

Non-Mediated Power Sources In a Collectivist Context: Role of Non-Mediated Power Sources in Managing the Performance of Tea Producers Marketing Channels

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Abstract: This study discusses the role of non-mediated power sources in managing target channel member performance in a collectivist context by examining tea producers marketing channels in Sri Lanka. In here the channel relationship between tea brokering firms (channel principal) and bulk tea manufacturing firms (channel dependent) were measured from the perspective of the target channel members. Data were collected from 114 respondents who represent the key decision makers of the tea manufacturing firms as power targets. In contrary to the power research in western literature, this study uses an additional power variable called prestige power as a preferred source of power in a high power distance culture along with the traditional non-mediated power sources identified in French and Raven power typology. The findings of the study revealed a positive correlation between all non-mediated power sources and target member performance but only expert and prestige power sources have statistically significant relationships with the target member performance. When concerning the strength of these correlations researcher suggested that prestige and expert power would be more effective in controlling the performance of target channel members in tea producers marketing channels to achieve the channel objectives in desired way.

Keywords: Non mediated power sources, Prestige power, Target member performance, and Tea producers marketing channel.

I. INTRODUCTION

With the evolvement of marketing discipline from transaction oriented marketing to relationship oriented marketing, distribution channel as an organization of interdependent channel members in the process of making product available to the end customers plays a critical role in determining the organizational competitiveness and profitability (Gunawardana, 2012). To make an effective and efficient response to the competitiveness in the market place, organizations tend to integrate their supply chains to pursue functional synergies to gain specific competitive advantages so as to reach improved performance and profitability of channel members (Maloni & Benton, 2000). When integrating the activities of independent organization entities, the better management of channel members' behavior would become the dominant objective in managing marketing channels (Sahadiv, 2005).

When a channel member has the ability to manipulate the decision variables in the marketing strategy of another member at a different level of a given distribution channel, it can be defined as the power (El-Ansary & Stern, 1972). A member in a particular marketing channel is being influenced by or influences another channel member in terms of different powers exercised by all parties with the aim of achieving different channel objectives. This influence or the impact is subjective and varied in nature as the target firm holds varied perceptions regarding the power exercised by the source firm (Mandal & Roy, 2012).

French and Raven (1959) defined the social power as the agents' potential of influencing a target which can be practiced in different forms such as control over resources, ability to control the targets' behavior (Emerson, 1962) or ability to get things done (Nesler, Aguinis, Quigley, Lee, & Tedeschi, 1999). In marketing channel literature which explored the behavioral consequences linked to the power sources (Gaski & Nevin, 1985; Sahadiv, 2005) found that the performance of channel members is positively and significantly affected by the strong buyer –supplier relationship. The behavioral interaction among channel members, especially their power relations largely influence the performance of the channel (Gunawardana, 2012). Literature on channel management argue that the use of power affects the marketing channel member performance (Gasaki & Nevin, 1985; Brown, Lusch, & Nicholson, 1996).

As demonstrated by Kale and McIntyre (1991), culture of a particular society found to have a large influence on corporate culture, which finally shapes the channel member behavior. Thus, the behaviors of channel members are expected to be different in different countries with diverse national cultures (Zhuang & Zhou, 2004). Even though so many studies were done on the issues of channel relationships with respect to the exercise of power sources in individualistic developed countries (Stern & El-Ansary, 1992), fewer studies were conducted on South Asian developing countries with collectivist social systems attributed with significance power distance (Gunawardana, 2012). Contrary to the individualistic countries, people in collectivist contexts who favor interdependence, obedience, security, in- group harmony, duty, and personalized relationships, show better performance when working in collaborative settings (Gunawardana, 2012). Further examinations on mediated, non-mediated sources of power belong to a collectivist context considered necessary to be addressed. Studying prestige power (Gunawardana, 2012) as a non-mediated power source in addition to the traditional power sources would help in gaining wider understanding about the channel behavior in collectivist countries.

Mandal and Roy (2012) found that the perception of power is also varied with the type of industry based on the level of importance is given to the different power dimensions in respective industries. The primary marketing channel of tea Industry carries processed bulk tea from producers (bought leaf factories, estate factories) to tea auction where tea being sold to large buyers through tea brokers. As bulk tea manufactures do not have any direct contact with buyers and the whole system which is operated by a limited number of brokers, it can be assumed that the brokers have huge power to run the auction system according to their willingness. Therefore they hold higher level of power over tea producers to get the desired supply of tea to their buyers. With this dependent nature of tea producers marketing channels, it is critical for brokering firms to maintain appropriate power relationships among channel parties in a collectivist country like Sri Lanka. Thus, in this study researcher endeavors to (1) recognize the key non-mediated power sources which are deemed to be stronger and therefore more effective in achieving higher performance from target firms while (2) understanding these power sources' relationship with the target performance as per the view of key decision makers of target firms in tea producers marketing channels.

II. THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

In this section researcher defines the variables and develops the hypotheses based on the literature on non-mediated power sources and target member performance in distribution channels.

2.1. Distribution channel power:

Distribution channel is a social system consists of an independent organization that does various activities to move products from production to consumption (Wilkinson, 1996). Channel power can be defined as a channel members' ability to control the marketing strategy of the channel members in the distribution channel at different level (El-Ansary & Stern, 1972). The source firm has power over target when target notices that the source firm has capabilities like expertise, information and right to recommend the appropriate behavior for target (Gaski 1984; Gaski & Nevin 1985; Scheer & Stern, 1992). As most important control and communication mechanism in marketing channels, power has to be used in strategically in order to make a difference in distribution channel efficiency and relationship (Gaski & Nevin, 1985; Zhuang, Herndon, & Zhou, 2006). Maloni and Benton (2000) concluded that the power has the potential to promote the chain integration and allow higher level of performance, therefore thoughtful and conscious use of power is recommended.

2.2. Performance of the target channel member:

Maloni and Benton (2000) stated performance as an ability to attain desired goals and objectives effectively. In organizational buying literature three main aspects of supplier performance are revealed such as supplier product

offerings, delivery performance, relative price/cost and product/service performance (Doney & Cannon, 1997). Prahinski and Benton (2004) measured the supplier's performance using the competitive success factors called product quality, delivery performance, price, responsiveness to change requests, service support, and overall performance. Among them, one or more key competitive priorities such as quality, delivery, cost and flexibility can be used to evaluate the performance of manufacturing companies (Shin, Collier, & Wilson, 2000). Dyer (1996) mentioned that a strong buyer-supplier relationship has a significant positive effect on power target as well as power source and the entire supplier chain as a whole (Maloni & Benton, 2000). Therefore, Maloni and Benton (2000) argued that power has an indirect impact on performance via buyer-supplier relationship and that will enhance the performance throughout the entire chain.

2.3. Perceived power sources:

Power sources are identified under different categories such as coercive/non-coercive, mediated/non-mediated, and economic/non-economic (Maloni & Benton, 2000). Among variety of schemes that have been used to categorize the power perceptions (Scheer & Stern, 1992; Brown et al., 1996), mediated and non-mediated typology was identified based on whether the target's behavior been controlled or not by the power source (Brown et al., 1996). Mediated power represents the source firm's influencing efforts to guide the target firm's responses. It includes coercive, reward, and legal legitimate power bases. Expert, referent, legitimate and Information bases as non-mediated power sources are not specifically exercise to control the target. According to the popular power frame work of French and Raven (1959), non-mediated power is generated from various sources or bases as follows. When one party perceive that the other party has the legitimate right to prescribe behavior for him, it can be identified as the *legitimate power*, one parties' identification with other as the *referent power* and having some special knowledge or expertness value to other party as the *expert power* (Gaski, 1985). The power of any given channel member can be recognized as a function of power sources or bases available to that channel member at any given time (El-Ansary & Stern, 1972; Petrova, 2009).

2.3.1. Relationship between expert power and target member performance:

Expert power reflects knowledge, good decisions, perceived information a particular firm holds which is valued by another firm (Maloni & Benton, 2000). According to Brown et al. (1996) targets' performance could be improved through the use of non-mediate power such as expertise. Prahinski and Benton (2004) found that indirect influence strategies such as education, training and site visits by the source firm to the target firm had not positively influenced the supplier performance since supplier as the target does not perceive that buying firm (source firm) attempt directly enhances the supplier' performance. Benton and Maloni (2005) said expert power retain a significant positive effect on buyer-supplier relationship which finally have a positive effect on supplier performance. Sahadev (2005) said that expert power could have critical implications on key behavioral and attitudinal variables as there are positive associations among coordination, cooperation and expert power. Maloni and Benton (2000) revealed that the significant positive influence of expert power on buyer-supplier relationships will generate increasing commitment, cooperation, and trust. According to Gunawardana (2012) business advice, technical know-how, trainings may positively affect the relationship between power holder and power dependent. Therefore, the researcher summarized these findings to following hypothesis to be tested.

H1: Perceived expert power of the source firm is positively associated with the performance of the target firm.

2.3.2. Relationship between legitimate power and target member performance:

If there is an internal value which is used to command there is a legitimate right the power holder has to influence the target party (Lee & Low, 2009). Chinomona (2013) mentioned that form of legitimate power could be either generally accepted norm (formal legitimate power) or channel members' feeling to comply with other member (informal legitimate power). Maloni and Benton (2000) found a significant negative effect of legitimate power on the strength of channel relationships. In a culture with high power distance, people expect decisions to be made by powerful parties as a social rule (Zhao, Huo, Flynn, & Yeung, 2008; Chinomona, 2013). Benton and Maloni (2005) said legal legitimate as the mediated power source retaining a significant negative effect on buyer-supplier relationship which finally has a negative effect on supplier performance. Thus, the researcher concluded these findings to next hypothesis in terms of informal legitimate power.

