

FUNCTIONAL/DYSFUNCTIONAL SUPPLY CHAIN EXCHANGES

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ABSTRACT

Supply chain management has been studied extensively in the literature as a means for better firm performance. Likewise, the relationship paradigm has focused primarily on understanding how firms develop and maintain relationships. The purpose of this paper is to propose a means-end value chain framework to understand both exchange parties' values in a supply chain. This understanding, that we call value-matching, should lead to more compatible and functional exchanges between supply chain members, which may not necessarily need to be relational. We also present exchange value as one type of value that, when shared between two exchange parties, leads to more functional exchanges. In order to further explore value-matching, we used qualitative data from third party logistics providers and manufacturers to construct means end value hierarchies to demonstrate how values can be mismatched. The paper concludes with managerial implications and an agenda for future research.

KEYWORDS: Supply Chain Management, Value Matching, Means End Value Hierarchy

INTRODUCTION

Today's increasingly turbulent and complex environments are bringing about new, leaner, and more specialized organizations (Achrol, 1997). To deal with these increasing complexities, supply chain management (SCM) has been widely discussed and researched both in academia and industry. Particularly since business and academic logistics organizations are redefining themselves as SCM departments, several different frameworks, definitions, and propositions have been presented in the literature (Gibson et al., 2005; Lambert, 2004; Mentzer et al., 2001). Regardless of the different nuances surrounding this complex concept, one commonality in the literature suggests that SCM seeks to strategically reconfigure business in a systematic way to optimize the long-term performance of all

entities involved in delivering value to end-customers through collaboration and partnerships between firms (Bowersox et al., 2002).

In addition, managers are realizing that supply chain partner collaboration extending beyond one company's boundaries has the potential for significant systems savings (Daugherty et al., 1999). Stank et al. (2001) contend that firms adopting a collaborative perspective work across organizations in order to unite efforts and achieve collective goals through synergy. As a result, development of these interfirm partnerships can positively affect corporate profitability by both increasing sales and decreasing costs (Sharma et al., 1995).

An equally extensive stream of research has been based on the relationship paradigm, where buyers and sellers develop strategic relationships based on trust and commitment in order to achieve mutual goals (Wilson, 1995). Dwyer et al. (1987) developed a framework of buyer-seller relationships that explores five general phases of relationship development. Since this seminal article, widespread research has focused on "establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994, p. 20). The goal should be to develop a lasting relationship based on a structure of long-term benefits and mutual affinity between buyer and seller (Achrol, 1997).

While the main focus of supply chain research revolves around these collaborative exchanges, there is also an understanding that firms should establish ongoing relationships with *select* trading partners (Bowersox and Daugherty, 1995). In their strategic framework, "value added maximization" is one of the strategies in the Bowersox and Daugherty (1995) typology that involves building partnerships with other firms in the supply chain. However, not every supply chain relationship is strategic, and devoting the resources needed for maintaining these collaborative relationships can lead to inefficiencies and conflict. Further, there is also evidence that buyer-seller relationships are likely to have relatively high instability rates and generally tend to fail and terminate at excessively high rates (Das and Teng, 2000).

One possible reason for this high failure rate is that the emphasis on understanding the *supply chain partner's* value is one-sided. In the relationship development process model, Dwyer et al. (1987) underscore shared values as an important element in the commitment phase of a relationship. Wilson (1995) also stressed shared values (although he operationalizes mutual goals, a narrower concept of shared values) as a means to influence commitment in the supply chain relationship. This paper posits that dysfunctional supply chain relationships can be due to incompatible values between an organization and an exchange party. Organizations that understand their own values are more likely to establish favorable exchanges with another party. This concept is also important in focusing an organization on its own needs and performance.

The purpose of this paper is to propose a means-end value chain framework to understand both exchange parties' values in a supply chain context. This understanding, that we call value-matching, should lead to more compatible and functional exchanges between supply chain members, which may not necessarily need to be relational. We also present "exchange value" as one type of value that, when shared between two exchange parties, leads to more functional exchanges. After discussing the benefits of collaborative relationships, the concept of exchange values, and the means-end value chain, findings from qualitative research with third party logistics providers and manufacturing managers are presented and used to propose a value-matching model, followed by a discussion of its implications.

FUNCTIONAL/DYSFUNCTIONAL EXCHANGES

The emphasis on increasingly close interorganizational relationships is evident both in practice and in the academic literature. Firms are learning that no one company is big and strong enough to do everything on its own (Vyas et al., 1995). In a supply chain context, cross-enterprise collaboration emerges when two or more firms voluntarily agree to integrate human, financial, and/or technical resources in an effort to create a new, more efficient, effective or relevant business model (for a review of

partnership literature, see Bowersox et al., 2003; Lambert et al., 1999, Lambert, Knemeyer, and Gardner, 2004). Firms enter closer relationships to access new markets, manage uncertainty and dependence (Cannon and Perreault, 1999), better manage environmental pressures (Galaskiewicz et al., 1985), focus on their core competencies (Nooteboom et al., 1997), or gain access to technology or innovation (Lambert et al., 1999).

It is also recognized that beyond the hype, there is a high rate of failure (Madhok and Tallman, 1998). Failure may result from lack of performance measurements (Stuart, 1996), unwillingness to invest the needed time for success (Mentzer et al., 2000), or ending the relationship prior to realization of benefits (Kanter, 1994). Although the emphasis has been on closer interfirm relationships, collaborative exchanges are not, nor should they be, the goal for all interorganizational relationships. As Macneil (1978) noted, there is a distinction between discrete transaction and relational contracts, which Dwyer et al. (1987) later referred to as relational exchange. While most of the current literature refers to exchanges to imply collaboration or partnerships, we are defining an exchange as *any* transaction between two firms. Therefore, when we refer to “exchange,” we are using the term in a general sense in order to encompass the entire myriad of business transactions that take place.

