively perceived assessment. Despite this limitation, the study followed Li and Dant's (1997) postulation that the subjectively described evaluation of the channel performance has a significant influence on the success of the channel relationship itself. Therefore, a validation of the findings through the inclusion of objective performance measures could be an advisable next step.

Fourth, the study focused only on two levels within the distributorship, i.e. the management team and the salesforce. Investigations including additional departments of intermediaries such as service personnel may contribute to a better understanding of whom to influence and with which mechanisms especially in the field of business-to-business. Fifth, the findings of this study indicate no impact of governance mechanisms applied to the salesforce on the final performance. However, Hughes and Ahearne (2010) have shown that the identification of salespersons with the manufacturer's brand positively effects performance. Therefore, distinct governance approaches such as influencing strategies may contribute to a better understanding of the possibilities for manufacturers to win over the distributor's salesforce in order to improve the final performance.

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Appendix. Measurement items, factor loadings and psychometric properties

Construct	FL
Outcome-based Control – Management (CR = 0.912; AVE = 0.722)	
We provide specific sales and marketing objectives for the sales partner, which we communicate to management.	0.852
We monitor the extent to which the management of the sales partner fulfills the performance objectives.	0.852
If the performance targets are not fulfilled by the sales partner, the management is asked to explain the discrepancy.	0.825
We give the management of the sales partner feedback on the degree of fulfillment of the performance targets.	0.868
Extra payments / conditions to the sales partner are linked to the fulfillment of performance targets.	D
Behavior-based Control – Management (CR = 0.842; AVE = 0.572)	
We observe if and how the management of the sales partner implements marketing and sales activities for our products.	0.713
We evaluate / assess the marketing and sales activities of the management of the distribution partner for our products.	0.780
When desired sales and marketing results of the sales partner are not obtained, we try to influence the management of the sales partner to modify their procedure.	0.795
We give the management of the sales partner feedback about how they are to achieve sales and marketing goals.	0.734
Normative Control – Management (CR = 0.808; AVE = 0.586)	
The management of the sales partner and we are flexible enough to provide a common response to unexpected serious cases.	0.705
In this relationship, it is expected that both sides - that is the management of the sales partner and we provide any available information (e.g. also confidential information) to the other if this could be of help.	0.730
The management of the sales partner and we cooperate with each other to solve problems, regardless of which side caused the problem.	0.853
The management of the sales partner plays an active role in the decisions we make with regard to the sale and marketing of our products in the distributor's market.	D
Interpersonal Socialization – Management (CR = 0.866; AVE = 0.684)	
We and the management of the sales partner know one another well through frequent meetings.	0.776
We and the management of the sales partner invite each other to common social events and meals.	0.798
We and the management of the sales partner often visit each other's companies.	0.901
Normative Control – Sales Force (CR = 0.908; AVE = 0.767)	
Individual or multiple sales persons of the sales partner and we are flexible enough to provide a common response to unexpected serious cases.	0.853
In this relationship it is expected that both sides - that individual or multiple sales persons of the sales partner and we provide any available information (e.g. also confidential information) to the other if this could be of help.	0.879
Individual or multiple sales persons of the sales partner and we cooperate with each other to solve problems, regardless of which side caused the problem.	0.895
Individual or multiple sales persons of the sales partner play an active role in the decisions we make with regard to the sale and marketing of our products in the distributor's market.	D
Interpersonal Socialization – Sales Force (CR = 0.917; AVE = 0.786)	
We and individual or multiple sales persons of the sales partner know one another well through frequent meetings.	0.853
We and individual or multiple sales persons of the sales partner invite each other to common social events and meals.	0.911
We and individual or multiple sales persons of the sales partner often visit each other's companies.	0.895
Social Satisfaction (CR = 0.758; AVE = 0.512)	
The working relationship of my firm with this sales partner is characterized by feelings of hostility. (R)	D
This sales partner expresses criticism tactfully.	D
Interactions between my firm and this sales partner are characterized by mutual respect.	0.655
This sales partner leaves me in the dark about things I ought to know. (R)	0.753
This sales partner refuses to explain the reasons for its (sales/marketing) policies. (R)	0.735
Performance (CR = 0.918; AVE = 0.692)	
If I had to give the sales partner a performance appraisal for the past year, it would be (poor – outstanding; 5 point Likert)	0.834
Taking all the different factors into account, the sales partner's performance has been (bad-couldn't be worse – excellent-couldn't be better)	0.834
Overall, how would you characterize the results of the relationship with the sales partner (has fallen short of expectations – has greatly exceeded our expectations)	0.778
The business with this sales partner has been a highly successful one.	0.919
The sales partner leaves a lot to be desired from an overall performance standpoint. (R)	0.787

Notes: FL = factor loading; CR = composite reliability; AVE = average variance extracted; D = deleted
Measurement: 7 point Likert-type scale from strongly disagree (1) to strongly agree (7)