



MASTER THESIS BUSINESS ADMINISTRATION

Selecting Marketing Channel Partners

A Relational View on Context-Specific Channel Capabilities

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For your notes

MANAGEMENT SUMMARY

Companies increasingly seek profitable opportunities outside their national borders. Since selecting the right channel partner is not an easy task for organizations, an important question for manufacturers is how to select good partners abroad and what constitutes the relationship. Over time the literature about marketing channels shifted extensively towards the “soft-side” of channel literature; to behavioral-based approaches, while the economic-based approaches such as the resource-based view have become underexposed.

Interestingly, although marketing channels always presume the interaction between multiple organizations, the current body of literature does not explain organization transcending principles such as inter-organizational competitive advantage. In particular, a research gap can be identified with regard to capabilities of channel partners. In order to fill this gap, rather than focusing on the atomistic resource-based view, the theoretical lens of the relational view is utilized to take on a dyad or network oriented perspective aimed at capabilities of channel partners. Additionally the distinct industrial context is taken into consideration, since contextual differences play an important role. Therefore, this research investigates how channel relationships can be understood, selected and developed, from a relational and context specific perspective.

Through the use of sequential exploratory mixed methods research, which involves collection of both qualitative and quantitative data (Creswell, 2014), the data is collected. In the first phase, through an exploratory literature review, different capabilities are distinguished, described and integrated, leading up to the development of the channel collaboration capability model. In the second phase, qualitative and quantitative empirical data will be gathered through workshop sessions with focus groups of experts of a case company; Enerpac Integrated Solutions, Hengelo, the Netherlands.

The academic contribution of this study is to provide new dyadic insights in understanding, the selection, and development of channel relationships through the channel collaboration capability model. Filling the identified gap with regard to capabilities of channel partners and integrating an additional theoretical approach; utilizing the principles of the relational view, to marketing channel literature.

The practical contribution is the development of a thoroughly elaborated method or “tool” which allows managers to evaluate potential channel partners based on their capabilities; through the distributor collaboration form.

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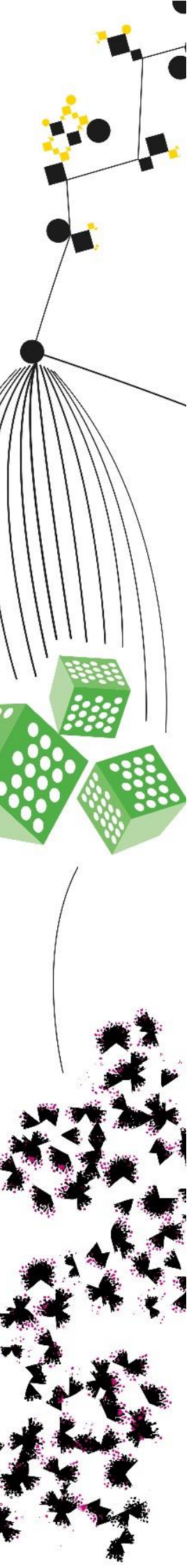
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In memory of my grandmother, Graddie Overbeek

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CHAPTER 1.

INTRODUCTION

1.1. INTRODUCTION

Companies increasingly seek profitable opportunities outside their national borders. Globally, the amount of organizations operating internationally have risen due to trends such as economic unification and globalization from an estimated 7000 multinational enterprises globally in 1960 (Grewal et al., 2016), to a total of around 103.786 parent companies and 892.114 foreign based affiliates in 2010 (UNCTAD, 2010). Despite the possibility to approach foreign customers, by offering products through the way of direct sales, generally, companies such as manufacturers cannot do everything themselves. Therefore, according to Cavusgil et al. (1995) an important decision which organizations face in the international context is whether to offer products through the way of direct sales channels or through independent foreign distributors. In practice, about one third of the global domestic product runs through sales by such intermediaries which can be considered as marketing channel partners (Watson et al. 2015). In the academic literature, marketing channels are defined as “sets of interdependent organizations or ‘intermediaries’ engaged in the process of making manufacturers’ (or producers’) products or services available to end-users” (as cited in Krafft et al., 2015, p.569). Examples of marketing channels include for instance retailers, agents, wholesalers and distributors or dealers (Krafft et al., 2015). Since selecting the right channel partner is not an easy task for organizations, as channel decisions are difficult to reverse, the cost of changing partners is high and poor channel decisions result in weak partners (Palmatier et al., 2007) an important question becomes how to select good partners abroad and what constitutes the relationship?

Marketing channels have received much attention in the marketing literature throughout the last decades with past studies in research domains ranging from for instance conflict, control mechanisms and negotiations (Krafft et al., 2015), to research clusters about the influence of new technology on channel behavior and the influence of culture (Hoppner and Griffith, 2015). In time the literature shifted extensively towards the “soft-side” of channels. Watson et al. (2015) state that these behavioral-based theories and constructs such as commitment-trust (e.g. Zhang, Netzer and Ansari, 2014; Palmatier et al. 2013) and power dependence (e.g. Antia, Zheng, and Frazier, 2013; Draganska, Klapper, and Villas-Boas, 2010) have become more important, while the economic-based approaches such as the resource-based view have become underexposed. As a result of this, concrete examples of recent research papers in this domain are difficult to find. The resource-based view explains how individual organizations gain and sustain a competitive advantage based on the presence of, access to- and utilization of valuable, rare, imperfectly inimitable resources and capabilities (Barney, 1991). In marketing channel literature, the resource-based view links the performance and competitive advantage of channel members to access to such VRIO capabilities and resources (Kozlenkova, Samaha and Palmatier 2014). Dyer and Singh (1998) identified an important shortcoming related to the RBV in a relational context; the RBV focuses on individual firms, while critical resources and capabilities can reach beyond the individual firm.

Interestingly, although marketing channels always presume the interaction between multiple organizations, the current body of literature does not explain such organization transcending principles. In particular, a research gap can be identified with regard to capabilities of channel partners. In fact, in their extensive review of research in international marketing channels, Hopner and Griffith (2015) highlighted the potential future research context with regard to capabilities of network actors.

In order to fill this gap, rather than focusing on the atomistic resource-based view, the theoretical lens of the relational view is utilized to take on a dyad or network oriented perspective aimed at capabilities of channel partners. The main proposition of the relational view according to Dyer and Singh (1998) is that a competitive advantage also can be found in the interaction between firms in the shape of relational rents, only achievable through joint-idiosyncratic contributions. A relational rent is defined as an exceptional profit, cooperatively created through the relationship which cannot be generated by either firm in isolation. According to Dyer and Singh (1998) through effective governance, investment in relation-specific assets, knowledge sharing, and complementary resources and capabilities, partners are able to gain unique advantages which they would not be able to achieve individually. These joint-idiosyncratic contributions through cooperation are what make it relevant to link the relational view to the marketing channel domain. Marketing channel partners require certain capabilities and resources from manufacturing organizations which they do not possess or only have limited access to, in order to perform their function as a connection between manufacturers and end-customers successfully, and vice versa for manufacturers. In certain situations channel partners, with specific capabilities such as market knowledge or a technical understanding, are needed in order to gain access to international markets in order to sell their products. Hence, focusing on the selection and development of channel partners based on specific capabilities provides an interesting research opportunity. Naturally, these capabilities are not the same for every organization in any type of market, sector or industry. The industry or business sector is often used to describe a certain set of companies with similar products, market characteristics or production technologies (Boter and Holmquist, 1996). For this reason, it is important to mention that the main focus of this research is on a specific industry; making the capabilities context-specific (for the heavy lifting industry). According to Spender (1989) out of several organizational contexts, the industry appears to be the most significant. Summarizing, rather than focusing on resources and capabilities from an atomistic, organizational point-of-view, a relational perspective can be adopted in order to understand more about capabilities required from marketing channels on the inter-organizational level, taking into consideration the distinct industrial context. As a result, the following research question is proposed:

How can channel relationships be understood, selected and developed from a relational and context specific perspective?

The aim of this study is to develop a model which represents the distinctive capabilities, along with providing empirical evidence as validation. This will be done through the use of sequential exploratory mixed methods research, which involves collection of both qualitative and quantitative data (Creswell, 2014). According to Creswell (2014), this allows a more complete understanding of the research problem. In the first phase, through an exploratory literature review, different capabilities are distinguished, described and integrated, leading up to the development of the channel collaboration capability model. After this, in the second phase, qualitative and quantitative empirical data will be gathered through workshop sessions with focus groups of experts employed by the case company; Enerpac Integrated Solutions, Hengelo, the Netherlands. The distinguished capabilities of the model are discussed and provided input is analyzed, assessed and integrated. Furthermore, based on the discussions and input from business actors as participants in this research, relative importance and values could be determined leading up to a framework that potentially engenders successful channel relationship development. Given the importance of channel context in the international sense, the usefulness of the framework is also assessed for other foreign contexts.

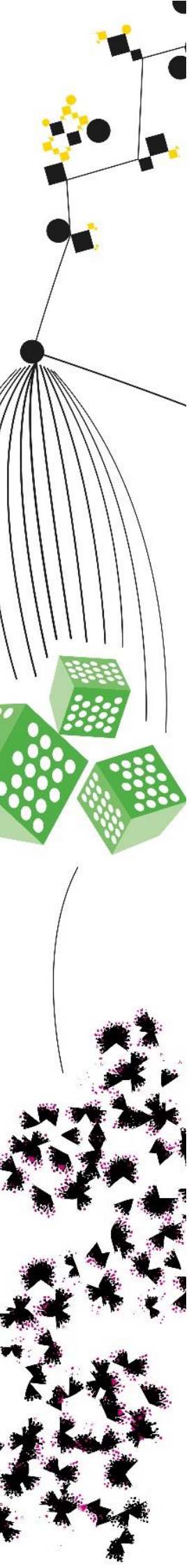
The expected academic contribution of this study is to provide new dyadic insights in understanding, selection and development of channel relationships through the channel collaboration capability model. Filling the identified gap with regard to capabilities of channel partners and integrating an additional theoretical approach; utilizing the principles of the relational view, to marketing channel literature. In line with the findings of the author, Lin and Chen (2008) emphasize that, in contrast to the extensive body of literature related to supplier selection in marketing and supply chain research, relatively few empirical studies regarding the selection of distributors¹ by manufacturers are available, indicating another factor of relevance of this study.

The expected practical contribution is to provide a method which allows managers to evaluate potential channel partners based on their capabilities through a distributor collaboration form. In particular, the case company is able to see potential and current partner strengths, weaknesses, complementarities and overall potential to become a successful partner. Furthermore, through this assessment the focal firm can see which capabilities need to be developed over time in order to improve the overall synergistic effects and mutual benefits.

¹ Note: Terms such as distributors, dealers and (channel) partners are used in mixed fashion throughout this research, all referring to the same concept; marketing channel partners.

CHAPTER 2.

LITERATURE REVIEW



2.1 MARKETING CHANNELS IN ACADEMIC LITERATURE

The interest in marketing channels has risen significantly in the marketing literature. In fact, publications related to marketing channels have increased by more than 150% over the past decades, resulting in a fragmented body of literature (Watson et al., 2015). Although the initial focus of scholars was primarily on the economic aspects of channel relationships (e.g. cost minimization and optimization), current research is more aimed at studying factors such as trust, satisfaction, unfairness and commitment (Kozlenkova et al., 2015) and research domains such as power-dependence relationships, conflict and control mechanisms (Krafft et al. 2015). Findings by Watson et al. (2015) reveal and emphasize this shift; showing that behavioral-based studies about commitment and trust have become significantly more prominent² in literature than economic-based approaches. This transition does not mean that the economic-based approaches such as transaction-cost theory or the resource-based view have become redundant. Rather it can be seen as an opportunity to review prior work and to examine potential research possibilities within the established research clusters.

When reviewing papers about the behavioral-based approaches it becomes clear that they possess the common feature of primarily focusing on relational outcomes such as relational norms (e.g. Cannon, Achrol and Gundlach, 2000), commitment-trust (e.g. Zhang, Netzer and Ansari, 2014) and power-conflict and dependence (e.g. Gaski, 1984; Samaha, Palmatier and Dant, 2011), mainly once the relationship is established. Contrary, the economic-based approaches also tend to include the phase before such relationship is established; the channel selection phase, based on for instance agency theory (e.g. Grace and Weaven, 2011), transaction-cost economics (e.g. Jeuland and Shugan, 2008) and resource-based-theory (e.g. Pentina, Pelton and Hasty, 2009) which leads to the identification of the potential channel partners (Kozlenkova et al. 2015; Watson et al. 2015). Hence, in order to revitalize or extend the current diminishing amount of economic-based research approaches on channel selection and understanding channel relationships, it is useful to integrate or introduce a different perspective to this domain.

Hoppner and Griffith (2015) extensively looked at established and emerging research clusters within the international marketing channel literature over the past 30 years of literature and described several possibilities to achieve this. An interesting proposed research context is linked to the network research cluster, and is focused on capabilities of network actors. Looking at capabilities of network actors offers the potential to review what channel partners are able to do and how complementarities can lead to synergistic effects or how mutual benefits can be gained. Before diving further into this matter, it is useful to further explain the theoretical lens of this research and to provide a clear definition of capabilities and why they are valuable.

² See Watson et al. (2015) p.552 for a dynamic contents analysis of marketing channel theories and constructs

2.2 INTRODUCING A RELATIONAL VIEW ON MARKETING CHANNELS

The importance of resources and capabilities has long been introduced in the field of marketing and strategy through theoretical work such as Penrosian economics, Ricardian economics and traditional studies of distinctive competencies (Barney, 2001). Vargo and Lusch (2004) distinguished a paradigm shift from a tangible, goods-centered perspective towards an orientation based on (specialized) skills, knowledge, processes and other 'intangibles' has taken place. A focus on (operant resources) emerged, complemented by the notion that such competences form the foundation of competitive advantage rather than tangible, utility and value based (operand) resources (Vargo and Lusch, 2004).

One of the most influential theories in business related research is the resource-based view, which focusses the importance of resources and capabilities (Barney, 1991). In short, the resource-based view of the firm explains how access to valuable, rare, imperfectly imitable and organizationally exploitable resources is important to create a sustainable competitive advantage (e.g. Barney and Clark, 2007; Barney, 1991). A sustainable competitive advantage refers to a long-term advantage over competitors which cannot easily be imitated, leading to for instance increased revenues or lower costs. The aforementioned explanation of the RBV appears to be fuzzy and broad. Especially when looking more closely at the definition of firm resources (Barney, 1991; p.101) which is cited as: "all assets, capabilities, organizational processes, firm attributes, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness".

This led to several critical claims from scholars throughout the years (see for example; Kraaijenbrink, Spender & Groen, 2010, Wang and Ahmed, 2007)³. The tendency to relate competitive advantage to a firm's resources and capabilities based on features such as being rare and difficult to imitate (e.g. Barney, 1991), led to the result that resources and capabilities generally are described as firm-specific factors. In contrast, it is argued that so-called 'best practices' exist with regard to competencies which are identifiable in multiple different organizations. Hence, key features of capabilities are often common in nature and idiosyncratic in detail (Eisenhardt and Martin, 2000). Moreover, Foss (1999) emphasizes that an important shortcoming related to the resource-based view is that it is solely focused on an individual firm's resources and capabilities, while it does not take into account interfirm relationships.

Dyer and Singh (1998) identified a similar gap when looking at past theories such as the industry structure view or the RBV. According to their findings, capabilities can be examined from a network or dyadic perspective; through so-called "joint idiosyncratic contributions" from individual firms.

³ These claims and critiques do not dismiss the RBV as a relevant theory; it remains one of the more influential theories in business administration literature.