There are ways that firms can realize benefits from exchanges with their trading partners without the investment and risk that is involved in forming a collaborative exchange. As empirically supported by Noble et al. (2002), a selling orientation focusing on a transactional approach and maximizing short-term sales can be positively related to performance. Ganesan (1994) also found that insufficient understanding of a customer’s time and time orientation can lead to problems, such as attempting relationship marketing when transaction marketing is more appropriate. In a supply chain operations context, Krajewski and Wei (2001) determined that production schedule integration is not always beneficial, and high holding costs and long lead times may not produce results necessary to justify integrated scheduling. Thus, by developing a relationship portfolio, firms can allocate resources and manage key relationships, while maintaining other exchanges on a more transactional basis (Zolkiewski and Turnbull, 2002).

While traditionally, transactional exchanges are thought of as discrete, one-time events, Figure 1 demonstrates that transactional exchanges can also be few to many and occur over time. The lower left-hand quadrant of the figure demonstrates the traditional notion of transactional exchanges, with only an occasional exchange. However, as the upper left-hand quadrant demonstrates, a buyer may continue to purchase from the same supplier many times, but the exchange does not involve relational variables, and therefore, remains transactional. For instance, a firm may buy from a supplier over and over again because of low prices, but have no long-term commitment or trust invested in the exchanges. Further, as the upper right-hand quadrant demonstrates, the more collaborative exchanges become, the more they have properties of “a minisociety” with norms beyond those centered on the exchange and its immediate processes (Macneil 1978), which implies governance by trust and commitment (Dwyer et al., 1987). This is the traditional notion of relational exchanges, whereby many transactions occur over time. However, the lower right quadrant also suggests that collaborative exchanges may only be a one-time event. For example, the purchase of a major IT system is often a one-time exchange. Trust and commitment, however, may be developed between the two parties due to the importance of the purchase and capital investment involved. Therefore, the type of exchange should not be defined solely by the number of exchanges, but by the dynamics and complexities between the supply chain members.

take in Figure 1

In addition to understanding the nature of transactional and collaborative exchanges, it is also critical to look at what each firm “values” in the relationship of that exchange. In other words, does each firm view the exchange as a transactional or collaborative one? Figure 2 demonstrates functional and dysfunctional exchanges between a focal firm and its exchange party. Functional relationships occur when both parties’ exchange values are compatible. We define an exchange value as the desired end-state the focal firm has with another exchange party. Compatible exchanges can occur anywhere along the transactional-collaborative continuum and within the functional zone. Outside this functional zone, the

exchange becomes dysfunctional. Along the continuum between transactional and collaborative exchange, each firm must recognize what it individually wants out of that particular exchange.

take in Figure 2

Krapfel et al. (1991) suggest that different exchange types determine the structure of the exchange. This decision is contingent on the value the firms individually want out of the relationship. When both parties have similar exchange values, they become shared values, leading to more functional exchanges. Morgan and Hunt (1994, p. 25) maintain that shared values are “the extent to which partners have beliefs in common about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, right or wrong.” When two firms are “on the same page” about the behaviors and goals within a relationship, they are able to better structure the relationship to realize its benefits, whether those benefits come from a transactional or collaborative perspective.

MEANS-END VALUE HIERARCHY MODEL (MEVHM)

Rokeach (1973, p. 5) defines a value as “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.” Means are described as objects or activities in which people engage (e.g., dieting), and ends are valued states of being (e.g., good health). The marketplace has many more means than values, so “ends” are few and “means” are many. To reduce complexity, individuals categorize products in order to produce those desired end states (Gutman, 1982). The means-end chain seeks to explain how a product or service selection assists in the achievement of desired end-states (Gutman, 1982) and is represented by a hierarchal framework that links attributes, benefits, and values. The attributes are at the lowest level of the hierarchy and can be the physical characteristics of a product, or the intangible characteristics of a service (Gutman, 1997). The next level of the hierarchy, benefits, are more abstract and represent a state of interaction between the product and the user (Woodruff and Gardial, 1996). They

are the advantages that come from the use of products or services. While products or services *have* attributes, benefits differ from this because people *receive* benefits from the product or service (Gutman, 1982). Finally, desired values are at the top of the hierarchy, and represent the guiding principles and final desired end-states that are derived from the benefits and product/service attributes (Woodruff and Gardial, 1996).

The means-end value hierarchy model (MEVHM) can also be viewed as a hierarchy of goals (Bagozzi and Dabholkar, 1994). In the levels in the MEVHM, a goal hierarchy is the way a customer breaks up a complex problem into a series of shorter-range problems, and it is easier to think about goals being achieved rather than attributes, benefits, and values being achieved (Gutman, 1997).

The means end theory contributes to thought and application in segmentation (Vinson et al., 1977; Gutman, 1982; Valette-Florence and Rapacchi, 1991), product planning (Vinson et al., 1977; Gutman, 1982), product assessment (Valette-Florence and Rapacchi, 1991), new product development (Vriens and TerHofstede, 2000), advertising strategy (Vinson et al., 1977; Gutman, 1982; Valette-Florence and Rapacchi, 1991), positioning (Vriens and TerHofstede, 2000; Gutman, 1984), market analysis (Gutman, 1982), and public policy (Vinson et al., 1977). Zeithaml (1988) used a means end chain in an exploratory investigation relating price, perceived quality, and perceived value. The literature has focused on applying the MEVHM to understand customers, providing the opportunity to better satisfy their needs. It has been predominantly applied to the consumer setting, with limited application in a business-to-business context (for an exception, see Mentzer et al., 1997). The MEVHM could easily be extended to understanding not only the customer in a business setting, but also the focal firm in a supply chain context.

