

Helsinki University of Technology  
Department of Industrial Engineering and Management  
Doctoral Dissertation Series 2009/2  
Espoo 2009

**AN EMPIRICAL STUDY OF  
IMPORTANT FACTORS OF VALUE-ADDED-RESELLER  
RELATIONSHIP IN HIGH-TECHNOLOGY SALES MANAGEMENT:  
A DUAL PERSPECTIVE**

Shuanghong Jenny Niu

Dissertation for the degree of Doctor of Science in Technology to be presented with due permission of the Department of Industrial Engineering and Management for public examination and debate in Auditorium TU2 at Helsinki University of Technology (Espoo, Finland) on the 24<sup>th</sup> of April, 2009, at 12.00 noon.

Helsinki University of Technology  
Department of Industrial Engineering and Management  
P.O. Box 5500  
FIN-02015 TKK, Finland  
Tel. +358 9 451 2846  
Fax. +358 9 451 3665  
Internet : <http://tuta.tkk.fi/fi/>

© Shuanghong Jenny Niu

ISBN 978-951-22-9825-9 (print)  
ISBN 978-951-22-9826-6 (electronic)

ISSN 1797-2507 (print)  
ISSN 1797-2515 (electronic)

URL: <http://lib.tkk.fi/Diss/2009/isbn9789512298266>

All rights reserved. No part of this publication may be reproduced, stored in retrieval systems, or transmitted, in any form or by any means, electronic, mechanical, photocopying, microfilming, recording, or otherwise, without permission in writing from the publisher.

Photo: Croatia. © Shuanghong Jenny Niu

Yliopistopaino  
Helsinki 2009

ABSTRACT OF DOCTORAL DISSERTATION	HELSINKI UNIVERSITY OF TECHNOLOGY P.O. BOX 1000, FI-02015 TKK <a href="http://tuta.tkk.fi/fi/">http://tuta.tkk.fi/fi/</a>		
Author Shuanghong Jenny Niu			
Name of the dissertation An empirical study of important factors of value-added-reseller relationship in high-technology sales management: a dual perspective			
Manuscript submitted	16.09.2008	Manuscript revised	15.02.2009
Date of the defence 24.04.2009			
<input checked="" type="checkbox"/> Monograph		<input type="checkbox"/> Article dissertation (summary + original articles)	
Department	Department of Industrial Engineering and Management		
Field of research	Institute of Strategy and International Business		
Opponent(s)	Prof. Jari Salo		
Supervisor	Prof. Hannele Wallenius		
Instructor	Prof. Petri Parvinen		
Abstract			
<p>The aim of this study is to contribute to the research on relationship management in companies manufacturing high-technology products with regard to their value-added-resellers (VARs). More specifically, this study tries to fill a significant research gap in applying well-established multi-theories to the important factors of VAR relationship management in a defined context from a dual perspective. Even though it has been recognized that relationship management can cause significant implications for the supplier company with its VARs, there is little theory-based, empirical research that extensively studies the important factors in the VAR relationship from a dual perspective.</p> <p>Based on a review of literature covering resource/knowledge-based view, social capital theory and transaction cost economics, an integrated model was developed. This study draws on the existing knowledge from other researchers regarding the important factors in the VAR relationship management, and tries to test the existing knowledge in the defined context and also to discover whether there are new factors and what new factors are. More important it is to find out what the differences are towards the same factor from a supplier's and reseller's perspective. Additionally, the importance of each factor at different stages is also compared and discussed. Eventually the order of importance of the factors is discussed. And finally business implications are given to the sales/channel managers in managing the VAR relationship.</p> <p>Case study is used as the empirical research method. The main data collection methods are: extensive face-to-face interviews; observations during different type of meetings, events, and gatherings; archival documents, as well as the companies' websites. Both qualitative and quantitative data has been collected and analyzed in order to increase the research reliability by providing triangulation data for the results. This dissertation makes important contributions to the literature on VAR relationship management by developing an integrated model based on resources/knowledge-based view, social capital theory and transaction costs of economics. The findings have important implications for the supplier company and its VARs in how to manage their mutual relationship.</p>			
Keywords value-added-resellers, relationship management, dual perspective			
ISBN (printed)	978-951-22-9825-9 (print)	ISSN (printed)	1797-2507 (print)
ISBN (pdf)	978-951-22-9826-6 (electronic)	ISSN (pdf)	1797-2515 (electronic)
Language	English	Number of pages	261p.
Publisher Helsinki University of Technology, Department of Industrial Engineering and Management			
Print distribution Helsinki University of Technology, Department of Industrial Engineering and Management			
<input checked="" type="checkbox"/> The dissertation can be read at <a href="http://lib.tkk.fi/Diss/2009/isbn9789512298266">http://lib.tkk.fi/Diss/2009/isbn9789512298266</a>			

## ACKNOWLEDGEMENTS

The completion of this dissertation provides me with a pleasant opportunity to thank all those who have helped and supported me with the study.

My sincerest thanks are due to my previous Professor, Martti M Kaila, professor emeritus, Department of Industrial Engineering and Management, Helsinki University of Technology. Without his encouragement, I would not have started my doctoral studies. His kindness and wisdom have guided and will always guide me in my studies and my life.

My warmest thanks to my dissertation supervisor, Professor Hannele Wallenius, head of the Department of Industrial Engineering and Management at Helsinki University of Technology. She made a special effort to help me improve my dissertation and patiently checked my revisions during evenings and weekends. I learned a lot from her positive and precise work attitude. Her support and encouragement, as well as many of her courses provided me with enormous help in my doctoral studies and in finalizing the dissertation.

Great thanks to my dissertation instructor, Professor Petri Parvinen, Helsinki School of Economics. His clear guidance provides the foundations for my dissertation. His suggestions were always to the point. He was always there for me, when I needed his guidance. Without his advice and encouragement, this dissertation would not have been completed. His advice and encouragement not only enhanced my research career, but also greatly attributed to my professional growth in many ways.

I would like to give special thanks to Professor Rami Olkkonen and Professor Jaakko Aspara for their fruitful comments and suggestions. The final trimming of the dissertation was constructively influenced by their comments.

I have also benefited from many discussions with other professors: Henrikki Tikkanen, Juha Mattsson, Tomi Laamanen. They continuously provided me with new ideas and encouraged me to think in my own way.

Throughout the research process, I have received generous help from my workplace. I am grateful to my superiors and many colleagues who have given their strong support for my

doctoral dissertation, even though their own work is demanding and busy. Many people at value-added-reseller companies deserve my warmest thanks for generously providing research data for this study. Their support in the finalising of this thesis has been indispensable.

With great gratitude, I would like to thank my family: my husband, Xisheng Cong, and my two lovely daughters: An Cong and Lu Cong, for their love and support. They have been very understanding and supportive of my doctoral studies. They have always shown their understanding and support during many weekends and many late nights that I had to be away from home during my studies. I would like to thank my parents, my sisters, other relatives, and all my friends. They, too, have been sympathetic and supportive.

Finally, I want to thank for the support granted by the supplier company and Helsinki University of Technology. Without their support, I would not have been able to complete this study.

## TABLE OF CONTENTS

1	INTRODUCTION.....	1
1.1	Background.....	1
1.2	Concepts.....	2
1.2.1	Relationship Marketing.....	2
1.2.2	Business-to-Business Marketing.....	4
1.2.3	Value-added-reseller (VAR).....	6
1.2.4	Channel Management.....	11
1.3	Existing Research Findings of VAR Relationship Management.....	15
1.3.1	Findings.....	15
1.3.2	Research Gaps.....	21
1.4	Research Problem and Research Questions.....	22
1.5	Research Objectives.....	23
1.6	Research Approaches and Methods.....	24
1.7	Scope and Limitation of the Dissertation.....	25
1.8	Structure of the Dissertation.....	26
2	THEORETICAL BACKGROUND.....	28
2.1	Relevant Theoretical Approaches.....	28
2.1.1	Distribution Channel Research and Inter-organizational Relationship.....	28
2.1.2	Resource and Resource-Based View.....	30
2.1.3	Knowledge, Knowledge-Based View; Competence/Capability.....	33
2.1.4	Transaction Cost Economics.....	37
2.1.5	Social Capital Theory.....	38
2.2	Research Framework with Applied Multi-theories.....	39
3	RESEARCH APPROACH AND PROPOSITIONS.....	44
3.1	Research Approach and Propositions Based on Resource-based View.....	44
3.2	Research Approach and Propositions Based on Knowledge-based View.....	48
3.3	Research Approach and Propositions Based on Transaction Cost Economics.....	50
3.4	Research Approach and Propositions Based on Social Capital Theory.....	52
3.5	Summary of the Propositions.....	56
4	RESEARCH DESIGN.....	62
4.1	Research Methods.....	62
4.2	Population and Sample Selection.....	67
4.3	Questionnaire Designing.....	69
4.3.1	First Version of Questionnaire.....	70
4.3.1	Second Version of Questionnaire.....	71
4.3.3	Final Version of Questionnaire.....	71
4.3.4	Modified Propositions.....	72
4.4	Data collecting process.....	73
4.5	Reliability and Validity Analysis.....	76
4.5.1	Reliability.....	77
4.5.2	Construct Validity.....	78
4.5.3	Internal Validity.....	79
4.5.4	External Validity.....	80
5	RESEARCH RESULTS.....	81
5.1	Descriptive Analysis.....	81
5.1.1	Descriptive Analysis of the Supplier Company.....	81
5.1.2	Descriptive Analysis of the VAR Companies.....	85
5.2	Data Analysis Approach with Qualitative and Quantitative Data.....	87
5.3	Data Analysis on the Resource - and the Knowledge-Based View Propositions.....	89

5.3.1	Mutual Dependence/Mutual Business Needs .....	89
5.3.2	Shared Goals and Objectives .....	96
5.3.3	Investment of Effort by Top Management .....	102
5.3.4	End-customer Satisfaction .....	109
5.3.5	Open Communication .....	115
5.4	Data Analysis on Transaction Cost Economics Propositions .....	120
5.4.1	Concern for the Other Party's Profitability .....	120
5.5	Data Analysis on Social Capital Theory Propositions .....	126
5.5.1	Continuous Improvement over Time .....	126
5.5.2	Trust .....	132
5.5.2	Having Professional Respect .....	137
5.5.3	Developing a Personal Relationship .....	143
5.6	Additional findings during the Study .....	151
5.7	Summary of the Results .....	153
5.7.1	Comparison of the Importance of Factors from a Dual Perspective .....	153
5.7.2	Comparison of the Importance of Factors at the Beginning Stage vs. in the Later Stages .....	162
5.7.3	The Order of Importance among the Factors .....	167
5.7.4	Summary of the Results .....	176
6	DISCUSSION AND CONCLUSIONS .....	179
6.1	Discussion of the Results .....	179
6.1.1	The Important Factors Based on the Resource-based View .....	180
6.1.2	The Important Factors Based on the Knowledge-based View and Competence/Capability in an Organization .....	183
6.1.3	The Important Factors Based on Transaction Cost Economics .....	184
6.1.4	The Important Factors Based on the Social Capital Theory .....	185
6.1.5	Integrated Framework of Factors Based on the Multi-Theory Approach .....	187
6.1.6	Research Questions Related to Propositions .....	188
6.2	Theoretical and Empirical Contributions of this Dissertation .....	191
6.2.1	Contributions to the Literature on VAR Relationship Management .....	191
6.2.2	Contributions to the Literature on Relationship Marketing with Multi-theoretical Approach .....	193
6.3	Managerial Implications .....	194
6.3.1	Implications for the Supplier Company .....	195
6.3.2	Implications for Value-Added-Resellers .....	200
6.4	Limitations of the Study and Directions for Future Research .....	201
6.4.1	Limitations of the Study .....	201
6.4.2	Directions for Future Research .....	203
	REFERENCES .....	206
	APPENDIX 1: INTERVIEW GUIDE .....	227
	APPENDIX 2: QUESTIONNAIRE (VERSION 1) .....	229
	APPENDIX 3: QUESTIONNAIRE (VERSION 2) .....	235
	APPENDIX 4: QUESTIONNAIRE (FINAL VERSION) .....	241
	APPENDIX 5: QUANTITATIVE DATA FROM INTERVIEWS .....	247

## LIST of FIGURES

- Figure 1-1 A Framework for Relationship Development
- Figure 1-2 Two Different Perspectives
- Figure 1-3 Business Channel Management
- Figure 1-4 Different Types of Value-Added-Resellers
- Figure 1-5 Business Channel Management
- Figure 1-6 Marketplace Equity Is a Joint Result
- Figure 1-7 From Selling Process to Integrated Value Creation Process
- Figure 1-8 A Conceptual Model for Building Relationships between Manufactures Reps and their Principals
- Figure 1-9 Structure of the Study
- Figure 2-1 Demand Defines Internal Structure of a Competence
- Figure 2-2 Competence Categorization
- Figure 2-3 Research Framework in this Study
- Figure 3-1 Model of Resource-based View Factors Applied in the VAR Relationship Management
- Figure 3-2 Model of Knowledge-based View Factors Applied in the VAR Relationship Management
- Figure 3-3 Model of Transaction Costs Economics Factors Applied in the VAR Relationship Management
- Figure 3-4 Model of Social Capital Theory Factors Applied in the VAR Relationship Management
- Figure 5-1 Different Types of VARs The Supplier Company has in First Half of Year 2008
- Figure 5-2 Data Analysis Approach with Qualitative and Quantitative Data
- Figure 5-3 Comparison of VARs vs. Supplier at the Beginning Stage with Quantitative Data of Opinion on Importance
- Figure 5-4 Comparison of VARs vs. Supplier at the Beginning Stage with Quantitative Data of Order of Importance
- Figure 5-5 Comparison of VARs vs. Supplier in the Later Stages with Quantitative Data of Opinion on Importance
- Figure 5-6 Comparison of VARs vs. Supplier in the Later Stages with Quantitative Data of Order of Importance
- Figure 5-7 Comparison of Beginning Stage vs. Later Stages with Quantitative Data of Opinion on Importance
- Figure 5-8 Comparison of Beginning Stage vs. Later Stages with Quantitative Data of Order of Importance
- Figure 5-9 Quantitative data of Opinion on Importance at the Beginning Stage
- Figure 5-10 Quantitative data of Order of Importance at the Beginning Stage
- Figure 5-11 Quantitative data of Opinion on Importance in the Later Stages
- Figure 5-12 Quantitative data of Order of Importance in the Later Stages
- Figure 6-1 Important Factors Based on Resource-based View
- Figure 6-2 Important Factors Based on Knowledge-based View and Competence/capability in an Organization
- Figure 6-3 Important Factors Based on Transaction Cost Economics
- Figure 6-4 Important Factors Based on Social Capital Theory



- Figure 6-5 Integrated Framework of Factors Based on Multi-Theory Approaches
- Figure 6-6 Research Questions Related to Propositions
- Figure 6-7 Managerial Implications for the Supplier in Establishing the VAR Relationship
- Figure 6-8 Managerial Implications for the Supplier in Managing the VAR Relationship

## LIST OF TABLES

Table 1-1	A List of Most Relevant Empirical Studies in VAR Relationship Management
Table 1-2	Difference in this Study Compared to other Studies
Table 1-3	Research Questions
Table 2-1	Theories Applied in VAR Relationship Management
Table 3-1	Summary of the Propositions
Table 4-1	Case Selection (Single-case vs. Multiple-case)
Table 4-2	Primary and Secondary Data Collection Methods
Table 4-3	Data Sources
Table 4-4	Case Study Tactics for Four Design Tests
Table 5-1	The Supplier Company's VAR Sales Channel Development over Time
Table 5-2	Geographic Locations of the Interviewed VAR Companies
Table 5-3	Type of the Interviewed VAR Companies
Table 5-4	Number of Employees in the Interviewed VAR Companies
Table 5-5	Revenues of the Interviewed VAR Companies
Table 5-6	Research Data for Mutual Business Needs from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-7	Research Data for Mutual Business Needs from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-8	Research Data for Mutual Business Needs from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-9	Research Data for Mutual Business Needs from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-10	Research Data for Shared Goals and Objectives from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-11	Research Data for Shared Goals and Objectives from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-12	Research Data for Shared Goals and Objectives from the Supplier Company's Perspective and at the Beginning Stage of the VAR Relationship
Table 5-13	Research Data for Shared Goals and Objectives from the Supplier Company's Perspective and in the Later Stages of the VAR Relationship
Table 5-14	Research Data for Investment of Effort by Top Management from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-15	Research Data for Investment of Effort by Top Management from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-16	Research Data for Investment of Effort by Top Management from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-17	Research Data for Investment of Effort by Top Management from the Supplier Company's perspective in the Later Stages of the VAR Relationship

Table 5-18	Research Data for End-customer Satisfaction from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-19	Research Data for End-customer Satisfaction from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-20	Research Data for End-customer Satisfaction from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-21	Research Data for End-customer Satisfaction from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-22	Research Data for Open Communication from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-23	Research Data for Open Communication from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-24	Research Data for Open Communication from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-25	Research Data for Open Communication from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-26	Research Data for Concern for the Other Party's Profitability from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-27	Research Data for Concern for the Other Party's Profitability from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-28	Research Data for Concern for the Other Party's Profitability from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-29	Research Data for Concern for the Other Party's Profitability from the Supplier Company's perspective in the Later Stages of the VAR Relationship
Table 5-30	Research Data for Continuous Improvement over Time from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-31	Research Data for Continuous Improvement over Time from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-32	Research Data for Continuous Improvement over Time from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-33	Research Data for Continuous Improvement over Time from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-34	Research Data for Trust from VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-35	Research Data for Trust from VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-36	Research Data for Trust from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-37	Research Data for Trust from the Supplier Company's Perspective in the Later Stages of the VAR Relationship

Table 5-38	Research Data for Having Professional Respects from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-39	Research Data for Having Professional Respects from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-40	Research Data for Having Professional Respects from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-41	Research Data for Having Professional Respects from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-42	Research Data for Developing a Personal Relationship from the VARs' Perspective at the Beginning Stage of the VAR Relationship
Table 5-43	Research Data for Developing a Personal Relationship from the VARs' Perspective in the Later Stages of the VAR Relationship
Table 5-44	Research Data for Developing a Personal Relationship from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship
Table 5-45	Research Data for Developing a Personal Relationship from the Supplier Company's Perspective in the Later Stages of the VAR Relationship
Table 5-46	The Most Important Factors from the VARs' Perspective
Table 5-47	The Most Important Factors from the Supplier Company's Perspective
Table 5-48	Order of Importance from a Dual Perspective at Different Stages
Table 5-49	Summary of the Results

# 1 INTRODUCTION

## 1.1 Background

Marketplace trends have underscored the need for a better understanding of working partnerships between manufacturer firms and distributors (Arthur Andersen & Co. 1987). A move in industrial markets to collaborative partnerships focused on building long-term relationships has been documented in business publications since the late 1980s (Davis 1989; Emshwiller 1991). Among the benefits advanced by such relationships are reduced transaction costs, enhanced productivity, and higher economic returns for customers and suppliers (Kalwani & Narayandas 1995; Noordewier *et al.* 1990).

Global competition and maturing domestic markets are creating increasingly competitive conditions for channel partners. Competitive pressures encourage suppliers to decrease their investments in traditional channels, find alternative or dual channels of distribution, and require distributors to increase their channel investments (Arthur Andersen & Co. 1995; Frazier & Antia 1995). Benefits of strategic flexibility, more complete customer solutions, expanded account coverage and new market opportunities can be realised (Puri 1992). Firms with limited resources, such as a small sales force, limited local knowledge, and a lack of end-customer relationship, must utilise the Value-Added-Reseller (VAR) in order to maximise sales volume and profitability. Even though this involves sharing part of the profits with its sales partners, there are clear advantages for the manufacturer firms using Value-Added-Reseller (VAR) as indirect sales channel.

Through constant learning many companies develop advanced skills in managing their external sales force in order to achieve the best sales results (Arthur Andersen & Co. 1995). The distribution channel literature can be divided into design and management subject areas. Channel design research (Williamson 1985) examines the organization of the distribution channel system and the rationale for having intermediaries such as value-added-resellers, agents, distributors, and retailers. In contrast, channel management research (Gaski 1984; Frazier & Rody 1991) examines how channel systems can be managed once they are in place. Most of the researches pertain to how manufacturers and distributors use their power base

(Gaski 1984) to influence the achievement of their business objectives (Frazier & Rody 1991).

In the academic literature, relationship marketing has been characterized as a fundamental reshaping of the marketing field (Webster 1992). Extensive researches and studies have been made in this area. Partner relationship management is a part of customer relationship management. There have been a few partner relationship management (PRM) studies (Anderson & Narus 1990; Anderson & Narus 1991; Biong *et al.* 1997). However among the existing studies, there is the lacking of an integrated theoretical applied framework regarding the important factors in Value-Added-Reseller (VAR) relationship management, especially from a dual perspective.

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

## **1.2 Concepts**

In this section, the key concepts are presented and explained. Those concepts are: Relationship Marketing (RM), Business-to-Business Marketing, Value-Added-Reseller (VAR), and Channel Management.

### ***1.2.1 Relationship Marketing***

Relationship marketing emerged as a popular new paradigm in the 1980s due to the shift in focus from customer acquisition to customer retention (Sheth 2002). It was Lenard Berry who first introduced Relationship Marketing (RM) in service marketing as early as 1983 (Berry

1983). In recent years, relationship marketing has created a major shift in marketing theory and practice (Gummesson 1994; Kotler 2000; Morgan & Hunt 1994) with numerous articles and special journal issues dedicated to relationship marketing research (Grönroos 1996; Gummesson 1994; Jackson 1985). Relationship marketing becomes more and more important in today's business environment. In order to understand relationship marketing we need first to understand the transactional exchange and the relational exchange. A transactional exchange involves a single, short time exchange with a distinct beginning and ending (Gundlach & Murphy 1993; Bagozzi 1979). In contrast, a relational exchange involves multiple linked exchanges extending over time and usually involves both economic and social bonds (Wilson & Jantrannia 1994). The definition of relationship marketing (RM) is given by different researchers. The definitions have illustrated the basics of the relationship marketing. Relationship marketing (RM) has been defined by Grönroos (2000) as the process of identifying, establishing, maintaining, enhancing and, when necessary, terminating relationships with customers and other stakeholders, at a profit, so that the objectives of the parties involved are met through the mutual giving and fulfilment of promises.

Grönroos (1991) compares only transactional and relational marketing; Webster (1992) delineates the concept of relationship marketing into different forms of relational exchange. In contrast with Grönroos's (1991) and Webster's (1992) work, Coviello *et al.* (1997) developed a framework which views transactional and relational marketing together rather than separate mutually exclusive paradigms. They (Coviello *et al.* 1997) suggested that marketing is characterized by multiple complex processes manifested in four different aspects of marketing practices: (1) transaction marketing: managing the marketing mix to attract and satisfy customers; (2) database marketing: using technology-based tools to target and retain customers; (3) interaction marketing: developing interpersonal relationships to create cooperative interaction between buyers and sellers for mutual benefits; and (4) network marketing: developing inter-firm relationships to allow for coordination of activities among multiple parties for mutual benefits, resource exchanges, and so forth. Further on, Harker (1999) identified as many as seven conceptual categories by studying 26 definitions in relationship marketing literature. They are: creation, development, maintenance, interactive, long-term, emotional content and output (Harker 1999). After viewing these definitions, he developed a new definition that emphasises the management of many relationships: relationship marketing occurs when an organization becomes engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected

customers or partners over time (Harker 1999). This definition is very comprehensive and includes all the aspects. The word “partners” also implies that relationship marketing is not only for customers, but also applies to other stakeholders, such as Value-Added-Resellers (VARs) which are well suited in this study.

In relationship marketing, the focus shifts from products and firms as units of analysis to people, organisations, and the social processes that bind actors together in ongoing relationship (Webster 1992). In the process of relationship marketing, there are not only tangible products, but also intangible aspects, such as information, trust, and personal issues which are also involved. Relationship marketing is marketing seen as relationships, networks, and interactions (Gummesson 1999). In this study, the relationship marketing perspective provides the basis for the study of VAR relationship management in building and enhancing the relationship between the supplier company and its VARs. Management of the business relationship is a key competitive factor and the goal of relationship development has been defined as the ability to attract, maintain and enhance new relations (Berry 1983).

### ***1.2.2 Business-to-Business Marketing***

Business-to-Business (B2B) marketing is different from Business-to-Consumer (B2C) marketing. B2B markets consist of business networks. The business networks are rather complex coalitions of business relationships where different counterparts of individual relationships and networks actively communicate with each other (Gummesson 2000). Each business network is unique. These are the results of two factors: the uniqueness of each individual relationship and the unique combination of a number of relationships in each network (Cunningham & Culligan 1988).

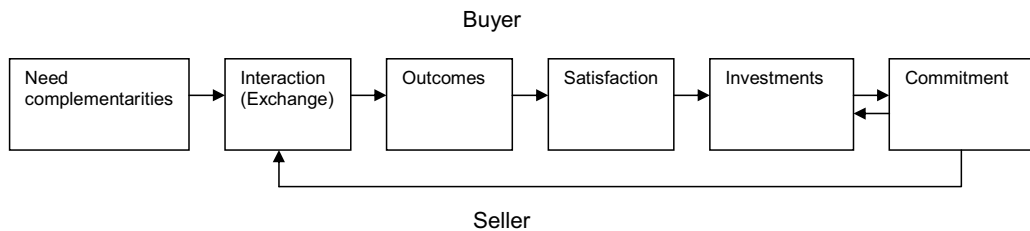
There are three main characteristics of business market that differ from consumer market. The main characteristics in business market are (Kotler 2000; Kotler & Armstrong 2001): (1) *Market structure and demand*: There are a smaller number of buying companies, more money is generated from these buyer-seller relationships, and the business market is also more geographically concentrated; (2) *Nature of the buying unit of an organisation*: The nature of buying unit of an organisation is that of professional purchasing. It involves more decision makers and more professional purchasing behaviour. The purchasing decision is rather



complex, which involves a large amount of money, technical issues, and interaction among several people both in buying and selling companies; (3) *Types of decisions and decision processes*: These are more complicated and more formalised and are based also on long-term relationships.

Business-To-Business (B2B) marketing is not a onetime action. It is characterised by many interactions. In addition, it is interaction between numerous people representing each of these counterparts (Ford *et al.* 1998). Business relationships develop over time as a result of interaction (Hallen *et al.* 1987). Business relationships evolve over time. The way in which the relationships are developed is a key factor in the business success of a company and must be seen as a central managerial task. Each relationship differs from others in respect to the degree of learning, investment, adaptation, trust and commitment and distance between the counterparts (Ford *et al.* 1998).

A framework for relationship development is illustrated in the following diagram:



**Figure 1-1** A framework for Relationship Development

**Resource:** Wilson & Mummalaneni 1990

By partnering with the distributors, similar control and effectiveness in distribution channels can be achieved without making the company structure too heavy or inflexible (Porter 1980). Recently popular managerial thoughts in organisational managements are: quality ideologies; process management; lean thinking & outsourcing; teamwork and employee empowerment; core competencies and knowledge management; relationship and network approach to marketing (Tikkanen 2004). Here I would like to just focus on a couple of the above-mentioned points to reflect the ideas behind this study. In the past ten years, more and more companies have been using the strategy of “lean thinking & outsourcing”. One reason for the strategic change is that many companies increasingly use Value-Added-Resellers (VAR).

When products become more standardised and there are no big differences in the product quality and functionality, relationship marketing becomes extremely important. Selling is not only about product/service and transaction; it involves people in every step of the selling process. Therefore, people play a key role in the whole process. How to manage the relationship becomes extremely important in the business environment nowadays.

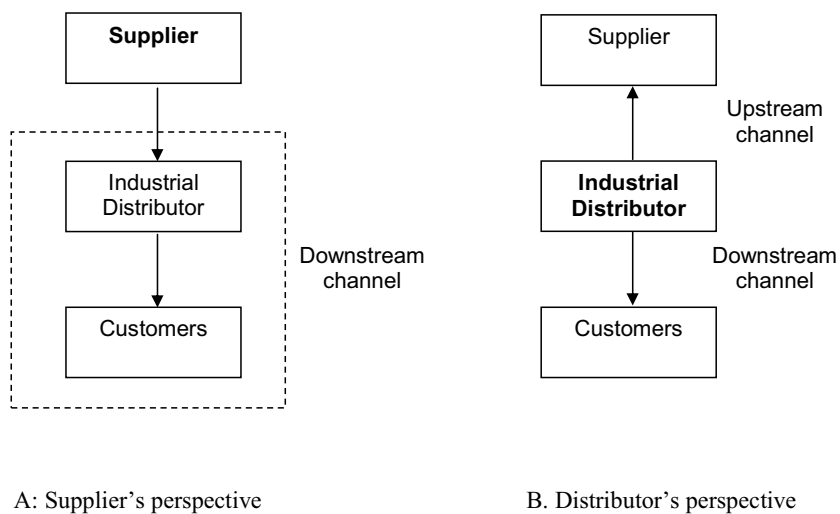
### ***1.2.3 Value-added-reseller (VAR)***

In the increasing competitive environment, with cost containment pressure and better customer services requests, manufacturers are learning that initiating, building, and maintaining successful relationships with current and new industrial distributors is essential in order to succeed in industrial markets (Palmer 1997; Rao & Perry 2002; Walter & Gemunden 2000). Partnering with resellers has taken an ever-increasing role of importance in the business-to-business marketing arena, and a number of producers of goods and services have chosen to outsource many activities of the sales function to resellers who have the market knowledge, sales expertise, or distribution network to bring the product to market more effectively and efficiently than the producer can do alone (McQuiston 2001).

In comparison with company owned distribution, use of distributors offers the advantage of lower capital investment and greater flexibility (Corey *et al.* 1989; Day & Klein 1988). Companies are realizing that supplier-reseller partnership may add value by improving both revenues and profits. Revenues may be accelerated as resellers extend a supplier's market reach to sell more products and to provide more service. Profits may be enhanced through overlaying the supplier-reseller interface with new cost and efficiency solutions (Weber 2001). And the broad benefits distributors expect from suppliers are financial and competitive differentiation benefits (Ghosh *et al.* 2004). The reason why channel management is a challenge stems largely from the fact that distributors are independent businesses with multiple suppliers and products. Therefore, distributors may have business objectives that differ from those of any individual supplier (Eliashberg & Donald 1984).

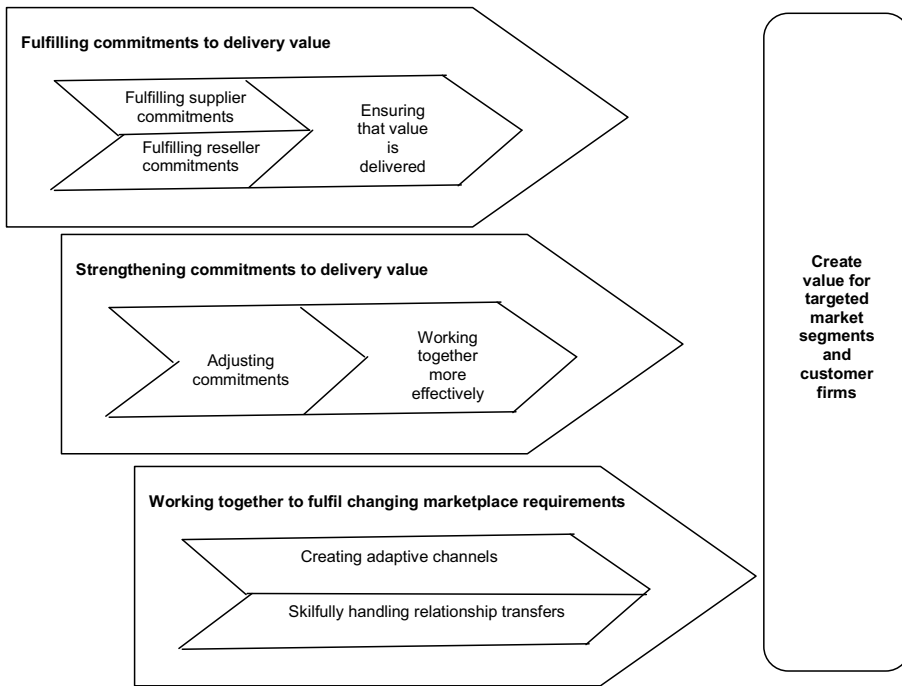
In an indirect marketing channel, a supplier and its resellers use their respective resources to work together to deliver superior value to jointly targeted market segments and customer firms (Anderson & Narus 1999). Of the environmental sectors surrounding a distributor-

supplier dyad, customers are the critical elements in the distribution system, and satisfying the needs of customers is the primary reason for a distribution system to exist (Kim 2001). Suppliers of industrial products, which are large-scale manufacturers with national and often global business operations, regard industrial distributors as part of the downstream channel system through which customer needs are fulfilled. Industrial distributors are likely to treat suppliers and customers as two separate entities, one in the upstream channel and the other in the downstream channel (Kim 2001). Please see the different perspectives in Figure 1-2.



**Figure 1-2 Two Different Perspectives**  
**Resource: Kim 2001**

A reseller partnership refers to “the extent to which there is mutual recognition and understanding that the success of each firm depends on the other firm, with each firm consequently taking actions so as to provide a coordinated effort focused on jointly satisfying the requirements of the customer marketplace (Anderson & Narus 1990). Thus, sustaining reseller partnerships is the process of (1) a supplier and its resellers fulfilling commitments they have made to deliver value to the customer firms, (2) strengthening this delivered value, and (3) working progressively together to continue to fulfil changing marketplace requirements (Anderson & Narus 1999). This is illustrated in the figure 1-3.



**Figure 1-3 Business Channel Management**  
**Source: Anderson & Narus 1999**

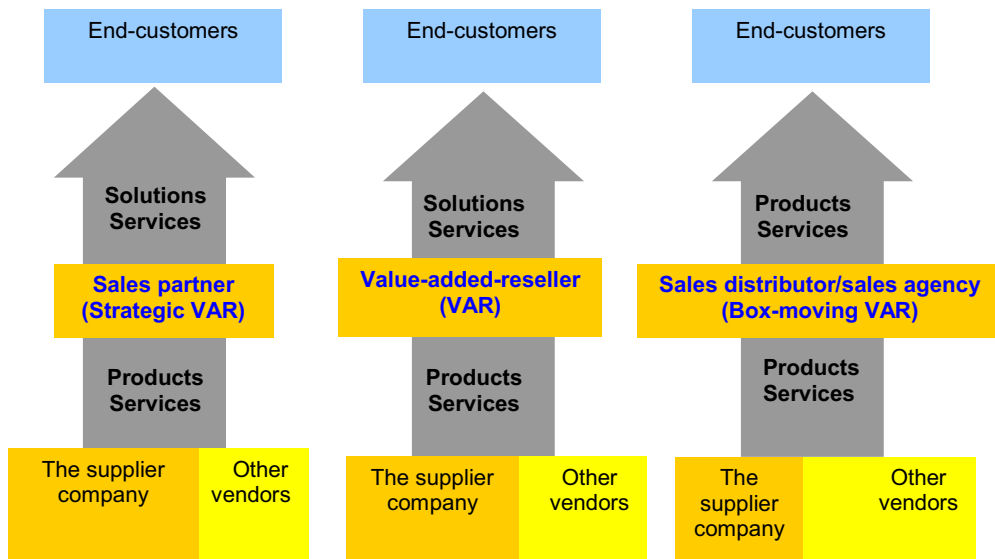
In order to give a definition for Value-Added-Resellers (VARs), a necessary step is to understand what kind of role the VARs play. There have been different terms to describe the Value-Added-Reseller (VAR). The most often used terms are value-added-reseller, sales partner, external sales channel, indirect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

A value-added-reseller (VAR) is a company that adds some feature(s) to an existing product(s), resells it (usually to end-users) as an integrated product or complete "turn-key" solution. This value can come from professional services such as integrating, customizing, consulting, training and implementation. The value can also be added by developing a specific application for the product design for the customer's needs which is then resold as a new package (Wikipedia 2008). If the VARs become strategically important to the supplier

company, the top-performance VARs are regarded as sales partners which have strong influence in the supplier company, e.g. in product development and also enjoy more benefits from the supplier company. If the VARs only provide the basic product/service to the end-customer as a box mover, they can be regarded as sales distributor or sales agency. Anderson and Narus (1986) defined a VAR as “a firm that resells products and provides attendant services to other firms for use in the production of those firms’ goods and/or services. For the sake of simplicity and consistency, in this study the supplier company is defined as the company which produces the core product(s)/ service (s) of a marketplace offering. A VAR here is defined as a firm who takes the core product(s)/service(s) from manufacturers, and adds values to it (them), then offers the completed products/services enhanced towards end-customers.

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

According to Rosenberg (1995), value-added-resellers (VARs) purchase goods from a primary producer and add value through product assembly, modification and/or customization. A VAR should contribute positively to the firm’s competitive strategy by performing some activity or process in a way which is better than competitors and, as such providing some uniqueness or advantage (Kotler 1997). Kotler (1997) points out that the task of a value-added-reseller is to produce value added activities and earn a price premium in the process. There are two main reasons for firms to have chosen to outsource certain aspects of their sales function (usually to smaller accounts in more fragmented markets) to VARs: (1) it allows the direct sales force to concentrate on the larger accounts, and (2) VARs more often have a much more intimate knowledge of these markets and can penetrate them much more successfully than can a direct sales person (McQuiston 2001). The decision ultimately depends on a combination of what the customer needs and what the company has the resources and skills to do. The advantages and disadvantages are summarized below based on one company’s internal training material (Brown 1999). The following diagram illustrates the different types of VARs.



**Figure 1-4 Different Types of Value-Added-Resellers**

The main advantages of using VARs (value added resellers) are derived from the core economics of supply chain management, for example, market coverage, specialization, customer contacts and lower costs. Other advantages relate to processes which facilitate the creation and implementation of effective marketing strategies, for example, marketing knowledge, market segmentation, and/or selling skills. Others are the link to value added activities and logistical support, for example, effective delivery, customer service (pre- and post-purchase), manufacturer services etc (Brown 1999). There are clear business opportunities and benefits for end-customers, VARs and the supplier company. For the end-customers, the business opportunities and benefits are (1) one-stop-shopping; (2) more responsive service level; (3) reduced service and maintenance costs, the VAR company will provide the total service for the whole network; (4) improved cultural & communication links with local VAR, etc. The business opportunities and benefits for VARs are: (1) interesting business; (2) acceptable profit margins; (3) sales opportunities; (4) strong brand name from the supplier company; (5) strong marketing and technical support from the supplier company, etc. The business opportunities and benefits for the supplier company are: (1) addressing certain business segments with reduced selling costs and risks; (2) an established satisfied end-customers; (3) increasing sales in certain business segments (market/customer segments);

(4) value added to the supplier company's product/service by VAR towards the end-customers, etc.

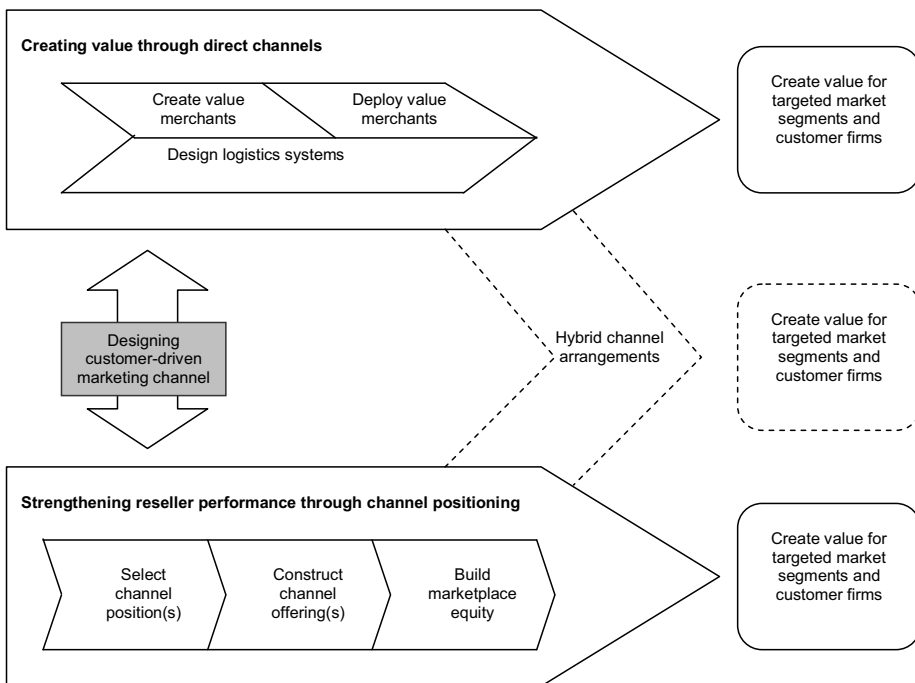
The first disadvantage of using VARs emanates from perhaps the most fundamental issue in organizational behaviour, which is that typically organizations do not like losing control to others i.e. external entities. They fear opportunistic behaviour and the possibility that intermediaries will extract rather than add value. The second point is the middleman's profit. Manufacturers can often view intermediaries as channel parasites rather than marketing assets. This negative outlook underpins many of the additional perceived disadvantages such as: loss of control; loss of customer contact; loss of customer ownership, etc. The fear of poor market management, inadequate communication and that an intermediary's objectives may conflict with theirs can derive from a manufacturer's poor past experiences of using distributors. However, this view of the situation undermines and negates the potential of a more open and constructive role of intermediaries (Brown 1999).

Whatever the arguments are for or against intermediaries, when used effectively, the middleman can add tremendous value and, in the real world, should be selected and managed in a way that maximizes their contribution via exploiting their specialist skills. If the distribution channel audit reveals that intermediaries must be used, it makes sense to employ management principles to create a constructive, positive relationship with the organizations in the chain. This in turn will require an understanding of the behavioural dimensions of distribution channel management.

#### ***1.2.4 Channel Management***

Inter-organizational development process is the expansion phase which is characterized by the continued increase in benefits obtained by the exchange partners and their increasing interdependence (Dwyer *et al.* 1987). They also stress that the critical distinction between the phases is that the rudiments of trust and joint satisfaction have been established (Dwyer *et al.* 1987). The increasing experience of the two partners will reduce the uncertainty and distance between them (Ford 1980). Marketing channel is defined as "sets of interdependent organizations involved in the process of making a product/service available for consumption or use (Stern *et al.* 1996). Business channel management is the process of designing a set of

marketing and distribution arrangements that fulfil the requirements and preferences of targeted market segments and customers, creating value through direct sales force and logistics systems, and constructing offerings for resellers that build market place equity. Suppliers need to strengthen reseller performance through channel positioning. Channel positioning is defined as the process of establishing and sustaining the supplier’s reputation among targeted resellers for providing superior value to its resellers. First, suppliers need to consider the reseller as a partner and to develop a working relationship based upon trust. Second, the supplier must conceive and provide a partnership advantage or superior value (channel offering) to resellers through a distinctive bundle of core products, capability-building programs, and incentives (Anderson & Narus 1999). This is illustrated in Figure 1-5.



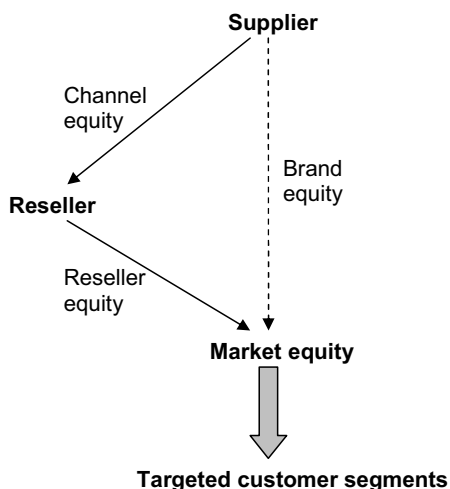
**Figure 1-5 Business Channel Management**

Source: Anderson & Narus 1999

Anderson and Narus (1999) call for suppliers and resellers to work together to strengthen the marketplace equity of targeted customer segments. To build market place equity, supplier and reseller firms must coordinate their effort. First, the supplier firm must continuously improve



its core products/services to ensure that they provide superior value to customers. Second, supplier managers should use channel positioning to encourage resellers to provide complementary value-adding services and to aggressively market the offerings to customers. Simultaneously, the reseller firm contributes to marketplace offerings by diligently serving customer requirements and by forwarding market intelligence concerning changing customer requirements and competitive actions to appropriate supplier managers. This is illustrated in Figure 1-6.

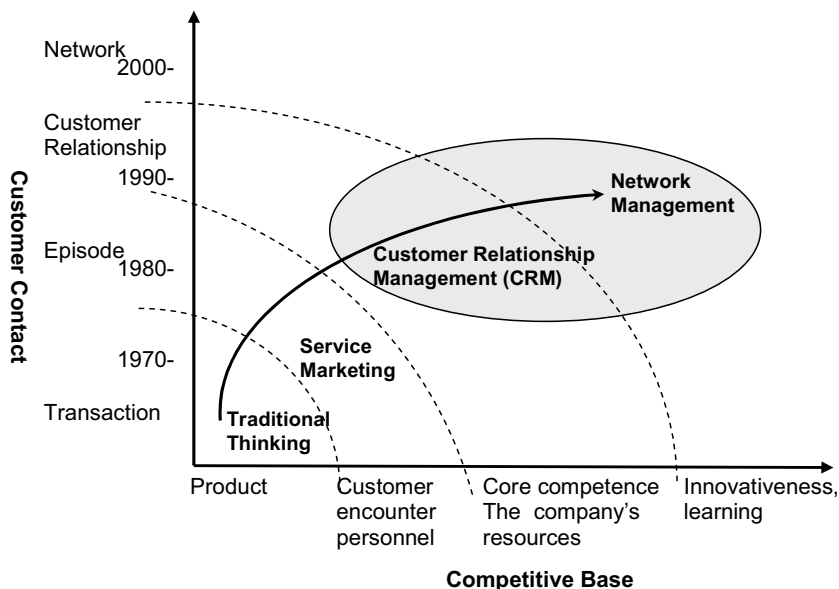


**Figure 1-6 Marketplace Equity Is a Joint Result**

Source: Anderson & Narus 1999

There are two predominant approaches in the study of international distribution channels. The economic approach assumes that the primary goal of a channel structure is to achieve maximum operational efficiency at minimum costs (Coughlan 1985). The alternative approach addresses behavioural interactions between channel members and provides a foundation for the concept of relationship management (Rosson & Ford 1982; Rosenbloom 1990). The behavioural researchers in channels' dyads would enhance the effectiveness of distribution operations and lead to sustainable competitive advantages in the market place (Weitz & Wensley 1988). Today's business environment is no longer the same as before. There is no longer just simple buying and selling especially in the Business-to-Business (B2B) market. Today's market involves not only the products/services and transactions, it

also requires customer relationships and competence. The selling process has been shifting to an integrated value creation process (Strandvik & Holmlund 2000). This is illustrated in the following diagram:



**Figure 1-7 The Development of Marketing Thought**

**Resource: Strandvik & Holmlund 2000**

The starting point of the changes in the selling process is at the customer's value creation process in which process the customer creates value through its business activities. The idea is that both parties try to create values for each other. The competitive advantage is based on the created value not only on the price. Transmitting the supplier's competence is also an important part of the customer's value creation process. Increasingly, companies are handing off non-critical activities or functions so that they can concentrate on enhancing their competitive position (Anderson *et al.* 1997). Along with rationalizing their activities, firms are exploring new relationships and alliances. The resulting value-adding partnerships are like confederations of specialists. They are flexible, specialized, and emphasize inter-firm relationships, with a pooling of complementary skills and resources to achieve shared goals (Achrol 1991 and Webster 1992).

### **1.3 Existing Research Findings of VAR Relationship Management**

The relevant empirical research findings of the important factors in VAR relationship management is presented and discussed in this section. Those research findings provide the starting point for further investigation of the important factors from a dual perspective at different stages in a defined context, which is – VAR relationship management in companies making high-technology products with regard to their VARs. Further on, the research gaps are identified.

#### **1.3.1 Findings**

Increasing global competition and rapidly maturing domestic markets are forcing firms to undertake strategic realignments in business market settings (Detrouzos *et al.* 1989). Nowadays products do not provide as much differentiation as they used to. Prices are getting more and more difficult to use as a source of advantage. Companies are focusing on improving the business process with reduced costs. Many companies have researched parity in terms of cost reduction and efficiency. There are a handful of companies who have completely dominated their markets by using sales channels creatively to grow faster, drive down their selling costs, and establish a larger base of satisfied, loyal customers. Those companies have a powerful advantage in their markets, one that is often difficult for competitors to copy or emulate (Friedman & Furey 1999). Firms develop long-term relationships with channel members by recognizing the fact that it is through distribution that the manufacturer can provide the kinds and levels of service that can create superior value and increase customer satisfaction (Nevin 1995).

More and more firms decide to outsource their sales function, the entire topic of partnering with resellers has taken on greater importance, and an increasing number of firms have turned to the contract sales force to handle the sales function of their products (McQuiston 2001). Channel relationship management literature in both the academic and managerial fields has noticed a shift from firms engaging in the more traditional corporate channel structures governed by the use of power to those relationships that exist between independent firms involving the use of contractual and normative control mechanisms (Nevin 1995). Further on, Frazier (1999) points out that a growing body of literature indicates that many firms have

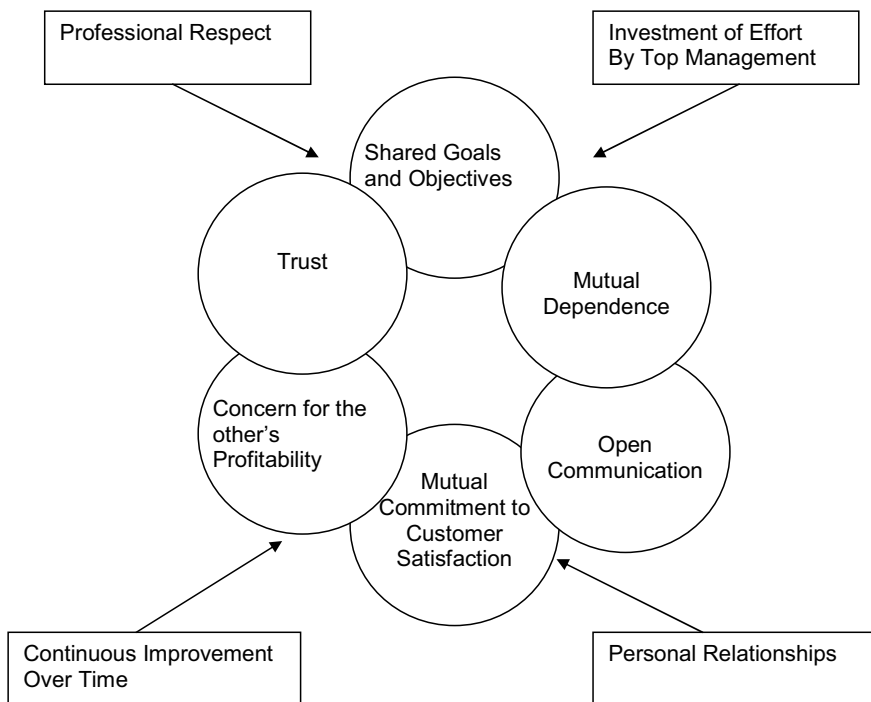
recognized the inefficiencies of vertical integration and an increasing number are outsourcing those activities not related to their core business. Distributors gained power and influence in the 1980s, as they functioned as the manufacturer's sales arm (Hague 1986), and as manufacturers increasingly relied on VARs to transfer to them their knowledge of customer needs and market trends (Paun 1997). Marketing theory has embraced this trend (Dwyer *et al.* 1987; Webster 1992).

