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Managing Collaborative Synergy in the Crane Industry

By Keith Ng Y. N. (Ng, K.) Ph.D.

Abstract

This study explores the key factors vital to Principal-Distributor Collaboration (PDC) in the context of the crane industry in Singapore, Malaysia and Indonesia. It explains the social processes that Principals use to address differing interests throughout the course of the PDC.

Applying Glaser's (1978, 1992, 1998, 2001) emergent approach to grounded theory, 150 interviews were conducted with 50 participants from these countries. The main professional concern of participants throughout the course of the PDC was the need to achieve corporate objectives, within a certain time frame, whilst also having to rely on the cooperation of key managers from the partnering firm. Key decision makers continuously resolve their professional concern through the basic social process of Managing Collaborative Synergy (MCS). The theory of MCS suggests that the way in which Principal firms manage the PDC is by giving attention to the three interdependent dimensions of Competitiveness Initiating, Confidence Building and Conformance Setting.

Background and Motivation to the Research

This study took place during the Asian Financial crisis at a time when the crane industry was undergoing change. Principal firms are manufacturers of cranes or crane components. Distributors are those who resell, construct and service cranes or crane components of those principals that they represent. At the time when this study was conducted, Principals were gaining in their appreciation of the rewards associated with successful collaboration with Distributor firms in the pursuit of their corporate objectives. Similarly, Distributors were more alert to the benefits, in a limited market, of working in conjunction with their foreign counterparts to share risks and meet increasing customer demands. This environment of increasing cooperation between Principal and Distributor firms provided the overall context for this research study.

It is a well-recognised fact that effective collaboration with Distributors plays a prominent role in the business-to-business arena (McQuiston, 2001; Mudambi & Aggarwal, 2003), and so collaborating with Distributors has been gaining popularity with Principal firms for two main reasons. First, it allows the Principal firms to focus on larger accounts (Ernst & Young, 1990; Emsweiler, 1991). Second, Distributors with a home territorial advantage often have a better knowledge of their local markets and are able to penetrate these markets with ease and greater success than can Principal firms (Douglas & Craig, 1989; Cavusgil & Zou, 1994). Given the prospects of mutual benefits, working with Distributors provides the possibility of reaching every segment of the business field. Therefore, an astute Principal firm will choose to work closely with their Distributors in order to stay competitive and ensure long-term corporate success (Noordewier, John & Nevin, 1990).

Although there are no definitive data to account for the business volume that Distributors are directly responsible for, industry estimates in the United States indicate that there are 400,000 Distributors who make up as much as 50% of the upper-channel sales in business-to-business markets (Dishman, 1996). In the crane industry, 80% of crane firms in Singapore, Malaysia and Indonesia are Distributors who represent Principal firms that manufacture hoisting equipment. Given the large number of firms using Distributors, successfully managing and improving working relationship with Distributors is of paramount significance to any Principal firm (Merkel, 2001; Ng, 2002).

However, despite the large numbers of Principal firms employing Distributors, little appears to be understood about how the Principals have gone about developing and maintaining Principal-Distributor relationships. While there are a number of models of building relationships in the business-to-business arena (such as Anderson & Narus, 1999, Zineldin, 2002), none are specifically designed and directly focused on managing the collaboration between a Principal and a Distributor. This lack of research into Principal-Distributor relationships is also reflected in the crane industry, the specific focus of this study. This study attempts to fill this gap in understanding Principal-Distributor relationships by using the crane industry as a case study. In addition, this study also seeks to explain how Principals draw out the synergistic nature of the relationship by resolving the issues arising in the relationship. The relationships between Principals and Distributors that form the focus of this research are labelled Principal-Distributor Collaborations (PDCs).

Batt and Purchase (2004) contend that a firm's ability to develop and successfully manage its relationship with other firms is a key competence and source of sustainable competitive advantage. Managing relationship with Distributors has long been recognized as a critical component in channel marketing (Ross, 1985; Weber, 2000). However, there is recognition that making collaboration work is a significant challenge (Boddy, Macbeth & Wagner, 2000; Cropper, 1996; Spekman, Forbes, Isabella & Macavoy, 1998). This leads Weber (2001, p. 95) to suggest that both Principals and Distributors may benefit from a closer study of how collaboration between them "are developed, managed and maintained over time."

