An Exploration of Antecedents and Consequences of Supplier Connectedness in the Canadian Agribusiness Industry

By

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Abstract

Several theories argue that suppliers establish relationships with manufacturers leading to long term beneficial results for both parties. Market orientation theorists, on the other hand, assume that a market driven culture drives this long term orientation by acquiring mutual trust-norms-commitment in the relationship. However in this thesis, I introduce a new element to the relationship known as 'Connectedness'. I argue that Connectedness is a construct that goes far beyond trust-relationship norms and commitment. Through the help of Transaction Cost Theory and Relationship Marketing Paradigm a concept known as Supplier Connectedness is defined in this thesis. With the help of these two theories, I then try to identify the antecedents (precursors) and consequences that relate to Supplier Connectedness.

For this thesis a model was presented with four hypotheses. The empirical testing was conducted by sending out a questionnaire to a sample of manufacturers in the Canadian Agribusiness Industry. The questionnaire (administered by mail) contained a variety of standardized marketing scales that were developed in prior marketing studies. The hypotheses were tested using Structural Equation Modeling (SEM) estimates.

The results were quite compelling that the study accepted the four hypotheses. The model was fully mediated through each other and did not have any indirect effects. These results meant that Supplier Connectedness was an outcome of trust, relational norms and commitment in the relationship. The study also found out that Supplier Connectedness was positively related to the supplier's perception of the manufacturer's market orientation that in turn affects the performance levels and the profitability of the manufacturer. The thesis outlined some limitations and some managerial recommendations about the construct of Supplier Connectedness and its effects towards the organization. The thesis concludes by identifying some areas for possible future research in this area.

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Chapter 1: Introduction and Problem Statement

1. 0 Introduction

Several models focus on the nature of working relationships between firms in business markets (e.g., Morgan and Hunt, 1994; Anderson and Narus, 1990; Anderson and Weitz, 1989; Dwyer, Schurr, & Oh, 1987). In a number of studies, the *dyad*—the unique relationship between two firms—is the key unit of analysis. Though Relationship Marketing (RM) scholars focus on relationships between manufacturers and their suppliers, and seek to explain why relationships develop and what is necessary to maintain them, the Market Orientation (MO) literature largely ignores the 'connection' factor that is important in building and maintaining relationships.

In this thesis, I propose a 'connecting' element that links relationship building processes to a firm's perceived market orientation of its partner. I refer to this concept as 'Supplier Connectedness'. This thesis develops the Supplier Connectedness construct by identifying its antecedents and structural components borrowed from Transactions Cost theory, Relationship Marketing and the Market Orientation literature. In particular, I explore the linkage between Supplier Connectedness and the manufacturer's Market Orientation that the supplier believes it possesses.

After describing the theoretical basis of Supplier Connectedness, I outline my research methodology for testing several hypotheses regarding relationships, Supplier Connectedness, and perceived MO. The focus of analysis is the supplier-manufacturer dyad for companies categorized in the Canadian Agribusiness sector. Following the presentation and discussion of the study findings, I summarize the results of my tests and draw attention to the implications of my work for future research and management practice.

1.1 Objectives of this Study

The main objective of this thesis is to establish precursors/antecedents and consequences that relate to Supplier Connectedness through a relationship model that involves a supplier and a manufacturer. The second objective of this thesis will be to explore the linkage between Supplier Connectedness and the manufacturer's Market Orientation. Due to complexities associated with the empirical analysis the manufacturer's market orientation will be measured through how the supplier perceives that construct. Hence this will be termed as the suppliers' perception of the manufacturer's Market Orientation or known as perceived Market Orientation.

1.2 Introduction to Supplier Connectedness

In order to better understand the term Supplier Connectedness, I propose that this term be separated in to two words: Supplier and Connectedness. Connectedness is the degree of closeness (affinity) that one has towards another. Webster's dictionary defines affinity as "a sympathy marked by a community of interest". Cook and Emerson (1978, p.725) defined connection in a relationship as an "exchange in one relation that is contingent upon exchange (or non-exchange) in other relation." This definition forms the fundamental basis for the proposed research. In this study, I will defend that before a connectedness 'element' in formed in a relationship this element is contingent upon certain precursors that occur in the relationship. In this paper I will also explore the potential outcome that relates to this connectedness element.

First it is argued that there should be commitment from either party involved in the relationship where again it is argued that commitment itself will be a serious culmination of events such as mutual trust and relational norms of either parties involved the relationship. i.e., once partners involved in a relationship start to perceive that the other party will not behave opportunistically then mutual trust will start to build. Once mutual trust is established parties will engage in working out relational norms associated with the relationship. Once working norms are established parties will work towards the commitment factor in the relationship.

This being said according to the model, Supplier Connectedness will be the "tightness/connectedness" that the supplier has with the manufacturer after a culmination of certain events. In the next few chapters the concept of Supplier Connectedness will be looked into in detail. A construct will be drawn with the help of various theories such as Transaction Cost Theory and the Relationship Marketing paradigm. Later in this paper, model pertaining to Supplier Connectedness will be empirically tested using data from the Canadian Agribusiness Industry.

1.3 Relationship to Prior Research

The nature of connections in relationships and its effects hasn't received much attention in the literature. However, a connection factor has been introduced by Anderson et. al., (1994) where they have tried to define the connection concept through business networks. "A business network can be defined as a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors (Emerson 1981)."

Though research has not been specifically done on the construct of Supplier Connectedness there has been many research done in the area of transaction cost theory that relates to the concept of doing exchange related transactions. Transaction Cost Theory will be fundamental in building the model in this paper. Many studies have also been conducted in the area of the Relationship Marketing Paradigm that build on conceptual blocks such as trust, relational norms and commitment. These constructs will be used in order to build the model that relates to Supplier Connectedness.

1.4 Motivation and Contribution of the Research

Suppliers represent an integral component of the value chain of a business and the nature of their relationships play a pivotal role in determining the success of other players involved in the relationship. Literature conducted so far has focused on many supplier related relationships with; Manufacturer's, wholesaler's, retailer's etc. However, since there has been no significant research done in the area of Supplier Connectedness in the literature, this will be the motivation of this thesis. In terms of the contribution of this research to the existing literature a connectedness linkage will be added to an already existing relationship model. The model used here will be a variation of the one that Sigauw et al., (1998) presented.

1.5 Importance of the Research

Once the precursors/antecedents that relate to Supplier Connectedness have been identified it is then possible to focus on these constructs and find ways to isolate and improve them in the relationship. Secondly, if a link between Supplier Connectedness and manufacturer's Market Orientation can be identified this will in turn lead to open more avenues for potential research in the future.

1.6 Organization of the Thesis

The rest of the thesis will be organized as follows. Chapter two will be an exhaustive literature review about the components that will relate to the model that will be presented in the next chapter. In chapter three, the model will be presented along with the hypotheses that are being tested. Chapter four will be a discussion about the methodology that will be used to test the hypotheses. In chapter five the results of the study will be presented. Chapter six will then outline the conclusion of the findings. The thesis will then conclude with chapter seven that will have some recommendations, limitations and some potential areas for future research in this area.

Chapter 2: Literature Review

2.0 Background for Supplier Connectedness

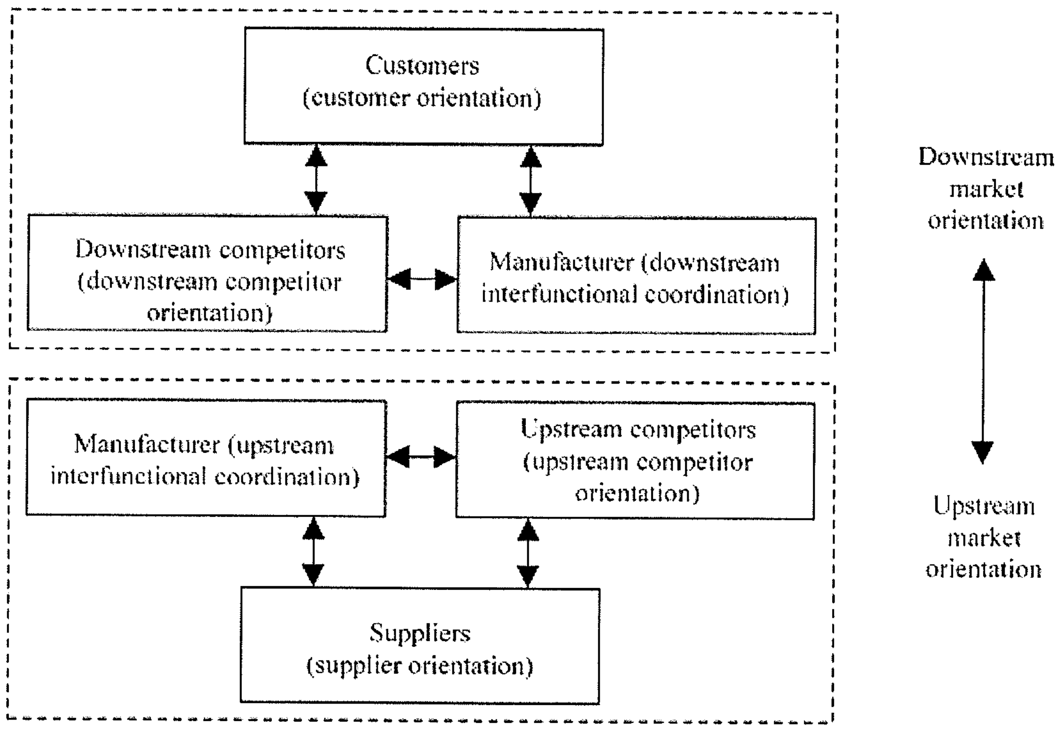
Market Orientation is a business culture that predominantly establishes the doctrine of organizational behavior with respect to the firm's stakeholders (i.e., customers, suppliers and internal functions). Morgan and Hunt (1995) have established that a market oriented firm has the capability to enjoy a position of sustainable competitive advantage and a superior long-run business performance in the business world. Aligning with this reasoning researches have pursued that there is a link between market orientation and business performance, which has been suggested as a direct link (e.g., Narver & Slater 1990; Ruekert 1992), where some have suggested this as a moderated relationship (Hart and Diamantopolous 1993; Slater& Narver 1994; Greenley 1995)

Most of the studies done in the area of market orientation have taken into consideration the manufacturer's market orientation where many have argued that there is "much more" to the relationship between the manufacturer's market orientation and business performance. Research done by Langerak (2001) has suggested that the evaluation of how market oriented a manufacturer is should come from external stakeholders such as from its customers and suppliers, rather than merely from the manufacturer itself. This suggests that suppliers are an integral component in determining the extent of how much a manufacturer is market oriented.

