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DEVELOPMENT OF INTERORGANIZATIONAL GOVERNANCE IN MARKETING CHANNELS IN THE SYSTEM OF STRATEGIC MANAGEMENT

An article by Jan Heide «Interorganizational governance in marketing channels» which explores interorganizational relations and peculiarities of their management, is analyzed. The research is structured in this way. First of all, a systematic analysis of the existing theoretical foundations of interorganization management is given. After identifying the main existing theories, a proposal is made for a new management based on various aspects of inter-organizational relations that do not have the equivalent in the world. In addition, in the second part of the article, 1 and 2 hypotheses are empirically proved, which are related to the new typology and causes of different forms of relations and the results are substantiated. Lastly, the author underlines some limitations that he encountered in this work and gives some implications for future research and for management. Finally, the author emphasizes some of the limitations he encountered in this paper and gives some recommendations for future research in this area.

Keywords: interfirm relationships, interorganizational governance, relationship forms, strategic partnerships, marketing strategy, unilateral and bilateral governance.

РОЗВИТОК МІЖОРГАНІЗАЦІЙНОГО УПРАВЛІННЯ МАРКЕТИНГОВИМИ КАНАЛАМИ В СИСТЕМІ СТРАТЕГІЧНОГО МЕНЕДЖМЕНТУ

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У статті дано аналіз наукового дослідження Яна Хайде «Міжорганізаційне управління маркетинговими каналами», в якому розглянуто міжорганізаційні відносини та особливості їх управління. Певний інтерес представляє структура статті. Передусім автором дано систематичний аналіз наявних теоретичних основ міжорганізаційного управління, а після визначення основних теорій зроблено пропозицію про новий тип управління, заснований на різних аспектах міжорганізаційних відносин. Окрім того, у другій частині статті емпірично доведено першу і другу гіпотези, що пов'язані з новою типологією, і причини різних форм відносин та обґрунтовано результати. Нарешті, автор підкреслює деякі обмеження, з якими він зіткнувся у цій роботі, і дає деякі рекомендації для майбутніх досліджень у цій галузі.

Ключові слова: міжорганізаційні відносини, міжорганізаційні форми управління, тип управління, стратегічні партнерства, маркетингова стратегія, одностороннє і двостороннє управління.

РАЗВИТИЕ МЕЖОРГАНИЗАЦИОННОГО УПРАВЛЕНИЯ МАРКЕТИНГОВЫМИ КАНАЛАМИ В СИСТЕМЕ СТРАТЕГИЧЕСКОГО МЕНЕДЖМЕНТА

Некрасова Л.А., Давыденко М.В.

В статье дан анализ научного исследования Яна Хайде «Межорганизационное управление маркетинговыми каналами», в котором рассмотрены межорганизационные отношения и особенности их управления. Определенный интерес представляет структура статьи. Прежде всего, автором дан системный анализ существующих теоретических основ межорганизационного управления, а после определения основных существующих теорий сделано предложение о новом типе управления, основанном на различных аспектах межорганизационных отношений. Кроме того, во второй части статьи эмпирически доказаны первая и вторая гипотезы, связанные с новой типологией, и причины возникновения различных форм отношений и обоснованно результаты. В конце автор подчеркивает некоторые ограничения, с которыми он столкнулся в этой работе, и дает некоторые рекомендации для будущих исследований в этой области.

Ключевые слова: межорганизационные отношения, межорганизационные формы управления, тип управления, стратегические партнерства, маркетинговая стратегия, одностороннее и двустороннее управление.

Formulation of the main goal. The aim of this paper is to review the article "Interorganizational Governance in Marketing Channels" and its impact. The article was written by Jan Heide in 1994 and published in the Journal of Marketing. Jan Heide is currently Professor of Marketing at the Wisconsin School of Business (USA). His research focuses on interorganizational relationships, distribution systems, strategic partnerships and marketing strategy.

Furthermore, he is the third most cited author in marketing research (Source: Wisconsin School of Business).

Analysis of last research and publications. The interest of the scientific literature for the topics concerning the relationships management has been increasing especially in recent years. Many different theoretical frameworks make different assumptions about the nature of these processes. Such scientists as Heide 1994, Gary, L. F. 1999, Macneil 1978, Dwyer et al.1987, p. 347, Kaufmann et al.1988 studied interorganizational relationship.