In other words, Dyer and Singh (1998) state that critical resources and competitive advantages are not limited to the boundaries of an individual organization, and can be embedded in interfirm routines.

Krafft et al. (2015) further emphasize that in past literature, many studies in the marketing channel domain are based on a single-sided research design. This results often in an atomistic view of what actually, in practice, is the result of interactions between multiple actors. It is explained that utilizing such an atomistic view is in conflict with the intrinsic dyadic nature of studies related to channel relationships, as it leads to a situation where factors such as trust or conflict are linked to an individual organization. While in fact, they are the consequence of interactions between multiple actors (Kenny, Kashy and Cook, 2006).

When looking at the provided definition of marketing channels, “sets of interdependent organizations or ‘intermediaries’ engaged in the process of making manufacturers’ (or producers’) products or services available to end-users” (Krafft et al., 2015, p.569), it becomes clear that the fundamental premise behind marketing channels is based on interaction with other firms such as manufacturers, and end-users such as consumers, which shows that taking on a dyadic or network approach (such as the relational view) is sensible and relevant.

2.3 CAPABILITIES AND RELATIONAL RENTS

In essence the relational view on sustainable competitive advantage can be viewed as a constructive complementary theoretical extension in relation to the RBV. Collaborating firms can generate unique advantages over competitors which are unable- or unwilling to collaborate with other organizations. These unique advantages are termed as relational rents. Dyer and Singh (1998) defined a relational rent as an exceptional profit, cooperatively created through the relationship which cannot be generated by either firm in isolation. These relational rents are possible because of the synergistic combination of capabilities, knowledge and/or assets. More precisely, Dyer and Singh (1998) explain that relational rents are possible when collaborating partners are willing to invest in relation-specific assets, through substantial knowledge sharing leading to joint learning, by combining complementary resources and capabilities through multiple means, and through effective governance leading to lower transaction costs. Figure A provides a visualization of these determinants and their accompanied sub-processes.

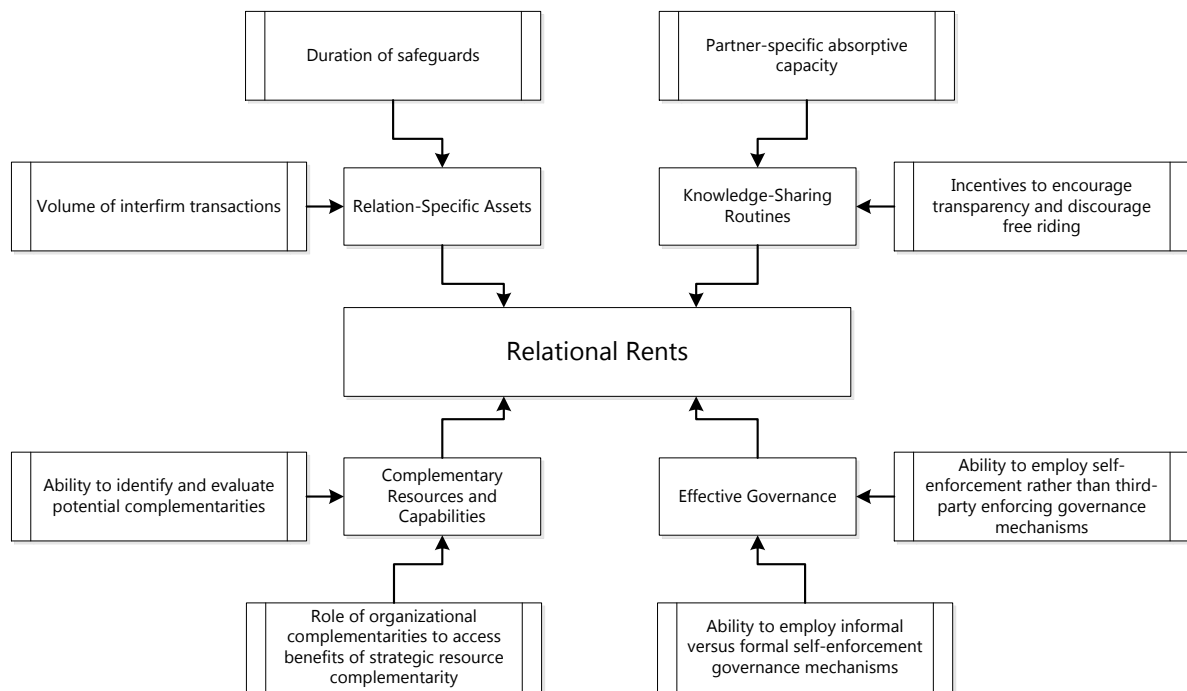


Figure A: Determinants of inter-organizational competitive advantage.

Adapted from The Relational View: Cooperative Strategy and Sources of Inter-organizational Competitive Advantage (p.663), Dyer and Singh (1998).

As briefly mentioned, the relational view examines the relationships between organizations as the primary unit of analysis, through examination of value-creating linkages between organizations (Dyer and Singh, 1998). More explicit, Dyer and Singh explain that a sustainable competitive advantage resides not purely in relative bargaining power or collusion (industry structure view), nor in individual 'supernormal' returns based on individual resources and capabilities within an organization (the resource based view), but on sustained competitive advantages generated through dyads or networks of firms in the form of relational rents. An important factor of the relational view, which is one of the core arguments behind this research, is that collaborating organizations may combine (complementary capabilities) or jointly develop capabilities which mutually evolve over time, based on co-enhancement and dedicated linkages.

In line with this notion, Vargo and Lusch (2004) explain that capabilities can transcend the individual organization through coordinated collaboration, joint effort and inter-organizational learning. Before continuing on these topics, it is first important to establish what is meant with capabilities for the purpose of this research. According to Day (1994) capabilities are "complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make use of their assets" (p.38). Assets refer to the resources which the business has gained with a (monetary) value and capabilities enable the organization to deploy these assets advantageously in a business process (Day, 1994).

Other scholars provided similar definitions (e.g. Mohr et al. 2010; Eisenhardt and Martin, 2000). Furthermore, Vargo and Lusch (2004) made the distinction between operant and operand resources; operant resources (capabilities) produce effects and are 'employed to act on' operand resources. Summarizing, based on the aforementioned insights, the definition of capabilities for this research is that capabilities are functional abilities, skills or processes of organizations which enable them to use, influence, coordinate and control resources. Resources refer to a firm's tangible and intangible assets, which can be utilized and on which an action is performed upon to create an effect in a business process (i.e. through capabilities).

As mentioned, looking at capabilities of network actors offers the potential to review what channel partners are able to do and how complementarities can lead to synergistic effects or explain how mutual benefits (i.e. relational rents) can be gained. This will be analyzed through the four aforementioned determinants of relational rents, with an explicit focus on complementary capabilities. Reason being is that the other determinants can be viewed as being an integral part of certain capabilities (e.g. relation-specific investments are strongly related to the financial capabilities of an organization), but this concept will be explained in more detailed in the next section. Now that an understanding about the propositions of the relational view and the main approach of this research have been established, it is important to review and explain what current marketing channel literature explains about selection and development of (potential) partners

2.4 MARKETING CHANNEL SELECTION

Selecting marketing channels is a challenging effort which requires thorough research and much attention. Scholars such as Cavusgil et al. (1995) and Palmatier et al. (2007) explain that selecting the right channel partner should have a high priority as an ineffective channel can have a considerable negative impact which is rather costly to fix. Additionally, Lin and Chen (2008) state that an emphasis on performance is essential during this process, taking into account well defined criteria to facilitate the selection decisions. The main proposition derived from aforementioned papers is that developing a valid selection process, in which potential partners are evaluated, requires a systematic and well-studied approach. Although some papers can be found about the selection of marketing channels (e.g. Lin and Chen, 2008; Mallen, 1996; Cavusgil et al. 1995) there has been a limited amount of empirical research that focusses on investigating the selection of channel partners (Lin and Chen, 2008). Furthermore, what becomes clear is that the proposed criteria and determinants for selection all focus on the perspective of the manufacturer and its 'requirements' for a potential channel. Additionally, an explanation of why the proposed determinants are valuable is often not provided. One way to see how channel partner selection is established is provided by Root (1998). Root describes a 'channel screening process' consisting of four phases, which is depicted in Figure B.

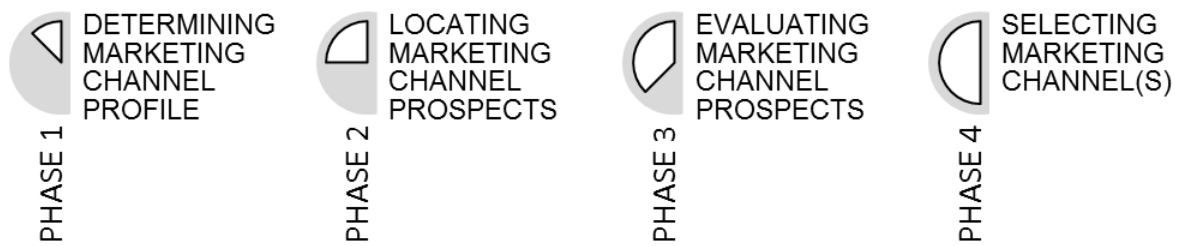


Figure B: Four phases of the channel screening process.
Adapted from *Entry Strategies for International Markets* (p.63), by Root, F.R. (1998).

When comparing the screening process (Root, 1998) with other selection methods, a common factor which comes forth is that determination and selection of channels is based on pre-distinguished criteria or qualifications. According to Cavusgil et al. (1995) such qualifications should be objective and quantifiable, although this may be more difficult for some qualifications than others (e.g. sales figures vs. reputation). Although these processes, and variety of qualifications (e.g. Root, 1998; Cavusgil et al., 1995) offer a frame of reference, for the purpose of this research a different approach is taken on as mentioned in section 2.2 which should offer a more complete view of channel partner selection.

When looking at the channel screening process as depicted in figure B, it is shown that in the first phase it is important to determine a marketing channel profile. Root (1998) explains that in this phase, all the attributes that a company expects from its potential partner should be listed and specified. Lin and Chen (2008) further emphasize that evaluation based on attributes, criteria or factors relevant to the decision is an important aspect of this channel selection phase. In their research about determinants of manufacturers' selection of distributors, they state that there is no previous work which examines such criteria or factors. Hence, the amount of available information towards this selection process is limited. In contrast, the argument of this research is that focus should not be put exclusively on what a manufacturer expects from its potential partner (e.g. certain minimal amount of past sales, firm size). Rather, the manufacturer should focus on what both parties expect from each other in terms of capabilities, where the potential complementarities are and therefore, provide insight on an initial fit. This does not only lead to a more thoroughly elaborated way of evaluation, it also considers certain strengths and weaknesses towards capabilities of the channel partners in an initial stage, which then potentially can be developed over time. Hence, putting extensive focus on the selection part of the channel screening process should provide a good foundation for a partnership. Cavusgil et al. (1995) further emphasize this notion, and explain that screening and qualifying potential partners is imperative for success.

2.5 FIVE MAIN CAPABILITY GROUPS

Through a process of analysis and integration of concepts found in literature related to channel selection and (channel) capabilities (e.g. Lin and Chen, 2008; Palmatier et al. 2007; Root, 1998, Mallen, 1996, Cavusgil et al. 1996), different capabilities have been derived. Based on this analysis and integration, the identified capabilities are summarized in five main groups with similar characteristics, consisting of *organizational capabilities*, *financial capabilities*, *marketing capabilities*, *networking capabilities* and *logistics capabilities*. In the next sections the capabilities which have been distinguished within these constructs are presented and explained in detail in order to understand what they are and what their impact is.

2.5.1 Marketing Capabilities

Different marketing capabilities can be distinguished in the marketing channel literature as one of the most important factors for performing the primary business functions. Weerawardena and O'Cass (2004) define marketing capabilities as “integrative processes designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business”. Analysis led to the conclusion that capabilities, which can be linked to this construct are described extensively throughout the literature. Therefore, in order to gain an overview in this research, marketing capabilities are divided into three groups consisting of market-related capabilities, product-related capabilities and commercial capabilities, each with their distinctive sub-variables.

Market-related capabilities explain how an organization reaches out and targets the customers in different segments and the extent of knowledge towards the various competitors (Song et al., 2007). These findings and the works of Root (1998), Lin and Chen (2008) and Cavusgil et al. (1995) resulted in the identification of the variables: market and geographic coverage, current market share, knowledge of the business and experience with target customers. Furthermore, Song et al. (2007) explain that the ability to detect market changes and anticipate shifts is important to take into account.

According to Lin and Chen (2008) market coverage refers to the ability and knowledge of the distributors to serve and capture the geographical territory which the manufacturer aims to target and the current market share. This territory should have enough potential to meet sales targets, secure reasonable market share and a reasonable sales volume in order to be successful. Hence, focus should be put on reaching as many available customers as possible. Additionally, Palmatier et al. (2007) explain that the channel should have more than enough sales representatives to cover the geographical area, in order to reach as many customers as possible.

Geographic coverage, on the other hand, refers to the location(s) of the distributor. The geographical location and accompanied environmental specifics is a moderating factor in the form of potential transportation efficiencies, proximity, and access to direct local contacts.

Hence, geographic coverage and how the physical locations are spread and where the organizations are located should be factored in when considering marketing channels. This is not only for a sales purpose, but also for a service purpose valuable to consider (Cavusgil et al. 1995).

When looking at other market-related capabilities, the knowledge of the business and experience with target customers are distinguished. This relates to knowing the customers, what is demanded and how to react to certain customer behavior. This makes it feasible to evaluate the experience and marketing quality with regard to the (potentially) served market. If an organization has operated in a certain market or with specific customers for an extensive amount of time, it is more likely that they have better knowledge of certain aspects. This knowledge include for instance; what is required, how to act, and how to support these customers commercially. More importantly, these organizations should have developed the capacity to identify a potential business opportunity (which is closely related to the technical expertise). According to Lin and Chen (2008) this experience enables an organization to obtain 'better' information, decrease uncertainty and allow for a better allocation of managerial resources.

The potential access to adjacent markets is the final identified variable related to the market-related capabilities construct. If the distributor currently is operating in different markets than the manufacturer, it can provide a business opportunity for the manufacturer in the sense that the distributor can provide information or sell directly to these adjacent markets, introducing existing goods into a different market with different applications for the same. This is also the case from the distributor's perspective, where knowledge acquired from the manufacturer can potentially open up new market opportunities for their existing product portfolio.

Product-related capabilities explain how the channel and manufacturer match with regard to the available product portfolio. These variables comprise product compatibility, the technical expertise, familiarity and complementarity with-, and volatility of the product mix and the quality and sophistication of product lines. According to Cavusgil (1990) thorough knowledge of the products, both in terms of technical specifications as well as economical features is essential for industrial distribution channels. Furthermore, according to Cavusgil et al. (1995) the best distributors are those who currently deal with the same or similar product portfolios as the potential partnering manufacturer.

Training can facilitate the ability to gain technical knowledge and product knowhow to a certain extent. On the other hand, however, a status quo with regard to product specific technical expertise allows for increasing likelihood of effectively serving customers. Cavusgil et al. (1990) explain that this compatibility especially becomes important if products are technically complex to sell and maintain. Hence, it is valuable to understand product applications, especially when dealing with specific high-tech industrial products. This is not only meaningful from a commercial point of view, i.e. identifying sales opportunities, but also important in the sense of knowing how to

service customers. Also taking into consideration the potential burden on the manufacturer's salesforce by having to provide support and back-up, it is useful to establish that the distributor has enough knowledge to provide a solution for customer requests. This is the case, unless the issue extends beyond the capacity of the distributor, at which the request could be redirected to the manufacturer. This can also be considered part of the knowledge-sharing routines between manufacturer and marketing channel. Lastly, the quality of the current (perhaps competing) product lines should be taken into consideration as this might influence the reputation of both parties (Cavusgil et al. 1995).