Vos & Vos (2000) has argued that the manufacturer's market orientation is dependent on a number of business forces acting on it. They are (1) upstream suppliers of product and inputs, including intellectual capital and innovation (2) upstream competitors with that the manufacturer competes in resource markets (3) downstream customers; and (4) downstream competitors with which the manufacturer competes in customers markets. Thus a channel relationship is introduced as illustrated in Figure 1 below.

Figure 1

A Channel Conceptualization of Market Orientation



Note. From "Effects of Market Orientation on the Behaviours of Salespersons and Purchasers, Channel Relationships, and Performance of Manufacturers," by F. Langerak, 2001, International Journal of Research in Marketing, 18, P. 223.

In the channel introduced above the manufacturer is on a continuous creation of superior value for customers by encouraging downstream market oriented behaviors and upstream market-oriented behaviors. Downstream market-oriented behaviors refer to the intelligence generation and dissemination activities that are important to understand what customers in the supply chain value. With this conceptualization it makes it easy to comprehend the strategies used by downstream competitors in serving target customers.

Upstream market oriented behaviors refer to the intelligence generation and dissemination activities that are necessary to understand how the know-how and skills of suppliers can be used to create superior customer value which is termed as supplier orientation. This has led to the understanding of the capabilities and strategies used by upstream competitors to exploit the know-how and skills of suppliers in serving their target customers. This is known as an upstream competitor orientation.

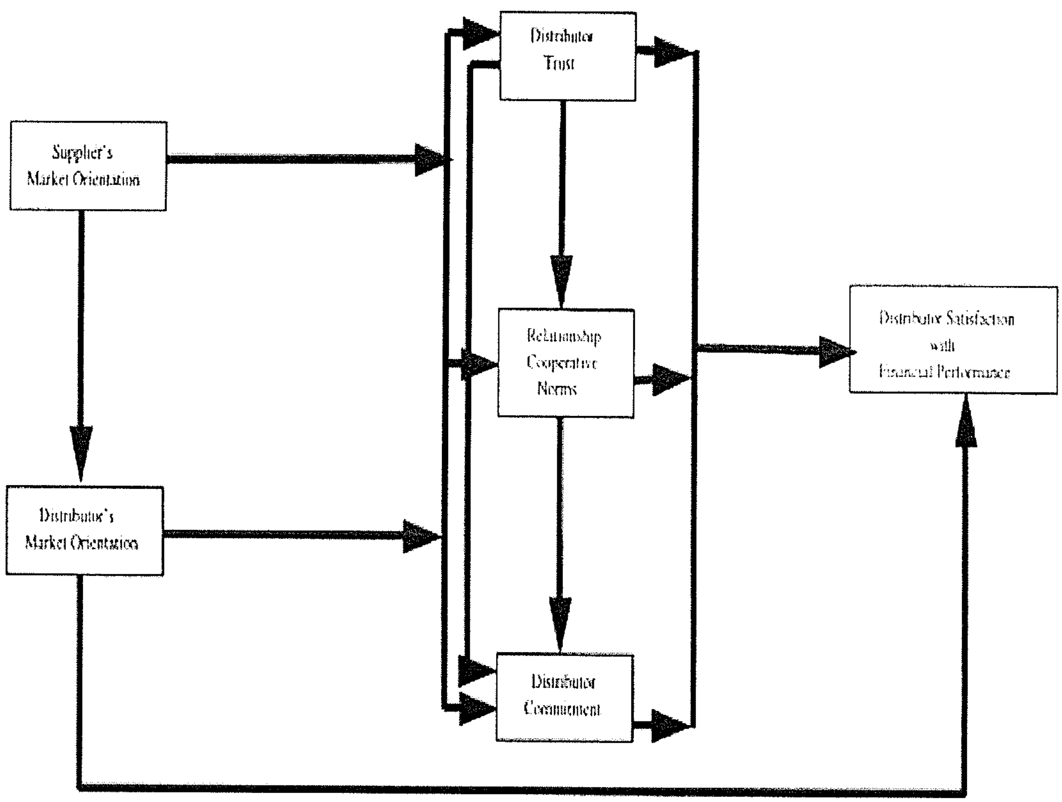
The importance of creating relationships has been made explicit by Kalwani and Narayandas (1995), who report that manufacturer's in relationships with selected suppliers and customers are able to retain, or even improve their profitability levels more than manufacturers who employ a transactional approach. Langarek (2001) says that "Lusch and Brown (1996) found out that it is the customer's and supplier's attitude and perspective toward the relationship that leads to these positive outcomes."

2.1 Transaction Cost Theory, Relationship Marketing and Supplier Connectedness

In the past many indicators have emerged to measure these attitudinal variables towards these relationships. However it was Sigauw et al., (1998) found out that these necessary measures for these relationships to be successful are about mutual trust, cooperative norms and commitment occurring in the relationship. Their model is depicted below in Figure 2. In my analysis I will hypothesize that there is a element that goes beyond these three relational roles and that will be introduced a significant connection among the parties involved in the relationship.

Figure 2

A Manufacturer Distributor Relationship Model



Note. From "Effects of Supplier Market Orientation on Distributor Market Orientation and the Channel Relationship: The Distributor Perspective," by J.A. Siguaw, P.M. Simpson, and T. L. Baker, 1998, Journal of Marketing, 62, P.101.

Connectedness is the degree of closeness/affinity that one has towards another. This Connectedness 'factor' symbolizes an important aspect of a mutual relationship that goes far beyond than trust, cooperative norms and commitment in a relationship. Supplier

Connectedness in the manufacturer, here after referred as Supplier Connectedness is the degree that the supplier is closely 'bonded' with the manufacturer. Not only is the manufacturer concerned with its own market orientation, it is also concerned about its customers as well as its supplier's market orientation. In this paper I will suggest that the 'bonding' aspect of the supplier and the manufacturer plays a pivotal role in determining the manufacturers' market orientation.

2.2 Theories underlying Supplier Connectedness

This being the notion of Supplier Connectedness will be explained through various theories such as trust and through the Relationship Marketing Paradigm. In order to comprehend the model more clearly, I will present the model of Supplier Connectedness in three linkages. The model will be divided into the: trust linkage, relationship marketing linkage and the connectedness linkage. The trust linkage will be explained through the transaction cost theory, the relationship marketing linkage will be explained through the relationship marketing paradigm and the Supplier Connectedness linkage will be built subsequently.

The Transaction Cost Theory will be used to enhance the understanding of the trust concept in the relationship. The relationship marketing paradigm incorporates theories related to relationship building factors such as trust, relational norms and commitment in a relationship.

2.3 Transaction Cost Theory and Trust

In a relationship partners are involved in dealing with transactions. The nature as to how these transactions occur and how partners perceive each others actions are fundamental of how the concept of trust will be built between the two in the future. This occurrence will be explored in detail through the transaction cost theory. Williamson's (1985) transaction cost theory is central towards the understanding of these complex transactions that occur within an organization. What is meant by transaction costs? When a particular party is engaged in a transaction with another, there are some costs that are incurred by both parties to enforce its terms such as adapting for unforeseen contingencies in the agreement for the future etc. As a result of these costs a comprehensive contract involving a long-term relationship is not possible. At most incomplete contracts can be achieved. This results in having opportunistic behavior in the relationship.

Taking into consideration the model for Supplier Connectedness the 'bond' between the supplier and the manufacturer could weaken if there are opportunistic behaviors among either partners involved in the relationship. This being the case the degree of opportunistic behavior occurring in a relationship can be minimized if there is a mutual trust between the two parties. According to the Transaction Cost Theory, opportunism in a relationship can occur for two reasons. One is that the dyadic partners have the ability to behave opportunistically and the second is because they have the opportunity to engage in this behavior (Williamson 1985).

Opportunistic behavior that occurs within a relationship can be minimized by certain actions followed mutually. They are through; Improving communication methods between the partners in the relationship, deploying significant fixed assets into the relationship thus creating exit barriers to the relationship. The literature states the information gap of partners can be overcome by selecting each other on their ability to assimilate each other's knowledge and this is known as absorptive capacity.

According to Williamson (1985) opportunistic behavior in a relationship is a function of the uncertainty in the environment. Uncertainty of the environment refers to the changes that occur in the external environment that the partners operate. I.e. changes in the price of raw materials that are needed for production. This will require adaptation by the partners involved in the relationship if the relationship is to remain mutually beneficial. Drawing parallels between transaction cost economics and trust, in this section I infer that mutual trust between the two parties (specifically in this case I will be referring to the supplier and the manufacturer) is dependent on access (communication), absorptive capacity, asset specificity, and environmental uncertainty.