Because of its potential to impact on the long term profitability and survivability of both Principals and Distributors, the management of PDCs should be a major concern to both parties. In an increasingly competitive environment, unsatisfactory progress rates for a PDC will put considerable resources at risk especially in the form of financial resources. Conversely, firms that collaborate successfully realise corporate objectives by improving both top line revenues and bottom line profits (Weber, 2001). Thus increasing the efficiency and effectiveness of the management of PDCs has the potential to expand and maintain significant competitive advantage for both parties.

At a professional level, my interest in the management of PDCs resulted from my work as the managing director of KI, a manufacturer of electrification systems for the crane industry. I was involved in the training of Distributors in the areas of sales and marketing, product knowledge, installation techniques and after sales maintenance programs as a part of the induction of new Distributors. In the course of working for sixteen years in this particular field, it became obvious to me that the management of PDCs was underdeveloped and under researched. Collaboration between Principals and Distributors was not symmetrical, particularly in relation to the role of initiating and driving the relationship. It was in the perspective of the Principal that this research was undertaken.

Purpose of the Study

The purpose of this study was to develop a substantive theory of how key decision makers of Principal firms in the crane industry address

the managerial concerns they were challenged with throughout the course of the PDC. The following questions guided this study:

1. What are the main concerns that confront key decision makers contributing to the satisfactory outcome of a PDC?
2. What can these key decision makers do in order to resolve these concerns to ensure that long-term mutual benefits can be achieved throughout the course of a PDC?

In this study, key decision makers were individuals who shoulder the responsibility and were directly involved with the developing and maintaining of the PDCs. These included business owners and employees that have the most constant contact with Distributors and have the greatest influence on the ongoing management of the Principal-Distributor relationships.

The Method

Given the lack of research in the area of PDCs and the exploratory nature of the research questions, it was decided to use a qualitative approach in the present study. More specifically, grounded theory (Dick, 2002; Glaser, 1978, 1992, 1998, 2001; Glaser & Strauss, 1967) was chosen as the main research methodology. Grounded theory is a systematic, inductive approach to developing theory to help understand complex social processes. The main motivation that encouraged this choice is the ability of grounded theory to handle the emergence of problems identified by participants in a study (Glaser, 1998).

Another factor that motivated the selection of grounded theory as the research methodology was that the theory discovered would be representative of the substantive area of inquiry of this study. A fundamental strength of grounded theory is letting the data determine who next to talk to or where to go for further information. This process is referred to as “theoretical sampling” (Glaser & Strauss, 1967, p.45). Theoretical sampling in a grounded theory study is determined by the need to collect as much data as necessary in order to investigate categories and theoretical connections. Participants were added to the study as guided by data analysis until the point of saturation was reached (Glaser, 1978). In this study, 150 interviews were conducted

involving 50 business owners and senior managers of Principal and Distributor firms in the crane industry across Singapore, Malaysia and Indonesia. Data were collected over several phases from major stakeholders of PDCs that had at least 10 years of working experience in the crane industry. Confidentiality for each participant was ensured and written consents obtained. The data were coded as an ongoing process and subsequently written up.

Throughout this study, the constant comparative method was used for data analysis. The basic intent is the identification of a core category as a key part of the process. Glaser (1978, p. 93) asserts that “the generation of theory occurs around a core category” and represents the main theme of the substantive area of inquiry. So the core category captures the main concern of participants in a study and accounts for most variation in a pattern of behaviour. It explains, “what is going on in the data” (Glaser, 1978, p. 94) and becomes the basis for the emerging substantive theory. In this study, the core category was identified through an iterative process of coding, memoing, theoretical sampling and theoretical sorting. Towards the completion of data analysis, a comprehensive review of the literature on PDC was undertaken in order to place the developed substantive theory within the context of what was already known in existing collaborative theories on the topic.