Commercial capabilities form an integral part of the marketing capabilities in the sense that the available salesforce (team) and overall sales strength are vital to generate leads and revenue. According to Cavusgil et al. (1995) the salesforce should be well-trained to aggressively cultivate the market. Furthermore, the ability to form and implement marketing plans, after-sales and servicing, and knowledge of promotion are factors to contemplate. This salesforce consists of the different salespersons under direct control of the organization. According to Piercy et al. (1999) the salesforce can be analyzed through means such as the effectiveness and performance of the sales team. Effectiveness of the salesforce is often measured through sales volume in combination with cost assessment, profit contribution and return on assets in comparison to major competitors or sales unit objectives.

In addition, it is explained that effectiveness is determined by the skills and effort of the team, the management and the individual sales persons within the organization. In other words, salesforce effectiveness is a combination of a bundle of organizational factors. Salesforce performance on the other hand, is attributed to factors under the direct influence of the individual salespersons. Such variables include overall sales generation, the aforementioned technical knowledge, teamwork, sales planning and keeping track of items such as delivery times and service requests (Piercy et al, 1999). Additionally, Barker (1999) explains that selling capability, which relates to the ability to critically and carefully listen to customers in order to identify and understand issues or requests. Furthermore it relates to the ability to be creative in formulating solutions for these concerns, and to establish contacts in order to generate new customers and lastly, to the overall trainability to gain new skills and manufacturer-based specific knowledge. In relation to the latter, Cavusgil (1990) explains that it is pivotal that ongoing support, with regard to both the product as well as the offered service, is provided. Hence, after-service and support such as handling customer complaints, follow up on the product use, and providing aid with application problems (Piercy et al, 1999) are factors to take into consideration. Note, the significance among these factors differs in terms of importance according Barker (1999). Lastly, promotion is an important function of the salesforce and distributor. Material might be provided by the manufacturer but both should be able to thoroughly promote and advertise the products in order to attract and reach new customers, depending on the approach and marketing strategy.

2.5.2 Organizational Capabilities

Scholars such as Lin and Chen (2008) and Cavusgil et al. (1995) identified and described firm infrastructure and facilitating factors as relevant constructs for the selection of marketing channels. However, when analyzing variables within these constructs it appears they are diluted and not specific enough for the purpose of this research. At certain points these constructs overemphasize what the organization *has* (for instance physical facilities) rather than what the organization can *do* (for instance, ability to maintain, manage and utilize the physical facility to perform certain tasks). As such, the ‘umbrella’ term “organizational capabilities” is distinguished as an alternative, more specific construct. Organizational capabilities embody those abilities and functions related to the management, expertise and experience, and the profile of the business. Knowledge-sharing routines with the facilitating sub-process partner-specific absorptive capacity links up to these capabilities with joint learning as a final outcome. As a result of this process, the distinguished key variables which are identified within the construct organizational capabilities are management abilities, knowledge management ability, cultural capabilities, and PP&E⁴ managing capabilities.

According to Braglia and Petroni (2000) management abilities can be related to two sub variables which are explained as the quality of the management team and operational competency. Although quality of the management team is often mentioned as an important variable (e.g. Lin and Chen, 2008; Braglia and Petroni, 2000; Cavusgil et al. 1995) it is not explained why it is important and what the definition of this concept is. Hence, based on literature about leadership such as Bryman (1999), quality of the management in the context of this research is defined as the capability to influence, impact, and facilitate the activities within and across organizations through effective management in order to achieve and set strategic goals and targets. In other words, the organizations require management which knows how to run the business in such a way that (formulated) long-term and short-term strategic goals can be achieved and day-to-day activities are performed. Operational competency refers to the ability to fulfill requests made by customers throughout the production and delivery process of offerings (Slack et al. 2010).

Due to the nature of marketing channels, the latter could be seen as a critical factor in order to adequately fulfill their facilitating function. One of the main variables related to operational competency is the ability to run the organization effective and efficient across all the different functions. Therefore, in essence, operational competency regulates and influences the flow of processes between operations in such a way that these are performed as efficient as possible (Slack et al. 2010) and links between all the different capabilities an organizational possesses.

⁴ Plant, property and equipment

Lin and Chen (2008) found evidence that physical facilities including technology and assets are relevant indications of the capacity to carry out various channel tasks. Quality of assets, availability of space, facilities and technology and the right equipment in order to perform the business function are therefore important to take into consideration. A practical example of this would be that if the company has to move heavy objects, it is beneficial that a forklift or a crane is present. Furthermore, Song et al. (2007) mention that the presence of an up to par IT structure and technologies are to be assessed. Such factors can be considered as facilitating capabilities related to internal communication, administration and registration and cross-functional integration. If specific assets are required to optimize the collaboration opportunities between the manufacturer and distributor, then discussion about investments can be initiated and perhaps relation-specific assets can be purchased or (co-)developed.

According to Mudambi and Aggerwal (2003) the increased exchange of knowledge on an inter-organizational level marks the new emphasis of organizations towards mapping and managing specific knowledge coming from these relational exchanges. When looking at literature related to knowledge management and the augmentation and utilization of (external) knowledge one key concept appears extensively in the form of absorptive capacity. Absorptive capacity is defined as a firm's ability to value, assimilate and utilize new external knowledge (Cohen and Levinthal, 1990). Lane and Lubatkin (1998) extended this concept through the identification of 'relative absorptive capacity' which relates to knowledge assimilation on a dyad-level through learning alliances such as partnerships. This is in line with arguments of Dyer and Singh (1998) in the sense of joint learning through (intensive) collaboration. Additionally, Lane and Lubatkin (1998) explain that inter-organizational learning through the explicit and implicit transfer of knowledge is imperative for (new) capability development. Hence, presence of- and the ability to utilize technology driven approaches is imperative. These include for instance customer-relationship management (CRM) systems and enterprise resource planning systems. Furthermore, knowledge transfer through voice of customer activities and trainings, and the overall understanding that intelligence gained from knowledge exchange are critical organizational capabilities should be taken into consideration.

2.5.3 Logistics Capabilities

According to Lin and Chen (2008) the link between logistics and firm performance is recognized through improvement of efficiency, cost reduction, enhanced flexibility and creating value for customers. Hence, the traditional logistics function of handling goods in the current business environment is only one of the many capabilities a distributor needs to possess. If the logistic functions are insufficient and a mismatch occurs then customer satisfaction will drop significantly and costs will increase. Therefore, both the manufacturers, as well as the marketing channel, have to be able to effectively perform logistics functions.

Logistic capabilities include the ability to manage inventory, warehousing, the competency to deliver efficiently and on-time, manage customer service and the accompanied costs for both parties, and to have the ability continuously innovate with regard to these themes. Based on argumentation by Day (1994), Tracy et al. (2005) made a distinction between three groups of capabilities with regard to this construct; inside-out (IOC), spanning and outside-in (OIC) capabilities which is reflected in how the variables are explained.

Transportation is the competency to deliver efficiently and on-time. This consists of inbound transportation which is defined as managing the flow of goods from the points-of-origin to a warehouse or the organization itself via various means such as truck, rail, air or water (Tracy et al, 2005). This depends on the availability, state and forms of infrastructure surrounding the organizations. Especially for the distributor this can be an influential factor as this is the first step in the link between the manufacturer and the end-user. Optimized transportation has an impact on various processes such as the frequency of delivery (how often can goods be transferred), the reliability of the goods being transferred in a good state (undamaged), on time (for instance, 24-hour service) and to the right location (as requested) and overall costs (minimize). The other component is outbound transportation, which maintains the flow to the final customer.

According to Tracy et al. (2005) the effectiveness of outbound transportation relies heavily on choices made by the distributing organization through for instance route, method of shipping and compliance with (local) legislation. Hence, being able to rely on the mutual competency to transport effectively has a major influence on the overall costs of goods transferred, customer satisfaction and logistical operational excellence. Additionally, flexibility is a capability which is both a result of logistic capabilities, as well as being a capability in itself. According to Shang and Marlow (2005) the flexibility capability refers to the adaptability to unexpected circumstances in the context of logistics. In the international context of dealing with a constantly changing global environment this flexibility is important in order to meet both customer demands as well as expectations from both the manufacturer and the distributor. Zhao and Stank (2001) also mention this factor in the overlapping construct “customer integration” where in the context of this paper responsiveness is another accompanying capability in the form of facilitating unplanned or unique customer requests. Summarizing the flexibility capability ensures that both parties are able to meet unique, or unexpected customer requests within the context of logistics.

Another factor related to this operational excellence with regard to logistics is the ability to be efficient. Efficiency is defined as “the relation between the planned and actual ‘sacrifices’ which are made to achieve agreed goals” (Cousins et al. 2008, p.149). These sacrifices include resources such as time, money and people. According to Mallen (1996) examples of such efficiencies related to distribution include advertising, selling, physical distribution expenses such as storage, packing, shipping and, transportation and various other costs.

Storage can also be relevant in the process of transportation. This so-called warehousing function applies when an order is not immediately required or when stock is held in order to anticipate future orders. Warehousing refers to the physical and administrative competencies to store goods and materials. Especially in the case of raw material and bulk goods this is an important function which is an influential factor of the overall cost efficiency and flexibility.

Closely related to warehousing is the inventory management function. According to Lin and Chen (2008) inventory management is the ability to manage inventory in such a way that both high service levels can be achieved, while simultaneously the costs of holding this inventory is minimized. Another example is where the manufacturer likes the distributor to hold items such as spare parts in order to service customers as fast as possible. According to Tracy et al. (2005) such logistics capabilities have a proven effect on superior profitability.

These notions lead to the conclusion that the factors within the logistics capability are thoroughly intertwined and have an influence on the cost of operations. Therefore, distributors and manufacturers should have the ability to continuously innovate (with regard to these themes). According to Lin and Chen (2008) this innovativeness and continuous improvement of logistic processes can enhance performance for both the customer and the involved parties making processes more efficient in terms of costs, time and decrease in failure. Examples of such innovativeness related to logistics include for instance developing track-and-trace and radio frequency identification systems or supply chain management information systems to gather, assimilate and make use of real-time data.

2.5.4 Financial Capabilities

According to Cavusgil et al. (1995), it is essential to gain insights in the financial position of distributors in order to assess if the distributor is sufficiently qualified to manage and finance ensuing growth. Furthermore, according to Lin and Chen (2008) an important concern is if the distributor has the financial means to capture the market share which is expected. Likewise, in order for the manufacturer to be an attractive partner and more importantly, to be able to prefund goods (for instance, in case of a very large offer which exceeds the capacity of the channel) and provide financial incentives and feasible financial terms or conditions. A related determinant of relational rents that fits with these capabilities is the willingness and ability to invest in relation-specific assets (Dyer and Singh, 1998).

Furthermore, the identified financial variables are related to financial strengths, funding competency and mutual financial acquiescence. According to Mallen (1996) the financial position influences the decision in the sense that, in the case of a weak resource position a channel which is financially strong is favorable, while vice versa a financially weaker partner leads to an increase in control for the manufacturer.

Consequently, it also changes which capabilities are more decisive. For instance a weaker channel may require that the manufacturers financial competences enables additional funding, aid in terms of payment terms or co-operative allowances. A capability spanning variable in this sense is the inventory management function, as this is influenced by how this is financed and efficiency, as these are factors related to overall cost management.

According to Braglia and Petroni (2000) the financial strength can be measured by analyzing key financial ratios such as the solidity or debt ratio and the liquidity or current ratio. Another financial factor can be sales growth over time (Palmatier et al. 2007). According to Chow et al. (1994) such measures come with both advantages as well as disadvantages. The advantage of financial statistics is that they are easy accessible and provide a cheap way for easy basic comparison. The downside is that accounting methods and time interval may distort the actual figures which as a consequence results in blurred or incorrect comparisons. Another disadvantage is that the organizations may not be willing to provide such information in a clear way to external parties or organizations (Chow et al, 1994). Additionally, Cousins et al. (2008) state that incorporating non-financial metrics is just as important in order to prevent gaining a blurred vision as financial figures and efficiency based metrics do not necessarily reflect mid- to long-term financial performance. However, it can be difficult to quantify such measures (as experienced throughout the course of this research). Hence, as explained by Cousins et al. (2008) these financial result based metrics may be useful to track performance up till now, however it does not enable direct cross-comparison between companies based on the performance of different capabilities and activities to perform a certain process. In other words, the financial strength is one of the many capabilities which need to be incorporated in order to facilitate the selection process since healthy partners are required. Lin and Chen (2008) explain that distributors that are in a good financial position are likely to be well established and capable of fulfilling their selling function successfully. Funding competency is closely linked to this and refers to the (mutual) ability to fund. In other words, this relates to whether the distributor is capable of doing investments, able to purchase promotion materials, invest in specific assets which facilitate different processes or acquire products-to-sell from the manufacturer or pre-finance such items. Not only is the ability to fund valuable to consider, both the manufacturer as well as the distributor should have financial willingness which means that they are willing to provide funding for the aforementioned situations. According to Cavusgil et al. (1995), if such willingness is lacking then it is likely that the relationship will be short-lived. Another question which arises is whether the distributor has the potential to grow as business continues to develop. Continuous growth, expansion and enough financial means to accomplish this relates to this growth potential. Overall, it can be noted that the financial situation could serve as a primary indicator of success for a potential partnership between a distributor and manufacturer.

2.5.5 Networking Capabilities

As emphasized by Lin and Chen (2008) the success and effectivity of the partnership between channel partners is greatly influenced by the development and presence of relational factors. These factors extent beyond the dyadic relationship between manufacturer and channel, therefore it is feasible to focus on network capabilities as a whole, taking into consideration these relational competencies concurrently. According to de Bruijn and ten Heuvelhof (2008) a network can be defined as “a number of actors with different goals and interests and different resources, who depend on each other for the realization of their goals” (p.1). According to Hoppner and Griffith (2015) the focus here is on the different social, political and business ties the organizations have and can utilize. Mudambi and Aggerwal (2003) emphasize this through the statement that it is all about building business relationships. Based on this definition and factors derived from marketing channel literature, networking capabilities include the reputation in the market, connections with end-users, (local) authorities, and (past) suppliers or exporters, degree of overall communication, and commitment, governance, trust and enthusiasm towards collaborating with each other. Essentially, these are the abilities to gain and sustain relations. Furthermore, when looking at this capability through the principles of the relational view, it appears that a related determinant of relational rents can be linked to these capabilities in terms of effective governance. Since connections with end-users, authorities, and other external parties highly influences the success of any company, taking into consideration interests of these external, supporting entities or stakeholders is imperative (de Bruijn and ten Heuvelhof, 2008).

According to Cavusgil (1990), distributors can easily develop local personal contacts due to their close proximity to the end-user and often are active in the local area where they have their reputation. This reputation in the market is not only important for the distributor; it is also a big factor for the manufacturer as the distributor is a representative and will influence the end-users perception of both parties. In order to facilitate this, it is vital that communication between channel and manufacturer and support are up to par. Additionally, distributors should be enthusiastic and committed in order to reach as many (potential) customers as possible and towards collaborating with the manufacturer in order to make the most of the relationship. Consequently, support from the manufacturer should be provided in order to facilitate this process. As stated by Lin and Chen (2008) enthusiasm and commitment are crucial for long-term success. Not only does this lead to mutual trust, it also ensures that the other processes such as knowledge sharing and relation-specific investments are more likely to occur. Or as Lin and Chen (2008) explain, the potential for a successful partnership increases as mutual communication, relationship maintenance, trust and the aforementioned capabilities increase. Next to these ties with potential end-users and the manufacturer, a good reputation and neutral or positive position towards local authorities should be considered. Cavusgil et al. (1995) explains that a trial period might be useful to test and validate whether a reasonable amount of commitment is present.