2.3.1 Manufacturers' Access and Trust

As mentioned by the transaction cost theory, if opportunism between parties arise in a relationship then market failure is bound to occur (Williamson 1975). To prevent market failure from occurring, Nahapiet and Ghoshal (1998) say that "organizations have some particular capabilities for creating and sharing knowledge that give them their distinctive advantage over other institutional arrangements". According to them these capabilities are derived from a range of factors that include the special facility of organizations to create and transfer knowledge between them.

Kogut and Zander (1992) have classified organizational knowledge into two distinctive categories, which are the information category and the know-how category. For the purposes of this thesis, information category has been defined as "knowledge which can be transmitted without loss of integrity once the syntactical rules required for deciphering it are known. Information includes facts, axiomatic propositions and symbols. " von Hippel (1988) defines know-how as "the accumulated practical skill or expertise that allows one to do something smoothly and efficiently".

If information is not 'appropriately' transferred between partners in a relationship they will suffer consequences of information asymmetry. Since information asymmetry and the information process are inter-linked, firms should work in a coordinated manner. This is why Grant (1996) says that firms should integrate the specialist knowledge of their members. In order to integrate knowledge from each other unrestricted communication/access between each other must take place. Once complete information begins to flow from one partner to another then the information gap is reduced and this raises the possibility of increasing mutual trust between each other. 'Manufacturer access' which is described here is synonymous with communication between each other. Communication is defined by Anderson and Narus (1990) as "formal as well as informal sharing of meaningful and timely information between firms (Anderson and Narus 1984)."

A trusting mind set between the supplier and the manufacturer can be built if both parties openly/freely communicate between each other. Anderson and Narus (1990) says "meaningful communication between firms in a working partnership is a necessary antecedent of trust (cf. Anderson and Narus, 1986)." Specifically for the relationship between the supplier and the manufacturer, manufacturer access is necessary to build supplier trust.

2.3.2. Manufacturer's Absorptive Capacity and Trust

The degree that one is willing to integrate ideas from each other depends on the degree that he/she is willing to learn from each other. Kogut and Zander (1992) say "new leaning, such as innovations, are products of a firm's combinative capabilities to generate new applications from existing knowledge." Combinative capabilities have been defined as "the intersection of the capability of the firm to exploit its knowledge and the explored potential of the technology, or what Scherer (1965) originally called the degree of technological opportunity."

Cohen and Levinthal (1990) define absorptive capacity as a "Firms ability to identify, assimilate, and exploit knowledge from the environment." Cohen and Levinthal (1990) suggested that a firm's Research and Development (R&D) will enhance the firm's ability to assimilate and exploit existing information that deviates from the conventional thinking of R&D. (Conventionally, economists have been thinking of R&D as the 'generation of new products'). Thus they argued that R&D has a secondary role in an organization which is the ability to learn from each other.

The concept of mutual learning was illustrated by Lane and Lubatkin (1998) by using a student-teacher relationship (which could be used as a relationship analogous to the supplier and manufacturer). They said that the student's absorptive capacity is dependent upon: "(a) the specific type of new knowledge offered by the teacher (b) the similarity between the students' and the teachers' compensation practices and organizational structures: and (3) the students familiarity with the teachers set of organizational problems". They also iterated that there are three methods for learning new external knowledge; Passive, active and the interactive methods. Each method differs significantly.

Taking the supplier-manufacturer relationship, if there is high willingness to learn from each other then it could be inferred that there is certain aspect of trust built in the relationship. Thus manufacturers' absorptive capacity is necessary then it could be said that the dyadic partners trust each other in their relationship. Hence manufacturers' absorptive capacity is necessary to build supplier trust.

2.3.3. Manufacturer's Asset Specificity and Trust

If mutual trust must be built in a relationship then the degree of opportunistic behavior occurring in the relationship should be minimized. This is possible if there is mutual dependence in the relationship. Mutual trust can be achieved if both parties invest in Transaction Specific Investments (TSI's).

Ganesan (1994) says "Transaction-specific assets (TSI's) are investments in durable assets that are highly specialized to the exchange relationship and not easily redeployable and have little salvage value in other relationships (Williamson 1981)." According to Williamson (1981) asset specificity can arise in three ways; First, site specificity, occurs when stations are located in relationships so each other in the relationship can economize on inventory and transportation expenses. Second, physical asset specificity has been defined "as where specialized dies are required to produce a component." Third, human asset specificity arises through a very specialized way of learning by doing.

Heide and John (1992) say that transaction specific assets dedicated to a particular relationship involve a considerable amount of sunk costs and they are non- recoverable in the event the relationship is terminated. Thus the main purpose of TSI's is to create dependence by "locking in" partners that are involved in the relationship. Klein, Crawford and Alchian (1978) argue that transaction specific investments create a significant "hold-up" potential that can be opportunistically exploited by partners involved in a relationship, unless appropriate safeguards are implemented. As Levy (1985) proposes one such method is by vertically integrating the firm's activities.

In summary, transaction specific assets inhibit opportunistic behavior in a relationship because it has created mutual exist barriers between its partners. If barriers to exist are present in a relationship, then in the long-run, trust building measures will occur to keep the relationship sustainable. Therefore manufacturers' asset specificity will be another necessity to foster supplier trust.

2.3.4. Upstream Uncertainty and Trust

As mentioned by Williamson (1975), exploitation with the intension of "self-interest seeking with guile" may occur because of opportunistic behavior in a relationship. Opportunistic behavior and "self-interest seeking with guile" actions are magnified if there is a high degree of uncertainty present in the external environment in which the relationship operates.

If there is uncertainty in the environment some partners will try to 'modify' their relationship at the expense of the other. According to Transaction Cost Theory, this could cause market failure which in-turn could cause irreparable damage (in terms of trust) to the relationship. However, if one could minimize the effects of environment uncertainty then opportunistic actions could be minimized. This could cause mutual trust to strengthen.

Ganesan (1994) examines two dimensions of environmental uncertainty: Environmental volatility and environmental diversity. Environmental volatility is defined as "the extent to which market and demand changes are rapid." Practically, this means if demand for a commodity is continuously fluctuating then it will be difficult to predict trends and future outcomes for that commodity. Ganesan (1994) defines environmental diversity as "the extent to which there is uncertainty in the environment (cf. Aldrich 1979)." This means if a firm is facing a wide variety of market segments (i.e. a retail market that includes many products, vendors, and competitors) then it will be difficult to obtain information from each segment in which the market operates and therefore well promote uncertainty.

Partners in a relationship must strive to find ways to reduce environment uncertainty. This can be done by developing long-term relationships that permit adaptive decision making. This will enhance mutual trust between partners in a relationship. In conclusion lower the environmental uncertainty, the higher the trust will be among partners in the relationship.

In conclusion for the trust section of the literature review it can be inferred that there are four precursors/antecedents that are necessary to foster supplier trust in the manufacturer. They are manufacturers: Access, absorptive capacity, asset specificity and upstream uncertainty. In order to explain the next component of the model it will explained by the relationship marketing paradigm.

2.4. Relationship Marketing: Trust, Cooperative Norms and Commitment

2.4.1 Trust: Trust is important in a relationship to perceive that partners will not exploit each other when uncertainties 'come up' in the relationship. Manifesting from the Transaction Cost Theory if there is "self seeking with guile" (which is another term towards opportunistic behavior) among each other then the relationship is bound to fail. This being the case mutual trust is a fundamental necessity for a relationship to prosper. Moorman, Zaltman, and Despande (1992) define trust as "a willingness to rely on an exchange in whom one has confidence". Trust has been conceptualized as a belief, sentiment or expectation about an exchange partner's trustworthiness that occurs as a result from the other's expertise, reliability or intentionality.

Ganesan (1994) sees trust as comprising of two components: credibility and benevolence. Credibility is based on the extent to which one partner in the relationship believes that the other partner has the required expertise to perform the job effectively and reliably. In the context of the supplier-manufacturer relationship, benevolence is defined as the extent to which the supplier believes that the manufacturer has intentions and motives beneficial to the supplier when new conditions arise, conditions for which a commitment isn't made.

In a working relationship, the implications of trust has been defined by Anderson and Narus (1990) as "the firm's belief that another company will perform actions that will result in a positive outcome for the firm, as well as not take unexpected actions that would result in negative outcomes towards the firm. The strength of this belief may lead the firm to make a *trusting response or action*, whereby the firm commits it-self to a possible loss, depending upon the subsequent actions of the company (Anderson and Narus 1986, p.326)".

The literature on trust highlights the importance of confidence, reliability and integrity of a relationship. Similarly, Ganesan (1994) implied that trustworthiness of a party has been associated with qualities such as consistent, competent and honesty leading to imply that trust is one of the main core ingredients to a long-term orientation. In this papers context it is fundamental that the supplier secures a substantial trust with the manufacturer.

2.4.2. Cooperative Norms: Cooperation, from the Latin co, means "together" and operari, means "to work". Using this definition Anderson and Narus (1990) defines cooperation as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time." Heide and John (1990) say that norms may apply at different levels, such as in society, at an industry, at an individual firm level or at a group level context. This illustrates the fact that norms are ubiquitous in nature.

Dwyer et.al (1987) says that cooperative norms are developed when parties involved in a relationship come together and exchange rewards. They say that norms didn't exist in a relationship before the interaction of parties took place in a transaction. In other words they define norms as a "spontaneous consensus" between parties associated in a relationship.