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

Ellram and Edis (1996) made a case study of successful supplier partnering implementation from the distributor's perspective. Ellram and Edis (1996) concentrated on what the rationale for partnering was and how to develop the partnership in a distributor company. The main lessons learned from this case study are (Ellram & Edis 1996): (1) Top management support and commitment is needed each step of the way. Management must agree with and commit to the partnering concept, and fully empower the partnering development team - which is particularly critical in relationship development and on-going management; (2) A fully empowered team representing the Value-Added-Resellers' concerns and locations affected should manage the entire relationship development and management process. (3) Excellent communication can not be emphasized enough. This includes communication with the supplier, as well as internal people and all affected parties. (4) Supplier commitment is crucial.

Later on McQuiston (2001) conducted a qualitative study and proposed a conceptual model for building and maintaining effective relationships between VAR and its suppliers. The results of his study indicate that there are six core values in the relationships: (1) *Shared goals and objectives*; (2) *Mutual dependence*; (3) *Open lines of communication*; (4) *Mutual commitment to customer satisfaction*; (5) *Concern for the other's profitability*, and (6) *Trust*. In addition, there are four supporting factors: (1) *Investment of effort by top management*; (2) *Continuous improvement over time*; (3) *Having professional respect*, and (4) *Developing a personal relationship*. Even though McQuiston collected the research data from both the

supplier companies and their representatives, the data was not compared and analyzed from a dual perspective. These six core values and four supporting factors are illustrated in the following diagram.



**Figure 1-8 A Conceptual Model for Building Relationships between Manufactures Reps and their Principals**

**Resource: McQuiston 2001**

Further on Skarmeas and Katsikeas (2001) made a study on the drivers of superior importer performance in cross-cultural supplier-reseller relationships. Their study is also from the reseller's point of view. The main findings from Skarmeas and Katsikeas' (2001) study is that high-performance importers' relationships with overseas suppliers are characterized by higher levels of interdependence, transaction-specific investments, rationalism, and trust, in contrast to those established by less successful importers. Another relevant research study was done by Siguaw *et al.* (2003): Preliminary Evidence on the Composition of Relational Exchange and

Its Outcomes: the Distributor Perspective. Relational exchange is defined as the ongoing behaviours which create and transfer value to an independent channel member, as determined by the interactions and associations of channel partners' personnel (Dwyer *et al.* 1987, Frazier 1999). It is composed of perceptions of customer orientation, perceptions of supplier investment, and perceptions of supplier commitment.

Further, trust leads to commitment. The key findings in Siguaw *et al.* (2003) paper are: (1) For the distributor, highly perceived levels of supplier communication, customer orientation and idiosyncratic investment are crucial components of relational exchange; (2) Further, non-economic satisfaction with the relationship and trust leading to commitment are identified and substantiated as relational exchange outcomes. Here trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman *et al.* 1993), and commitment is defined as "an enduring desire to maintain a valued relationship" (Moorman *et al.* 1992).

Although those previous empirical studies were conducted for reseller's relationship in any kind of industrial background, they have provided a starting point for this dissertation. McQuiston (2001) suggested further research on the logical order of the constructs in the relationship management and determination of whether one or more constructs is more salient than the others, although differing by such factors as industry, national or organizational culture and time pressures. Based on the above discussions and findings, I feel that McQuiston's (2001) study is very close to my study but with different context, and I have decided to conduct further research based on McQuiston's (2001) conceptual model so as to try to not only verify the constructs and discovering of new constructs, but also to identify the order of importance of the constructs. Based on section 1.3.1 in this chapter, most relevant important factors are listed here to be further studied in the defined context and from a dual perspective: (2) *Mutual dependence*; (1) *Shared goals and objectives*; (7) *Investment of effort by top management*; (3) *Open communication*; (4) *End-customer satisfaction*; (5) *Concern for the other party's profitability*, (8) *Continuous improvement over time*; (6) *Trust*; (9) *Having professional respect*; and (10) *Developing a personal relationship*.

Table 1-1 listed the most relevant empirical studies in VAR relationship management, and Table 1-2 presented the difference in this study compared to other studies. Please see the tables in following two pages.

**Table 1-1 A List of Most Relevant Empirical Studies in VAR Relationship Management**

<b>Empirical studies</b>	<b>Research Topic</b>	<b>Industry field under research</b>	<b>Research Method</b>	<b>Perspective</b>	<b>Research on different stages of the relationship</b>
McQuiston 2001	A conceptual model for building and maintaining relationships between manufacturers' representatives and their principals	Sample companies are in the industrial fields of electrical components, industrial lighting, office products, and janitorial supplies in the US. <i>All of the supplier companies interviewed in this study outsourced their sales function. No companies with a combination of direct and contract sales were surveyed.</i>	Qualitative method with in-depth telephone interview, 22 people from supplier companies and 21 people from supplier companies' representatives; average interview time is approximately 20 minutes.	Even though data was collected from both the supplier companies and their representatives, the data from each side was not compared and analyzed separately.	No
Skarneas & Katsikeas 2001	Drivers of superior importer performance in cross-culture supplier-reseller relationships	Importing distributors in the UK trading directly with overseas manufacturers of industrial products	Quantitative method of survey with questionnaire to 177 importer firms	From distributor's perspective	No
Siguaw <i>et al.</i> 1998	Effects of supplier market orientation on distributor market orientation and the channel relationship: the distributor perspective	Firms from the National Association of Wholesalers in the industries of equipment, fluid power, electronics, welding supply and power transmission	Quantitative method with questionnaire survey with 179 respondents	From distributor's perspective	No

**Table 1-1 A List of Most Relevant Empirical Studies in VAR Relationship Management (continued)**

<b>Empirical studies</b>	<b>Research Topic</b>	<b>Industry field under research</b>	<b>Research Method</b>	<b>Perspective</b>	<b>Research on different stages of the relationship</b>
Anderson & Namas 1990	A model of distributor firm and manufacturer firm working in partnerships	Firms from National Association of Wholesaler-Distributors in the US	Quantitative method of survey with questionnaire to 253 distributor firms and 217 manufacturer firms	Dual perspective on the model of working partnerships on the correlations of the constructs.	No
Sigauw <i>et al.</i> 2003	Preliminary evidence on the composition of relational exchange and its outcomes: the distributor perspective	Importing distributors in the UK trading directly with overseas manufactures of industrial products	Quantitative method with questionnaire survey with 453 respondents	From distributor's perspective	No
Ghosh <i>et al.</i> 2004	Understanding industrial distributors' expectations of benefits from relationships with suppliers	Membership companies listed in the US Industrial Distribution Association	Quantitative method with questionnaire surveys with 205 respondents	From distributor's perspective	Only at the beginning stage.

**Table 1-2 Difference in this Study Compared to other Studies**

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



### ***1.3.2 Research Gaps***

This study is different in many ways from previous research in VAR relationship management. This study tries to identify the research gaps and to fill those gaps. The differences in this study compared to other studies are listed in table 1-2. The first research gap is the lack of framework for applying multiple well-established theories in VAR relationships and the underlying factors in VAR relationship management. Additionally, this study aims to contribute to the following aspects which have not been discussed in previous studies.

- To verify the important factors in the defined scope, which means that this study will verify whether those existing factors discovered by other researchers are important in this specific industry segment (the telecommunication and data communication); Products are the key element in the selection of the sales channels. Some products can only be sold through one specific channel, while many others allow a little more flexibility but still are only suitable in a handful of carefully-chosen channels (Friedman & Furey 1999). Additionally the supplier has both direct sales force and indirect sales channels (VARs) in use. The important factors which are selected to be verified are mainly based on McQuiston's (2001) work.
- To try to discover new important factors in this specific context;
- To compare the importance of each factor from a dual perspective: this study asks the opinions of the supplier company and its value added-resellers, then compares whether there are differences. Previous studies have only gathered information from the supplier company's perspective or from the VARs' perspective;
- To discover the reason of importance behind those factors, which means that this study not only tries to find out whether those factors are important or not and how important they are, but also tries to discover what the reasons are behind the answers;

- To find the order of importance among the factors and from dual perspectives, which means that this study intends to discover whether some factors are more important than other factors. This result will be extremely useful for the company management to be effective and efficient by prioritizing different issues in the VAR relationship management. No previous studies have done anything like this;
- To dynamically look at the importance of the factors, which means that the importance of the factors is compared both at the beginning stage and in the later stages of the VAR relationship

#### 1.4 Research Problem and Research Questions

There are some studies shedding light on the characteristics of manufacture-distributor relationships. For example, transaction cost theory, with its emphasis on efficiency, has been used to explain the nature of governance in inter-firm relationships (Heide 1994; Heide & John 1992), and social capital theory to explain the process of relationship development and maintenance (Lambe *et al.* 2001). Although a few empirical studies in related field have provided some insights into the channel relationship management (McQuiston 2001; Ellram & Edis 1996; Siguaw *et al.* 2003), there is a significant research gap in building a framework with applied theories concerning the important factors in the VAR relationship management, especially from a dual perspective. This dissertation attempts to fill this research gap by developing multi-theory based propositions of the important factors affecting the VAR relationship management, and testing those propositions in order to develop an integrated framework in this field further on.

The research problem in this study is:

**With increasing use of the indirect sales channel strategy, the effectiveness of managing the relationship becomes more and more important. It is essential for firms to know what the important factors are in the relationship management; what are the critical factors to focus on; whether there are differences in the importance level of each factor from the supplier**

**company's and from the VARs' perspective; and whether the importance of the same factors will change during different stages of the relationship.**

In order to tackle the research problem, the following research questions and sub-questions were developed for this study.

**Table 1-3 Research Questions**

<b>Research Questions</b>	
<b>Research Question 1</b>	<b>What are the important factors in VAR relationship management?</b>
Sub-Question 1a	What are the existing important factors which have been identified by other researchers based on literature study? And whether those factors are the same in this defined context in this empirical study?
Sub-Question 1b	Do new and important factors arise from this study? If so, what are the new factors based on this empirical study?
<b>Research Question 2</b>	<b>Do the supplier and its VAR look at the important factors in the same way? If not, what are the differences?</b>
Sub-Question 2a	What is the importance level of the same factor from the supplier company's perspective and from the VARs' perspective based on the empirical study?
Sub-Question 2b	What are the orders of importance (top-down lists) of the factors in VAR relationship management from the supplier company's and the VARs' perspective based on the empirical study?
<b>Research Question 3</b>	<b>Will the importance of the factors change at different stages of the VAR relationship? If so, what are the changes? And why do they change?</b>
Sub-Question 3a	Are there any changes in the importance of the factors during different stages of the VAR relationship (at the beginning stage and in the later stages based on the empirical study)?
Sub-Question 3b	If there are changes, what are the changes and what are the reasons behind the changes based on the empirical study?

## **1.5 Research Objectives**

The overall objective of this study is to develop a theoretical applied framework with the important factors in VAR relationship management between the high-technology-based supplier company and its channel members. The more detailed objectives are the following:

- To review and analyze the existing research study theories and the important factors of VAR relationship management
- To conceptualize the theories and important factors into a framework
- To generate a set of empirically testable propositions linking the theories to the factors which affect the relationship
- To empirically test the propositions and to discover new factors
- To analyze the important factors from a dual perspective view
- To discover the order of importance of those factors as well as provide the reasons for it
- To further develop the framework empirically with research results
- To present the research conclusions as well as the managerial business implications for the supplier company as well as for VARs

## **1.6 Research Approaches and Methods**

Even though the use of VAR is becoming more and more popular in many firms' sales strategy to address unable-covered customer segments efficiently. However there has not been a large amount of research in this area. This study intends to explore the relationship between the supplier company and its channel members by trying to identify the important factors of Value-Added-Reseller (VAR) relationship management from a dual perspective.

The research approach is a mixed approach involving framework/preposition development based on earlier theory and literatures, on the other hand, and testing the framework/propositions as well as developing additional insights on the basis of an empirical single-case study. Extensive literature research is highly important in this study in understanding VAR relationship management and looking at customer relationship management through multi-theory approach. The resource-based view, knowledge-based view, social capital theory and transaction costs economics are used to provide the theoretical foundations for this study. The conceptual framework and propositions of the dissertation are developed based on an extensive review and study of existing literature, and the empirical study carefully is designed to gain information for the research questions.

Propositions in this dissertation are built based on those research questions and literature studies. The empirical research method used is the qualitative study with a case study. A qualitative approach is a valuable tool for discovering descriptive information and identifying certain norms that are presented in channel relationship (Weitz & Jap 1995). The main data collection methods are: extensive face-to-face interviews; observations during various meetings, events, and gatherings; archival documents, as well as a variety of company websites. Extensive face-to-face interviews with researcher-designed questionnaire are conducted as well as open discussions/interviews with guided questions in mind. Interviewing is explorative in order to encourage the respondents to enclose more thoughts regarding each issue. A deep qualitative study is carried through the entire research process. Rich qualitative and quantitative data will be collected and analyzed therefore increasing the research reliability by providing triangulation of the results.

## **1.7 Scope and Limitation of the Dissertation**

This research will only concentrate on studying of the factors in the relationship management between a high technology product company and its VARs. The following defines the scope and limitation of the dissertation.

First of all, a high-technology company producing highly technical and complex products is the focus of this study. This company differs from other types of companies with basic technical knowledge in products and companies with consumer products. Additionally, this supplier has its own direct sales channel as its main sales arm and the VAR indirect sales channel is a complementary sales channel for direct sales. This may create differences for the companies who have only an indirect sales channel. The focuses and objectives from the supplier company are different when only an indirect sales channel exists.

Secondly, this study only focuses on the relationship management between the supplier company and its VARs - not other relationships inside or around this supplier company, such as, a relationship between different supplier companies, end-user relationship management, and so on. The reason for this is that a totally different research approach would be necessary when involving more parties. It is networking relationship approach by using IMP (Industrial

Marketing and Purchasing Group). Here I would only like to focus on the one supplier company with its many VARs in order to have clear findings.

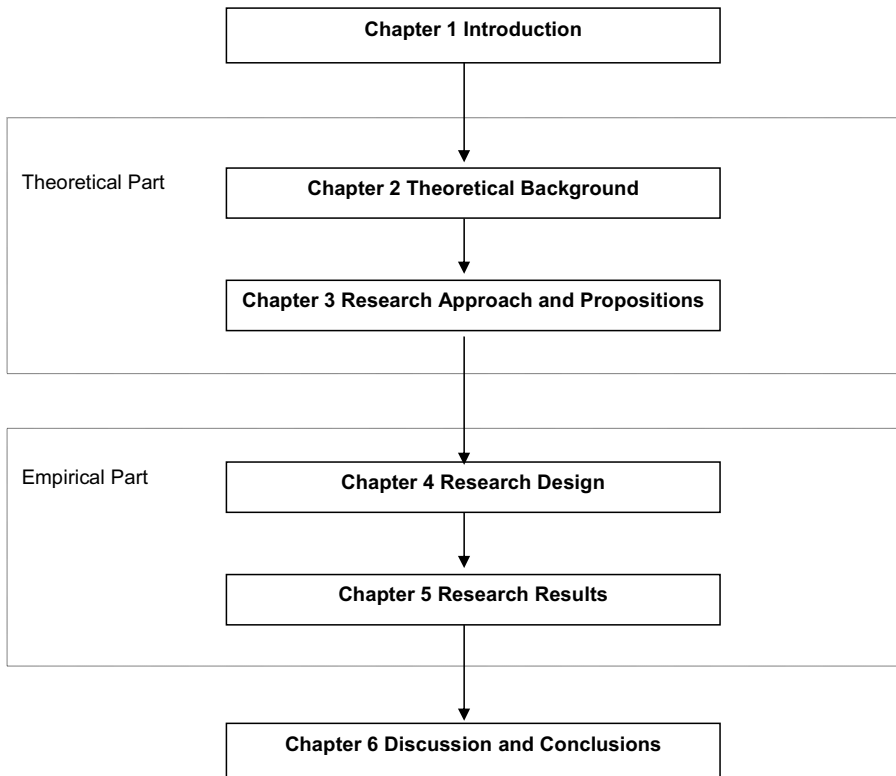
Thirdly, this study focuses on the important factors of relationship management between the supplier company and its VARs - other aspects in the business relationship are not discussed, such as channel conflict, incentive scheme, control and autonomy, etc. Channel conflict can be included in the VAR relationship management but can be also excluded depending on the circumstances. In this case study, the supplier company has its VARs in different countries with different segments. Channel conflict is not a big issue in this case study. An incentive scheme exists between the supplier company and its VARs, but it is not clearly defined since VARs make more sales as long as they have profits regardless of the incentive scheme. Incentive schemes become a more important issue in companies which make consumer products or low technology products in more fragmented industries. As for control and autonomy issues between the supplier company and its VARs, there is basically no official control from the supplier company over its VARs because each company is an independent company. The supplier company has the freedom to choose and terminate its VARs, and VARs can also choose a different supplier company. In such cases, the supplier does not depend on the VAR and the VAR does not totally depend on one supplier.

Finally, this study attempts to discover the level of importance of the same factor from different perspectives: the supplier company's perspective and the VARs' perspective. Do the supplier company and its VARs place the same level of importance on the same factors in the relationship? If not, what are the differences and why? Additionally, what are the orders of importance (top-down importance lists) of those factors from the supplier company's perspective and its VARs' perspective and will the importance level of the same factor change during different stages of the relationship (at the beginning stage and in the later stages)?

## **1.8 Structure of the Dissertation**

The structure of this study is shown in the following diagram with the first chapter being the introduction. It defines the study background; basic concepts; existing knowledge; research problems and research questions; research objectives; research method; scope and limitations

of the study; and the structure of the dissertation. The second chapter of the study presents the theoretical background of this study. It includes the relevant theoretical approaches and research framework. The third chapter presents the research approach and propositions. Chapter 4 Research Design describes research methods; population and sample selection; questionnaire designing; data collection process as well as the reliability and validity analysis of the study. Chapter 5 describes the empirical results of the study. Finally, Chapter 6 discusses the conclusions of the research, the possible interpretations of the findings and their theoretical and practical implications as well as the limitations of the study and directions for future research. Interview guide; questionnaire; and quantitative data from interviews are also attached as Appendix in the end.



**Figure 1-9** Structure of the Study

## **2 THEORETICAL BACKGROUND**

This chapter presents the relevant theoretical background for the study. In this chapter, most relevant theories are reviewed. These theories include resource-based view, knowledge-based view, competence/capability in an organization, social capital theory, and transaction cost economics. Finally, the applicability of the theories to the important factors in a VAR relationship is presented as a framework for further empirical research in a later stage of the study.

### **2.1 Relevant Theoretical Approaches**

In this section, I will review the literature on theories which is potentially relevant to this study. First of all, distribution channel research and inter-organizational relationship literature are presented to show the relevant theories for this study. VAR relationship management has strong links to several well-developed and distinct, yet complementary theories: resource-based view; knowledge-based view; competence/capability in organisation; social capital theory and transaction cost economics. There is a tendency in the marketing field towards the adoption of multi-theory approaches to conceptualization and model building, as they can offer a more holistic view of the research problem examined (Robicheaux & Coleman 1994; Kumar *et al.* 1995; Siguaw *et al.* 1998). Each theory will be reviewed and discussed. In the end of this chapter, the way in which the theories are to be applied to the current study is assessed.

#### ***2.1.1 Distribution Channel Research and Inter-organizational Relationship***

##### ***Distribution Channel Research***

Distribution channels have generally been viewed as organisations filling the gap between the producer and consumer. Traditional research in distribution channels has focused on the channel as a whole system where activities are categorized depending on the position and role of the organisation in the channel (Rosenbröjjer 1994). Gattorna (1978) distinguishes between



two main approaches when studying distribution channels. First, the *institutional* approach has focused on the institutions in the channel. Second, the *functional* approach has focused on the activities needed to ensure the flow of goods and services in the channel. Research in distribution channels has been divided into two broad areas, the microeconomic and the behavioural approaches (Rosenbröjjer 1994). The micro economic studies have mainly focused on the cost factor in distribution channels (Coase 1937; Stigler 1951). This involves a cost issue and a minimum cost arrangement has been the goal, which has been calculated with a condition of maximum operational efficiency (Gattorna 1978). The behavioural approach of studying distribution channels was developed later on the basis of social exchange theory. This framework has provided an opportunity to integrate interpersonal relationships with inter-organisational exchange which characterizes distribution channels. The focus on behavioural aspects of actors connected with exchange in distribution channels has led to the discovery of elements that significantly affect both the economic and non-economic exchange between organizations in the channel (Rosenbröjjer 1994). Therefore based on the distribution channel research, resource-based view, transaction cost economics and social capital theory are the most relevant theoretical approaches in studying the important factors of Value-Added-Reseller (VAR) relationship in high-technology sales management.

### **Inter-organizational Relationship**

In inter-organizational relationship literature, there are three main categories which cover most of the reasons why firms establish inter-organizational relationships. Numerous researchers (De Meyer 1999; Eisenhardt & Schoonhoven 1996; Hite & Hesterly 1999, 2001; Jarillo 1989; Park *et al.* 2001) have identified that *access to resources* is an important reason for firms to engage in inter-organizational relationships with other organizations. *Access to knowledge* is another important motivation to manage in relationships with external parties (Almeida *et al.* 2001; Liebeskind *et al.* 1996; McGee & Dowling 1994; Powell *et al.* 1996; Yli-Renko *et al.* 2001). *Endorsement benefits* are the third reason for firms to enter inter-organizational relationships (Dickson *et al.* 1991; Stuart *et al.* 1999; Stuart 2000). The importance and utilization of inter-organizational relationships is not a new phenomenon in the organization theory research. What is new, however, are the efforts to study empirically the various aspects of inter-organizational relationships, and a better understanding of how to manage them. An article by Barringer and Harrison (2000) distinguishes between the most

commonly found types of Inter-organizational relationships used by firms: joint ventures, networks, consortia, alliances, trade associations, and interlocking directorates. The VAR relationship is one type of the alliances relationship between the supplier company and its VARs. There are different theories and approaches in inter-organizational relationship, such as transaction-cost economics, resources-based view, social capital theories, etc.

### ***2.1.2 Resource and Resource-Based View***

#### **Resource**

Resource is one of the key concepts in this study. It is the foundation of the resource-based view. The first definition of “resource” comes from Penrose (1959). She defined resources as “physical things a firm buys, leases, or produces for its own use, and the people hired on terms that make them effectively part of the firm”. Resources are considered as tangible or intangible assets possessed by the firm or accessed through inter-organizational relationships and knowledge as an ingredient that helps to get higher value from resources (Penrose 1959). Penrose conceptualized the firm as a collection of production resources and viewed firm growth as a process of using these resources.

Later on Wernefelt (1984) further developed the concept of resource as anything which could be thought of as strengths of a given firm. A firm’s resources at a given time could be defined as those (tangible and intangible assets) which are tied semi-permanently to the firm, e.g. brand names, in-house knowledge of technology, employment of skilled personnel trade contracts, machinery, efficient procedures, capital etc (Wernefelt 1984). At the same time, Rumelt (1984) suggests that a competitive advantage is determined by the firm’s unique resources that are handled by the management. Barney (1991) further expands the scope of resource as all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

Some researchers have seen capabilities as part of resources. Amit and Schoemaker (1993) states that the difference between resources and capabilities is: resources can be defined as stocks of available factors that are owned or controlled by the firm and capabilities, in

contrast, refers to a firm's capacity to deploy resources, usually in combination, using organizational processes, to affect a desired end. Resources (such as individual employees, patents, brand names, finance, etc.) are seldom productive alone but can be turned into output with the help of suitable capabilities (Grant 1991). While some definitions (Barney 1991; Wernefelt 1984) clearly include capabilities, skills and competencies as part of the resource portfolio of the firm, some other authors (Amit & Schoemaker 1993; Grant 1991) have explicitly separated capabilities, skills, and competences from other resources. In this study, there is a distinction between resources and knowledge/capabilities. Knowledge/competences/capabilities will be discussed in section 2.1.3.

Grant (1991) thinks that the firm-specific resources and capabilities are considered as a more sustainable basis for a competitive advantage than product-market positioning because of environmental uncertainty. The essence of a firm's strategy lies in the ways that the firm uses existing resources and the means the firm acquires or develops internally the additional unique resources (Wernefelt 1984). Resources are distributed heterogeneously across firms, and these productive resources cannot be transferred from firm to firm without cost. In order to sustain a long-term competitive advantage, resources must be valuable, rare, imperfectly imitable, and without strategically equivalent substitutes (Barney 1991). Barney and Arikan (2001) conceptualize that firm attributes, whether they are tangible, are strategically relevant only if they enable a firm to efficiently and effectively develop and implement a strategy that, in turn, generates superior performance; the value of resources could not be evaluated independently of the market context within which a firm is operating; resources are scarce to the extent that demand for them exceeds supply; resources are non-substitutable to the extent that they can be uniquely used to help conceive of and implement a strategy. Dierickx and Cool (1989) also summarized five characteristics of the process through which resources are accumulated and that influence their limitability: time compression diseconomies; asset mass efficiencies; interconnectedness of asset stocks; asset erosion; and causal ambiguity. Reed and DeFilippi (1990) also state that resources which are tacit, complex and specific create ambiguity and are difficult to be imitated.

### **Resource-based Theory**

Later, Wernefelt (1984) introduced the term "resource-based" in his characterization of firms as collections of resources rather than sets of product-market positions. A firm's competitive

position is defined by the bundle of unique resources and relationships and that the task of general management is to adjust and renew these resources and relationships as time, competition, and change erodes their value. The key idea of the resource-based view is that firm-specific skills, competences, and other tangible and intangible resources are viewed as the basis for the competitive advantage of a firm (Barney 1991; Peteraf 1993; Prahalad & Hamel 1990).

Resource-Based View is applied in the internal analysis of the firm as well as applied in the analysis of inter-organisational relationships of firms. The resource-based view has important implications for the formation and performance of inter-organisational relationships. The resource-based view highlights the role of resource complementarities influencing the alliance formation and performance (Das & Teng 2000; Hitt *et al.* 2000; Eisenhardt & Schoonhoven 1996; Hellmann 2001). Das and Teng (2000) recognized that resource complementarity is one of the key drivers of alliance formation and performance. Resource complementarities are also important for alliances between small and large firms. A combination of complementary resources and capabilities can be one potential source of superior value creation (Zajac & Olsen 1993). Further on Rothwell and Zegweld (1982) discuss that when focusing on relationships between small and large firms, small firms enter into alliances in order to capitalize on their innovative capabilities through leveraging the complementary resources of large firms. Alliances may give small firms access to complementary assets that are often necessary to commercialize innovations (Hobday 1994; Teece 1986).

Stein (1997) argues that in the resource-based view of strategic management, the fundamental argument for alliance formation is that firms try to create and to appropriate value in inter-firm relationships by leveraging superior resources they possess with complementary resources. The main reason for the successful alliance had been a combination of complementary assets and compatible goals (Sankar *et al.* 1995). Strategic alliances often enable faster access to complementary resources than building these resources internally (Deeds & Hill 1996). These are the most valid arguments in establishing the VAR relationship. Complementary resources between the supplier company and its VARs according to the resource-based view provide the basis for the business cooperation. As Weber (Weber 2001) states resource sharing is the foundation for building a sustainable competitive advantage in supplier-reseller partnerships. In this study, resource-based view

provides the basis for business cooperation between the supplier company and its VARs. It is the basis for establishing the relationship and maintaining the relationship.

### ***2.1.3 Knowledge, Knowledge-Based View; Competence/Capability***

#### **Knowledge**

Nonaka and Takeuchi (Nonaka & Takeuchi 1995) first introduced the concept of knowledge in traditional definition as “justified true belief”. Knowledge is modelled as an unambiguous, reducible and easily transferable construct, while knowing is associated with processing information (Eisenhardt & Santos 2000). Knowledge is experiences, contextual information and expert insight which provide a framework for evaluating and incorporating new experiences and information (Davenport & Prusak 1998).

Compared to the traditional knowledge definition, Polanyi (Polanyi 1958) provides a newer view of knowledge based on the distinction between explicit and tacit knowledge. Tacit knowledge refers to the knowledge which can be understood without being put into words. Tacit knowledge is linked to the individual, and it is very difficult to articulate.

This distinction between tacit and explicit knowledge has been the basis of the emergence of the knowledge-based view of a firm (Grant 1996; Kogut & Zander 1992). Based on the findings of Nonaka & Takeuchi (1995) and Polanyi (1966), tacit knowledge is subjective, and is knowledge of experience (body), simultaneous knowledge (here and now) and analogy knowledge (practice); on the other hand, explicit knowledge is objective, it is knowledge of rationality (mind), sequential knowledge (there and then), and digital knowledge (theory). The knowledge-based view argues that because tacit knowledge is difficult to imitate and relatively immobile, it can constitute the basis of sustained competitive advantage (DeCarolis & Deeds 1999; Grant 1996; Gupta & Govindarajan 2000; Kogut & Zander 1993).

In organizations, knowledge is embedded in documents, databases, and organizational routines, processes, practices and norms. Knowledge in organisations is in/about products, services, materials, technologies, customers, suppliers, competitors, markets, employees, competences, processes, product development, etc. (Järvenpää 2003). There is a large overlap

between the concepts of knowledge and resources in literature. The resource-based view argues that a competitive advantage arises from a firm's specific resources, which in the widest sense includes assets, processes, attributes, knowledge, and information. In this study, the main focus is on the study of the factors in VAR relationship management between the high-technology base supplier company and its value added resellers. Therefore, in this study, the resources are more referred to as the physical resources, such as products, assets, etc. and the knowledge is more referred to as skills, competences and information which sustain the resource flow.

### **Knowledge-Based View**

The knowledge-based view has emerged from the resource-based view of the firm. Distinguishing knowledge from other types of resources, this view of strategy considers knowledge as the strategically most significant resource of the firm (Grant 1996). A knowledge-based view conceptualizes the firm as a self-regulating system that optimizes the interactions of individuals and groups to create, circulate, and apply knowledge to the strategies of the firm (Spender 1996). Polanyi (1958) stated that tacit knowledge is most valuable to organizations because it is difficult to transfer and thus can give a sustainable competitive advantage. Tacit knowledge is linked to individuals, and tacit knowledge is very difficult to articulate and imitate and relatively immobile. It can constitute the basis of a sustained competitive advantage (DeCarolis & Deeds 1999; Grant 1996; Gupta & Govindarajan 2000; Kogut & Zander 1993). There are also arguments that heterogeneous knowledge bases and capabilities among firms are the main factors of a sustained competitive advantage and superior corporate performance ( DeCarolis & Deeds 1999; Kogut & Zander 1993).

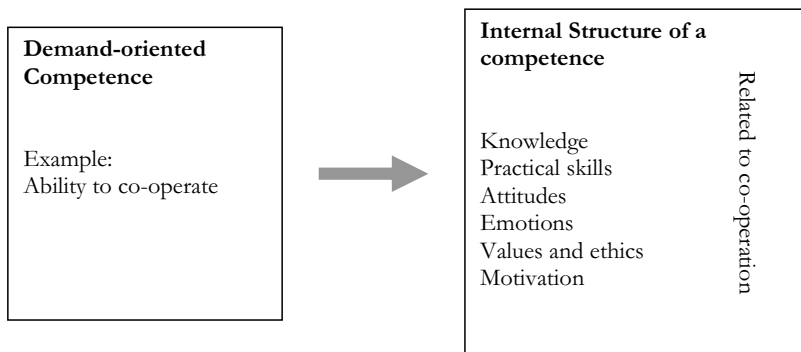
Knowledge transfer and competence enabling are very important in the VAR relationship management. The “organizational advantage” of firms over markets arises from their superior capability in creating and transferring knowledge (Ghoshal & Moran 1996). Knowledge creation and innovation result from new combinations of knowledge and other resources (Cohen & Levinthal 1990; Kogut & Zander 1992). Hubber (1991) also argued that an organisation learns if any of its units acquires knowledge that it recognizes as potentially useful to the organisation. Organizational learning is a process consisting of knowledge acquisition, retention, and transfer (Argote 1999). Further on Steensma (1996) states that

relationship with other organizations is, therefore, an important source of new information for organizations.

Absorptive capacity is an important concept for inter-organizational learning (Cohen & Levinthal 1990; George *et al.* 2001; Lane & Lubatkin 1998; Van den Bosch *et al.* 1999; Zahra & George 2001). Absorptive capability is a very important aspect of knowledge transfer and competence enabling in VAR relationship management. Absorptive capacity is defined by Cohen & Levinthal (1990) as the firm's ability to recognize the value of new external information, assimilate it, and apply it to a commercial end. Inter-organizational learning is most effective when there is sufficient similarity in the basic knowledge of the firms (enabling effective communication) but simultaneously sufficient diversity in the special knowledge (non-redundancy makes knowledge valuable).

**Competence/Capability in Organisation**

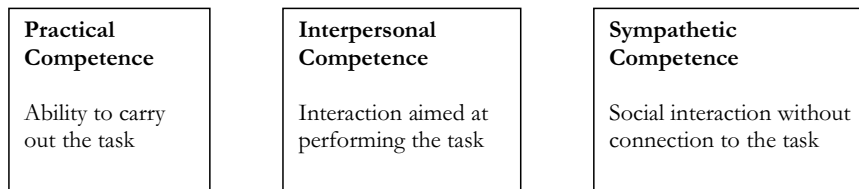
Prahalad and Hamel (1990) stressed the concept of competence within the field of strategic management. Prahalad and Hamel (1990) argued that one of the most powerful sources of competitive advantage is core competence. Core competence was defined as “collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams and technologies. Rychen and Salganik (2003) stated that demand defines internal structure of a competence. This is illustrated in the following diagram:



**Figure 2-1 Demand Defines Internal Structure of a Competence**

**Resource: Rychen and Salganik 2003**

Key competencies refer to critical competencies needed on different levels for good performance and competences in organisation are clarified on three levels: (1) Strategic core competencies reflecting resources and capabilities of the whole work system to achieve and maintain a competitive advantage (Prahalad & Hamel 1990); (2) Collective competencies reflecting projects' and teams' joint capabilities to act flexibly according to the work context's requirements (Hansson 1998), and (3) Individual competencies reflecting capabilities that an individual needs to carry out his/her task (Spencer. LM & Spencer SM 1993). Hansson (2003) also presents the technical competence, social competence and collective competence in the following diagram.



**Figure 2-2 Competence Categorization**

**Source: Hansson 2003**

Otala (2007) summarizes the basis for competence management as making competence visible; establishing a shared process for competence; having clear responsibilities of competence management; setting up timing and scheduling of competence management. Learning, innovation and competence come together in the concept of “dynamic capabilities” which is defined as the firm’s ability to integrate, build and reconfigure internal and external competences and to address rapidly changing environments (Teece *et. al.* 1997). A dynamic capability is a learned pattern of collective activity through which the organization systematically generates and modifies its operational routines in pursuit of improved effectiveness (Zollo & Winter 2002).

Dynamic capability links competence to the actions embedded in routines which are the outcome of previous learning. Dynamic capabilities are the organizational and strategic routines by which firms achieve new resource reconfigurations as markets emerge, collide, split, evolve, and die (Eisenhart & Martin 2000). To survive and change a firm needs to develop processes that integrate, reconfigure, gain, and then apply to respond to or, perhaps



the most powerful strategic move, to create market change (Starkey & Tempest 2004). Capabilities are embedded in routines of action (Starkey & Tempest 2004). Nelson and Winter (1982) see organizational routines as the skill of the organization that are path-dependent, idiosyncratic and experience-based. Capabilities are the enactment of core competences. Roos and Von Krogh (1996) contend that competence is not an asset which can be stock-piled rather it is a relational process because competence simply means the interaction between a particular task and the knowledge (and skill) of the person or the team doing it. In other words, competence can be thought of as capability realized through the effective interaction of individual and environment surrounding a particular project.

#### **2.1.4 Transaction Cost Economics**

Transaction cost economics is concerned with the governance structures of economic transactions and the factors influencing the choice of governance structure. The theory proposes that firms organize transactions in a manner, which minimizes the sum of transaction costs (Williamson 1975; Williamson 1979; Williamson 1981; Williamson 1983; Williamson 1985). The central question addressed by transaction cost economics is why firms internalize transactions that might otherwise be conducted in markets (Coase 1937). Transaction cost economics is defined as “the management costs associated with either internally producing the service or buying it through contracting” (Brown & Potoski 2003). According to Williamson (1981), a transaction occurs when a good or service is transferred across a technologically separable interface. One stage of activity terminates, and another begins. The transaction costs vary with the adopted governance mechanism. The transaction costs consist of search costs, contracting costs, monitoring costs, and enforcement costs (Williamson 1985; Dyer 1997).

Transaction cost theory is concerned with explaining the choice of the most efficient governance form, given a transaction that is embedded in a specific economic context. The critical dimensions of transactions influencing the choice of governance mode are uncertainty, exchange frequency, and the specificity of assets enabling the exchange (Klein *et. al.* 1978; Williamson 1979; Williamson 1981). Asset specificity is the most important dimension for describing transactions. Transaction-specific assets refer to assets that are specialized to a particular transaction. Asset specificity can be site specificity (close location required between

the buyer and the seller), physical asset specificity (systems have to be adapted to facilitate exchange), or human asset specificity (transactions require special skills and capabilities). Transaction-specific assets are such assets that are valuable for a particular transaction but not equally valuable elsewhere (Williamson 1981). Transaction cost economics identifies transaction efficiency as a major source of value because enhanced efficiency reduces costs (Amit & Zott 2001).

### ***2.1.5 Social Capital Theory***

#### **Social Capital**

According to Nahapiet and Ghoshal (1998), relationships providing access to physical resources can be considered as a higher-order resource for the individual or organization justifying the term “social capital”. Social capital is a multi-dimensional concept (Galunic & Moran 2000; Granovetter 1985; Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998; Yli-Renko *et al.* 2001). There are three dimensions defined by Nahapiet and Ghoshal (1998): (1) *Structural dimension*, which refers to network ties, network configuration, and appropriable organization; (2) *Relational dimension*, which refers to assets that are rooted in relationships such as trust, norms, obligations, and identification; (3) *Cognitive dimension*, which refers to shared codes and language as well as shared narratives that facilitate a common understanding of collective goals and the proper ways of acting in a social system.

#### **Social Capital Theory**

The definition of social capital developed by Bourdieu & Wacquant (1992) is “the sum of resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”. This definition focuses on benefits that can be achieved by participating in social networks as well as on deliberate construction of social relationships for the purpose of achieving these benefits. Bourdieu and Wacquant (1992) state that social relationships that allow individuals or groups to claim resources which are distinguishable from the amount and quality of these resources. The distinction between the physical resources and social capital

that provide access to those resources is important for understanding social capital (Galunic & Moran 2000; Portes 1998).

Nahapiet & Ghoshal (1998) argue that the relationships providing access to the physical resources can be considered as a higher-order resource for the individual or organization justifying the term social capital, and three dimensions of social capital are defined: (1) structural dimension, which refers to network ties, network configuration, and appropriable organization; (2) relational dimension, which refers to asset that are rooted in the relationships such as trust, norms, obligations, and identification; (3) cognitive dimension, which refers the cognitive to shared codes and language, as well as shared narratives which facilitate a common understanding of collective goals and proper ways of acting in a social system.

Social capital theory has been applied in inter-organizational networks (Uzzi 1997; Walker *et al.* 1997). Social capital is considered one of the important factors in VAR relationship management. It leads to personal relationships and trust in VAR business cooperation. However there are costs in maintaining social capital (Leana & Van Buren 1999) and, therefore, this value of social capital is contingent on whether the benefits exceed the costs (Hansen *et al.* 1999; Hansen 1999; Higgins & Gulati 2001).

## **2.2 Research Framework with Applied Multi-theories**

The previous sections briefly introduced several theoretical approaches in channel distribution and inter-organizational relationship. For this research I have chosen to design a framework based on above mentioned theories. This study uses a multi-theoretical approach in identifying and analyzing the important factors in VAR relationship management. The integrative use of several theories in building research models is justified by numerous studies suggesting that a multi-theoretic approach is required to understand the complexity of inter-organizational relationships (Gulati 1998; Osborn & Hagedoorn 1997; Park *et al.* 2001; Smith *et al.* 1995). The focus of the study is to the dyadic relationship between the supplier company and its VARs. The network approach is not used in this research. Theories applied in this study are illustrated in the following table:

**Table 2-1 Theories Applied in VAR Relationship Management**

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

The VAR Relationship management is a complexity of VAR research theories and approaches. The resource-based view is the fundamental basis for establishing the VAR relationship. The resource-based view has been used to explain the potential value of external resources and also the factors influencing the creation of inter-organizational relationships. Complementarities between two firms have been identified as a key factor in creating value through a combination of resources and thereby making one firm an attractive partner for another (Eisenhart & Schoonhoven 1996). It has been recognized that the role of inter-organizational relationships in building boundless resources are valuable, rare, non-imitable, and hard to substitute (Chung *et al.* 2000; Das & Teng 2000; Deeds & Hill 1996; Eisenhardt & Schoonhoven 1996; Lado *et al.* 1997; Rothaermel & Deeds 2001). For this study, this leads

to the factors in VAR relationship management of mutual dependence, shared objectives and goals, investment of efforts by top management, and end-customer satisfaction. Those factors provide motivations/reasons for establishing and maintaining VAR relationship for the exchange of resources. The supplier company provides product/service/brand name to VARs, and VARs provide an end-customer relationship, technical competence, added value with total solution and service. The resources from the supplier company and its VARs provide complementary resources to each other.

The transaction cost economics focus on efficiency and cost minimization (Amit & Zott 2001). In this study, transaction cost economics is applied in the VAR indirect sales channel to ensure the value created exceeds the costs in the relationship, and minimize transaction costs. This leads to the factor in the VAR relationship of concern for the other party's profitability. However, one of the criticisms of transaction costs economics is its static nature (Hennart 1998; Lorenzoni & Lipparini 1999; Zajac & Olsen 1993). Furthermore, the focus on the single transaction has been seen as a severe limitation (Zajac & Olsen 1993; Powell *et al.* 1996; Lorenzoni & Lipparini 1999). Therefore, one must be careful and look at the VAR relationship as a long-term cooperation, since it is not based on a one-time transaction. We must see the value created from the VAR relationship with many transactions based on long-term cooperation.

The line between the resource-based view and the knowledge-based view as an outgrowth of the resource-based view is not very clear because of the broad definitions in the literature (Eisenhardt & Santos 2000). In this study, a distinction is made between these two by considering resources as distribution channels and production facilities and knowledge as information and competences. The knowledge-based view has been applied extensively in research examining knowledge transfer over organizational boundaries (Kogut & Zander 1992; Lane & Lubatkin 1998). The knowledge-based view is one of the most important means of conducting business across the organizational boundaries. A knowledge-based view is applied here in order to develop the proposition of the knowledge-based view. Knowledge/competence transferring is the mandatory means of keeping the relationship afloat. This leads to the factor in VAR relationship management of open communication. This communication includes who, when, what and how when moving knowledge across the boundaries.

While knowledge-based view recognizes the problems in transferring knowledge (especially tacit knowledge) across organizational boundaries (Kogut & Zander 1992; Lane & Lukatkin 1998), the social capital theory helps in understanding and facilitating the transfer of knowledge/information and competences across organizational boundaries for collaboration (Nahapiet & Ghoshal 1998; Yli-Renko *et al.* 2001). The social capital theory has been found by many researchers to be an important facilitator of resource and knowledge exchange (Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998; Yli-Renko *et al.* 2001). The social capital theory provides critical aspects which ensure relationship growth. The important factors based on social capital theory are trust, continuous improvement over time, developing a personal relationship and having professional respect.

Based on the empirical research findings and multiple well-established theories discussed above, the research framework of this study is formed. This research framework demonstrates the theories applied in the study, relationships in VAR management and the suggested important factors in the VAR relationship. Business is conducted through companies by individual people in their companies. First of all, a company must have a strategy and intention to do business with another company. Therefore, companies play an important role in business intention based on the resource-based view and transaction costs economics. Secondly, business is always conducted by each individual person. Therefore, essential aspects, based on the knowledge-based view and social capital theory, are very important in keeping and ensuring the business relationship flow.

This research framework utilizes the existing important factors which are identified through other empirical studies. But, the multi-theories approach is new compared to other studies. This framework gives a picture of wholeness when applying multi-theories in VAR relationship management with important factors. This also provides a clear and logical flow with the important factors in VAR relationship management. Previous research has not used this approach. Based on the research framework, research approaches and propositions will be developed for this study in Chapter 3. The idea of using the wholeness of a multi-theories approach is similar in example to the function of the human body. In order for the whole body to function properly in everyday activities, there are a few main streams of the human body which need to function properly. The same goes for the VAR relationship management. If we have the motivation to establish and maintain the business at desired profits on both sides with each well and functionally setup, then the VAR relationship management will be as easy.

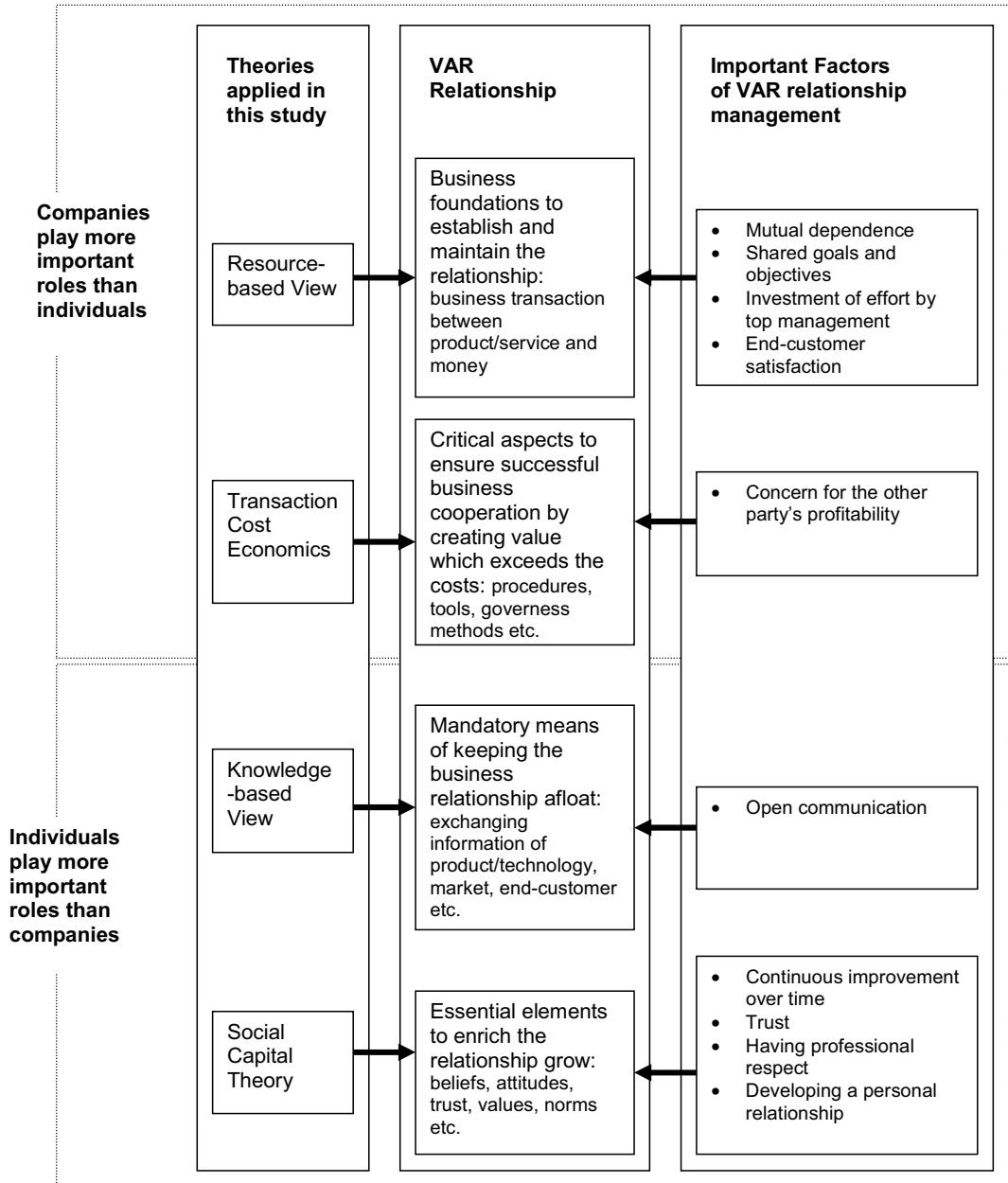


Figure 2-3 Research Framework in this Study

### 3 RESEARCH APPROACH AND PROPOSITIONS

#### 3.1 Research Approach and Propositions Based on Resource-based View

In the resource-based view of strategic management, the fundamental argument for alliance formation is that firms try to create and appropriate value in inter-firm relationships by leveraging superior resources they possess with complementary resources (Stein 1997). The main reason for a successful alliance had been a combination of complementary assets and compatible goals (Sankar *et al.* 1995). Strategic alliances often enable faster access to complementary resources than building these resources internally (Deeds & Hill 1996).

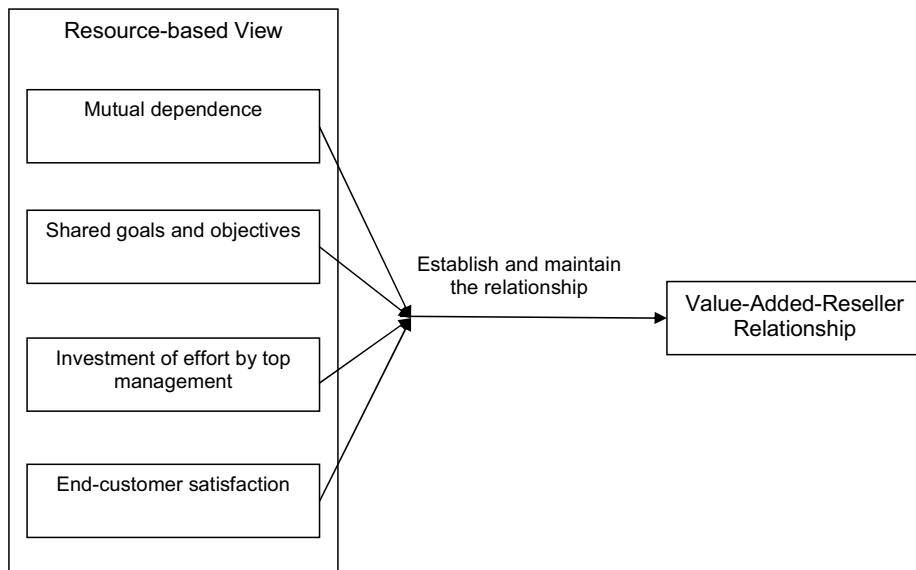
In this study, the resource-based view provides the business foundations to establish and maintain the relationship, such as business transaction between product/service and money besides other resources. The main resources from the supplier company are: products/services, company brand name and reputation, competence and skills; the main resources from the VAR are: local knowledge and appearance, an established end-customer relationship, sales capability, capital, skills and competence in handling the supplier company's products/services. Several researchers (McQuiston 2001; Anderson & Narus 1990) have identified that *mutual dependence* is one of the important factors in VAR relationship management. The supplier company depends on the reseller to carry out the selling and much of the service function, while the reseller depends on the supplier to design, manufacture, ship, and invoice their products in a timely manner.

In order to maintain the VAR relationship, there must be shared goals and objectives between the supplier company and its value-added reseller. The *shared goals and objectives* here means that there is a joint vision of what is necessary for mutual success within both parties, each party knows the expectations of the other, and both parties proactively establish annual sales goals and objectives (McQuiston 2001). Ellram and Edis (1996) stated that one of the main lessons learned from their study is that top management support and commitment is needed each step of the way. McQuiston (2001) also clearly defines that investment of effort *by top management* here means the business owners of both parties are totally committed to building the relationship and to continually looking for ways of establishing an effective



relationship, and that the management teams have a willingness to understand and promptly respond to issues that affect the nature of the relationship. These form basic factors based on the resource-based theory.