The goal of the paper. This paper is structured as follows: The first part presents the approach Heide took, the basic results, and the theoretical contribution of his original study. The second part demonstrates the impact of Heide's thought analysis of related citations, extensions, replications and critical comments. Additionally, I will analyze the citations – both quantitative and qualitative. Google Scholar is used as the main source of data for this analysis. In the third chapter I will present the theoretical background of the interorganizational governance concept, including the most relevant findings of scholars involved in the development of organization relationship theories – and the influence of the Heides article on it. The conclusion of my paper examines discussions of future development and implications of the theory.

The main part of the research. The study of Heide is based on analysis of existing theories on organizational governance such as resource dependence theory, transaction cost theory and relational contracting theory. According to resource dependence theory companies always try to minimize risk of the dependence and uncertainty thought structuring their exchange relationships by establishing formal or semiformal links with other firms. Due to transaction cost theory, the main governance goal is to design mechanisms for supporting economic transactions. Based on this theory, governance moves from market-based exchange to hierarchical governance. The main emphasis of transaction cost theory is that there are potential costs associated with carrying out safeguarding, adaptation, and evaluation processes. In conclusion, relational contracting theory says that governance is based on relational exchange [9, p. 854]. In particular, this relational exchange accounts for the historical and social context in which transactions take place and views enforcement of obligations as following from the mutuality of interest that exists between both sides [4, p. 347; 7, p. 534].

The theoretical frameworks mentioned above are used as background to make a distinction at a very general level between market and nonmarket forms of governance [6, p. 74]. Heide develops a typology of three different types of governance: market, unilateral and bilateral. Market governance is viewed as synonymous with the concept of discrete exchange. For that reason, has been designed governance mechanism with aim to replace the "invisible hand" of the market. However, nonmarket governance is described as a heterogeneous syndrome. Nonmarket governance has been shared to two parts: unilateral/hierarchical and bilateral. Bilateral governance is based on a normative contract. At the same time, unilateral governance has an authority structure. Mutual dependence will lead to bilateral component manufacturers and governance processes (flexibility). In contrast, unilateral customer's dependence undermines flexibility. Generally, a distinction between market and nonmarket governance

has to be made on the reason that "relation" is created, and further differentiation between unilateral and bilateral forms of nonmarket governance depends on the way how the relation is established and maintained. However, Heide acknowledges that, in practice, individual relationships may combine aspects of each form [6, p. 75].

Prior to Heide's article, the differences between market, unilateral, and bilateral governance were not adequately explained in existing literature. To show systematic variation across market, unilateral and bilateral governance forms, Heide identifies a set of generic governance processes, which differ systematically in nature across the three governance forms. There are relationship initiation, relationship termination, and relationship maintenance processes. The main differences among interfirm governance forms will be present next in terms of these three dimensions.

Relationship Initiation means evaluation of potential exchange partners, initial negotiations about aspects of the subsequent relationship, and preliminary adaptation efforts. Market governance have no initiation process, because both exchange partners identities are assumed to be immaterial. In contrast, both hierarchical and bilateral governance have selection process, but which are quite different in the practice. Bilateral governance have more stringent initiation process, comparing to unilateral. Because it could involve of not only skills or qualifications but also certain attitudes or values. To distinguish Relationship Maintenance among governance forms, Heide identifies five methods for maintaining and governing relationships. These are role specification, planning, adjustment processes, monitoring procedures, an incentive system, and means of enforcement. Now I will briefly present the main characteristics of each governance form in this dimension. Market governance differ from others with no existing processes, but individual transactions and a short-term incentive system. Unilateral governance is characterized with clarified roles, clear planning monitoring and adjustment processes. Incentive system can be short and long-term oriented. Bilateral governance shows overlapping roles, flexible, negotiable, internal processes and long-term orientation. In conclusion, Relationship Termination explains systematic variation that exists between the three governance forms. Market form of governance views interfirm relationships as a series of discrete exchange episodes that has to be seen as a completed event. But non-market governance forms view relationships as having a time dimension beyond individual transactions. However, bilateral is based on entirely open-ended relationships, in contrast to unilateral governance that has fixed length [6, p. 76].