The Main Professional Concern

Analysis of the data revealed the following factors formed the main professional concern of Principals in the crane industry; i.e., how to collaborate with Distributor firms to achieve corporate objectives within a specific time frame. These factors emerged after an in-depth examination of the data collected in the study, as described by the grounded theory method.

The first factor was the environment within which the key decision makers try to achieve corporate objectives. For the PDC to work, the collaborators had to pursue common interests such as increasing market share, achieving customer satisfaction, filling competency gaps and reducing overall costs. The reason firms entered into collaboration was to enable them to leverage each other’s strengths. Key decision makers were unable to make independent decisions or work in isolation from each other in a PDC, as they might within

their own firms. Decision-making in a PDC would inevitably involve both parties acting together. Not only did key decision makers need to collaborate with each other, they had to do so in the best interests of all parties. A PDC working environment is collaborative, a 'it takes two hands to clap' scenario. In other words, achieving corporate objectives in a PDC environment requires collaboration with other partners through social processes that exclude conventional forms of managerial power or control.

The second factor that influenced key decision makers was the pressure of meeting corporate deadlines. The success rate of achieving set objectives within the specified time would give rise to better financial gains, an enhancement of corporate reputation and an overall improvement in business performance. Failure to achieve set time lines would incur the use of additional resources and an unnecessary extension of working hours. Therefore a 'time is of the essence' mindset is vital for key decision makers. It allows managers to recognize and seize opportunities and to recognize when things are getting off the rails and to take the initiative to fix them. Working effectively in today's competitive environment requires managers to keep pace with the ever-changing market.

Another factor that must not be overlooked was the key decision makers' own career prospects. This third factor focused on the key decision makers' personal interests. For key decision makers who were employees, their success in making a PDC work could result in career benefits ranging from higher bonuses and promotions, to securing their position within the organisation. For business owners, the successful management of a PDC would provide the benefits of long-term corporate success and inherent financial rewards. Failure to meet set objectives would have adverse implications such as termination in the case of employees and the possibility of bankruptcy for business owners.

Therefore, the need to fulfil corporate objectives was a strong motivating factor in framing the main concern for key decision makers in a PDC and is often used as a signpost when appraising managerial competence. Decisions made in the best interest of the PDC itself rather than just in the interest of the partnering firms or the key decision makers. This approach led to 'win-win' solutions for long-term market gains. How to maximize the synergistic nature of the collaboration, through the processes of cooperation, became the

factor that motivated and explained the behaviours of key decision makers in Principal and Distributor firms.

In this study, synergy is a term that is commonly used and understood in the Singapore organizational context. Synergy means the ability of both the Principal and Distributor to create greater competitive advantage by working together than they could by working apart. This includes the ability to generate value for each other greater than that which is generated by each of its rivals.

Managing Collaborative Synergy: A Way of Resolving the Main Professional Concern

Managing Collaborative Synergy (MCS) was the label selected to describe the process whereby the Principal constantly addressed their main concern in the Principal-Distributor relationship. It was a process in which the Principal firm employed and adapted a range of collaborative management strategies capable of initiating and maintaining the synergistic benefits of a PDC in the crane industry.

During the MCS process, constant interactions between key decision makers from Principal and Distributor firms allowed the establishment of criteria on which the PDC could be based. These criteria enabled both firms to achieve a greater understanding of each other's needs and expectations. Thus, once these criteria were established, more cooperation and less opportunistic behaviours could be expected from key decision makers. In an environment of cooperation, key decision makers often acted together in an effort to improve the synergistic nature of a PDC and so achieve satisfactory outcomes for all in the relationship. Issues that might cause disputes with each other were often resolved by informal means rather than by one side exploiting the situation. That was a major feature of MCS.

MCS is a form of management that fits the contextual needs of a PDC in the crane industry. The theory of MCS enables the Principal firm to facilitate translation of PDC goals into reality. In addition, MCS possesses the necessary conceptual power to provide an explanation of the managerial practices and processes adopted by the Principal firms in this study.