Indicators of such commitment include for instance, the willingness to drop competing products, hold a certain amount of inventory or do certain initial investments. Commitment from a distributor's point of view is also reflected in the eagerness and entrepreneurial behavior in terms of adopting new products or extending the current product offering.

In business relationships, a factor which cannot be overlooked is the role that governance plays. The nature of governance highly influences the way that partners collaborate and interact with each other. Much has been written about agency-theory (e.g. Eisenhardt, 1989) and the problems which can occur between principal and agent (for instance, information asymmetry, moral hazard, self-interest, bounded rationality etc.). However, this is not the focus of this research. Rather, than focusing on potential issues, focus is put on potential possibilities and ways to tackle such issues in an early stage. Dyer and Singh (1998) mention two types of governance; third-party enforcement or self-enforcing agreements. The first type is based on legal agreements and binding contacts under control and supervision of an authority. While so called self-enforcing agreements are based on safeguards which should result in self-control. For instance financial incentives and investment based safeguards or goodwill, trust and reputation as informal ways of supervision. Which possibility will be utilized should be investigated and established in an early stage in order to anticipate potential future changes.

The final factors which are identified are the potential cultural capabilities and ethical behavior and morality. Joutenvirta and Uusitalo (2009) explain that cultural capabilities refer to the sensitivity of an organization towards the surrounding societal and cultural changes, and the ability to understand the cultural context of different countries. This includes communication, ethical knowledge, knowhow of cultural sensitive branding and product design and the ability to create trust in communities. According to their research, the ability to detect changes in end-user values and preferences, and the ability to maintain trust and credibility in the (institutional) environment are important to consider. Hence, cultural capabilities refer to being aware of the social and cultural impact the company has on the direct environment and the ability to understand that dealing with a potential customer is context dependent.

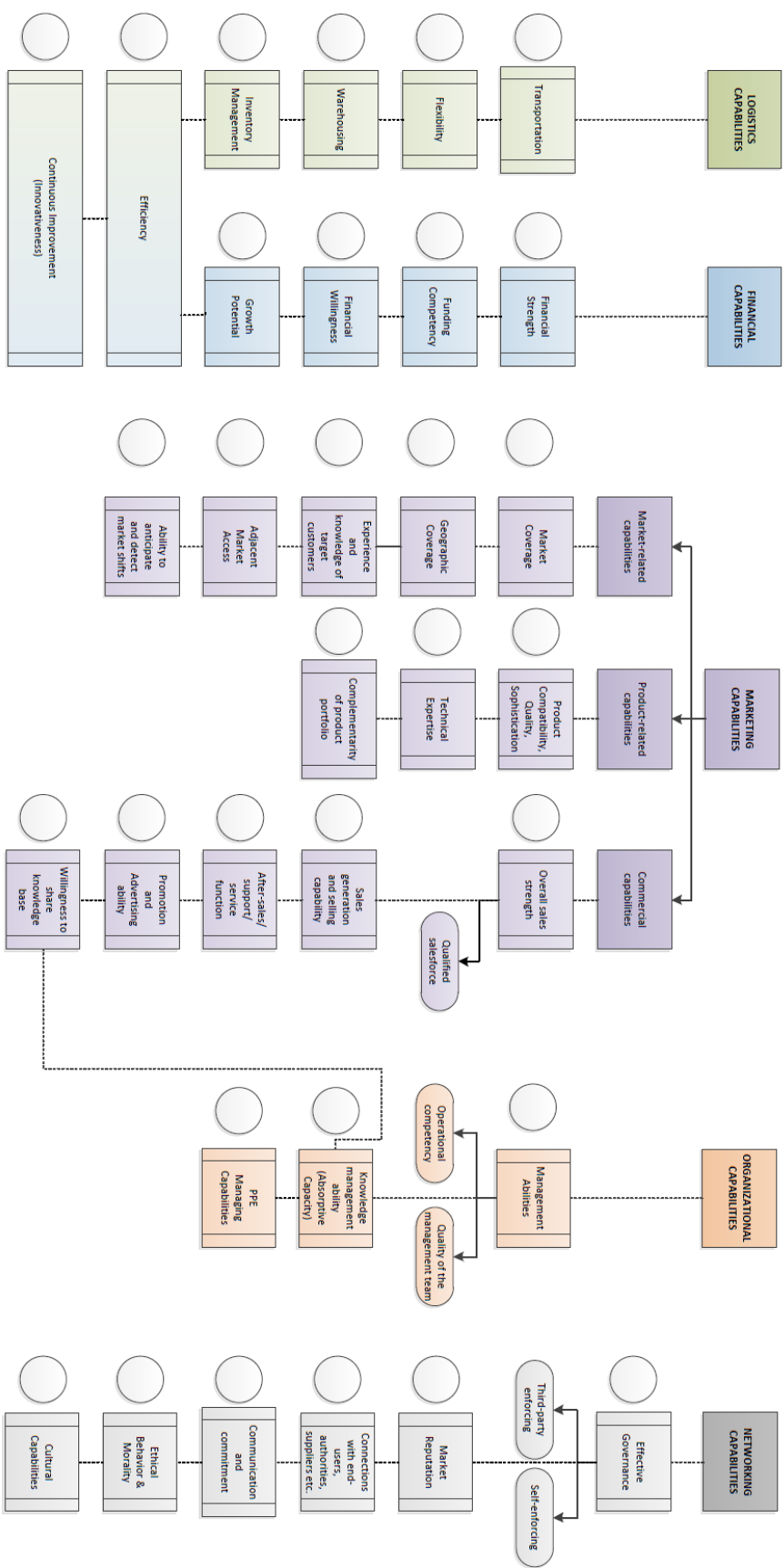
Ethical behavior and morality is closely related to these factors and refers to social responsibility and integrity of a company. Carrol (1991) suggests that a company not only has economic and legal obligations, but ethical responsibilities as well. This includes the responsibility to recognize that integrity and ethical behavior go beyond compliance with legislation. Furthermore it includes that evolving ethical norms in society should be recognized, that expectations through societal mores and ethical norms is obliged and that ethical norms cannot be compromised in order to achieve company goals. Hence, the role that morality and ethical behavior play in today's business environment cannot be overlooked. However, since such values may differ in certain regions of the world, it is valuable to verify if there is a match between both parties in terms of understanding and honoring such ethics.

2.6 CHANNEL COLLABORATION CAPABILITY MODEL

The goal of the literature review was to gain more understanding about what capabilities and marketing channels are and to gain insights on the principles of the relational view. Furthermore, a key objective was to evaluate current marketing channel selection methods and review, identify, integrate and describe different capabilities found in academic literature which can be of importance in the process of determining marketing channels. Based on this five main constructs were identified in the shape of networking, logistics, marketing, financial and organizational capabilities. Additionally, different variables linked up to the five constructs were identified and described. As a result of this process, the following model (see page 29) was created in order to provide a visual representation of the findings.

Furthermore, the proposed model, which now will be referred to as the channel collaboration capability model, provides the foundation for the empirical research in the field. It offers a way to see all the different variables in one model and shows the different links between the variables and certain capability-spanning variables. This model can be used for two purposes. One, it offers a way to provide an overview of different capabilities to consider in the context of understanding, selecting and developing marketing channel partner relationships. Second, it offers a way to assess which capabilities are important, in order to maximize the potential synergistic effects and fit between both partners. Yet, identification of specific capabilities is one thing, looking at which capabilities are the most important and/or applicable to understand channel partner relationships in the context of the specific type of industry is another topic. To address this challenge, in the next chapter the accompanying methodology and approach is discussed in detail.

CHANNEL COLLABORATION CAPABILITY MODEL





CHAPTER 3.

METHODOLOGY

3.1. RESEARCH DESIGN

As explained in the introduction of this paper, the purpose of this research is to understand, select and develop channel relationships based on capabilities of partners through the principles of the relational view. In order to achieve this, a mixed methods approach is utilized. The research design for this approach is the sequential exploratory method (Creswell, 2014). According to Creswell this type of design is characterized by a phase of qualitative data collection and analysis, after which quantitative data is reviewed and integrated. The reason for this approach is that it is particularly useful for the development and testing of a new instrument, as performed throughout this research (Creswell, 2003). The qualitative data obtained through the literature leads to the development of the channel collaboration capability model as discussed in chapter 2. After this the model is tested and validated through qualitative input obtained during discussions with participants of the workshops, and quantitative data through ranked-scoring capabilities of the model by the participants. In order to do this in a well-structured and valid manner, a clear understanding of the approach is pivotal for the success of the research.

According to Creswell (2014) and Bryman and Bell (2014) mixed methods research is a relatively new research approach, originating around the 1990s. Mixed methods is the combined term for research based on the collection of both qualitative and quantitative data in response to research questions. The purpose of mixed methods is that it allows comparing of different perspectives, and more importantly for this research; developing better instruments by first collecting qualitative data and then validating it through quantitative data which provides a more complete image for the research question at hand. Note, there are certain points which should be taking into account and why mixed methods research is not always inherently better than a mono-based approach and poses some challenges for the researcher. For instance, according to Bryman and Bell (2014) and Creswell (2014) it is imperative that the researcher focusses on a competently designed and conducted method, as inadequately performed research will still only give suspect data. Furthermore, the method should be appropriate for the question as this research approach will take considerably more time and although it generates more data, the researcher should be cautious according to their view as more data is not necessarily always better.

The first phase of the sequential explorative research included an extensive explorative literature study in order to understand marketing channel relationships and current findings. Furthermore, a key component of this review was to identify the different capabilities described in academic literature and to gain knowledge on the different channel partner selection methods. This literature review led to the conclusion that there are certain gaps and uncertainties in the literature, especially when taking into consideration both the perspective of the distributor and the manufacturer, which is, from a relational view, based on capabilities. It also led to the identification of the five groups of capabilities after analysis and integration of these concepts.

Although scholars such as Cavusgil et al. (1995) and Lin and Chen (2008) provided relevant information on the topic of determining marketing channels, it appeared that in-depth information about what these criteria are and why they are important is lacking and that clear explanations related to the different identified criteria are only marginally provided. Hence, an alternative approach was formulated and conducted, in order to understand more on what important capabilities are and what variables are related to the individual capability groups. Hence, marketing channel literature, research on capabilities, and specific literature dedicated to the groups was analyzed (e.g. literature such as the academic marketing science journal, industrial marketing management and supply chain journal). After the identification of the five capability groups, and a process of conceptualization and operationalization of the variables, a universal model was developed which depicts all the different variables linked up to the five capabilities: the channel collaboration capability model. In order to gain input and test the validity of this channel collaboration capability model, workshop sessions in different contexts, with focus groups of different employees within different layers of a case company are conducted. Before explaining more about these workshops, and in order to understand more about this process, it is important to provide some background information about the case company. This is described in the research context chapter.

Next to these workshops, meetings and discussions with two current partner distributors, customers and other stakeholders such as key Enerpac Americas employees were conducted in order to obtain their view about subjects such as past experiences, current (channel) relationships and what capabilities are required according to them in this inter-organizational relationship. Furthermore, semi-structured discussions in the shape of mini-workshops with regional managers were conducted in order to gain their input about this subject. Lastly, discussions after the workshops were conducted, using the model as a template in order to understand how a channel relationship is perceived by both parties, what is currently missing, what can be improved and most importantly, how the relationship could be developed overtime.

3.2 RESEARCH CONTEXT

In order to understand contextual dynamics of this research it is important to provide some background about the case company. As mentioned briefly this research is conducted at an industrial heavy lifting equipment manufacturing company called Enerpac, Integrated Solutions [IS]. Due to the global nature of the company, Enerpac has offices in 19 countries (e.g. Netherlands, Italy, and Spain) and the headquarters are based in the United States. Enerpac IS is a division of Enerpac with approximately 200 employees and part of Actuant Corporation, a \$1.3B public diversified industrial company operating in three segments; Industrial, Energy and Engineered Solutions. Enerpac IS is part of the industrial segment and has over 50 years of experience as one of the leading companies in creating hydraulic solutions for the movement and positioning of heavy objects and structures. IS is primarily active in the heavy lifting and rigging industry and serves vertical markets like oil and gas, infrastructure and power generation and dedicates an extensive amount of time on custom specialty projects.

Next to these custom solutions, ENIS has a main product portfolio of six standard products, consisting of gantries, strand jacks, self-propelled modular transporters, skidding systems, synchronous hoisting systems and synchronous lifting systems. As such, ENIS is dealing with complex, capital intensive high-tech products and customer demands. In order to tackle revenue swings and to find a more stable source of income next to the special projects, ENIS is looking for channels to market to expand on sales related to the aforementioned standard product portfolio. Currently, there is a very limited supply of these channels and most time is dedicated to other divisions of the Enerpac business by the existing Enerpac distributors.

Hence, the main purpose is to find (new) dedicated ENIS distributors to fill this gap. However, this is not an easy task due to the nature of the business and the knowledge-intensive specifics of the products. Therefore, understanding what these distributors should be capable of, what their current capabilities are and how a certain distributor (channel) compares to other potential channel partners is imperative to identify. In order to do this and gain a more complete image (since Enerpac is a global company), this research is conducted in both Europe as well as the US.

More precisely, the research is conducted at the main facility for IS in Hengelo, the corporate headquarters of Actuant in the US and the US facility of Enerpac. As mentioned, interestingly, although a whole network of Enerpac distributors is currently present (around ~1200 worldwide) utilizing these channels to sell the high-tech, capital intensive goods at the IS division has been unsuccessful thus far. Hence, focusing on an alternative approach as a solution for this challenge is an imperative practical part of this research.

3.3 DATA COLLECTION

As briefly mentioned in the introduction of this chapter, the data for this research was collected through a process of workshops with specific selected focus groups in different contexts at the case company. The decision for this approach was made on a thoroughly elaborated basis. Therefore, it is important to explain the main reason, the benefits and challenges when using this data collection method in order to ensure validity.

According to Babbie (2009) focus groups are frequently used to gather information systematically and simultaneously from multiple individuals. By engaging these individuals in a guided discussion, a topic can be explored in a fast, flexible and low cost way while maintaining high face validity and the ability to capture real-life data in a social environment (Krueger, 1988). Bryman and Bell (2015) further explain that through focus groups, people with a certain experience can be interviewed in a relatively unstructured way about that experience. This leads to certain dynamics such as challenging each other's views and bringing in topics to the conversation closely related to the topic which would be left in the background during individual interviews.

This is particularly useful for the purpose of this research, as many different opinions and views are needed to ensure all facets of marketing channels are touched upon. Furthermore, since the logical expectation is that a manager from a particular department (e.g. finance) tends to have a more expertise and experience towards a certain capability (e.g. financial capabilities) than another managers within a different department (e.g. sales), an interactive discussion can occur where multiple views can be compared, contrasted and documented simultaneously and a unique group setting emerges as explained by the proposition of Bryman and Bell (2015).