*End-customer orientation/End-Customer satisfaction* is identified by several researchers as an important fact in VAR relationship management (Siguaw *et al.* 2003; McQuiston 2001). *End-customer satisfaction* is defined by McQuiston (2001) here to mean that the end-customer's needs are taken care of first, and that both parties are committed to achieving end-customer satisfaction. *Customer orientation* is defined as “the set of beliefs that put the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise” (Despande *et al.* 1993). *Satisfaction* is acknowledged to be a fundamental factor of good channel relationship and is defined as “the domain of all characteristics of the relationship between a channel member and another institution in the channel, which the focal organization finds rewarding, profitable, instrumental, and satisfying” (Ruekert & Churchill 1984). For the purpose of this study, the focus is on end-customer satisfaction as an important factor to study further in the defined context.



**Figure 3-1 Model of Resource-based View Factors Applied in VAR Relationship Management**

For *Mutual Dependence*, the following propositions are formed:

Proposition 1: *Mutual dependence* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 2: *Mutual dependence* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 3: *Mutual dependence* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 4: *Mutual dependence* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *Shared Goals and Objectives*, the following propositions are formed:

Proposition 5: *Shared goals and objectives* are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 6: *Shared goals and objectives* are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 7: *Shared goals and objectives* are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 8: *Shared goals and objectives* are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *Investment of effort by Top Management*, the following propositions are formed:

Proposition 9: *Investment of effort by top management* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 10: *Investment of effort by top management* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 11: *Investment of effort by top management* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 12: *Investment of effort by top management* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *End-customer Satisfaction*, the following propositions are formed:

Proposition 13: *End-customer satisfaction* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 14: *End-customer satisfaction* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 15: *End-customer satisfaction* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 16: *End-customer satisfaction* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

### **3.2 Research Approach and Propositions Based on Knowledge-based View**

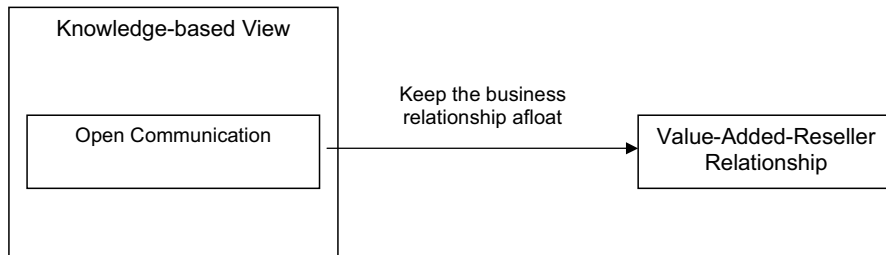
Heterogeneous knowledge bases and capabilities among firms are the main factors of a sustained competitive advantage and superior corporate performance (DeCarolis & Deeds 1999; Kogut & Zander 1993). The "organisational advantage" of firms over markets arises from their superior capability in creating and transferring knowledge (Ghoshal & Moran 1996). Knowledge creation and innovation result from new combinations of knowledge and other resources (Cohen & Levinthal 1990). An organization learns if any of its units acquires knowledge that it recognizes as potentially useful to the organization (Hubber 1991). Organizational learning is a process consisting of knowledge acquisition, retention and transfer (Argote 1999). Relationships with other organizations are therefore an important source of new information for organizations (Steensma 1996).

Compared with the traditional knowledge definition, Polanyi (Polanyi 1958) provides a newer view of knowledge based on the distinction between explicit and tacit knowledge. Tacit knowledge refers to the knowledge which can be understood without being put into words. Tacit knowledge is linked to the individual, and it is very difficult to articulate. Tacit

knowledge is most valuable to organizations because it is difficult to transfer and, thus, can offer a sustainable competitive advantage. Tacit knowledge is linked to individuals, and is very difficult to articulate (Polanyi 1958). Tacit knowledge is difficult to imitate and relatively immobile, it can constitute the basis of sustained a competitive advantage (DeCarolis & Deeds 1999; Grant 1996; Gupta & Govindarajan 2000; Kogut & Zander 1993).

In this study, knowledge-based review provides the mandatory means to keep the business relationship afloat, such as exchanging information/knowledge on product, market, end-customer, etc. The mandatory means is “open communication”. This factor in the VAR relationship includes a wide scope of different elements. What is the information/knowledge communicated between the supplier company and its VARs? And, how is the information communicated?

Several researchers have identified that communication is a very important factor in VAR relationship management (Ellram & Edis, 1996; McQuiston, 2001; etc.). Open Communication is defined by McQuiston (2001) as a regular, established pattern of communication between the supplier and its VARs where relevant information is communicated quickly and openly, each party receives the necessary information from one another, and each party knows the contact persons and communication channels.



**Figure 3-2 Model of Knowledge-based View Factors Applied in VAR Relationship Management**

For *Open Communication*, the following propositions are formed:

Proposition 17: *Open communication* is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from the VARs’ perspective at the beginning stage of the VAR relationship.

Proposition 18: *Open communication* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 19: *Open communication* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

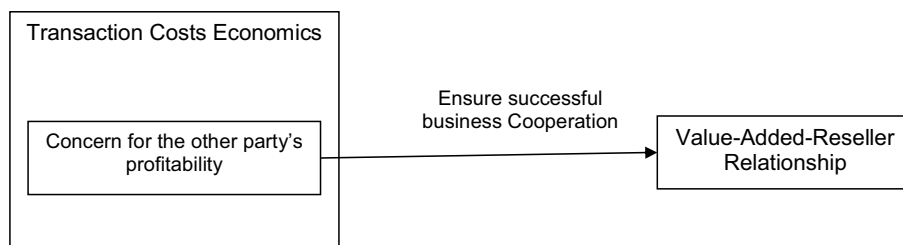
Proposition 20: *Open communication* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

### **3.3 Research Approach and Propositions Based on Transaction Cost Economics**

Transaction cost economics is concerned with the governance structures of economic transactions and the factors influencing the choice of governance structure. The theory proposes that firms organize transactions in a manner, which minimizes the sum of transaction costs (Williamson 1975; Williamson 1979; Williamson 1981; Williamson 1983; Williamson 1985). The central question addressed by transaction cost economics is why firms internalize transactions that might otherwise be conducted in markets (Coase 1937). According to Williamson (1981), "a transaction occurs when goods or services are transferred across a technologically separable interface. One stage of activity terminates, and another begins."

The transaction costs vary with the adopted governance mechanism. The transaction costs consist of search costs, contracting costs, monitoring costs, and enforcement costs (Williamson 1985; Dyer 1997). Transaction cost economics identifies transaction efficiency as a major source of value because enhanced efficiency reduces costs (Amit & Zott 2001). In this study, transaction cost economics provides the basis for critical aspects to ensure successful business cooperation by creating value which exceeds the costs, such as procedures, tools, governance methods, etc. The following factor in the VAR relationship is

based on the transaction cost economics: concern for the other party's profitability. *Concern for the other party's profitability* here means that it has to be recognized that both sides need to make money, and that each must allow the other to make a profit (McQuiston 2001).



**Figure 3-3 Model of Transaction Costs Economics Factors Applied in VAR Relationship Management**

For *Concern for the Other Party's Profitability*, the following propositions are formed:

Proposition 21: *Concern for the other's profitability* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 22: *Concern for the other party's profitability* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 23: *Concern for the other party's profitability* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 24: *Concern for the other party's profitability* is extremely important in the relationship management of a high technology product company's relationship with its VARs

(Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

### **3.4 Research Approach and Propositions Based on Social Capital Theory**

Social capital theory has been applied in inter-organizational networks (Uzzi 1997). The definition of social capital was developed by Bourdieu & Wacquant (1991) as “the sum of resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”. This definition focuses on benefits that can be achieved by participating in social networks and on deliberate construction of social relationships for the purpose of achieving these benefits.

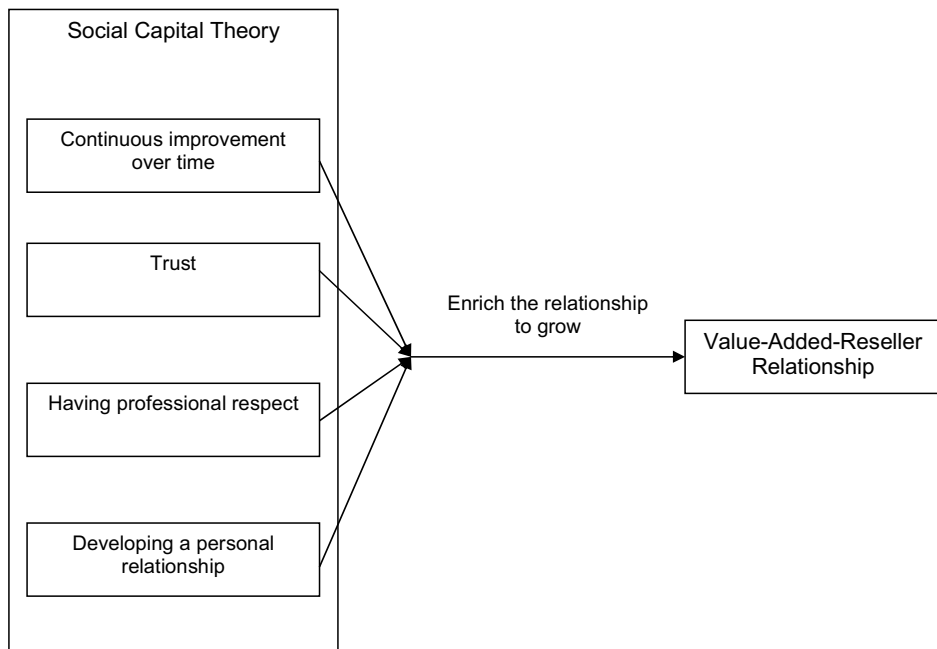
The relationships providing access to the physical resources can be considered as a higher-order resource for the individual or organization justifying the term social capital (Nahapiet & Ghoshal 1998). Three dimensions of social capital are defined: (1) Structural dimension, which refers to network ties, network configuration, and appropriable organization; (2) Relational dimension, which refers to assets that are rooted in the relationships such as trust, norms, obligations, and identification; (3) Cognitive dimension, which refers the cognitive to shared codes and language, as well as shared narratives which facilitate a common understanding of collective goals and proper ways of acting in a social system.

Social capital theory provides the critical elements to enrich the relationship growth, such as beliefs, attitudes, trust, value, norms, etc. In this study, the following factors in VAR relationship management are based on the social capital theory: trust; having professional respect; and developing a personal relationship. Trust has been identified by many researchers as a very important factor in VAR relationship management (Skarmeas & Katsikeas 2001; McQuiston 2001; Sigauw *et al.* 2001). Trust is defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman *et al.* 1993). Further on, trust is also defined by McQuiston (2001) as the credibility, honesty, and integrity which are demonstrated by both parties during cooperation; both parties have shown to be trustworthy by their past actions; both parties share information that could be considered confidential



when there is a need; both parties follow through and do what they have promised to do. Additionally, McQuiston (2001) identifies that having professional respect and building a personal relationship are also important factors in VAR relationship management. *Having professional respect* means here that each party (as a company and also as personnel) truly admires what the other party can accomplish in the business, and that each party thinks of the other as professional. *Developing a personal relationship* means that both parties make a sincere effort to get to know each other on a personal basis, and attempt to cultivate relationships beyond the business context (McQuiston, 2001).

McQuiston (2001) also identifies that continuous improvement over time and concern for other's profitability are important factors. *Continuous improvement over time* here means that both parties are trying to recognize the potential negative consequences of the relationship and take the initiative in terms of strengthening it, so that there is a "never satisfied" attitude and a desire to develop the relationship, and that both parties seek ways of doing things better and eliminating any barriers to business.



**Figure 3-4 Model of Social Capital Theory Factors Applied in VAR Relationship Management**

For *Continuous Improvement over time*, the following propositions are formed:

Proposition 25: *Continuous improvement over time* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 26: *Continuous improvement over time* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 27: *Continuous improvement over time* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 28: *Continuous improvement over time* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *Trust*, the following propositions are formed:

Proposition 29: *Trust* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 30: *Trust* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 31: *Trust* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 32: *Trust* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *Having Professional Respect*, the following propositions are formed:

Proposition 33: *Having professional respect* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 34: *Having professional respect* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 35: *Having professional respect* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 36: *Having professional respect* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

For *Developing a Personal Relationship*, the following propositions are formed:

Proposition 37: *Developing a personal relationship* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

Proposition 38: *Developing a personal relationship* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

Proposition 39: *Developing a personal relationship* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective at the beginning stage of the VAR relationship.

Proposition 40: *Developing a personal relationship* is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the supplier company's perspective in the later stages of the VAR relationship.

### **3.5 Summary of the Propositions**

Research approaches and propositions have been developed and discussed in the above sections based on a research frame which is presented in Figure 2-11 with multi-theories of the resource-based view; knowledge-based view; transaction costs economics and social capital theory. Table 3-1 provides a summary of all propositions.

**Table 3-1 Summary of the Propositions (1-8)**

<b>Mutual dependence (modified later as “mutual business needs”, please see Section 4.3.4)</b>	
1(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the management of a high-technology company’s relationship with its VARs (Value-Added-Reseller) from <b>the VAR’s</b> perspective at the <i>beginning</i> stage of the VAR relationship.
2(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the management of a high technology company’s relationship with its VARs (Value-Added-Reseller) from <b>the VAR’s</b> perspective in the <i>later</i> stages of the VAR relationship.
3(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the supplier company’s</b> perspective at the <i>beginning</i> stage of the VAR relationship.
4(b)	<i>Mutual dependence (business needs)</i> is (are) extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the supplier company’s</b> perspective in the <i>later</i> stages of the VAR relationship.
<b>Shared goals and objectives</b>	
5	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the VARs’</b> perspective at the <i>beginning</i> stage of the VAR relationship.
6	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the VARs’</b> perspective in the <i>later</i> stages of the VAR relationship.
7	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the supplier company’s</b> perspective at the <i>beginning</i> stage of the VAR relationship.
8	<i>Shared goals and objectives</i> are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from <b>the supplier company’s</b> perspective in the <i>later</i> stages of the VAR relationship.

**Table 3-1 Summary of the Propositions (9-16)**

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

**Table 3-1 Summary of the Propositions (17-24)**

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

**Table 3-1 Summary of the Propositions (25-32)**

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



**Table 3-1 Summary of the Propositions (33-40)**

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

## 4 RESEARCH DESIGN

This chapter introduces the research methods used for addressing the overall research questions. It starts with the specific research methods used, design of the questionnaire and, continues with a description of sample selection as well as the data gathering and ends up with the methods used in analysing the data.

Research design is *an action plan from getting here to there*, where *here* may be defined as the initial set of questions to be answered, and *there* is a set of conclusions (answers) regarding those questions (Yin 2003). For case studies, five components of a research design are especially important (Yin, 1994): (1) a study's questions; (2) its proposition, if any; (3) its unit(s) of analysis; (4) the logic linking the data to the proposition; and (5) the criteria for interpreting the findings.

*Study question* in this study addresses the what, why and how questions. The research questions in this study define: what the important factors are in VAR relationship management, why they are important, and how they have affected the relationship. The case study strategy is most likely to be appropriate for such type of study questions. *Study propositions* are formed based on literature findings with each of the propositions directing the research attention to something which should be examined carefully in this context of the study. *Unit of analysis* uses the single case study, which was followed for five years, in order to gain deeper understanding of the phenomenon. It contains very suitable criteria for a single case study. Linking data to propositions and criteria for interpreting the findings in this study are presented in depth throughout chapter 5.

### 4.1 Research Methods

The methodology formulated for this study is a combination of a case study and literature review. The literature review was conducted during the initial stages of the study and, includes three parts. Part one describes the basic terms and concepts of this study and the relevant aspects in relationship marketing as well as the recent changes in sales process in organisations. Part two reviews and summarises each important research finding in the VAR

relationship management. Part three identifies the relevant theoretical approaches used in this study.

Subsequently, the empirical method case study was determined. Selection of this particular case study methodology is based on the following: the research questions to be addressed by the case study were of exploratory nature. This made case study a suitable research methodology (Yin 1994). Case studies are acknowledged to be especially valuable in exploratory research in which the goal is to look for new variables and relationships. It is also a good approach in addressing the question of why observed phenomena occur, especially when the aim is to understand non-standard forms of behaviour (Meredith 1998; Stuart *et al.* 2002; Voss *et al.* 2002; Yin 1989).

Case studies are not only appropriate for generating hypotheses, but also for testing them (Hägg & Hedlund 1979). An important objection to the argument that case studies are only appropriate for generating theory but not for testing it, is that the conception of scientific activity as a step-wise progression of hypothesis testing may itself be a rather unfortunate one. The two stages certainly overlap. Apart from such considerations, which focus on the fact that a case never stands alone and separate from the assembled body of knowledge in a field (and other fields), there are other reasons for considering using case studies for the “testing” of hypotheses. If, for example, the observation of the phenomenon under study requires in-depth investigation, hypothesis testing can most appropriately be conducted using case studies (Hägg & Hedlund 1979).

The aims of case studies are generally systematic and holistic and should explain a network of relations between events and factors (Gummesson 2003). Case study research simply stated is “inquiry focusing on describing, understanding and/or controlling the individual (i.e. process, animal, person, household, organisation, group, industry, culture or nationality)” (Woodside & Wilson 2003). The principal objective of case study research is a “... deep understanding of actors, interactions sentiments and behaviours occurring for a specific process through time. Deep understanding includes knowledge of “sense-making” processes created by individuals and system thinking, policy mapping and system dynamics modelling ...”(Woodside & Wilson 2003).

The case study is a research strategy that focuses on understanding the dynamics present in a single setting (Eisenhardt 1989). As a research strategy, the distinguishing characteristics of the case study are that it attempts to examine: (1) a contemporary phenomenon in its real-life context, especially when (2) the boundaries between phenomenon and context are not clearly evident (Yin 1989). Case studies may combine different data collection methods, such as archives, interviews, questionnaires and observations. Additionally, the evidence may be qualitative, quantitative or both.

Yin (2003) defined case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Further on, case study is regarded as the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events (George & Bennett 2004). Similar definition is also given by Mitchell (2000). A case study is a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of “confront” theory with the empirical world (Piekkari *et al.* 2007). Case study is better regarded as a form of reporting than as a strategy for conducting research. I recognize that some scholars consider the case study to be an eclectic but nonetheless identifiable method. I prefer to regard it in a narrower sense: a format for reporting (Wolcott 2002). The researcher explores a single entity or phenomenon which is bounded by time and activity, and collects detailed information by using a variety of data collection procedures during a sustained time period (Creswell 1994).

However there are weaknesses in using case study. According to Yin (1994), the main weakness of this methodology lies in the poor generality of the results, since the findings are based only on a limited set of cases. The impact of this weakness on the result of the case study was minimized by data analysis methods: results will be analysis in both quantitative and qualitative methods. The second weakness mentioned by Yin (1994) is the long time frame that case studies usually demand. This problem solved by the sample case is followed carefully for a period of 5 years with close observation and studying so as to provide an in-depth understanding of the case-project.

Both the single case study and multi-case study each have their own advantages and disadvantages. Eisenhardt and Graebner (2007) state that theory building from multiple cases

typically yields more robust, generalizable and testable theory than single case research (Eisenhardt & Graebner 2007). However Dyer and Wilkins argue that the essence of case study research is that the careful study of a single case leads researchers to see new theoretical relationships and question old ones(Dyer & Wilkins 1991). The most critical trade-off facing the research with regard to single-case vs. multiple-case is between the deep understanding of a particular social setting and the benefits of comparative insights (Dyer & Wilkins 1991). Theory that is born of such deep insights from single deep case study will be both more accurate and more appropriately tentative because the researcher must take into account the intricacies and qualifications of a particular context (Dyer & Wilkins 1991). In the following table Yin lists certain criteria for case selection regarding single case or multiple cases (Yin 2003).

**Table 4-1 Case Selection (Single-case vs. Multiple-case)**

**Resource: Yin 2003**

<b>Case selection (single case vs. multiple case)</b>	
<b>Single Case</b>	<b>Multiple Case</b>
<ul style="list-style-type: none"> <li>• Critical case in testing well-formulated theory</li> <li>• Extreme or unique case</li> <li>• Representative or typical case: previously inaccessible</li> <li>• Longitudinal case</li> </ul> <p style="text-align: center;">(Yin 2003, p.40-42)</p>	<ul style="list-style-type: none"> <li>• Replication logic as per multiple experiments</li> <li>• Literal replication: case selected because similar results predicted</li> <li>• Theoretical replication: case selected because contrasting results predicted, but for predictable reasons</li> </ul> <p style="text-align: center;">(Yin 2003, p. 47)</p>

In this study, one supplier company is selected as the case company and 15 VAR companies are selected as its VARs to study the important factors of VAR relationship in high-technology sales management. Even though there are 15 VAR companies are selected for the study, but they are regarded as the supplier company’s VARs as one entity to study the dual perspective regarding the VAR relationship. Therefore this study is considered as single case study. The single case study is a good approach when the aim is to acquire in-depth knowledge of various aspects of the organizational processes, contractual arrangements, and relationship complexity between the supplier company and its VARs. Information about these phenomena is often confidential and latent, and the researcher must have good access to the organization (Mitronen & Möller 2003; Yin 1994). In Yin’s book of “Case Study Research:

Design and Methods” (Yin 1994), Yin states the rationale for single-case design. One reason for choosing a single case is that it is representative in terms of testing a well-formulated theory. The theory specifies a clear set of propositions, as well as the circumstances in which they are believed to be true. A single case may serve to confirm, challenge, or extend the theory, and may fulfil all the conditions for testing it and it could then be used to determine whether the propositions are correct, or whether some alternative set of explanations might be relevant. For these reasons, the single-case design meets the criteria for the research objectives of this study.

A second rationale in support of the single-case is one in which the case represents an extreme or unique case. Therefore it also meets the criteria of this study. The case chosen for this study represents a company maintaining a long history of Value-Added-Reseller relationships in differing circumstances over a period of more than 20 years, thus, making this a unique case and one which offers study of a long time period.

The third rationale for a single-case is the revelatory case. This situation exists when an investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation. In this study, I, as the researcher, am working in the case company. I have been working in the case company extensively involved with VAR business for the past 7 years. This situation offers the unique opportunity for close observation and understanding of VAR related issues and the ability to gain the deepest possible knowledge for this single case study.

The ultimate goals of this study are to provide a rich description of the social scene, to describe the context in which events occur, and to reveal the deep theory of each factor in the VAR relationship. Case research can be very helpful in gaining insights into the factors which influence the VAR relationship. An additional benefit of using case study methodology is that it enables the identification and discovery of any hidden aspects which are not made obvious through other research methods. Interpretive methods are adapted to the description, interpretation, and explanation of a phenomenon (Lee 1999).

This study has dual goals. One: to make a theoretical contribution to science, and two: to make the research results useful in practicality to the company under study. A deep single case study involves all the issues inherent in case study research, the history and context of

the intervention must be considered to be critical to the interpretation of the likely range of validity and applicability of the results.

Case studies normally involve all types of data gathering methods. The data gathering methods used included interviews, company documents, as well as observation of a variety of organisational gatherings. Relevant to the convenience of being employed by the supplier company as the exclusive VAR marketing manager, everyday interaction with internal and external issues regarding the VAR business are commonplace; thus, providing an excellent opportunity to participate in a variety of meetings, such as supplier and VAR workshops, internal meetings as well as large-scale external VAR sales meetings and VAR conferences. Additionally, attending meetings between the supplier and VAR, as well as meetings among the supplier Company, VARs and end-customers are commonplace.

Involvement and study throughout a five-year period as well as two years of previous VAR business experience were extremely important in developing an understanding of the aspects and management of VAR relationship.

The primary data collection methods and secondary data collection methods are listed in the following table:

**Table 4-2 Primary and Secondary Data Collection Methods**

<b>Primary data collection methods:</b>	<b>Secondary data collection methods:</b>
<ul style="list-style-type: none"> <li>• In-depth face to face interviews with designed questionnaires address issues “what”, “why” and “how”</li> <li>• Observations in formal and informal meetings and gathering</li> <li>• Informal conversation/informal interviews with guided questions in mind</li> </ul>	<ul style="list-style-type: none"> <li>• Press release</li> <li>• Newsletter</li> <li>• Meeting notes</li> <li>• Company web page</li> <li>• Organizational (supplier company and VAR companies) documents</li> </ul>

## **4.2 Population and Sample Selection**

The case company was selected based on the single-case-study rationale and particularly due to the opportunity for inside access to the supplier company for a period of seven years. This provides an excellent opportunity to achieve the inside story, to facilitate the collection of the information and, to conduct interviews.

The concerned supplier company is an international manufacturer of high-technology products in telecommunication and data communication industry which initially developed VARs in the 1980s, mainly in countries which lacked a direct sales force. The number of employees doubled in the 1990s due to business growth. The use of sales distributors created a reduction in personnel. Nevertheless, given the changes in the organization and in the market economy, the company is concentrated more on core competence and businesses. Specific business units began using VARs to sell certain products. Indeed, occasionally, assuming critical proportion in selling certain products, and in some products more than 60 percent of sales were generated by VARs. The question of managing the relationships with the VARs became increasingly important.

At the time of the study, this supplier company held approximately 60 valid contracted VARs, 15 of which were the most active and comprised nearly 70% of the total VAR sales. Various smaller VARs acted as sales agencies - buying equipment from the supplier company, and then reselling it to the end-customers, just as box-moving business. The top performing VARs were not only selling the equipment for the supplier company, but also adding values in the process by providing services or total solutions to end-customers. As a result these 15 companies have been selected for interview and study.

In the interest of acquiring deep knowledge of VAR relationship management in this single case, all of these active VARs were targeted for interview, eleven of which were network integrators and service providers, and four being large multi-division companies. One division in each of the four largest companies serves as an integrator and a service provider for the end-customers. These fifteen companies are situated all around the world including: Northern and South-western Europe, Middle East Africa, Latin America, China, and Asia Pacific countries. Interviewees were top-management as well as sales & technical people. Due to the size variation between the large supplier company and the smaller VAR companies, top-management people in the VAR companies also dealt with sales and technical issues. In order to gain different perspectives and to increase the reliability of the research results, interviews



were conducted across a variety of differing positions. This selection process will be described later in the VAR company information in chapter 5.

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

### **4.3 Questionnaire Designing**

The questionnaire design is very important for the research results of a survey. I have looked through many relevant research questionnaires, specially the questionnaire used by McQuiston (2001). McQuiston (2001) lists 5 items under each factor and asks respondents to rate them from 1 to 5 (1 is strongly disagree, 5 is strongly agree). The advantage of McQuiston's questionnaire is that respondent has more detailed items to rate. This helps to avoid any misunderstanding of the meaning of each factor. McQuiston's questionnaire is very easy for respondents to answer to. His data were collected by conducting telephone interviews with a convenience sample of 21 manufacturers' representatives and 22 individuals who were employed by the principal firms. In this study, I intend to find out what are the reasons behind the numbers in order to get not only quantitative data but also qualitative data. I also intend to use face-to-face interview technique in which the interview time should not be over two hours. Otherwise the respondents will get bored or tired out. Therefore detailed items under each factor are not included in my questionnaire. In order to avoid any misunderstanding the

meaning of each factor, the explanation of each factor is presented and given before each question in the questionnaire.

The first version of the questionnaire is designed based on the literature and examples from other questionnaires. Questionnaire design for this study was very carefully checked by professors and researchers, and tested with a few real interviewees in order to guarantee the highest quality. Based on the feedback from my professor and other researchers, a second version of the questionnaire was designed and tested in a few real cases. Suggestion on certain factor was taken into consideration. The final version of the questionnaire with all modifications was put into use for interviews. Due to changes in the factor, the propositions are modified as well.

#### ***4.3.1 First Version of Questionnaire***

The questionnaire design is one of the most important parts of the marketing research. The quality of the questionnaire directly affects the validity and reliability of the research results. The questionnaire must motivate the respondent to cooperate, become involved, and provide complete, honest and accurate answers (Malhotra & Birks 1999).

In order to ensure a high-quality questionnaire, the questionnaire design was carefully formatted to follow each step of the questionnaire design checklist (Malhotra & Birks 1999).

- Step 1: Specify the information needed
- Step 2: Specify the type of interview method
- Step 3: Determine the content of individual questions
- Step 4: Overcome the respondent's inability and unwillingness to answer
- Step 5: Choose question structure
- Step 6: Choose question wording
- Step 7: Arrange the questions in the proper order
- Step 8: Identify the form and layout
- Step 9: Reproduce the questionnaire
- Step 10: Eliminate problems by pilot-testing

The first version questionnaire is designed with the above mentioned guidelines and also followed other examples for similar types of research. The first version questionnaire is shown in Appendix 2.

#### ***4.3.1 Second Version of Questionnaire***

Discussion with professors and researchers in this field were held during the design process of the version one questionnaire. Based on feedback, the following issues were under question:

1. Answer selections “very important” and “extremely important” might be confusing to people because of the degree of importance.
2. Factors would best be graded in a range of important 1 through 10 (1 being the most important factor; 2 being the next most important) instead of giving importance to each factor with the importance (1 being extremely important, 10 being least important). The new grading method caused interviewees to think of the most important things in the VAR relationship management.
3. Version one questionnaire did not reflect the importance of the same factor in a time dimension.

Based on these elements, the questionnaire was re-defined and modified to generate the second version questionnaire. Please see the second version of questionnaire in Appendix 3.

#### ***4.3.3 Final Version of Questionnaire***

The questionnaire provided a good opportunity to seek the reasons behind the answers. The goal was not only to try and to identify the factors in a VAR relationship, but also understand the reasons for the level of importance of the factors. The second version questionnaire was submitted to test involving people from the supplier company and its VAR companies.

One item in the questionnaires which was identified and commented on by initial interviewees was the term of “mutual dependence”. It was suggested that this term may mislead people in this particular case study. In this case study, the supplier company is much larger than its VAR companies since the supplier company is a multi-business international company. The supplier company has its own direct sales force and VARs sales channel is complementary indirect sales channel. Thus, the supplier company’s dependence on the VAR companies is not high. Dependence between the two is not equal. Therefore the term “mutual dependence” is not appropriate in this case study. It is more suitably changed to “mutual business needs”. Please see the final questionnaire in Appendix 4.

#### ***4.3.4 Modified Propositions***

Due to evolving terminology for the factor, the propositions 1-4 regarding mutual dependence were modified at this stage of the study in order to achieve reliable data.

Proposition 1b: ***Mutual business needs*** are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from the VARs’ perspective at the beginning stage of the VAR relationship.

Proposition 2b: ***Mutual business needs*** are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from the VARs’ perspective in the later stages of the VAR relationship.

Proposition 3b: ***Mutual business needs*** are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from the supplier company’s perspective at the beginning stage of the VAR relationship.

Proposition 4b: ***Mutual business needs*** are extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-

Added-Reseller) from the supplier company’s perspective in the later stages of the VAR relationship.

#### 4.4 Data collecting process

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

**Table 4-3 Data Sources**

Data Resources		Number		Examples and clarifications
		Supplier company	VAR company	
Face-to-face interviews	Structured interviews with a questionnaire with averaging 90 minutes per interview	20	20	20 people from the supplier company from differing hierarchical organisational levels were interviewed in order to achieve rich data input.  20 people from 15 different value-added-reseller companies were interviewed.
	Semi-structured interviews concerning the factors carried out whenever possible	5	8	These 40 interviews provided sufficient and rich data for the research questions as the last few interviews provided no additional new information.  This study asked research questions defined at the beginning. Therefore, sufficient time was given to discuss factors mentioned in the research questions.

Archival Documents	over 100	over 50	VAR agreements, VAR business plans, Sales objectives and forecasts, Conference slides, Internal company meeting reports, Team meetings, VAR meeting notes, Company presentation slides, Letters to the end-users, Company annual reports, VAR newsletter, .....
Direct Observations	Over 30	Over16	Supplier company day-to-day work, VAR sales conferences, VAR visioning workshop, VAR competence training, Meeting with VARs, End-user days, .....
Company website	1	15	Websites of companies under study were heavily researched. For reasons of confidentiality, specific websites are not listed. Main business of the companies, sales revenues, news, etc. confirmed.

---

### **Face-to face Interviews**

Of the 53 face-to-face interviews conducted, 40 were in-depth interviews lasting 90 minutes on average. They were based on a well-defined and tested questionnaire. In addition, thirteen 30-minute face-to-face interviews were conducted based on the factors mentioned in the research questions. The questionnaire used in the 40 in-depth interviews was professionally designed, checked, rechecked and tested before it was used. The entire process of conducting the 40 interviews encompassed a year, from 2006 to 2007. Even though there are some possible limitations of having 20 interviews from the supplier company but only 1-2 interviewee(s) from each VAR company, there were 17 interviewees from the supplier company who were account managers and solution managers and who were dedicated to selling and providing support to those in VAR companies. Therefore two sided information

from the VAR company and its responsible persons from the supplier company were gathered. Upon termination it was concluded that sufficient and rich data relating to the research questions had been provided, and that the final few interviews offered no additional new information. Thus, it was not deemed necessary to conduct further interviews. However, another thirteen semi-structured interviews concerning the factors of VAR relationship management were carried out whenever possible during specific events, meetings and gatherings. Throughout the face-to-face interview process it became obvious that the interview process provided the best opportunity for obtaining accurate data and more information behind the answers. One extreme, yet specific example following an interview is of one respondent stating: "I would not have told you everything I know, with stories, if you had sent the questionnaire to me by e-mail or interviewed me over the phone". Interview guide was written and used through the whole interview process. Please see the interview guide in Appendix 1.

### **Archival documents**

Collection of over 150 archival documents took place throughout a period of five years between 2004 and 2008. This collection includes VAR agreements and business plans, sales objectives and forecasts, conference slides, meeting reports from internal team meetings, notes from meetings with VARs, company presentation slides, letters to end-users, company annual reports and VAR newsletters. These documents provided a valuable primary source of data, and facilitated the cross checking of the interview results in a process of triangulations. These documents become an item of focus when relating to the factors in the VAR relationship management.

### **Direct observations**

Data collection encompasses nearly a five year period of gathering the documents, collating the historical information, and making the observations. Serving as marketing manager and working closely with VARs in the supplier company, many opportunities would arise for internal meetings, events and gatherings, and communicating with the VAR companies, as well as with end customers. In these five years between 2004 and 2008, five VAR sales conferences, three visioning workshops, ten competence-training sessions, more than five end-user events, and more than hundred internal meetings were made available, providing me

the best possible opportunities for direct observations and the collection of rich data enabling a better understanding of VAR relationship management.

### **Company website**

Company website (the supplier company and the value-added resellers) under study were carefully researched and cross-checked against the documentary data. These websites provide me a comprehensive picture of each company in terms of its organization, its main business, sales revenue, and end customers. As background information this served to enable the analysis of the interview data and the archival documents.

Due to the close proximity of all the relevant people who made up the VAR sales team of the supplier company, it is possible to know representatives from the supplier company and obtain relationships with key contacts from VAR companies. The advantages from the inside are (1) knowing who the right person is to be interviewed; (2) a greater chance of obtaining interviews with a one-hundred percent response rate and with respondents actively contributing their knowledge and information during the interviews. At times, interviewees come voluntarily providing additional information for comparing other supplier companies with this supplier company; (3) in some cases the opportunity to test the questionnaire with real respondents and to interview people again following the questionnaire modification; (4) a better understanding of the research topic in mind; (5) archival documents are more readily accessible; (6) there is an opportunity for direct observance of events and meetings.

With five-year extensive and intensive study on the VAR relationship management through everyday VAR business involvement and deep interviews with all the relevant people in this case study. It is possible to investigate the proposed research questions thoroughly.

## **4.5 Reliability and Validity Analysis**

In Yin's book (2003), the quality of case study research has been discussed. Yin states that the development of case study designs needs to maximize four conditions related to design quality: (a) construct validity, (b) internal validity, (c) external validity, and (d) reliability (Yin



2003). Four tests have been commonly used to establish the quality of any empirical social research. This book identifies several tactics for dealing with these four tests when doing case studies. Table 4-4 lists the four widely used tests and the recommended case study tactics as well as a cross-reference to the phase of research when the tactic is to be used.

**Table 4-4 Case Study Tactics for Four Design Tests**

**Resource: Yin 2003**

<b>Tests</b>	<b>Case study tactics</b>	<b>Phase of research in which tactic occurs</b>
<b>Construct validity</b>	Use multiple source of evidence	Data collection
	Establish chain of evidence	Data collection
	Have key information review draft case study report	Composition
<b>Internal validity</b>	Do pattern-matching	Data analysis
	Do explanation-building	Data analysis
	Address rival explanations	Data analysis
	Use logic models	Data analysis
<b>External validity</b>	Use theory in single case studies	Research design
	Use replication logic in multi-case studies	Research design
<b>Reliability</b>	Use case study protocol	Data collection
	Develop case study data base	Data collection

### **4.5.1 Reliability**

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

First, the interviewees were chosen carefully in order to maximize the reliability of the data collected. They were the key informants, and represented varying positions and geographical areas. As many people as possible were interviewed up to the point when no further information was forthcoming. Secondly, the questionnaire was carefully designed according

to established guidelines, and it was tested and modified several times. The design allowed the reliability of the responses to be checked qualitatively and quantitatively. Thirdly, other information obtained from direct observation, company web sites and archival documents completed the triangulation process. Fourthly, in order to gain a variety of perspectives on the phenomenon, people from varying positions have been interviewed. Fifthly, the repetition of data collection over time is used in this study. The formal data collection process as well as in-depth face-to-face interviews is used together, allowing at times for informal discussions regarding similar topics in an informal conversation. Sixthly, the quality of the data appeared to be good. Finally the reliability of the data was improved by complementing the primary data with various complementary sources of the data and testing the reliability of the data whenever possible. Several different sources of information are used to create triangulation, while double checking findings throughout the data collecting process.

#### ***4.5.2 Construct Validity***

The difficulty in seeking to establish the validity of the research has underlined the importance of completeness in the information collected, for example interviews with all involved parties: the more parties interviewed, the richer and more complex the cases developed (Gummeson 2003). Construct validity refers to the extent to which an operationalization measures the concept it is supposed to measure (Bagozzi *et al.* 1991). Good construct validity means that the focal characteristics and concepts, ideas and relationships are studied (Remenyi *et al.* 1998). Construct validity is to establishing correct operational measures for the concepts being studied (Kidder & Judd 1986).

To gain construct validity, focal concepts are defined and redefined through the iterative research process in this study in order to find those most suitable. The concepts (factors in VAR relationship management) were derived from literature study, discussions with professors and other researchers, as well as testing in several interviews. In the data collection phase, multiple source evidence was used to increase the construct validity.

In a more in-depth analysis, construct validity can be divided in two dimensions that are tested separately: (1) convergent validity; and (2) discriminate validity (Bagozzi *et al.* 1991).

Convergent validity is the degree to which multiple attempts to measure the same concept are in agreement (Bagozzi *et al.* 1991). Two or more measures of the same concept should be covered highly if they are valid measures of the concept (Bagozzi *et al.* 1991). In this study, several methods were used to ensure and test convergent validity. First, earlier validated constructs and measurement items were used whenever possible. Second, new constructs and measurement items were developed on the basis of theory and earlier related research. Third, measurements for the same constructs were tested in two different ways.

Discriminate validity is the degree to which measures of different constructs are distinct (Bagozzi *et al.* 1991). If two or more concepts are unique, then valid measures of each should not correlate too highly (Bagozzi *et al.* 1991). In this study, several methods were used to ensure the discriminate validity. First, earlier validated constructs and measurement items were used whenever possible. Second, new constructs and measurement items were developed on the basis of theory and earlier related research. Third, the constructs and measurements were discussed and tested before they were put into research process.

### ***4.5.3 Internal Validity***

Validity refers to the extent to which a measurement instrument does what it is intended to do (Nunnally 1978), while internal validity refers to the validity of the research process as research (Eden & Huxham 1996). In this case the research process was carefully designed and executed in order to guarantee the internal validity. External validity is required in order to establish the domain in which the findings can be generalized (Kidder & Judd 1986). It concerns the degree to which the results can be justified as being representative of the situation in which they were obtained. However, it is for explanatory or causal studies only, not for descriptive or exploratory studies. According to Yin (1994), internal validity is a concern only for causal (or explanatory) case studies, in which an investigator is trying to determine whether event X led to event Y. In this study, I use the case study tactics which are suggested by Yin (2003) to ensure the internal validity for this study in the phase of data analysis. The tactics are: do pattern-matching; do explanation-building; address rival explanations; and use logic models.

#### ***4.5.4 External Validity***

External validity establishes the domain to which a study's findings can be generalized (Kidder & Judd 1986). External validity of research is concerned with the degree to which the results may both be justified as being representative of the situation in which they were obtained and have claims of generality.

The problem with external validity has been a major barrier in conducting case studies. Critics typically state that single cases offer a poor basis for generalizing. However, these critics are implicitly contrasting the situation to survey research, in which a "sample" (if selected correctly) readily generalizes to a larger universe. This analogy to samples and universes is inappropriate in the context of case studies in that survey research relies on statistical generalization, whereas case studies rely on analytical generalization. Researchers aiming at the latter strive to generalize a particular set of results to some broader theory (Yin 1994).

Several methods were used in order to increase the external validity of this study. First, Yin's (2003) suggestion to apply the theory during the design phase of single-case studies was adopted. Secondly, there is a large body of literature covering the beginning phase of a study and the research design was based on commonly used theories and findings. Thirdly, in order to enhance the generalizability a thorough description of the research process and the specific context of the empirical study are given. Fourthly, the research results are arrived at not only by means of interpretive methods of description, interpretation and explanation, but also through the analysis of statistical data. Last but not least, a clearly defined context exists. The supplier company is an international high-technology manufacturing organization having its own direct sales force, and VARs comprise a relatively small proportion of its total sales revenue. However, they are used as one indirect strategy for certain products and customer segments that cannot be covered by the supplier company cost-efficiently. The VARs investigated in this study are not traditional sales agencies that only receive the middleman's share due to the fact that they add value in the chain leading to the end-customers

## **5 RESEARCH RESULTS**

### **5.1 Descriptive Analysis**

In this section, sample firms in this study are analyzed. The purpose of the descriptive analysis is to provide a deep understanding of the background information of the sample companies, as well as to provide an overview of the sample firms. Detailed information of the sample company, such as the history, age, number of employees, revenues, location, main business, is presented and analyzed here. However for reasons of confidentiality, company names and detailed business information are not revealed.

#### ***5.1.1 Descriptive Analysis of the Supplier Company***

The supplier company is a high technology product company differing from other companies such as consumer products companies. Due to the high technology product factor, the resource-based view, knowledge-based view and competence/capabilities play an important role in the VAR relationship management. Additionally, the supplier company maintains a very strong direct sales channel with sales dispersion to major market segments, as well as an indirect channel sales strategy which serves as a complementary channel to cover certain market segments inefficiently covered by the supplier company's direct sales force.

The roots of the supplier company go back to the year 1865 with the establishment of a forest industry enterprise in a small town in Europe. Gradually through the late 1980s, the company became one of the largest information technology companies in telecommunication and data communication industry through acquisition. Finally, it concentrated on a core business of information technology through divesting basic industry operations. The current business has now evolved into a completely different business from the original business that it was more than 142 years ago. A significant expansion by different transaction and re-focusing over years towards a very successful and world-class company emerged with its brand associated with high-quality and reliable products in a leading position in its fields. This image of the company has, of course, accelerated its success all around the world.

Due to the speed and evolutionary development of its business, the company reacted by shifting its sales strategy according to its business needs. The initial value-added-reseller was established about 27 years from the date of this study, in 1980. Discussions with one of the long-term employee, who have been in a similar branch of business in the supplier company, led to the topic of how VAR sales channels came into the picture:

One day about twenty-seven years ago in 1980, I got a call from a guy in another country. The guy said: I am doing one integration project and happen to know that your company product is just the right fit for our solution for the end-customer. How can we buy the products from you? We may also need this kind of products in other end-customer projects. How can we cooperate in the future?

At that time we did not have a sales office in that country and our company had no intention to establish a sales office there at that moment. You must remember that the business environment was totally different from what we have nowadays. Crossing boundary sales is not an easy thing because of the local language, business expertise and money exchange and many other reasons. This is the very beginning of why and how we established our first VAR in another country.

During the discussions noted in the research questions, the exact “why and how” of the supplier company establishing its indirect sales channel (Value-Added-Resellers) begin to emerge.

In the early 1980s, the supplier company was still small with limited resources and was just about to embark upon international business in a few major cities. Many geographical areas were still yet to be covered by the company’s direct sales force. Local languages, local cultures and business environments were also strong barriers confronting business directly. The supplier company desired to increase its sales volume and held firmly to the idea that the use of value-added-resellers was natural way of doing business indirectly in particular geographical areas and for particular customer segments. At that time, the value-added-reseller was not a focal point of management. Yet, the top management of the supplier company envisioned growth in the international market. Sales via VARs were very limited and insignificant at that time though it was a supplementary way to satisfy customers in particular geographical areas as well as those segments which could not be served by the

supplier company directly. The supplier company was not actively seeking VARs but, rather, it was the local companies which needed the products for its end-customers igniting the contact between the supplier company and the local company which became to be known as the supplier company's VARs.

Supplier company growth was increasing rapidly in the 1990s as business went international and the global company added many different product/technology areas. More and more local sales offices were established all around the world. It was due to this business growth of the supplier company that the VARs business was rather minimal. During the later 1990s and the beginning of 2000, the supplier company re-focused its product areas. Certain maturing products, developed 20 years ago, were not to be the company's core strategic products any more but, rather, the high quality and reliable products are still highly appreciated by certain customer segments. The dilemma at that time was how to continue to serve these customer segments with existing products and ultimately lead the supplier company to further develop VAR indirect sales channels. By the year 2000, the supplier company intentionally developed indirect sales channels by using its VARs to sell the existing products to specific customer segments and focused its core business with a direct sales force.

In recent years, with mutual business needs and mutual benefits between the supplier company and its VARs, the VAR relationship has continued and developed further. With business and operational efficiency in mind, the supplier company actively improves the VAR business model and seeks new and capable VARs to build an efficient indirect sales channel for the company. This method is notably suitable during changes in organisational management and the sales process as well.

**Table 5-1 The Supplier Company's VAR Sales Channel Development over Time**

<b>Time</b>	<b>VAR development</b>
<b>During the 1980s</b>	<p>The supplier company was not yet an international and global company at that time. Certain customer segments could not be served by the company directly.</p> <p>VARs were actively contacting the supplier company to fulfill its solution towards end customers.</p> <p>The first few VARs were assigned. There was no dedicated unit which looked after the VAR sales. VAR sales function was subordinate to the overall sales department which was mainly responsible for direct sales.</p>

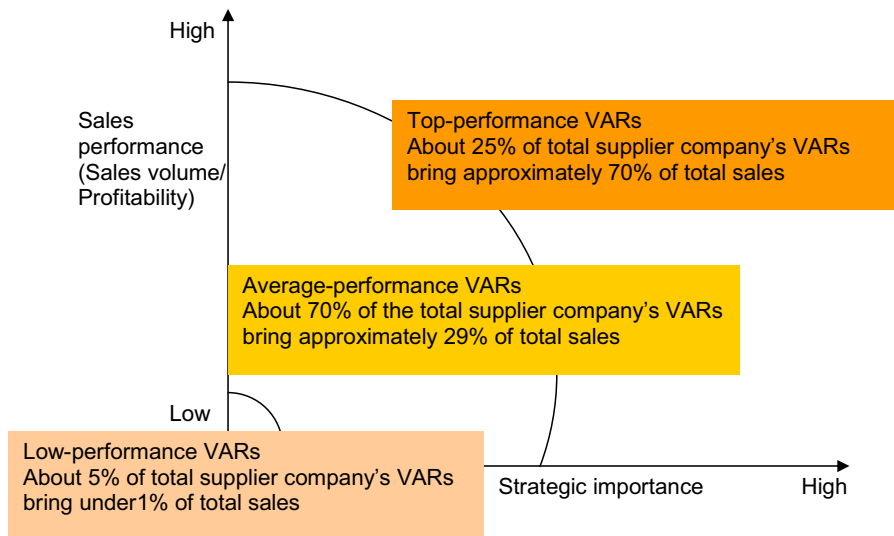
<b>At the beginning of the 1990s</b>	The supplier company grew rapidly evolving into an international company. VAR business was small and an insignificant part of the supplier company's business.
<b>Late 1990s and beginning of 2000s</b>	The supplier company re-focused on its business/product areas. Gradually direct sales focus moved to strategically important products/customers. More VARs were brought in to serve certain customer segments with certain products which were not the core business of the supplier company. A small team in the supplier company was dedicated to take care of the VAR indirect sales channel.
<b>Current situation (2006-2008)</b>	The supplier company actively seeks competent VARs to increase its sales efficiency. More products from the supplier company open for VAR indirect channel sales. Indirect sales (VAR sales channel) become an important part of the supplier company's sales strategy. And there is a well established VAR network all around the world which is managed by a professional organized "VAR program" according to the "VAR operational model".

---

Early in 2008, the supplier company had established relations with 60 VARs geographically located all around the world. Approximately 25% of total VARs bringing about 70% of total sales were called as top performance VARs and considered strategically important. Approximately 70% of the VARs were considered average performers bringing 29% of total sales. Only about 5% of the VARs were of low performance providing under about 1% of total sales. Performance levels of VARs may change over time due to the fact that a majority of the sales produced by VARs are based on projects.

Typical top VARs carry out the sales of many products produced by the supplier company, and top VARs' sales are more stable year round. Smaller VARs carry on fewer product sales produced by the supplier company. Smaller VARs' sales may vary radically depending how many projects are underway. Obtaining a large project provides the VAR an opportunity to achieve top performance levels. Although some VARs may not have the opportunity for many sales in one year, the supplier company continues the relationship knowing that VARs grow quickly when receiving large projects. Therefore, it is very important to keep a good balance of all levels of VARs in order to guarantee a consistent sales flow for the supplier company. Figure 5-1 demonstrates a typical portfolio of various types of VARs.





**Figure 5-1 Different Types of VARs the Supplier Company has in First Half of Year 2008**

### 5.1.2 Descriptive Analysis of the VAR Companies

Interviews were conducted with fifteen different VAR companies. Those fifteen companies are located all around the world. Table 5-2 shows the geographic locations of sample VAR companies.

**Table 5-2 Geographic Locations of the Interviewed VAR Companies**

Geographic locations	Number of VAR Companies
Northern Europe	6
South-west Europe	4
Asia	3
Middle East Africa	2
<b>Total:</b>	<b>15</b>

There are mainly two types of VAR companies. One type is an independent small to medium-sized company. Another type is one business unit in a large sized company or daughter

company of a large parent company, which carries out various integration works and serves as a VAR for the supplier company.