To support his theoretical findings Heide has built two hypotheses and they were proved in the empirical section of this paper. The hypotheses are presented below [6, p. 80]: Hypothesis 1: Symmetric and high dependence will lead to bilateral governance in the form of flexible adjustment processes. Hypothesis 2: Unilateral dependence by an individual party will decrease bilateral governance in the form of flexible adjustment processes. As dependent variable is used Flexibility. The independent variables are Buyer Dependence and Supplier Dependence. In addition, are used a set of control variables such as the degree of customisation in the product in question, the degree of automatisation of the OEMs manufacturing

operation, the degree of the OEMs annual purchase volume from supplier and the past length of the supplier OEM relationship. The results obtained from the testing of two hypotheses show that both correlations are positive and significant as expected [6, p. 80]. However, have to be underlined the main limitations of Heide's research. First of all, the three governance types are "ideal types" of approaches to relationship governance. This ideal types are simplifications of more complex phenomena. Furthermore, the three governance forms are viewed as distinct, but they are not necessarily independent. Because the processes from different governance forms can be combined in different fashions. Moreover, the present research does not address which forms of governance can be used under such conditions. In addition, the last limitation is that trichotomy contains a series of assumptions that have not been tested empirically [6, p. 81].

In the next section I present the theoretical approaches that Heide used to create a new governance typology. In the article "Interorganizational Governance in Marketing Channels" I notice the combination of deduction and induction. For theory development is used deductive approach. First, is lead a systematic review and analysis of existing theories (i.e. marketing channels literature, TCA, RDT, relational contracting theory). In addition, in next step are identified discrepancy among assumptions and the lack of knowledge that nonmarket governance is a heterogenous phenomenon. Finally, the author proposes a second-order trichotomy, which has nowadays no real world equivalent in the literature. Governance processes and their variation aren't explained enough in existing scientific literature and for that reason Heide himself develops in this article a generic process.

After that, the testing of his new theory is done with inductive approach. As I already described in previous section, the author proposes two hypotheses and used data from OEM manufacturing operations to prove them. Empirical design is an analysis of secondary data, the multi-item measures are subjected to a confirmatory factor analysis to verify unidimensionality. To measure construct validity for dependence are used quant and qualitative questions. Moreover, the multi-item scales measure dependence from both supplier and buyer side. In addition, to explain causality the authors uses Ordinary least square (OLS) regression model. Because as I discovered from limitations, there can be antecedents that could influence the independent variable.

In this chapter will be presented the citation analysis, which has quantitative and qualitative parts. An article "Interorganizational Governance in Marketing Channels" has been written in 1994 and published on the Journal of Marketing, since then its core concepts have been discussed by different scholars and researchers. According to Google Scholar the total number of citations is 2 662. In compare

to the Web of science, where the number of citation is only 750. These differences could be explained thought two main reasons. First, Web of Science includes only ISI-listed journals (International Scientific Indexing), what is good for science studies, but not for social science. Secondly, in contrast, Google Scholar has problems with counting similar publications. However, I want to investigate not only how many times the paper of Heide has been cited in general, but also which are the most intense years of discussions about the theory subject of this article. In order to compute this analysis I use again Google Scholar as the database to pick the articles citing Heide's study over time. As the graph below shows, the paper has great interest until now, but the biggest interest was after almost 20 years after publications in 2013. Furthermore, in 2017 is already 8 citation, what can again underline the relevance of this new typology (Fig. 1).

Moreover, this article has a big attention of scholars worldwide and the pie chart shows, that the "Interorganizational Governance in Marketing Channels" is cited in USA, China, Taiwan, Germany and in other countries (Fig. 2).
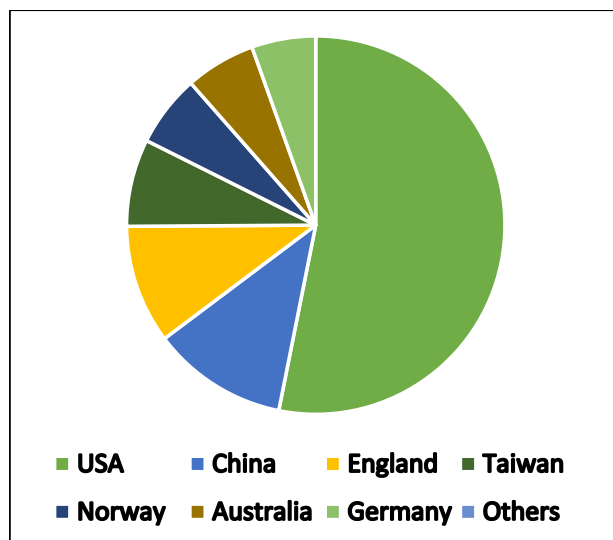
Figur 2. Countries in which Heide (1994) is cited

In additional, I identify what field of study is the most associated with the three types of governance of Heide and in which area this theory is applied the most. To answer to that questions I build a table of TOP-10 journals, that have the biggest number of papers with Heide's citations (Table 1).