On the other hand, the focus group method also has some challenges which have to be taken into consideration according to Krueger (1988). These challenges include for instance that there is less control than during an individual interview where the moderator can lay out a clear direction and structure, difficulties in terms of data analysis can be present and assembling groups and comparison among groups can be a challenge due to general differences. Hence, careful selection and assessment has to be taken into account when planning these sessions. Lastly, the interviewer should pay attention to avoid interfering too much during the conversations and watch out for one person dominating the conversation. Since the interviewer or moderator is part of the discussion within this approach, for the purpose of this research the input will be limited, towards three points. Keeping the topic direction focused, removing ambiguities when needed and lastly providing explanations when past findings are unclear or additional information is required with regard to the theoretical background of the discussion. The whole process of these workshops will be discussed in the next section within this chapter.

3.3.1 WORKSHOPS

To gather the required input and data for this research, three focus group workshops with key employees within the organization and two workshops with external parties were conducted. In this section the participants, purpose and, setup and process of these workshops are explained.

3.3.2 PARTICIPANTS

The selection of participants who were invited to take part of these workshops was based on department background and position within the company. The core thought behind this process was that this way, each participant has a certain degree of knowledge towards a different specific capability construct in order to provide information about potential missing factors and that myopia in an otherwise homogeneous group leading to bias is reduced. In table 1 an overview of participants is provided, together with information about the department and/or position is shown.

The names of the participants are purposefully left out for privacy reasons.

<i>Netherlands / EMEA Participants</i>	<i>Department:</i>
A) Director of Operations	Operations
B) Global Business Leader	Business Leadership
C) Finance Manager	Finance
D) Project and Engineering Director	Engineering
E) Technical Sales Specialist	Sales
F) Consulting Expert	Business
<hr/>	
<i>United States/ Americas Participants</i>	<i>Department</i>
G) Regional Manager US	Sales
H) Regional Manager US	Sales
I) Regional Manager Latin-America	Sales
J) OEM/Custom product Engineering Leader	Engineering
K) Technical Sales Specialist	Sales
L) Business Development Leader	Sales / Business Leadership
M) Engineering and Ops. Leader	Operations and Engineering
N) Americas Sales Leader	Sales
<hr/>	
<i>Current US Channels</i>	<i>Function:</i>
(CP1) Channel Company 1	Owner / Sales Manager
(CP2) Channel Company 2	Sales Manager

Table 1: Participants

3.3.3 PROCESS

First, in order to understand the process of the workshops, it is valuable to explain the purpose and goals of these sessions. The workshops had multiple goals which include:

- *1. To align views between different managers by providing background information on the project and to get these personnel in pivotal positions involved.*

- 2. Present the Channel Collaboration Capability Model*

- 3. Assess and evaluate the capabilities within the Channel Collaboration Capability Model and the attached glossary.*

- 4. Gather input on the relative importance of each capability through a forced ranking method session*

- 5. Obtain insights on potential differences or complementarities between the contextual situations in Europe and the United States*

- 6. Have an open discussion on the topic of channel partners to obtain other relevant information on (e.g.) current relationships and past experiences*

To achieve the first goal, an introduction was given about the purpose of the project and this meeting. An important step here was to provide background information and to show the process and timeline. Next to this introduction, a short discussion on definitions and terms was performed. The reason for this was to align the overall understanding about what marketing channels and standard products are, to prevent mixing up the definitions. After this, a (potential) marketing channel structure (see appendices), was shown to address the positions of these channels in relation to the end customers. Since the focus of this project is on standard products, a differentiation was suggested between these products and special projects. Based on earlier conversations with managers it was found that, within this type of industry, special projects extends beyond the standard product portfolio and/or the core expertise of the channel as it requires for instance intensive engineering capacity.

After this extensive introduction, the next step was to get to the core of this research. First the channel screening process depicted in figure B was shown and explained and some existing models such as Lin and Chen (2008) and Cavusgil et al. (1995) were presented to provide some insights on the thought process and reasoning behind this study, including the principles of the relational view. After this explanation, a glossary was handed out to all participants to ensure face validity, and the channel collaboration capability model was presented. The handout sheets of these two documents can be found in the appendices. After running through the different capability constructs which led to some initial discussions about whether the model was complete and if any modifications or additions were required it was time to run through the process of ranking each capability.

The next step involved utilizing the channel collaboration capability model to fill in scores. The participants were asked to pick the ten most important capabilities to their knowledge for marketing channel relationships in this specific industrial context and rank them accordingly. This meant that every participant came up with a top 10 for a 'Must have' category, ranked accordingly. In other words, all scores between 1 and 10 were picked once and assigned to a certain chosen capability. This process then was repeated for the second group of capabilities; the 'want' category. The reason for picking two categories was to get an indication of relative importance based on a dedicated weight-value difference for the development of the practical tool in a later stage.

The decision to utilize a ranking scale method was supported by looking at literature such as Cooper and Schindler (2014). According to their book on business research methods, researchers generally utilize scaling methodology for two reasons, to either measure characteristics of the participants who participate in the study, or to utilize the participants as judges of the objects or indicants presented to them. The latter is the case for the purpose of this research. Rather than looking at scores of individual capabilities through a rating scale method, through the usage of a forced-choice ranking system, participants are stimulated to think actively which capabilities to include and which to exclude and about the relative importance of such capabilities. Hence, no discussion with regard to scale points is required and more importantly, the possibility of central tendency or error of leniency occurring is reduced (Cooper and Schindler, 2014). This means that the researcher should consider that some participants can be reluctant to give high scores, while others very easily provide extremes, resulting in bias to the 'middle' or central position in the case of rating scales. However, forced-ranking methods also have a challenge to consider. According to Cooper and Schindler (2014) it should be noted that, with forced-ranking approaches, it is important to make sure that any uncertainty from the participants is addressed, allowing them to express the option of being undecided on a certain aspect beforehand. After this process of evaluation, the hand-outs were taken in to process at a later stage and a short discussion followed. This open discussion at the end of the session allowed participants to express their final thoughts and communicate freely on the topic. Since these participants now are more aware of the scope and direction of the research, it is expected that it should enable them to provide relevant information, perhaps overlooked or not yet considered by the researcher. Afterwards, the obtained data was processed in two different ways. The quantitative data obtained through the filled in hand-outs of the channel collaboration capability model were digitally processed as seen in the provided tables. The qualitative data in the shape of notes and recordings were summarized and documented digitally.

Next to these formal workshops, insights obtained from other meetings will be incorporated. These meetings have similar approaches as the aforementioned process, the main difference being that some of the management team-specific information is left out during the introduction and that in the case of distributors, more focus on their side of the relationship will be put. The results of these workshops and meetings are presented in chapter 4.



CHAPTER 4.

OVERALL RESULTS

4. RESULTS

In this section all the findings from the workshops and meetings in order to answer the research question, are analyzed and discussed. As described, this data was obtained through both internal and external meetings. As mentioned, from these meetings both qualitative- and quantitative data was obtained. The workshops are discussed and divided in general qualitative findings workshops, quantitative data Workshop 1: Europe (internal), Workshop 2: US (internal) and external. This way, all obtained data is represented in an organized manner, which allows for clear comparison. First some general findings from the discussions are presented, then the aforementioned data is represented in tables after which an explanation is provided and other notes with regard to that specific construct are displayed.

4.1 GENERAL QUALITATIVE FINDINGS WORKSHOPS

4.1.1 Logistics Capabilities

After an initial explanation of the channel collaboration capability model, the discussion started on the topic of *logistics capabilities*. The participants did not require any drastic modifications or additions towards this construct. In general, the logistics capabilities of a potential channel partner were perceived as a facilitating, second-order type of capability by the participants. One of the participants stated the following with regard to this matter.

“For this type of industry and the volume of goods we are dealing with on a yearly basis, logistics are a second-order priority. We do not expect the dealer to stock; we are capable to send directly from our facility to the end customer”.

A comparison was made with another division within the company, where volumes of products were much higher and thousands of products are being sent out on a daily basis. According to the participants, in such a situation it is very important, not only for channel partners but for the manufacturer as well, to carefully assess the opportunities and issues with regard to this matter. This was further emphasized by another participant through the statement.

“Logistics taken on by the channel in this side of the business do not have enough added value or efficiency benefits for us, due to the expected low volume of transactions with this party (...)”.

Despite this overall consensus, it became clear that the participants did not mean that logistics capabilities should be dismissed. Rather, it was noticed that the logistics function was considered to be primarily the focus of the manufacturing organization itself.

“We would like to be in charge of the logistic process as in our experience too many things go wrong when a middleman (e.g. agent or distributor) or end-customer takes on this process, mainly due to all the preparation responsibilities we have and the paperwork which is involved in this type of business”.

It was perceived that currently costs are already mainly made by the manufacturing company, and that even in the situation where a partner takes over certain aspects of logistics, the main portion of costs would still be with the manufacturing company, due to all the paperwork and required initial preparations. Therefore, a direct line from the manufacturing site to the end-customer is beneficial according to the participants.

Additionally, it is stated that the focus for logistics should not be on the main products. The conversation shifted when spare-parts were mentioned. According to the participants, potential benefits reside mainly in the storage and distribution of spare-parts. The reason for this according to the participants is twofold.

"Spare-parts are very interesting to the increased availability to end-users and as they are less expensive nature for a channel to acquire".

"It is viable if the channels are able to hold some stock of spare-parts, in order to make them available to the customer faster, especially in a more remote location".

Summarizing, according to the participants logistics are of second-order when it comes to the main products which are required to be distributed. The provided functions mainly reflect the manufacturing party of the relationship. The participants expressed their interest towards the distribution of spare-parts when it comes to logistics, as this currently is a gap for the manufacturing company, which can be filled by the marketing channel. This is both from a commercial-, as well as a service point-of-view an interesting aspect.

4.1.2 Financial Capabilities

Financial capabilities were perceived somewhat differently. The first part of the discussion was related to whether any potential channel could be able to take on the costs related to the investment that comes with products within this type of industry. Two arguments closely related to the relevance of this issue were similar to the argumentation with regard to logistics.

"We do not expect the channels to finance our goods, since we are dealing with a low volume of transactions of high-capital goods".

"Financially, it all depends on what you agree with the channel. I am skeptical that there are companies who can and want to pre-finance our goods. This works with smaller, low-capital goods, but it is very difficult with our product portfolio".

On the other hand, it was also mentioned that it all depends on what you expect from the channel and what type of company you look for. According to a participant, it showed a sense of commitment and more importantly, gives an intrinsic sense of urgency when a valuable product which is (partially) financed by the channel, occupies the financial resources of the channel

"In contrast, we should look for organizations which are indeed capable to buy these products in order to increase our volumes. We want them to push the product, and take on some of the financial risk and to have a deeper involvement and sense of responsibility in the process."

Another participant saw more benefit in a merely transactional relationship where the channels only focus on generating leads, especially in the first phase, rather than taking on more financial responsibilities and investing in a more in-depth relationship.

"I think it is better to just pay them a commission and take over the lead".

Two similar statements were made during the US workshop towards this theme, where most of the emphasis is put on generating sales leads, increasing sales potential and thus reaching more customers.

"For me, the first goal should be a channel which can generate sales. More feet on the street, new customers in new areas. Once a lead is generated we can step in and aid them in this process".

"Ideally, we want a transactional relationship, but how can we find the drive from distributors to do this?"

Although these seem like fair statements according to most of the participants, there are some counter arguments to consider as raised by an US participant. Especially with regard to the burden on current internal resources such as time and people, but also with regard to mutual benefits. As two participants mentioned:

"We do not have the internal capabilities to take on everything, we want these channels to support us and take some burden of the internal organization".

"We can also view it in such a way that we allocate certain activities to the channel, in order to free up our own resources".

This is an important question which needs to be addressed during the implementation phase of the selection process. It appears that finding out what is expected from both sides, what can be done and what degree of involvement is required highly influences the decision process. As one of the participants stated:

"One important factor to consider is, what we need to invest in the relationship; in time and money, needs to justify the returns. That's why careful selection is necessary".

Summarizing, according to the views of the participants, the degree of involvement of the channel and the expectations of what is required in the partnership, are deeply related to the return on investment and allocation of internal resources.

4.1.3 Marketing Capabilities

As mentioned in section 4.1.2, the participants tend to view marketing channels primarily as an extension of the salesforce and a way to generate more sales leads. The channel then gets a commission, depending on the degree of involvement, and is aided in the overall sales process.

However, such an approach might be too simplistic, especially in this type of market where distributors with a so-called box-shifting type of mentality do not qualify and more technical involvement is required. One recurring theme during the discussions related to marketing capabilities was the so-called technical ability and expertise and the special approach towards the sales process of products within the aforementioned product portfolio requires.

“For me, the most important factor is the ability to identify an opportunity. This can only be done by fully understanding the applications and creating awareness”.

This opportunity identification process is highly valued for the participants. According to their view, knowledge with regard to the different applications, a deep understanding of requirements by the customer and the ability to formulate a well elaborated solution for a specific challenge as demanded by the customer is required. This is not only from a safety position important to consider (since you are dealing with heavy loads in dynamic situations within this type of industry) but also from a liability point of view; you do not want your channel to recommend the wrong product for a certain application. Therefore, a trial period where this technical expertise is assessed and trained is critical according to the participants.

“We should train the channels in such a way that eventually selling these standard products becomes an autonomous process. However, in the first phase it is important to ‘hold their hand’ more to be sure that everything is understood and proper communication is performed”.

“We can do a trial period where we involve the channel in the sales process of certain products, and then we notice fast enough whether the technical capability or product match in terms of expertise is present”.

Other remarks closely related to the technical expertise, are those with regard to potential product complementarities.

“If a channel interacts with their current customers, they should be able to identify potential opportunity for product complementarities or situations where one of our standard products becomes part of the solution”.

“Our products can be an alternative and a complementarity for the channels current product offering, this can be an added value for their current customers”.

As shown, product complementarities are viewed as rather beneficial. Not only because it shows a certain degree of knowledge with regard to solutions and products in a specific market, but also because it opens up new opportunities with existing customers

of the channel and opens up new market for the manufacturing company. As shortly mentioned, some concerns also were present with regard to this technical expertise and specific sales approach. As one participant explicitly mentioned in the US workshop:

“How can we interest the channels in the long sales process that these products take? In other words, make sure they do not take the path of least resistance each time as other products might be easier to sell”.

This was further emphasized through the potential of competing product lines. The participants make clear that, although they want to be a complementarity of the current product line of a channel, they do not want to be an alternative which is used as a benchmark for their current product offerings, in other words making those current ones more attractive by for instance overpricing or as an alternative for their renting business (if this is part of the business model of the channel)

“The problem with a company that also rents out equipment is, that they are both a partner and a competitor”.

“There will be some fuzzy lines here, which products with similar applications are considered competing and which are not? Are current channels of other companies currently mixed or dedicated to one manufacturer?”

“How do we deal with channels with competing product lines? We need to draw a line in the sand in terms of exclusivity, (...) channels should drop products which are directly competing with our products in order to have this to work”.

To solve this issue, another participant states that clear agreements should be made in order to tackle such issues from the beginning.

“When implementing this approach, we should make clear decision and agreements on what is and is not feasible and how certain loyal behavior is rewarded”.

This does not only reflect to the product offering, but also towards dealing with future competing product lines. It is mentioned explicitly that in practice, often when one company partners up with new distributors, competitors flock these new channels and try to copy the approach.

“The first thing you see is that when you set up a distribution network, your competitors comes to those companies and copies the approach. We have to take a strong position here”.

What implicitly is expressed through this statement is that governance plays an important capability spanning function which highly impacts loyalty, trust and behavior. This is further explained in sub-section 4.1.5.

The final general remarks were made towards new market access and potential geographic conflict. When new channel partners are 'installed' in a certain geographic area, according to a participant, it should be clear prior to this agreement which potential conflicts can be present and where the main opportunities are.