Studies that have done before have said that trust leads to cooperation (Anderson and Narus 1986; Dwyer, Schurr, and Oh 1987). Anderson and Narus (1990) state "once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve if it acted solely in its own best interests." The literature also indicates that trust must be present in a relationship to gain cooperative behavior. (Deutsch 1960; Pruitt 1981). This leads intuitively to say that a supplier's trust in the manufacturer is necessary to achieve cooperative behavior in the relationship, where in this case the relationship entails the supplier and the manufacturer.

2.4.3. Commitment: Dwyer et.al (1987) defines commitment as "an implicit or explicit pledge of relational continuity between exchange partners." Anderson and Weitz (p.13, 1992) define commitment as "a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship" Commitment therefore represents an advance state of a buyer-seller relationship and at this stage partners have achieved a mutual level of satisfaction that outweighs any benefits received by any other exchange partner. However as Scanzoni (1979) pointed out even though commitment has reached a mutually satisfying relationship it is inappropriate to say that the participants have stopped at looking for potential alternatives, but he says alternatives will be maintained without "constant and frenetic testing. "

Whitener (2001) suggested that commitment exists in three types and they were; Affective, continuance and normative. Affective commitment referred to the emotional attachment of a person to the organization. This attachment could be due to one's role in relation to the organizational goals and values. The continuance commitment refers to the commitment based on the costs the employees in an organization associate with leaving the organization. The normative commitment refers to employees' feelings of obligation to remain with the organization. This illustrates the concept that commitment varies in the context that it is measured in.

Anderson and Weitz (1992) say that commitment requires the willingness to make short-term sacrifices to realize long-term benefits from the relationship. They summarize the outcomes to commitment in a relationship as "a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship."

In the previous literature, it has been summarized that commitment is an outcome of trust. (Anchrol 1991; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994) However recent studies have shown that commitment is an outcome of cooperative norms. (Anderson, Hakansson, and Johanson 1994). For the purpose of this thesis I will follow Anderson et. al.,'s conceptualization of norms leading to commitment as intuitively a cooperative environment is seen as a necessity before a commitment is established in relationship.

2.6. Supplier Connectedness and Manufacturer's Market Orientation

2.6.1. Supplier Connectedness

Business networks can be regarded as sets of connected firms (Astley and Fombrun 1983; Miles and Snow 1992) or alternatively, as sets of connected relationships between firms (e.g., Cook and Emerson 1978; Hakansson and Johanson 1993). Literature related to Relationship Marketing suggests that Connectedness represents an elevated component in a buyer-seller relationship network. Cook and Emerson (1978, p.725) defined connection in a relationship as an "exchange in one relation that is contingent upon exchange (or non-exchange) in other relation."

As mentioned in the literature if Connectedness represents an elevated form of a relationship it is here that I argue that Connectedness is a construct that goes far beyond relational norms in a relationship. So far the literature describes Connectedness in various perspectives in a relationship. This thesis however is interested in the construct of Supplier Connectedness that explicitly relates to a supplier-manufacturer relationship. First and foremost for Connectedness to be built a significant amount of trust must be mutually. Secondly through the introduction of the relationship marketing paradigm (that was through taking a trust-relational norms and commitment approach) a 'bonding' between the supplier and the manufacturer has been established. This special aspect of 'bonding' between the manufacturer and the supplier could be termed as Supplier Connectedness.

The next stage of this paper is to explore the relationship between Supplier Connectedness and manufacturer's Market Orientation. However it has to be noted in this paper that the manufacturer's Market Orientation will be measured strictly from the supplier's perspective where hereinafter manufacture's Market Orientation will be known as perceived Market Orientation.

2.6.2. Manufacturer's Market Orientation

Many in the past have focused on the concept of 'market orientation'. Narver and Slater (1990) and Kohli and Jaworski (1990) were among the first to define and conceptualize the concept of market orientation. Kohli and Jaworski (1990, p.6) defines market orientation as “The organization-wide generation of market intelligence pertaining to current and future needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.”

Narver and Slater (1990) explicitly linked market orientation and competitive advantage, which they defined as the creation of superior value for customers. Narver and Slater (1990) define market orientation as “The organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior values for buyers, and thus, continuous superior performance for the business.”

Market Orientation studies have so far being liked of having positive effects on profitability (Reukert 1992; Slater and Narver (1994)) employee attitudes (Jaworski and Kohli 1993), and salesperson orientation (Siguaw, Brown, and Widing 1994). Several investigated consequences to market orientation include employee responses and customer responses. (Kohli and Jaworski 1990; Jaworski & Kohli, 1993). Several research processes have suggested that there is a positive relationship between market orientation and business performance (Narver and Slater 1990; Pelham and Wilson 1996; Pelham 1997).

Many studies done on Market Orientation have been relying on the manufacture’s Market Orientation. Researchers have long argued that the evaluation of how market-oriented a given manufacturer is should also come from external stakeholders, such as from its customers and suppliers. (Langerak, 2001). Steinman et al., (2000) stated that the appropriate level of the manufacturer’s Market Orientation is what customers (suppliers) think it should be. In a study done by Binge et.al., (2003) it was indicated that market-oriented suppliers are able to show to their distributors that they are the best partners for carrying out their interests, because their Market Orientation enables them to create satisfaction in the consumers thus improving the profitability of both.

Thus many studies have been done in the areas of relationship marketing and market orientation regarding the suppliers, manufacturers, retailers and distributors respectively. However in a supplier-manufacturer relationship the literature has seem to fail to explore the relationship between Supplier Connectedness and manufacturers market orientation. Therefore this linkage will be examined in the latter half of this paper.

Chapter 3: Development of Model and Hypotheses

3.0 Introduction

In order to derive the concept of Supplier Connectedness many literature were drawn from several studies in Chapter 2. Two predominant theories that were used to explain Supplier Connectedness included the Transaction Cost Theory and Relationship Marketing Paradigm. Transaction Cost Theory was fundamental in understanding the complex transactions that occur within entities/organizations. The literature also pointed out that Transaction Cost Theory was fundamental in explaining trust between parties engaged in a relationship.

In Chapter 2, trust represented a fundamental component in the relationship marketing literature that went towards building Supplier Connectedness. The literature also found out that if trust is to be built in the manufacturer-supplier relationship there were some necessary 'elements' that needed to be satisfied fundamentally. In other words supplier trust in the manufacturer was 'contingent' on manufacturers; Access, absorptive capacity, asset specificity and upstream uncertainty in the relationship.

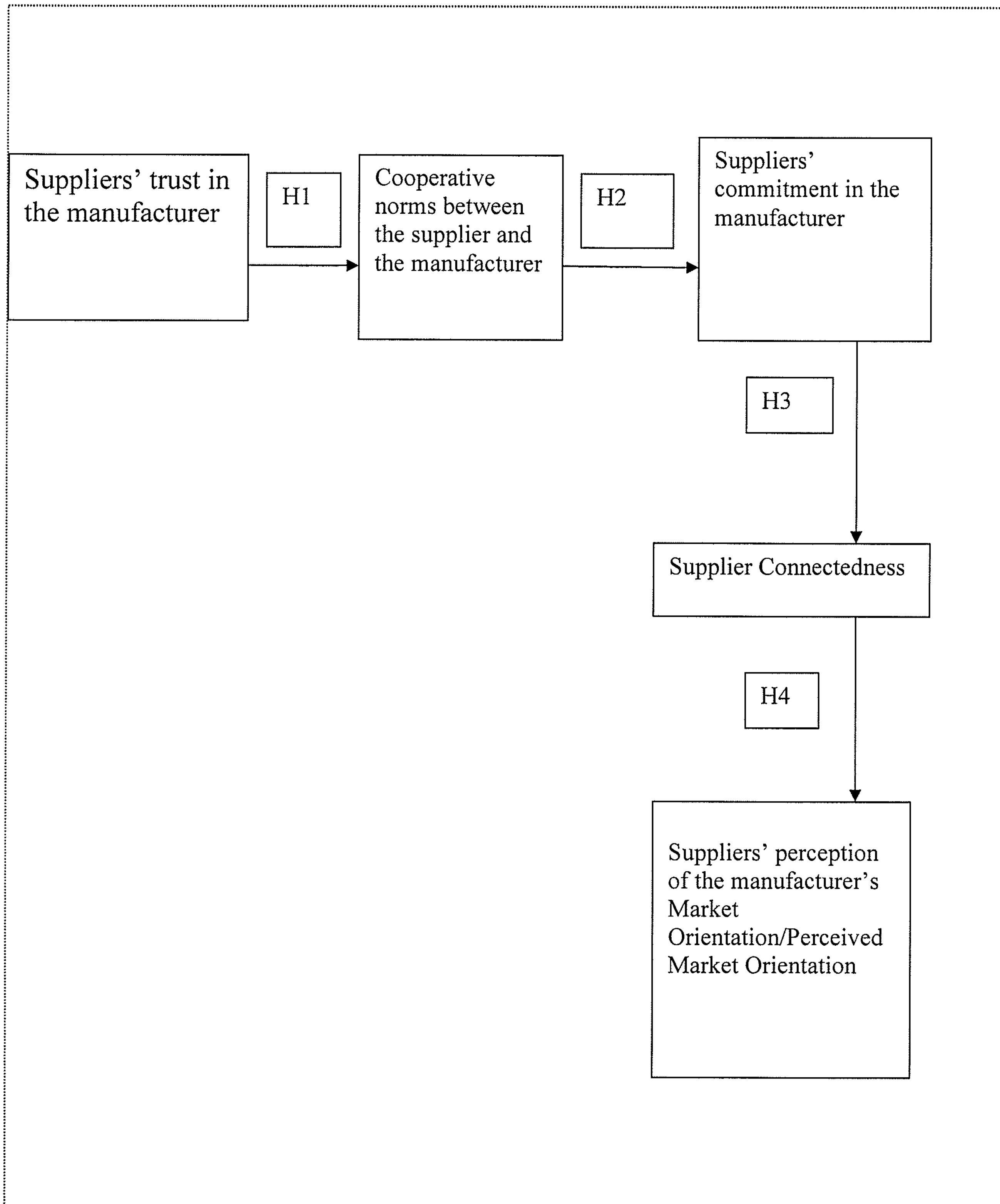
In the latter part of Chapter 2, the literature focused on the Relationship Marketing Paradigm that included mutual trust, relational norms and commitment. Through the literature it was evident that there were some antecedents that were related towards 'Supplier Connectedness' and they were; Trust, relational norms and commitment between the parties involved in the relationship. Finally the construct of market orientation was drawn in and evaluated.