**Table 5-3 Types of the Interviewed VAR Companies**

	<b>Type of VAR Companies Interviewed</b>	<b>Number of VAR Companies</b>
<b>Type one</b>	The business unit of a large company. This business unit carries out various value-added-reseller activities for the supplier company	4
<b>Type two</b>	The small/medium-sized company which serves as an integrator carrying out the value-added reselling activities for the organisation.	11
<b>Total:</b>		<b>15</b>

**Table 5-4 Number of Employees in the Interviewed VAR Companies**

	<b>Number of Full Time Employees</b>	<b>Number of VAR Companies</b>
	20-40	6
	40-80	4
	80-100	1
	Over 100	4
<b>Total:</b>		<b>15</b>

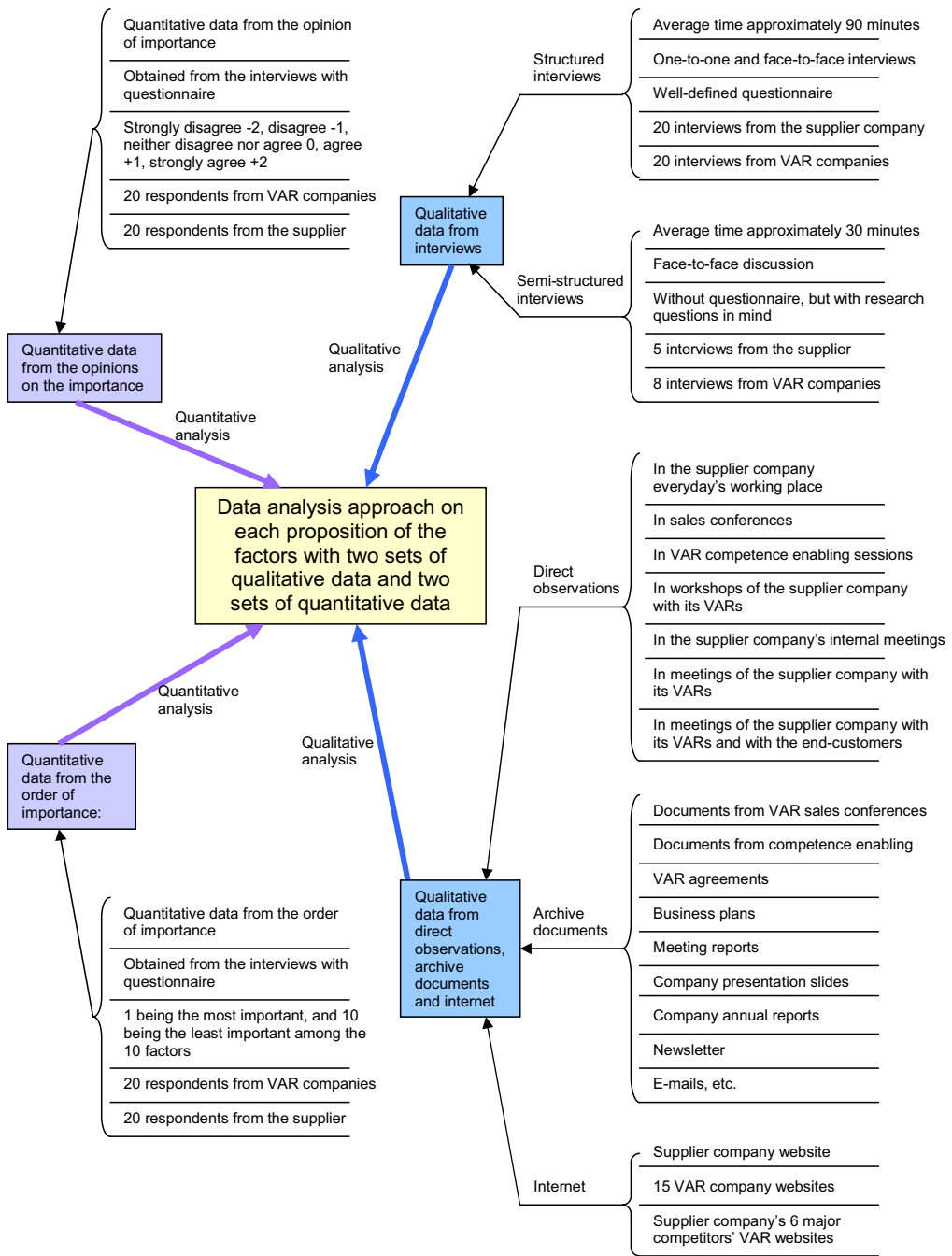
**Table 5-5 Revenues of the Interviewed VAR Companies**

	<b>2006 Revenue (Million Euros)</b>	<b>Number of VAR Companies</b>
	5-10	5
	10-20	4
	20-50	1
	50-100	1
	Over 100	4
<b>Total:</b>		<b>15</b>

## **5.2 Data Analysis Approach with Qualitative and Quantitative Data**

Prior to the beginning the data analysis of each proposition of the important factors, it is important to present and explain the data analysis approach to facilitate a better understanding how research data is used to generate results. As stated in the research method Chapter 4, this research is primarily a case study. Qualitative and quantitative data are collected from face-to-face interviews, and qualitative data is also collected through direct observation, archive documentation, and Internet information. Because of my unique access to the case company as well as my contextual working experience at the company and with its VARs, the response rate for the interviews is 100 percent. And I also tell each respondent before interview that I am doing this study for Helsinki University of Technology and the names of the company and interviewees are confidential, the interview results will be used for the academic research. This reduces the respondents' potential tendency to bend the truth so as not to risk their supplier-VAR relationship.

During face-to-face interviews, each factor is explained before the question to avoid any misunderstanding of the wordings. Each interviewee is asked to rate the importance of each factor, and to explain how they have formulated their opinion. Additionally, each interviewee is asked following the interview questionnaire to quantitatively judge each factor based on the opinion of importance and in order of importance. Please see the interview questionnaire in Appendix 4. As a result, four different elements of data were obtained: first being the primary qualitative data received from interviews with extensive descriptions of the phenomenon; second being the quantitative data based on the opinion of importance; and third being the quantitative data based on the order of importance (please see the quantitative data in Appendix 5); fourth being another set of qualitative data collected through direct observations, archive documents, and the Internet. Each of the four sets of data are used both qualitatively and quantitatively to generate the research results. The data analysis approach is represented in Figure 5-2.



**Figure 5-2 Data Analysis Approach with Qualitative and Quantitative Data**

### **5.3 Data Analysis on the Resource - and the Knowledge-Based View Propositions**

In this section, research data on the propositions of factors on resources-based and knowledge-based views are presented and analyzed here.

#### ***5.3.1 Mutual Dependence/Mutual Business Needs***

McQuiston (2001) identified mutual dependence as a factor of the VAR relationship. This is presented in the reseller/manufacturer relationship in that the manufacturer depends upon the reseller to carry out the selling and much of the service function, while the reseller depends on the manufacturer to design, manufacture, ship, and invoice their products in a timely manner (McQuiston 2001).

Logic behind the changing of the term of “mutual dependence” to “mutual business needs” between the supplier company and its VARs is discussed in depth in research design section. During the initial phase of the field data collection process, several interviewees commented on “mutual dependence” typically as follows:

The dependence is not equal between the supplier company and its VARs.

In this defined context of the supplier company and its VARs, there are various reasons for this. First of all, the supplier company is a large global organisation with a strong direct sales force and indirect VAR sales forming a very small proportion of its total sales. On the other hand, its product involves a much larger share of the VAR companies’ revenue. Secondly the supplier company has many VARs, but the VARs have far fewer suppliers. Finally, the initial dependence is much lower because both sides are attempting to discover whether or not they can successfully engage in business together. No dependence may even exist in the beginning. Below are comments on mutual dependence which were typical from the interviews.

In the sentence “The supplier company depends upon the reseller...”, “depend” is a strong word. The supplier company doesn’t necessarily depend upon the reseller. It should take great care not to depend on the reseller too much because resellers are independent companies and the supplier company has no control over them. It is more that the reseller depends on the supplier company. The supplier company should not depend on resellers. Large companies should have direct sales forces for their large customers, depending on the nature of the products. In this business it’s too expensive for the supplier company to have a direct sales force for its small customers or specific market segments. Local resellers may be more efficient for secondary markets. The supplier company should have a direct sales force for its large customers, and use local resellers for its smaller customers and certain segments that cannot be served by direct sales for reasons of operational efficiency. The supplier company’s direct and indirect sales strategies are complementary, and not in conflict.

This also depends on the supplier company’s products. For example, when we think about a mobile phone manufacture, the supplier company heavily depends on the resellers. In our business as a telecommunication integrator, we as resellers are more dependent on the manufacturer.

Dependence is a strong word. It should not be too dependent. A certain degree of independence is also needed just in case. At the beginning, both parties are trying to find out whether the relationship will work out. Therefore dependence is not so important. However, mutual business needs are a prerequisite for establishing the relationship. I would strongly recommend that “mutual dependence” be changed to “mutual business needs”.

Given the comments received in a few pilot interviews, it was determined that mutual dependence was a misleading term in this context for the above reasons and, therefore, the term is changed to mutual business needs. Triangulation evidence from archive documents, as well as direct observations do not support proposition 1 and 3: *Mutual dependence* is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from both the VARs’ perspective and the supplier company’s perspective at the beginning stage of both the VAR relationship. However, mutual dependence increases to some extent in the later stages. Still the dependence is not equal: VARs are more dependent on the supplier company than the supplier company being dependent on the VAR. Therefore, evidence still does not support proposition 2 and 4: *Mutual dependence* is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Reseller) from the

VARs' perspective and from the supplier company's perspective in the later stages of the VAR relationship.

*Mutual business needs from the VARs' perspective in the beginning stage*

Table 5-6 provides the research data analysis and the results of the mutual business needs from the VARs' point of views at the beginning stage of the VAR relationship. Table 5-6 lists the qualitative data from interviews as well as from direct observation and documents as supporting proposition 1b, and the quantitative data of the level of importance (1.65 out of 2, with 2 being maximum) and the order of importance (4.25 out of 1-10, with 1 being most important) are also supporting proposition 1b suggesting that: mutual business needs are extremely important in VAR relationship management from the VARs' perspective at the beginning stage of the VAR relationship management.

**Table 5-6 Research Data for Mutual Business Needs from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

---

**Mutual Business Needs, From the VARs' Perspective, At the Beginning Stage**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) At the beginning stage, the mutual business needs should exist. This is the starting point of the entire business relationship. Because of mutual business needs, the business relationship can be established. (2) As a VAR company, we strongly need the products/solutions from the supplier company. Otherwise our business doesn't exist as an integrator. (3) It is extremely important in all stages. For the benefit of the supplier company and VARs, the mutual business needs are very important and critical, and continues at all stage. It is the basis for relationship.

**Analysis:** Those typical quotations from interview clearly show that mutual business needs from VARs' perspective at the beginning stage is the starting points for establishing the business relationship.

**2. Qualitative data from archives, observations, websites**

Through observation and archival data, evidence supports that mutual business needs are extremely important in VAR relationship management. In various documents, VARs approached the supplier company with the desire to sell the supplier company's products because they in fact needed the supplier company's products to provide the total integrated solution and services to the end customers. Direct observations and documentation from the supplier company also support this. The supplier company established more VARs with selection criteria in hoping that some of the VARs would become top performance VARs as time passed. In the supplier's company internet site, there is possible for companies to apply to be the supplier company's VAR.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.65**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 4.25**

---

*Mutual business needs from the VAR's perspective in the later stages*

Table 5-7 provides evidence in support of the mutual business needs from the VARs' point of views in the later stages of the VAR relationship. Table 5-7 lists the qualitative data from interviews as well as from direct observation and documents as supporting proposition 2b, and the quantitative data of the level of importance (1.8 out of 2 with 2 being maximum) and the order of importance (4.95 out of 10 with 1 being most important) are also supporting proposition 2b: mutual business needs are extremely important in VAR relationship management from the VARs' perspective in the later stages of the VAR relationship management.

Additional research results reveal that there is a slight increase in the importance of mutual business needs based on the VARs' perspective in the later stages compared to the importance at the beginning stage of the VAR relationship. Once the relationship stabilizes and business is performing, the mutual business needs increase.

**Table 5-7 Research Data for Mutual Business Needs from the VARs' Perspective in the Later Stages of the VAR Relationship**

---

**Mutual Business Needs, From the VARs' Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) We as resellers are in no position to make products ourselves. We need the supplier companies to provide the products as well as supports. On the other hand, we as resellers have a closer relationships with the end-customers, and we are able to respond to customers' needs faster. Therefore, the business needs are mutual. (2) If there are mutual business needs, the business relationship can continue. If no mutual business needs exist, the VAR relationship will no longer exist. Mutual business is the reason to continue the business relationship in the later stages. (3) The mutual business needs must be there, otherwise, there is no business relationship. The importance of mutual



---

business needs continues during all stages of the VAR relationship.

**Analysis:** Those typical quotations from interview clearly show that mutual business needs from VARs' perspective in the later stages is the basis for maintaining and growing the business relationship.

**2. Qualitative data from archives, observations, websites**

Direct observations and archival document data also suggest that mutual business needs are extremely important in VAR relationship management. In specific documents, evidence shows that some VARs quit the relationship because there was no business going on.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.8**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 4.95**

---

*Mutual business needs from the supplier company's perspective at the beginning stage*

Table 5-8 provides evidence in support of the mutual business needs from the supplier company's point of views at the beginning stage of the VAR relationship. Table 5-8 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 3b, and the quantitative data of the level of importance (1.65 out of 2 with 2 being maximum) and the order of importance (3.2 out of 10 with 1 being most important) are also supporting proposition 3b: mutual business needs are extremely important in VAR relationship management from the supplier company's perspective at the beginning stage of the VAR relationship management.

**Table 5-8 Research Data for Mutual Business Needs from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

---

**Mutual Business Needs, From the Supplier Company's Perspective, At the Beginning Stage**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) At the beginning stage, mutual business needs are extremely important. It is the fundamental reason for initiating a VAR business relationship and obtaining new VARs. The business relationship kicks-off due to common interests. Mutual business needs are the basis for the business relationship. (2) Based on our situation, a strong need exists for VARs to sell the products. With our current situation in certain segments, the supplier company doesn't have the capability to deliver the system and to provide the services to the end-customers. From the VAR side, it is a critical network

---

requirement to give the customer the right solutions. (3) When generally thinking about mutual business needs, it is very important at the beginning stage as well as in the later stages. The importance of some other issues may be different at different stages of the relationship but, the mutual business needs should be there all the way.

**Analysis:** Those typical quotations from interview clearly show that mutual business needs from the supplier company's perspective at the beginning stage is the starting points for establishing the business relationship.

**2. Qualitative data from archives, observations, websites**

Direct observation and historical data also support the fact that mutual business needs are extremely important in VAR relationship management. In some documents, the supplier company has been actively searching for competent VARs to fulfill their needs. This is also clearly shown in the supplier company's VAR selection criteria. The supplier company established more VARs with selection criteria and hopes that some of the VARs will become top performing VARs as time goes by.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.65**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 3.2**

---

*Mutual business needs from the supplier company's perspective in the later stages*

Table 5-9 provides evidence in support of the mutual business needs from the supplier company's point of views in the later stages of the VAR relationship. Table 5-9 lists the qualitative data from interviews as well as from direct observations and documents as supporting the proposition 4b, and the quantitative data of the level of importance (1.9 out of 2 with 2 being maximum) and the order of importance (4.2 out of 10 with 1 being most important) are also supporting proposition 4b: mutual business needs are extremely important in VAR relationship management from the supplier company's perspective in the later stages of the VAR relationship management.

**Table 5-9 Research Data for Mutual Business Needs from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Mutual Business Needs, From the Supplier Company's Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) Mutual business needs are common interests of both parties. It is a basic factor. People may not talk or think about it, but it is extremely important in order for the relationship to exist. (2) I would strongly agree with both stages. When thinking about mutual business needs, it is very important at the beginning stage as well as in the later stages. The importance of some other issues may be different at different stages of the relationship but, mutual business needs should be there all the way. (3) In the later stages we need mutual business needs in order to keep the cooperation and relationship. We are working together as partners because of the mutual business needs.

**Analysis:** Those typical quotations from interview clearly show that mutual business needs from the supplier company's perspective in the later stages is the basis for maintaining and growing the business relationship.

**2. Qualitative data from archives, observations, websites**

Direct observation and historical data also support the fact that mutual business needs are extremely important in VAR relationship management. Specific documents reveal the fact that the supplier company will terminate the VAR contract if some VARs can not fulfill the minimum purchase from the supplier company or there is no business going on. The documentations from the supplier company also reveal that the supplier company gives more benefits to top performance VARs in an effort to maintain the business relationship.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.9**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 4.2**

---

Research results regarding mutual business needs demonstrate that the importance of mutual business increases from the supplier company's perspective over time during the relationship. Here is one quote which explains why the mutual business needs increase over time.

At the beginning stage, we proactively look for VARs who have access to the marketplace. We take the VARs as opportunist VARs, not as strategic VARs because we do not know whether this business relationship will work out or not. We hope the VARs will grow and achieve good results and will become our strategic VARs. Then the mutual business will increase when the VARs grow and become strategically important VARs to us.

The importance of mutual business needs from the supplier company's perspective vs. the VARs' perspective

Based on qualitative and quantitative data, there is no difference in the importance of mutual business needs when compared the supplier company's perspective with the VARs' perspective at the beginning. Even though there is slight difference based on quantitative data in the later stages, there is, however, no difference based on qualitative data. In conclusion, the importance in the later stages is: there is no difference in the importance of mutual business needs from either the supplier company's perspective or the VARs' perspective in the later stages.

### **5.3.2 Shared Goals and Objectives**

Shared Goals and Objectives from the VAR's perspective at the beginning stage

Table 5-10 provides evidence partially in support of the importance of shared goals and objectives from the VAR's point of view at the beginning stage of the VAR relationship. Table 5-10 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 5, and the quantitative data of the level of importance (1.45 out of 2 with 2 being maximum) and the order of importance (4.8 out of 10 with 1 being most important) partially supporting proposition 5: Shared goals and objectives are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship. This means that shared goals and objectives are important, and close to extremely important, but not extremely important at the beginning stage from the VARs' perspective.

**Table 5-10 Research Data for Shared Goals and Objectives from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

---

**Shared Goals and Objectives, From the VARs' Perspective, At the Beginning Stage**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) Shared goals and objectives are very important at the beginning stage when we

---

are starting the business relationship. Both parties should know what the expectations are from each other. Though sometimes goals are not met, we have done our best. This is good enough for the relationship. (2) The beginning stage is for testing the water. It is a period for becoming acquainted and for learning more from each other in order to determine whether the business relationship can continue. (3) At the beginning stage, we may only have estimation for the sales potential and certain understanding about the future development. From the VAR's point of view, it is an opportunity to grab some business in an effort to make the start. (4) Annual targets could be difficult to set up at the beginning because we do not know yet what targets we can achieve. Normally in the later stages the supplier company and its VAR have realistic goals and objectives. However both sides should have some common understanding about the future business at the beginning stage of the relationship.

**Analysis:** Those typical quotations from interview show that shared goals and objectives from VARs' perspective at the beginning stage is important, however may not be the focus at the beginning. VARs do not know and do not have very clear target at the beginning stage. They want to try to find out what is the business potential they can achieve.

**2. Qualitative data from archives, observations, websites**

Through observations and historical data, a business plan is always made at the start as well a minimum sales target is agreed upon and set up. Some VARs are opportunist VARs at the beginning of the VAR relationship and, if they can succeed in the business, they continue with it. Based on the long-term observation, when starting up a new VAR, it is occasionally true that neither side knows whether the business will become successful or not: both sides are trying to get to know each other and attempting to develop business. However, there is a certain common understanding regarding the market, customers and sales targets which are agreed upon from the beginning. Whether the sales target can be achieved or not is another story.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.45**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 4.8**

---

*Shared Goals and Objectives from the VARs' perspective in the later stages*

Table 5-11 provides evidence in support of the importance of shared goals and objectives from the VAR's point of view in later stages of the VAR relationship. Table 5-11 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 6, and the quantitative data of the level of importance (1.8 out of 2, with 2 being maximum) and the order of importance (4 out of 10, with 1 being most

important) are also supporting proposition 6: Shared goals and objectives are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective in the later stages of the VAR relationship.

**Table 5-11 Research Data for Shared Goals and Objectives from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Shared Goals and Objectives, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) As business partners we make business together therefore, it is extremely important we have the same goals and objectives. We have to agree on what we can achieve together. In later stages if we do not have a certain direction and both parties are going in different directions, the business relationship will not work out. (2) In the later stages we definitely need to know what we should achieve. We are building the business on a long-term relationship. If there are no goals and objectives to be mutually understood, we won't succeed in cooperating together. However each company may have its own goals and objectives. (3) To some extent, commercial goals or market goals should be set together between both the supplier company and its VAR while at the same time each company should have its additional goals. For example, when our company is doing one project we need other products from other companies. We also need other goals or objectives with other companies.</p> <p><b>Analysis:</b> Those typical quotations from interview show that shared goals and objectives from VARs' perspective in the later stage are very important. Those goals and objectives should be mutually discussed, understood and agreed in face to face meeting.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
<p>Direct observations and archive documents also support the idea that shared goals and objectives are extremely important in VAR relationship management. Regular face-to-face meetings between both parties are set up to discuss the sales goals and common objectives for the business. A must-win list and estimated sales targets are discussed and agreed upon every half year.</p>	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>1.8</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>4</b>

Based on the qualitative and quantitative data, there is clear increase in the importance of shared goals and objectives from the VARs' perspective in the later stages compared to the

beginning stage. The reason for this is that VARs are trying to find out whether the business relationship will work out for them at the beginning with the attitude of testing the water, and on the other hand, the supplier company has a strong and clear expectation and targets for each VAR, especially in the later stages.

*Shared Goals and Objectives from the supplier company's perspective at the beginning stage*

Table 5-12 provides evidence in support of the importance of shared goals and objectives from the supplier company's point of view at the beginning stage of the VAR relationship. Table 5-12 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 7, and the quantitative data of the level of importance (1.8 out of 2, with 2 being maximum) and the order of importance (3.5 out of 10, with 1 being most important) are also supporting proposition 7: Shared goals and objectives are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company' perspective at the beginning stage of the VAR relationship.

**Table 5-12 Research Data for Shared Goals and Objectives from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

<b>Shared Goals and Objectives, From the Supplier Company Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) This is extremely important. We are already doing it as a common business practice. We meet every half year to discuss the business plan with our VARs, to set the sales targets, to make forecasts and to discuss the customer projects. If we do not have shared goals and objectives, then one day we will have conflicts. (2) Shared goals and objectives are very important and are an essential part of business principles. Goals and objectives need to fit into each other's business plan. The supplier company should help and coach its VARs toward setting the objectives. Goals and objectives should be synchronized by both parties. (3) We would not set up a VAR if it could not provide clear strategy, objectives and sales goals. (4) In the beginning, we do not know how much sales revenue the VARs can make. We can not set too high targets for them. VARs are selling not only our products, but also other vendors' products to provide the total solution to the end-customers. Therefore VARs may have additional objectives than we have, though we should have the same objectives and targets for the products which are sold by the VARs.</p> <p><b>Analysis:</b> Those typical quotations from interview show that shared goals and objectives from the supplier company's perspective at the beginning stage are extremely important. The supplier company</p>

---

has clear goals and objectives what want to be achieved and also make it as common practice in their work process to discuss the objectives and goals in their meeting with VARs.

**2. Qualitative data from archives, observations, websites**

In all VAR contracts, a certain minimum sales objective is agreed between the supplier and its VAR. Customer and market segments are also specified. This is means that shared goals and objectives are important. However based on direct observations and company documents, this does not mean that the VAR company can fulfill the obligations.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.8**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 3.5**

---

*Shared Goals and Objectives from the supplier company's perspective in the later stages*

Table 5-13 provides evidence in support of the importance of shared goals and objectives from the supplier company's point of view in the later stages of the VAR relationship. Table 5-13 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 8, and the quantitative data of the level of importance (1.9 out of 2, with 2 being maximum) and the order of importance (3.6 out of 10, with 1 being most important) are also supporting proposition 8: Shared goals and objectives are extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship.

**Table 5-13 Research Data for Shared Goals and Objectives from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Shared Goals and Objectives, From the Supplier Company Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

**Typical Quotations:** (1) The key thing here is that goals and objectives to be shared. The VAR's objectives should be in line with the supplier company's objectives. If VARs and their supplier company have different objectives, it is difficult to have a long-term relationship and to grow the business together. (2) In the later stages, we need to constantly synchronise and agree on the goals and objectives.



---

If the supplier company and its VARs go to different directions and have different objectives, it would be very difficult to support each other. (3) It is in our normal working process that we meet about once per half year to discuss the business plan with our VARs. In the business plan, we set the targets together, make forecasts and discuss the customer prospects.

**Analysis:** Those typical quotations from interview show that shared goals and objectives from the supplier company's perspective in the later stages are extremely important. The supplier company has clear goals and objectives and also make it as common practice in their work process to discuss the objectives and goals in their meeting with VARs, specially with strategically important VARs.

**2. Qualitative data from archives, observations, websites**

Direct observations and archive documents also support this. VARs are evaluated on a regular basis. Meetings on sales targets and objectives are discussed regularly, especially with top-performing VARs, where the discussions are more frequent.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.9**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 3.6**

---

The research results also show that the importance of shared goals and objectives increased slightly over time from the supplier company's perspective. The importance of shared goals and objectives increases in the later stages compared to the beginning stage of VAR relationship management from the supplier company's perspective.

*The importance of shared goals and objectives needs from the supplier company's perspective vs. the VARs' perspective*

The research data only partially supports the proposition that shared goals and objectives are extremely important to the VAR at the beginning stage. However, in the later stages they were considered important, and the proposition is supported from the supplier company's perspective at both the beginning and later stages. Qualitative and quantitative evidence also highlights a difference between the supplier company and its VARs at the beginning stage: the supplier company has very clear goals and objectives, while the VARs are more concerned with determining whether they will obtain sustainable business through the

relationship. There is an increase in shared goals and objectives from the VAR's perspective over time as business confidence grows.

### 5.3.3 Investment of Effort by Top Management

#### Investment of effort by top management from the VARs' perspective at the beginning stage

Table 5-14 provides evidence partially in support of the importance of investment of effort by top management from the VAR's point of view at the beginning stage of the VAR relationship. Table 5-14 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 9, and the quantitative data of the level of importance (1.7 out of 2, with 2 being maximum) supports the proposition, although the order of importance (5.35 out of 10, with 1 being most important) only partially supports the proposition. This suggests that investment of effort is important from the VARs' perspective but not extremely important at the beginning stage. The evidence additionally points out that top managements' commitment is extremely important in establishing the VAR business at the beginning stage. This suggests that top management from both companies should be highly involved and committed to the business relationship. Without top management involvement and commitment, there is no VAR business relationship.

**Table 5-14 Research Data for Investment of Effort by Top Management from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Investment of Effort by Top Management, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) At the beginning, it is very important to have top management's commitment. If we do not have top management's commitment at the beginning, we will not start the business. From the VAR point of view, it is obvious that without top management, the business relationship will not happen. Of course when something goes wrong, you immediately need top management's involvement. (2) At the beginning stage, both sides of top management need to understand the importance of establishing this relationship which becomes beneficial for both parties. If top management doesn't commit to this, there is no business. (3) Of course, the top management level should be involved. Top management should give the direction as to where we are going. But the top management doesn't need to be deeply involved in the everyday VAR business. The need for top managements depends on the</p>

---

business.

**Analysis:** Those typical quotations from interview show that top management's commitment is very important in establish the business relationship from VARs' perspective at the beginning stage.

**2. Qualitative data from archives, observations, websites**

Direct observations also suggest that top management is very important in making decisions at the beginning in order to set up the VAR business. The commitment from top management to the business relationship is extremely important. However, top management does not need to be involved in the detailed work.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.7**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 5.35**

---

One particular quote illustrates the point on top management involvement. The quote states:

I strongly agree with it (management involvement), but there is no easy way to obtain it. For example about the XXX products — at the beginning, the company wanted the products to be sold by resellers, but then the top management changed their mind and just sold the company.

Normally the reseller is much smaller in size than the supplier company. The reseller's top management is much more involved than the supplier company's top management. It is extremely important that the top management of the supplier company is able to make clear decisions and is committed to the indirect sales (VAR sales strategy). There is no need for top management to be involved in the everyday business.

There is one good example of how the top management can affect the VAR relationship. In the DNW (Dedicated Networks) market, the supplier company first used an indirect sales channel (VAR sales channel). When business grew bigger and the supplier company had more direct sales force in local countries, the top management from the supplier company wanted to go into direct sales. You can not image what a mess it was and how many problems were created. Then later on, the supplier company went back to the indirect sales mode in the DNW market because of various reasons. This example reflects the importance of how top management's decisions can directly influence the VAR business.

Therefore, based on research results, the investment of effort by top management is only partially supported suggesting that commitment from top management is more important.

*Investment of effort by top management from the VAR's perspective in the later stages*

Table 5-15 provides evidence partially in support of the importance of investment of effort by top management from VAR's point of views in the later stages of the VAR relationship. Table 5-15 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 10, and the quantitative data of the level of (1.55 out of 2, with 2 being maximum) and the order of importance (7 out of 10, with 1 being most important) are only partially supporting. This means that investment of effort is important from VARs' perspective but not extremely important in the later stages of the relationship. The evidence more pointed out that top managements are not so much needed in everyday's business in the later stages.

**Table 5-15 Research Data for Investment of Effort by Top Management from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Investment of Effort by Top Management, From the VARs' Perspective, in the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) If 50% of my business comes from this vendor, the top management is definitely committed to the business and puts great effort in the business. Additionally top management would invest time and effort to build up trust in the relationship. (2) Once things begin, top management doesn't need to be involved in every issue. Only for critical issues top management need to be involved. (3) Top management doesn't need 100% investment. Only at times when a problem arises top management is needed. This also depends on the business issue, for example when there is a problem or critical issue which needs to be solved, higher level management must be involved.</p> <p><b>Analysis:</b> Those typical quotations from interview show that the investment of effort by top management are not so much needed in everyday business, it is very important when there is important issues or problems to be solved.</p>
<b>2. Qualitative data from archives, observations, websites</b>	<p>Direct observations suggest the same. Normally top management is not involved, except during such situations as crisis, problem, etc. It is then that top management gets involved.</p>
<b>3. Quantitative data from opinions on importance</b>	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p>

Average score: 1.55

4. Quantitative data from order of importance

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

Average score: 7

---

One particular research result on investment of effort by top management shows that the importance of investment of effort by top management decreases from the VARs' perspective over time during the relationship. This suggests that: in the beginning, top management is needed for the commitment to the VAR business. Investment of efforts by top management is important in order to establish and maintain the VAR business relationship. However top management is not needed in everyday business, only in special situations or crises top management is needed.

Investment of effort by top management from the supplier company's perspective at the beginning stage

Table 5-16 provides evidence partially in support of the importance of investment of efforts by top management from the supplier company's point of views at the beginning stage of the VAR relationship. Table 5-16 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 11, and the quantitative data of the level of importance (1.55 out of 2, with 2 being maximum) and the order of importance (6.85 out of 10, with 1 being most important) are also only partially in support. This means that investment of effort by top management is important from the supplier company's perspective but not extremely important at the beginning stage of the relationship. This suggests the following: investment of effort by top management is extremely important in the commitment of VAR sales strategy from the supplier company's point of view. However, top management is not needed as much in everyday business except during critical situations or when building a long-term cooperation and trust with the VAR.

**Table 5-16 Research Data for Investment of Effort by Top Management from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

---

**Investment of Effort by Top Management, From the Supplier Company's Perspective, At the Beginning Stages**

---

1. Qualitative data from interviews

---

**Typical Quotations:** (1) All the time, top-management must be committed to the indirect sales channel strategy. Top level management involvement provides a better understanding on both sides! It shows commitment in this business. Full support and commitment from the top management is necessary to establish the VAR business relationships. It helps to build a trustful relationship. (2) It is really important to have top management committed to the VAR strategy, although surviving normal daily business without top management is still possible. If we want to have a long-term relationship and also look for growth, and if we want the VAR business to become a significant part of our business, then the top management is extremely important in the relationship. At the beginning stage it is even more important because they need to be integrated into the business. But, for everyday business, top management is not needed everyday. (3) The VAR business is a small and insignificant part of the whole business to the supplier company. The indirect channel team can handle everyday's business. However top management has certain decision-making powers in the business relationship. If they are not involved, sometimes things can not move on. For example regarding delivery issues. If the top management doesn't make the decision, account managers and solution managers can not move things forward.

**Analysis:** Those typical quotations from interview also show that top management's commitment is very important in establish the business relationship from the supplier company's perspective at the beginning stage.

**2. Qualitative data from archives, observations, websites**

Direct observations suggest that top management is not so involved in the VAR business activities, though they are critical in making strategic decisions on the VAR business. Therefore, the top managements' commitment to the indirect sales channel strategy with long-term growth is extremely important. However, top management is necessary in relationship building and in critical situations, such as when problems or big changes occur.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.55**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 6.85**

---

*Investment of effort by top management from the supplier company's perspective in the later stages*

Table 5-17 provides evidence partially in support of the importance of investment of effort by top management from the supplier company's point of views in the later stages of the VAR relationship. Table 5-17 lists the qualitative data from interviews as well as from direct

observations and documents as partially supporting proposition 12, and the quantitative data of the level of importance (1.45 out of 2, with 2 being maximum) and the order of importance (7.35 out of 10, with 1 being most important) are also only in partial support. This means that investment of effort by top management is important from the supplier company’s perspective but not extremely important at the beginning stage of the relationship. This suggests the following: investment of effort by top management is extremely important in the commitment of the VAR sales strategy from the supplier company’s point of view. However, top management is not required in the everyday business except in critical situations or when building a long-term cooperation and trust with the VAR.

**Table 5-17 Research Data for Investment of Effort by Top Management from the Supplier Company’s Perspective in the Later Stages of the VAR Relationship**

<b>Investment of Effort by Top Management, From the Supplier Company’s Perspective, in the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) In the later stages, it is good to have top-management involvement. But once the relationship is established, normally business can be run by the sales manager/ account managers in everyday business. (2) First of all, top managers should not be involved in everyday issues. For the commitment to channel sales strategy top management is extremely important. Secondly, it is not necessary to have frequent management involvement. Business run by management is not scalable. Normally channel mangers can handle the relationships and sales. (3) Traditionally in our business, VARs are not critical sales channels. Investment of efforts by top management are most appreciated, but not mandatory. Of course this may gradually change if the VAR business gets bigger and bigger by generating efficient profit compared to direct sales channels.</p> <p><b>Analysis:</b> Those typical quotations from interview show that the investment of effort by top management are not so much needed in everyday business, it is very important that the top management’s commitment to the indirect channel strategy with VARs.</p>
<b>2. Qualitative data from archives, observations, websites</b>	<p>Direct observations suggest the same. Normally top management is not involved, except during such situations as crisis, problem, etc. It is then that top management gets involved. Top management from the supplier company gets together more with strategically important VARs. For example, the supplier company has executive review meetings every half an year only with top performance VARs.</p>
<b>3. Quantitative data from opinions on importance</b>	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)</p> <p><b>Average score: 1.45</b></p>
<b>4. Quantitative data from order of importance</b>	<p>(1 being most important and 10 being least important with a total of 20 respondents from the supplier</p>

company.)

**Average score:**

**7.35**

---

One particular quote illustrates the point on top management involvement. The quote states:

From the supplier company side, we only need top management commitment for the VAR sales channel model. For everyday work, the top management involvement is not so important, and account managers and solution managers from the supplier company can handle the business. Top management is necessary for strategic issues and top management is very important for long-term commitment. At the beginning, when ramping up the business, top management is also needed. But later on business is as usual, top management is not needed unless for critical issues.

One particular research result on investment of effort by top management suggests that the importance of investment of efforts by top management is decreasing from the VARs' perspective and from the supplier company's perspective over time during the relationship. These results suggest that: investment of efforts by top management is important in order to establish and maintain the VAR business relationship, and it is more important to have top management's commitment to the VAR business model. However, top management involvement is not necessary in everyday business, but rather in special situations or crises.

*Top management' commitments with long-term growth vs. investment of effort by top management*

This section clearly shows that investment of effort by top management is only partially supported by the qualitative and quantitative evidence. The evidence demonstrates that top management is very important for the commitment to the VAR business relationship, but not important in everyday's business except when there are critical issues. At this point, it is necessary to change the factor of investment by top management to be referred to as the factor of top management's commitment to VAR business with long-term growth. Top management's commitment to VAR business with long-term growth suggests that: top management from both sides are committed to the VAR business relationship, and are looking for long-term growth in the business. Both sides are attempting to increase sales by jointly



understanding the market requirements for future product development, and increasing the sales by expanding to new markets (new territories, new segments and new customers). However the change of the factor can not be tested in this study. It can be used for future research.

*The importance of investment of effort by top management from the supplier company's perspective vs. the VARs' perspective*

The point to be made is that top management's contribution is extremely important in making the commitment to enter into the VAR business relationship, when there are high-level problems to be solved, and when building up the relationship between the two companies. Otherwise, top management is not involved in the everyday business, and in particular, the top management of the supplier company is not necessary in everyday VAR business. However there is a slight implication in that top-management investment of effort was appreciated more in the VAR companies than in the supplier company, presumably because the supplier company is much bigger than the VAR, and the top management have different focuses. There is also a slight difference between the early and later stages: the top-management role is slightly more important at the beginning. The reason for this is that the top management is the critical decision maker in establishing the VAR business relationship. When comparing the importance of the investment of effort by top management from the supplier company's perspective to VARs perspective, there is a slight difference. The importance of investment of effort by top management from the VARs' perspective is slightly higher than the importance of investment of effort by top management from the supplier company's perspective at both the beginning stage and in the later stages of the VAR relationship.

### ***5.3.4 End-customer Satisfaction***

*End-customer satisfaction from the VAR's perspective at the beginning stage*

Table 5-18 provides evidence in support of the importance of end-customer satisfaction from the VAR's point of view at the beginning stage of the VAR relationship. Table 5-18 lists the

qualitative data from interviews as well as from direct observations and documents as supporting proposition 13, and the quantitative data of the level of importance(1.75 out of 2, with 2 being maximum) and the order of importance (4.15 out of 10, with 1 being most important) also support proposition 13: end-customer satisfaction is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Resellers) from the VARs’ perspective at the beginning stage of the VAR relationship.

**Table 5-18 Research Data for End-customer Satisfaction from the VARs’ Perspective at the Beginning Stage of the VAR Relationship**

<b>End-customer Satisfaction, From the VARs’ Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) The end-customer is the king. If the end-customer is not satisfied, there is no business. It is important for the supplier company to have the product, and it is equally important for VARs to know how to position the product to meet the end customers’ needs. Both the VAR and the supplier company should be committed to end-customer satisfaction. (2) If you do not satisfy the customer, you may get the project first time, but the second time you cannot get the customer. The majority of satisfied customers want to continue to give their business to you. Up to 60% of our customers are repeat customers. If we do not satisfy the customer, we can not continue the business further. (3) VARs need to face the end-customers. The VAR will put end-customer needs before vendor’s needs. VARs provide the best solutions for the end customer because they need the customer to do business. Sometimes customers do not really know what they need. You must really understand what the customer really wants.</p> <p><b>Analysis:</b> Those typical quotations from interview show that end-customer satisfaction from VARs’ perspective at the beginning stage is very important in achieving the business success.</p>
<b>2. Qualitative data from archives, observations, websites</b>	
	<p>Direct observations also support this. End-customer satisfaction is extremely important throughout the entire business relationship. VARs put extra effort in understanding the end-customer needs and provide flexible solutions and fast support to the end-customers.</p>
<b>3. Quantitative data from opinions on importance</b>	
	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p> <p><b>Average score: 1.75</b></p>
<b>4. Quantitative data from order of importance</b>	
	<p>(1 being most important and 10 being least important with a total of 20 respondents from VARs.)</p> <p><b>Average score: 4.15</b></p>

End-customer satisfaction from the VAR's perspective in the later stages

Table 5-19 provides evidence in support of the importance of end-customer satisfaction from the VAR's point of view in the later stages of the VAR relationship. Table 5-19 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 14, and the quantitative data of the level of importance(1.8 out of 2, with 2 maximum) and the order of importance (3.5 out of 10, with 1 being most important) also support proposition 14: end-customer satisfaction is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. The research result on end-customer satisfaction shows that the importance of end-customer satisfaction is the same from the VARs' perspective over time during the relationship.

**Table 5-19 Research Data for End-customer Satisfaction from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>End-customer Satisfaction, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) End-customer satisfaction is the key point in business. Normally the VAR is a local company. VARs speak the same language as the end-customers. VARs can build closer relationships with the end-customers. End-customers needs should be taken care of first. If end-customers are not satisfied, they will stop to buy from us. (2) End-customer satisfaction should be realized by both the supplier company and the VAR. End-customers are the future of our business, we depend on the end customers. We always have to be in line with the customer, but we cannot do everything that the customer asks. It may not be possible. (3) For me, end-customers always come first. If we do not take care of customers' needs, they will stop doing business with us. Sometimes customers have crazy ideas which are not possible to achieve. Then we need to diplomatically talk to them.</p> <p><b>Analysis:</b> Those typical quotations from interview also show that end-customer satisfaction from VARs' perspective in the later stages is very important in achieving the business success.</p>
<b>2. Qualitative data from archives, observations, websites</b>	<p>Direct observations also support this. End-customer satisfaction is extremely important throughout the entire business relationship. VARs put extra effort in understanding the end-customer needs and provide flexible solutions and fast support to the end-customers. VARs play even play a bigger role in the later stages for end-customer satisfaction since they are directly dealing with the end-customers.</p>
<b>3. Quantitative data from opinions on importance</b>	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p>

Average score:	1.8
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
Average score:	3.5

End-customer satisfaction from the supplier company's perspective at the beginning stage

Table 5-20 provides evidence in support of the importance of the end-customer from the supplier company's point of view at the beginning stage of the VAR relationship. Table 5-20 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 15, and the quantitative data of the level of importance (1.85 out of 2, with 2 being maximum) and the order of importance (4.65 out of 10, with 1 being most important) also support proposition 15: end-customer satisfaction is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective at the beginning stage of the VAR relationship.

**Table 5-20 Research Data for End-customer Satisfaction from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

<b>End-customer Satisfaction, From the Supplier Company's Perspective, At the Beginning Stage</b>
<b>1. Qualitative data from interviews</b>
<p><b>Typical Quotations:</b> (1) Both VARs and the supplier company try to satisfy customers' need to make the business work. If the end-customers are not satisfied, the business will stop. VARs create values. Eventually VARs are responsible for end-customer relationships. The supplier company should be involved as well, for example, by visiting the end-customers. (2) If something goes wrong with one customer project, the VAR and supplier company should work together and help each other to get things done to win end-customer satisfaction. They should always avoid blaming each other. When the VAR and supplier blame each other in front of an end-customer, they are bound to lose credit from the end-customer standpoint. Without end-customer satisfaction, we would not have a successful business. (3) The end-customers are paying therefore, it is extremely important to have end-customer satisfaction. If customers are not happy with our products, they will stop to buy. The reason customers buy our products is because our products have a good reputation among our customers. In a normal business situation, the VARs tell us what the most important things are based on feedback from all customers.</p> <p><b>Analysis:</b> Those typical quotations from interview show that end-customer satisfaction from the supplier company's perspective at the beginning stage is very important in achieving the business</p>

---

success.

<b>2. Qualitative data from archives, observations, websites</b>	
	Direct observations also support this. End-customer satisfaction is extremely important throughout the entire business relationship.
<b>3. Quantitative data from opinions on importance</b>	
	(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)
	<b>Average score: 1.85</b>
<b>4. Quantitative data from order of importance</b>	
	(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)
	<b>Average score: 4.65</b>

---

*End-customer satisfaction from the supplier company's perspective in the later stages*

Table 5-21 provides evidence in support of the importance of end-customer satisfaction from the supplier company's point of view in the later stages of the VAR relationship. Table 5-21 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 16, and the quantitative data of the level of importance (1.7 out of 2, with 2 being maximum) and the order of importance (3.35 out of 10, with 1 being most important) also supporting proposition 16: end-customer satisfaction is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship. A particular research result on end-customer satisfaction suggests that there is a slight decrease in the importance of end-customer satisfaction from the supplier company's perspective over time. Some of the respondents believe that end-customer satisfaction is still important but that VARs should play a bigger role in end-customer satisfaction in the later stages rather than the supplier company playing a role in end-customer relationship at the beginning stage.

**Table 5-21 Research Data for End-customer Satisfaction from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

<b>End-customer Satisfaction, From the Supplier Company's Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
<b>Typical Quotations:</b> (1) In the later stages, end-customer satisfaction is most important to determine the	

---

---

business success. It improves the loyalty of end-customers. If end-customers are satisfied with the products, then all of us are happy. In the end, it is the end-customer who pays the money. Never forget that. Without them, the entire business would break down. (2) End-customer satisfaction is always important in the VAR business. It is mainly VARs which satisfy the customer in the later stages. Vendors only have a potential effect on the end-customer satisfaction. VARs try to archive end-customer satisfaction by offering the best solutions. (3) In the later stages, it becomes more of the VARs responsibility than the supplier company's responsibility. VARs have more influence on end-customer satisfaction. In the later stages, the VAR is the primary contact to take care of the end customers. VAR and end-customer relationships become stronger and more profound. Vendor and end customer relationships become less important. Therefore, in the later stages, VARs are taking the lead to end-customer satisfaction and the vendor become less important.

**Analysis:** Those typical quotations from interview show that end-customer satisfaction from the supplier company's perspective at the beginning stage is very important in achieving the business success. However the respondents from the supplier company think that VARs are taking bigger role in end-customer satisfaction in the later stages.

**2. Qualitative data from archives, observations, websites**

Direct observations also support this. End-customer satisfaction is extremely important throughout the entire business relationship from the supplier company's perspective. However, various people from the supplier company think that VARs play a more important role than the supplier company in creating end-customer satisfaction.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.7**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 3.35**

---

*The importance of end-customer satisfaction from the supplier company's perspective vs. the VARs' perspective*

Although there is a slight difference in the importance of end-customer satisfaction based on the quantitative data at the beginning stage and in the later stages, there is still, however, an importance based on the qualitative data and it is the same from both the supplier company's and the VARs' perspective in both the beginning stage and later stages. This slight difference suggests that: both the supplier company and the VARs believe that at the beginning stage the supplier company plays a slightly more important role towards end-customer satisfaction than

the VAR companies, and in the later stages the VAR companies play a slightly more important role towards end-customer satisfaction than the supplier company. This appears obvious when at the beginning stage the supplier company's product plays an important role in the end-customer satisfaction, and then in the later stages the VAR companies' end-customer relationship and quality of the service play an important role in the end-customer satisfaction.

### 5.3.5 Open Communication

#### Open Communication from the VAR's perspective in the beginning stage

Table 5-22 provides evidence in support of the importance of open communication from the VAR's point of view at the beginning stage of the VAR relationship. Table 5-22 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 17, and the quantitative data of the level of importance (1.8 out of 2, with 2 being maximum) and the order of importance (3.85 out of 10, with 1 being most important) also supporting proposition 17: open communication is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Reseller) from the VARs' perspective at the beginning stage of the VAR relationship.

**Table 5-22 Research Data for Open Communication from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Open Communication, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) At the beginning, lots of issues need to be communicated to establish the relationship and business. Communication is most necessary. Open communication is vital in any relationship. Without communication, relationships cannot survive and business can not be successful. Communication should be an open and continuous process. The VAR business is cooperation across countries. If we do not have communication working, it is hard to do business together. (2) Without it, it doesn't work. To be successful in business, we have to have open communication. Communication is not only about information. It is also about being in line in the business together. We communicate with each other in order to achieve a common understanding. (3) We should be open, but not too open, such as</p>

---

naked. We are honest, but we do not need to tell everything in detail. We have nothing to hide, and we do not lie. But, we do not need to tell everything. We are separate companies, there are bound to be some things which are not communicated.

**Analysis:** Those typical quotations from interview show that open communication from VARs' perspective at the beginning stage is extremely important.

**2. Qualitative data from archives, observations, websites**

Direct observations and historical data suggest that open communication has proven to be extremely important in the VAR business relationship. Communication is one critical part of the everyday processes and activities. However people do not tell everything even though they expect the other party to tell all. This is normal since there are two separate companies. However information which is relevant to the business cooperation is normally always communicated.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.8**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 3.85**

---

*Open Communication from the VAR's perspective in the later stages*

Table 5-23 provides evidence in support of the importance of open communication from the VAR's point of view in the later stages of the VAR relationship. Table 5-23 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 18 and the quantitative data of the level of importance (1.8 out of 2, with 2 being maximum) and the order of importance (3.45 out of 10, with 1 being most important) also supporting proposition 18: open communication is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. One particular research result on open communication is that the importance of open communication is not different from the VARs' perspective over time during the relationship.

**Table 5-23 Research Data for Open Communication from the VARs' Perspective in the Later Stages of the VAR Relationship**



---

**Open Communication, From the VARs' Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) Along with the ability to carry on the business, we need open communication in order to get information. Both parties should feel that they are in the same boat knowing that they have a contract, royalty and trust, and should not be afraid that information will be leaked. Sometimes the communication is not so open from the VAR side because the VAR company is afraid that the supplier company wants to go to a direct sales mode after VARs open up the markets. (2) The most important thing is to build trust through open communication. Communication is a process. It is a building of understanding and trust. Where there is more communication, there is more trust. (3) It is very important. However in the later stages, the issues to be communicated may be different.

**Analysis:** Those typical quotations from interview show that open communication from VARs' perspective in the later stages is extremely important. The contents or issues for communication maybe vary at the beginning stage and in the later stages.

**2. Qualitative data from archives, observations, websites**

Direct observations and historical data suggest that open communication has proven to be extremely important in the VAR business relationship. Communication is one critical part of the everyday processes and activities. However people do not tell everything even though they expect the other party to tell all. This is normal since there are two separate companies. However information which is relevant to the business cooperation is normally always communicated. Direct observation suggests the same evidence that open communication is extremely important in the later stages as it is at the beginning stage.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.8**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 3.45**

---

*Open Communication from the supplier company's perspective at the beginning stage*

Table 5-24 provides evidence in support of the importance of open communication from the supplier company's point of view at the beginning stage of the VAR relationship. Table 5-24 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 19, and the quantitative data of the level of importance (1.8 out of 2, with 2 being maximum) and the order of importance (3.5 out of 10, with 1 being most important) also supporting proposition 19: open communication is extremely important in the relationship management of a high technology product company's relationship with its VARs

(Value-Added-Resellers) from the supplier company’s perspective at the beginning stage of the VAR relationship.

**Table 5-24 Research Data for Open Communication from the Supplier Company’s Perspective at the Beginning Stage of the VAR Relationship**

<b>Open Communication, From the Supplier Company’s Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) At the beginning stage, you need to build trust via open communication. Later on, open communication is necessary for maintaining the relationship and synchronising the expectations of each other. It is important to keep sales channels fully informed of product developments and features. It is also important in another way to listen to the VAR and to understand what the market looks like. (2) The VARs need to be fed with information from the supplier company. If no regular communication exists, they may feel to be left out. Even though there is no new information, it is still good to have communication in order to keep a warm feeling. It is all about communication in business. Open and honest communication is the key in both good and bad times. (3) At the beginning stage, we just start the VAR business. Communication is the first thing and different communication channels are needed. Every company has the obligation to transparently communicate relevant business issues. Otherwise, it is not possible to do business. Communication also avoids misunderstandings. With open communication, we can build confidence in each other, and trust will follow. (4) The supplier company and reseller are two different entities. At the beginning, we do not know people well enough. We are not so open and communication is with hesitation.</p> <p><b>Analysis:</b> Those typical quotations from interview show that open communication from the supplier company’s perspective at the beginning stage is extremely important.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
<p>Direct observations and historical data suggest that open communication has proven to be extremely important in the VAR business relationship. Direct observations also support this. Information which is relevant to the business should be communicated openly.</p>	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)	
<b>Average score:</b>	<b>1.8</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)	
<b>Average score:</b>	<b>3.5</b>

*Open Communication from the supplier company’s perspective in the later stages*

Table 5-25 provides evidence in support of the importance of open communication from the supplier company’s point of view in the later stages of the VAR relationship. Table 5-25 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 20, and the quantitative data of the level of importance(1.8 out of 2, with 2 being maximum) and the order of importance (3.7 out of 10, with 1 being most important) also supporting proposition 20: open communication is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Resellers) from the supplier company’s perspective in the later stages of the VAR relationship. Based on the qualitative and quantitative data, the importance of open communication is the same at the beginning stage and in the later stages from the supplier company’s perspective.