In the process of MCS, three conceptual phases emerged as the

main professional concerns of study participants and accounted for the variations in patterns of behaviour of these individuals in the PDC. In grounded theory parlance, these three phases were sub-core categories of the process:

1. Competitiveness Initiating
2. Confidence Building
3. Conformance Setting

Competitiveness Initiating

Competitiveness Initiating refers to a sequence of two linked stages – *grappling with the market* and *positioning within the market* – as the Principal firm assesses and explores the environment within which their potential Distributors operate. This helps the Principal to position its internal capabilities to deliver products and services that fulfil these requirements. In addition, the Principal firms actively identify suitable potential Distributors to work with. Often Principals identify Distributors based on what the Distributors can potentially achieve, given the availability of essential resources supplied by the Principal. Conceptually, this is the phase whereby the Principal identifies gaps in market and capitalises on its ability to deliver goods and services. Deliver them at the time at prices as good as, or better than other suppliers and in the form sought by buyers. All of this while earning at least opportunity cost on the resources employed. This phase provides the Principal with an understanding of the commitment of resources required to obtain a competitive edge over rival firms.

Grappling with the Market

This encompasses the Principal's exploration of market needs of potential Distributors. The Principal searched for marketing information pertaining to the environment, specific product requirements and potential Distributors for collaboration. A category of grappling with the market is the need of *achieving competitive edge*. This varies according to the needs of Distributors and may include the need to have access to expertise and compatibility. Another category is that of *third party influencing*. In addition to exploring ways to achieve a competitive edge, Principals must also understand the existing relationships in which their potential Distributors were engaged in.

These third parties influencing could influence positively or negatively, the decision to search for a partner and hence the formation of a PDC relationship.

Positioning within the Market

This is the process of converting a Distributor's need to achieve competitive edge, into an opportunity that was attractive to the potential Distributor. In other words, positioning within the market is the consequence of the Principal's grappling efforts to fulfil market needs. Activities during this stage are directed towards positioning the Principal firm so that it is in a favourable stance in later phases. When effective, this process is likely to result in heightened interest of potential Distributors towards the Principal firm.

A category of positioning within the market is *complying essentials*. In the search to fulfil market requirements, the Principal may take initiatives to offer goods and services to match market needs. Most often the missing resources required by the potential Distributor, determined the area in which the Principal must deliver. This may take the form of meeting recognised standards, matching quality expectations and improving designs. The process of identifying a complying essential in the positioning stage might sometimes lead a Principal to appreciate a PDC from the perspective of the potential Distributor.

Another category of positioning within the market is the process of *tolling*. This serves as incentives for a potential Distributor in offering Principal's products and services in the marketplace. The level of competition within the market often influences key decision makers to adopt proactive pricing to maintain competitiveness. Financial gains in working with the Principal are the implicit condition that justified the relationship. Therefore, the Principal is required to implement pricing based on current market trends and needs. It would be unusual not to express how much value the collaboration could offer each partnering firm in due course.

Support is the last category of positioning within the market. This is the label applied to the process that the Principal adopts to assist Distributors in meeting the objectives of collaboration. In other words, what other things could the Principal do to enable Distributors to

achieve the desired results from the relationship. Distributor firms are mainly interested with the type of Principal's support that they receive ranging from simple responses on enquiries, availabilities of stocks, completeness of product range, available marketing budget to demands for higher discount structures.

Confidence Building

Confidence Building refers to a sequence of two linked stages – *addressing differences* and *ensuring deliverables*. Often the main challenge for Principals in this phase of a PDC is to increase the pursuit of mutually compatible interests in the collaboration while decreasing opportunistic behaviours. Social processes associated with Confidence Building are employed to attract potential Distributors so that Principals may access the cooperative nature of the partner firm for mutual benefits. In addition, this phase is also characterised by social processes directed at appraising the latent cooperation within a potential Distributor and between individual key decision makers. Formal and informal appraisals conducted during this phase often suggest the rate at which a PDC might progress in the later phases of the collaboration.