In this Chapter, I hypothesize that Supplier Connectedness is an outcome of mutual; Trust, relational norms and commitment. I will also hypothesize that a potential link exists between Supplier Connectedness and manufacturer's Market Orientation.

Since the transaction cost related antecedents are not empirically evaluated it will not be include in the model. This been the case as per Figure 3 the model will begin with the suppliers' trust in the manufacturer.

Figure 3

Hypothesized Model



3.1. Hypotheses

Four hypotheses will be presented and tested within this paper. They are as below.

a) Trust and cooperative norms.

In this hypothesis, it is maintained that as the supplier's credibility in the manufacturer increases, the manufacturer is more likely to perceive that there is a greater level of cooperation in the relationship. In this proposed relationship it is hypothesized that trust must be presented before cooperative norms occur in a relationship. This has been quite a debatable topic where some critics have argued that the outcome of trust is commitment (Morgan and Hunt 1994). However, previous studies done in this area have proved that trust leads to relational norms in a relationship (Deutsch 1960; Loomis 1959, Anderson and Narus 1984). Therefore,

H1: Greater the suppliers' trust in the manufacturer, the greater the perception of cooperative norms in the relationship

b) Cooperative norms and commitment

In the next hypothesis, I try to establish a relationship between cooperative norms and commitment. This is under the presumption that first a cooperative environment must be present before a commitment is established in a relationship. However, as it is in the case of the first hypothesis, many have argued that the precursor to commitment is trust and not cooperative/relational norms. (Moorman, Zaltman and Dushpande 1992; Morgan and Hunt 1994). However Anderson, Hakansson and Johanson (1994) argued that cooperative norms in a relationship lead to commitment. Therefore,

H2: Greater the suppliers' perception of cooperative norms in the relationship , the greater the commitment in the relationship.

c) Commitment and connectedness

In the next hypothesis, I maintain that once a commitment in the relationship is established another element known as C*onnectedness* occurs in the relationship. Connectedness is an important attribute in the relationship where this is a construct that goes beyond trust, relational norms and commitment. This been said, I hypothesize that higher the commitment between the supplier and the manufacturer, the higher the supplier is 'connected' to the relationship. This connection is termed as Supplier Connectedness in this paper. Therefore,

H3: Supplier commitment in the manufacturer is positively related to supplier Connectedness

d) Connectedness and Perceived Market Orientation

In the next hypothesis it is hypothesized that once Connectedness is established between the supplier and the manufacturer, the higher the Connectedness with the other leads to the other's (manufacturer's) market orientation to increase. However, due to complexities associated with the empirical analysis, manufactures market orientation is obtained as a proxy as to how the supplier perceives it. This is known as Perceived Market Orientation. Therefore,

H4: Supplier Connectedness is positively related to the Perceived Market Orientation

Chapter 4: Research Methodology

4.0 Data Collection

Data to test the model represented in Figure 3, was obtained through manufacturers in the Agribusiness industry of Canada and were asked questions about their major customer to whom they supply a certain commodity. The contact names of these companies were obtained from Owen Media Partners Inc., a list brokerage firm in Toronto, Canada. The list comprising of 1500 companies (obtained through a stratified random sampling procedure) was obtained from companies that comprised in the SIC (standardized industrial code) of numbers between 200-2000. An example of some companies are listed below in Table 1.

The scope of this study includes English Canada and it focuses on the Agribusiness industry. The study did not include French Canada because of practical reasons associated with doing a study that include two cultures. However the next step of this research will be to expand this study into French Canada. In terms of industry level this study strictly focuses specifically on the Agribusiness industry and as an outcome of this the study results may only be applicable for this particular industry.

In the list the contact information included; Company name, a contact person in the company, his/her title in the company, email address and the full address of the company. The contact person who was going to fill out the survey was the most important information from the list as it is this person who was going to complete the survey using the companies' 'major customers' knowledge. In terms of contact information within the company the list represented a mix of contact persons ranging from the Marketing manager to the Sales manager to the CEO. Some companies were given all three contact names while some other companies were given one contact per company. The list was then set in a preference order where the survey first reached companies that had a Marketing manager and second it reached the Sales manager and third it reached the CEO respectively. This was done because it is the Marketing manager in the company has the most amount of 'first' hand information and it is the CEO who has the least amount of 'first' hand information about the customer.

Table 1

Examples of Selected Agribusiness Sectors Used in this Study

Nature of Business	SIC Code
Animal and Marine Fats and Oils	2077
Meat Packing Plants	2011
Wet Corn Milling	2046
Prepared Feeds and Feed Ingredients for Animals and Fowls	2048
Agri Services- Livestock Services, Except Veterinary	751
Soybean Oil Mills	2021
Canned and Cured Fish and Seafood	2091
Natural, processed, and Imitation Cheese	2022
Agri Production- Hogs	213

4.1. Questionnaire Construction

A questionnaire was developed using multi-item scales drawn from prior marketing studies. Although each of the scales had been reported in literature a scale validation procedure was accomplished using (1) the analysis of inter-correlations and (2) confirmatory factor analysis (CFA). The purpose of the CFA was to identify and eliminate any poorly performing items for the scales that were used in the analysis. A check for reliability and validity of the scales were also done. Certain scale items were reversed to reflect the nature of the question and to avoid respondents responding in a 'polar' or a supplement manner. Scale items are represented in Appendix A, reversed items are described in the Appendix B. In Appendix C the questionnaire is presented. Means, standard deviations and Cronbach's alphas for each purified scale appear in Table 2.

Table 2

Sample Statistics for Each Individual Construct

Construct	Mean	Standard Deviation	Cronbach's alpha
Trust	4.77	0.82	0.87
Relational Norms	3.99	0.97	0.86
Commitment	5.05	0.92	0.58
Supplier Connectedness	4.21	0.89	0.77
Perceived Market Orientation	4.92	0.66	0.91

A correlation matrix was obtained for the constructs that were measured in the questionnaire. This appears in Table 3.

Table 3

Correlation Matrix of the Constructs

Construct		TR	RN	CT	SC	MO
TR	Pearson Correlation	1.00				
	Sig. (2-tailed)	.				
RN	Pearson Correlation	0.63**	1.00			
	Sig. (2-tailed)	0.00				
CT	Pearson Correlation	0.16*	0.33**	1.00		
	Sig. (2-tailed)	0.04	0.00	.		
SC	Pearson Correlation	0.25**	0.35**	0.16*	1.00	
	Sig. (2-tailed)	0.00	0.00	0.04	.	
MO	Pearson Correlation	0.35**	0.32**	0.24**	0.39*	1.00
	Sig. (2-tailed)	0.00	0.00	0.00	0.00	.

** - Correlation is significant at the 0.01 level (2- tailed)

* - Correlation is significant at the 0.05 level (2-tailed)

Abbreviations: **TR**- Trust, **RN**- Relational Norms, **CT**- Commitment, **SC**- Supplier Connectedness and **MO**- Market Orientation

4.1.1. Trust. Trust was measured using a scale that was first presented by Ganesan (1994) where for this study it has been borrowed by Sigauw et.al., (1998). The scale was comprised on two dimensions that included benevolence (five items) and credibility (seven items). The preliminary analysis yielded a Cronbach's alpha of 0.81. However with the deletion of a one item the Cronbach's alpha increased to 0.87

4.1.2. Cooperative norms. This scale was originally presented by Cannon (1992) where for the purpose of this thesis the scale has been borrowed by Sigauw et.al., (1998). Cooperative noms comprised of six items. Preliminary analysis did not indicating any poorly performing items. The Cronbach's alpha for this scale was 0.86.

4.1.3. *Commitment.* This scale was first presented by Anderson and Weitz (1992) where for the purpose of this study it has been borrowed by Sigauw et.al., (1998). Commitment was measured on a five item scale. Initial analysis yielded a very poor Cronbach's alpha of 0.382. However with the deletion of three items the Cronbach's alpha to 0.586. This led to use only 2 scale items from the initial scale of 5 items. In this case reliability was traded for validity.

4.1.4. Supplier Connectedness. Supplier Connectedness was obtained by a scale that used by Sivaramakrishnan et al., (2004). This scale however was first presented by Mohr and Sohi (1995). Nine items are presented in this scale. No poorly performing items were evident in the preliminary analysis. The Cronbach's alpha was 0.765.