As next step, I do either qualitative analysis, where the main goal is to explore the impact of Heide's article on subsequent ideas and frameworks, and the critiques of Heide 1994. Consequently, I focus in the research after
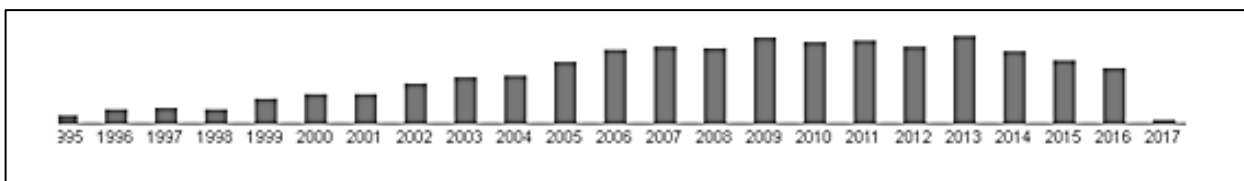
Figur 1. Trend of the citations of article of Heide (1994) over time

Table 1. TOP-10 journal with Heide's citations (Source: Google Scholar)

Journals	№
Industrial Marketing Management	66
Journal of Business Research	45
Journal of Marketing	43
Journal of Business Industrial Marketing	26
Journal of Business Industrial Marketing	26
Journal of the Academy of Marketing Science	22
Journal of Operations Management	16
Journal of International Marketing	15
Journal of Marketing Research	14
Journal of International Business Studies	11

filtering on 5-7 most interesting for us papers to explore critiques and contributions. Since all these papers have been published in academic journals having a specific purpose and aim, I use these data to understand the importance of this the indifferent contexts.

First article that I have chosen to explore the impact of Heide is "Buyer-seller relationships in business markets". This article was written by Cannon J. P.and Perreault Jr. W. D. in 1999 and published in the Journal of Marketing Research. The number of citations according Google Scholar is currently 1952 times. The authors want to provide new insights about the nature of buyer seller relationships in business markets. Furthermore, they make the evidence of the variety of hybrid relationship forms that exist between market and hierarchy [2, p. 52]. Due to the impact of Heide on this paper, I can underline that in the article compares and contrasts a governance typology based on three ideal forms of governance of Heide with another relationship forms. An important contribution of Heide's forms of governance I can see by showing how actual buyer-seller relationships combine different market, unilateral, and bilateral elements, as well as the market/situational factors. Moreover, Cannon et al. support this empirically and demonstrate just how elements of market, unilateral, and bilateral governance are combined in practice. The analysis supports the suggestion, that new forms of governance have big influence on research in buyer-seller relationships.

The following paper "Interdependency, contracting, and relational behavior in marketing channels", was written by Lusch R. F. and Brown J. R. in 1996 and published in Journal of Marketing. The article has been cited 1666 times as follows from Google Scholar. The authors investigate three dependency structures: wholesaler dependent on supplier, supplier dependent on wholesaler, and high bilateral dependence [8, p. 20]. The research is building on the main findings of Heide (1994) and underscores the importance of studying bilateral dependence, especially as it affects perception of relational exchange and the use of normative contracts. Additionally, the article recognizes according to Heide that interfirm agreements or contracts could be used to achieve results similar to integration. Based on this analysis, I can describe that the study of Heide was one of the main components for this research.

As third article, I have chosen "Long-Term Manufacturer-Supplier Relationships: Do They Pay Off for Supplier Firms?" of Manohar U. K. and Narakesari N. This paper was published in 1995 either in Journal of Marketing and is presently cited in Google Scholar 1512 times. In this study, the goal is to assess empirically the impact of long-term relationships with specific customers on the performance of supplier firms using crosssectional and longitudinal information [9, p. 52]. The work of Heide is described as one of the developed frameworks for analyzing the relational content of buyer-seller relationships in the resent years. However, it points out that the three forms of governance are not necessarily independent, and evidence suggests that firms tend to combine different forms into a single system of "plural governance". This critique underlines Heide himself in the limitation part too.