H2: Perceived informal legitimate power of the source firm is negatively associated with the performance of the target firm.

2.3.3. Relationship between referent power and target member performance:

Referent power can be defined as an influence attempting to facilitate the target who seeking a group membership or maintain the current association with the power holder (Lee & Low, 2009). Maloni and Benton (2000) said referent as another power base reflects target firm desire to be identified with source firm for recognition by association. Brown et al. (1996) and Maloni and Benton (2000) noted that referent power can be used to improve the performance of the target. Lee and Low (2009) identified that referent power has the ability to ensure subordinate acceptance. Maloni and Benton (2000) said that the significant beneficial effect of referent power on channel relationship reflects the target firms' willingness to maintain visibility with the power source firm through a closer relationship. Benton and Maloni (2005) said referent retain a significant positive effect on buyer-supplier relationship, which in turn found to have a positive effect on supplier performance. According to above findings following hypothesis is proposed.

H3: Perceived referent power of the source firm is positively associated with the performance of the target firm.

2.3.4. Relationship between prestige power and target member performance:

The research done by the Liu et al., (1998) which analyzed the prestige power/ social position as an extralegal factor may work to one's advantage. According to Liu et al., (1998) Model (exemplary) behavior of party members (cadres) as renowned people is a critical component in controlling the Chinese social system. The research on perceived counselor credibility based on the level of prestige introduction done by Atkinson and Carskaddon (1975) found that level of prestige has a significant effect in the perceived counselor as a more credible source of assistance. They also revealed that if the counselor described as an expert, and perceived as a proficient people like to identify him as someone they would see for assistance and high prestige counselors had been assured and selected by the respondents. Based on these findings in Behavioral science, Researcher formulated the following hypothesis to measure the impact of prestige power in channel member performance.

H4: Perceived prestige power of the source firm is positively associated with the performance of the target firm.

III. METHODS

Descriptive research design was used to survey the relationship between independent (power sources) and dependent (firm performance) variables. In here the impact of channel principle (tea broker as buyer) /power source on target firm (tea factory as supplier) performance in tea producers marketing channels was measured. In this study researcher selected bulk tea manufacturers (tea factories) in tea producers marketing channels as the target population. Private tea factories in Sri Lanka who sell their bulk tea through Colombo tea auction were considered as study population to draw the sample. The sample of 114 was selected from a convenient list of private sector tea factory owners in southern region. The researcher used the membership directory of the private tea factory owners association to draw this sample.

3.1. Data collection method:

The survey instrument was developed based on the relevant literature in previous research on channel power and content of the questionnaire were refined through pre Interview with tea industry professionals. The self-administered survey based questionnaire was distributed to the associated members or participants of the monthly meeting of private tea factory owners association. The data were collected from these respondents by directly contacting them at midyear general meeting of private tea factory owners association. This process ensured that respondents represent top level management, as the relevant decision makers of the tea factories.

3.2. Measurements:

Demographic variables such as Designation, respondents' decision making and involvement status with tea broker were measured using closed ended and multiple choice questions. Seven point scale based questions ranging from "1" indicates "Strongly disagree" to "7" indicates "Strongly Agree" was used to capture the target member self-perception of their performance and their perception of the power sources practiced by the source firm. Based on the previous literature three non-mediated sources of power; Legitimate, Referent and Expert power variables were recognized studying popular framework for power bases by French and Raven (1959). Three item statements for each sources of power including Expert, Referent, and Legitimate were adapted from the sample survey questions used in the research done by Maloni and Benton (2000). Due to the lack of literature on prestige power in distribution channel, researcher developed appropriate item statements for prestige power based on the theory of prestige power in other social science researches. In here three

statements were developed measuring reputation (Liu et al., 1998), professionalism and assurance (Atkinson and Carskaddon, 1975) attached with prestige status. Target firm performance were measured using two item statements adapted from survey questions by Maloni and Benton (2000) and other three questions were developed based on the supplier performance measurement literature to measure the quality (Prahinski and Benton,2004; Shin et al., 2000), delivery (Doney and Cannon, 1997; Shin et al., 2000) and flexibility performance (Prahinski and Benton,2004; Shin et al., 2000; Maloni and Benton, 2000) of the target supplier.

IV. DATA ANALYSIS AND RESULTS

4.1. Reliability statistics:

All collected data were analyzed by using SPSS software package. As per the reliability statistics the internal consistency of all independent and dependent variables including expert(.739), referent(.610), legitimate(.628), prestige(.753) and target firm performance(.608) were assured with more than 0.6 Cronbach’s alpha value.