Addressing Differences

Addressing Differences is often a stage marked by intense negotiation, which leads to the recognition and establishment of common grounds in the PDC. Activities are directed at increasing the interest of potential Distributors in forming a PDC. The Principal, having in the first phase understood and positioned itself in meeting market requirements, often attracts interest by first converting their need for a partner into some form of opportunity that is attractive in the market to the potential Distributor. In a way this is putting the 'carrot' before a potential Distributor in an effort to increase their level of interest in forming a PDC.

A category of Addressing Differences is that of *appraising capability*. Managerial interests at this point are aimed at assessing the levels of value that the potential partnering firm possesses. Formal and informal appraisals of capabilities might be undertaken to establish the level of benefits associated with collaborating with a specific

firm in comparison with the potential risks. Formal appraisals are referred to as activities that occur at firm-specific level in evaluating the benefits of working together with a potential partnering firm. This is characterised by factual, rational and objective requirements of the firm. Informal appraisals are usually more prominent at the level of key decision makers. These are substantially less structured and involve the subjective interpretation of those aspects of risk and benefits that are believed to be vital to the individual. Intuition rather than fact often dictates the basis of informal appraisals.

Another category of addressing differences is that of *engaging exclusivity*. This is the process where the Principal assigns the right of marketing its products and services in specific territories to a potential Distributor. The term 'exclusivity' means the rights are given by the Principal solely to the one Distributor. As exclusivity could be viewed as the highest selling right awarded to a Distributor, the negotiation of this factor is often a crucial period for the success or failure of the PDC. It might be the first catalyst in the PDC to a discussion about a firm's willingness to commit to a long-term relationship with the other potential party. While not working on exclusive terms might be perceived as non-committal from the Principal, the wrong selection would impede the main objectives of the collaboration. The Principal might lose opportunities if the Distributor did not give its exclusive commitment in its marketing efforts. Conversely, Distributor firms look for assurances in the relationship with the Principal firm. In marketing the Principal's products, Distributors want to be assured that it is worth their effort to incur marketing expenses and even be able to reap the benefits of their labour for long-term survivability.

Following the processes of both *appraising capability* and *engaging exclusivity* that of *reducing risk* follows. *Reducing risk* is the category used to describe a time where firms tread carefully prior to the commitment of significant resources to the PDC. Not all issues can be fully addressed at this point of time, so both Principal and Distributor adopt a reducing risk attitude toward the relationship. In other words, there seems to be general agreement to work with each other in a PDC given the likelihood that benefits exceed risks and so, to increase that likelihood, they focus their attention on the reduction of risk. The process of reducing risk is often characterised by getting a market response. For example, a Distributor might request a product trial and obtain customer feedback prior to the commitment of stock orders or entering any collaborative arrangements. In addition, there is often an increase in discussions between the potential partner about ways

of improving the level of collaboration. During this stage, the focus of discussion shifts from internal to external factors impinging on the potential viability of the PDC. This is often marked with discussions on commercial terms of sale such as payment terms and flexibility of payment.

The stage of addressing differences is a transitional period whereby Distributors' interests are addressed by the Principal firm. Activities are usually directed to addressing these issues and success acts as a catalyst in the formation and formalization of a PDC. This might take the form of legally binding contracts or a 'handshake' agreement based on the promises given by both parties, as discussed earlier. The satisfactory completion of this stage leads to one whereby the Principal firm is in a position to ensure it can deliver on its promises.

Ensuring Deliverables

During the first stage of *addressing differences*, managerial attention is centred on addressing the question of 'how can we work together'. This stage in PDC usually concludes with a general agreement by key decision makers within each firm that both partners gain from the synergies of working together. This becomes the impetus to move both partners to increase their level of commitment in the PDC. It is frequently a period in which partnering firms agree that they must deliver on the promises made in earlier stages of the PDC. The process of passing these resources to the partnering firm indicates the point when the commitment to delivering its promises are consummated.

The commitment of real and tangible resources into the PDC often provides the context of managerial action in this stage. As such, the Principal may attempt to ensure, often simultaneously, delivery on a combination of issues common to many PDCs.