4.1.5. Perceived Market Orientation. This scale was developed by Narver and Slater (1990) and comprised of fifteen items. The wording of the original scale has been changed to reflect what is being measured by the questionnaire. No poorly performing items were evident in the subsequent analysis. The Cronbach's alpha was 0.91.

4.1.6. Demographics. This section comprised of questions relating to simple company demographics. Some of the questions that were asked from the respondent were; How many years have your company been in business? How many people does your company employ? What is your company name? What is the nature of your business? Questions were also asked relating to the respondents gender and their age.

4.2. Scaling Method

Data represented here showed to have achieved interval level data. Trust, Commitment and Supplier Connectedness constructs were measured using a 7-point Likert scale. The response categories for each of these scales were anchored by 1 (Strongly disagree) and 7 (Strongly agree), with the exception of scales that relate to Cooperative norms and Market Orientation. Cooperative norms used anchors of 1(Very inaccurate description) and 7(Very accurate description) and the Market Orientation scale was anchored from 1 (Not at all) to 7 (To an extreme extent).

4.3. Pre-Testing Methodology

The purpose of conducting a pre-test was done to see how the respondents perceived the questions and to check whether the questions were clear. Also a purpose of pre-testing was to check the reliability of the scales that were developed in the questionnaire. According to Aaker et.al (2001) "The basic method for establishing reliability can be internal consistency of items in an attitude scale" Reliability was measured using the Cronbach's alpha test statistic.

The pre-testing was conducted by mailing the questionnaire out to fifty students enrolled in the part time MBA program of the I.H. Asper School of Business at the University of Manitoba. All of these students were upper/middle level managers employed in Winnipeg and their address list was obtained from the MBA office of the I.H. Asper School of Business. A pre-addressed, postage paid envelope accompanied the questionnaire so that it enabled respondents to return the questionnaire once it was completed. A phone call was used for follow-up purposes.

The pretest showed that the questions in the instrument were understood by the respondent, variables showed a normal distribution. T-tests and an ANOVA analysis was carried out to test means of the different constructs. Finally a regression analysis was conducted on SPSS was done to check whether the original model holds. The pretest yielded in a positive outcome. The questionnaire was then set out.

4.4. Data Collection Process

The questionnaire was mailed out to the addresses provided in the list. Accompanying the questionnaire was a cover letter that was printed on University stationary explaining the respondent about the initial purpose and the confidentiality of the study. A pre-addressed, postage paid envelope accompanied the questionnaire so that it enabled respondents to return the questionnaire once it was completed. Two weeks later a follow up reminder was sent to each respondent reminding them to complete the questionnaire and kindly return it back. (Appendix D)

Six weeks later 174 completed questionnaires were returned and 85 questionnaires were returned by mail stating that the addresses undeliverable. This led for a net of 1415 questionnaires being mailed and accounted for a 12.36% response rate. A test was conducted to see the effect of non response bias to check whether there was any significant difference between respondents who answered the questionnaire at the beginning of the study and with those who answered the questionnaire at the latter part of the study. The results showed that there was no significant difference between the two groups.

4.5. Coding and Data Entry

SPSS was used for the data entry process. Variables were first numbered from question 1 to question 56 (Q1-Q56). Question 1 to question 47 (Q1-Q47) included interval level data where they received the Likert scale value. Question 48 to question 56(Q48-Q56) nominal level data where some were coded as binary data. For the respondents who did not answer the question or for the respondents who selected the option "Do Not Know" was left blank.

Chapter 5: Analysis and Results

5.0 Preliminary Analysis

Table 4, describes the characteristics of the 174 sample respondents. As indicated in the table, businesses represented in the sample averaged 50 years of operations. Over 80% of respondents were males, which is consistent with the gender balance found in Canadian agricultural manufacturing sectors. Almost sixty percent of respondents were CEOs and another thirty-five were marketing managers. Approximately seventy-two percent of them were between 36 and 55 years of age; representative of the age distribution for managers and CEOs of Canadian agribusinesses. In summary, the sample is representative of the population of managers in the Canadian Agribusiness sectors.

Table 4

Characteristics of Sample

Characteristics	Category	Sample
Average years in business		50.2
Gender	Male	143(82.2%)
	Female	27(15.5%)
Position	Executive/Manager	101(58%)
	Marketing	61(35.1%)
	H/R	8(4.6%)
Age Groups	Under 25	1(0.6%)
	26-35	14(8%)
	36-45	49(28.2%)
	46-55	76(43.7%)
	56-65	30(17.2%)
	>65	2(1.1%)

5.1 Results

Structural equation modeling (SEM) with Amos 4.0 (Arbuckle and Wothke 1999) was the primary tool for analyzing the data. Unless otherwise explicitly stated, Maximum Likelihood (ML) method is used in model parameter estimation. All variables in the study were treated as one-dimensional. CFA analyses of each of the constructs verifies that each is indeed uni-dimensional as the χ^2 tests revealed that the hypothesized one-dimensional models of each variable out-performed alternative specifications.

5.2. Discriminant validity

Discriminant validity was tested in 2 steps. First, based on Kline's (2005) recommendation, the CFA model that treats TR, RN, CT, SC and MO as unidimensional latent constructs. The covariances between the various pairings of the latent constructs suggests that they were moderately related. However, an evaluation of the 90% confidence intervals of covariance for each variable does not contain the value of 1.000, indicating discriminant validity has been achieved for each of the variables. Then their covariances were equal 1.000 in individual factor models. The model fit significantly worsened, which lead to conclude that the discriminant validity between Trust, Norms, Commitment, Supplier Connectedness and Market Orientation had been achieved.

5.3. Structural Model Estimates

The hypothesized relationships depicted in Figure 3, was tested first with Amos 4.0. Figure 4, represents the 'original picture' of the Amos output. The hypothesized relationships depicted in Figure 3 was analyzed using standardized regression weights from Amos 4.0. The estimates are reported in Table 5.

Figure 4
Amos Representation

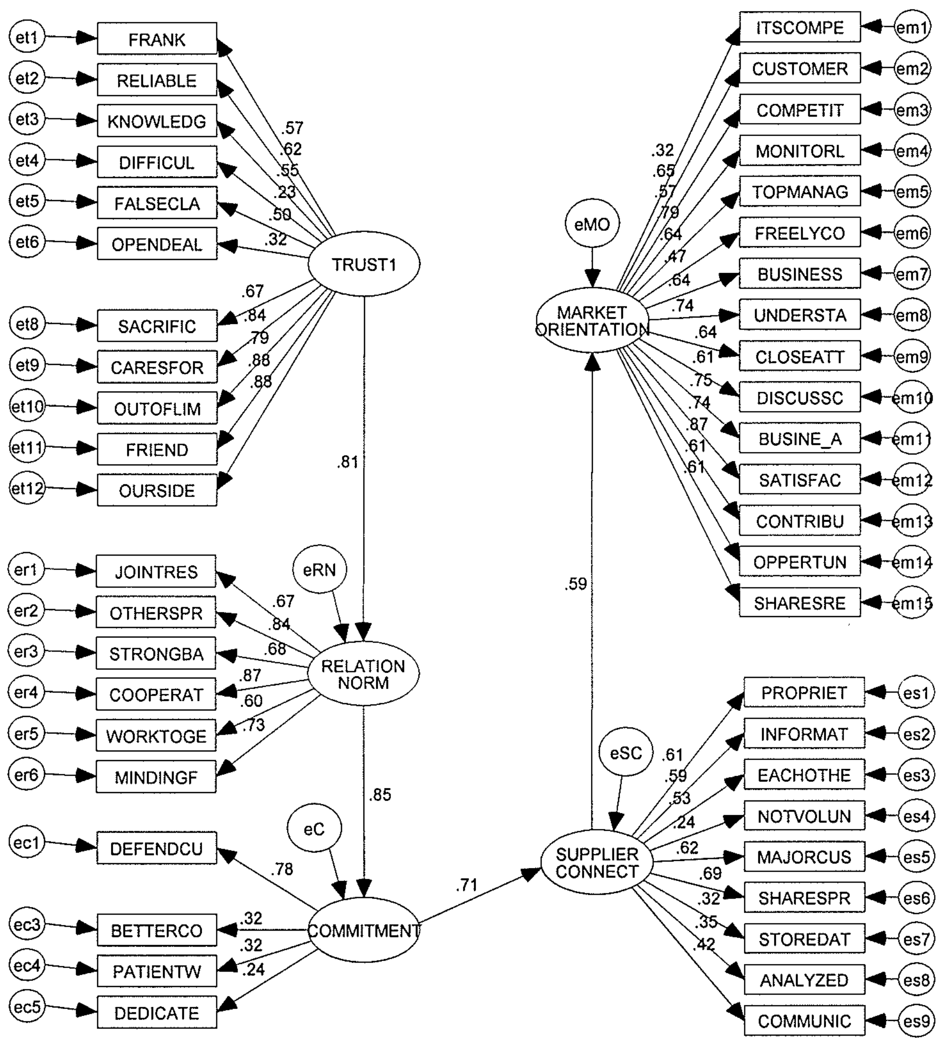


Table 5

SEM Results

Relationship Tested	**Standardized Regression Coefficient**	**Significance level**
Trust and Relational Norms	.80	p<.01
Relational Norms and Commitment	.72	p<.01
Commitment and Supplier Connectedness	.85	p<.01
Supplier Connectedness and Market Orientation	.59	p<.01

The results strongly suggested a full mediation relationship exists among the constructs by the fact that trust affected commitment through relational norms, relational norms affected supplier connectedness through commitment, commitment affected market orientation through supplier connectedness, and supplier connectedness had a direct effect on market orientation—no other factor was significantly related to market orientation. Each variable had a single main effect—only related to its immediate dependent variable—with no carry over (indirect) effect to other dependent variables in the structural model. Furthermore, our fit indices were quite strong.