Next article that is selected after filtering is "Organizing and Managing Channels of Distribution" by Gary L. F., which was published in 1999 in Journal of the Akademy of Marketing Science. And the number of citations of this article in Google Scholar is 818. The purpose of this article is to provide a perspective on how channels research should proceed in the future to promote the most progress [5, p. 226].In this article, the authors explain, according to Heide, the interdependence asymmetry in channels and the diversification of the interests in this relationships. They also underline the big potential of Heide's typology and for that reason suggest to explore Heide's individual relationships, that are embedded in a context of other relationships and could have governance implications". This suggestion demonstrate the importance and innovations of Heide's impact on the business relationships.

Many authors use Heide's proposal of a new governance typology as literature review, some of them as examples below. An article "An examination of the nature of trust in buyer-seller relationships" written by Doney P. M. and Cannon J. P. and published in the year 1997 in Journal of Marketing. Moreover, the number of citations of Doneys article in google Scholar is 7601 times. The main aim is to determine five cognitive processes through which industrial buyers can develop trust of a supplier firm and its salesperson [3, p. 105]. And Doney et al. refer to Heide 1994 as literature review, which shows that interorganizational trust operates as a governance mechanism. In addition, last example is "Dyadic business relationships within a business network context" of Anderson J. C., Håkansson H., Johanson J., published in the same year as Heide's governance typology in 1994 in Journal of Marketing. Number of citations of this article in google Scholar is 2715. This paper try to understand dyadic relationships and their connectedness in business-to-business settings [1, p. 19]. It uses the typology of Heide to describe, that cooperation can be viewed broadly as occurring within the relationship maintenance process.

Consequently, quantitative and qualitative analysis prove the importance and the innovation of Heide's findings in comparing to existing theories on organizations governance. Big number of citations and the positive and significant contributions worldwide shows that a new governance typology influences development in relationship theories and provides implications for future research.

Conclusion from the research. In this paper I have explored and analyzed the article of Jan Heide "Interorganisational Governance in Marketing Channels" and its impact on relationships in business settings. In the first part I have briefly described its approach, its basic results, its theoretical contribution. The aim of the second chapter has been to review the impact of Heide's article on subsequent ideas and frameworks, and the critique of it.

This analysis has been conducted to address the valuation of the paper, which has been based on its citedness and its influence on the theoretical development. Google Scholar has been used as main source of citation analysis. The results of my citation analysis confirm the significant and positive impact of Heide on buyer-seller relationships. Several scholars as Doney (1997), Lusch (1996) and Cannon (1999) have highlighted high importance of Heide's three types of governance (market, unilateral and bilateral). This can be proved not only through large number of citations but also through many suggestions for future research of Heide's findings. In conclusion, to underline the recent theoretical development from Heide's three governance model, I have introduced three implications areas of the model on examples of several researches have been made in the field of interorganizational governance. Based on the analysis I suggest that the scientific attention to this article will be increasing in the next years because of the importance on relationship governance in the long-term perspective.

1. Anderson, J. C., Håkansson, H., Johanson, J. (1994), *Dyadic business relationships within a business network context, Journal of Marketing, 58(4), 1-15.*

2. Cannon, J. P., Perreault, Jr. W. D. (1999), *Buyer-seller relationships in business markets, Journal of Marketing Research, 36(4), 439-460.*

3. Doney, P. M., Cannon, J. P. (1997), *An examination of the nature of trust in buyer-seller relationships, Journal of Marketing, 61(2), 35-51.*

4. Dwyer, F. R., Sejo, O. (1987), *Output Sector Munificence Effects on the Internal Political Economy of Marketing Channels, Journal of Marketing Research, 24, 347-58.*

5. Gary, L. F. (1999), *Organizing and Managing Channels of Distribution, Journal of the Akademy of Marketing Science, 27(2), 226-240.*

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7. Kaufmann, P. J., Louis, W. Stem (1988), *Relational Exchange Norms, Perceptions of Unfairness, and Retained Hostility in Commercial Litigation, Journal of Conflict Resolution, 32, 534-52.*

8. Lusch, R. F., Brown, J. R. (1996), *Interdependency, contracting, and relational behavior in marketing channels, Journal of Marketing, 60(4), 19-38.*

9. Manohar, U. K., Narakesari, N. (1995), *Long-Term Manufacturer-Supplier Relationships: Do They Pay Off for Supplier Firms?, Journal of Marketing, 59, 1-16.*

10. Salancik, G., Pfeffer, J. (1978), *A social information processing approach to job attitudes and task design, Administrative science quarterly, 23(2), 224-253.*

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