"We need to focus on potential channels in areas we currently do not cover. That way, we have an entrance in that market".

"However, we need to be aware of potential channel conflict, since we do not want channels to have exclusivity in an area. We need to be aware that a channel could compete with our current customers base or existing channels from another side of the business leading to conflicting situations".

4.1.4 Organizational Capabilities

Only a limited amount of general comments were made with regard to organizational capabilities. The main focus here was on the knowledge management ability; how the channels can acquire, share, assimilate and integrate knowledge. This, related to the aforementioned technical component, the trainability of the channel, but also towards market information. Most emphasis here was put on how to make information available to the potential channel partner and how to assess their management ability.

"We need to figure out, if we got an organization that knows what it wants, how they want it and their mentality".

"What would make their (the distributors) life much easier is providing specific market information to them. For instance, to a channel in a certain industry we can say these are our products for your industry, these can be sold to your customers".

This sharing of knowledge is perceived to be two-sided; a channel partner should be eager to both assimilate the information which is provided by the manufacturer, and should also be willing to share information on potential sales leads or customers. An interesting issue pops up during the discussion of the latter.

"Distributors can be paranoid in terms of end-user information. How to create trust and transparency in such a way, that this paranoia is taken away".

As mentioned in 4.1.3, it is closely related to governance, but also towards the willingness to share, the enthusiasm, the commitment and transparency, and of course the communication within the relationship.

4.1.5 Networking Capabilities

During the discussions it became clear that some *networking capabilities* are highly valued by some, while others are perceived as an intrinsic feature or a "given" aspect of an organization. This related mostly towards connections of the channel, the commitment and communication of the channel, and the overall governance structure. The communication and commitment was mentioned explicitly by one of the participants as a factor which is imperative for the channel relationship to succeed.

"I believe everything which should be in the model is present, especially with regard to the will and the drive (communication and commitment) to do this partnership. This is very important, we need someone who understands our type of business and acts accordingly".

Furthermore, it was stated that a focus should be put on checking whether the potential partners have similar moral values and show ethical behavior in doing business as it has an effect on both sides of the relationship.

"Ethics and morality are very important. We should keep track of how and where our products are sold to. Otherwise, this is in conflict with our corporate standards and it can hurt our image and business".

Additionally, communication was perceived as an active process, it is important to create awareness and really push the channels in order for this to work according to the participants. An issue which was identified in an early stage of the workshops was that some participants explained that they saw certain capabilities as a 'given'. For instance, one participant explicitly mentioned:

"Of course everyone should show ethical behavior and good morality" or "everyone should take into consideration safety".

To address this concern, an explanation was given about why it indeed should be factored in. For instance, with regard to the statement about ethics, it was explained that ethics can change from culture to culture and what is perceived as 'not-done' for one company is totally acceptable for another. Therefore, caution should be factored in when discussing these themes.

Overall, it became clear that many of the described capabilities are either perceived as highly important, while others are shown to be considered as either facilitating or an intrinsic feature. Therefore, it will be interesting to see what the quantitative data with regard to these themes shows and if it supports this view in the sense of a clear distinction between important must have (must) capabilities, versus facilitating second-order (want) capabilities which should be taken into consideration but to a certain level.

4.2 GENERAL QUALITATIVE FINDINGS CHANNELS

As explained in the methodology section, similar meetings were conducted with current channel partners. Although these channels are somewhat different than the yet to be determined dedicated marketing channels, it should provide some insights towards what is expected by their side of the relationship (dyad). After a similar initial introduction, a general discussion started resulting in themes such as how those companies perceive the (potential) relationship, what is required from the manufacturer, which complementarities-, synergies- and capabilities are valued, what gaps exist and what is needed to make this relationship a success.

The first capability which was brought up during the discussions with these channels was the product-related capability technical expertise. Both companies had a certain degree of technical knowledge within the served industry, but it was mainly related to one or two product groups of the product portfolio.

"We are interested in selling your products, but it will take some time to fully grasp the application and acquire the technical knowledge, so it would probably make sense to start with 1 type of product and develop the rest over time".

This was further emphasized by the sales manager of channel partner 2.

"For some products the technical knowledge requirements are too high, we need involvement from you guys in this case while we can aid in facilitating the rest of the sales process".

According to the participants, active guidance, training and aid is required when dealing with these types of products within this heavy lifting industry. This was further emphasized in the sense of access to information, not only with regard to the application but also to which markets to reach or customers to approach.

"Access to specific information should boost this knowledge. For instance, it would be useful to have videos and training footage".

A sale manager further emphasized the importance of communication and the distinct sales approach which should be addressed. This was closely related to the aforementioned capability technical expertise.

"Communication, technical knowledge and a consulting sales approach are required, rather than us shifting boxes. We need to create awareness and communicate on a regular basis".

"An important step is to get the communication up to par, if we have the feeling that we are actively being approached and have a sense of urgency then I am confident we'd be very eager to get leads actively".

Through these discussions it was further confirmed that these technical factors play an imperative role within this distinct industry. Another remark was made by the owner of the channel company, explaining the importance of utilizing each other's network in order to establish the partnership. The reason for this is that it can potentially bring new opportunities, which perhaps in the past were not possible or not acted upon by the initial relationship-owner.

"We need to partner up and figure out how we can get involved with the end users. A big starting point would be to share end-user base".

"We need to tap into each other's networks, as we are capable of distinguishing certain opportunities".

The workshops with the current US channels furthermore showed that transparency, active communication and a decent reward system, which is beneficial to both partners, are the key factors which drive the success of a relationship. Especially communication was brought up several times. According to both partner's and the manufacturer's view, dedication, enthusiasm and the hunger (drive) to generate leads all relate to this success. One key factor here was being taken seriously and a certain exclusivity.

"We do not want to be in the situation where we are considered one of the many if this channel formula proves to be successful. This makes our competitive position weaker and it makes it more difficult to sell our products".

From the following discussion it appeared that both participants saw the benefit of a more in-depth relationship. Rather than only operating as an agent who passes on the sales lead to the manufacturer for a commission, they want to build an intensive relationship with have a higher degree of involvement than only providing leads.

"We want to be involved in the sales process as much as possible, this relates to our experience".

The participant of the other company further emphasized this notion, not only in terms of establishing a partnership, but from the starting point that active development is a key driver of success.

"We want to be involved and really work together. We need to sit together and see what business plan can be set up in order to have this to work".

"Although we currently mainly are renting out equipment which is produced by your company, we are very interested in developing this relationship further and sell your products".

In conclusion, organizations are very willing to partner up as they see the benefits of these types of relationships. However, the success greatly depends on the degree of involvement, communication and support according to their view. The next step is to examine what capabilities described in the channel collaboration capability model the participants perceive as important, and to assess where potential complementarities and synergies in terms of capabilities exist which can result in mutual benefits or relational rents. Furthermore, it will be interesting to see to what degree the aforementioned statements relate to the scores that they give to certain capabilities.

4.3 QUANTITATIVE RESULTS WORKSHOPS

In this subsection the results from the channel collaboration capability model hand-outs are described for the manufacturer's perspective. The main purpose of this process is to determine the most important capabilities within the specific described context from the manufacturer's side of the dyad. In other words, this section analyses which capabilities the manufacturer requests from the marketing channel partner. Furthermore, it offers the possibility to assess certain similarities and differences between scores of the NL workshop and the US workshop. This is mainly beneficial to compare the thought processes of both groups and to check if there is a significant difference between the designated locations (i.e. Netherlands and United States). Throughout the results section, several tables are shown which depict the scores as provided by the different participants for both workshops.

Table 2
Quantitative Results Channel Workshop NL

Capabilities	Must Category							Want Category						
	A	B	C	D	E	F	SUB	A	B	C	D	E	F	SUB
L1					2		2		2	7				9
L2							0	4	3	4				11
L3	1						1			6		2	7	15
L4							0			1		6		7
L5							0	1		2		4		7
L6							0	2				3		5
F1	5			8	10	10	33		7	9				16
F2							0			8	8			16
F3			8				8	3	8		7		9	27
F4		2		2			4			10		10		20
MM1		4	1	7	8	9	29	7						7
MM2	4	1					5				9		2	11
MM3		7		10	7	3	27	9						9
MM4			4				4		9					9
MM5							0				1		3	4
MP1			3				3	6	4		4			14
MP2	8	9	10	5	6	2	40							0
MP3							0		10					10
MC1	9	10	9	6	5	8	47							0
MC2		8	5	9		4	26	10				8		18
MC3		5					5	5		5	5	9	4	28
MC4							0	8			6		8	22
MC5				4		7	11		1					1
O1	10		2		1	1	14							0
O2							0				2	5	6	13
O3							0		6					6
N1	7		6				13					7	1	8
N2	6	3			4	6	19			3	10			13
N3	3			3	3		9						5	5
N4	2						2	5			3	1	10	19
N5		6	7	1	9	5	28							0
N6							0							0
Control	55	55	55	55	55	55	330	55	55	55	55	55	55	330

Capabilities are codified (see section 4.3). Numbers represent absolute scores provided by participants through forced-ranking method between two categories (must and want). SUB shows the subtotal score of a capability. Control is control value (=55)

First, the scores of both workshops are examined independently, after which they are processed into one “total” table (section 4.5) and analyzed to determine relative importance which is necessary for the creation of the practical tool in a later stage.

As shown in each table, the subscripted notes state that the capabilities are codified. In order to understand how this is done, a short explanation is required. Each capability belongs to a certain capability group (i.e. logistics, financial). This determines the first letter (e.g. L for Logistics, F for Financial and MP for Marketing-Product Related). The number next to this letter is based on the presence in specific group of the collaboration capability model. In other words, transportation would get an L for logistics, and a 1 since it is the first capability in the logistics group, Financial Strength would be F1, market coverage MM1 etc.

When looking at the overall results in table 2, several conclusions can be drawn. First, it can be concluded that there is a clear distinction between which specific capabilities receive the highest and lowest scores from the participants, when comparing the must-and want category. Furthermore, when reviewing how the scores are distributed among these two categories, it appears that certain capabilities within the must category receive relatively high scores (see subtotals), while others hardly score any points. In other words, for the ‘**must have**’ category several capabilities apparently are perceived as extremely valuable (e.g. Overall Sales Strength with 47 points or Technical Expertise with 40 points) gathering around 26% (87/330) of the total score, while others are not included in any ranking (e.g. promotion and advertising ability 0 points or PP&E managing capabilities with 0 points).

In contrast, when analyzing the scores in the ‘**want**’ category of this table, differences in scores of among the capabilities are less extreme and a more even distribution of the relative scores can be found. This could have two possible explanations. For instance, it can be due to the differences in background of the participant (e.g. bias towards a certain department due to a certain degree of knowledge) causing differences in value for certain capabilities. It could also be that participants are less critical when picking and ranking the ‘want’ category capabilities, as they consider them to be less important than the capabilities they picked for the ‘must’ category.

A similar trend can be distinguished within the US workshop (table 3). Within the must group, the experience and knowledge of target customers (51 points) and technical expertise (48 points) are clearly valued greatly, consisting of around 23% (99) of the total assigned scores (440 points). While in contrast, capabilities such as cultural capabilities or adjacent market access remain unranked.

Other trends which can be identified within both workshops are that for instance the logistics capabilities and most financial capabilities clearly are perceived as a ‘want’ category type of capability from the channel partner, rather than an imperative ‘must have’. When analyzing this situation against the background of all the meetings and conversations conducted during this research (see general findings), this most likely is the case due to the reason that the participants of the manufacturing company feel that

such capabilities are something which is part of their side of the relationship. In other words they take want to take responsibility for these functions themselves and facilitate these aspects to the channel (i.e. the manufacturer is complementary in that sense).

Table 3
Quantitative Results Channel Workshop USA

Capabilities	Must Category									Want Category								
	G	H	I	J	K	L	M	N	SUB	G	H	I	J	K	L	M	N	SUB
L1							4	3	7				9		1			10
L2	1						5	5	11					8	8			16
L3				5	2				7		6	1			7	5	6	25
L4			7	3					10	1				10		1		12
L5									0			8						8
L6		1							1					1				1
F1	8	7	8	10				9	42						6	9		15
F2									0	7	5		10					22
F3				6	5				11			9			5		9	23
F4	7					4		2	13			7	7	9		6		29
MM1	3	5	5		3				16								2	2
MM2				9					9	6	9	10				7		32
MM3	10		6		8	10	10	7	51				8					8
MM4									0					7	2	4	1	14
MM5									0	2			5		3			10
MP1						6			6	3	8			6		8		25
MP2	9	9	10	4	1	7	8		48								5	5
MP3							7	1	8		1			2				3
MC1	6	6	4						16				1	5	10	10	4	30
MC2					10		6		16	8	2	6			9		10	35
MC3	4	4	3	8	7	2	9	8	45									0
MC4				2					2		4	5		3			8	20
MC5			1		6	5	1	6	19									0
O1		10							13				3			2	7	21
O2			2						2	4	7		2					13
O3									0			2	6	4				12
N1									0									0
N2	2			7		8	2		19		3	4					3	10
N3	5	8	9	1	9	9		4	45							3		3
N4		2			4			10	16	5			4		4			13
N5		3				1	3		7	10								10
N6									0		10	3						13
Control	55	55	55	55	55	55	55	55	440	55	55	55	55	55	55	55	55	440

Capabilities are codified (see section 4.3). Numbers represent absolute scores provided by participants through forced-ranking method between two categories (must and want). SUB shows the subtotal score of a capability. Control is control value (=55)

Next to these similarities between both workshops, certain minor differences can be identified. The first difference between the US and NL workshop is how the after sales/support/service capability is perceived. This most likely is caused by the fact that most internal resources (e.g. the manufacturing plant, internal sales, engineers etc.) are present in the Netherlands, which makes access to these functions more difficult for the US participants. For this reason, it makes sense that they seek additional external (complementary) capabilities as provided by a potential channel, while the NL participants feel that these functions can be performed by themselves.

Another difference is how ethical behavior and morality are viewed. As explained in the general findings section of this research, this mostly had to do with how this capability was perceived beforehand by the participants. The NL participants clearly valued this factor during the discussions, while the US participants stated that they perceive it as an intrinsic feature of any company (see general findings for a more extensive explanation with regard to this matter).

The final two differences between both workshops were how connections and the sales function were valued by both groups. A clear explanation for this fact is difficult to formulate. Both groups explicitly mentioned that the ability to generate leads was one primary goal when dealing with marketing channel partners. However, the US group classified these factors mainly as a want, rather than a critical factor.

In contrast, the NL group ranked these commercial capabilities as one of their top priorities. One reason could be that the US perceived these capabilities as something which can be developed over time. Or that these capabilities are easily trainable as long as the potential channel partner has a certain status quo of knowledge with regard to the application or technical aspects, while the NL group experienced these capabilities as critical success factors.

A last point which should be considered relates to the comment that participants might be less critical when picking and ranking capabilities of the 'want' category. This is an important consideration during the creation of the practical model, as a decision has to be made on relative importance between the two categories. In other words, a multiplier has to be established for the scores of the 'must' category, and what this multiplier is. The reason for this decision is that, without considering a multiplier, the highest ranked capability in the 'want' category would be ten times as high as the lowest 'must' capability. This is something which will be discussed subsection 4.5

4.4 QUANTITATIVE RESULTS CHANNEL WORKSHOPS

As explained, this section discusses the workshops which were performed with the channel partners. As only a select group of companies could be considered as channel partners for the case company, only two of these companies were able to participate in individual workshops. In these workshops they were able to express their thoughts (see general findings channels) and provide input towards what capabilities they expect from the manufacturer in this channel relationship. Although the group could be considered as relatively small, it should provide some insights towards their thought process and possible synergies, differences or complementarities and see whether the model is understood and valid for this course of action.