**Table 5-25 Research Data for Open Communication from the Supplier Company’s Perspective in the Later Stages of the VAR Relationship**

<b>Open Communication, From the Supplier Company’s Perspective, In the later stages</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) In the later stages when the relationship is developing, the trust is built up and we communicate more openly. Open communication is extremely important in the business relationship. We should make sure that critical information is not hidden somewhere. Some of our VARs may not want to tell the end-customer information because they are afraid the supplier company will take the VAR’s customers as direct customers. (2) In the later stages, communication should be more open than at the beginning stage. You need to build trust at the beginning stage. Regular communication is important. Confidential information will be communicated further in the later stages after VARs learn more about the products and how the companies work together. (3) Open communication is very important in both stages but, the content of the communication may be different. If open communication is not enough, then trust cannot be built.</p> <p><b>Analysis:</b> Those typical quotations from interview show that open communication from the supplier company’s perspective in the later stages is extremely important.</p>
<b>2. Qualitative data from archives, observations, websites</b>	<p>Direct observations also support this. Information relevant to the business should be communicated openly throughout the entire business relationship.</p>
<b>3. Quantitative data from opinions on importance</b>	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)</p> <p><b>Average score: 1.8</b></p>
<b>4. Quantitative data from order of importance</b>	

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score:** 3.7

---

*The importance of open communication from the supplier company's perspective vs. the VARs' perspective*

Based on the qualitative and quantitative data, the importance of open communication from the supplier company's perspective is of the same importance as the VARs' perspective both at the beginning stage and in the later stages even though this is only a slight difference based on qualitative data from the later stages. This slight difference in the later stages could be explained by the fact that the supplier company thinks that open communication is extremely important, and in reality the supplier company wishes to have more open communication from its VARs. Some VAR companies, in particular, may not have the time and resources to communicate their information to the supplier company in ways such as providing feedback. These VAR companies only contact the supplier company when they need additional information from the supplier company. There are also VAR companies which may not want to communicate some specific information, such as end-customer information.

## **5.4 Data Analysis on Transaction Cost Economics Propositions**

In this section, the research data on the propositions of the important factor on transaction cost economics are presented and analyzed here.

### ***5.4.1 Concern for the Other Party's Profitability***

*Concern for the other party's profitability from the VAR's perspective at the beginning stage*

Table 5-26 provides evidence partially in support of the importance of concern for other's from VAR's point of views at the beginning stage of the VAR relationship. Table 5-26 lists the qualitative data from interviews as well as from direct observations and documents as

partially supporting proposition 21, and the quantitative data of the level of importance (1.65 out of 2, with 2 being maximum) supports, though not strongly and quantitative data from the order of importance (6.55 out of 10, with 1 being most important) only partially support proposition 21: concern for the other party’s profitability is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Resellers) from the VARs’ perspective at the beginning stage of the VAR relationship.

**Table 5-26 Research Data for Concern for the Other Party’s Profitability from the VARs’ Perspective at the Beginning Stage of the VAR Relationship**

<b>Concern for the Other Party’s Profitability, From the VARs’ Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) This is the only way the VAR sales channel model can work. If it is too much effort for the supplier company to do business through VARs, then the supplier company will stop the VAR sales channel. Both parties should understand that both sides need to make money. It is a win-win business. (2) At the beginning, each party has to believe each other in order to cooperate. If one party tries to get all the margins and profits, the relationship will not last long. There is a strong agreement that both sides need to make money. To win a strategic case, both sides will even cut their own margins. The supplier company is the only company we discuss regarding the profitability on critical cases, and much more openly than other vendors. (3) From the vendor side, money needs to be made in order to develop the product further. For us, money also needs to be made in order to develop our competence and market. Another way to increase the profit is to increase the sales revenue.</p> <p><b>Analysis:</b> Those typical quotations from interview show that concern for the other party’s profitability from VARs’ perspective at the beginning stage is important. Both parties need to make profitable business in order to maintain the business relationship. However it also involves trust issue.</p>
<b>2. Qualitative data from archives, observations, websites</b>	
	<p>Direct observations suggest that there is general understanding that both sides need to make money and that this also involves trust. If the trust is high in the relationship, it is easier to discuss price and profitability.</p>
<b>3. Quantitative data from opinions on importance</b>	
	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p> <p><b>Average score: 1.65</b></p>
<b>4. Quantitative data from order of importance</b>	
	<p>(1 being most important and 10 being least important with a total of 20 respondents from VARs.)</p> <p><b>Average score: 6.65</b></p>

Concern for the other party's profitability from the VAR's perspective in the later stages

Table 5-27 provides evidence partially in support of the importance of concern for other's profitability from the VAR's point of view in the later stage of the VAR relationship. Table 5-27 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 22, however the quantitative data of the level of importance (1.7 out of 2, with 2 being maximum) is supporting, though not strongly and the order of importance (6.15 out of 10, with 1 being most important) is partially supporting proposition 22: concern for the other party's profitability is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. A particular research result regarding concern for the other party's profitability shows that there is no difference in the importance of concern for the other party's profitability from the VARs' perspective over time.

**Table 5-27 Research Data for Concern for the Other Party's Profitability from the VARs' Perspective in the Later Stages of the VAR Relationship**

---

**Concern for the Other Party's Profitability, From the VARs' Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

**Typical Quotations:** (1) There must be business for the VAR and there must be business for the supplier company as well. VARs cannot buy products at cost price and the supplier company will not sell the product at cost price. Otherwise it is not possible for long-term business relationship. If both sides don't make money, how can they continue their business cooperation? It is a must in business. (2) If the VAR does not think about the supplier's profitability and pushes too much for discounts, then the supplier will stop business with that VAR. This is a joint issue. Both sides should be concerned. There should be reasonable profits for both parties to keep the business going. (3) Naturally for both of us, there should be a recognition that both sides need to make money. You should not think about maximizing only your own profitability. In the long run, business cannot continue if you only think about your own profitability. Both parties should allow the other to make a profit. (4) For a sustainable business, every company needs to make a profit. VARs should know that the supplier company should make money to continue the research and development of new products and new features. VARs need to make money to provide quality supports and services to the end-customers.

**Analysis:** Those typical quotations from interview show that concern for the other party's profitability from VARs' perspective in the later stage is important. Both parties need to make profit in order to maintain the business relationship.

**2. Qualitative data from archives, observations, websites**

Direct observations suggest that there is a general understanding that both sides need to make money. This also involves a trust issue. If the trust in the relationship is high, it is easier to discuss price and profitability.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.7**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 6.15**

*Concern for the other party's profitability from the supplier company's perspective at the beginning stage*

Table 5-28 provides evidence partially in support of the importance of concern for the other party's profitability from the supplier company's point of views at the beginning stage of the VAR relationship. Table 5-28 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 23, and the quantitative data of the level of importance (1.55 out of 2, with 2 being maximum) supports, though not strongly and the quantitative data from the order of importance (6.3 out of 10, with 1 being most important) only partially supports proposition 23: concern for the other party's profitability is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective at the beginning stage of the VAR relationship.

**Table 5-28 Research Data for Concern for the Other Party's Profitability from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

**Concern for the Other Party's Profitability, From the Supplier Company's Perspective, At the Beginning Stage**

**1. Qualitative data from interviews**

**Typical Quotations:** (1) In any relationship, there must be a value for both sides. It is very important for both sides to make money to continue the business. Without profitability for both parties, the business relationship can not last long. It has to be a win – win case for everybody involved. If VARs have too low of a margin, they will lose the interest to sell. On the other hand, VARs can not grab the last penny from the supplier. Otherwise the supplier will lose trust. This leads to mistrust in the later stages. (2) At

---

the beginning stage profitability is not a major issue. The major issue is to establish the business and get the customers. On the other hand, both companies must survive to continue the business together.

**Analysis:** Those typical quotations from interview show that concern for the other party's profitability from the supplier company's perspective at the beginning stage is important, but not extremely important. Both parties need to make profit in order to maintain the business relationship.

**2. Qualitative data from archives, observations, websites**

Direct observations also suggest that there is a general understanding that both sides need to make money. This also involves issues of trust. If the trust is high in the relationship, it is easier to discuss price and profitability.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.55**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 6.3**

---

*Concern for the other party's profitability from the supplier company's perspective in the later stages*

Table 5-29 provides evidence partially in support of the importance of concern for the other party's profitability from the supplier company's point of view in the later stages of the VAR relationship. Table 5-29 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 24, and the quantitative data of the level of importance (1.65 out of 2, with 2 being maximum) supports, though not strongly and the order of importance (6.55 out of 10, with 1 being most important) only partially support proposition 24: concern for the other party's profitability is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship.

**Table 5-29 Research Data for Concern for the Other Party's Profitability from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Concern for the Other Party's Profitability, From the Supplier Company's Perspective, At the**

---



---

**Beginning Stage**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) In the later stages, both companies need to have a healthy business and need to make money otherwise, the relationship cannot continue. It is a win-win situation for the supplier company and the VARs. We must be aware that the price has to be set at a certain level so that both sides make money. Whenever there is a need to win end-customer contracts, both the supplier and the VARs share the costs of going lower in price. (2) In the later stages, the VAR is more independent and has the ability to take care of its own profitability and business. VARs need to stand on their own to develop business. If VARs continue asking for more discounts then business will decrease. The main reason for using VAR sales channels is that VARs can add values. VARs should make profits through their added values. Some VARs are better at adding values; they make more profit/business. Some VARs are not as capable of adding values, they always come back to ask for more discount.

**Analysis:** Those typical quotations from interview show that concern for the other party's profitability from the supplier company's perspective in the later stages is important, but not extremely important.

**2. Qualitative data from archives, observations, websites**

Direct observations also suggest that there is general understanding that both sides need to make money. This is also involves issues of trust. If trust is high in the relationship, it is easier to discuss price and profitability.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.65**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 6.55**

---

An additional research result suggests that there is no difference in the importance of concern for the other party's profitability from the supplier's perspective over time.

Suggested through the qualitative data from the interview, direct observations and company documents there is a general concern that both sides need to make money in order to continue the business relationship. In practice, however, both sides try to maximize their own profits because neither party is sure about how much profit the other party can make. This is a sensitive issue. As one respondent commented:

I think that I strongly agree that both sides need to make profits. It is the starting point for doing business together. And the condition is that both parties should be ethical in doing business. If the VARs are not honest with us about their price

and profitability, they can only cheat us once or twice and that's no way to keep up a long-term relationship. Business ethics should mean that you're honest about your profitability and prices should be discussed in order to get the end-customer projects going, and even though we can't check their profitability we trust that the VAR tells the truth.

The conclusion here is that concern for the other party's profitability is important in the VAR business relationship, but it is difficult to achieve in practice due to each side trying to make a profit without the other side knowing to what extent. In practice, each side has its own bottom line in terms of how much it can give up. If the price exceeds the bottom line, then one party will give up on certain projects. However, in some strategic cases both parties consolidate their efforts.

*The importance of concern for the other party's profitability from the supplier company's perspective vs. the VARs' perspective*

Although the importance of concerns for the other's profitability from the supplier company's perspective is slightly less than from VARs' perspective, based on the qualitative data, from direct observations and archive documents, there is no evidence to substantiate the difference.

## **5.5 Data Analysis on Social Capital Theory Propositions**

Research data on the propositions of factors on social capital theory are presented and analyzed in the following section.

### ***5.5.1 Continuous Improvement over Time***

*Continuous improvement over time from the VAR's perspective at the beginning stage*

Table 5-30 provides evidence not in support of the importance of continuous improvement over time from the VAR's point of view at the beginning stage of the VAR relationship. Table 5-30 lists the qualitative data from interviews as well as from direct observations and

documents as not supporting proposition 25, and the quantitative data of the level of importance (0.9 out of 2, with 2 being maximum) and the order of importance (7.8 out of 10, with 1 being most important) also not supporting proposition 25: continuous improvement over time is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective at the beginning stage of the VAR relationship. The main argument is that at the beginning stage there is not much to improve on and there are many other important issues to focus on when starting up a new business relationship.

**Table 5-30 Research Data for Continuous Improvement over Time from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Continuous Improvement over Time, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) If you want to have a long term relationship, you need to continuously check whether anything is missing, changes or improvements are needed. It is better that both parties try to make things better and look for improvement. (2) This is not the most important thing in VAR relationship management. In the beginning stage we do not have things to improve, but we try to do things in a good way. (3) In the beginning stage we are testing the water and we are trying to get things going in order to understand how to proceed. It is not the focus at the beginning but, it is good to look for some improvement. You can always try to do things better to the point that you are satisfied. It is not necessary to spend too much time on little things. It is not so important at the beginning stage.</p> <p><b>Analysis:</b> Those typical quotations from interview show that continuous improvement over time from VARs' perspective at the beginning stage is not so important. It is not the focus at the beginning stage.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
Direct observations also suggest that people do not put too much effort in continuous improvement over time when just starting the business relationship.	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>0.9</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>7.8</b>

*Continuous improvement over time from the VAR's perspective in the later stages*

Table 5-31 provides evidence partially in support of the importance of continuous improvement over time as extremely important from the VAR's point of views in the later stages of the VAR relationship. Table 5-31 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 26, and the quantitative data of the level of importance (1.5 out of 2, with 2 being maximum) and the order of importance (6.55 out of 10, with 1 being most important) are only partially supporting proposition 26: continuous improvement over time is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. A majority of respondents from VARs believe that both sides should be continuously making improvement however, it is not the focus when compared to other more important issues and that improvements should not be made just for the sake of improving. One particular research result shows that the importance of continuous improvement from the VARs' perspective begins to increase over time during the relationship.

**Table 5-31 Research Data for Continuous Improvement over Time from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Continuous Improvement over Time, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) Never satisfied attitude always improves the business. It is such a dynamic world. Improvement is always needed. We need to continuously try to do things better. (2) It is more important in the later stages than at the beginning stage. After the business starts, there are more customers and more business; more issues need to be dealt with. People recognize the need for improvement and try to make them. It is a continuous process. (3) Continuous improvement takes place constantly. This is a sign that you want to work together and continue to improve. But you do not need to improve just for the sake of improving.</p> <p><b>Analysis:</b> Those typical quotations from interview show that continuous improvement over time from VARs' perspective in the later stages is important but not extremely important comparing with other important factors.</p>
<b>2. Qualitative data from archives, observations, websites</b>	
	<p>Direct observations and archives also suggest that companies and people are trying to improve things in the later stages, such as providing new tools to improve efficiency.</p>
<b>3. Quantitative data from opinions on importance</b>	
	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p> <p><b>Average score: 1.5</b></p>

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 6.55**

---

*Continuous improvement over time from the supplier company's perspective at the beginning stage*

Table 5-32 provides evidence not in support of the importance of continuous improvement over time from the supplier company's point of views at the beginning stage of the VAR relationship. Table 5-32 lists the qualitative data from interviews as well as from direct observations and documents as not supporting proposition 27, and the quantitative data of the level of importance (0.7 out of 2, with 2 being maximum) and the order of importance (8.5 out of 10, with 1 being most important) are not supporting proposition 27: continuous improvement over time is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective at the beginning stage of the VAR relationship.

**Table 5-32 Research Data for Continuous Improvement over Time from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

---

**Continuous Improvement over Time, From the supplier Company's Perspective, At the Beginning Stage**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) It is natural to make improvements constantly. At the beginning stage, it takes time to learn about each other and to build a relationship. There is always a balance of how much to invest in improvement. You do not improve when there is no need. And when just beginning the business, the focus should not be there. (2) You should improve things, but should not concentrate on the improvement. Only keep this in the back of your mind. Do not improve the effectiveness for the sake of effectiveness. Improvement over time also means costs and resources. The business relationship is based on trust and business deals. If we spend too much time on improvement, it will increase the costs and reduce the efficiency. There are more important things to focus on instead of just improvement. (3) When a relationship gets started, there are always negative things. It is not good to pick up the negative things, it is better to focus on the positive and more important issues for the business.

**Analysis:** Those typical quotations from interview show that continuous improvement over time from the supplier company's perspective at the beginning stage is not so important. It is not the focus at the

---

beginning stage.

2. **Qualitative data from archives, observations, websites**  
 Direct observations also show that people do not put too much effort in on continuous improvement when just starting the business relationship. It is not the focus at the beginning stage.
3. **Quantitative data from opinions on importance**  
 (Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)  
**Average score: 0.7**
4. **Quantitative data from order of importance**  
 (1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)  
**Average score: 8.5**

---

*Continuous improvement over time from the supplier company's perspective in the later stages*

Table 5-33 provides evidence partially in support of the importance of continuous improvement over time as extremely important from the supplier company's point of view in the later stages of the VAR relationship. Table 5-33 lists the qualitative data from interviews as well as from direct observations and documents as partially supporting proposition 28, and the quantitative data of the level of importance (1.3 out of 2, with 2 being maximum) and the order of importance (7.5 out of 10, with 1 being most important) is only partially supporting proposition 28: continuous improvement over time is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship. Additional research results show that there is an increase in the importance of continuous improvement over time from the supplier company's perspective.

**Table 5-33 Research Data for Continuous Improvement over Time from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Continuous Improvement over Time, From the supplier Company's Perspective, In the Later Stages**

---

1. **Qualitative data from interviews**

---

**Typical Quotations:** (1) In the later stages, this is important. We should think about how to improve the business relationship over the long term, and how to implement those changes into our day-to-day business because there is always something we are not doing well-enough. We should always make

---

improvement but, we should not over do it. We should focus on the most critical issues. (2) If the relationship is good enough, you just have to maintain it. The reason is that we do not have enough time and resources to do an extremely good job. I am happy that customers are satisfied. I do not need them to be extremely satisfied which means I have to put forth much more effort. This is again the balance issue. You may invest double efforts, but you may only increase 10% of the satisfaction level. I am happy when the relationship is good. You have to keep everyone reasonably happy with limited time and resources. (3) In the later stages, the supplier is more actively looking for any negative things and trying to take the initiative to improve things. VARs shouldn't just sit back either. If they are good VARs, they should push us to get more products, features and to become proactive. (4) Overall when I think about relationship management, this factor is not extremely important compared to other factors. Continuous improvement over time is just basically what we try to do in our everyday business.

**Analysis:** Those typical quotations from interview show that continuous improvement over time from the supplier company's perspective at the beginning stage is important but not extremely important comparing to other important factors.

**2. Qualitative data from archives, observations, websites**

Direct observations and archives as well as the companies and people are trying to improve things in the later stages.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.3**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 7.5**

---

*The importance of continuous improvement over time from the supplier company's perspective vs. the VARs' perspective*

At the beginning stage, both qualitative and quantitative data demonstrate that continuous improvement over time is not important both from the supplier company's perspective and from the VARs' perspective. In the later stages, the importance of continuous improvement over time increases both from the supplier company's perspective and from the VARs' perspective. Even though the quantitative data shows that the importance of continuous improvement from the supplier company's perspective is lower than from the VARs' perspective. However, based on qualitative data from direct observations and archive documents, the supplier company has made a great effort to make improvements all the time.

For example, the supplier company put great effort into improving the tools which business uses. Whenever there is a feedback from VARs about certain issues, the supplier company acts quickly. The overall result is that continuous improvement is not important at the beginning stage, yet it is important in the later stages, though not extremely important. Costs and resources associated with the improvement should also be considered. This factor is not as important as the other factors in this study.

### 5.5.2 Trust

#### Trust from VAR's perspective at the beginning stage

Table 5-34 provides evidence in support of the importance of trust from VAR's point of view at the beginning stage of the VAR relationship. Table 5-34 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 29, and the quantitative data of the level of importance (1.7 out of 2, with 2 being maximum) and the order of importance (3.95 out of 10, with 1 being most important) also support proposition 29: Trust is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective at the beginning stage of the VAR relationship.

**Table 5-34 Research Data for Trust from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Trust, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) Without trust, the relationship will not last long. If you want to have a good relationship, you need to trust each other. To continue the relationship, honesty and transparency are very important, especially when you share your views on issues such as product features and delivery issues. In this relationship, we trust each other, we have an open relationship. We can discuss margins and issues such as that. We can trust the supplier company is not going around directly to the customer.</p> <p>(2) Thinking about this supplier company and us, trust is very important. It is also related to exclusivity of the contract. If in one bid there are many VARs who represent the same supplier and compete with each other, then it is very difficult. In the relationship between this supplier company and us, we have exclusive right in certain markets/segments. The level of exclusivity increases the level of trust. (3) At</p>



---

the beginning of the relationship, things are a bit cloudy, and discovering the ways to do business together is important. There is limited trust, yet we need to trust each other in order to do the business.

**Analysis:** Those typical quotations from interview show that trust from VARs' perspective at the beginning stage is extremely important. However there may not be total trust yet at the beginning.

**2. Qualitative data from archives, observations, websites**

Direct observations and archive documents suggest that trust is very important even at the beginning of the business relationship. Past cooperation or association can leverage the trust between the supplier company and the VARs. In the supplier company's VAR selection criteria, past cooperation is listed as one favourable condition.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)

**Average score: 1.7**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 3.95**

---

One particular quote illustrates the point on trust. The quote states:

Trust makes the point. We have been selling other company's products, but we have never seen any company such as this supplier company who has such good business ethics. I am so happy with their way of working. They always do what they promise. They keep their word. Earlier, when we sold another company's products, it was a disaster. The company signed an exclusive reseller contract with us and they signed the same contract with other resellers. Many resellers were then competing with each other with the same products. That company told us that we were the exclusive VAR, but they lied and had told the same to other resellers. For example we also are dealing with many suppliers, and this supplier company is the very best company to cooperate with. We can always trust the supplier company. And we hope that this trust continues. The same goes for the VARs. If the VAR sells the supplier company's products, it should not sell other competitor products. This is pure business ethics.

*Trust from the VAR's perspective in the later stages*

Table 5-35 provides evidence in support of the importance of trust from VAR's point of view in the later stages of the VAR relationship. Table 5-35 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 30, and the quantitative data of the level of importance (1.85 out of 2, with 2 being maximum)

and the order of importance (4.55 out of 10, with 1 being most important) supports proposition 30: Trust is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. Based on one particular research result, the importance of trust slightly increases from the VARs' perspective over time during the relationship.

**Table 5-35 Research Data for Trust from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Trust, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) Trust is the basis for business cooperation. To be able to grow together, the supplier company and VAR must become a team. Trust is extremely important. Lack of trust can badly hurt the business. When facing competition, a joint effort from both parties must occur in order to face the competition. Any lack of trust can make the work relationship very difficult. If communication is open, then trust will follow. (2) Trust is very important in doing business. If I do not trust the other party, I will not do business with them. We can begin with trust in beginning and later on find out whether trust can continue based on the actions. We must have trust between each other; otherwise it would appear that there is a hidden agenda. (3) You can not continue doing business together if you do not have trust; at least not long-term. In the later stages, the efforts of both parties have worked and everything goes fine. Trust can move forward and both parties continue to trust each other. In order to have a long-term business relationship, we should have trust.</p> <p><b>Analysis:</b> Those typical quotations from interview also show that trust from VARs' perspective in the later stages is extremely important.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	Direct observation and archive documents suggest that trust is very important even in the later stages of the business relationship. That trust will increase with more communication and co-operation.
<b>3. Quantitative data from opinions on importance</b>	(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)
<b>Average score:</b>	<b>1.85</b>
<b>4. Quantitative data from order of importance</b>	(1 being most important and 10 being least important with a total of 20 respondents from VARs.)
<b>Average score:</b>	<b>4.55</b>

*Trust from the supplier company's perspective at the beginning stage*

Table 5-36 provides evidence in support of the importance of trust from the supplier company’s point of view at the beginning stage of the VAR relationship. Table 5-36 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 31, and the quantitative data of the level of importance (1.7 out of 2, with 2 being maximum) and the order of importance (4.45 out of 10, with 1 being most important) also support proposition 31: Trust is extremely important in the relationship management of a high technology product company’s relationship with its VARs (Value-Added-Resellers) from the supplier company’s perspective at the beginning stage of the VAR relationship.

**Table 5-36 Research Data for Trust from the Supplier Company’s Perspective at the Beginning Stage of the VAR Relationship**

<b>Trust, From the Supplier Company’s Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	<p><b>Typical Quotations:</b> (1) Trust is very important. It is basic for any business. For me as a person, I agree on things and I do as I promised to do. Openness and trust go hand-in-hand together. That is my way of doing business. It is essential to keep promises and plans. If there is a problem, I inform the problem even before another party finds out. That is the real appreciation of a partnership. (2) At the beginning, trust is needed to establish a new partner/VAR. When choosing a VAR, credibility, honesty and integrity are the main criteria. Trust is the starting point. As the relationship grows, the trust should continue. (3) Trust is a difficult issue. I do not believe in starting up business with someone untrustworthy. But, I would equally believe that any company is not totally transparent because confidentiality is important in business. Therefore account managers should keep their eyes open. An element of distrust is advisable. Trust only to a certain degree. Trust at beginning is very difficult to measure. Don’t put too much effort into measuring trust at the beginning. (4) At the beginning, we need to have open mind and trust. But we do not normally know the other party when we begin the cooperation. We do not need to give all our confidential information to the other party at the beginning stage. Trust is very important, but it doesn’t mean that we trust everything that other people tell us. Each side says something which is based on their point of view. Their words may not be lies, but they may not tell the whole truth.</p> <p><b>Analysis:</b> Those typical quotations from interview show that trust from the supplier company’s perspective at the beginning stage is extremely important, but it is difficult to achieve.</p>
<b>2. Qualitative data from archives, observations, websites</b>	<p>Direct observation and archive documents suggest that trust is very important even at the beginning of the business relationship. Previous cooperation or association can leverage the trust between the supplier company and its VARs. In the supplier company’s VAR selection criteria, past cooperation is listed as one favourable condition.</p>

3. **Quantitative data from opinions on importance**  
 (Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)  
**Average score: 1.7**
4. **Quantitative data from order of importance**  
 (1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)  
**Average score: 4.45**
- 

One particular quote illustrates the point on trust. The quote states:

Basically at both stages, trust is very important. At the beginning stage, the relationship has not started yet, there is not much trust. On the other hand, you need to be able to keep your promises. In the later stages of the relationship, parties begin to trust each other. It is impossible to do everything through legal action. We trust you and we believe you. It is based on gentlemen's words. If there is no trust, there will be lots of problems. With trust, many issues can be handled easily. One customer always brought his lawyer with him. He wrote down everything we discussed during the meeting and we signed it. It was so tiring, and in the end I had to bring our lawyer with me to meetings as well. I do not like to do things this way. With my VARs, we have never used any legal action.

*Trust from the supplier company's perspective in the later stages*

Table 5-37 provides evidence for the importance of trust from the supplier company's point of view in the later stages of the VAR relationship. Table 5-37 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 32, and the quantitative data of the level of importance (1.85 out of 2, with 2 being maximum) and the order of importance (4.85 out of 10, with 1 being most important) also support proposition 33: Trust is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship. One particular research result suggests that there is a slight increase in the importance of trust from the supplier company's perspective over time.

**Table 5-37 Research Data for Trust from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Trust, From the Supplier Company's Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) Trust building is very important in the later stages. In the later stages, if trust has not yet been built, then the cooperation will not be successful. Trust can be at an accepted level which is enough to keep the business relationship going. Anyway, we (vendors and resellers) are different companies. It's like a family. Each depends on the other, so trust is a must! It is difficult to do business with partners who are not honest. (2) If a long-term relationship is anticipated, then I strongly agree. The answer is that trust is extremely important in a VAR relationship. Trust is fundamental in doing business together. If I trust another party, I can determine more about the future of the business which helps greatly in when doing things together. (3) In the later stages, the relationship has been building and there must be trust, otherwise, there is no way of doing business together. There must be mutual business trust between the supplier company and its VARs. This is also embedded in the VAR contract terms. There is a partnership and you do not blame others when something doesn't work. If you are honest with what you are doing, others will appreciate it.

**Analysis:** Those typical quotations from interview show that trust from the supplier company's perspective in the later stage is extremely important, but it is difficult to achieve.

**2. Qualitative data from archives, observations, websites**

Direct observations and archive documents suggest that trust is very important even in the later stages of the business relationship. Trust increases with more communication and cooperation.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.85**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 4.85**

---

*The importance of trust from the supplier company's perspective vs. the VARs' perspective*

Comparisons of the importance of trust from the supplier company's perspective to the VARs perspective, there is no suggestion of any great difference.

### ***5.5.2 Having Professional Respect***

Having professional respect from the VAR's perspective at the beginning stage

Table 5-38 provides evidence partially in support of the importance of having professional respect from VAR's point of view at the beginning stage of the VAR relationship. Table 5-38 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 33, however the quantitative data of the level of importance (1.55 out of 2, with 2 being maximum) and the order of importance (5.9 out of 10, with 1 being most important) only partially support proposition 33: Having professional respect is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective at the beginning stage of the VAR relationship.

**Table 5-38 Research Data for Having Professional Respect from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Having Professional Respect, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
	<p><b>Typical Quotations:</b> (1) It is important to demonstrate professionalism and to win professional respect. (2) In order to become the supplier company's VAR, professionalism must be exhibited. On the other hand, we also expect that the supplier company be professional. When we have questions regarding technical issues, we expect good answers. (3) At the beginning stage, some VARs may not appear technically professionally yet because they do not have product competence. However, they generally learn this later on. The supplier company is more professional in a technical sense so the VARs should seek help from the supplier company. A standard must exist in order to do business professionally. High professionalism also means high costs.</p> <p><b>Analysis:</b> Those typical quotations from interview show that having professional respect from VARs' perspective at the beginning stage is important, but not extremely important comparing with other important factors.</p>
<b>2. Qualitative data from archives, observations, websites</b>	
	<p>Direct observations and archive documents suggest that having professional respect is very important. The need for respect occurs at the beginning stage of business cooperation. VARs will typically choose a supplier company based on its brand name, products, and professionalism as does the supplier company- in addition to other selection criteria.</p>
<b>3. Quantitative data from opinions on importance</b>	
	<p>(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)</p> <p><b>Average score: 1.55</b></p>
<b>4. Quantitative data from order of importance</b>	

(1 being most important and 10 being least important with a total of 20 respondents from VARs.)

**Average score: 5.9**

---

One particular quote illustrates the point on having professional respect. The quote states:

At the beginning stage, you must be professional in order to win trust from each other. Neither of the two parties knows each other so they must start professionally. Each party must clearly understand what the other party's expectations are. In the later stages, technical competence and know-how will encourage the vendor to respond to the VARs requests professionally. If there is no professionalism, we can not do good business together.

Yet another quote illustrates the point on professional respect:

Having professional respect is not only about technical competence, but a professional attitude towards people and things is important as well. People change inside organisations and it is very important that their replacement also has a good attitude towards the reseller. For example, a person with long experience in a VAR company who knows a lot and possess good knowledge about the products called the supplier about a problem with the product. The person from the supplier company asks: "Did you turn off the machine and restart again?" No respect was shown from this product supplier towards the VAR.

Although the reseller is a smaller company compared to the supplier company, the supplier company should still hold respect for the reseller. Even through company changes and people move, it is important to have a professional attitude with each other. The goal is for the supplier company and the VAR to work together in serving the end-customer in return for financial earnings.

*Having professional respect from the VAR's perspective in the later stages*

Table 5-39 provides evidence partially in support of the importance of having professional respect from VAR's point of view in the later stages of the VAR relationship. Table 5-39 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 34, and the quantitative data of the level of importance (1.6 out of 2, with 2 being maximum) and the order of importance (6.7 out of 10, with 1 being most

important) partially support proposition 34: Having professional respect is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. One research result is that the importance of having professional respect is no different from the VARs' perspective over time during the relationship.

**Table 5-39 Research Data for Having Professional Respect from VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Having Professional Respect, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) If you have high respect for another party, you work better together. Respect, trust and professionalism go together. Suppliers should also respect small companies, such as VARs. This encourages positive feelings towards each other. Each party has its own strong points. The supplier company knows more about the products and the VARs know the advantages and disadvantages of the supplier company's products and how to design the best solutions for the end-customer. (2) We do only 25% of our business with this supplier company. We also have some additional vendors. As soon as we learn that a vendor is not professional, we discontinue our business with them. This supplier company is an honest company. There are some companies who promise everything, but do not keep their promises. That is not the way this supplier company operates. When this supplier said that the delivery is on that day, we will get it on that day. When the features are promised, we get them as promised. This supplier company is a professional company and that is very important. (3) People should behave like professionals in order to earn respect from each other. Professionalism is the key to successful business.</p> <p><b>Analysis:</b> Those typical quotations from interview show that having professional respect from VARs' perspective in the later stages is very important.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
<p>Direct observations and archive documents suggest that having professional respect is very important - especially during the later stages of business cooperation. VARs are not only expecting professionalism from the supplier but they also require the people in the supplier company to behave professionally.</p>	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>1.6</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>6.7</b>



*Having professional respect from the supplier company's perspective at the beginning stage*

Table 5-40 provides evidence partially in support of the importance of having professional respect from the supplier company's point of view at the beginning stage of the VAR relationship. Table 5-38 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 35, however the quantitative data of the level of importance (1.5 out of 2, with 2 being maximum) and the order of importance (5.95 out of 10, with 1 being most important) only partially support proposition 35: Having professional respect is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective at the beginning stage of the VAR relationship.

**Table 5-40 Research Data for Having Professional Respect from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

---

<b>Having Professional Respect, From the Supplier Company's Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
<b>Typical Quotations:</b> (1) When we select VARs, we accept only professionally capable VARs. VARs are professional and competent so that we can trust and respect them. It is easy to do businesses when both parties are professional. (2) At the beginning, if you do not feel that the other party is professional, you do not wish to start business with them. Some VARs may not have strong competencies in our products at the beginning. We must provide the product competence enabling to the VAR.	
<b>Analysis:</b> Those typical quotations from interview show that having professional respect from the supplier company's perspective at the beginning stage is important, but not extremely important comparing with other important factors.	
<b>2. Qualitative data from archives, observations, websites</b>	
Direct observation and archive documents suggest that having professional respect is very important and that it must take place at the beginning stage of the business cooperation. The supplier company chooses its VARs based on skill and competence as well as the company's performance, end-customer relationships and past associations.	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)	
<b>Average score:</b>	<b>1.5</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)	
<b>Average score:</b>	<b>5.95</b>

---

One particular quote illustrates the point on professional respect. The quote states:

This is something really important. The first thing that you want to know about another company is whether it is professional and whether that company is capable of providing professional people. Once you determine that they have professional products, professional behaviour and professional people you are more motivated to do business with them together. It is much easier to speak the same language when you are both professional, especially when dealing with technical details. Unprofessional people can damage a business.

*Having professional respect from the supplier company's perspective in the later stages*

Table 5-41 provides evidence partially in support of the importance of having professional respect from the supplier company's point of view in the later stages of the VAR relationship. Table 5-41 lists the qualitative data from interviews as well as from direct observations and documents as supporting proposition 36, however the quantitative data of the level of importance (1.65 out of 2, with 2 being maximum) and the order of importance (6.05 out of 10, with 1 being most important) only partially support proposition 36: Having professional respect is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship. One particular research result regarding professional respect suggests that the importance of having professional respect is no difference from the supplier company's perspective over time during the relationship.

**Table 5-41 Research Data for Having Professional Respect from The Supplier Company's Perspective in the Later Stages of the VAR Relationship**

<b>Having Professional Respect, From the Supplier Company's Perspective, In the Later Stage</b>
<b>1. Qualitative data from interviews</b>
<b>Typical Quotations:</b> (1) Professionalism is one of the requirements when selecting a VAR. If VARs are not professionals, the business can not continue. They need to deal with customers independently and this is not an easy task; it requires skill, competence and professionalism. (2) It is important to be professional. It makes everything easier. Things get done when people are professionals. If you do not have respect for VARs, you do not want trust the customers in their hands. Professional respect increases during good cooperation.

---

<b>Analysis:</b>	Those typical quotations from interview show that having professional respect from the supplier company's perspective in the later stages is important, but not extremely important comparing with other important factors.
<b>2. Qualitative data from archives, observations, websites</b>	Direct observations and archive documents suggest that having professional respect is very important and it is apparent in the later stages of the business cooperation. The supplier company not only looks at the VAR as a professional company, they also require the people within the VAR company to behave professionally.
<b>3. Quantitative data from opinions on importance</b>	(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)
<b>Average score:</b>	<b>1.65</b>
<b>4. Quantitative data from order of importance</b>	(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)
<b>Average score:</b>	<b>6.05</b>

---

*The importance of having professional respect from the supplier company's perspective vs. the VARs' perspective*

Comparisons of the importance of having professional respect from the supplier company's perspective to the VARs perspective, there is no suggestion of any great difference.

**5.5.3 Developing a Personal Relationship**

*Developing a personal relationship from the VAR's perspective at the beginning stage*

Table 5-42 provides evidence not in support of the importance of developing a personal relationship from VAR's point of view at the beginning stage of the VAR relationship. Table 5-42 lists the qualitative data from interviews as well as from direct observations and documents as not supporting proposition 37, and the quantitative data of the level of importance (1.1 out of 2, with 2 being maximum) and the order of importance (8.4 out of 10, with 1 being most important) does not support proposition 37: Developing a personal relationship is extremely important in the relationship management of a high technology

product company's relationship with its VARs (Value-Added-resellers) from the VARs' perspective at the beginning stage of the VAR relationship.

**Table 5-42 Research Data for Developing a Personal Relationship from the VARs' Perspective at the Beginning Stage of the VAR Relationship**

<b>Developing a Personal Relationship, From the VARs' Perspective, At the Beginning Stage</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) Business is handled by individuals. Personal relationships can encourage business and the sharing of information is subsequently easier. This is not a must, but it is good to have. It makes things easier. With personal relationships, there is more trust. For example, with confidential information it is only when we have personal contact and a personal feeling inside that we can trust and provide confidential information. (2) This may depend on people. Some people may think that business is business, nothing personal. Personal relationships are good, but we can achieve business without a personal relationship. We can still do excellent business with professionalism, and trust.</p> <p><b>Analysis:</b> Those typical quotations from interview show that developing a personal relationship from VARs' perspective at the beginning stage is not important.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
<p>Direct observations suggest that personal relationships can aid the start of a business relationship. However in most cases it is based on mutual business need and professionalism to start business cooperation.</p>	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>1.1</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>8.4</b>

One particular quote illustrates the point on developing personal relationships. The quote states:

At the beginning, we do not know each other, there is no personal relationship. In the later stages, it is not top priority, but it makes things much easier. It is not mandatory, but it is nice to have. As long as you have mutual business needs, the relationship works. You do not need a guarantee to keep the personal relationship. If the business cooperation doesn't work, then the guarantee and promises do not help. When problems arise, relationships don't help.

Another quote illustrating the same point further:

A personal relationship is good, but you can do business without it if you are professional. You can still do excellent business if you have professionalism and trust. The importance of having a personal relationship also depends on the culture, the country, and the personality of the people involved. It's good to have a personal relationship that goes beyond the business relationship. It makes things easier, but it's not a must.

Relationships are something hiding behind the work. If you have never met someone, only talked on the phone, it is difficult to do the business. Once you have met each other and have contacts with each other, things become easier. Later on if you need more information, it is much easier to get the information once you have met someone. Yes we have work to do, but we also talk and we do things together. It is important to know each other when doing business together.

Yet another quote explaining the reasons why it is also difficult in companies to develop personal relationships is as follows:

I strongly agree in developing personal relationships while conducting the business. However it isn't easy today since we are more isolated from each other due to such efficient communication methods: video conferencing, phone calls, e-mails, etc. They're all so efficient. People have less opportunity to get involved. Companies try to discourage personal relationships in order to save money and to make it easier when people relocate or move away. Nothing personal exists; just business and only business is the attitude people have nowadays. I still believe that the personal relationship is very important, but it's getting less and less important in the modern world.

*Developing a personal relationship from the VAR's perspective in the later stages*

Table 5-43 provides evidence not in support of the importance of developing a personal from the VAR's point of view in the later stages of the VAR relationship. Table 5-43 lists the qualitative data from interviews only as partially supporting proposition 38, but the qualitative data from direct observations and documents do not support proposition 38, and the quantitative data of the level of importance (1.4 out of 2, with 2 being maximum) and the

order of importance (7.95 out of 10, with 1 being most important) does not support proposition 38: Developing a personal relationship is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the VARs' perspective in the later stages of the VAR relationship. One specific research result suggests that the importance of developing a personal relationship is increasing slightly from the VARs' perspective over time during the relationship.

**Table 4-43 Research Data for Developing a Personal Relationship from the VARs' Perspective in the Later Stages of the VAR Relationship**

<b>Developing a Personal Relationship, From the VARs' Perspective, In the Later Stages</b>	
<b>1. Qualitative data from interviews</b>	
<p><b>Typical Quotations:</b> (1) Good relationship between people can overcome difficulties/problems before they become bigger issues. In the past years of working with this supplier company, only one issue needed to be referred to contract. Most issues are solved through a personal understanding. Personal relationships enable common sense to be used. In our country, friends are the basis for doing business because there is trust in friendships. Personal relationship is a part of the business relationship. Business is made by people. (2) In the later stages, business is in a specific order and in a process. The personal relationship becomes less important. Of course it is good to have personal relationships because it makes things easier. Personal relationships help business, but there is less effort involved in the later stage. (3) Each person has a professional life and a private life. I expect people to respect that I have private life as well. Not all people like to talk about personal issues with working associations.</p> <p><b>Analysis:</b> Those typical quotations from interview show that developing a personal relationship from VARs' perspective in the later stages is not important.</p>	
<b>2. Qualitative data from archives, observations, websites</b>	
<p>Direct observations suggest that personal relationships increase in the later stages especially following many years of cooperation where feelings and trust are bound to have developed between people. The personal relationship can help in making business easier, such as get the need to obtain information more quickly. However, personal relationships are not a must in the current business environment. It is still possible to do good business without personal relationships. Another issue involved is that people change their positions in organizations. It might be difficult to build a personal relationship when there are often changes taking place.</p>	
<b>3. Quantitative data from opinions on importance</b>	
(Minimum being -2 and maximum being 2 with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>1.4</b>
<b>4. Quantitative data from order of importance</b>	
(1 being most important and 10 being least important with a total of 20 respondents from VARs.)	
<b>Average score:</b>	<b>7.95</b>

*Developing a personal relationship from the supplier company's perspective at the beginning stage*

Table 5-44 provides evidence not in supporting of the importance of developing a personal relationship from the supplier company's point of view at the beginning stage of the VAR relationship. Table 5-44 lists the qualitative data from interviews as well as from direct observations and documents as not supporting proposition 39, and the quantitative data of the level of importance (0.95 out of 2, with 2 being maximum) and the order of importance (8.1 out of 10, with 1 being most important) does not support proposition 39: Developing a personal relationship is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective at the beginning stage of the VAR relationship.

**Table 5-44 Research Data for Developing a Personal Relationship from the Supplier Company's Perspective at the Beginning Stage of the VAR Relationship**

---

**Developing a Personal Relationship, From the Supplier Company's Perspective, At the Beginning Stage**

---

**1. Qualitative data from interviews**

**Typical Quotations:** (1) When there is a personal relationship, things can be done much easier. You get more inside information and stronger support. This helps the business. In critical cases, supports and earlier warning can be obtained from the people you know well. It is important to have personal relationships with key people, but also with people working at a lower level. You can solve the problems at a lower level before it escalates to management. (2) In any business relationship, you need to know people personally. It makes things easier. But you do not need to go to the extent of knowing each person in the organization. It doesn't improve the business beyond a certain level in the relationship. The relationship needs to be an understanding of each other to a certain extent. The personal relationship is a very good thing but, it doesn't improve business much more. Therefore, having professional respect is much more important than a personal relationship. There are always changes on both sides, people moving away and so on. If you have a strong personal relationship then things can be difficult during these changes. (3) Normally in a good business relationship, there are good personal relationships among people. But, it is not necessary to have a personal relationship beyond the business relationship. It is good to have personal relationships in general, but sometimes it might cause problems to the business. When making business decisions, personal feelings must be put aside. This also depends on the culture and different countries. In certain countries you do not need to go so deep into a relationship, though in other countries you do. (4) It is important that in some countries, they need to know the person before

---

they can trust them and do business together. However there is a company relationship. If the company relationship exists, even though some people move or things change business can still continue. For some people, the personal relationship works, yet others may not want to involve personal things with business. As long as we act professionally, we can do business together. (5) We can not let personal opinions influence our business decisions. The personal relationship doesn't matter so much. It depends on the culture! Sometimes it helps, sometimes it does not. However, you always need to make a clear cut between business and private. Some knowledge of personal situations can help sometimes.

**Analysis:** Those typical quotations from interview show that developing a personal relationship from the supplier company's perspective at the beginning stage is not important.

**2. Qualitative data from archives, observations, websites**

Direct observations suggest that personal relationships help in some cases at the beginning stage of the business relationship. However, in most cases, it is based on mutual business need and professionalism in order to start the business cooperation.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 0.95**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 8.1**

---

One particular quote illustrates the point on professional respect. The quote states:

In the beginning, both parties show professionalism; both parties are looking for ways to build a business together. It is purely a business relationship. In the later stages, you get to know each other, have meetings and dinner together. It becomes professional as well as personal. It is not necessary to be friends, it is nice to be together, but at the end of the day it is business that people consider. This is also a culture related issues. For long-term business, there is bound to be some personal feeling in the business relationship. The question is how far you want to take the personal relationship in the business relationship environment.

Another quote illustrates the point of developing a personal relationship even further:

I have two thoughts on this issue. On one side, it is important. If you have a personal relationship with someone, it builds a stronger business relationship. If you like someone, it is easier to do business. Sometimes you can get an inside story and sometimes confidential information. It is also dangerous at the risk of saying too much. I try to avoid being involved in personal relationships with



business associates. This doesn't mean that I do not call some business associates to chat about things other than business, or send a birthday card and so on. If you are too personally involved with business associates, it may cause conflicts and problems. It is difficult to do business with friends. You can not afford to be friends with too many people.

This depends on the culture, country, personality of the person, as well as on the business environment. For example, in the past (for example 10 years ago) has been more preferred to have a personal relationship than not. In certain countries, such as Croatia, Russia, etc. it is not possible to do business if you do not know people.

*Developing a personal relationship from the supplier company's perspective in the later stages*

Table 5-45 provides evidence not in supporting of the importance of developing a personal relationship from the supplier company's point of view in the later stages of the VAR relationship. Table 5-45 lists the qualitative data from interviews as partially supporting proposition 40, but the qualitative data from direct observation and documents does not support proposition 40, and the quantitative data of the level of importance (1.25 out of 2, with 2 being maximum) and the order of importance (7.85 out of 10, with 1 being most important) does not support proposition 40: Developing a personal relationship is extremely important in the relationship management of a high technology product company's relationship with its VARs (Value-Added-Resellers) from the supplier company's perspective in the later stages of the VAR relationship. One research result is that the importance of developing personal relationships is increasing slightly from the supplier's perspective over time during the relationship.

**Table 5-45 Research Data for Developing a Personal Relationship from the Supplier Company's Perspective in the Later Stages of the VAR Relationship**

---

**Developing a Personal Relationship, From the Supplier Company's Perspective, In the Later Stages**

---

**1. Qualitative data from interviews**

---

**Typical Quotations:** (1) The individuals inside the companies are doing the business. This is my practical experience from my career life. We need to find out who is the real decision maker in order to make the personal relationship. (2) It depends on the area in which you are working. For example, for

---

me, my VARs are physically located great distances away, and I have many of them as well. Therefore, it is difficult to get to know more people and develop personal relationships. On the other hand, it is useful and interesting to get to know my VARs on a personal basis. To a certain extent, it is important to get to know those people on a personal level. It makes things easier. (3) Having personal relationships you can get inside information. To know more about the VAR company business helps a lot in doing business with them. This also depends on the culture and personality. It is nice but not critical to business. (4) It is nice to strike a friendship with a VAR which you meet. But whether you need the friendship beyond business is one thing. As long as the VAR fulfills other requests, such as trust, ethics, communication, etc. then it is enough to do business with them.

**Analysis:** Those typical quotations from interview show that developing a personal relationship from the supplier company's perspective in the later stages is not important.

**2. Qualitative data from archives, observations, websites**

Direct observations suggest that personal relationships will increase during the later stages especially following many years of cooperation, when there are bound to be feelings and trust between people. Personal relationships can help in making business easier, such as obtaining the necessary information more quickly. However, personal relationships are not a must in the current business environment. It is still possible to develop good business without personal relationships. Another issue affecting this is that people change their positions in the company, making it difficult to build personal relationships around these changes.

**3. Quantitative data from opinions on importance**

(Minimum being -2 and maximum being 2 with a total of 20 respondents from the supplier company.)

**Average score: 1.25**

**4. Quantitative data from order of importance**

(1 being most important and 10 being least important with a total of 20 respondents from the supplier company.)

**Average score: 7.85**

---

*The importance of developing a personal relationship from the supplier company's perspective vs. the VARs' perspective*

Both qualitative and quantitative data suggest that there is a difference in the importance of developing a personal relationship from the supplier company's perspective and from the VARs perspective both at the beginning stage and in the later stages. This importance is least from the supplier company's perspective as compared to the VARs' perspective. However, this result is understandable as detailed in this case study over a five year period. During these five years, representatives of the supplier company have changed many times. Yet, on the other hand, the representatives of the VAR companies remained more stable. The frequent

changing of people in the supplier company has influenced the reduction of importance on developing personal relationships and also influenced the reduction of opportunities for developing personal relationships. This suggests that the low level of importance in developing personal relationships in today's world because of the efficiency through advanced communication methods which have resulted in people have less opportunity to meet and become less involved in personal issues. In fact, in the modern business environment, a company can still achieve excellent business results without obtaining personal relationships as long as the company makes money, though, by direct observations, it is clear that people can get more information and a faster response if they have good personal relationships with other people.

## **5.6 Additional findings during the Study**

Following each interview, each respondent was asked to state which additional factors they felt important in the VAR relationship management but not yet listed in the interview questions. The additional aspects, which were mentioned by the respondents, are listed and discussed in below sections. Based on direct observations and archive documents, those additional aspects are considered very important in VAR relationship management and, in fact, are some of the most important tasks to be carried out in VAR business. Every six months, activities are planned and arrangements for competence enabling are made between the supplier company and its VARs. These issues are more often initiated by the supplier company because of the nature of VAR business. These additional factors can be also used for future research.

### *Activities between the supplier company and its VARs*

Activities between the supplier company and its VARs are such as: the supplier company and its VARs having activities together such as sales conferences, visioning workshops, executive meetings, etc. The importance of those activities is described by the VARs as the following:

These events provide opportunities for both parties to build the relationship, offer opportunities for networking and getting to know more about the business and operation issues, as well as product information.

The comments from the supplier company are:

It is important to have regular events. This gives the VAR structure and continuity. These sales and marketing activities between the supplier company and its VARs are very important for VAR relationship management. VARs feel privileged to attend our meetings. It's important to let the VAR feel like family as well as offer the possibility to reflect and to state opinions to the supplier company. All the experts are together at one time sharing views. All top management people are there as well. These activities are extremely important in VAR relationship management.