In a study exploring customer perceptions, Mentzer et al. (1997) used the framework to explore how a logistics firm's customers perceived the services they received. The authors constructed a MEVHM to understand the attributes-benefits-values customer logic in order to reduce the risk of emphasizing logistics service attributes that might not be consistent with what customers really value.

They found that several of the customers interviewed were unhappy with the service level provided, and this lowered the level of trust in the firm's abilities. With the same customer base, Mentzer et al. (2001) developed a survey and used structural equation modeling to link the logistics service quality process to satisfaction.

Many satisfaction measures and supplier selection criteria are determined by the attributes (e.g., quality, timeliness, order accuracy, order condition) presented in the Mentzer et al. (2001) study. When comparing these two studies, many of the attributes from the means-end chain were used as constructs in the empirical study, and they positively influenced customer satisfaction (Mentzer et al., 2001). Using the MEVHM approach for the same customer base, however, at least some of the exchanges between the firm and its customers appear to be dysfunctional based on the qualitative data (Mentzer et al., 1997). This paradox, we believe, stems from our premise that similar attributes may not lead to similar exchange values. Looking at a supply chain exchange at only the attribute level may lead to confusion or disillusion between the parties if the higher-level exchange values do not match. This could be a contributing factor to the instability in many supply chain relationships. In order to understand this apparent paradox, this study employs using the MEVHM to look at the typical focus for this method – the customer – but also extends this technique to include the supplier's value hierarchy.

METHODOLOGY

Rather than verification, the purpose of this study is exploration (Hunt, 1983; Mentzer and Kahn, 1995) of concepts surrounding MEVHM from the perspectives of not only the customer, but the supplier as well. We conducted a qualitative study due to the lack of theoretical basis explaining the MEVHM from the perspective of both the supplier and the customer. We also integrate the literature findings with the managerial perceptions gained from field interviews. Qualitative research is appropriate for research issues that necessitate discovering concepts and relationships to develop a theoretical explanatory framework (Stern, 1980; Strauss and Corbin, 1998, p. 11). Instead of surveying the phenomenon, the

objective of this research was to gain deep, rich insights into the phenomenon (McCracken, 1988, p. 18). In particular, our aim was to gain an in-depth understanding and managerial perceptions of MEVHM from the perspective of both the supplier and the customer and use this understanding to construct a stronger theory, which drove the development of a theoretical framework.

As a first step to the qualitative study, we reviewed the literature on supply chain relationships and MEVHM (presented in previous section). The literature review allowed us to choose interview participants based on theoretical sampling guidelines and also to design the preliminary questions for the in-depth interviews.

Following theoretical sampling guidelines, after the initial interview participant was chosen, we jointly collected, coded, and analyzed the interview data and then determined which participants to interview next (Belk, 1989; Strauss and Corbin, 1988). After the findings became redundant, we concluded that the full complexity of the concepts had been captured and, thus, did not collect additional data (Flint et al., 2002). This allowed us to develop the theory as it emerged and provided thorough theory development (Maxwell, 1996; Miles and Huberman, 1984).

Our literature review suggested we interview managers who were involved in business relationships between customers and suppliers. Because our unit of analysis is organizations' perceptions of exchanges, in particular, we chose the relationship between manufacturers and third-party logistics providers. Thus, our sample consisted of logistics managers who worked for manufacturers and acted as the key contact with their third party logistics (3PL) providers and customer account managers who worked for 3PLs. These were chosen for our sample because they were the individuals in the firm who closely dealt with the manufacturer-3PL relationship. Ten professionals in ten companies were interviewed. The sample reflected diversity along several dimensions, such as tenure on the job, organization size, products manufactured, the organization's position within the supply chain (e.g., original equipment manufacturer, first-tier supplier, second-tier supplier, or 3PL), and industry (e.g., chemical, publishing, consumer-products, pharmaceuticals, and electronics). The sample represented

private and public organizations in the US. The sales ranged from under \$4 billion to over \$29 billion in revenue. The sample also varied in type of third party logistics provider (e.g., warehouse provider, transportation provider, IT provider).

We attained saturation at the end of 10 interviews, i.e., each incremental interview was providing no additional information. Ten interviews would be considered too small of a sample for theory testing. In contrast, theory building seeks comprehensive concepts, which indicates that it is common to interview eight or fewer informants until saturation is reached (McCracken, 1988; Strauss and Corbin, 1998). In theory building, generalizability is not a concern and is reserved for future theory-testing research (Flint and Mentzer, 1997).

The interviews were conducted at the participants' workplaces and lasted approximately 60-90 minutes. Interview questions were open-ended and varied in sequence (see Figure 3 for the Interview Protocol). The interviews were audio recorded and transcribed in order to minimize researcher bias and provide data quality/reliability in the analysis.

take in Figure 3

Following Strauss and Corbin (1998) and using the QSR NVivo 1.3 software package, the researchers conducted open, axial, and selective coding. Emerging themes and concepts were analyzed in detail, compared, and combined into categories to form constructs and a theoretical framework (the framework is discussed in the next section). In addition, the principal researcher took notes on observations of a number of business discussions between the primary interview participant and his or her co-workers from various positions within the firm, toured facilities, and reviewed corporate documents (e.g., coordination mechanism process map, vendor relations manual, or contractual document), when available. The qualitative results were continually compared to the existing literature in order to discover differences and similarities between existing research and the phenomenon.