Table 4
Quantitative Results Channel Workshops

<i>Capabilities</i>	<i>Must Category</i>		<i>Want Category</i>	
	CP1	CP2	CP1	CP2
L1	4			
L2	7			
L3				
L4				8
L5	3			
L6				7
F1		5		
F2		4		5
F3	8	3		
F4		2		
MM1			8	
MM2				
MM3			10	
MM4			7	
MM5				3
MP1				6
MP2	10		6	
MP3			3	
MC1			9	9
MC2		7		
MC3	9			
MC4	6		5	
MC5	2		4	
O1	5	6		
O2			2	10
O3		1		
N1				
N2		10		2
N3	1	9		
N4		8		4
N5			1	1
N6				

Capabilities are codified (see section 4.3) Numbers represent absolute scores provided by participants (CP1/CP2) through forced-ranking method between two categories (must and want).

When looking at the scores in both groups of table 4, it appears that financial willingness (F3) and management abilities (O1) received the highest total scores from the channel partners in the 'must' category.

What can be understood from this is that channel partner 1 (CP1) views that the manufacturer plays an important role in providing financial means and is willing to invest in the relationship. The other channel partner ranked the management ability of the manufacturer the highest. This can be explained through the notion that during the meeting with this partner, it was often mentioned by the sales manager that a clear strategy is required in order for the partnership to work. According to this partner's view, creating a thoroughly elaborated plan is imperative and the manufacturer should have the capability to formulate such a plan. Furthermore, the technical expertise (which appears to be one of the decisive factors within this type of industry) was valued greatly by one of the partners. This directly relates to some of the statements of the participants of the other workshops; technical expertise is a key decisive factor within this type of industry and asks for a different consulting sales approach and way of communication between the partnering firms. Additionally, the market reputation of the manufacturer, their connections with end-users and lastly the after sales/support/service capability which can be offered are considered as important. The reason for this is most likely that the channels require active support in order to fully grasp the products, end-markets and customer relationships. Furthermore, the channel partner's expressed that they want to tap into the manufacturer's network in order to expand their own customer base and to see where potential business opportunities exist.

When asked about which capabilities are part of the 'want' category, it appears that the sales generation and selling capability, knowledge management ability and experience are considered to be the most important by the participants. The main trend which can be identified overall, is that most capabilities which are perceived as important for the channels relate to support and involvement of the manufacturer. The financial willingness and management abilities relate to this in the sense of arranging financial agreements and providing aid with strategic direction and planning. The after sales/support/service function relates to this in the sense of aiding through the sales process, providing service and aid with the after sales process. Lastly, the technical expertise and knowledge management ability capabilities are perceived as important in the shape of training, exchange of knowledge, creation of processes which captures these factors and lastly, the availability of information. The general consensus is that both partners see value of the relationship, and that both require a different type of approach; one more oriented at the development of strategy and customers, the other more at providing technical aid through training and knowledge sharing.

4.5 TOTAL RESULTS

In this section the overall scores and relative importance of the must and want category are described. As mentioned, reviewing these overall scores provides insights towards what the most important context-specific relational capabilities are according to the participants of the workshops, which enables the ability to create the practical tool in a thoroughly elaborated way.

Table 5
Total Quantitative Results

Capabilities	Must Category					Want Category				
	EU	%	US	%	CUMU	EU	%	US	%	CUMU
L1	2	0.6%	7	1.6%	1.2%	9	2.7%	10	2.3%	2.5%
L2	0	0.0%	11	2.5%	1.4%	11	3.3%	16	3.6%	3.5%
L3	1	0.3%	7	1.6%	1.0%	15	4.5%	25	5.7%	5.2%
L4	0	0.0%	10	2.3%	1.3%	7	2.1%	12	2.7%	2.5%
L5	0	0.0%	0	0.0%	0.0%	7	2.1%	8	1.8%	1.9%
L6	0	0.0%	1	0.2%	0.1%	5	1.5%	1	0.2%	0.8%
F1	33	10.0%	42	9.5%	9.7%	16	4.8%	15	3.4%	4.0%
F2	0	0.0%	0	0.0%	0.0%	16	4.8%	22	5.0%	4.9%
F3	8	2.4%	11	2.5%	2.5%	27	8.2%	23	5.2%	6.5%
F4	4	1.2%	13	3.0%	2.2%	20	6.1%	29	6.6%	6.4%
MM1	29	8.8%	16	3.6%	5.8%	7	2.1%	2	0.5%	1.2%
MM2	5	1.5%	9	2.0%	1.8%	11	3.3%	32	7.3%	5.6%
MM3	27	8.2%	51	11.6%	10.1%	9	2.7%	8	1.8%	2.2%
MM4	4	1.2%	0	0.0%	0.5%	9	2.7%	14	3.2%	3.0%
MM5	0	0.0%	0	0.0%	0.0%	4	1.2%	10	2.3%	1.8%
MP1	3	0.9%	6	1.4%	1.2%	14	4.2%	25	5.7%	5.1%
MP2	40	12.1%	48	10.9%	11.4%	0	0.0%	5	1.1%	0.6%
MP3	0	0.0%	8	1.8%	1.0%	10	3.0%	3	0.7%	1.7%
MC1	47	14.2%	16	3.6%	8.2%	0	0.0%	30	6.8%	3.9%
MC2	26	7.9%	16	3.6%	5.5%	18	5.5%	35	8.0%	6.9%
MC3	5	1.5%	45	10.2%	6.5%	28	8.5%	0	0.0%	3.6%
MC4	0	0.0%	2	0.5%	0.3%	22	6.7%	20	4.5%	5.5%
MC5	11	3.3%	19	4.3%	3.9%	1	0.3%	0	0.0%	0.1%
O1	14	4.2%	13	3.0%	3.5%	0	0.0%	21	4.8%	2.7%
O2	0	0.0%	2	0.5%	0.3%	13	3.9%	13	3.0%	3.4%
O3	0	0.0%	0	0.0%	0.0%	6	1.8%	12	2.7%	2.3%
N1	13	3.9%	0	0.0%	1.7%	8	2.4%	0	0.0%	1.0%
N2	19	5.8%	19	4.3%	4.9%	13	3.9%	10	2.3%	3.0%
N3	9	2.7%	45	10.2%	7.0%	5	1.5%	3	0.7%	1.0%
N4	2	0.6%	16	3.6%	2.3%	19	5.8%	13	3.0%	4.2%
N5	28	8.5%	7	1.6%	4.5%	0	0.0%	10	2.3%	1.3%
N6	0	0.0%	0	0.0%	0.0%	0	0.0%	13	3.0%	1.7%
Totals	330	100%	440	100%	100%	330	100%	440	100%	100%

Capabilities are codified (see section 4.3). All numbers are either absolute or a percentage. CUMU represents the cumulative relative value of a capability in both must and want category.

By adding the scores from the workshops and then dividing them through the total possible amount of scores, the cumulative relative values of the capability were determined (CUMU). This process was performed for both categories, after which a color has been provided to the highest values of each categories. Note that for each category a certain threshold was assigned in order to stay within a margin of a top 10 for both the 'must' and 'want' category. This way, the total amount of capabilities which are part of the evaluation does not become overly extensive, making the practical tool unusable in the field. As shown in table 4, the top 10 highest scored capabilities of the must category is labelled with a green color, while the top of the want category are labelled yellow. After this, the top capabilities were derived for further analysis. The result of this is processed in table 6.

Table 6
Overview Top Ranked Capabilities

<i>Capabilities</i>	<i>Must Category</i>			
	RAT	ABS	NORMABS	NORMRAT
MP2	11.4%	88	119	15.5%
MM3	10.1%	78	106	13.7%
F1	9.7%	75	102	13.2%
MC1	8.2%	63	85	11.1%
N3	7.0%	54	73	9.5%
MC3	6.5%	50	68	8.8%
MM1	5.8%	45	61	7.9%
MC2	5.5%	42	57	7.4%
N2	4.9%	38	52	6.7%
N5	4.5%	35	47	6.2%
<i>Totals</i>	73.8%	568	770	100%

	<i>Want Category</i>			
	RAT	ABS	NORMABS	NORMRAT
MC2	6.9%	53	81	10.56%
F3	6.5%	50	77	9.96%
F4	6.4%	49	75	9.76%
MM2	5.6%	43	66	8.57%
MC4	5.5%	42	64	8.37%
L3	5.2%	40	61	7.97%
MP1	5.1%	39	60	7.77%
F2	4.9%	38	58	7.57%
N4	4.2%	32	49	6.37%
MC1	3.9%	30	46	5.98%
F1	4.0%	31	48	6.18%
MC3	3.6%	28	43	5.58%
L2	3.5%	27	42	5.38%
<i>Totals</i>	65.2%	502	770	100%

Capabilities are codified (see section 4.3) RAT is the abbreviated version of RATIO, ABS is the absolute value and NORM stands for normalized value.

Based on the aforementioned process, ten must category capabilities- and thirteen want category capabilities were derived.

It appears that this procedure results in a certain overlap between both categories for the reason that certain capabilities by some were perceived as critical (must), while others perceived them as a want. The first column shows the relative value of the capability within the total amount of capabilities (table 6) and the second column consists of the absolute score within the total amount of capabilities. As shown, the capabilities in table 6 only take into account respectively 73.8% and 65.2% of the total possible scores within the must and want category. Since the other listed capabilities of the channel collaboration capability model do not play a role during development of the practical tool it is necessary to normalize both values in such a way that they both are complete (100%) again. The reason for this is that comparison between the two categories is required to eventually develop weighted scores. This procedure results in the absolute scores depicted in the third column and the normalized relative values in the fourth column of table 6.

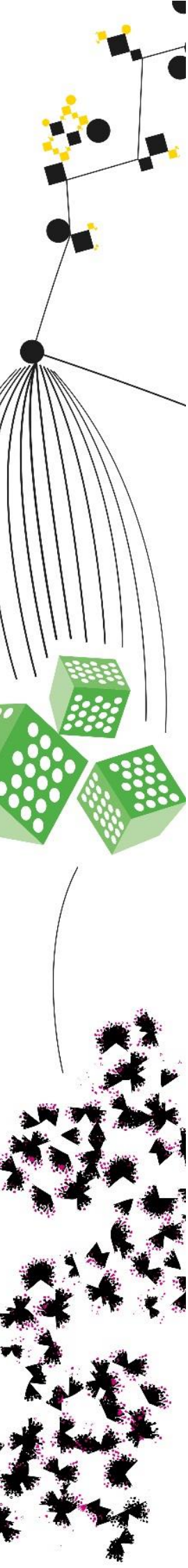
Now that the overall scores are calculated, the last phase of this process can be performed. This consists of three different steps. As mentioned briefly in the results sections, it is imperative to determine a multiplier for the must category. After discussions with the consulting expert, the relative weight for the must category was set at 2. In other words, the scores of the selected capabilities within the must category are doubled, relatively to the want category. This way, the must category capabilities are prioritized within the scoring method. The reason for a multiplier of 2 is that although the must category has to be prioritized in order to justify the difference between the two categories; a higher multiplier would lead to a situation where the lowest ranked 'want' capabilities hardly would have any impact on the overall score. In contrast, a lower multiplier would overemphasize the highest ranked 'want' capability relative to the lowest 'must' category capability. Hence, general consensus was that a multiplier of 2 was the most fitting.

After this step, the second step is to calculate and rank the capabilities based on the earlier determined weighted ratio. The third and final step is to determine the weighted score for each point, dedicated to these capabilities. This last step is imperative for the creation of the practical tool, termed the channel collaboration form. Overall, it appears that these nineteen capabilities are perceived as the most important capabilities in order to select and develop channel partner relationships for the case company. This is further described in the conclusions and recommendations section of this thesis. In table 7, the final ranking together with the aforementioned components are depicted.

Table 7

Overall Ranking Capabilities

DESCRIPTION	ABSOLUTE	RATIO	WEIGHT
Financial Strength	252	10.91%	2.18%
Technical expertise	238	10.30%	2.06%
Overall Sales Strength	216	9.35%	1.87%
Experience and knowledge of target customers	212	9.18%	1.84%
Sales generation and selling capability	195	8.44%	1.69%
After-sales/support/service function	179	7.75%	1.55%
Connections with end-users and other third parties.	146	6.32%	1.26%
Market coverage	122	5.28%	1.06%
Market reputation	104	4.50%	0.90%
Ethical behavior and morality	94	4.07%	0.81%
Financial willingness	77	3.33%	0.67%
Growth potential	75	3.25%	0.65%
Geographic coverage	66	2.86%	0.57%
Promotion and advertising ability	64	2.77%	0.55%
Warehousing	61	2.64%	0.53%
Product compatibility, quality, sophistication	60	2.60%	0.52%
Funding Competency	58	2.51%	0.50%
Communication and commitment	49	2.12%	0.42%
Flexibility	42	1.82%	0.36%
<i>Check</i>	<i>2310</i>	<i>100%</i>	<i>20.0%</i>



CHAPTER 5.

CONCLUSIONS AND RECOMMENDATIONS

5.1 DISCUSSION AND CONCLUSIONS

The literature review in chapter 2 and the results presented in chapter 4 led to the formulation of several conclusions and recommendations. In this final chapter these findings will be combined and presented. Furthermore, the research question will be addressed along with the channel collaboration capability model, and the proposed practical tool; the channel collaboration form, will be discussed which can aid manufacturers in the distinct context; in particular the case company, in channel partner selection and development. Lastly, some recommendations towards implementation of this research, directions for future research and the limitations of this research will be presented. This master thesis revolved around two central goals. The academic purpose of this research was aimed at answering the main research question: **How can channel relationships be understood, selected and developed, from a relational and context-specific perspective?** The second, practical purpose was aimed towards the development of a practical management tool which can be utilized by organizations during their marketing channel selection process.

Throughout this research it became clear that only a limited amount of papers can be found with regard to the process of marketing channel selection. More importantly, the available publications all pointed towards the same direction; taking on a single-sided (atomistic) approach with regard to which factors, determinants or criteria are important for selecting and developing marketing channels. Furthermore, according to scholars such as Lin and Chen (2008) and Cavusgil et al. (1995), only a few empirical papers on the topic of marketing channel selection can be found. As a response to this one-sided approach of the marketing channel literature, the theoretical lens of the relational view was introduced, focusing on the dyad instead of a single organization. An additional finding from the literature search was that behavioral aspects of the relationship were overemphasized. Current research extensively put focus on relational outcomes once a relationship is established, instead of looking at aspects such as fit, synergistic effects and mutual benefits during the channel partner selection. Furthermore, the criteria which were suggested for the selection of marketing channels missed an in-depth explanation towards why they are important and how these functions relate to both partners.

Next to the introduction of the relational view in marketing channel research, this research put an extensive focus on capabilities of both network actors. The explorative literature review led to the identification of five main groups of capabilities, which were integrated and visualized in the proposed channel collaboration capability model. Analysis through the channel collaboration capability model enables the possibility to assess which gaps, complementarities or synergies can be found in terms of capabilities of both partners. Hence, the distinguished capabilities can be evaluated against the principles of the relational view, visually represented in figure B in the literature review (chapter 2), in order to explain their relevance with regard to relational rents.