Activities and events are a very important part of everyday's business. A large global sales conference is organized for all VARs to attend in order to provide updated information about the supplier company's strategy, organisation, business/sales information, operational issues as well as product and technical information. In addition to the global sales conference for VARs, many other smaller meetings are arranged for each VAR for commercial reasons and for product reasons. Those activities and events provide excellent opportunities in relationship building and facilitate the communication further on building trust between the supplier company and its VARs.

#### Competence enabling/technical support

It is strongly suggested by VARs for that competence enabling is necessary from the supplier company to its VARs. One particular supplier company survey to VARs stated that there is a clear message from the VARs that they need product competence transfer and technical support from the supplier company, especially for new VARs and for new products. In fact, there is one team of three technical support managers in the supplier company dedicated to supporting VARs with their technical requirements. However, three people's resources are not viewed as enough to support more than 50 VARs. Requests often come from the VARs side for support though these requests are rejected. The following comment is one extreme example which is documented in the supplier company's survey:

We as VARs cannot work if the supplier company does not support us technically. Most of the time our request for technical support is rejected due to

being viewed with less priority in comparison to the supplier company's business with other accounts.

Direct observations and research on the supplier company's archive documents suggest that, competence enabling and technical support is one of the most important tasks which the supplier company carries on in everyday business.

Competence enabling is carried out by the supplier company to its VARs regularly. The competence stream includes operational issues, as well as product and technical issues. The operational issues may include ordering processes, tools, market information as such. The product and technical issues include product portfolios, features and functions, roadmaps, unique selling points, product positioning and so on. The main methods used in competence enabling can be web-based information, mail shots, information from various meetings and events, as well as face-to-face training. Web-based information is available to VARs around the clock. Additionally, mail shots and newsletters are also used to actively provide new information. Face-to-face competence enabling also creates two-way communication. Technical support for VARs is carried out by a dedicated team within the supplier company. Due to the limited resources for the technical support from the supplier company, requests from VARs are prioritized. Although VARs are expected to be technically competent, self-sufficient and independent, they often still need technical support for new products and new product information such as in tenders and for new VARs, these needs are even stronger.

In earlier research, Gorchels *et al.* (2004) also point out that sales and technical support as well as the skills/products training in the distribution channel is important. In the high-technology industry such as in this case study, the competence enabling /technical support is even more important.

## **5.7 Summary of the Results**

### ***5.7.1 Comparison of the Importance of Factors from a Dual Perspective***

This section describes the importance of each factor when compared both from the supplier company's perspective and the VARs' perspective in order to identify whether there is any difference. Any differences and the reasons behind them are discussed based on the research data.

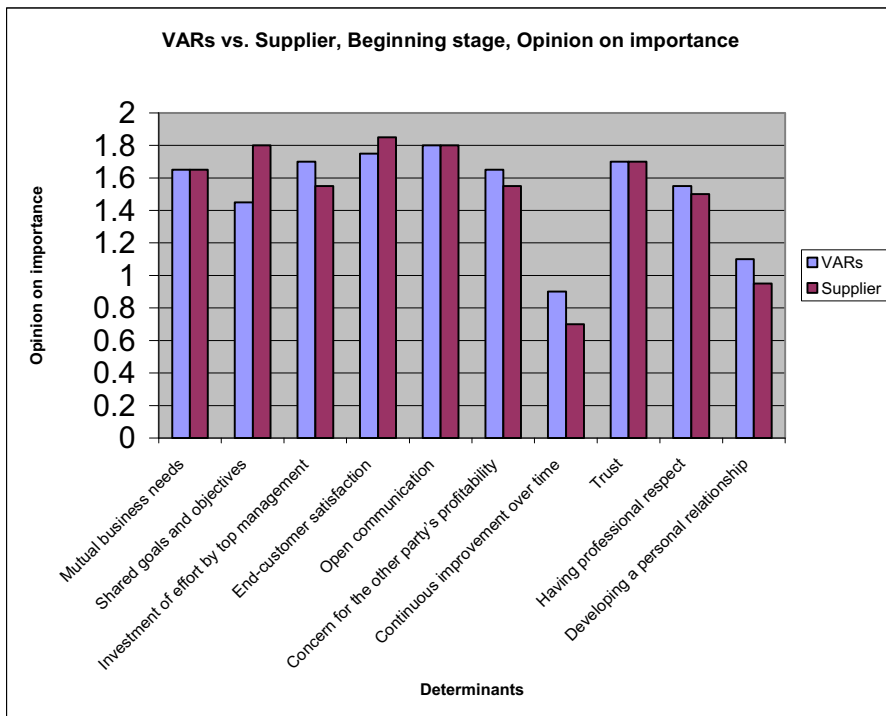
*Comparison of the VARs vs. Supplier's perspectives at the beginning stage*

Based on qualitative data from interviews, direct observations, archives and web sites, there are no major differences in the importance of factors from the VARs perspective and the supplier company's perspective at the beginning stage of the VAR relationship. The minor differences are in factors of Shared Goals and Objectives and Investment of Efforts by Top Management. These differences are demonstrated in Figure 5-3.

The quantitative data of opinion on importance of each factor both from the VARs' perspective and the supplier company's perspective is represented in Figure 5-3. The results demonstrate that there are only minor difference in these two factors namely in Shared Goals and Objectives and Investment of Efforts by Top Management.

**VARs vs. Supplier, at the beginning stage, quantitative data: opinion on importance**  
 (Strongly disagree=-2, disagree=-1, neither disagree nor agree=0, agree=1, strongly agree=2)  
 (with a total of 20 respondents from VARs and 20 respondents from the supplier company)

	VARs	Supplier
Mutual business needs	1.65	1.65
Shared goals and objectives	1.45	1.8
Investment of effort by top management	1.7	1.55
End-customer satisfaction	1.75	1.85
Open communication	1.8	1.8
Concern for the other party's profitability	1.65	1.55
Continuous improvement over time	0.9	0.7
Trust	1.7	1.7
Having professional respect	1.55	1.5
Developing a personal relationship	1.1	0.95

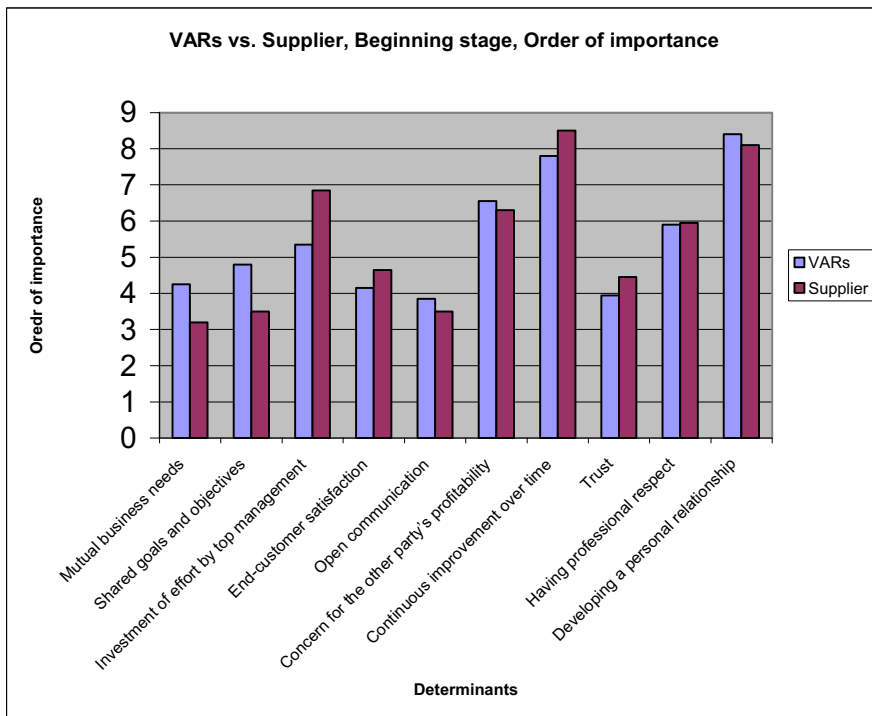


Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

**Figure 5-3 Comparison of VARs vs. Supplier at the Beginning Stage with Quantitative Data of Opinion on Importance**

**VARs vs. Supplier, at the beginning stage, quantitative data: the order of importance**  
 (1 being most important, and 10 being least important when comparing all determinants)  
 (with a total of 20 respondents from VARs and 20 respondents from the supplier company)

	VARs	Supplier
Mutual business needs	4.25	3.2
Shared goals and objectives	4.8	3.5
Investment of effort by top management	5.35	6.85
End-customer satisfaction	4.15	4.65
Open communication	3.85	3.5
Concern for the other party's profitability	6.55	6.3
Continuous improvement over time	7.8	8.5
Trust	3.95	4.45
Having professional respect	5.9	5.95
Developing a personal relationship	8.4	8.1



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

**Figure 5-4 Comparison of VARs vs. Supplier at the Beginning Stage with Quantitative Data of Order of Importance**



The quantitative data of the order of importance of each factor both from the VARs' perspective and the supplier company's perspective is represented by Figure 5-4. The data from Figure 5-4 demonstrates that there are no major differences, though minor differences exist in the factors of Shared Goals and Objectives and Investment of Efforts by Top Management.

Therefore, based on the qualitative and quantitative data, the overall results reveal that at the beginning stage there are no major differences from the VARs' perspective when comparing it to the supplier company's perspective except for minor differences on the factors of Shared Goals and Objectives and Investment of Effort by Top Management.

Both qualitative and quantitative data demonstrate that the importance of the Investment of Effort by Top Management to the VAR business from the supplier company's perspective is slightly lower than from the VARs' perspective at the beginning stage. The reason for this is that the supplier company is much larger in size when comparing it to its VARs, and the top management's involvement in the supplier company VAR business is not of the same importance as it is in the VAR companies. Both sides have suggested that top management's commitment to long-term growth in the VAR business is even more important than the investment of effort by top management.

Research data reveals the importance of shared goals and objectives from the supplier company's perspective as being higher than from the VARs' perspective at the beginning stage. This evidence highlights the difference between the supplier company and its VARs at the beginning stage: the supplier company has very clear goals and objectives, while the VARs are testing the water at the beginning and are more concerned with finding out whether they will obtain sustainable business from this relationship.

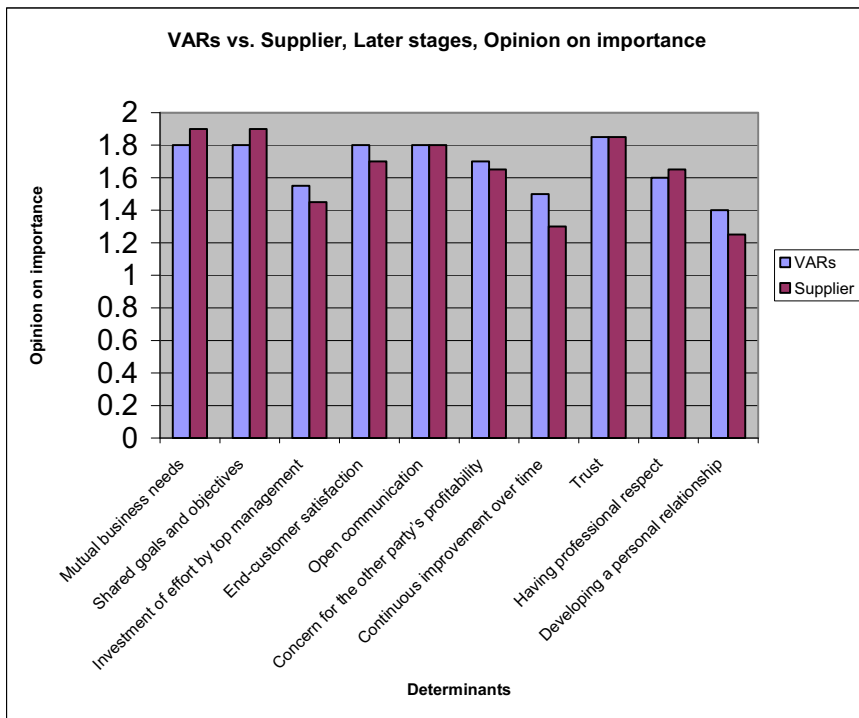
#### *Comparison of VARs vs. Supplier's perspectives in the later stages*

Qualitative data from interviews and qualitative data from direct observation, archives and web sites suggest that there are no major differences in the later stages regarding the importance of the factors from the VARs' perspective and the supplier company's perspective except for a few minor differences.

**VARs vs. Supplier, in the later stages, quantitative data: opinion on importance**

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

	VARs	Supplier
Mutual business needs	1.8	1.9
Shared goals and objectives	1.8	1.9
Investment of effort by top management	1.55	1.45
End-customer satisfaction	1.8	1.7
Open communication	1.8	1.8
Concern for the other party's profitability	1.7	1.65
Continuous improvement over time	1.5	1.3
Trust	1.85	1.85
Having professional respect	1.6	1.65
Developing a personal relationship	1.4	1.25

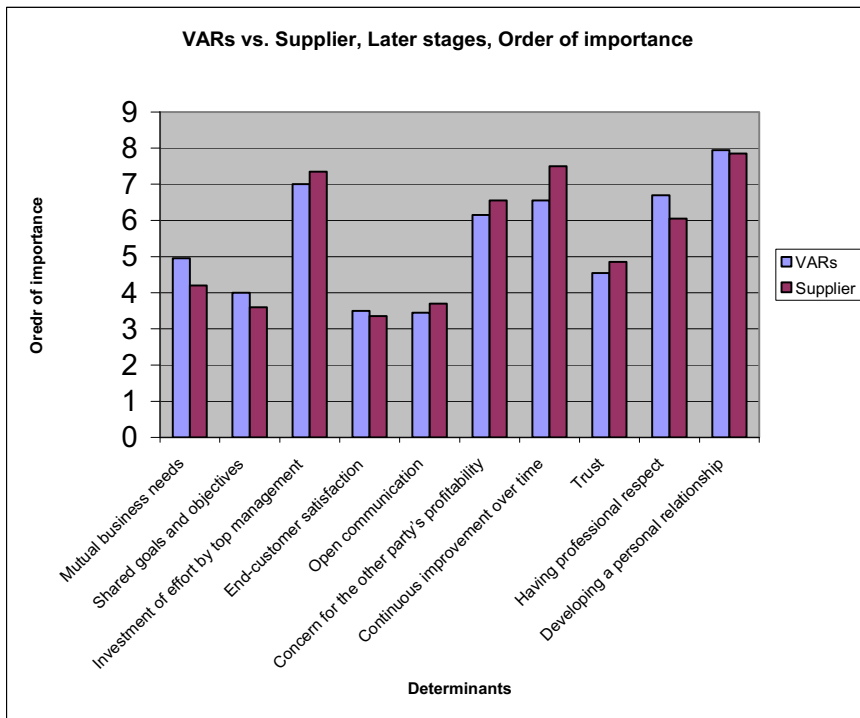


Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

**Figure 5-5 Comparison of VARs vs. Supplier in the Later Stages with Quantitative Data of Opinion on Importance**

**VARs vs. Supplier, in the later stages, quantitative data: the order of importance**  
 (1 being most important, and 10 being least important when comparing all determinants)  
 (with a total of 20 respondents from VARs and 20 respondents from the supplier company)

	VARs	Supplier
Mutual business needs	4.95	4.2
Shared goals and objectives	4	3.6
Investment of effort by top management	7	7.35
End-customer satisfaction	3.5	3.35
Open communication	3.45	3.7
Concern for the other party's profitability	6.15	6.55
Continuous improvement over time	6.55	7.5
Trust	4.55	4.85
Having professional respect	6.7	6.05
Developing a personal relationship	7.95	7.85



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

**Figure 5-6 Comparison of VARs vs. Supplier in the Later Stages with Quantitative Data of Order of Importance**

Quantitative data on the importance of each factor in the later stages both from the VARs' perspective and the supplier company's perspective is represented by Figure 5-5, and also

Figure 5-6 which demonstrates that there are no major differences only a few minor differences.

Based on all qualitative and quantitative data, the overall results reveal that in the later stages there are no major differences from the VARs' perspective when comparing it to the supplier company's perspective in the later stages. However, there are some points which need to be stressed regarding some of the factors.

With regard to the importance of shared goals and objectives, the overall conclusion is that though this ranks slightly higher from the supplier company's perspective than from the VARs' perspective both at the beginning stage and in the later stages, the difference is greater at the beginning stage than in the later stages. This suggests that the supplier company has a strong and clear expectation and targets for each VAR, especially in the later stages. However, the VARs' business is more of a project based business and it changes very much at different times depending on whether projects are available or not and whether these projects are large or small.

Quantitative data reveals that the importance of continuous improvement from the VARs' perspective is slightly higher than that of the supplier company's perspective. However, qualitative data also reveals that the supplier company is continuously making improvements, such as creating e-marketing and e-ordering tools to improve efficiency. The reason for this is that the supplier company is much larger than most of the VAR companies. Representatives of the VAR organizations are greatly aware of their companies' improvements and changes, while representatives of the supplier company tend to be less involved in improvements and therefore less aware of the improvements, since improvements are made by dedicated forces of the supplier company.

Qualitative and quantitative data suggest that the importance of open communication from the supplier company's perspective is of the same importance as from the VARs' perspective both at the beginning stage and in the later stages. However, it is a challenge to achieve open communication between the supplier company and its VARs. In reality the supplier company wishes to have more open communication from its VARs. Additional time and emphasis was placed on data collection and analysis of the communication issues between the supplier company and its VARs. Direct observations and archive documents reveal that the supplier

company communicates all relevant business information very well to its VARs and some VAR companies also do an excellent job when communicating to the supplier company. However, particular VAR companies may not have the time and resources to communicate their information and feedback to the supplier company. These VAR companies only contact the supplier company when in need of information. There are also some VAR companies which may not want to communicate specific information, such as end-customer information. A threat is posed to the VAR's business if the supplier company someday decide to revert to direct sales. End-customer information and relationships are one of the greatest assets of VAR companies.

Qualitative and quantitative data suggest that the importance of end-customer satisfaction from the supplier company's perspective is of the same importance as from the VARs' perspective both at the beginning stage and in the later stages. However, both the supplier company and its VARs believe that the supplier company plays a slightly more significant role in end-customer satisfaction than the VAR companies at the beginning stage, and the VAR companies play a slightly more important role in end-customer satisfaction in the later stages. This becomes obvious when at the beginning the supplier company's product plays an important role in end-customer satisfaction and then, in the later stages the VAR companies' end-customer relationship and quality of service play an important role in end-customer satisfaction.

Qualitative and quantitative data reveal that the overall results regarding developing a personal relationship is not an important factor, and there is only a very minor difference in the importance of developing a personal relationship from the supplier company's perspective as well as from the VARs perspective both at the beginning stage and in the later stages. The importance is only slightly lower from the supplier company's perspective than from the VARs' perspective. These results are quite surprising since the qualitative data from direct observations demonstrates that the representatives of the supplier company do have good personal relationships with those from the VAR companies. However, this result can be understood by looking at the five-year case study. During the five years of this study, various representatives of the supplier company changed a number of times while, on the other hand, various representatives of the VAR companies remained stable. The frequent changing of people within the supplier company has reduced the importance of developing a personal relationship and also reduced the opportunities for developing personal relationships. The

reasoning behind this low ranking of the importance of developing a personal relationship is that in today's world the communication methods are so advanced and things become so efficient through modern technology. Therefore, one has less of a chance of meeting someone to become involved with personal issues. In fact, in the modern business environment, companies can still achieve excellent business results without personal relationships as long as both sides are making money. However, direct observations do reveal that people can obtain more information and quicker responses when they do have good personal relationships with others.

### ***5.7.2 Comparison of the Importance of Factors at the Beginning Stage vs. in the Later Stages***

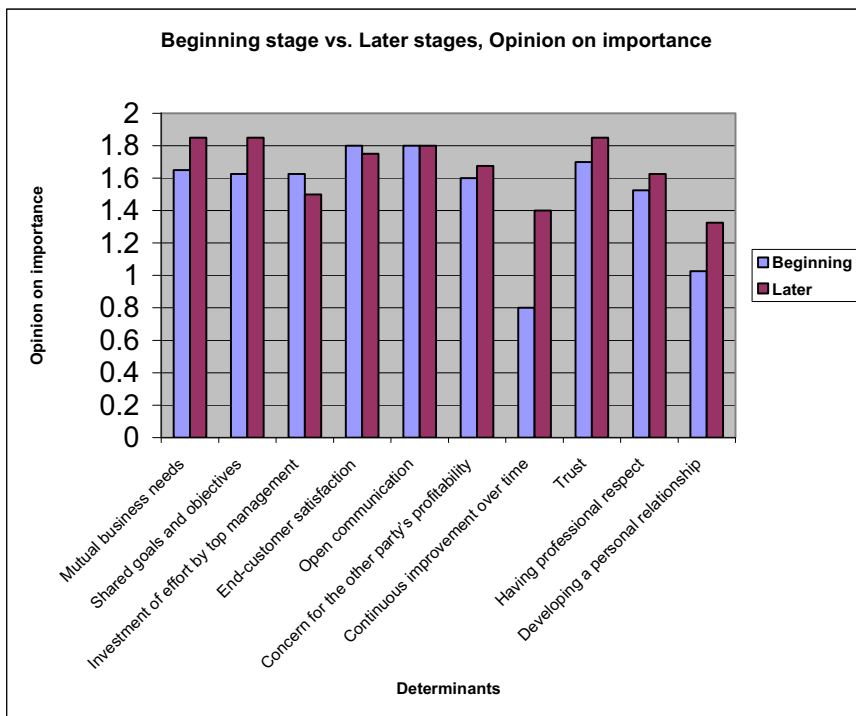
This study fully captures the dynamics of changes of importance in each factor in VAR relationship management which focuses on the long-term characteristics and efforts of channel relationships. This section compares the importance of each factor at the beginning stage and in the later stages.

Quantitative data on the importance of each factor both at the beginning stage and in the later stages is represented by Figure 5-7 and Figure 5-8 which demonstrate that there are some differences when comparing the importance of each factor at the beginning stage and in the later stages.

**Beginning stage vs. Later stages, quantitative data: opinion on importance**

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

	<b>Beginning</b>	<b>Later</b>
Mutual business needs	1.65	1.85
Shared goals and objectives	1.625	1.85
Investment of effort by top management	1.625	1.5
End-customer satisfaction	1.8	1.75
Open communication	1.8	1.8
Concern for the other party's profitability	1.6	1.675
Continuous improvement over time	0.8	1.4
Trust	1.7	1.85
Having professional respect	1.525	1.625
Developing a personal relationship	1.025	1.325



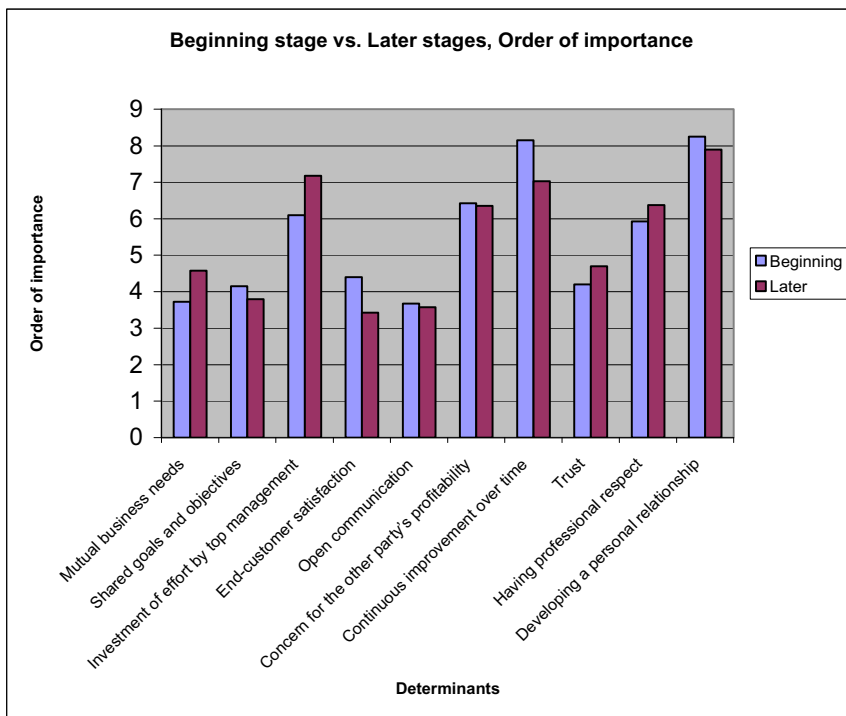
Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

**Figure 5-7 Comparison of Beginning Stage vs. Later Stages with Quantitative Data of the Opinion on Importance**

**Beginning stage vs. Later stages, quantitative data: the order of importance**

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

	<b>Beginning</b>	<b>Later</b>
Mutual business needs	3.725	4.575
Shared goals and objectives	4.15	3.8
Investment of effort by top management	6.1	7.175
End-customer satisfaction	4.4	3.425
Open communication	3.675	3.575
Concern for the other party's profitability	6.425	6.35
Continuous improvement over time	8.15	7.025
Trust	4.2	4.7
Having professional respect	5.925	6.375
Developing a personal relationship	8.25	7.9



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

**Figure 5-8 Comparison of Beginning Stage vs. Later Stages with Quantitative Data of Order of Importance**



Both qualitative and quantitative data suggest that there is an increase in the importance of mutual business needs in the later stages when comparing it at the beginning stage from both the VARs' perspective and the supplier company's perspective. Reasoning behind this is that at the beginning stage both sides are attempting to determine whether the business relationship will work or not and in the later stages the business tie between the supplier company and its VARs becomes stronger.

Qualitative and quantitative data reveal that there is clearly an increase in the importance of shared goals and objectives from the VARs' perspective in the later stages when compared to the beginning stage. However, there is only a slight increase in the importance of shared goals and objectives from the supplier company's perspective in the later stages compared to the beginning stage. Reasoning behind this is that at the beginning VARs are trying to determine whether the business relationship will work for them or not, with the attitude of testing the water. On the other hand, the supplier company maintains strong and clear expectations and targets for each VAR, especially in the later stages. Therefore, the research data clearly shows that the importance of shared goals and objectives increases over time both from the VARs' perspective and from the supplier company's perspective.

Both qualitative and quantitative data demonstrate that the importance of investment of effort by top management decreases over time both from the supplier company's perspective and VARs' perspective. Reasoning behind this is that the top management from both sides plays a critical role in the decision of starting up the VAR business relationship. However, in the later stages, top management from both sides, especially from the supplier company, is not needed in the everyday operation of VAR business; only when problems emerge or critical decisions are necessary top management become involved again. Research data demonstrates that top managements' commitment to long-term growth for the VAR is important both at the beginning stage and in the later stages.

Qualitative data and qualitative data suggest that the importance of open communication is the same at the beginning stage and in the later stages both from the from the supplier company's perspective and from the VARs' perspective.

Although there is a slight difference based on the qualitative data in the importance of end-customer satisfaction both at the beginning stage and in the later stages, the qualitative data

reveals that the importance of end-customer satisfaction is the same both from the supplier company's perspective and the VARs' perspective and both in the beginning and later stages. This slight difference is as: the supplier company is expected to play a slightly important role in end-customer satisfaction than the VAR companies at the beginning stage, and the VAR companies are expected to play a slightly more important role in end-customer satisfaction than the supplier company in the later stages. This can be easily understood since at the beginning the supplier company's product plays an important role in end-customer satisfaction, then in the later stages, the VAR company's end-customer relationship and quality of service play an important role in end-customer satisfaction.

At the beginning stage, both qualitative and quantitative data demonstrate that continuous improvement over time is not important from either the supplier company's perspective or the VARs' perspective because there is nothing to be improved when starting up the business. In the later stages, the importance of continuous improvement over time increases both from the supplier company's perspective and from the VARs' perspective.

Although based on qualitative data, there is only a slight increase in the importance of concern for the other's profitability from the supplier company's perspective and from VARs' perspective when comparing the beginning stage and later stages. However, based on the qualitative data from direct observations and archive documents, there is no evidence to support a difference.

Both the qualitative and quantitative data demonstrate that the importance of trust from both the supplier company's perspective and VARs' perspective increases in the later stages compared to the beginning stage. This is easily understood as trust generally increases through good business cooperation.

Both the qualitative and quantitative data suggest that the importance of having professional respect from both the supplier company's perspective and the VARs' perspective is nearly identical both at the beginning stage and in later stages.

Both qualitative and quantitative data suggest that in the later stages there is an increase in the importance of developing a personal relationship from the supplier company's perspective and an increase from the VAR perspective at the beginning stage. This is easily understood

since personal relationships are generally built over time with communication and social activities.

### ***5.7.3 The Order of Importance among the Factors***

This section describes the order of importance among the factors and specifically, which are the most important factors and which are the least important.

The order of importance from the VARs' perspective is as follows: At the end of the interview questionnaire each respondent was asked to grade the factors by their order of importance using the scale of 1, 2....10 with 1 being the most important factor and 10 being the least important. A few things needed to be taken into consideration when reviewing the data: (I) the numbering system 1, 2, 3... does not provide an absolute value of the importance. A factor valued as 2 does not mean that this factor is 2 times more important than a factor valued at 4 (The scale of importance difference from 1 to 10 is not as great as it appears from 1 to 10. The difference of importance between 1 and 10 could, in fact, be very small. This is a relative comparison, not an absolute comparison.); (II) this only provides value by providing a sense of what the most important factors are and what the least important factors are, so as to provide a focus for prioritizing when there are limited resources for those issues; (III) when grading the order of importance of each factor, comparisons were made among the listed factors altogether; (VI) when grading the importance between the beginning stage and the later stages, thoughts were based more on what is needed most at the beginning stage or in later stages.

Even though some factors are as important in the later stages as they are at the beginning stage, many people assume that the factors already exist from the beginning, so no great effort was placed in that aspect. Despite all the considerations above, the results generated very useful information, and the results based on the interview data from the final question regarding the order of importance fit beautifully into the results from other questions in the questionnaire as well as the qualitative data.

Qualitative and quantitative data is represented by table 5-47, and shows that VARs think that the following five factors are most important at the beginning stage: (1) mutual business needs; (2) investment of effort by top management; (3) end-customer satisfaction; (4) open communication; (5) trust. And in the later stages, the most important factors according to the VARs perspective are: (1) mutual business needs; (2) shared goals and objectives; (3) end-customer satisfaction; (4) open communication; (5) trust. The least important factors according to the VARs' opinion both at the beginning stage and in the later stages are: (1) continuous improvement over time and (2) developing personal a relationship.

Qualitative and quantitative data represented by table 5-48, list the perspective of the supplier company and that the following four factors are most important at both the beginning stage and in the later stages: (1) mutual business needs; (2) shared goals and objectives; (3) end-customer satisfaction; (4) open communication; (5) trust. However, strong opinions arise from the supplier company based on qualitative data that the supplier company's top management maintain a strong commitment to the VAR indirect channel sales strategy and that this is extremely important in establishing the VAR business relationship at the beginning stage and in growing the VAR business in the later stages.

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

**Table 5-46 The Most Important Factors from the VARs' Perspective**

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

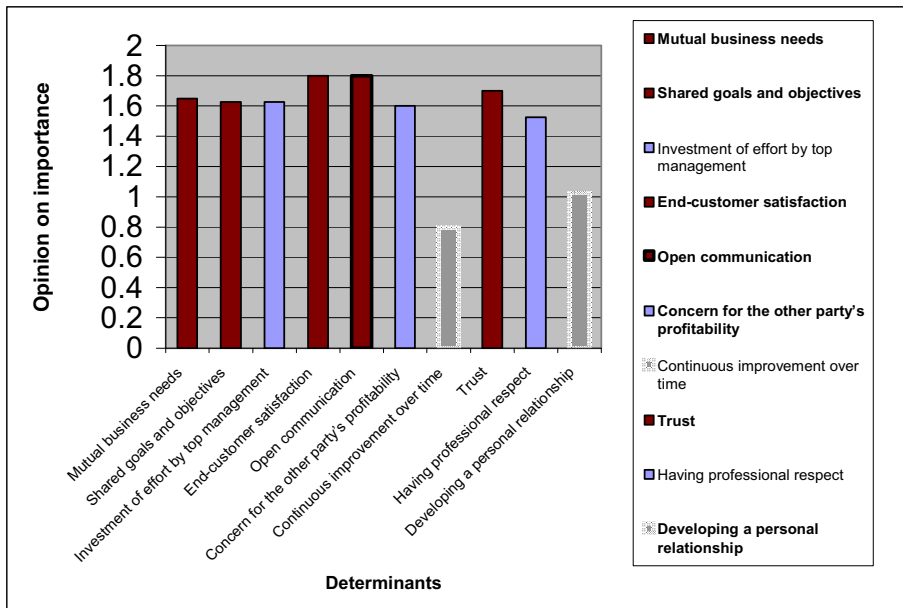
**Table 5-47 The Most Important Factors from the Supplier Company's Perspective**

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

Figure 5-9 and Figure 5-10 represent the quantitative data with opinion on importance and order of importance at the beginning stage for both the most important factors and the least important factors.

**Most important determinants and least important determinants, at the beginning stage, quantitative data: opinion on importance**  
 (Strongly disagree=-2, disagree=-1, neither disagree nor agree=0, agree=1, strongly agree=2)  
 (with a total of 20 respondents from VARs and 20 respondents from the supplier company)

Mutual business needs	1.65
Shared goals and objectives	1.625
Investment of effort by top management	1.625
End-customer satisfaction	1.8
Open communication	1.8
Concern for the other party's profitability	1.6
Continuous improvement over time	0.8
Trust	1.7
Having professional respect	1.525
Developing a personal relationship	1.025



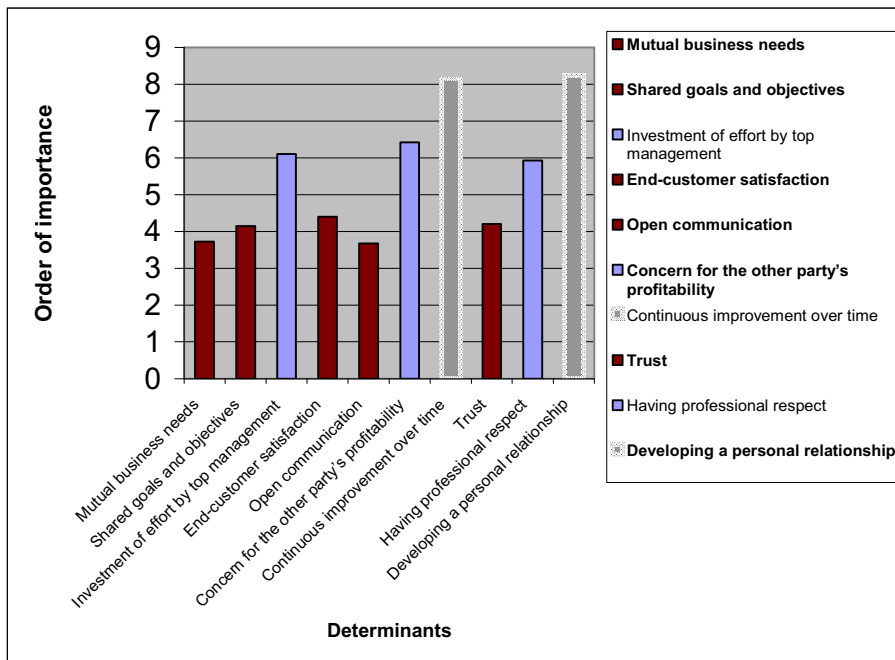
Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

**Figure 5-9 Quantitative Data of Opinion on Importance at the Beginning Stage**

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

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

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



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

**Figure 5-10 Quantitative Data of Order of Importance at the Beginning Stage**

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

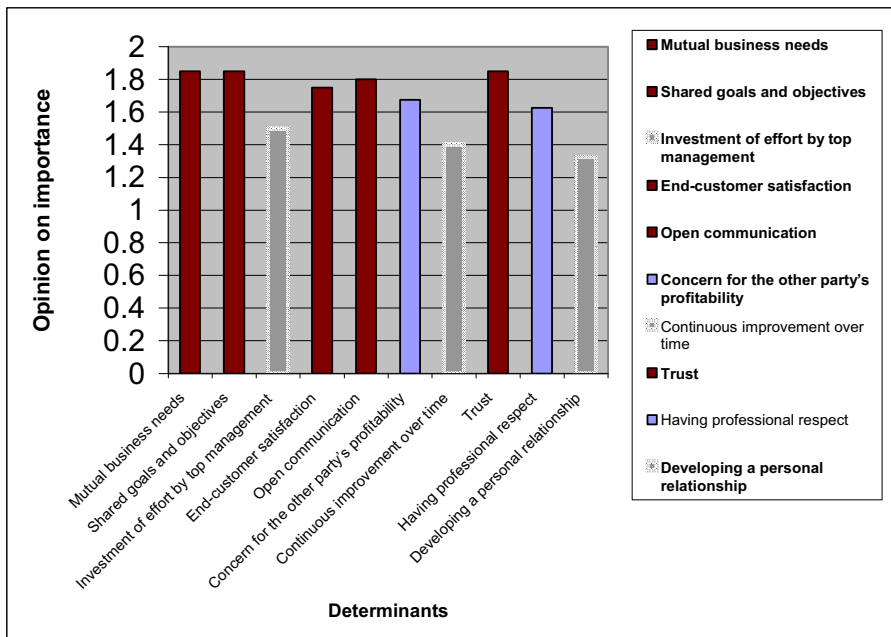


Figure 5-11 and Figure 5-12 represent the quantitative data with opinion on importance and order of importance in the later stages for both the most important factors and the least important factors.

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

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

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



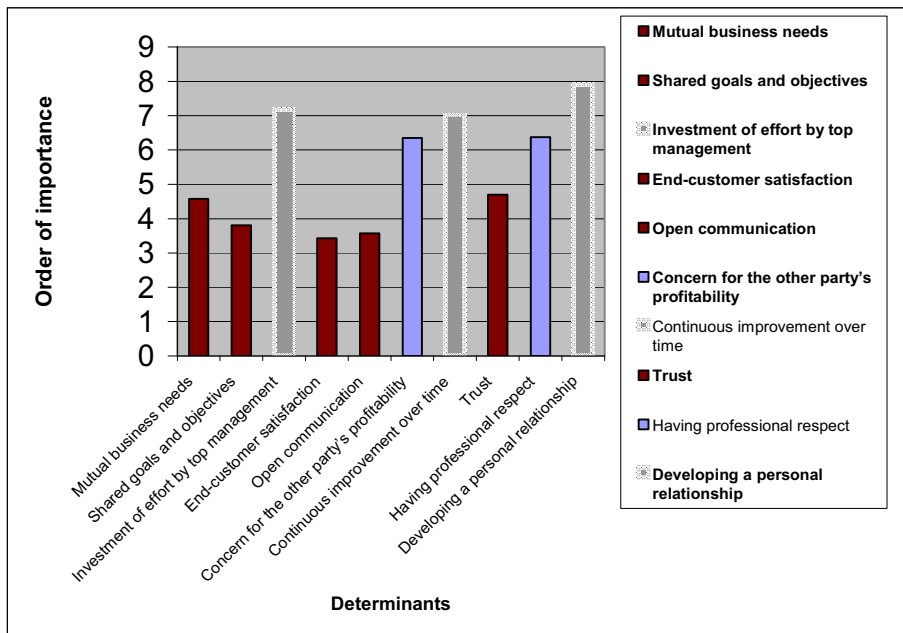
Note: Please notice that if the value (opinion on importance) of each determinant in this diagram is closer to 2, it is more important, and if the value is closer to 0, it is less important.

**Figure 5-11 Quantitative Data of Opinion on Importance in the Later Stages**

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

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

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



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

**Figure 5-12 Quantitative Data of Order of Importance in the Later Stages**

These tables demonstrate that in the later stages, the most important factors among all the factors are: mutual business needs, shared goals and objectives, end-customer satisfaction, open communication and trust; and the least important factors among all factors are: investment of effort by top management, continuous improvement over time, developing a personal relationship.

**Table 5-48 Order of Importance from a Dual Perspective at Different Stages**

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

This 5-48 highlights both the most important factors and the least important factors in the VAR business relationship from dual perspectives at different stages, suggesting business implications for management. A detailed description can be found in section 6.3.

### 5.7.4 Summary of the Results

The results are summarized in Table 5-49.

**Table 5-49 Summary of the Results**

Propositions	Results			
	Factors	Perspecti	Stage	Qualitative data analysis from the
	ve		analysis from interview	Quantitative analysis from the order of importance (1 being most important, 10 being least important)
1	Mutual VAR	beginning	Not supporting	Not supporting
2	dependence VAR	later	Not supporting	Not supporting
3	supplier	beginning	Not supporting	Not supporting
4	supplier	later	Not supporting	Not supporting
1b	Mutual business VAR	beginning	Supported	Supported
2b	needs VAR	later	Supported	Supported
3b	supplier	beginning	Supported	Supported
4b	supplier	later	Supported	Supported
5	Shared goals and VAR	beginning	Partially supported	Partially supported
6	objectives VAR	later	Supported	Supported
7	supplier	beginning	Supported	Supported
8	supplier	later	Supported	Supported

Propositions		Results				
Factors	Perspecti	Stage	Qualitative data	Qualitative data analysis	Quantitative analysis from	Quantitative data analysis from the
	ve		analysis from interview	from direct observations, archives, web sites	the importance (strongly disagrees, disagree...)	order of importance (1 being most important, 10 being least important)
9	Investment of VAR	beginning	Partially supported	Supported	Supported	Partially supported
10	effort by top VAR	later	Partially supported	Partially supported	Partially supported	Partially supported
11	management supplier	beginning	Partially supported	Partially supported	Partially supported	Partially supported
12	supplier	later	Partially supported	Partially supported	Partially supported	Partially supported
13	End-customer VAR	beginning	Supported	Supported	Supported	Supported
14	satisfaction VAR	later	Supported	Supported	Supported	Supported
15	supplier	beginning	Supported	Supported	Supported	Supported
16	supplier	later	Supported	Supported	Supported	Supported
17	Open VAR	beginning	Supported	Supported	Supported	Supported
18	communication VAR	later	Supported	Supported	Supported	Supported
19	supplier	beginning	Supported	Supported	Supported	Supported
20	supplier	later	Supported	Supported	Supported	Supported
21	Concern for the VAR	beginning	Partially supported	Partially supported	Supported	Partially supported
22	other party's VAR	later	Partially supported	Partially supported	Supported	Partially supported
23	profitability supplier	beginning	Partially supported	Partially supported	Supported	Partially supported
24	supplier	later	Partially supported	Partially supported	Supported	Partially supported

Propositions		Results		Qualitative data analysis		Quantitative analysis for		Quantitative data analysis from the	
Factors	Perspecti	Stage	Qualitative data	Qualitative data analysis	Qualitative analysis for	the importance (strongly	disagrees, disagree...)	order of importance (1 being most	important, 10 being least important
25	Continuous	beginning	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting
26	improvement	later	Partially supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
27	over time	beginning	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting
28	supplier	later	Partially supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
29	Trust	beginning	Supported	Supported	Supported	Supported	Supported	Supported	Supported
30	VAR	later	Supported	Supported	Supported	Supported	Supported	Supported	Supported
31	supplier	beginning	Supported	Supported	Supported	Supported	Supported	Supported	Supported
32	supplier	later	Supported	Supported	Supported	Supported	Supported	Supported	Supported
33	Having	beginning	Supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
34	professional	later	Supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
35	respect	beginning	Supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
36	supplier	later	Supported	Supported	Partially supported	Partially supported	Partially supported	Partially supported	Partially supported
37	Developing a	beginning	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting
38	personal	later	Partially supported	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting
39	relationship	beginning	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting
40	supplier	later	Partially supported	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting	Not supporting

## **6 DISCUSSION AND CONCLUSIONS**

Chapter 6 will include the discussion of research results, the theoretical and empirical contributions, business managerial implications, as well as the limitations of the study and potential issues for future research.

### **6.1 Discussion of the Results**

The purpose of this study is to develop a framework for facilitating the understanding of VAR relationship management within a defined scope based on a multi-theory approach aiming to contribute to the research on relationship management in companies making high-technology products with regard to their Value-Added-Resellers (VARs). This study specifically focuses on the important factors of relationship management in this context of dual perspectives in that rich qualitative and quantitative research data were collected from both the VARs and the supplier company. Furthermore, the importance of the factors is also considered during different stages of the relationship-management process, as is the order of importance among the different factors.

In order to identify those important factors in the defined context, an extensive literature study was conducted on the supplier/reseller relationship. Several related fields of empirical research and identification of the factors in a wider scope provide a solid basis for developing and forming the propositions of this study. In addition to the review of empirical research on a related field, the most relevant theories were reviewed and discussed in a defined scope. These theories are: the resource-based view; transaction cost economics, the knowledge-based view, competence/capability in an organization and social capital theory. These theories were applied to the empirical research in forming the propositions of this study.

Based on the reviews of earlier empirical research and relevant theoretical approaches, the present research approaches and propositions were built focusing on: (1) the important factors based on the theory of resource-based view; (2) the important factors based on the theory of transaction costs economics, (3) the important factors based on the theory of knowledge-based view and competence/capability in the organization; (4) the important factors based on the social capital theory. Together these four approaches form the total framework for the

important factors in relationship management in companies making high-technology products with regard to their VARs. This section discusses how the research process helps to answer the research questions and whether the propositions are supported or not based on the relevant empirical study and the multi-theory approach.

### ***6.1.1 The Important Factors Based on the Resource-based View***

The research propositions based on the resource-based view and relevant empirical literature of study include the following factors: mutual dependence, shared goals and objectives, investment of effort by top management, and end-customer satisfaction. In this study, both qualitative and quantitative data are collected and analyzed. The research results show that the evidence is not enough to support the propositions on the factor of mutual dependence, although various other researchers have found it important (McQuiston 2001; Anderson & James, 1990).

According to this study, both at the beginning stage and in the later stages, people from the supplier company and the VARs believe that mutual dependence is not equal in the relationship because VARs' sales form a very small proportion of the supplier company's total sales, on the other hand, the supplier company's products affect a much larger share of the VAR companies' revenue. There is no mutual dependence at all especially at the beginning stage of the relationship, since both parties are trying to find out whether the business relationship will work out or not. The mutual dependence is weak between the supplier company and its VARs also due to the fact that the supplier company has its own direct sales force to carry out the main sales activities and indirect VAR sales channel is only a complementary sales channel to the supplier's direct sales channel. However, people from both the supplier company and the VAR companies believe that mutual business needs are a very important factor in establishing a relationship and maintaining the relationship. Therefore, in this defined context, mutual dependence as a factor is not important, mutual business needs is a very important factor both at the beginning stage and in the later stages from both the supplier company's perspective and from the VARs' perspective. Skarmas and Katsikeas (2001) also stated in their research that interdependence asymmetry was not found to play a significant role in VAR relationship management.



According to this study, evidence basically supports the propositions on the factor of shared goals and objectives. However the research data only partially supports the proposition that shared goals and objectives are extremely important from the VARs' perspective at the beginning of the relationship. But, they were considered extremely important in the later stages, and the proposition was supported from the supplier company's perspective both at the beginning and in the later stages. Qualitative and quantitative evidence also highlights the difference between the supplier company and its VARs during the early stages: the supplier company has very clear goals and objectives, while the VARs are more concerned with finding out whether they will gain sustainable business from this relationship. The importance of shared goals and objectives increases based the VAR's opinions from the beginning stage to the later stages.

Regarding investment of effort by top management, it was discovered that both parties consider this important only to a certain extent. Comments suggest that top management's contribution is extremely important in making the commitment to enter into a VAR business relationship, when there are high-level problems needing to be solved, and when building up the relationship between the two companies. Otherwise, the top management involvement in everyday business and, in particular the top management of the supplier company is not necessary in everyday VAR business. However, there is a slight difference in that top-management investment of effort is appreciated more in the VAR companies than in the supplier company, presumably because the supplier company is much bigger than the VAR companies, and the top managements have a different focus. There is also a slight difference between the early and later stages: the top-management role is slightly more important at the beginning. The reason for this is that the top managers are the critical decision makers in establishing the VAR business relationship.

Therefore, based on the results, the factor is more suitable as top managements' commitment to VAR business with long-term growth. Commitment is defined as "an enduring desire to maintain a valued relationship" (Moorman *et al.* 1992). Commitment to VAR business with long-term growth implies that both parties are looking for a long-term relationship, and that both are committed to growing together, to building a shared understanding about the products that will satisfy customer needs and future market demands, to developing product roadmaps together, and to creating products that offer the best value at the best price.

This involves developing a shared understanding of the market requirements and future product-development needs (VARs give feedback to the supplier company about the market needs, and the supplier company develops products to meet these needs), and increasing sales by expanding to new markets (new territories, new segments and new customers). Other researchers also identify commitment as an important factor in VAR relationship management (Ellram & Edis 1996; Siguaw *et al.* 2003). As Weitz and Bradford (1999) state that, when buyer and seller are mutually committed to the relationship, they are motivated to maintain it in the long run and strive for their mutual benefit. According to the research evidence, end-customer satisfaction is an extremely important factor in VAR relationship management which is supported by both parties both at the beginning stage and in the later stages. Customer orientation is defined as “the set of beliefs that put the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise” (Despande *et al.* 1993). End-customer satisfaction is very important and is also supported by other studies (Siguaw *et al.* 2003; McQuiston 2001). An illustration of these four factors based on the resource-based view is described in the following diagram.

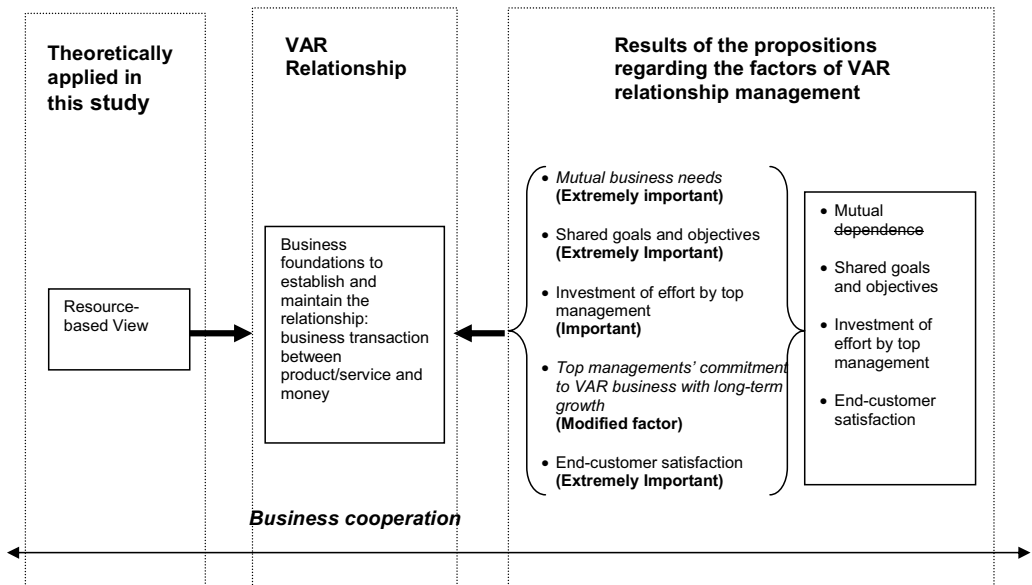
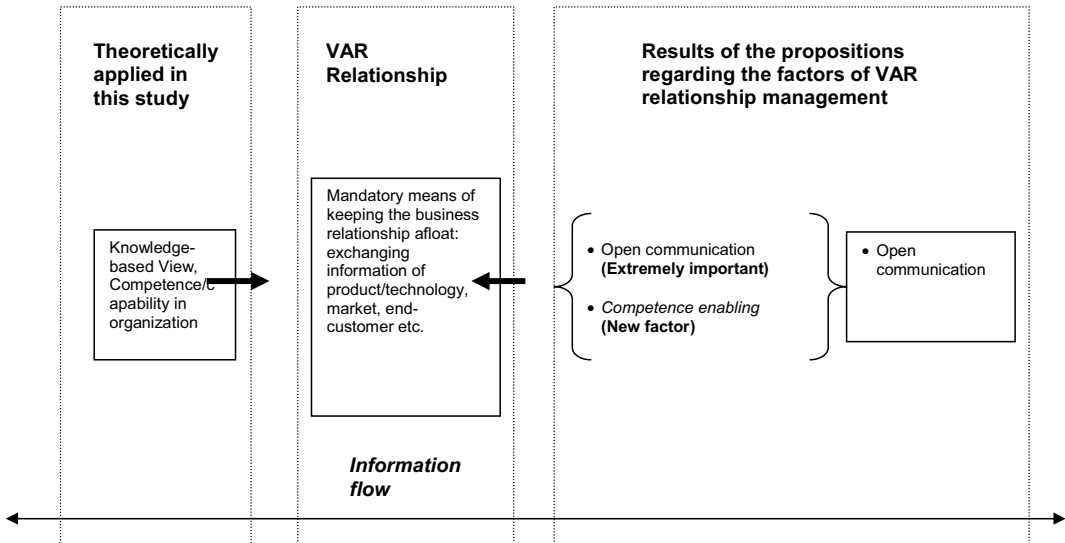


Figure 6-1 Important Factors Based on Resource-based View

### ***6.1.2 The Important Factors Based on the Knowledge-based View and Competence/Capability in an Organization***

The factor of research propositions based on the knowledge-based view and competence/capability in an organization and relevant empirical literature study is: open communication. According to the research data, propositions on open communication are supported at both the beginning and later stages. The effort behind this research includes additional emphasis in discovering from both the supplier company's and VARs' perspective exactly what the important issues are which need to be communicated, and exactly how they should be communicated. Numerous researchers (Ellram & Edis 1996; Siguaw *et al.* 2003; McQuiston 2001) also support the idea that open communication is very important in a VAR relationship and open communication facilitates trust in the relationship.