Instead of using theory testing criteria to evaluate research and generalize findings (e.g. internal validity, external validity, and reliability) (Calder et al., 1983; Lynch, 1983), the objectives of this study called for evaluating criteria appropriate for qualitative exploratory research (Hirschman, 1986). These include the following trustworthiness criteria: credibility, transferability, dependability, confirmability, integrity, fit, understanding, generality, and control (Belk, 1989; Flint and Mentzer, 1997; Flint et al., 2002; Hirschman, 1986; Lincoln and Guba, 1985; Wallendorf and Belk, 1989). These are used to evaluate interpretive research and are comparable to internal validity, external validity, and reliability (Hirschman, 1986; Lincoln and Guba, 1985) used in theory-testing research. As described in Table 1, we carefully followed the interpretive research guidelines.

take in Table I

FINDINGS: VALUE MATCHING

Based on the analysis of the interviews with the manufacturing logistics managers and the 3PL customer account managers, we developed two MEVHMs (shown in Figure 4), one from the perspective of the customer (i.e., manufacturers) and one from the perspective of the supplier (i.e., 3PLs). The overlapping sections (i.e., shaded area in Figure 4) represent matching areas (e.g., benefits and attributes) between the 3PLs and the manufacturers. Where the two MEVHMs do not overlap (i.e., non-shaded area in Figure 4), the 3PLs are attempting to provide something that does not match what the manufacturer desires from the relationship. In the remainder of this section, we present findings from the interview analysis.

In comparing the responses from the 3PLs and manufacturers, we found examples of exchange-specific value matches and exchange specific-value mismatches. During discussions with both the managers of the manufacturers and the 3PLs, the managers described similar attributes, such as “*building up dedicated IT platforms*,” “*specialized contracts*,” “*unique bar-code [system]*,” “*specialized product*

handling,” etc. Through further discussion, the combination of these attributes created the advantage of a customized solution. The 3PLs felt it important to provide the benefit of providing customized solutions to their manufacturing customers. For example, one 3PL customer account manager that served the telecom and pharmaceutical industry described the significance of customized management to effectively managing customer accounts. *“Managing different accounts differently... you won’t treat them the same. You manage them differently because they will have different personalities and different habits.”* The 3PL managers stated that they focused on developing solutions *“based on the unique needs of the client.”* Another explained the importance of customized solutions to gaining long-term contracts. *“[W]e do need to purchase or build specialized facilities or equipment for certain client’s needs and that would have an effect on how long the contract was.”* Similarly, the manufacturers also desired the benefit of customized solutions. One manufacturing logistics manager described, *“There are a lot of examples [when] they’re extremely willing to do whatever it takes for us.”*

Though both discussed customized solutions as a benefit of the exchanges and similar attributes that comprise customized solutions, the 3PLs and manufacturers differed on their perspective regarding the values, and thus, resulting other benefits and attributes of the exchanges. In each interview with the 3PL managers, conversations revolved around the ability to quickly respond to their customers needs. They suggested that their role in creating a successful exchange starts with investigating the customers’ needs, and developing solutions to meet those needs. Actively listening to their clients’ desires was of significant importance to the 3PL managers. For example, one 3PL manager stated, *“Usually the shipper has a reasonably good idea of what they want to do... so we talk to them and we find out what their need is and we put together a program for them.* They stressed the significance of constantly asking questions to their clients, such as, *“What are the problems you’re having? What would you like to see improved? Is there anything that’s not meeting your expectations? And we’ll continue to ask those questions and elicit feedback and, and try to... keep that continuous improvement cycle moving forward.”* The 3PL managers suggested that it was imperative to not only be effective at finding out the desires of their customers, but

also to have the capability to respond flexibly and quickly to those changing desires. One remarked, *“If they have a problem, they pick up the phone and they call the top level management [in our firm] and we can make something happen... With us we can make [it happen] tomorrow. They call us... and we try to take care of that for them.”* For example, they discussed attributes that would provide the benefit of responsiveness. *“You know, we make it so that they can get hold of us 24/7 whether it’s email or cell phones. We have to handle personnel issues that come up, handle safety meetings, handle delivery issues that come up, and so a lot of our business is done in the car, on the plane, waiting around, and you have to kind of learn how to work in that environment, that virtual office environment. So if you said, ‘Well I’ll just wait and deal with that when I get back to my office’, [it would] never get it done.”* As the quote above illustrates, they discussed attributes of being accessible to and in constant communication with their clients. The 3PL managers also stressed that being responsive required an inquisitive nature of asking questions to receive continuous performance feedback, and ensuring resources and capacity were available to accommodate the changing needs of their customers.

In comparing these comments with previous literature, it is apparent that the 3PL managers interviewed are seeking to provide the value of being “market-driven.” Market-driven refers to a reactive business logic, which favors incremental adjustments to changes in the business environment and works through adaptive organizational learning (Jaworski et al., 2000). Market driven firms respond to environmental changes as they arise, but do not attempt to force change back into the environment (Narver et al., 2004; Vorhies and Harker, 2000). The following comment from one of the 3PL managers sums up this concept providing the value being market-driven by stating that their mantra for success is *“What else can we do for you?”*

The comments from the manufacturing managers, however, revealed a mismatch between the value the 3PL is seeking to provide in the exchanges and the value the manufacturers’ desire from the exchanges. Repeatedly, the manufacturers remarked that although their 3PLs were highly responsive to their needs, the 3PLs rarely provided new and radical ideas, practices, and processes for the exchange.