Increasing confirmation was the category applied to the process that involves the Principal firm keeping the promises given as part of its commitment during the earlier stage of *addressing differences*. It is often a crucial period for the success or failure of the PDC. It might be the first point in the PDC when the reliability of the Principal firm to deliver on its promises is tested. Often, it is a point whereby the Distributor has already made commitments to go ahead with stocking the Principal's products for re-distribution in the agreed territories.

Failure to deliver on its promises might either dissolve permanently, or stall, the PDC while the other firm re-examines their alternatives in view of the actions of the defaulting partner.

Improving status is a category used to describe the consequences of a firm's increasing confirmation efforts. Once key managers have progressed through the *increasing confirmation* process and trust and mutual respect are built up, the relationship will move towards a synergistic position that captures the strength of the two firms working together. An important property in the process of *improving status* is the continued growth in personal relationships between key managers of the organisations represented. This is characterised by a sense of familiarity developing through working with recognisable counterparts in the PDC. Managers experienced in PDCs often appreciate the essential need to gain the involvement of their counterpart as early as possible in order to ensure the success of the PDC. Usually, by this time, experienced managers have established some form of direct contact with key decision makers of the Distributor firm.

Often, in working with Distributors, it is common for Principals to find that not all of the agreed points of collaboration are fully covered in the earlier stages of the relationship. Nor does the Principal anticipate all of the approaches that might be needed in resolving every managerial issue. In addition, PDCs in the crane industry often involve many stakeholders within each partnering firm and the initial agreement made might not fully address all issues. Some managers prefer to label the unmet issues as 'gaps' and the processes used to resolve these issues as 'approaches'.

Closing the gaps often means key managers will constantly look for alternative means to resolving issues arising between the parties. Knowing that not all points were covered in the earlier stages of the discussion, key managers are prepared to make alternative decisions for the resolution of issues arising. Conversely, inexperienced managers in PDCs are often astonished to find these gaps were not addressed earlier and might go through a phase of dissatisfaction and even anger at what they perceive as failures in the earlier discussions. This phase of dissatisfaction might jeopardise relationships with key managers of the partnering firm and even with other managers in their own firm. As a result, firms experienced in the process of PDC often strive to limit any form of interruption in the relationship by having the same key managers participate in all phases of the development of the PDC.

Another property of *improvising status* is that of *filling in*. Although key decision makers could adopt formal or informal approaches to the resolution of managerial issues in this stage of a PDC, they are likely to employ one or the other extreme in *filling in* the 'gaps'. This reflects the level of personal relationships, mutual trust and confidence that these partnering firm have in each other. When relationships are characterised by suspicion, key decision makers prefer to manage issues arising by using formal approaches such as 'going by the book'. However, the relationship between Principal and Distributor is often characterised by increasing levels of trust and mutual respect and key decision makers will accordingly adopt a 'logical approach' to 'fill in' the gaps.

Informal means of resolving issues often involves key decision makers searching for 'win-win' solutions. This choice is dependent on the time required for the issue to be resolved. Taking a 'logical' approach to the resolution of issues prevents the process from stalling to an extent that jeopardizes the viability of the PDC. In short, what drives key managers to adopt informal processes to fill in 'gaps' is the intention to avoid impeding the advancement of the PDC at all costs.

Conformance Setting

Conformance Setting is the last phase of the basic social process of MCS. It can be conceptualised as the extent to which the Principal devises and implements strategies and actions that guide the PDC to follow the rules of the collaboration. In attempting to ensure that the PDC continues to progress at a satisfactory rate, the Principal adopts a range of strategies to guide decision-making with the objective of improving the overall synergistic nature of the collaboration. This is seen as the phase whereby the Principal has delivered on its earlier promises, and where it expects the Distributor firm to fulfil its part of the bargain. These strategies provide and act as a guide for the Principal firm in resolving a variety of managerial issues so that the objectives of the collaboration can be met. Three broad types of strategies for *Conformance Setting* emerged from the study: Distributor-based, Operational-based and Principal-based strategies.