In addition to open communication, another factor was suggested by the respondents. The factor is competence enabling. This is an especially important aspect from the VARs' perspective. Anderson and Weitz (1992) describe *idiosyncratic investments* as investments specific to a channel relationship. These include the training of partner employees to sell and service a specific product line, adoption of a partner-integrated order processing system, cooperative promotional efforts, and the construction of specialised facilities to assist the channel partner in the sales and service of the product, and so on. VARs need product competence from the supplier company in order to carry out the sales activities as well as provide service support to the end-customers. VARs need product-competence enabling and sales support. As mentioned at the beginning of this dissertation, the supplier company manufactures high-technology products, and it is not easy for VARs to learn about them. There are individual competences and collective competences. In order to achieve business success they need constant updating the knowledge. Based on the evidence of the direct observations and the archival documents, it appears that these activities take up a big part of the work day on both sides.



**Figure 6-2 Important Factors Based on the Knowledge-based View and Competence/Capability in an Organization**

### ***6.1.3 The Important Factors Based on Transaction Cost Economics***

The factor of research propositions based on the transaction costs and relevant empirical literature study is: concern for the other party's profitability. In this study, both qualitative and quantitative data are collected and analyzed. The proposition on concern for the other party's profitability is only partially supported from the perspectives of both parties in the overall data, even though the quantitative data suggests stronger support. It appears from the qualitative interview data, based on the direct observations and the company documents, that there is a general agreement that both sides need to make money in order to continue the business relationship. In practice, however, both sides are trying to maximize their own profits because neither party is sure how much profit the other party can make. The conclusion here is that concern for the other party's profitability is important in the VAR business relationship, but it is difficult to achieve because each side is trying to make a profit without the other side knowing the extent of it. This issue is also associated with trust. Concern for the other's profitability is easier if a high level of trust exists between the supplier company and its VARs. In practice, each side has its own bottom line in terms of how much it

can give up. If the price exceeds the bottom line, then one party will give up on certain projects. However, in some strategic cases both parties consolidate their efforts. The following diagram illustrates the important factors based on the transaction cost economics.

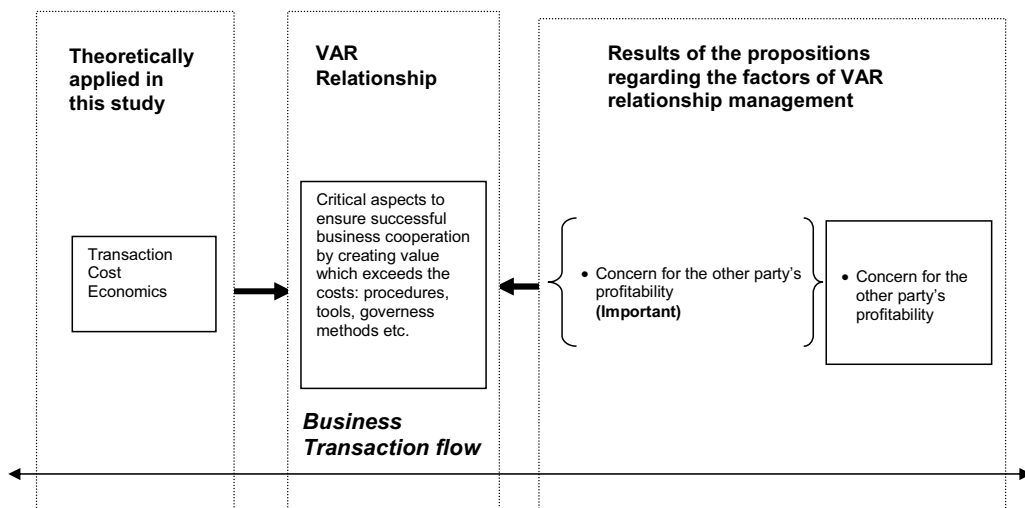


Figure 6-3 Important Factors Based on Transaction Cost Economics

### 6.1.4 The Important Factors Based on the Social Capital Theory

The factors of research propositions based on the social capital theory and relevant empirical literature study are: continuous improvement over time, trust, having professional respect, and developing a personal relationship. According to this research data, there is no evidence supporting the importance of continuous improvement over time at the beginning stage by either party, clearly because there exists nothing to improve on and both parties are trying to do things the correct way. It changes during the later stages when it becomes more relevant, but still is only partially supported. The argumentation from research data is that improvement is associated with costs. The key point is to identify what is the optimal level of improvement with the costs.

According to this research data, the importance of trust factor is supported from both parties' perspectives both at the beginning and in the later stages. And, trust is one of the most important factors. Numerous researchers (Ellram & Edis 1996; Siguaw *et al.* 2003;

McQuiston 2001) also support that trust is very important in VAR relationships. Trust is the willingness to rely on an exchange partner in whom one has confidence (Moorman *et al.* 1993).

According to the qualitative data (the interviews, direct observations, and the archive documents), having professional respect is considered important in the VAR relationship, though the quantitative data shows this as less important. This research result demonstrates that having professional respect is slightly less important than other factors such as open communication, trust, and end-customer satisfaction. However the factor of having professional respect is much more highly rated than the factor of developing a personal relationship.

The propositions on developing a personal relationship are not supported at either stage of the relationship for either party. The general opinion is that having personal relationship is good, but you can still generate excellent business if you have professionalism and trust. The importance of developing a personal relationship is rated slightly higher by VARs. One explanation for this is that some people in VAR companies have been associated with the supplier company for many years, while those in the supplier company who were dealing with the VARs have changed several times. According to the research data collected over a period of five years, the importance of a personal relationship in this VAR business environment is in a down-trend. The main reason for this could be the efficient communication methods of the modern world. Sometimes a company discourages its people from getting involved in personal relationships by facilitating constant change in the organisation.

Additionally, new factor of having regular activities between the supplier company and its VARs is also the result of suggestions by the respondents. Having regular activities between the supplier company and its VARs, means that the supplier company and its VARs have activities together such as VAR global sales conferences, visioning workshops and executive meetings. Global sales conferences provide a forum for building up relationships, networking, learning how other VARs function and how the products are being developed, and getting to know people. It is important to make the VAR feel part of the family allowing time for reflection and the exchanging of opinions. It is also a good idea to hold a regular event, which gives structure and continuity. VARs feel privileged to be at the supplier company's meeting, and they are also able to assure their customers that the supplier company is backing them up.

VARs also like very much to take the supplier company representatives to visit the end-customers, and having workshops together. From the beginning they must know how to conduct the business and how to ensure continuity. All of these activities are also very important ways to facilitate open communication and build trust.

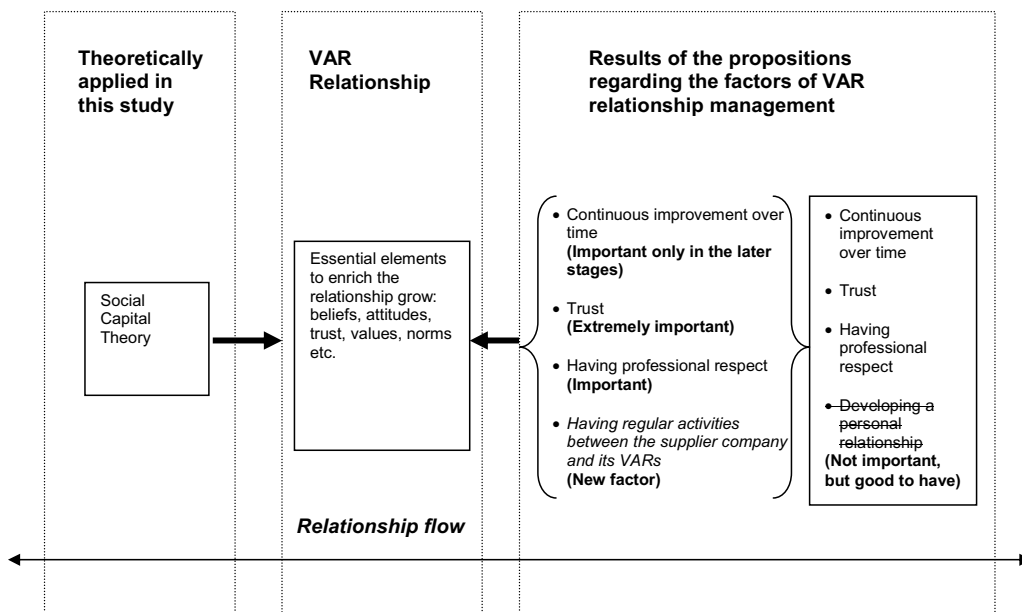


Figure 6-4 Important Factors Based on Social Capital Theory

### 6.1.5 Integrated Framework of Factors Based on the Multi-Theory Approach

Information in previous sections 6.1.1 through 6.1.4 provide the best overall view of what can be achieved by combining all the factors together with multiple theories. Therefore, the development of an integrated framework of all important factors based on a multi-theory approach is represented by Figure 6-5.

The important factors based on a resource-based view provide the business foundations for establishing and maintaining a business relationship. There are business transactions in the VAR business cooperation. Further on, the important factors based on transaction cost

economics are the critical aspects for ensuring successful business cooperation. The value created in the chain should exceed the costs associated with the business cooperation. The important factors, based on a knowledge-based view and competence/capability in the organization are the mandatory means for keeping the relationship afloat. This enables the information which is necessary for the business to reach the relevant people. The important factors based on a social capital theory are the essential elements for enriching the relationship and ensuring business growth; even though this business cooperation is among companies, and the companies are the main stakeholders in the business cooperation. However, individuals from each company play very important roles in the relationship. Individuals carry out the tasks and conduct the business.

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

### ***6.1.6 Research Questions Related to Propositions***

The main approach in this study is to test the well-defined propositions of the important factors in VAR relationship with a defined context and at the same time to discover other possible important factors with grounded theory in the case study. In order to answer research question 1: what are the important factors in VAR relationship management, a list of propositions which are defined based on existing literature were tested and other possible important factors were discovered via this empirical case study. Four propositions were made on one important factor to demonstrate the dual perspective and dynamical nature of this study in order to answer research question 2 and 3: do the supplier and its VARs look at the important factors in the relationship in the same way? And will the importance of the factors change during different stages of the VAR relationship? Figure 6-6 demonstrates the research questions related to propositions.



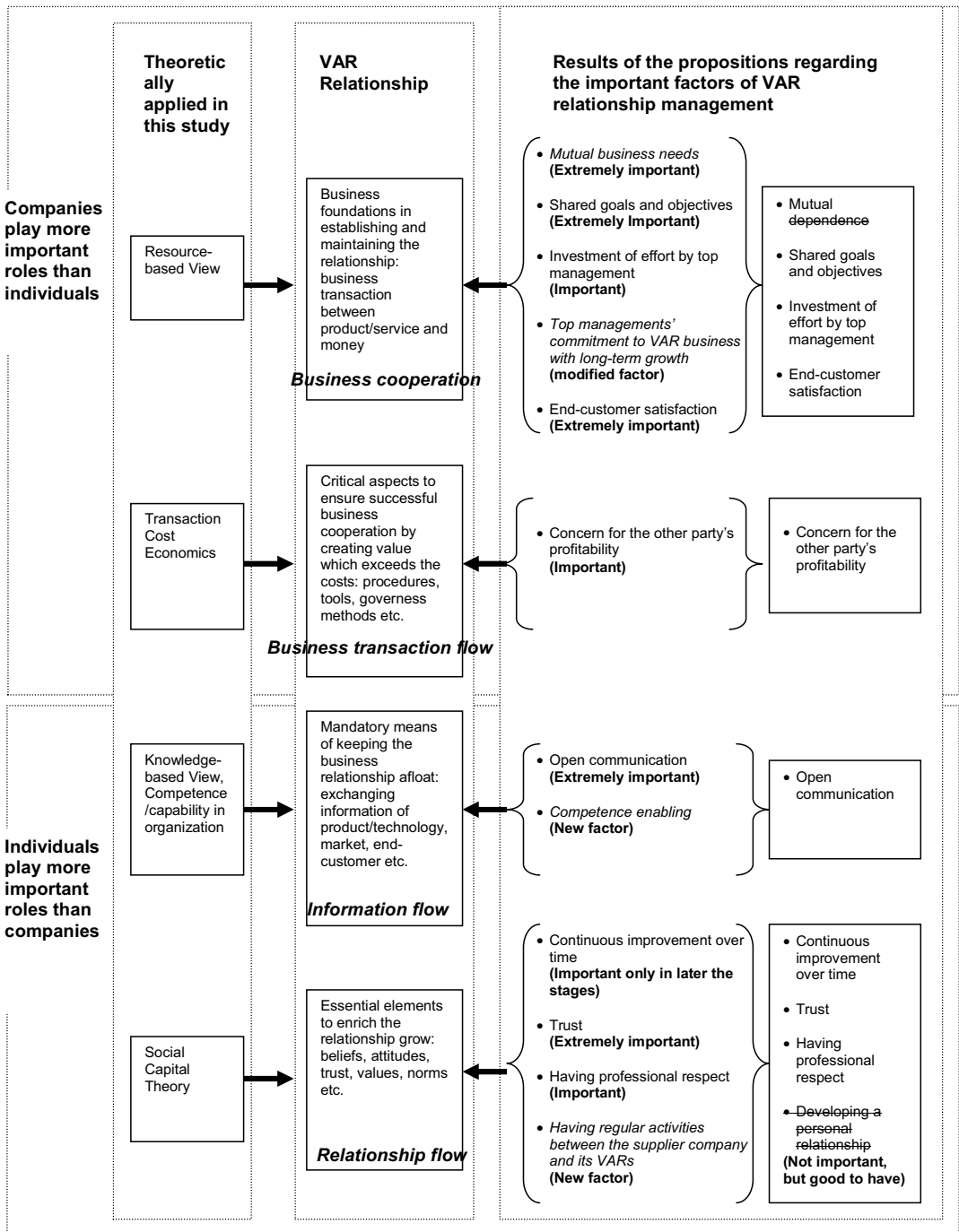


Figure 6-5 Integrated Framework of Factors Based on Multi-Theory Approaches

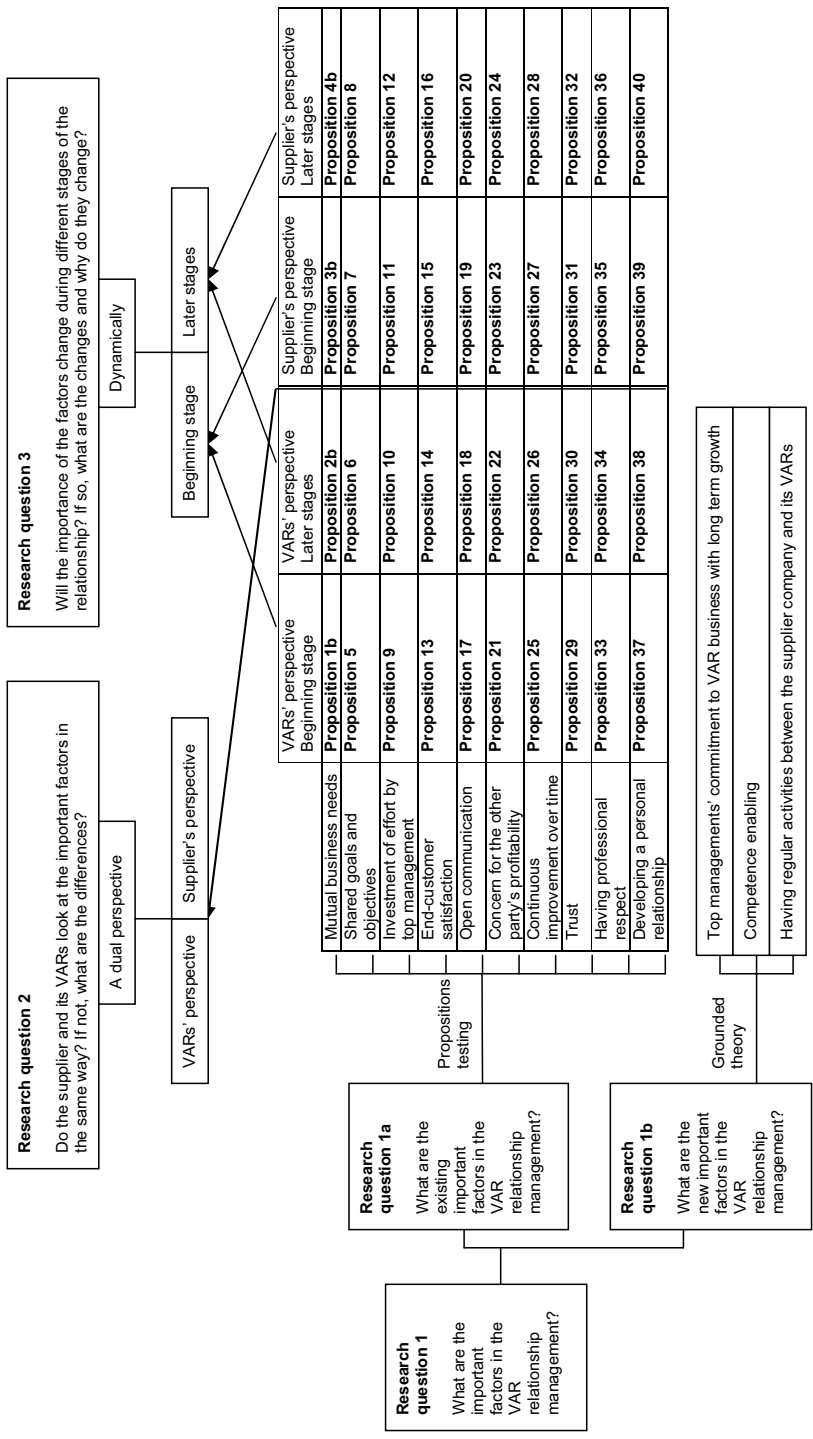


Figure 6-6 Research Questions Related to Propositions

## **6.2 Theoretical and Empirical Contributions of this Dissertation**

The aim of this study is to contribute to the research on relationship management in companies making high-technology products with regard to their Value-Added-Resellers (VARs). First of all, the study specifically focuses on the factors of relationship management in the context of dual perspectives in that rich qualitative and quantitative research data were collected from both the VARs and the supplier company. Furthermore, the importance of the factors is also considered during different stages of the relationship-management process, as is the order of importance among the different factors. Secondly, this study makes several theoretical contributions as well as empirical contributions to the literature of relationship marketing, especially to value-added-reseller relationship management with a multi-theoretical approach. The theoretical and empirical contributions of this dissertation are discussed as the following:

### ***6.2.1 Contributions to the Literature on VAR Relationship Management***

*This study is the first rigorous empirical research on VAR relationship management from dual perspectives.* There have been earlier empirical studies on the VAR relationship management (McQuiston 2001; Ellram & Edis 1996; Skarmas & Katsikeas 2001; Siguaw *et al.* 2001) but there is no research from a dual perspective. Each factor in VAR relationship management of this study are considered and compared from dual perspectives (of the supplier company and the VARs). This dual perspective provides a further understanding of how different parties look at the business relationship. The dual perspectives facilitate the understanding between the supplier company and its VARs. Each factor is measured and analyzed both from the supplier company's point of view and from the VARs' point of view in order to determine whether both sides have the same opinions or differing opinion towards VAR relationship management. According to the findings, there are no significant differences between the supplier company's and the VARs' perspectives. Both parties share the same opinions on most factors, with there being only a slight difference with regard to continuous improvement over time and developing a personal relationship.

*This study is the first study providing a clear and defined context of a supplier company making high-technology products.* Thus it furthers the understanding of this area in terms of assessing whether the factors discovered by other researchers in certain contexts are relevant to this defined context (companies making high-technology products with regard to their VARs), and in identifying any significant new factors. Although there is an increasing trend of using value-added-resellers in the current international business environment, not much research has been completed in this area, but only in areas where the supplier company is in consumer products business or is involved with low-technology products. This creates a different scenario for VAR business requirements. This study aims to create an in-depth study involving high-technology products. High technology products in the value chain create much higher business relationship demands and much greater involvement from both parties. Additional aspects such as competence enabling also come into play with regard to the relationship demands.

*A study of the order of importance among the factors is performed in order to determine the priorities of the supplier company and its VARs for future focus.* An order of importance among all the factors is established. This is an important contribution in terms of promoting effective and efficient management practices in the supplier company and its VARs given the limited available resources and time and the need to prioritize and focus. No previous studies exist regarding establishing the order of importance of all the factors. According to the findings, the most important factors in VAR relationship management are mutual business needs, open communication, trust, and end-customer satisfaction. These are followed by shared goals and objectives, investment of effort by top management, and professional respect. Ranking last on the list are continuous improvement over time and building a personal relationship in the later stages.

*The importance of each factor is analyzed dynamically in the VAR relationship development.* This study analyzes the importance of the VAR relationship management factors dynamically both at the beginning stage and in the later stages. Other researchers have not much considered that the importance of the factors may change over time. The intention is to find out whether the importance of the factor will change over time. These results can provide management implications on what to focus in the process of VAR relationship development. According to this study, the importance of specific factors does change over time.

*Additional important elements besides the factors in the prepositions are emphasized in VAR relationship management.* These include competence enabling/technical support and having regular activities between the supplier company and its VARs. Gorchels *et al.* (2004) also point out that the sales and technical support as well as the skills/products training in the distribution channel is important. Although these two elements are directed by the supplier company towards the VARs, they are very important in the VAR relationship. This include some additional activities other than sales in day-to-day business of the supplier company towards VARs, such as sales conferences, partner celebrations, etc. VARs are highly appreciative and value the technical support and activities initiated by the supplier company.

Overall the present study validates and extends the current research on VAR relationship management. Existing factors are validated and modified. Additional elements are discussed. And, furthermore, an integrated structure of all the factors in VAR relationship management is presented for management use.

### ***6.2.2 Contributions to the Literature on Relationship Marketing with Multi-theoretical Approach***

This study is the first rigorous approach to managing a complex mix of important factors in VAR relationship management. *Another main contribution of this study is the suggested framework for applying multiple well-established theories in Value-Added Reseller relationship management.* This study analyzes the VAR relationship management factors based on a multi-theories approach. The theories applied to the VAR relationship are resource-based view, knowledge-based view, competence/capability in the organization, social capital theory and transaction cost economics. Those theories are presented, applied and analyzed in the VAR relationship management. Details of this approach are presented in section 6.1.5.

And, last but not the least is the combined qualitative and quantitative research data analysis ensuring the reliability and validity of the research results. Each factor is measured and analyzed from the qualitative data of interviews, qualitative data from direct observations, archives, quantitative data from the measured importance, and quantitative data from the

measured order of importance. Four different angles and data are used to reach the results of high reliability. Additionally, the qualitative data is used to explain the research findings.

### 6.3 Managerial Implications

The main managerial implications in the VAR relationship management are highlighted in the following paragraphs:

- *There must be business foundations in order to establish and maintain the VAR business relationship.* VAR business is a joint effort between the supplier company and its VARs. First of all, both sides must realize the mutual business needs in the relationship. Both sides are complementary to each other with regard to the resources in this business relationship. Secondly, top management from both sides must be committed to the VAR business with the intention of long-term growth. Thirdly, both sides should have shared goals and objectives.
- *There must be critical aspects ensuring a successful cooperation.* First of all, end-customer satisfaction is the basis of all business. Secondly, both sides strive continuously to make improvement. Thirdly, it is a fair business for both parties.
- *There must be mandatory means of keeping the business relationship afloat.* Open communication is the key to successful relationship management. Only through open communication, you can get the information across organization boundaries. Efficient communication can avoid misunderstanding and increase trust in the relationship. Competence enabling is another form of communication and it enables transferring of competence in order to make business happen.
- *Essential elements must exist in order to enrich the relationship and eventually grow the business.* People are the most important element in conducting any business. People are the first interface with the company. People's beliefs, attitudes, values and norms can make a real difference in an everyday business relationship. There must be trust,

respects, interaction and activities among people in any successful business relationship.

Managerial implications for the supplier company in managing the business relationship, as well as managerial implications for the VARs in managing the business relationships are discussed separately in the following sections.

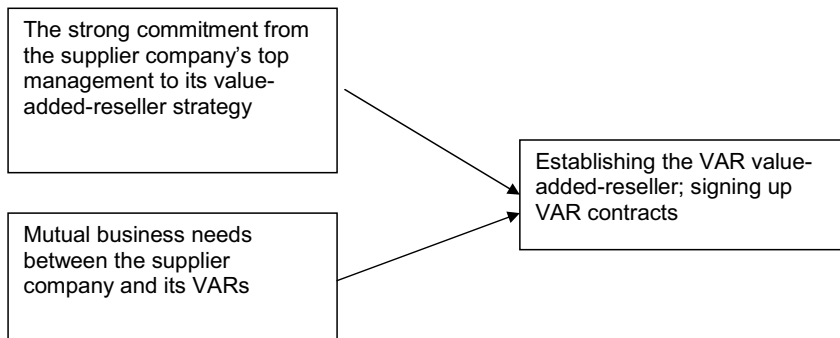
### ***6.3.1 Implications for the Supplier Company***

When the supplier company designs the channel strategy, it should support the company's overall sales strategy. The designed channel (Anderson *et al.* 1997) must meet the requirements of: (1) effectiveness — how closely does the channel design address customers' stated and un-stated requirements? (2) coverage — can the customer find and appreciate the value in the firm's offering? (3) cost-efficiency — can the company justify a trade-off in cost efficiency to gain greater strategic effectiveness and coverage because of the multiplier effect that distribution has on increasing the impact of the other marketing variables? (4) long-run adaptability — can the channel design handle possible new products and services and incorporate emergent channel forms? At the beginning stage of the relationship, the most critical issues for the supplier company side are the following:

*The supplier company's top management must be strongly committed to the VAR indirect channel sales strategy.* This empirical study shows that top management is extremely important in establishing the VAR relationship at the beginning stage, and top management involvement is not so important in day-to-day business unless there are problems which need to be sorted out by the top management. There are many reasons for the supplier company to use a VAR indirect sales channel strategy either as one main sales channel or as a complementary sales channel to its direct sales force. These three main reasons are the cost of economics, new growth with new customer segments and end-customer satisfaction. The supplier company should maintain a lean and efficient organisation and in certain business conditions, the costs of using VAR indirect channel to sell is much lower than the costs of using a direct sales force in certain segments. The supplier company desires to increase its sales by tackling new customer segments using VARs. In order to achieve better end-

customer satisfaction, local language, local support, local culture and a local presence are also preferred by end-customers. Additionally, VARs can create value by providing the total solutions to the end-customers and also providing efficient maintenance and support service to the end-customer in projects.

*The supplier company and its VARs must have the mutual needs in their business relationship* which is critical to the success of the VAR business program. Suppliers should select distributors in a manner which enhances their resource complementarities. The resource-based view highlights the role of resource complementarities (Das & Teng 2000; Hitt *et al.* 2000; Eisenhardt & Schoonhoven 1996; Hellmann 2001). Resource complementarities are also important for alliance between small and large firms. Small firms entered into alliances in order to capitalize on their capabilities through leveraging the complementary resources of large firms (Rothwell & Zegweld 1982). Combination of complementary resources and capabilities can be one potential source of superior value creation (Zajac & Olsen 1993). The complementary resources between the supplier company and its VARs provide the mutual business needs for their cooperation.



**Figure 6-7 Managerial Implications for the Supplier in Establishing the VAR Relationship**

Once the contract is signed, the focus should be on how to manage the VARs to generate the intended business results. This can be achieved from the following aspects.

*The supplier company must have an established professional VAR program and VAR organisation to manage the VARs. It is essential to ensure simplicity and usefulness of the VAR program.* One of the essential ingredients of indirect marketing channel success is a



comprehensive program of reseller support (Anderson & Narus 1986). The professional VAR program should include the operational procedures such as VAR certification, logistic procedures, tools, and a rewarding system and so on. At the same time, the professional VAR organisation should assign a dedicated person or staff for each VAR to provide sufficient sales and marketing as well as product and solution supports for VARs. It is not favourable from VARs' perspective that the contact people from the supplier company are unprofessional and changing all the time.

*Business plans and objectives should be mutually agreed upon and checked every half year through face to face meetings.* Every half year there must be a face-to-face meeting between sales managers or account managers to review the achievements of the past six months and to determine a plan for the upcoming six month period. The meeting contents can be sales targets for the coming half year, key customers, must-win projects and any other issues related to the business objectives. In some situations, it is suggested to meet every three month to discuss the current situations (problems, opportunities, etc.).

*Competence/knowledge enabling of VARs is also an important issue in the process.* New VARs need to be equipped with the operational knowledge as well as product/solution competence. The existing VARs may need continuous updates on the products/solutions as well as additional operational knowledge especially when there is something new. Once or twice per year product/operational knowledge updates are necessary, and additionally any new product information/operational information can be sent out by e-mails. Knowledge/competence is an essential part of the business. The knowledge management should not only include the explicit knowledge, it is even important to have the tacit knowledge including intuitions, personal, context-specific, embodied skill and unarticulated mental models. Some companies only pay attention to the explicit knowledge. They document all information and, standardize all the processes. However they forget that tacit knowledge cannot be documented or handed over. Some knowledge, skills and competences are embodied in people. Eventually it is the people who make the difference. Every successful company understands about this and manages well in this manner. *Additionally the supplier company should make sure that VARs are committed to a competence/knowledge enabling program.* The VARs should have a defined budget for competence development and nominated resources for the competences and VARs should follow up on this competence enabling program.

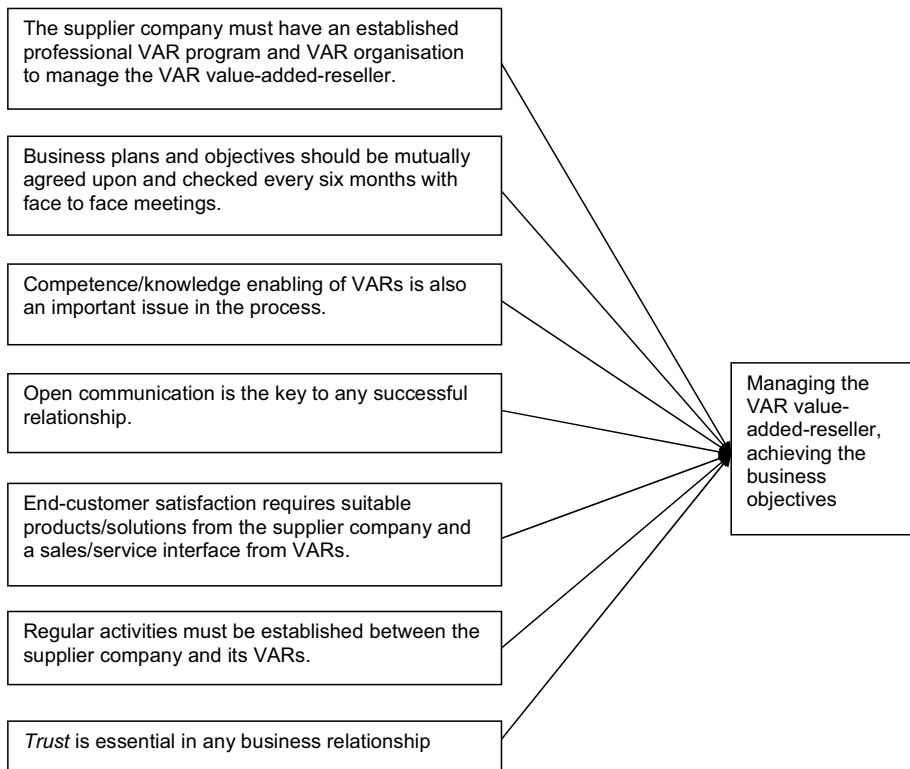
*Open communication is the key in any successful relationship.* It is very important to understand what to be communicated how to communicate them and to whom the communication is directed. Based on the interviews of this study, there is a long list of items which need to be communicated. The main aspects of the communication include: operational issues, product/solution issues, market/customer issues and strategy/organizational issues. Though a variety of different communication methods exist, respondents of this interview process suggest that varying communication methods be used depending on the issues. Critically important issues should be communicated through face-to face meetings even though face-to-face meetings are associated with higher costs. However, most people believe that they must have a face-to-face meeting for critically important issues and consider phone calls and e-mails as a source for everyday business. Web-based communication is used less often, mainly for downloading necessary documents. Regarding the issue of whom to communicate to, each interview respondent expects to have a dedicated contact person for both sides, such as an account manager/sales manager, or solution manager/engineer. Additional comments surrounding the communication issue include statements such as: the communication must be well defined which means that the communication should be useful, and the communication should be clear and easy to understand. These comments reinforce the fact that communication must be two-way and that feedback is appreciated form of communication. *There must be a closed-loop feedback process between the supplier company and its VARs.*

*To achieve end-customer satisfactions, suitable products/solutions from the supplier company and an efficient sales/service interface from the VARs must exist.* Because the direct sales/service interface is carried out by the VARs, it is extremely important for the supplier company to receive feedback from VARs regarding the future market trends and customer requirements for the products/solutions. The supplier company should provide the products which fit the future market trends and satisfy end-customer requirements. At the same time, VARs are mainly responsible for customer relationship satisfaction by providing the end-customers with solutions/services.

*Regular activities must be established between the supplier company and its VARs.* Ultimately it is people who make the business. Therefore, regular meetings, activities, conferences and workshops must bond the supplier company and its VARs. It is extremely important to

maintain regular contact with each other and disclose information to each other. Those activities are not only providing the information and communication, it also increases the personal relationship and trust.

Last but not the least *trust* is essential in any business relationship. If there is no trust, there is no business cooperation. Based on the interviews, respondents also commented that open communication as well as regular activities and interactions can increase trust. Based on observations from this study, collaborative VAR programs and past cooperation experience can also increase trust.



**Figure 6-8     Managerial Implications for the Supplier in Managing VAR Relationship**

Although continuous improvement over time and developing a personal relationship in the later stages are not as extremely important as other factors in VAR relationship management,

they are important and are helpful in enriching the relationship in the later stages of the relationship.

### ***6.3.2 Implications for Value-Added-Resellers***

The VAR companies are generally relatively small compared to supplier companies. However, the managerial implications for VARs are similar to the implications for the supplier company: (1) top managements' commitment from the VAR companies is a must; (2) VAR companies must have business needs as the supplier company and carefully select supplier companies with complementary resources, such as suitable products and strategies; (3) there must be a clear understanding and agreement between the VAR and the supplier company regarding objectives and business goals; (4) end-customer relationships and end-customer satisfaction are always assets for VARs; (5) open communication and trusts are key to a successful VAR relationship. However, there are some differences as well, such as end-customer relationships and satisfaction which are the key assets for VAR companies. VAR companies are the interfaces between the supplier company and the end-customers. VARs must achieve satisfied customer relationships and create additional value for the end-customer. There is also a need for a more active role and approach from VARs to the business relationship with the supplier company. According to this study, there was more communication from the supplier company towards the VARs and less feedback from the VARs to the supplier company. VARs should be more active in giving feedback on the products, solutions, customer's requirements, future market trends as well as operational issues. Open communication will increase trust, and avoid misunderstands, eventually leading to a better business relationship. When VARs become more actively get involved and keep in touch with the supplier company, they will obtain more information and faster responses.

Additionally, VAR companies should clearly show to the supplier company and the end-customers exactly what values they have created for them, and also communicate those values. It is only when the VARs have created values which are appreciated by the supplier company and by the end-customers that their business can survive and thrive. The values which VARs create for the supplier company can include: costs reduction, market growth, market/customer/competitor knowledge, better end-customer satisfaction, etc. The values

which VARs create for end-customers can include better services, total solutions, local contacts, fast response, etc. These values must be sustainable and appreciated by the supplier company as well as by the end-customer.

Finally both the supplier company and its VARs should have a clear understanding what each company wants, and communicate that clearly. There must be a clear understanding of what the supplier company wants to achieve through the VAR and what the VAR wants to achieve. At the same time, both the supplier company and its VARs should also clearly understand what each company can offer so that they have a clear understanding what they want to get out from the business relationship and understand what the other can offer.

## **6.4 Limitations of the Study and Directions for Future Research**

### ***6.4.1 Limitations of the Study***

In order to guarantee the high quality of the study, the scope of the study was intentionally limited. Every study has its own limitations because of specific conditions of each study. This study was subjected to the following limitations.

The first limitation in this study was the type of business of the supplier company has. Research was limited to a defined context in that the supplier company produces high-technology products and the supplier company has its own direct sales force as well as indirect sales channel/value-added-resellers. This clearly set it apart from companies producing consumer goods and who wholly rely on the indirect sales channel /value-added-resellers, creating a significant difference in implications on the VAR relationship management. Therefore, the research results are applicable in this defined context. Further research must take place in order for the results to be applied in another context.

The second limitation was that the empirical method used in this study was a single case study. Although it is a single case study, both qualitative and quantitative data from interviews were collected as well as data from other sources such as archive documents,

direction observations and company websites. The single case study is an adequate approach when the aim is to acquire in-depth knowledge on various aspects of the organizational process, contractual arrangements, and relationship complexity between the supplier company and its VARs. Information regarding these phenomena is often confidential and latent, and the researcher must have proper access to the organization (Mitronen & Möller 2003, Yin 1994). This single case study took place over five years. Additionally, each proposition was developed on the basis of received theories and empirical research in the relevant field. Thus, the validity of the results was improved.

The third limitation is that only the most important factors in the VAR business relationship between the supplier company and its VARs are discussed here. Those factors are mainly based on McQuiston's (2001) study. Other aspects of VAR business are not a subject of this study. There are some particular aspects in VAR business, such as VAR program definition, VAR selection process, VAR incentive schemes, channel conflicts, etc. which were also not included in this study. The existence of networking among VARs to influence the supplier company/VAR relationship is neither a topic of this dissertation.

The fourth limitation in this study is the correlations between the important factors, which were not studied and could serve as a topic for future research.

The fifth limitation in this study could be the rewording the factor of "mutual dependence" to "mutual business needs" in the prepositions and in interview questionnaire. This might change the theoretical construct to which the words pertain to.

The sixth possible research limitation is that the questions in the questionnaire are not able to touch on the likelihood that one party would like to see the other party to make certain efforts while not itself being prepared to make them. And the questions in questionnaire do not address or measure what is the level of each factor in their current business relationship and any indication for future improvement.

Additionally there is one more possible limitation in the study. Namely, 20 interviewees from the supplier company was used and only 1-2 interviewees from each VAR company (total 15 VAR companies were interviewed). However, 17 people out of the 20 interviewees from the supplier company are account managers and solution managers being daily in contact with the

VARs in different geographic regions. On the other hand, the VAR companies are local small companies and only a couple of people from each VAR company were in contact with the supplier company daily. It may be advisable to have more interviewees per VAR company as part of future research.

#### ***6.4.2 Directions for Future Research***

This research represents a thorough investigation of the important factors in VAR relationship management dynamically over time in a defined context from a dual perspective as well as an integrated model with important factors based on multi-theories. While this study is exploratory in nature with the goals of discovering the important factors, developing an integrated model in VAR relationship management and the findings from this study are significant to channel relationship research where other facets have not yet been tapped. This section suggests some of the possible areas for future research.

First of all, despite this study being a single case study, it should be noted that this study on the important factors in relationship management was conducted in a specific business setting, namely, in the environment of a company making high-technology products with regard to their VARs and in which companies have their own direct sales channels as well as indirect sales channels. Companies making high-technology products are in highly concentrated industries (i.e., limited number of suppliers have a limited number of distributors to which they sell). The research results might be substantially different from those in industries which are highly fragmented (i.e., many suppliers have many distributors to which they sell). Therefore, I would suggest that a cross section case regarding the important factors in VAR relationships on highly fragmented industries become a topic for future research.

Additionally, the supplier company in this study obtains major sales from its direct sales channel and the VAR channel is simply a complementary indirect sales channel for its direct sales channel. The research results might have been different if the supplier company had only the VAR indirect sales channel. One interesting direction would be to use this research as a starting point of departure and attempt to verify those factors empirically using a confirmatory factor analysis. The research results can be tested in other contexts in which the supplier

company does not have a direct sales force and the indirect sales channel is the major sales channel for the company.

Thirdly, as stated in previous paragraphs, the supplier company under this study is in a highly concentrated industry where there are a limited number of suppliers and limited resellers. This suggests that suppliers may want to compete in order to get the best reseller to sell their products. Resellers may have the choice of switching to different suppliers when there are better offers or the opportunity for long-term relationships - even though the cost for changing the suppliers is high. Further studies may also seek to determine the relational exchange vs. transactional exchange in the VAR business relationship. For example, competition among suppliers may encourage VARs to seek a transactional exchange vs. relational exchange. The question is: what is the optimal level of relational exchange? Sometimes further incremental efforts are no longer producing incremental benefits. In conjunction with this research, academicians may want to pursue identification of optimal levels of relational exchange determining at which point maximization benefits are achieved.

Fourth; though this study is a single case study which provides sufficient data for study, it would also be interesting to compare the results with additional cases. Therefore, a multiple case comparison may generate additional findings, such as whether different company cultures or, shared values and norms would have an impact on VAR relationship management. Since typical VARs often have more than one supplier, it is interesting to make a comparison study between different suppliers. This may also assist in understanding what types of suppliers are preferred by VARs. The current study utilizes rich data which provides strong evidence for the model developed. However, additional replication of this study with cross-sectional data would provide stronger evidence. Thus, a cross sectional case is encouraged as an additional avenue for research.

Fifth, in addition to the important factors in VAR relationship management, there are many other important aspects in VAR business, such as the VAR selection process, VAR program definition, channel conflicts, incentive scheme, etc. each of which can be studied in an effort to understand VAR business management as a whole. Therefore, other aspects of the VAR business can be studied as well in order to shed additional knowledge on VAR business management.



Sixth, a more conclusive research approach with large-scale sampling and use of statistical technique could be used with large, perhaps nested sample of many producer companies and their VARs responding to the questionnaire.

Seventh, this study is based on well-established, multi-theories approach. However, further research can also study VAR relationship management with the Industrial Marketing and Purchasing Group (IMP) approach. The characteristic of the IMP is to study the business market with the emphasis placed upon a rich description and efforts to understand the underlying processes behind interaction between organizations in networks. The main messages of the IMP are about external relationships and overall network positions; and the key concepts of the IMP approach are the interaction model, interdependence, and the actors-resources-activities model (Baraldi *et. al.* 2007). The IMP approach can be used to further explore the relationship between the supplier company and its VARs, as well as the network relationship among VARs.

Further on, the correlation among important factors can be studied. How are these important factors inter-linked, and what logic connects them? How do they affect the company's performance? These are important questions to probe. Ideally, it would be good to make causal inferences regarding the links between performance and the factors. The examination of the effects of the important factors on financial performance and other potential outcome variables is also appreciated. This is a common shortcoming of such research. One may suggest that different levels of importance which have been reached between the supplier company and its VARs may lead to different levels of performance.

Overall, this dissertation is the first study toward developing an integrated framework based on the multiple well established theories approach of the important factors between a supplier company and its VARs in a defined context from dual perspectives. In addition to the literature contribution in VAR relationship management based on multi-theory approach, this dissertation also provides useful business implications for both the supplier company and its VAR companies as well as multiple data resources and qualitative and quantitative analysis which are applied in this study to increase the reliability.

## REFERENCES

- Achrol, R. S., 1991. Evolution of the marketing organization: new forms for turbulent environments. *Journal of Marketing*, volume 55, October, pp.77-93.
- Almeida, P. Dokko, G. & Rosenkopf, L., 2001. Startup size and the mechanisms of external learning: increasing opportunity and decreasing ability? *Research Policy* (forthcoming).
- Amit, R. & Zott, C., 2001. Value creation in e-Business. *Strategic Management Journal* 22, pp.493-520.
- Amit, R. & Schoemaker, P. J. H., 1993. Strategic assets and organizational rent. *Strategic Management Journal* 14, pp.33-46.
- Anderson, E. D. George, S. & Rangan, K. V., 1997. Strategic channel design. *Sloan Management Review*, Summer, 38, pp.59-69.
- Anderson, J. C. & Narus, J. A., 1986. Turn your industrial distributors into partners. *Harvard Business Review* (March-April), pp.66-71.
- Anderson, J. C. & Narus, J. A., 1990. A model of distributor firm and manufacturer firm working partnerships. *Journal of Marketing*. Vol. 54, pp.42-58.
- Anderson, J. C. & Narus, J. A., 1991. Partnering as a focused market strategy. *California Management Review* (Spring), pp.95-113.
- Anderson, J. C. & Narus, J. A., 1999. *Business market management*. Upper Saddle River. Prentice-Hall, Inc.
- Anderson, E. & Weitz, B., 1992. The use of pledges to build and sustain commitment in distribution channels. *Journal of Marketing Research*, 54 (January), pp.42-58.

Argote, L., 1999. *Organizational learning: creating, retaining and transferring knowledge*. Kluwer Academic Publishers: Norwell, MA.

Arthur Andersen & Co., 1987. Facing the forces of change: beyond future trends in wholesale distribution. Washington, DC. *Distribution Research and Education Foundation*.

Arthur Andersen & Co., 1995. Facing the forces of changes: transforming your business with best practices. Washington DC: *Distribution Research & Education Foundation*.

Bagozzi, R., 1979. Toward a formal theory of marketing exchanges, in Sheth, N. and Garrett, D. (eds.). *Marketing theory: classic and contemporary readings*, South-Western Publishing, Cincinnati, OH.

Bagozzi, R. P. Yi, Y. & Phillips, L. W., 1991. Assessing construct validity in organizational research. *Administrative Science Quarterly* 36, pp.421-458.

Baraldi, E. Brenan, R. Harrison, D. Tunisini, A. & Zolkiewski, J., 2007. Strategic thinking and the IMP approach: a comparative analysis. *Industrial Marketing Management* 36, pp.879-894.

Barney, J. B., 1991. Firm resources and sustained competitive advantage. *Journal of Management*. 17(1), pp.99-120.

Barney, J. B. & Arian, A. M., 2001. The resource-based view: origins and implications. In *The Blackwell Handbook of Strategic Management*. Hitt MA, Freeman E, Harrison JS (eds). Blackwell Publishers Inc: Oxford, UK, pp.124 -188.

Barringer, B. R. & Harrison, J. S., 2000. "Walking a tightrope: creating value through inter-organizational relationships. *Journal of Management* 26 (3), pp.367-403.

Berry, L. L., 1983. Relationship marketing. In Leonrd L., Berry L.S., Upah G. editors. *Emerging perspectives on services marketing*. Chicago: American Marketing Association, pp. 25-38.

Biong, H. Wathne, K. & Parvatiyar, A., 1997. Why do some companies not want to engage in partnering relationships? In: Gemunden, H.G. Ritter, T. & Walter, A. (eds.). Relationship and networks an international markets. *Library of Congress Catalogue-in-Publication Data*, Great Britain, pp.91-107.

Bourdieu, P. & Wacquant, L., 1992. *An invitation to reflexive sociology*. University of Chicago Press: Chicago, TL.

Brown, I. R., 1999. A company internal training course material of business to business marketing. Section: Routes to market.

Brown, T. and Potoski, M., 2003. "Transaction costs and institutional explanation for government service production decisions." *Journal of Public Administration Research and Theory*, Vol. 13, Issue 4, pp.441-468.

Chung, S. Singh, H. & Lee, K., 2000. Complementarity, status similarity and social capital as drivers of alliance formation. *Strategic Management Journal* 21, pp.1-22.

Coase, R., 1937. The nature of the firm. *Economica* 4, pp.386-405.

Cohen, W. M. & Levinthal, D. A., 1990. Absorptive capacity: a new perspective on learning and innovation. *Administrative Science Quarterly* 35, pp.128-152.

Corey, E. R., Céspedes, V. F. & Rangan, V. K., 1989. *Going to market: Distribution Systems for Industrial Products*. Boston: Harvard Business School Press.

Coughlan, A. T., 1985. Competition and co-operation in marketing channel choice: theory and application, *Marketing Science*, Vol. 4 No. 2, pp.110-129.

Coviello, N. E. Roderick, B. & Hugh, J. M., 1997. Understanding contemporary marketing: development of a classification scheme. *Journal of Marketing Management*, 13 (6), pp.501-522.

- Creswell, J. W., 1994. Research design: qualitative and quantitative approaches, *Thousand Oaks*: Sage 12.
- Cunningham, M. T. & Culligan, K., 1988. Competitiveness through networks of relationships in information technology product market. *Proceedings of 4<sup>th</sup> IMP Conference*, Manchester.
- Das, T. K. & Teng, B. S., 2000. A Resource-based theory of strategic alliances. *Journal of Management* Vol. 26 Issue1, pp.31-62.
- Day, G. & Klein, S., 1988. Cooperative behavior in vertical markets: the influence of transaction costs and competitive strategies. *Review of Marketing*, Vol. 3, Michael Houston, ed. Chicago: American Marketing Association, pp.39-66.
- Davenport, T. & Prusak, L., 1998. Working knowledge. Boston (Mass.): Harvard Business School Press.
- Davis, D. B., 1989. Making the most of your vendor relationships. *Electronic Business*, 15(July), pp.42-47.
- DeRonlet, D. G., 1987. Making distribution partnership happen. *Handling & Shipping Management* 28, 53.
- DeCarolis, D. M. & Deeds, D. L., 1999. The impact of stocks and flows of organizational knowledge on firm performance: an empirical investigation of biotechnology industry. *Strategic Management Journal* Vol.20, pp.953-968.
- Deeds, D. L. & Hill, C. W., 1996. Strategic alliances and the rate of new product development: an empirical study of entrepreneurial biotechnology firms. *Journal of Business Venturing* 11, pp.41-55.
- De Meyer, A., 1999. Using strategic partnerships to create a sustainable competitive position for Hi-tech start-up firms. *R & D Management* 29 (4), pp.323-328.
- Denzin, N., 1979. The research act, 2<sup>nd</sup> ed. New York: *McGraw-Hill*.