The χ^2 /df test was 2.2 and therefore indicative of a good fit for the model. Since χ^2 tests are sensitive to sample size, several comparative fit indices were referred to assess the model fit. Two commonly used indices—the Normed Fit Index (NFI) and Comparative Fit Index (CFI)—supported the goodness of fit conclusion reflected by the χ^2 /df test (.915 and .955, respectively). Byrne (2003) had suggested that fit indices ranging between .92 and .95 are indicative of good to very good fit of the data to the theoretical model. The indices fell within the acceptable range, which supported the contention that the model fits the data very well.

One of the best all-around indicators of model fit is the RMSEA, which accounts for the mean square error of the model estimates. Generally, a RMSEA of .08 or lower is an indication of good fit. The RMSEA estimate of .07 is quite strong and supports the conclusions that were derived from observing the other fit indices. Thus, the model that specifies a full mediation relationship between Trust, Norms, Commitment, Supplier Connectedness and Market Orientation is well supported by the data. With respect to the study hypotheses, data reported in Table 4 leads us to the following conclusions:

a. *Greater supplier Trust in the manufacturer leads to greater perceptions of cooperative Norms in the relationship;*

b. *Strong cooperative Norms between the supplier and manufacturer leads to strong Commitment between the two parties;*

c. *Suppliers' commitment to the manufacturer is positively related to suppliers' connectedness to the manufacturer; and*

d. *Suppliers' connectedness is positively related to their perceived manufacturers market orientation.*

Chapter 6: Conclusion

6.0. In this paper it has been argued that theorizing about supplier and manufacturer relationships does not fully explain the formation or maintenance of business relationships. Market Orientation and Relationship Marketing theories add insight into the process, but, alone are insufficient in explaining the nature of relationships. Based on Transaction Cost Theory and Relationship Marketing theories, it has been argued that trust, norms and commitment lead to connectedness between supplier and manufacturer, which then affects the degree of perceived manufacturer market orientation.

Transaction Cost Theory and Relationship Marketing scholars conclude that relational *connectedness* (i.e., integration) occurs only after commitment evolves from mutual trust and behavioral norms. Only after trustful experiences take place do organizations have a basis of entering into long-lasting relationships with suppliers—simply being sensitive to customers, competitors, and communicating the sensitivity throughout the organization is not enough to build a relationship with another business entity. Data from the Canadian agribusiness sector confirm the set of hypothesized relationships possess empirical merit.

Chapter 7: Managerial Implications, Limitations and Future Research

7.0 Managerial Implications

Organizations possess cultures that define meaning for their members. The market orientation literature posits that companies that are market oriented prosper relative to those that lack such an orientation; however, the theory is silent about what process builds a market oriented organization, or, more particularly, how one generates a market oriented culture. In this study it is believed a supplier's perception of a manufacturer's market orientation is driven by the quality of the trust-commitment-connectedness relationship that forms between the two parties over time over time. For managers, these findings imply that managers must first develop trustful relationships with partners that are capable of evolving into commitment relationships.

It is not enough to say that we want to know you, measure your satisfaction, and understand your demand. To be oriented towards customers is to have a lasting relationship with them; a relationship built on trust, honesty, integrity, and fairness, and one that both parties are willing to commit 'real' and psychological value. In truly orienting to customers, marketers reinforce open-mindedness, participative dealings, fairness, and other features that are important in building and maintaining relationships. Companies are not more effective because they promote that they are 'market oriented'. They are more effective because they build their organizational culture relationship by relationship.

7.1 Limitations

In this study the manufacture's Market Orientation (perceived Market Orientation) was measured through how the supplier perceives it. Measuring perceived data such as this could produce erroneous and bias results that intern could lead to a limitation of this study. This problem can be eliminated if it obtained information directly from the manufacturer. If this approach is followed then this study will take a dyadic approach where data collection will include two parties namely in this case it will be through the supplier and the manufacturer. This process will yield to be a bit cumbersome as the manufacturers contact information will need to be obtained through the supplier. Confidentiality agreements deter such disclosures of information within organizations.

The commitment scale used in this study originally comprised of five items. However the initial analysis yielded the result of significantly low Cronbach's alpha. In the subsequent analysis three items in the scale had to be deleted to arrive at a relatively high alpha. As a result of this reliability was traded for validity and this could contribute to be a limitation of the study.

The response rate for this study was 12.36% where this low response rate could be a limitation of this study.

7.2 Future Research

As suggested in the literature review commitment could divided in to three different forms that are known as affective, continuance and normative commitment. In this study commitment was not divided in such a manner and for the purpose of future research it is suggested that commitment be divided as suggested in the literature.

The scope of this study included English Canada as potential respondents where it also focused specifically on the Agribusiness industry. The study did not include French Canada because of practical reasons associated with doing a study that will include two cultures. However the subsequent step of research should be to expand this study into French Canada where a cross cultural comparison study should be conducted. Also for future research it is suggested to replicate this study towards a different industry and to explore whether this particular relationship holds in that industry as well.

During the literature review on Transaction Cost Theory it was found out that the supplier trust in the manufacturer was contingent upon the manufacturers; Access, absorptive capacity, asset specificity and upstream uncertainty. Due to practical reasons these were not empirically tested in this study. This forms a basis for future research where a questionnaire can be developed and this model be empirically tested.

The response rate for this study was 12.36% where this low response rate could be a limitation of this study. In further research to increase the response rate it is recommended that the study be repeated with an incentive that encourages respondents to reply to the questionnaire.

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Appendix A: Measures Identified in the Questionnaire

Trust

1. This customer has been frank in dealing with us.
2. Promises made by this customer are reliable.
3. This customer is knowledgeable regarding his/her products.
4. This customer has difficulties understanding our problems.
5. This customer does not make false claims.
6. This customer is not open in dealing with us.
7. This customer does not answer our questions well.
8. This customer has made sacrifices for us in the past.
9. This customer cares for us.
10. In times of shortages, this customer has gone out on a limb for us
11. This customer is like a friend.
12. We feel this customer has been on our side.

Cooperative Norms

1. No matter who is at fault, problems are joint responsibilities.
2. Both sides are concerned about the other's profitability.
3. One party will not take advantage of a strong bargaining position.
4. Both sides are willing to make cooperative changes
5. We must work together to be successful
6. We do not mind owing each other favors.

Commitment

1. We would defend this customer if outsiders criticized it.
2. We are continually on the lookout for another customer to replace or to add to our current customer.
3. If another customer offered us better coverage, we would most certainly take them on, even if it meant dropping this customer.
4. We are patient with this customer when they make mistakes.

5. We are willing to dedicate whatever people and resources it takes to grow sales for this customer.

Supplier Connectedness

1. We share proprietary information with our major customer.

2. In our relationships with our major customer, it is expected that any information that might help the other party will be provided.

3. Our major customer and our organization are expected to keep each other informed about events or changes that might affect the other party.

4. We do not volunteer much information regarding our business to our major customer.

5. Our major customer keeps us fully informed about issues that affect our business.

6. Our major customer shares proprietary information with us.

To what extent does your company collaborate with your major customer in using information technology (hardware and software) to:

7. Store data

8. Analyze data

9. Communicate Information

Market Orientation

1. Its salespeople regularly share information within its business concerning competitors' strategies.

2. Its business objectives are driven primarily by customer satisfaction.

3. It rapidly responds to competitive actions that threaten them.

4. It constantly monitors its level of commitment and orientation to serving customer's needs.

5. Its top managers from every function regularly visit its current and prospective customers.

6. It freely communicates information about its successful and unsuccessful customer experiences across all business functions.

7. All of its business functions (e.g. marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of its target markets.

8. Its strategy for competitive advantage is based on its understanding of customer's needs.

9. It gives close attention to after-sales service.

10. Its top management regularly discusses competitors' strengths and strategies.

11. Its business strategies are often driven by its beliefs about how they can create greater value for customers.

12. It measures customer satisfaction systematically and frequently.

13. All of its managers understand how everyone in its business can contribute to creating customer value.

14. It targets customers where it has an opportunity for competitive advantage.

15. It shares resources with other business units.

Demographics

1. How many years has your company been in business? (Leave blank if you don't know)
2. How many people does your company employ? (Leave blank if you don't know)
3. In which department/unit and physical location are you located in the company?
4. How many people are in your department/unit? (Leave blank if you don't know)
5. Your Job Title
6. Your Company Name
7. Nature of Primary Business ____________________

   ____
8. What is ***your*** gender? ________ Male ________ Female
9. What is ***your*** age group? ***(Please put an X beside the appropriate category.)***

1) 25 or below	________	4) 46 – 55	________
2) 26 – 35	________	5) 56 – 65	________
3) 36 – 45	________	6) over 65	________

Appendix B: Items that were Reversed in the Questionnaire

Trust

1. The customer does not make false claims
2. This customer is not open in dealing with us
3. This customer does not answer our questions well

Commitment

1. We are continually on the lookout for another customer to replace or to add to our current customer
2. In another customer offered better coverage, we would most certainly take them on, even if it meant dropping this customer

Supplier Connectedness

1. We do not volunteer much information regarding our business to our major customer

Appendix C: Cover Letter and Questionnaire

Name
Address
City, Province
Postal code

Dear Respondent,

I am conducting a survey to gather data required to complete my thesis project as a requirement for my M.Sc. program under the guidance of Dr. Edward Bruning (Professor of Marketing) of the I.H. Asper School of Business at the University of Manitoba. The goal of this survey is to examine various antecedents that relate to Supplier Connectedness in a Manufacturer-Supplier relationship and its effect towards the Manufacturers' market orientation.