Distributor-based Strategies

Distributor-based strategies focus directly on the Distributor by constantly monitoring the status of the Distributor. This involves continuous interactions between collaborating firms to make sure that the Distributor is competent in its role. These strategies attempt to enhance the Distributor's knowledge by improving its abilities, skills and attitudes in relation to the Principal's products and services. These include training, acquisition and participation. Developing the capability of Distributors, and helping them to grow, is an effective strategy that the Principals adopt to achieve high performance by Distributor firms.

Operational-based Strategies

Operational-based strategies are Principal strategies that focus on aspects that strive to improve the performance PDC. The overall category of operational-based strategies consists of two separate sub-strategies – *communicating* and *preparedness*. *Communicating* are Principal strategies intended to increase the effectiveness of the communication occurring between Principal and Distributor firms. *Preparedness* are Principal strategies directed at planning for issues that might arise or actions that might be required as a result of working with the Distributors. They determine how the desired outcomes could be efficiently and effectively achieved.

In the crane industry, Principals monitor the operational issues that might arise as a result of working with Distributors. This would enable the Principal to determine if there are issues that contribute to Distributor's behaviour, positively or negatively. These influences on Distributors, if deemed to be conducive, will prompt a Principal to preserve these characteristics. Conversely, when influences effecting Distributors are perceived as being detrimental, the Principal might attempt to cease or minimize such effects. Both these outcomes are likely to affect the Distributor's behaviour positively. Failing to do so would frustrate Distributors leading to disillusionment in the relationship.

Principal-based Strategies

Principal-based strategies were those that are aimed at optimising the PDC by improving those Principal's behaviours that affect or influence the behaviours of their Distributors. In the crane industry, the Principal's ability to improve their behaviour depends on two major factors. The first is their understanding of the level of influence that their behaviours had on their Distributors. The second is their receptiveness to make changes in their own behaviours. When their influence has positive or negative outcomes in Distributor's behaviours, attempts must be made to either strengthen or modify their own behaviour accordingly. This results in both outcomes positively reinforcing the Distributor's role in the PDC.

The overall category of Principal-based strategies consists of two separate sub-strategies – *comprehending* and *self-improvement* strategies. *Comprehending* is the label given to those strategies focused at increasing the Principal's understanding of how their own behaviours influence Distributor's behaviour. *Self-improvement* is the label given to those strategies aimed at the Principal's self-improvement in order to be attractive to their Distributors and thus in turn influence their behaviours.

Discussion

In Glaser's grounded theory method, the emergent theory leads itself to the extant literature that should be examined in the final stage of the research process (Guthie, 2000). According to Glaser (1998, 2001), this approach enables a more appropriate and relevant comparison of the emergent theory with the literature. The benchmark for inclusion in the comparison with the extant literature is perceived relevance.

The theory of MCS explains how the Principal firm manages the Principal-Distributor relationship to achieve corporate objectives within a specific time frame. The literature search revealed that there was no theory totally similar to the theory of MCS. However, several theories that reflect the theoretical focus of PDC can be found in the Inter-Firm Relationship (IFR) literature with what Peng and Kellogg (2003) describe as "voluntary cooperative agreements between at least two organisations which involve exchange and sharing." (pp. 292-293).

I will present the model proposed by Zineldin (2002) for “managing one-on-one relationships” (p. 549). No particular reason led to the choice of this model apart from its relevance to this study. This model is based on the analogy of a romantic relationship; Zineldin (2002) proposes business relationships as commencing from a period of “discovery”, followed by “development” and moving towards “commitment” and “loyalty” (p. 552). Change is imminent as the IFR ‘evolves’ through a generic sequence of life-cycle phases. Each phase logically implies a high level of cooperative effort as well as differences in information, expectations, experiences, needs, wishes, values, strategy requirements and consequences. As such, each phase has the potential to create or impede the growth of the relationship.