Despande, R. Farley, J. U. & Webster, Jr. F. E., 1993. Corporate culture, customer orientation, and innovativeness in Japans firms: a quadrate analysis. *Journal of Marketing*, 57(January), pp.23-37.

Detrouzos, M. L. Lester, R. K, & Solow R. M., 1989. *Made in America: regaining the productive edge*. The MIT Press, Cambridge.

Dickson, K. Lawton, S. H. & Lloyd, S. S., 1991. Bridge over troubled waters? problems and opportunities in inter-firm research collaboration. *Technology Analysis and Strategic Management* 3 (2), pp.143-155.

Dierickx, I. & Cool, K., 1989. Asset stock accumulation and sustainability of firm performance. *Management Science* 35, pp.1504-1514.

Dyer. J. H., 1997. Effective inter-firm collaboration: how firms minimize transaction costs and maximize transaction value. *Strategic Management Journal* 18 (7), pp.535-556.

Dyer, W.G. & Wilkins, A. L., 1991. Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt, *Academy of Management Review*, Vol.16, issue 3, pp.613-619.

Dwyer, R. F. Schurr, P. H. & Oh, S., 1987. Developing buyer-seller relationships. *Journal of Marketing* Vol. 51, Issue 2, pp.11-27.

Eden, C. & Huxham, C., 1996. Action research for management research. *British Journal of Management*. Vol7, pp.75-86.

Eisenhardt, K. M., 1989. Building theories from case study research. *The Academy of Management Review*, Vol. 14, No. 4, pp.532-550.

Eisenhardt, K. M. & Santos, F. M., 2000. Knowledge-based view: a new theory of strategy? Forthcoming in *Handbook of Strategy and Management*. Pettigrew A, Thomas H, Whittington R. (eds). Sage Publications: London, UK.

Eisenhardt, K. M. & Schoonhoven, C. B., 1996. Resource-based view of strategic alliance formation: strategic and social effects in entrepreneurial firms. *Organization Science* 7(2), 136-150.

Eisenhardt, K. M. & Graebner, M. E., 2007, Theory building from cases: opportunities and challenges. *Academy of Management Journal*, Vol. 50, Issue 1, pp.25-32.

Eisenhardt, K. M. & Martin, J. A., 2000. Dynamic capabilities: what are they? *Strategic Management Journal* 21. P1105-1121.

Eliashberg, J. & Donald, A. M., 1984. Multiple business goal sets as factors of marketing channel conflict: an empirical study. *Journal of Marketing Research*, 21 (February), pp.75-88.

Ellram, L. M. & Edis, O. R. V., 1996. A case study of successful supplier partnering implementation. *International Journal of Purchasing and Materials management*, Fall Vol. 32, No. 4, pp.20-29.

Emshwiller, J. R., 1991. Suppliers struggle to improve quality as big firms slash their vendor rolls. *The Wall Street Journal*, (August 16), B1-B2.

Ford, D., 1980. Buyer/seller relationships in international industrial markets. *European Journal of Marketing*, Vol. 14 No. 5, pp.339-354.

Ford, D. Gadde, L. Håkansson, H. Lundgren, A. Snehota, I. & Turnbull, P., 1998. Managing business relationships. *John Wiley & Sons Ltd*. England.p.282.

Frazier, G. L. & Antia, K. D., 1995. Exchange relationships and inter-firm power in channels of distribution. *Journal of the Academy of Marketing Science*, 23 (Fall), pp.321-326.

Frazier, G. L & Rody, R. C., 1991. The use of influence strategies in inter-firm relationships in industrial product channels. *Journal of Marketing* 55 (January), pp.52-69.

- Frazier, G. L., 1999. Organizing and managing channels of distribution. *Journal of the Academy Marketing Science*, 27 (Spring), pp.226-240.
- Friedman, L. & Furey, T., 1999. *The channel advantage*. Oxford ; Boston : Butterworth Heinemann.
- Galunic, C. & Moran, P., 2000. *Social capital and productivity exchange: structural and relational embeddedness and managerial performance Link*. Working Paper.
- Gaski, J. F., 1984. The theory of power and conflict in channels of distribution, *Journal of Marketing*, 48 (Summer), pp.9-29.
- Gattorna, J., 1978. Channels of distribution conceptualizations: a state-of-the-art review. *European Journal of Marketing*, Vol. 12, Nr. 7, pp.471-512.
- George, A. L. & Bennett, A., 2004. Case studies and theory development in the social sciences, Cambridge, Mass.: MIT Press. P5.
- George, G. Zahra, S. A. Wheatley, K. & Khan, R., 2001. The Effects of alliance portfolio characteristics and absorptive capability on performance: a study of biotechnology firms. *Journal of High Technology Management Research* 12 (2), pp.205-226.
- Ghoshal, S. & Moran, P., 1996. Bad for practice: a critique of transaction cost theory. *Academy of Management Journal* Vol. 21, pp.281-510.
- Ghosh, A. K. Joseph, W. B. Gardner, J. T. & Thach, S. V., 2004. Understanding industrial distributors' expectations of benefits from relationships with suppliers. *Journal of Business & Industrial Marketing*, Volume 17, November 7, pp.433-443.
- Grant, R. M., 1991. The resource-based theory of competitive advantage: implications for strategy formulation. *California Management Review* 33(3), pp.114-135.
- Grant, R. M., 1996. Toward a knowledge-based theory of the firm. *Strategic Management Journal* Vol. 17, pp.109-122.



- Granovetter, M. S., 1985. Economic action and social structure: the problem of embeddedness. *American Journal of Sociology* 91 (3), pp.481-510.
- Grönroos, C., 1991. The marketing strategy continuum: toward a marketing concept for the 1990s. *Management Decision*, 19 (1), pp.7-13.
- Grönroos, C., 1996. Relationship marketing logic. *Asia-Australia Marketing Journal*. Vol.4, No.1, pp.7-18.
- Grönroos, C., 2000. Relationship marketing: the Nordic school perspective, in Sheth, J.N. & Parvatiyar, A. (eds.), *Handbook of relationship marketing*. Sage Publications, London, pp.95-118.
- Gulati, R., 1998. Alliances and networks. *Strategic Management Journal* 19, pp.293-317.
- Gummesson, E., 1994. Broadening and specifying relationship marketing. *Asia-Australia Marketing Journal*, Vol. 2, August, pp.19-28.
- Gummesson, E., 1999. *Total relationship marketing*. Butterworth-Heinemann, London.
- Gummesson, E., 2000. Suhdemarkkinointi 4P:stä 30R:ään. 2<sup>nd</sup> ed. *Yrityksen Tietokirjat & Evert Gummesson*, Jyväskylä, pp.21-22.
- Gummesson, E., 2003. All research is interpretative. *Journal of Business & Industrial Marketing*, Vol. 18 Issue 6/7, pp.482-492.
- Gundlach, G. & Murphy, P., 1993. Ethical and legal foundations of relational marketing exchanges. *Journal of Marketing*, Vol.57, No.4, pp.35-46.
- Gupta, A. K, & Govindarajan, V., 2000. Knowledge flow within multinational corporations. *Strategic Management Journal* 21: pp.473-496.
- Hague, P., 1986. The changing world of industrial distribution. *Industrial Marketing Dig.* 11(3), pp.159-165.

Hallen, L. Johanson, J. & Mohamed, N. S., 1987. Relationship strength and stability in international and domestic industrial marketing. *Industrial Marketing and Purchasing*. Vol.2, No.3, pp.22-37.

Hansen, M. T., Podolny, J. M. & Pfeffer, J., 1999. *So many ties, so little time: a task contingency perspective on the value of social capital in organization*. Harvard Business School Working paper.

Hansen, M. T., 1999. *Realizing opportunities: an Inter-unit social capital model of knowledge sharing in multiunit companies*. Harvard Business School Working Paper.

Hansson, H., 1998. *Kollektive Kompetens*. Göteborg: BAS

Hansson, H., 2003. *Kollektiv Kompetens (Collective competence)*. Lund: Studentlitteratur.

Harker, M. J., 1999. Relationship marketing defined? an examination of current relationship marketing definitions. *Marketing Intelligence and Planning*, Vol.17 No.1: pp.13-20.

Hellmann, T., 2001. A theory of strategic venture investing. *Journal of Financial Economics* (forthcoming).

Heide, J. B., 1994. Inter-organizational governance in marketing channels. *Journal of Marketing*, 58 (January), pp.71-85.

Heide, J. B. & John, G., 1992. Do norms matter in marketing relationships? *Journal of Marketing*, 56 (April), pp.32-44.

Hennart, J. F., 1988. A transaction costs theory of equity joint ventures. *Strategic Management Journal*, Vol. 9, pp.361-374.

Higgins, M.C. & Gulati, R., 2001. *Getting off to a good start: the effects of top management team affiliations on prestige of investment bank and IPO Success*. Working Paper.

Hite, J. M. & Hesterly, W. S., 1999. Qualities of embedded network ties of emerging entrepreneurial firms. *Frontiers of Entrepreneurship Research*. Babson Colleague: Wellesley, MA.

Hite, J. M. & Hesterly, W. S., 2001. The evolution of firm networks: from emergence to early growth of the firms. *Strategic Management Journal*, Vol.22, No.3 (Mar.), pp.275-286.

Hitt, M. A. Dacin, M. T. Levitas, E. Arregle, J. L.& Borza, A., 2000. Partner selection in emerging and developed market contexts: resource-base and organizational learning perspectives. *Academy of Management Journal*, 22, pp.275-286.

Hobday, M., 1994. The limits of silicon valley: a critique of network theory. *Technology Analysis & Strategic Management* 6, pp.231-243.

Hubber, G. P., 1991. Organizational learning: the contributing processes and the literature. *Organization Science*, Vol. 2(1), pp.88-115.

Hägg, I. & Hedlund, G., 1979. Case studies in accounting research. *Accounting, Organizations & Society*, Vol. 4 Issue 1/2, pp.135-143.

Jackson, B. B., 1985. Building customer relationships that last. *Harvard Business Review*. No. 6, November-December, pp.120-128.

Jarillo, J. C., 1989. Entrepreneurship and growth: the strategic use of external resources. *Journal of Business Venturing*, Vol. 4, pp.133-147.

Järvenpää, E. & Immonen, S., 2003. Knowledge sharing and intellectual capital in organizational networks. In H. Luczak and K. J. Zink (eds.) Human factors in organizational design and management VII. Re-Designing Work and Macroergonomics – Future Perspectives and Challenges. Santa Monica: IEA Press, pp. 419-422.

Kalwani, M. U. & Narakesari, N., 1995. Long-term manufacturer-Supplier relationships: do they pay off for supplier firms? *Journal of Marketing*, 59(January), pp.1-16.

- Kidder, L. & Judd, C. M., 1986. *Research methods in social relations*. (5<sup>th</sup> ed.) New York: Holt, Rinehart & Winston.
- Kim, K., 2001. On the effects of customer conditions on distributor commitment and supplier commitment in industrial channels of distribution. *Journal of Business Research* 51, pp.87-99.
- Klein, B. Crawford, R. G. & Alchian, A. A., 1978. Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law and Economics* 21, pp.297-326.
- Kogut, B. & Zander, U., 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, Vol. 3 (3), pp.383-397.
- Kogut, B & Zander. U., 1993. Knowledge of the firm and the evolutionary theory of multinational corporation. *Journal of International Business Studies*, Vol. 24 (4), pp.625-645.
- Kotler, P., 1997. *Marketing management-analysis, planning, implementation, and control*, 9<sup>th</sup> Edition, New Jersey.
- Kotler, P., 2000. Marketing management. Millennium edition. *Prentice-Hall Inc.* United States. pp.192-194.
- Kotler, P. & Armstrong, G., 2001. Principles of marketing. 9<sup>th</sup> ed. *Prentice-Hall Inc.* United States, pp.213-216.
- Kumar, N. Scheer, L. K. & Steenkamp, J. E. M., 1995. The effects of perceived interdependence on dealer attitudes. *Journal of Marketing Research* 32 (August), pp. 348-356.
- Lado, A. A. Boyd, N. C. & Nalón, S. C., 1997. Competition, cooperation, and the search for economic rents: a synergetic model. *Academy of Management Review*, Vol. 22(1), pp.110-141.
- Lambe, C. J. Wittmann, C. M & Spekman, R. E., 2001. Social exchange theory and research on business-to-business relationship exchange. *Journal of Business-to-Business Marketing*, Vol.8(3), pp.1-36.

Lane, P. J. & Lubatkin, M., 1998. Relative absorptive capability and inter-organizational learning. *Strategic Management Journal*, Vol.19, pp.461-477.

Leana, C. R. & Van Buren, H. J., 1999. Organizational social capital and employment practices. *Academy of Management Review*, Vol.24 (3), pp.538-555.

Lee, T. W., 1999. Using qualitative methods in organizational research. *Thousand Oaks, CA*: Sage.

Liebeskind, J. P. Oliver, A. L. Zucker, L. & Brewer, M., 1996. Social networks, learning and flexibility: sourcing scientific knowledge in new biotechnology firms. *Organization Science*, Vol. 7(4), pp.428-443.

Lorenzoni, G. & Lipparini, A., 1999. The leveraging of inter-firm relationships as a distinctive organizational capability: a longitudinal study. *Strategic Management Journal*, Vol. 20, pp.317-338.

Malhotra, N. K. & Birks, D. F., 1999. Marketing research, an applied approach. Third edition. Prentice Hall.

McQuiston, D. H., 2001. A conceptual model for building and maintaining relationships between manufacturers' representatives and their principals. *Industrial Marketing management*, Vol. 30(2), pp.165-181.

McGee, J. E. & Dowling, M. J., 1994. Using R&D cooperative agreements to leverage managerial Experience: a study of technology-intensive new ventures. *Journal of Business Venturing*, Vol. 9, pp.33-48.

Meredith, J., 1998. Building operations management theory through case and field research. *Journal of Operations Management*, Vol. 16, No.4, pp.441-454.

Mitchell, J. C., 2000. Case and situation analysis?, in R. Gomm, M. H. & Foster, P. eds), Case study method: key issues, key texts, London: Sage, pp.165-186. P170. (Originally published in *Sociological Review* 31, 2, 1983, pp.187-211.)

Mitronen, L. & Möller, K., 2003. Management of hybrid organizations: a case study in retailing. *Industrial Marketing Management*, Vol. 32, pp.419-429.

Moorman C, Zaltman G. & Deshpande R., 1992. Relationships between providers and users of market research: the dynamics of trust within and between organizations. *Journal of Marketing Research*, Vol. 29 (8), pp.314-328.

Moorman, C. Deshpande, R. & Zaltman, G., 1993. Factors affecting trust in market research relationships. *Journal of Marketing*, Vol. 57 (January).

Morgan, R. M. & Hunt, S. D., 1994. The commitment-trust theory of relationship marketing. *Journal of Marketing*, Vol.58 (July), pp.20-38.

Mudambi, S. & Aggarwal, R., 2003. Industrial distributors: can they survive in the new economy? *Industrial Marketing Management*, Vol.32, pp.317-325.

Nahapiet, J. & Ghoshal, S., 1998. Social capital, intellectual capital and the organizational advantage. *Academy of Management Review*, Vol. 23 (2), pp.242-266.

Nelson, R. R. & Winter, S. G., 1982. An evolutionary theory of economic change. Cambridge, MA: *Harvard University Press*.

Nevin, J. R., 1995. Relationship marketing and distribution channels: exploring fundamental issues. *Journal of Academy of Marketing Science*, Vol.23, pp.327-334.

Nonaka, I. & Takeuchi, H., 1995. *The knowledge-creating company*. Oxford University Press: New York.

- Noordewier, T. G. George, J. & John, R. N., 1990. Performance outcome of purchasing arrangements in industrial buyer-vendor relationships. *Journal of Marketing*, Vol. 54(October), pp.80-93.
- Nunnally, J. C., 1978. *Psychometric theory*. Second edition. McGraw-Hill: New York, NY.
- Osborn, R. N. & Hagedoorn J., 1997. The institutionalization and evolutionary dynamics of inter-organizational alliances and networks. *Academy of Management Journal*, Vol. 40(2), pp.261-278.
- Otala, L., 2000. *Oppimisen Etu – Kilpailukykyä Muutoksessa*. WSOY. Porvoo.
- Palmer, A., 1997. Defining relationship marketing: an international perspective. *Management Decision*, Vol. 35, No. 4, pp.319-321.
- Park, S. H. Chen, R. & Gallagher, S., 2001. Firm resources as moderators of the relationship between market growth and strategic alliances in semiconductor start-ups. *Academy of Management Journal* (forthcoming).
- Penrose, E., 1959. *The theory of the growth of the firm*. Balackwells: Oxford.
- Peteraf, M., 1993. The cornerstones of competitive advantage: a resource-based view. *Strategic Management Journal*. Vol.14(3), pp.179-191.
- Piekkari R, Welch C. & Paavilainen, E., 2007. The case study as disciplinary convention: evidence from international business. *Unpublished Manuscript*.
- Polanyi, M., 1958. *Personal Knowledge: Towards a Post-Critical Philosophy*. The University of Chicago Press: Chicago, IL.
- Polanyi, M., 1966. *The Tacit Dimension*. Doubleday & Company, Inc: Garden City, NY.
- Portes, A., 1998. Social capital: its origins and applications in modern sociology. *Annual Review of Sociology* 24:, pp.1-24.

- Porter, M., 1980. *Competitive Strategy*. New York Free Press. P. 208.
- Powell, W. W. Koput, K. W. & Smith, D. L., 1996. Technological change and the focus of innovation: networks of learning in biotechnology. *Administrative Science Quarterly* 41 (1), pp.116-145.
- Prahalad, C. K. & Hamel, G., 1990. The core competence of a corporation. *Harvard Business Review* (May-June), pp.79-91.
- Puri, J. S., 1992. Industrial vendors' selling center: implications for sales management. *Journal of Business and Industrial Marketing*, 7 (Summer), pp.59-69.
- Rao, S. & Perry, C., 2002. Thinking about relationship marketing: where are we now? *Journal of Business & Industrial Marketing*, Vol. 17 No. 7, pp.598-614.
- Reed, R. & DeFilippi, R. J., 1990. Causal ambiguity, barriers to imitation, and sustainable competitive advantage. *Academy of Management Review* 15 (1), pp.88-102.
- Remenyi, D. Williams, B. Money, A. & Swartz, E., 1998. Doing research in business and management. *Sage Publication*, London.
- Robicheaux, R. A. & Coleman, J. E., 1994. The structure of marketing channel relationships. *Journal of the Academy of Marketing Science* 22 (1), pp.38-51.
- Rosenberg, J., 1995. *Dictionary of marketing & advertising*. Business Dictionary Series.
- Rosenbloom, B., 1990. Motivating your international channel partners, *Business Horizons*, Vol. 33 No. 2, pp.53-57.
- Roos, J. & Von Krogh, G., 1996. The epistemological challenge: managing knowledge and intellectual capital. *European Management Journal* 14 (4), pp.333-337.



Rosenbröijer, C. J., 1994. The changing relationships and strategic identities of actors in an industrial distribution channel: a study of distribution channels for A4 paper in Finland. *Swedish school of Economics and Business Administration*. Research Reports 31.

Rosson, P. & Ford, I. D., 1982. Manufacturer-overseas distributor relations and export performance, *Journal of International Business Studies*, Fall, pp.57-72.

Rothaermel, F. T. & Deeds, D. L., 2001. More good things are not necessarily better: an empirical study of strategic alliances, experience effects, and new product development in high-technology start-ups. Forthcoming in *Creating Value: Winners in the New Business Environment*. Hitt MA, Amit R, Lucier C, Nixon RD (eds). Blackwell Publishers: Oxford, UK.

Rothwell, R. & Zegveld, W., 1982. *Innovation and the small and Medium Sized Firm*. Frances Printer: London, UK.

Ruekert, R. W. & Churchill, Jr G., 1984. Reliability and validity of alternative measures of channel member satisfaction. *Journal of Marketing Research* 21(May), pp.226-233.

Rumelt, R. P., 1984. Towards a strategic theory of the firm. In *Competitive Strategic Management*. Lamb RB (ed). Prentice-Hall: Englewood Cliffs, NJ, pp.556-570.

Rychen, S. D. & Salganik L. H. (eds.), 2003. Key competencies for a successful life and a well-functioning Society. Göttingen: Hogrefe & Huber.

Sankar, C. S. Boulton, W. R. Davidson, N. W. Snyder, C. A. & Ussery, R. W., 1995. Building a world-class alliance: the universal card-TSYS case. *Academy of Management Executive* 9 (2), pp.20-29.

Sheth, J. N., 2002. The future of relationship marketing. *Journal of Service Marketing*, Vol.16, No. 7, pp.590-592.

Siguaw, J. A. Simpson, P. M. & Baker, T. L., 1998. Effects of supplier market orientation on distributor market orientation and the channel relationship: the distributor perspective. *Journal of Marketing* 62 (July), pp.99-111.

Siguaw, J. A. Baker, T. L. & Simpson, P. M., 2003. Preliminary evidence on the composition of relational exchange and its outcomes: the distributor perspective. *Journal of Business Research* 56(2003), pp.311-322.

Skarmeas, D. A. & Katsikeas, C. S., 2001. Drivers of superior importer performance in cross-cultural supplier-Reseller relationships. *Industrial Marketing Management*, 30(2), pp.227-241.

Smith, K. G. Carroll, S. J. & Ashford, S. J., 1995. Intra- and inter-organizational cooperation: toward a research agenda. *Academy of Management Journal* 38 (1), pp.7-21.

Spender, J. C., 1996. Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal* 17 (winter special issue), pp.45-62.

Spencer, L. M. & Spencer, S. M., 1993. *Competence at work: models for superior performance*. New York. John Wiley & Sons.

Starkey, K. & Tempest, S. M. (eds.), 2004. *How organizations learn, managing. The Search for Knowledge*. Thomson, pp.91-99.

Steensma, H. K., 1996. Acquiring technological competencies through inter-organizational collaboration: an organizational learning perspective. *Journal of Engineering and Technology Management* 12, pp.267-286.

Stein, J., 1997. On building and leveraging competences across organizational borders: a socio-cognitive framework. In *Competence-based strategic management*. Heene A, Sanchez R(eds). Wiley: Chichester, pp.267-284.

Stern, L. W. El-Ansary, A. I. & Coughlan, A. T., 1996. *Marketing channel*, 5<sup>th</sup> ed. Upper Saddle River, NJ: Prentice Hall.

Stigler, G. J., 1951. The division of labour is limited by the extent of the market. *Journal of Political Economy*, LIV, 3, June, pp.185-193. Reprinted in: Mallen, B.E. (ed.), 1967: *The marketing channel: a conceptual viewpoint*. New York: John Wiley & Sons, pp.56-62.

Strandvik, T. & Holmlund, M., 2000. Customer relationship dissolution – what do we know and what do we need to know? Helsingfors, Svenska handelshögskolan.

Stuart, T. E. Hoang, H. & Hybels, R. C., 1999. Inter-organizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly* 44, pp.315-349.

Stuart, T. E., 2000. Inter-organizational alliances and the performance of firms: a study of growth and innovation rates in a high-technology industry. *Strategic Management Journal* 21, pp.791-811.

Stuart, I. McCutcheon, D. Handfield, R. Mclachlin, R. & Samson, D., 2002. Effective case research in operations management: a process perspective. *Journal of Operations Management*, Vol.20, No.5, pp.419-433.

Teece, D. J., 1986. Profiting from technological innovation: implications for integration, collaboration, licensing and public policy. *Research Policy* 15, pp.285-305.

Teece, D. J. Pisano, G. & Schuen, A., 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* 18, pp509-537.

Tikkanen, H., 2004. Professor. Helsinki University of Technology, Department of Industrial Engineering and Management. Otakaari, FI-2150 Espoo Finland. Interviewed in autumn 2004.

Tsai, W. & Ghoshal, S., 1998. Social capital and value creation: the role of intra-firm networks. *Academy of Management Journal* 41 (4), pp.464-476.

Uzzi, B., 1997. Social structure and competition in inter-firm networks: the paradox of embeddedness. *Administrative Science Quarterly* 42 (March), pp.35-67.

- Van den Bosch, F. A. J. Volberda, H. W. & de Boer, M., 1999. Co-evolution of firm absorptive capacity and knowledge environment: organizational Forms and combinative capabilities. *Organization Science* 10(5), pp.551-568.
- Voss, C. Tsikriktsis, N. & Frohlich, M., 2002. Case research in operations management. *International Journal of Operations & Production Management*, Vol. 22, No.2, pp.195-219.
- Walker, G. Kogut. B. & Shan, W., 1997. Social capital, structural holes and the formation of an industry network. *Organisation Science* 8 (2), pp.109-125.
- Walter, A. & Gemunden, H. G., 2000. Bridging the gap between suppliers and customers through relationship promoters: theoretical considerations and empirical results. *Journal of Business & Industrial Marketing*, Vol.15, No. 2/3, pp.86-105.
- Weber, J. A., 2001. Partnering with resellers in business markets. *Industrial Marketing Management* 30, pp.87-99.
- Webster, F. E., 1992. The changing role of marketing in the cooperation. *Journal of Marketing*, 56(October), pp.1-17.
- Weitz, J. C & Jap, S. D., 1995. Relationship marketing and distribution channels. *Journal of the Academy of Marketing Science* 23, pp.305-320.
- Weits, B. A. & Bradford, K. D., 1999. Personal selling and sales management: a relationship marketing perspective. *Academy of Marketing Science Journal*. Vol. 27, Issue 2, pp.241-254.
- Weitz, B. A. and Wensley, R., 1988. *Readings in strategic marketing: analysis, planning and implementation*, The Dryden Press, Hinsdale, IL.
- Wernefelt, B., 1984. A resource-based view of the firm. *Strategic Management Journal* 5, pp.171-180.

Williamson, O. E., 1975. *Markets and hierarchies: analysis and antitrust implications*. The Free Press, New York.

Williamson, O. E., 1979. Transaction cost economics: the governance of contractual relations. *The Journal of Law and Economics* 22, pp.233-261.

Williamson, O. E., 1981. The economics of organizations: the transaction cost approach. *American Journal of Sociology* 87 (3): 548-577.

Williamson, O. E., 1983. Organizational innovation: the transaction cost approach. In *Entrepreneurship*. Ronen (ed). Lexington Books: Lexington, MA, pp.101-133.

Williamson, O. E., 1985. *The economic institutions of capitalism*. Free Press: New York, NY.

Wilson, D. T. & Mummalaneni, V., 1990. Bonding and commitment in buyer-seller relationships: a preliminary conceptualization. In: Ford, D. (ed). *Understanding business markets: interaction, relationships and networks*. Academic Press Ltd, England, pp.408-420.

Wilson, D. T. & Jantrannia, S., 1994. Understanding the value of a relationship. *Asia Australia Marketing Journal*, Vol. 2 No. 1, pp.55-66.

Wikipedia, 2008. *The free encyclopedia*. Web address: [http://en.wikipedia.org/wiki/Value-added\\_reseller](http://en.wikipedia.org/wiki/Value-added_reseller).

Wolcott, H. F., 2002. Writing up qualitative research ... better, *Qualitative Health Research*, 12(1), pp.91-103.

Woodside, A. G. & Wilson, E. J., 2003. Case study research method for theory building. *Journal of Business & Industrial Marketing*, Vol. 18 Issue 6/7, pp.493-508.

Yin, R., 1989. *Case study research — design and methods*, Second Edition, Sage Publication, London.

Yin, R., 1994. *Case study research: design and methods*. 2<sup>nd</sup>. Ed. Sage Publications.

Yin, R., 2003. *Case study research: design and methods*. 3<sup>rd</sup> Ed. Sage Publications.

Yli-Renko, H. Autio, E. & Sapienza, H. J., 2001. Social capital, knowledge acquisition, and knowledge exploitation in technology-based young firms. *Strategic Management Journal*. Special Issue on Entrepreneurial Strategies and Wealth Creation in the 21<sup>st</sup> Century, pp.587-613.

Zajac, E. J., & Olsen, C. P., 1993. From transaction cost to transaction value analysis: implications for the study of inter-organizational strategies. *Journal of Management Studies* 30 (1), pp.131-145.

Zahra, S. A. & George, G., 2001. Absorptive capacity: a review and re-conceptualization. *Academy of Management Review* (forthcoming).

Zollo, M. & Winter, S. G., 2002. Deliberate and the evolution of dynamic capabilities. *Organization Science* 13 (3), pp.339-351.

## **APPENDIX 1: INTERVIEW GUIDE**

As a part of this study, a series of forty structured interviews were conducted using a questionnaire averaging 90 minutes, as well as thirteen semi-structured interviews carried out whenever possible concerning the factors. During each interview, a clear guide on how to conduct the interview was followed.

First of all, when selecting interviewees from the sample companies, criteria for acceptance included: (1) interviewees who speak and understand English very well — as interviews were held in English; (2) interviewees who understood the subject well — understanding VAR business, have profound knowledge in VAR business, and preferably having long experience in VAR business; (3) interviewees who were willing to be interviewed for this subject by someone they know — most of the interviewees have been acquaintances since 2001 and having a good working relationship with them prompted a response rate of 100 percent.

Secondly, that pre-research (context analysis) take place prior to each interview. The possibility to access an extensive amount of archive documents allowed for the collection of information on interviewees in advance. This information included documents such as the company business, organization, the person's role in the organization, history of the company in VAR business, number of people, sales revenue, etc. This information provided the background for each interview.

Thirdly, that enough time is reserved for each interview as the questionnaire is long and contained many open-ended questions. Having time allowed for guidance through the questionnaire as well as flexibility; there is no advance knowledge of how the interview would unfold and the situation at hand would require adjustments. Additionally, patience with each interviewee: while steering the interview in the direction of concern, enough space for each interviewee is necessary. For example, some interviewees would offer to tell stories or real cases to illustrate the point he or she was trying to make, in an effort to help me to understand why they answered the way they did. Generally it is these examples which a better understanding of those issues.

Fourthly, to conduct each interview personally through a face-to-face interview process. No other researchers assisted conducting the interviews, and no telephone interviews were given. This allowed for first hand information and the ability to ask additional questions of each of the interviewees. Following one interview, the interviewee said: I would never have told you so much if you had just called me or sent me the questionnaire by mail.

Fifthly, to maintain records of all discussions and to ask for further clarification in case anything appeared unclear. The use of tape recorder was not necessary as time for note-taking was acceptable and interviewees might have become uncomfortable with being recorded. At the beginning of each interview, the interviewee was given information referring to this study being held as research behind a doctoral dissertation and that all information would remain confidential. Neither names nor answers would be listed as specific to anyone. Each interview appeared to be very open and honest when discussing each issue and sometimes even volunteered for additional information. Immediately following each interview, interviewer notes were made marking the feelings and impressions taking place during each interview. All answers and notes from the interview were immediately placed in electronic word format and filed with name, date and location.

The overall feeling from the interviews was that they were fruitful and addressed each issue of concern. Being employed by the supplier company, brought both advantages and disadvantages for the interviews. One advantage was based on identification and the ease of identifying the correct person to be interviewed. Access for establishing each interview was also an advantage. One particular disadvantage was that at times, the pre-existing knowledge and experience between interviewer and interviewees made it awkward to form fresh questions. One specific issue to be addressed in future interviews is the duration of the interview. Reservations of time averaged approximately ninety minutes, yet sometimes interviewees spoke fluidly and interviews occasionally went over two hours. Though some flexible discussions surfaced, which added additional value, this placed a strain on the final questions at the end of questionnaire.



## **APPENDIX 2: QUESTIONNAIRE (VERSION 1)**

### **Questionnaire Cover Page**

Dear Interviewee,

You are privileged to be invited to give your valuable input to the interview questionnaire of my doctoral dissertation. The topic of my doctoral dissertation is: An empirical study of factors of Value-Added-Reseller relationships in high-technology sales management: a dual perspective.

Your input is vital to identify the critical factors in VAR relationship management. With this study, the most important factors in VAR relationship management will be determined, and the data will be studied both from the VARs and the supplier's perspective.

You can be certain that your response is anonymous and confidential. Your time for the interview is most appreciated!

Best Regards,

Shuanghong Niu

Postgraduate student - Helsinki University of Technology - Finland

### **Background information only for interviewees from VAR companies:**

1. When did your current company establish a VAR relationship with its current supplier company?
2. How many people are employed by your company?
3. What is the main business of your company?
4. What is the sales revenue of your current company for the year 2005?
5. What number represents the percentage of your supplier company's products in your sales revenue?

In the supplier/reseller relationship, **mutual dependence** means that the supplier company depends upon the resellers to carry out the sales and much of the service function, while the resellers depend on the supplier company to design, manufacture, ship, and invoice their products in a timely manner.

1. How important do you think of **mutual dependence** in the VAR relationship management?

not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Shared Goals and Objectives** mean that there is a joint vision of what is necessary for success within both parties with each party understanding the expectations of the other, and both parties proactively establishing annual sales goals and objectives.

2. How important do you think of **shared goals and objectives** in the VAR relationship management?

not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Investment of effort by top management** means that the business owners from both parties are totally committed to building the relationship and continually looking for ways to establish an effective relationship, and that the management teams have a willingness to understand and promptly respond to issues that affect the nature of the relationship.

3. How important do you think of **investment of effort by top management** in the VAR relationship management?

not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**End-Customer satisfaction** means that end-customer's needs are taken care of first, and both parties are committed to achieving end-customer satisfaction.

4. How important do you think of **end-customer satisfaction** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Open Communication** means that there is a regular, established pattern of communication between the supplier and its VAR; relevant information is communicated quickly and openly; each party has the needed information from the other, and each party knows the contacts and communication channels.

5. How important do you think of **open communication** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Concern for the other party's profitability** means that both sides recognize the need to make money, and that each must allow the other to make a profit.

6. How important do you think of **concern for the other party's profitability** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Continuous improvement over time** means that both parties are trying to recognize the potential negative consequences and take the initiative in terms of strengthening it, so that there is a “never satisfied” attitude and a desire to develop the relationship, and that both parties seek ways of doing things better and eliminating any barriers to business.

7. How important do you think of **continuous improvement over time** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Trust** means the credibility, honesty, and integrity which are demonstrated by both parties during cooperation; both parties have shown to be trustworthy by their past actions; both parties share information that could be considered confidential when there is a need; both parties follow through and do what they have promised to do.

8. How important do you think of **trust** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Having professional respect** means that each party (as company and also as personnel) truly admires what the other party can accomplish in the business, and that each party thinks of the other as professional.

9. How important do you think of **having professional respect** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

**Developing a personal relationship** means that both parties make a sincere effort to get to know each other on a personal basis, and attempt to cultivate relationships beyond the business context.

10. How important do you think of **developing a personal relationship** in the VAR relationship management?

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

11. Would you suggest any other important factors besides the above mentioned ones? Please specify, and also select the following choice?

1) \_\_\_\_\_

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

2) \_\_\_\_\_

- not important       important       very important       extremely important

Could you explain further why you made this choice?

---

---

12. Could you please grade the importance of the factors with 1, 2 ... 10?

(1 being the most important, 10 being the least important)

<b>Factors in VAR relationship management</b>	<b>Grade the importance of the factors with 1, 2 ... 10. (1 being the most important, 10 being the least important)</b>
Mutual dependence	
Shared goals and objectives	
Investment of effort by top management	
End-customer satisfaction	
Open communication	
Concern for the other party's profitability	
Continuous improvement over time	
Trust	
Having professional respect	
Developing a personal relationship	

Any other comments:

---

---

## **APPENDIX 3: QUESTIONNAIRE (VERSION 2)**

### **Questionnaire Cover Page**

Dear Interviewee,

You are privileged to be invited to give your valuable input to the interview questionnaire of my doctoral dissertation. The topic of my doctoral dissertation is: An empirical study of factors of Value-Added-Reseller relationships in high-technology sales management: a dual perspective.

Your input is vital to identify the critical factors in VAR relationship management. With this study, the most important factors in VAR relationship management will be determined, and the data will be studied both from the VARs and the supplier's perspective.

You can be certain that your response is anonymous and confidential. Your time for the interview is most appreciated!

Best Regards,

Shuanghong Niu

Postgraduate student - Helsinki University of Technology - Finland

#### **Background information only for interviewees from VAR companies:**

1. When did your current company establish a VAR relationship with its current supplier company?
2. How many people are employed by your company?
3. What is the main business of your company?
4. What is the sales revenue of your current company for the year 2005?
5. What number represents the percentage of your supplier company's products in your sales revenue?

In the supplier/reseller relationship, **mutual dependence** means that the supplier company depends upon the resellers to carry out the sales and much of the service function, while the resellers depend on the supplier company to design, manufacture, ship, and invoice their products in a timely manner.

1. **Mutual dependence** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Shared Goals and Objectives** mean that there is a joint vision of what is necessary for success within both parties with each party understanding the expectations of the other, and both parties proactively establishing annual sales goals and objectives.

2. **Shared goals and objectives** are important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Investment of effort by top management** means that the business owners from both parties are totally committed to building the relationship and continually looking for ways to establish an effective relationship, and that the management teams have a willingness to understand and promptly respond to issues that affect the nature of the relationship.

3. **Investment of effort by top management** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---



**End-Customer satisfaction** means that end-customer's needs are taken care of first, and both parties are committed to achieving end-customer satisfaction.

4. **End-customer satisfaction** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Open Communication** means that there is a regular, established pattern of communication between the supplier and its VAR; relevant information is communicated quickly and openly; each party has the needed information from the other, and each party knows the contacts and communication channels.

5. **Open communication** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

What information do you think is necessary to be communicated?

---

---

What communication channels do you use? Which channel(s) do you prefer most (E-mail, phone calls, face-to-face meetings, E-marketing...)?

---

---

What type of communication do you prefer, point to point (one person in supplier company one person in VAR), point to multi-point, multi-point to multi-point?

---

---

**Concern for the other party's profitability** means that both sides recognize the need to make money, and that each must allow the other to make a profit.

6. **Concern for the other party's profitability** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Continuous improvement over time** means that both parties are trying to recognize the potential negative consequences and take the initiative in terms of strengthening it, so that there is a "never satisfied" attitude and a desire to develop the relationship, and that both parties seek ways of doing things better and eliminating any barriers to business.

7. **Continuous improvement over time** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Trust** means the credibility, honesty, and integrity which are demonstrated by both parties during cooperation; both parties have shown to be trustworthy by their past actions; both parties share information that could be considered confidential when there is a need; both parties follow through and do what they have promised to do.

8. **Trust** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Having professional respect** means that each party (as company and also as personnel) truly admires what the other party can accomplish in the business, and that each party thinks of the other as professional.

9. **Having professional respect is important** in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Developing a personal relationship** means that both parties make a sincere effort to get to know each other on a personal basis, and attempt to cultivate relationships beyond the business context.

10. **Developing a personal relationship** is important in VAR relationship management? at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

11. Would you suggest any other important factors besides the above mentioned ones? Please specify, and also select the following choice?

1) \_\_\_\_\_

Can you explain further why you think this factor is important?

---

---

2) \_\_\_\_\_  
 Can you explain further why you think this factor is important?  
 \_\_\_\_\_  
 \_\_\_\_\_

12. Could you please grade the factors by their order of importance using a scale of 1, 2 ...10? (1 being the most important factor, 10 being the least important factor)

Factors in VAR relationship management	Grade the factors by the order of importance using a scale of 1, 2 ... 10 (1 being the most important factor, and 10 being the least important).	
	At the beginning stage	In the later stages
Mutual dependence		
Shared goals and objectives		
Investment of effort by top management		
End-Customer satisfaction		
Open communication		
Concern for the other party's profitability		
Continuous improvement over time		
Trust		
Having professional respect		
Developing a personal relationship		

Any other comments:  
 \_\_\_\_\_  
 \_\_\_\_\_

## **APPENDIX 4: QUESTIONNAIRE (FINAL VERSION)**

### **Questionnaire Cover Page**

Dear Interviewee,

You are privileged to be invited to give your valuable input to the interview questionnaire of my doctoral dissertation. The topic of my doctoral dissertation is: An empirical study of factors of Value-Added-Reseller relationships in high-technology sales management: a dual perspective.

Your input is vital to identify the critical factors in VAR relationship management. With this study, the most important factors in VAR relationship management will be determined, and the data will be studied both from the VARs and the supplier's perspective.

You can be certain that your response is anonymous and confidential. Your time for the interview is most appreciated!

Best Regards,

Shuanghong Niu

Postgraduate student - Helsinki University of Technology - Finland

#### **Background information only for interviewees from VAR companies:**

1. When did your current company establish a VAR relationship with its current supplier company?
2. How many people are employed by your company?
3. What is the main business of your company?
4. What is the sales revenue of your current company for the year 2005?
5. What number represents the percentage of your supplier company's products in your sales revenue?

In the supplier/reseller relationship, **mutual business needs** mean that the supplier company needs the resellers to carry out the sales and much of the service function, while the resellers needs the product/services and supports from the supplier company, and there is mutual business needs between the supplier company and its resellers.

13. **Mutual business needs** are important in the VAR relationship management at the beginning stage of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Shared Goals and Objectives** mean that there is a joint vision of what is necessary for success within both parties with each party understanding the expectations of the other, and both parties proactively establishing annual sales goals and objectives.

14. **Shared goals and objectives** are important in the VAR relationship management at the beginning stage of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Investment of effort by top management** means that the business owners from both parties are totally committed to building the relationship and continually looking for ways to establish an effective relationship, and that the management teams have a willingness to understand and promptly respond to issues that affect the nature of the relationship.

15. **Investment of effort by top management** is important in the VAR relationship management at the beginning stage of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

- strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**End-Customer satisfaction** means that end-customer's needs are taken care of first, and both parties are committed to achieving end-customer satisfaction.

16. **End-customer satisfaction** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Open Communication** means that there is a regular, established pattern of communication between the supplier and its VAR; relevant information is communicated quickly and openly; each party has the needed information from the other, and each party knows the contacts and communication channels.

17. **Open communication** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

What information do you think is necessary to be communicated?

---

---

What communication channels do you use? Which channel(s) do you prefer most (E-mail, phone calls, face-to-face meetings, E-marketing...)?

---

---

What type of communication do you prefer, point to point (one person in supplier company one person in VAR), point to multi-point, multi-point to multi-point?

---

---

**Concern for the other party's profitability** means that both sides recognize the need to make money, and that each must allow the other to make a profit.

18. **Concern for the other party's profitability** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Continuous improvement over time** means that both parties are trying to recognize the potential negative consequences and take the initiative in terms of strengthening it, so that there is a "never satisfied" attitude and a desire to develop the relationship, and that both parties seek ways of doing things better and eliminating any barriers to business.

19. **Continuous improvement over time** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Trust** means the credibility, honesty, and integrity which are demonstrated by both parties during cooperation; both parties have shown to be trustworthy by their past actions; both parties share information that could be considered confidential when there is a need; both parties follow through and do what they have promised to do.

20. **Trust** is important in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---



**Having professional respect** means that each party (as company and also as personnel) truly admires what the other party can accomplish in the business, and that each party thinks of the other as professional.

21. **Having professional respect is important** in the VAR relationship management at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

**Developing a personal relationship** means that both parties make a sincere effort to get to know each other on a personal basis, and attempt to cultivate relationships beyond the business context.

22. **Developing a personal relationship** is important in VAR relationship management? at the beginning stage of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

in the later stages of the VAR relationship

strongly disagree    disagree    neither disagree nor agree    agree    strongly agree    I don't know

Could you explain further why you made these choices?

---

---

23. Would you suggest any other important factors besides the above mentioned ones? Please specify, and also select the following choice?

1) \_\_\_\_\_

Can you explain further why you think this factor is important?

---

---

2) \_\_\_\_\_

Can you explain further why you think this factor is important?

\_\_\_\_\_  
\_\_\_\_\_

24. Could you please grade the factors by their order of importance using a scale of 1, 2 ...10? (1 being the most important factor, 10 being the least important factor)

Factors in VAR relationship management	Grade the factors by the order of importance using a scale of 1, 2 ... 10 (1 being the most important factor, and 10 being the least important).	
	At the beginning stage	In the later stages
Mutual business needs		
Shared goals and objectives		
Investment of effort by top management		
End-Customer satisfaction		
Open communication		
Concern for the other party's profitability		
Continuous improvement over time		
Trust		
Having professional respect		
Developing a personal relationship		

Any other comments:

\_\_\_\_\_  
\_\_\_\_\_

## APPENDIX 5: QUANTITATIVE DATA FROM INTERVIEWS

1. Quantitative data from opinions on importance (minimum being -2 and maximum being 2 with a total of 20 respondents from VARs and 20 respondents from the supplier company)

	At the beginning stage				In the later stages							
	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Average	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Average
Mutual business needs	-2	-1	0	1	2	1.65	-2	-1	0	1	2	1.8
Shared goals and objectives	0	0	1	5	14	1.45				4	16	1.8
Investment effort by top management		1	2	4	13	1.7			1	7	12	1.55
End-customer satisfaction				5	15	1.75				4	16	1.8
Open communication				4	16	1.8				4	16	1.8
Concerns for other's profitability			1	5	14	1.65				6	14	1.7
Continuous improvement over time		1	4	11	4	0.9			1	8	11	1.5
Trust			2	2	16	1.7				3	17	1.85
Professional respects			1	7	12	1.55				8	12	1.6
Develop a personal relationship			5	8	7	1.1			2	8	10	1.4

### The supplier company's perspective

	At the beginning stage				In the later stages							
	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Average	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Average
Mutual business needs	-2	-1	0	1	2	1.65	-2	-1	0	1	2	1.9
Shared goals and objectives			0	7	13	1.8				2	18	1.9
Investment effort by top management				4	16	1.55				11	9	1.45
End-customer satisfaction				3	17	1.85				6	14	1.7
Open communication				4	16	1.8				4	16	1.8
Concerns for other's profitability			1	7	12	1.55			3	8	9	1.3
Continuous improvement over time		2	6	8	4	0.7				3	17	1.85
Trust				6	14	1.7				7	13	1.65
Professional respects				10	10	1.5				7	13	1.65
Develop a personal relationship			5	11	4	0.95				13	6	1.25

**2. Quantitative data from order of importance from the VARs' perspective** (1 being most important and 10 being least important with a total of 20 respondents from VARs and 20 respondents from the supplier company)

<b>The VARs' perspective, at the beginning stage</b>		Average
Mutual business needs	1 3 5 5 4 5 7 4 7 4 1 8 8 1 5 6 7 1 4 1	5
Shared goals and objectives	2 2 1 3 1 8 8 6 5 8 8 6 6 7 6 5 6 3 1 2 8	<b>4.8</b>
Investment effort by top management	9 7 4 9 3 2 2 1 1 10 9 5 2 9 7 8 7 3 3 6	5.35
End-customer satisfaction	3 1 7 6 8 3 4 2 1 5 1 4 1 4 4 9 10 4 3	<b>4.15</b>
Open communication	4 4 3 1 9 7 1 5 3 3 2 3 3 2 1 3 6 6 7 4	<b>3.85</b>
Concerns for other's profitability	6 5 9 8 4 1 10 8 8 9 3 7 10 7 9 5 2 5 6 9	6.55
Continuous improvement over time	5 10 10 10 10 7 10 9 6 6 4 9 3 2 9 8 9 9 10	7.8
Trust	7 8 2 2 2 5 4 2 6 4 4 2 5 4 3 1 5 7 5 1	<b>3.95</b>
Professional respects	8 6 6 4 6 6 6 9 7 2 7 9 8 8 8 2 4 2 8 2	5.9
Develop a personal relationship	10 9 8 7 7 9 9 3 10 5 10 6 10 10 10 8 10 7 8 10	8.4

**The VARs' perspective, in the later stages**

Mutual business needs	1 3 6 6 4 3 6 3 8 7 1 9 2 5 6 6 1 7 8 7	<b>4.95</b>
Shared goals and objectives	2 2 4 1 5 7 4 7 4 7 8 8 2 6 6 5 3 2 1 2	<b>4</b>
Investment effort by top management	9 7 4 10 2 8 9 5 9 10 9 6 1 9 7 7 8 6 5 9	7
End-customer satisfaction	3 1 1 7 10 4 3 1 1 1 7 1 4 1 4 1 4 8 4 4	<b>3.5</b>
Open communication	5 4 5 1 3 10 5 2 2 3 2 3 3 2 1 4 5 5 3 1	<b>3.45</b>
Concerns for other's profitability	6 5 8 8 5 1 10 7 5 9 3 4 10 7 9 2 2 6 6 10	6.15
Continuous improvement over time	4 10 9 9 8 9 4 10 6 6 4 7 9 3 2 5 7 9 7 3	6.55
Trust	8 8 3 2 6 2 2 6 3 4 5 5 7 4 3 2 5 6 1 2	<b>4.55</b>
Professional respects	7 6 7 3 7 6 8 9 4 2 6 8 8 8 10 9 3 9 6 6	6.7
Develop a personal relationship	10 9 10 5 9 7 1 8 10 5 10 5 10 8 10 4 10 8 7 8	7.95

**3. Quantitative data from order of importance from the supplier company's perspective** (1 being most important and 10 being least important with a total of 20 respondents from the supplier company)

**The supplier company's perspective, at the beginning stage**

Mutual business needs	9	4	3	2	7	4	1	7	1	1	3	1	1	5	1	7	4	1	1	3.2
Shared goals and objectives	2	6	4	1	4	1	9	2	4	2	4	2	3	1	2	8	2	4	5	3.5
Investment effort by top management	1	10	9	7	10	10	3	8	9	2	4	10	6	6	2	10	5	9	7	6.85
End-customer satisfaction	4	1	1	5	3	7	7	1	8	7	7	8	3	4	7	3	6	1	6	4.65
Open communication	3	3	2	4	2	3	2	5	6	6	1	3	4	2	6	4	4	3	5	3.5
Concerns for other's profitability	6	7	5	10	5	2	10	3	2	8	8	6	5	8	9	7	2	6	9	6.3
Continuous improvement over time	8	8	8	9	9	9	8	9	10	9	9	10	10	8	6	10	5	8	7	8.5
Trust	5	2	7	3	1	6	4	4	7	3	5	5	8	7	3	5	1	8	2	4.45
Professional respects	10	5	6	6	6	8	6	6	5	5	10	2	7	5	4	9	3	7	3	5.95
Develop a personal relationship	7	9	10	8	8	5	5	10	3	9	6	7	9	9	10	8	9	10	10	8.1

**The supplier company's perspective, in the later stages**

Mutual business needs	8	4	10	2	9	7	2	2	1	5	3	1	1	8	1	7	4	5	3	4.2
Shared goals and objectives	2	6	8	1	5	1	6	4	2	2	2	5	2	4	3	2	8	2	2	3.6
Investment effort by top management	1	10	6	9	7	10	4	8	10	3	4	8	8	9	9	10	5	9	7	7.35
End-customer satisfaction	3	1	1	5	2	4	3	1	3	1	7	6	3	5	5	3	6	1	3	3.35
Open communication	4	3	9	4	1	3	1	5	7	4	1	3	5	2	4	4	4	3	6	3.7
Concerns for other's profitability	9	7	2	7	6	2	7	9	8	6	10	7	6	6	6	7	2	7	9	6.55
Continuous improvement over time	7	8	4	10	10	9	10	6	9	10	8	9	4	8	10	6	10	5	1	7.5
Trust	6	2	3	3	3	5	9	7	4	8	5	4	9	3	2	5	1	8	8	4.85
Professional respects	10	5	7	6	4	8	8	3	5	7	9	2	10	7	1	9	3	6	4	6.05
Develop a personal relationship	5	9	5	8	8	6	5	10	6	9	6	10	7	10	7	8	9	10	10	7.85