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Building the Exchange process: The antecedents of operational exchange in collaborative business to business relationships

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Attention in the alliance literature has developed from a focus on strategic alliances and joint ventures to a broader focus including marketing based alliances such as co-marketing, co-development (Crespin-Mazet and Ghauri, 2007). In doing so the empirical literature has followed the tide of practitioner activity that has flowed from manufacturing and associated rigid structures, to a greater emphasis on service and alliance roles that are typically less pre-defined. This brings with it a general emphasis on short-term task-specific interactions between firms. These are, by their nature, characteristically collaborative and frequently non-equity arrangements. In these contexts strategy can be emergent and outcome measures uncertain at the outset, with the result that the process of exchange usurps discrete performance outcomes as a true measure of efficacy. Clear understanding of this process of exchange and the antecedent conditions responsible for effective exchange is much needed yet lacks proper attention and clear explanation in the literature. Explanation is commonly couched in a buyer – seller dyadic context with a transaction costs emphasis (Heide, 2003, Parkhe, 1993, Subramani and Venkatraman, 2003, Williamson, 1985, Yilmaz and Kabadayi 2006), and where relational perspectives are explored this is frequently an extension of transaction costs logic with attention to ‘transaction costs, [] and high asset specificity’ (Bunduchi 2008). Attention is also given to interdependencies between partner firms (Bunduchi 2008) and information exchange (Sobrero and Schrader 1998) but these are frequently set out as explanations of forbearance under conditions of uncertainty further demonstrating a transaction costs perspective. A fuller explanation of successful collaborative exchange requires a departure from this logic towards one in which the nature of exchange will be knowledge-based rather than property-based (Hoetker and Mellewigt, 2009), one

which can facilitate an understanding of the antecedent conditions of this ‘intensive and reactive rhythm’ (Crespin-Mazet and Ghauri 2007) and one that responds to calls for research in the understanding of the development of these exchange norms (Palmatier 2007).

The present study seeks to address this gap by conceptualizing exchange behaviour among collaborating non-hierarchical firms. This operational exchange process is described from a social exchange perspective. This conceptualization marks a departure from the transaction costs logic providing an explanation of the social exchange process and is a central contribution of the study. The antecedent conditions necessary for successful operational exchange receive little attention in the literature. A further contribution of the present study is the modeling of these conditions as antecedents to operational exchange.

Non-equity collaborative alliances were taken from the UK construction industry and analysed through Structural Equation Modeling using AMOS software. The measurement model was assessed for reliability using construct reliability and Cronbach’s coefficient alpha with both measures giving values above .70 (Nunnally 1978). Convergent validity is demonstrated through confirmatory factor loadings $> .51$ for each item on its respective construct, and average variance extracted values for each construct above $> .50$ (Fornell & Larcker 1981). The confirmatory factor analysis showed that the proposed factor model had a good fit to the data with CFI and NNFI values above 0.90, and a RMSEA value indicating an acceptable fit (Byrne 2001), $\chi^2_{(46)}=83.773$, $p=0.000$, CFI=0.96, NNFI=0.96, RMSEA=0.07.

The results give support for the hypothesised relationships between prior relational and relational capital and compatibility among partner firms and relational capital. These variables form the antecedent conditions for successful operational exchange between partners which is presented as the outcome variable in this study. The study contributes to understanding of the function of operational exchange as an on going reciprocal process by clarifying the distinction between this and a discrete transaction perspective of exchange. A

further contribution of the study is the identification of firm size as a negative moderator of compatibility on relational capital. In larger firms the function of compatibility in this antecedent arrangement is muted and this effect is explored in the study.

Managerial implications abound, however specific deliverable messages centre on the importance of relationship capital in facilitating a barrier-free exchange of valuable information as an ongoing feature of a successful alliance exchange process. Prior close relationships across social contexts aid the development of relational capital. A desire for fairness and transparency may lead decision makers to under value existing social relationships in professional contexts, however social capital aids the exchange process in collaborative business to business alliances and there are benefits in acknowledging and accommodating this. Compatibility is central to avoiding negative influences on the development of relationship capital. Commonly held as a pre requisite among alliance partners this is less variable among larger firms and remains a particular area for attention in smaller firms.

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