Your company has been selected as a potential participant for my research project. I am asking you to complete the enclosed questionnaire, which will take approximately 15 minutes. I assure you that responses will be kept <u>strictly confidential</u> and used only for academic purposes.

Furthermore, the data from all respondents will be aggregated so that no respondent can be identified. The number on the top-right corner of the questionnaire is merely for categorization purposes, and does not identify individual respondents in any way. You can skip questions/not answer any questions at your discretion and under no circumstances are you obligated to participate in this study. You can stop answering the questionnaire at anytime you wish.

In appreciation of your participation, I will provide you with a summary of aggregated results of the study. These reports undoubtedly should prove very beneficial to you.

Please mail your completed questionnaire in the enclosed postage-paid envelope by November 15, 2005.

If you have any questions, please contact me at
my supervisor at   Any information on your rights as a research participant can be obtained from the Human Ethics Secretariat at the University of Manitoba at (204)-474-7122.

Thank you for your valuable assistance in this research project.

Sincerely,

Sukitha Abeysekera
M.Sc. Candidate

Dr. Edward Bruning
Professor of Marketing

Supplier Connectedness and Market Orientation

Thank you again for your participation in this survey.

Before beginning to answer this questionnaire please take a moment to think who your major customers are…

SECTION I. ***Thinking about one of your major customers, please select your responses to the following questions on a scale from 1 to 7, where 1 is Strongly Disagree and 7 is Strongly Agree by circling the appropriate number.***

	Strongly Disagree						*Strongly Agree*	*Do Not Know*
This customer has been frank in dealing with us.	1	2	3	4	5	6	7	☐
Promises made by this customer are reliable.	1	2	3	4	5	6	7	☐
This customer is knowledgeable regarding his/her products.	1	2	3	4	5	6	7	☐
This customer has difficulties understanding our problems.	1	2	3	4	5	6	7	☐
This customer does not make false claims.	1	2	3	4	5	6	7	☐
This customer is not open in dealing with us.	1	2	3	4	5	6	7	☐
This customer does not answer our questions well.	1	2	3	4	5	6	7	☐
This customer has made sacrifices for us in the past.	1	2	3	4	5	6	7	☐
This customer cares for us.	1	2	3	4	5	6	7	☐
In times of shortages, this customer has gone out on a limb for us	1	2	3	4	5	6	7	☐
This customer is like a friend.	1	2	3	4	5	6	7	☐
We feel this customer has been on our side.	1	2	3	4	5	6	7	☐

<u>SECTION II</u>. ***Thinking about the <u>same major customer</u> as you did for section I of this questionnaire, please select your responses to the following question on a scale from 1 to 7, where 1 is <u>Very Inaccurate Description</u> and 7 is <u>Very Accurate Description</u> by circling the appropriate number.***

	Very Inaccurate Description					*Very Accurate Description*		*Do Not Know*
No matter who is at fault, problems are joint responsibilities.	1	2	3	4	5	6	7	☐
Both sides are concerned about the other's profitability.	1	2	3	4	5	6	7	☐
One party will not take advantage of a strong bargaining position.	1	2	3	4	5	6	7	☐
Both sides are willing to make cooperative changes	1	2	3	4	5	6	7	☐
We must work together to be successful	1	2	3	4	5	6	7	☐
We do not mind owing each other favors.	1	2	3	4	5	6	7	☐

<u>SECTION III.</u> ***Thinking about the <u>same major customer</u> as you did for section I of this questionnaire, please select your responses to the following question on a scale from 1 to 7, where 1 is <u>Strongly Disagree</u> and 7 is <u>Strongly Agree</u> by circling the appropriate number.***

	Strongly Disagree						*Strongly Agree*	*Do Not Know*
We would defend this customer if outsiders criticized it.	1	2	3	4	5	6	7	☐
We are continually on the lookout for another customer to replace or to add to our current customer.	1	2	3	4	5	6	7	☐

	Strongly Disagree						*Strongly Agree*	*Do Not Know*
If another customer offered us better coverage, we would most certainly take them on, even if it meant dropping this customer.	1	2	3	4	5	6	7	☐
We are patient with this customer when they make mistakes.	1	2	3	4	5	6	7	☐
We are willing to dedicate whatever people and resources it takes to grow sales for this customer.	1	2	3	4	5	6	7	☐

SECTION IV. ***Thinking about the <u>same major customer</u> as you did for section I of this questionnaire, please select your responses to the following question on a scale from 1 to 7, where 1 is <u>Strongly Disagree</u> and 7 is <u>Strongly Agree</u> by circling the appropriate number.***

	Strongly Disagree						*Strongly Agree*	*Do Not Know*
We share proprietary information with our major customer.	1	2	3	4	5	6	7	☐
In our relationships with our major customer, it is expected that any information that might help the other party will be provided.	1	2	3	4	5	6	7	☐
Our major customer and our organization are expected to keep each other informed about events or changes that might affect the other party.	1	2	3	4	5	6	7	☐
We do not volunteer much information regarding our business to our major customer.	1	2	3	4	5	6	7	☐
Our major customer keeps us fully informed about issues that affect our business.	1	2	3	4	5	6	7	☐

	Strongly Disagree						*Strongly Agree*	*Do Not Know*
Our major customer shares proprietary information with us.	1	2	3	4	5	6	7	☐

Please select your responses to the following statements on a scale from 1 to 7, where 1 is Not at All and 7 is To a Very Great Extent by circling the appropriate number. Check the 'Do Not Have' box if you do not have the technology.

To what extent does your company collaborate with your major customer in using information technology (hardware and software) to:	*Not at All*						*Very Great Extent*	*Do Not Have*
Store data	1	2	3	4	5	6	7	☐
Analyze data	1	2	3	4	5	6	7	☐
Communicate Information	1	2	3	4	5	6	7	☐

SECTION V. ***Thinking about the same major customer as you did for section I of this questionnaire, please select your responses to the following question on a scale from 1 to 7, where 1 is Not at all and 7 is To an extreme extent by circling the appropriate number.***

In our major customer's business unit ---

	Not at all						*To an extreme extent*	*Do Not Know*
Its salespeople regularly share information within its business concerning competitors' strategies.	1	2	3	4	5	6	7	☐
Its business objectives are driven primarily by customer satisfaction.	1	2	3	4	5	6	7	☐
It rapidly responds to competitive actions that threaten them.	1	2	3	4	5	6	7	☐

	Not at all					To an extreme extent		Do Not Know
It constantly monitors its level of commitment and orientation to serving customer's needs.	1	2	3	4	5	6	7	☐
Its top managers from every function regularly visit its current and prospective customers.	1	2	3	4	5	6	7	☐
It freely communicates information about its successful and unsuccessful customer experiences across all business functions.	1	2	3	4	5	6	7	☐
All of its business functions (e.g. marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of its target markets.	1	2	3	4	5	6	7	☐
Its strategy for competitive advantage is based on its understanding of customer's needs.	1	2	3	4	5	6	7	☐
It gives close attention to after-sales service.	1	2	3	4	5	6	7	☐
Its top management regularly discusses competitors' strengths and strategies.	1	2	3	4	5	6	7	☐
Its business strategies are often driven by its beliefs about how they can create greater value for customers.	1	2	3	4	5	6	7	☐
It measures customer satisfaction systematically and frequently.	1	2	3	4	5	6	7	☐
All of its managers understand how everyone in its business can contribute to creating customer value.	1	2	3	4	5	6	7	☐
It targets customers where it has an opportunity for competitive advantage.	1	2	3	4	5	6	7	☐
It shares resources with other business units.	1	2	3	4	5	6	7	☐

SECTION VI. ***Please answer the following questions about your company and yourself. This is the last section.***

How many years has your company been in business? (Leave blank if you don't know) __________ Years.

How many people does your company employ? (Leave blank if you don't know) __________ people.

In which department/unit and physical location are you located in the company? ____________________

How many people are in your department/unit? (Leave blank if you don't know) __________ people.

To help us organize the data we collect, please write your current job title in the space below.

Your Job Title ____________________

Your company will be receiving a customized summary of the results of this survey. To enable us aggregate the responses from your company, please write the name of your company in the space below.

Your Company Name ____________________

Please provide a brief description of the nature of your company's primary business in the space below (e.g., printing and publishing).

Nature of Primary Business ____________________

What is ***your*** gender? ______ Male ______ Female

What is ***your*** age group? ***(Please put an X beside the appropriate category.)***

1) 25 or below	______	4) 46 – 55	______
2) 26 – 35	______	5) 56 – 65	______
3) 36 – 45	______	6) over 65	______

Thank you for your participation in this survey.

Appendix D: Reminder Letter

September 30, 2005

Name
Address
City, Province
Postal code

Dear Respondent,

Your company was selected towards our research project and for this purpose a questionnaire was mailed to you about a week ago. This letter refers to that purpose. If you have already completed the questionnaire and returned it, we thank you for your time and appreciate it very much. If you haven't done so, we kindly request you to fill out the questionnaire and return it to us in the postage paid, self-addressed envelope. This would help us immensely in terms of data analyzing and get the project moving ahead.

We once again thank you for your valuable time spent on completing this questionnaire.

Sincerely,

Sukitha Abeysekera
M.Sc. Candidate

Dr. Edward Bruning
Professor of
Marketing