A closer examination of the theory of MCS and Zineldin’s relationship life-cycle model reveals several striking similarities. The first of these is that firms move closer over time as the relationship evolves thus depicting increasing levels of mutual commitment. This is evident in the *confidence building* phase where the Principal firm ensures *deliverables* on promises made in earlier stages of the relationship. Another similarity is the recognition of the inherent problems of working together in a relationship and as such the possibility of failure in each phase of the IFR development. Aspects of the theory of MCS provide some conceptual support for this. To achieve the purpose of PDC means that Principals and Distributors have to perform their roles in the relationship effectively, failure to do so would possibility impede and even terminate the relationship. The third similarity is the acknowledgement of the need to use strategies in the relationship to acquire or retain partners. This is supported in the *conformance setting* phase whereby strategies such as *Distributor-based*, *Operational-based* and *Principal-based* are used by the Principal firm to guide decision making to ensure the PDC continues to progress at an acceptable rate. However, while there is congruency and conceptual support to the Zineldin (2002) model, a major point of significance of the theory of MCS is the contribution it makes by providing insights into the social processes of deploying strategies that may encourage greater commitment and trust. In the theory of MCS, strategies were used to guide the Principal firm in resolving a variety of managerial issues so that the objectives of working together can be achieved.

Achievements of the Study

The first question early in the study was to examine key factors that confront key decision makers in order to obtain satisfactory outcome of a PDC. The findings of this study provide an insight into our understanding of the major concerns that key decision makers face when managing PDCs. These results indicate that Principal firms are expected to give due attention to three main categories of *Competitiveness Initiating*, *Confidence Building* and *Conformance Setting* to obtain a favourable result in their endeavours with their potential Distributors. From the academic perspective, given the limited studies in identifying managerial concerns and how these key decision makers went about addressing their concerns, such a study benefits by filling the gap in the extant literature (Nevin, 1995; Weitz & Jap, 1995).

The second question was what key decision makers can do to resolve various concerns that arise throughout the course of the PDC to achieve long-term mutual benefits. Often in addressing differing interests in the course of the PDCs, key decision makers not only pursue their own corporate objectives, they draw out the synergistic nature to sustain long-term mutual benefits. The crux of the theory of MCS is the way in which the Principal firms manage the PDC by employing and adapting a range of managerial strategies capable of initiating and maintaining the synergistic nature of the relationship. Key decision makers working at the interface between Principal and Distributor firms often establish criteria on which the PDC could be based. How these individuals approach and manage these criteria is the key to achieving satisfactory outcomes in the relationship. Managers experienced with PDCs often resolve confronting issues by considering the interest of both parties rather than by exploiting the situation. This approach enables the Principal firm to facilitate the translation of PDC goals into reality, providing consistency in managing the Principal-Distributor relationship and fulfilling expectations of both parties to the relationship. The theory of MCS provides details about the social dynamics between key decision makers in the resolution of each of the managerial issues identified above.

From the perspective of practitioners, it is expected that the study will contribute to their understanding of Principal-Distributor relationships. In addition, it will provide conceptual explanations for the patterns of behaviour of key decision makers in the crane industry. Understanding

these patterns of behaviour will allow practitioners to be suitably prepared when collaborating with potential partners. This study will enable practitioners to recognise the limitations in the roles that both partners play. Relevant actions could then be taken to address these shortcomings early on in the relationship, as this study will provide a platform to evaluate the overall health and status of the collaboration. An exploratory study like this will begin to provide practitioners with the means to improve the overall quality, effectiveness and efficiency of their management of PDCs in general. These improvements will lead to PDCs contributing to increased corporate performance and adding to shareholders' value.

Conclusion

Faced with the ever-increasing number of Principal firms using Distributors as their sales arm, developing viable working relationships with Distributors is of considerable importance and is now viewed as a high profile area in the crane and other related industries. The results of this grounded theory study indicate that the way in which the Principal manages this relationship is by giving attention to three sub-core categories of *competitiveness initiating*, *confidence building* and *conformance setting*. These findings serve as a foundation for developing and understanding all the different facets on which the relationship is based. By collating the data of this study, Principal firms can build more effective and enduring relationships with those that resell their products.

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