One manufacturer said, *“It is hard to find innovative 3PLs. Of the 150 3PLs, only one has ‘stepped up’ and offered innovative, proactive service.”* Another described his desire for their 3PL to recommend new ideas, *“So we would expect that they would be the ones coming to us [telling us that] there’s a more efficient way that we can do this, that we can get [a certain] percent of productivity gains... You would think that they would be going forward making productivity and efficiency improvement on their own.”* Another commented on the need for their 3PL to take a leadership role in performing trend analysis in the exchange, *“That they would... understand what was going on in industry and that they would be, should be, a leader in the industry on the forefront of those new efficiencies and new productivity initiatives. So that’s where we feel the value add is.”*

The manufacturing managers thought it was important for the 3PLs to be oriented toward learning and have personnel with the latest industry knowledge, for example, supply chain, marketing, and technological skills and abilities. *“That function is not anything that we can’t do, but we don’t have the ... the [supply chain, marketing, and technological] knowledge..., so we want them to be coming to us and telling us [what we should be doing].”* Another manufacturing manager remarked on his desire for 3PLs with proactive personnel. *“Well, right now, it’s almost like we kind of prod them to see improvements. I’m going to them and saying, ‘what about this or how about trying this or this process is not right, or what’s going on in the on this,’ so I feel like I’m proactively having to tell them to go do things. Then after that a lot of the time they’re very receptive to it, but I feel like it should be the other way around, they should be coming to me.”*

In contrast to the market-driven view, the manufacturers desired their 3PLs to drive their markets by providing the benefit of innovative, break-through ideas, practices, and processes. Previous literature terms this “market-driving” as opposed to “market-driven” (Jaworski et al., 2000). A 3PL that provides a market-driving value emphasizes proactive and innovative business logic, which attempts to alter the business environment, involves discarding the present way of doing business, and substituting the

embedded theory-in-use with something fundamentally and radically new through generative learning (Kumar and Scheer, 2000).

Figure 4 illustrates the 3PLs desire to provide a market-driven value, in contrast with the manufacturers desire for the 3PL to provide the value of driving the market, i.e., market-driving. As can be seen in the figure, a market-driven strategy is manifested by the benefit of providing responsive solutions to the manufacturer's expressed needs, and can be observed by the attributes of continuous communication, inquisitive personnel, available resources/capacity, and accessibility. On the other hand, the manufacturer's desire for 3PLs to be market-driving is evident by providing the manufacturer with benefits of innovative break-through ideas, practices, and processes, and can be observed by the attributes of proactive personnel, learning organization, trend analysis, and supply chain, marketing, and technological skills and abilities.

take in Figure 4

This paper suggests a focal firm should understand its own means-end-value hierarchy, as well as the means end value hierarchy of its exchange parties. The MEVHM conceptualizes that, in the supply chain context, organizations are motivated to achieve the goals they value through exchanges with other organizations. These motivations are a result of specific exchange attributes sought and the benefits and values of those attributes. If organizations are considered goal-oriented, they will seek the means that enable them to achieve their ends (i.e., a means-end chain) (Mentzer et al., 1997).

In order for organizations to maintain functional supply chain exchanges, the values that each supply chain party desires from that exchange should match (see Figure 5). The application of the MEVHM to both parties in an exchange can provide a process for understanding whether value-matching does or does not occur. As shown in the value-matching model (see Figure 5), matching can occur on three levels of the MEVHM: attributes, benefits, and values. Value-matching cannot occur unless the focal firm's exchange specific values are similar to the other party's exchange specific values. If the

parties' exchange specific values match, then their attributes and consequences should match as well. The reverse would not hold true. If both parties desire similar attributes and/or benefits from the exchange, but not similar values, then value-matching may not occur.

take in Figure 5

The literature and the qualitative study suggest that the MEVHM could be a useful tool in understanding supply chain partners. However, this should be performed while fulfilling the firm's needs (e.g., at a profit). In order for a focal firm to fulfill these needs from a particular exchange, it must understand the value it desires from that exchange. Not only is the MEVHM applicable to gain understanding of the exchange party's values of a particular exchange, it is also an appropriate tool to gain understanding of the focal firm's exchange specific values.

IMPLICATIONS AND FUTURE RESEARCH

The purpose of this paper was to propose a means-end value chain framework to understand two supply chain party's values by presenting a value-matching framework. This framework is applicable as a managerial tool for the search, selection, and termination of exchanges. If a firm understands that an exchange party's values should be complementary to its own exchange values, then that firm will be able to create and maintain functional exchanges based on the premise that the reason for the exchange is to serve its *own* needs. Because of the richness of the data generated by constructing a MEVHM, rich insights could be gained about the nature of exchanges that extends beyond the tangible, attribute-driven constructs found in quantitative studies.

Additionally, this framework provides theoretical insights to understand how firms establish and maintain collaborative exchanges, as well as why many collaborative exchanges fail. For example, whereas both the 3PLs and manufactures in our study understood that the exchanges were beyond

transactional (e.g., requiring customized solutions, etc.), they perceived the extensiveness of collaborative behaviors required between the two parties differently. To set-up an exchange so the 3PL is responsive requires a certain level of investment to maintain continuous communication, available resources, and to be accessible. To arrange an exchange so the 3PL provides innovative ideas, practices, and processes, however, requires a much greater level of collaborative behaviors between the parties. For 3PLs to truly be market-driving and innovative, they must be highly interactive with their clients. For instance, the 3PLs may be required to conduct interviews, focus groups brainstorming exercises, competitive product analysis, trend analysis, and scenario exercises in collaboration *with their client* in order to understand what ideas, practices, and processes are best for their client (Flint et al., 2005). It is essential that each party understand the specific values each parties desires in the exchange in order to know the level of transactional or collaborative behaviors required for effective exchanges. The following discussion highlights both the managerial and research implications.

Managerial Implications

Recent research in business settings has demonstrated that supply chain exchanges have a high failure rate (Madhok and Tallman, 1998). This paper suggests several implications for managers that can assist them in avoiding these failed exchanges.