Recapitulating, as Dyer and Singh (1998) explain relational rents are possible when partnering firms' combine-, exchange-, or invest in idiosyncratic capabilities, assets, knowledge and resources. This explanation directly relates to the core of the channel capability model; in essence it explains that certain capabilities are required for both parties in order to develop potential successful partnerships which create mutual benefits such as an increase in sales, development of knowledge, efficiency benefits or closer proximity to a target market. Working together, tapping into each other's resources and providing the missing link towards each other's competencies is what makes such a partnership valuable. The same became clear during the conversations with (potential) channel partners; utilizing each other's network, expertise, resources and grow and develop a long-term relationship.

Hence, this research shows that channel partner relationships can be understood through the principles of the relational view, through the synergistic effects or mutual benefits that the manufacturing organization and the channel partner have based on (complementary) capabilities as depicted in the channel collaboration capability model. Furthermore, this research explains how channel relationships can be selected through the use of the channel screening process (Root, 1998) and the channel collaboration capability model in order to determine a clear profile of a potential channel partner. In contrast to the proposed channel screening process, the proposition of this research is that focus should not be solely on criteria which are formulated by the manufacturer. Instead, it is relevant to consider both sides of the dyad and assess what capabilities both partners can bring to the relationship.

In order to develop and retain such a relationship, and avoid potential opportunistic behavior, it is vital to have effective governance in the form of clear agreements, either on a formal or informal basis, rewarding that specific behavior which is deemed favorable and create a transparent and clear line of communication. Although the latter mostly taps into the aforementioned behavioral side of marketing channel literature, it is vital to explicitly mention this for the scope of this research. This development also relates to the other principles of the relational view; through for instance investing relation-specific assets (which relates to the financial capabilities of both partners).

The findings further show that, in general, overall alignment can be distinguished towards what the most important capabilities for marketing channels are within both the European team and United States team. Therefore, the global nature of the business, which brings contextual differences in terms of continent or country, from an internal point-of-view down to a minimum; capabilities which are transcending geographical boundaries. It can be argued that the main differences exist with regard to the availability of internal resources and how quick the response is towards, for instance, service requests, lead times and information. However, when looking at the context in the sense of industry and type of business, it is proposed that some rather impactful differences can be identified towards which competencies are valued the most with regard to marketing channels.

5.1.2 Academic Contributions

This research contributes to the existing body of marketing channel partner literature in several ways. As mentioned in the introduction and literature review, the current body of research in the realm of marketing channel partners is aimed extensively towards the behavioral-based approaches. This thesis aimed to revitalize the diminishing amount of economic-based publications about marketing channel partners by adding both the principles of the relational view (Dyer and Singh, 1998) and focusing on the distinguished gap by Hoppner and Griffith (2015); incorporating capabilities of network actors.

In essence, this research offers a way to understand, select and develop channel partners based on (complementary) capabilities, by considering the principles of the relational view (Dyer and Singh, 1998) such as effective governance, relation-specific assets and knowledge-sharing routines. Moreover, incorporating these theoretical concepts offers an interesting new approach towards the limited base of marketing channel partner selection literature. The proposed channel collaboration capability model can be considered as a starting point for this type of research, opening a potential future research direction which further incorporates the channel partner perspective into channel partner selection literature. Furthermore, this paper provides new empirical results to this currently underdeveloped component of the marketing channel literature (Lin and Chen, 2008).

Rather than purely considering atomistic approaches which are aimed at determinants from a manufacturers perspective (Lin and Chen, 2015), an expert system based on criteria (Cavusgil et al. 1995) or a marketing channel profile aimed at factors (Root, 1998), this research provided dyadic insights in understanding, selection and development of channel relationships through the channel collaboration capability model. The dynamic nature of the model, allows analysis from both sides of the relationship.

Overall, incorporating new theoretical approaches to the economic-based side of marketing channel literature can lead to new insights which can result in a more complete understanding of channels. Although the behavioral-aspects certainly play an important role in understanding relationship dynamics, relational outcomes and retaining a channel partner relationship, research aimed at for instance understanding why partners choose each other (e.g. competitive advantage/the resource based view/relational view) or what the mutual benefits are in terms of growth or financial output (e.g. transaction-based theory) are valuable to consider and offer interesting future research directions.

5.1.3 Managerial Implications

The empirical data which was obtained through several meetings and workshops at a case company is utilized to identify which capabilities from the channel collaboration capability model are the most important within this specific industrial context. Table 7 in the results section shows that the context-specific relational capabilities within this research mostly relate to the technical sales function of a channel and the current industry specific experience and overall technical expertise of this organization. One factor which is interesting is that, although during all the meetings, technical expertise was highlighted as the crucial decisive factor, yet financial strength appears to be the highest rank value. An explanation for this could be that many participants viewed that a potential partner should be financially healthy and have a history which shows that they are capable of dealing with high-tech cost intensive goods. As explained in the general findings section, logistics capabilities are seen as facilitating second-order factors. Therefore, the only capability which has somewhat of an impact is the warehousing function, according to this research. The reason for this relates not necessarily to the goods, but mostly towards the opportunity of distributing spare-parts.

During conversations with channel partners, it also became clear that a trial period is something which is beneficial for both parties; let's see how things develop over time and if certain expectations can be met from both sides before fully committing towards each other. Another important component of the relational view which is identified multiple times during the course of this research touches on the establishment of knowledge sharing routines. This does not only relate to certain customer specific knowledge; it also relates to providing information with regard to market developments, providing technical information-, support-, and backup. One way to address this is for instance the creation of an online platform, where information can be found and shared according to the participants. During informal discussions with employees of another division of the case company, it became clear that the capabilities which are important are indeed rather context-specific; it all depends on the type of goods or services, which markets are served and what the main business model of the organization is.

This directly influences what is perceived as important, useful or redundant. This is also shown through the discussions with the current channel partners, their specific role influenced their thought process towards what opportunities could be present when a more in-depth relationship combined with a portfolio extension would be implemented. Especially from the side of the manufacturing company, it was emphasized that the business model should be considered. Although, the focus during this research was put on the marketing channel partners, it appeared that in practice a greater distinction needs to be established within these concepts. The reason for this is that the business model greatly impacts the dynamics of the relationship and changes which functions become critical and influence the impact of governance.

During an informal meeting four key examples were identified which include a sales organization, an equipment rental distributor, an end-user/distributor hybrid and lastly a lease organization. These dynamics led to the conclusion that this factor should be taken into account during the channel partner selection.

As shown in table 7, certain weights are assigned to each capability in order to create a method to evaluate (potential) channel partners. This led to the creation of a channel collaboration form. Due to the size and confidentiality of the document, the final version of this form can be found in the appendices. The development of this channel collaboration form was as follows. First, the distinguished top ranked capabilities (table 7) were analyzed and processed. After this, they were further operationalized and split into 5 different sub-variables of each capability. This was based partly on the provided definitions of the capabilities in the literature review, and through discussions with the consulting expert, who was heavily involved throughout the course of this research. After this, the calculated weights were distributed among the various aspects and through the utilization of a drop-down menu; they were linked to a score between 1 and 5. This means that if a potential partner scores a 5 on all the proposed sub-variables, that this party then would get an overall score of 100%, indicating a great fit with the manufacturing company. Such an evaluation would take place after the manufacturing company has obtained a certain amount of background information and after meetings or conversations with the potential partner and perhaps a business visit in order to get a clear image of the different proposed aspects.

Through this channel collaboration form, a manufacturing organization is not only able to evaluate potential channel partners, it also allows them to compare and contrast these candidates and their individual capabilities independently. It also opens an opportunity to benchmark to a current ideal partner or defined profile on a more elaborated basis than criteria such as past performance or business size.

Note however that the total score, which appears after filling in the form, is merely an indication of channel partner potential. The managers which perform the evaluation should critically use the score as an elaborated basis for the decision making process, rather than making a go or no go decision based on a cut-off point in terms of scores. Furthermore, aspects of capabilities which are currently underdeveloped can be actively pursued and developed over time; increasing the synergistic effects and potential future of the relationship

5.2 RECOMMENDATIONS FOR FUTURE RESEARCH AND LIMITATIONS.

Although this research aimed to consider all the aspects as thoroughly as possible, certain limitations can be found. One limitation is that only two marketing channel partners were able to provide input for the channel partner side of the dyad, making it difficult to draw clear conclusions on the channel partner's perspective on the channel collaboration capability model. This also has a big impact on the process of scoring the capabilities; if one participant gives a relatively high score for a certain capability and the other gives a few points, in the overall score it will still appear on top. Therefore, one recommendation would be to include more channel partners in the scoring process to get better understanding of their partner's point-of-view. This also would allow for a better comparison of both perspectives; of the manufacturer and the potential channel partner.

Another limitation is that this research involved participants in a focus group setting, this type of data collection could potentially lead to a bias in terms of results; certain participants might be shy in voicing their opinion, while others provide an extensive amount of input. Although the author or moderator attempted to give everyone a fair chance of showing their point of view, this potential bias should be taken into consideration. If this bias is present, it could influence the overall scores in such a way, that certain capabilities are overemphasized, while others are neglected. As a result, this could influence the developed practical tool and thus, the potential channel partner profile. Although the moderator took caution in executing this research method in a sophisticated way, as a general potential bias of focus groups, it is feasible to mention this potential effect.

This study looked at channel relationships from a distinct starting proposition; through capabilities and the principles of the relational view. As a result, a final recommendation would be to integrate the findings of this research with certain behavioral-aspects to offer a complete image of selection, implementation, development and retaining a channel relationship. As the field of marketing channels offers relatively few empirical studies, additional research with regard to the aforementioned aspects would provide an interesting empirical addition for the current body of literature.

The channel collaboration capability model can be used in different contexts, in order to view what capabilities are important for the selection and development of marketing channels in a different market. Therefore, a recommendation for future research would be to utilize and integrate this model in contexts such as business-to-consumer type of companies or with other B2B-companies with products which are sold in bulk. For instance, focus then might be more on logistics capabilities. This could lead to a different type of scoring method which would offer an interesting research approach.

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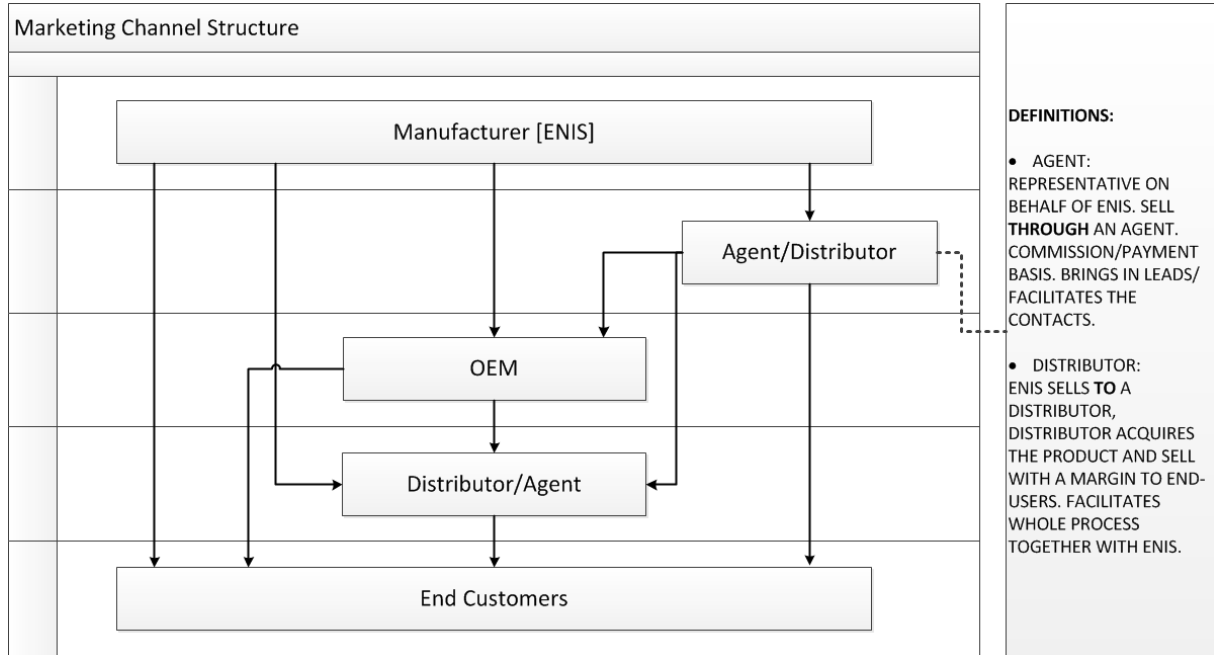
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APPENDICES

A) Marketing Channel Structure Overview



B) Glossary, used during workshops

Glossary
Logistics Capabilities
Transportation: In-out going transport. Optimized transport, undamaged, on-time, right location and minimize costs.
Flexibility: both parties are able to meet perhaps unique, unplanned or unexpected customer requests within the context of logistics.
Warehousing: Physical and administrative ability to store goods.
Inventory Management: Storage of spare-parts, ability to manage the level of inventory in such a way that both high service levels can be achieved, while simultaneously costs of holding inventory are minimal to be as efficient as possible
Efficiency: the relation between the planned and actual 'sacrifices' which are made to achieve agreed goals. These sacrifices include resources such as time, money and people
Continuous Improvement: continuous improvement of logistic processes can enhance performance for both the customer and the involved parties making processes more efficient in times of costs, time and decrease in failure.
Financial Capabilities
Financial Strength: Financial position of the organization.
Funding Competency: Ability to fund promotion, assets, acquires products etc.
Financial Willingness: Willingness to invest in relation-specific assets, materials, products etc.
Growth Potential: Ability to grow with the business. In other words, capture more and more market share in the long-term.
Marketing Capabilities
Market Coverage: The ability and knowledge of the distributors to serve the geographical territory which the manufacturer aims to target + amount of sales representatives to cover area. Current Market share.
Geographic Coverage: Spread and amount of physical locations of distributor.
Experience and knowledge of target customers.
Adjacent Market Access: New/different market opportunities for manufacturer.
Ability to detect market shifts: Anticipate potential (future) market changes
Product compatibility and quality: Same or similar product portfolios as the potential partnering manufacturer with up to par quality.
Technical Expertise: Technical and economic knowledge of products and qualified to answer customer questions
Complementarity of product portfolio: Addition to current product line provides new market opportunity. E.g. gantry for Trailer Company.
Overall sales strength: Quality of available salesforce, performance, skills and effort. Effectiveness (e.g. profit contribution), ability to formulate marketing plans
Sales generation and selling capability: Ability to identify and understand customer issues, establish new contacts and gain new market share.
After-sales: Service, support and handle customer requests.
Promotion and Advertising: marketing knowledge, promotion, branding, advertising.
Willingness to share knowledge base: Share knowledge on opportunities, current customers, provides data.
Organizational Capabilities
Management abilities: Quality of management team (managers which know how to run the business in an effective way to achieve set strategic goals and targets) and operational competency (run the organization effective and efficient throughout all business functions. Operational Excellence).
Knowledge management ability: Know how to acquire, assimilate and integrate (new) knowledge. Presence of CRM and ERP systems.
PPE managing capabilities: Good physical facilities, assets, and technology to fulfil functions.
Networking Capabilities
Effective governance: Ability to exercise authority. Self-enforcing (through for instance, financial incentives) or third-party (legal, binding contracts).
Market reputation: reputation with end-users, image, local presence.
Connections with end-users, authorities and suppliers: amount of contacts. Network.
Communication and commitment: Enthusiasm and commitment to reach goals and make the most of relationship, reach as many potential customers, willingness to drop competing products etc.
Ethical behavior and morality: do business not only within boundaries of the law, but also in an integer way. Do not compromise ethical norms for corporate goals.
Cultural capabilities: Understand cultural differences; know how to deal with cultural context in different countries

C) Distributor Collaboration Form (confidential)