4.2. Sample profile:

According to frequency statistics, the distribution of sample characteristics revealed that majority of the respondents represents factory owners (54.4%) while rest of respondents represented factory managers (21.1%), estate managers (7.9%) and senior factory officers (14.9%).Higher percentage of the respondents (76.3%) is taking the decision regarding tea brokers. High involvement can be seen among majority of the respondents (54.45%) in transactions with the tea brokers while 28.9% of respondents have moderate level of involvement.

4.3. Hypothesis testing:

As the main part of data analysis Pearson’s coefficient of correlation was performed to test the formulated hypothesis.

Table 1: Correlation Analysis between Perceived Power Sources and Target Channel Member Performance

Hypothesis	Content	Correlation value	Sig.(one-tailed)
H1+	Positive relationship between perceived expert power of the Source firm and the performance of the target firm	0.347	.000
H2-	Negative relationship between perceived legitimate power of the source firm and the performance of the target firm	0.359	.000
H3+	Positive relationship between perceived referent power of the source firm and the performance of the target firm	0.111	.239
H4+	Positive relationship between perceived prestige power of the source firm and the performance of the target firm	0.505	.000

Source: Survey Data, 2015 Correlation is significant at the 0.01 level (one-tailed) N=114

The final findings of this study which examined the role of non-mediated power sources in managing target channel member performance supported the some previous literature in marketing channel power and performance with the acceptance of two hypotheses while other hypothesis generated moderate and different results than existing literature.

When examining the nature of study population majority of the respondents represent direct and final decision makers of tea factories as 54.4% of the study sample consists of factory owners while 36% consist of factory managers and senior factory officers. Therefore these findings reflect the perception of final decision makers regarding the power practices of tea brokers. Majority of respondents (76.3%) are making decisions and highly involve in the transactions with tea brokers thus sample data were more appropriate to discuss the target members’ perspective on power sources.

As expected by H1 ($p < 0.05$) researcher found that there is a significant positive relationship between perceived expert power and the target member performance. This result is also supported by the findings of Benton and Maloni(2005),Brown et al.(1996)who expected positive relationship while contrary with Prahinski and Benton(2004)who said target may not perceive their performance may directly enhanced by expert power as indirect influence strategy. Therefore, researcher concluded that perceived expert power of tea brokering firms has a positive relationship with the performance of the tea factories as target firms. H2($p < 0.05$) is supported by the study findings as there is a significant relationship found between perceived legitimate power of tea brokering firms and performance of tea factories. The relationship between these two variables found to have positive instead of negative relationship expected. This result reflects that a significant positive impact of legitimate power in controlling the tea factories performance cannot be

expected in tea producers marketing channels. Findings of Brown et al.(1996), Maloni and Benton(2000) claimed for having a negative effect is supported by this result while the minority of findings is not supported which identified legitimate power as major source in getting target acceptance and effective in high power distance cultures (Chinomona,2013). As no significant relationship found between perceived referent power of tea brokering firm and performance of tea factories, H3 ($p>0.05$) is not supported though positive relationship between variables is found. Though Brown et al. (1996), Maloni and Benton(2000), Lee and Low (2009) suggested a positive significant relationship, it is not significant in tea producers marketing channels as found here.H4 ($p<0.05$)supported by the study findings as it found there is a positive relationship between perceived prestige power and target member performance. Therefore, the researcher concluded that perceived prestige power of main tea brokering firm positively associated with the performance of tea factories as target firm. As per the study findings of Atkinson and Carskaddon (1975), the direct positive relationship of prestige power with power source level of acceptance is also proved here.

V. CONCLUSION

When concerning the tea producers marketing channels in Sri Lankan context, this study concludes that prestige and expert power sources have significant positive relationships with the performance of target tea factories. Moreover, it was found that the referent power has no significant positive relationship with the performance of target tea factories. The Research provides interesting insights into the behavioral performance of target firms in tea and other agro producers marketing channels. Having expert representatives such as auctioneers and factory advisers, knowledge of tea market and disseminating this knowledge to the tea factories would be more effective in controlling the performance of tea factories since they believe it will improve their performance rather than influenced by association. Performing in a collectivist country, maintaining prestige or social status through keeping reputation, professionalism and role model behavior is essential for power holders in tea producers marketing channels as it will lead tea manufactures(power target) to believe that tea broker(power holder) has best capacity to improve their performance than other players. The role of these non-mediated power sources in influencing target performance in tea producers marketing channels would be similar in other South Asian countries due to the cultural similarities in the region. Especially, the use of prestige power will gain similar results in those collectivist contexts. Based on the study findings prestige and expert sources of power are recommended for tea brokering firms to influence the target firm performance to accomplish channel objectives in desired way.

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