Applying the MEVHM to both the focal firm and their supply chain exchange party and determining what level of the value-matching framework matching does or does not occur provides a decision analysis tool for the management of exchanges. If the exchange specific values match between two supply chain parties, then a functional exchange exists and no shift along the transaction-collaboration continuum is required. On the other hand, if the exchange specific values do not match, four general scenarios are required in order to reach a functional exchange:

- In the first scenario, the focal firm persuades the other party to shift its values, specific to the exchange, along the continuum (see Figure 2) to match the focal firm's exchange specific values.

This scenario is most desirable for the focal firm, but is heavily dependent on the power/dependence structure of the exchange.

- The second scenario is that the focal firm voluntarily shifts its exchange specific values along the continuum to match the other party's values specific to that exchange. This scenario is most desirable for the exchange party, but least desirable for the focal firm.
- The third scenario in the situation of dysfunctional supply chain exchange is the same as the previous scenario, except that the focal firm's shift is only short term. In the long-term, however, the focal firm searches for a replacement for the exchange party. This scenario assumes that the focal firm cannot persuade the exchange party to shift, the focal firm does not desire to maintain the shift in the long-term, and the search and selection process for a replacement is lengthy.
- The fourth scenario is that the focal firm and the exchange party both shift along the continuum. This is a consensus approach where the two parties "meet in the middle" in terms of their exchange specific values.

The value-matching framework suggests that managers may be conforming to the business customer's needs without evaluating the resulting impact on their firm. In many cases, managers understand their business customers' values, via customer relationship management, and then shift along the transactional-collaborative continuum in order to meet their customer's needs. For example, a recent interview with an executive of a large computer accessory company stated, "*[Our business customers] can ask for whatever they want and we always give it to them, whether it's within reason or without reason.*" This comment reflects the trap that many firms fall into, i.e., a one-sided focus on the customer. This one-sided focus, however, may be at the expense of firm performance.

Much of the recent relationship management literature focuses on collaborating with customers and suppliers. Although this literature has substantially affected the management of exchanges, it should not be assumed that all exchanges must be collaborative. For example, a recent interview with an executive

in the chemical industry stated, *“To be honest, there’s been so much hype around some of the collaboration type things that haven’t delivered as promised...”* This statement suggests that transactional exchanges may be more effective for some exchanges, rather than collaborative exchanges. As Day (2000) suggests, it is the firm’s most valuable customers that create competitive advantage. The model presented in this paper provides a management tool that can assist in understanding where on the transactional-collaborative continuum an exchange would be most effectively managed.

Additionally, this paper’s model can be a guiding mechanism for managers to assist in the exchange party search and selection process. As evidenced by criteria on request-for-proposals and supplier selection balanced scorecards, most managers rely on evaluating exchange specific attributes as opposed to values during the search and selection process. In the exploration phase (Dwyer et al., 1987), managers focus on attributes such as on-time performance, reputation of the other party, etc. However, our framework suggests that managers should spend more time understanding their exchange specific values and the exchange specific values of the other party. During the search and selection phase, managers can use the framework by constructing a MEVHM of what they value from the desired exchange as well as a MEVHM of potential exchange parties. The focal firm can then segment these potential exchange parties by their exchange specific values. Following the segmentation, managers could target exchanges to only on those segments that provide a value-match. For instance, the 3PL industry has a broad array of services with customers that have diverse needs. A 3PL can use the framework to understand what strengths and competitive differentiators it possesses and then look for a “match” with customers that are looking for the desired end state that the 3PL can provide.

Theoretical Implications

This paper makes several important theoretical contributions. First, it focuses attention on an important objective of the marketing concept often over-looked in the business-to-business relationship literature: fulfilling the focal firm’s needs. Research on customer value (Flint and Mentzer, 2000),

relationship marketing (Sheth and Parvatiyar, 1995), and customer relationship management (Campbell, 2003) centers on understanding and meeting the customers' needs. While this research is valuable in and of itself, the perspective in these streams of research should be that all of the activities involved in meeting customer requirements create a competitive advantage or help organizations boost their bottom line.

Second, this paper extends the use of the MEVHM. Woodruff (1997) uses the framework to show that it can capture the essence of customer value, and Flint and Woodruff (2001) discuss its application to understand and predict customer value change; both can be extended to a business setting. Mentzer et al. (1997) broaden it to logistics service. However, application in a business context is still very limited. This paper also suggests the MEVHM as a method to understand the focal firm's values of an exchange, as opposed to only its customers. It expands the MEVHM's applicability beyond understanding the focal firm's values to all exchange parties, including suppliers, third parties, and cooperative alignments with competitors.

Additionally, this paper contributes to the literature by suggesting that exchange values are a type of value important in achieving functional exchanges, and the concept of "value matching." Research has shown the importance of understanding a firm's values (Hunt et al., 1989), but few have studied what firms value from an exchange between a dyad. We introduce exchange values as one variable that determines where on the transaction-relationship continuum a particular exchange is located. While most research about buyer-seller behavior focuses on the drivers or facilitators of exchange (e.g., trust and commitment or low-cost and efficiency), we contend that there are exchange values underlying those facilitators, and use of the MEVHM can explore those higher level values.

Another research opportunity includes the extension of Krapfel et al., (1991) research on the power/dependence effect on interest compatibility, i.e., does asymmetric power/dependence affect exchange-value and/or the incidence of exercising the four scenarios mentioned earlier. Answers to these and other questions about the effect of value hierarchy matching in dyadic relationships should lead to a

fruitful program of research to better understand what constitutes functional and dysfunctional supply chain relationships.

The context in which we chose to conduct our qualitative research provides implications for future research on third party logistics providers. Since our research focused on the perceptions from the viewpoint of the 3PL or their 3PL customers in general, future research should also extend our research to explore and/or extend the means-end framework within the context of specific customer/supplier dyads. Additionally, an interesting future research opportunity would be to extend our research to explore more complex dimensions of exchange, beyond the transaction-relationship, one-time to multiple purchases continuum. For example, Cooper et al. (1997) discusses “bow-tie” versus “diamond” structures of relational type of exchanges. Future research could investigate our framework in the context of these different types of structures, and at multiple hierarchical levels throughout the organization.

Though not generalizable, our research suggests future research should be conducted on manufacturers’ need for 3PLs that are market-driving. For example, in what situations is a market-driven or a market-driving approach more effective in the manufacturer-3PL exchange? Because of the trend to use more outsourcing, especially for supply chain solutions, future research should focus on the perceptions of customers toward their 3PLs, industry differences in the manufacturer-3PL relationships, and the drivers of those exchange-specific values.

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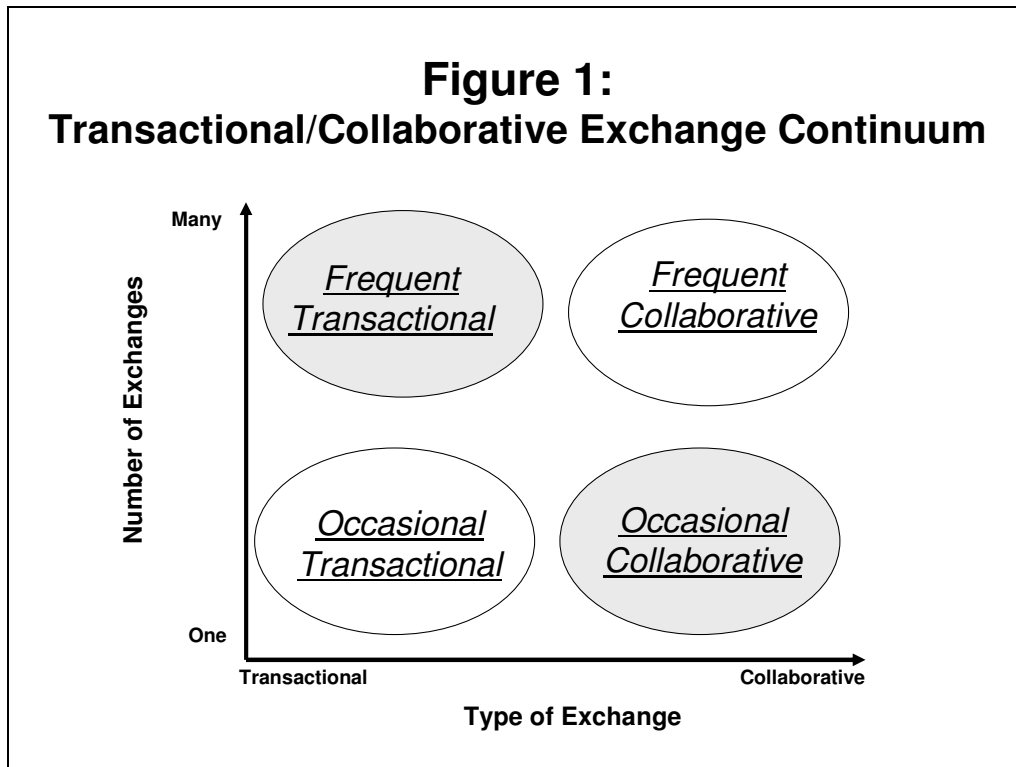


Figure 2:
Functional/Dysfunctional Supply Chain Exchanges

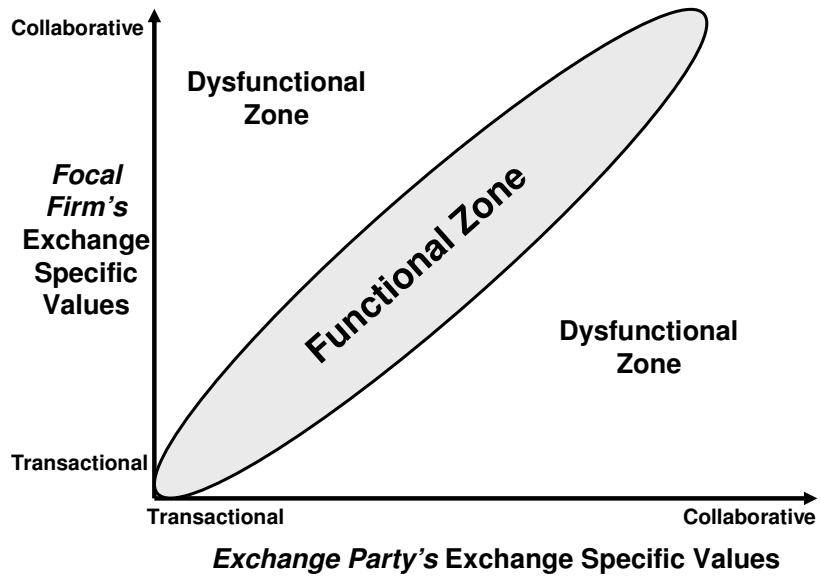


FIGURE 3
Interview Protocol / Guide

Opening

- Introductions of interviewer and interview participant
- Overview of purpose of the study
- Confidentiality assurance
- Permission to audiotape

Demographic Data

- Titles of interview participants
- Organizational Structure
- Background on organization, industry

Initial Prompts

- **For interviews with Manufacturing Logistics Managers:**
 - Tell me about one of your better 3PLs.
 - Tell me about one of your worse 3PLs.
- **For interviews with 3PLs:**
 - Tell me about one of your better manufacturing customers.
 - Tell me about one of your worse manufacturing customers.

Additional Questions

- What do you like (or dislike) about that 3PL/customer?
- How do you determine the success of the relationship with that 3PL/customer?
- What would the ideal situation look like for the relationship with that 3PL/customer?

Additional Unplanned/Floating Prompts

- How?
- Describe?
- Can you tell me more about that?
- Will you explain that in more detail?
- Can you give me examples or tell a story of an experience about that?
- How does that work?
- Tell me about a time when that did not happen.

TABLE I
TRUSTWORTHINESS OF THE STUDY AND FINDINGS^a

Trustworthiness Criteria	Method of Addressing Criteria in this Study
<p>Credibility Extent to which the results appear to be acceptable representations of the data</p>	<ul style="list-style-type: none"> • Codes and text were analyzed by independent coders. • Independent researchers reviewed interpretations. • 18 weeks conducting interviews. • Interviews allowed participants to respond to interviewee's initial interpretations. • Result: Emergent models were altered.
<p>Transferability Extent to which the findings from one study in one context will apply to other contexts</p>	<ul style="list-style-type: none"> • Theoretical sampling. • Result: Data from all participants were represented by the theoretical concepts.
<p>Dependability Extent to which the findings are unique to time and place; the stability or consistency of explanations</p>	<ul style="list-style-type: none"> • Many experiences covering recent and past events were reflected on by the participants. • Result: Regardless of position in firm and when the story took place, found consistency across participants' stories.
<p>Confirmability Extent to which interpretations are the result of the participants and the phenomenon as opposed to researcher biases</p>	<ul style="list-style-type: none"> • Interpretations, documents, and summary of preliminary findings were independently reviewed by at least three researchers. • Result: Interpretations were broadened and refined.
<p>Integrity Extent to which interpretations are influenced by misinformation or evasions by participants</p>	<ul style="list-style-type: none"> • Interviews were of a nonthreatening nature, anonymous, and professional. • Result: researchers never believed that participants were trying to evade the issues being discussed.
<p>Fit Extent to which findings fit with the substantive area under investigation.</p>	<ul style="list-style-type: none"> • Addressed through the methods used to address credibility, dependability, and confirmability. • Result: Concepts were more deeply described, and the theoretical integration was made more fluid and less linear, capturing the complexities of social interaction discovered in the data.
<p>Understanding Extent to which participants buy into results as possible representations of their worlds.</p>	<ul style="list-style-type: none"> • Participants were asked during the interviews to confirm if researcher's initial interpretations were accurate. • Result: Colleagues bought into the findings.
<p>Generality Extent to which findings discover multiple aspects of the phenomenon.</p>	<ul style="list-style-type: none"> • Interviews were of sufficient length and openness to elicit many complex facets of the phenomenon and related concepts. • Result: Captured multiple aspects of the phenomenon.
<p>Control Extent to which organizations can influence aspects of the theory.</p>	<ul style="list-style-type: none"> • Participants can control almost all theory variables • Result: Participants can influence MEVHM.

^a Adapted from Flint et al. (2002, p. 106) and Flint and Mentzer (2000, p. 23)

Figure 4:
Example of Dysfunctional Exchange

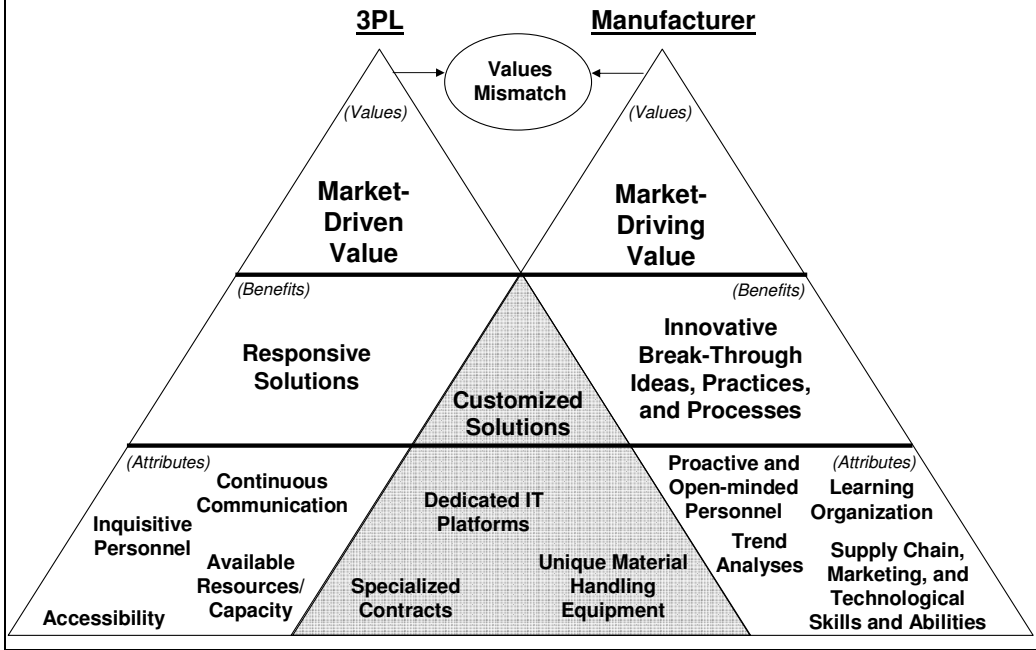


Figure 5:
Functional/Dysfunctional B-to-B Exchanges:
Value Matching

