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*THE ROLE OF DYNAMIC CAPABILITIES IN OUTSOURCING SALES AND MARKETING FUNCTIONS:
A RESOURCE-ADVANTAGE PERSPECTIVE IN THE CONTEXT OF CONSUMER PACKAGED GOODS*

BY

BELGIN UNAL

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Doctor of Philosophy

In the Robinson College of Business

Of

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ACCEPTANCE

This dissertation was prepared under the direction of the *BELGIN UNAL's* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctoral of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

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ABSTRACT

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BY

BELGIN UNAL

July 2011

Committee Chair: *Dr. Naveen Donthu*

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Outsourcing refers to contracting out the functions to a third party instead of conducting them in-house. The main contribution of this dissertation is to develop and test a model of successful outsourcing in the accomplishment of headquarters selling task. Specifically, it intends to (a) provide a theoretical framework for outsourcing partnership performance, (b) explore the potential complementarities construct in the context of a dyadic outsourcing relationship, (c) examine the role of learning dynamic capabilities in turning potential complementarities into outsourcing success, and (d) explicate the role of structural social capital as an antecedent to learning dynamic capability construct. The conceptual framework of the model is based on the resource-advantage theory which posits that resources, potential complementarities and dynamic capabilities are explicated as sub-constructs. The pool of respondents who are the practicing managers of outsourcing in the consumer packaged goods industry was used to test the hypothesized relationships. The findings showed that the learning dynamic capabilities construct is the most important factor affecting in the outsourcing partnership performance in the context of headquarters selling task. The task-related resources of the outsourcer had a significant positive effect on potential complementarities. However, the positive effect of the outsourcee's task-related resources on potential complementarities was not significant. Likewise, the positive effect of the potential complementarities on the outsourcing partnership performance did not emerge as significant. The effect of structural social capital of the outsourcer had a significant but negative influence on learning dynamic capabilities. The positive effect of structural social capital of the outsourcee on learning dynamic capabilities and the moderating role of learning dynamic capabilities were found to be insignificant.

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ABSTRACT

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July 2011

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Outsourcing refers to contracting out the functions to a third party instead of conducting them in-house. The main contribution of this dissertation is to develop and test a model of successful outsourcing in the accomplishment of headquarters selling task. Specifically, it intends to (a) provide a theoretical framework for outsourcing partnership performance, (b) explore the potential complementarities construct in the context of a dyadic outsourcing relationship, (c) examine the role of learning dynamic capabilities in turning potential complementarities into outsourcing success, and (d) explicate the role of structural social capital as an antecedent to learning dynamic capability construct . The conceptual framework of the model is based on the resource-advantage theory which posits that resources, potential complementarities and dynamic capabilities are explicated as sub-constructs. The pool of respondents who are the practicing managers of outsourcing in the consumer packaged goods industry was used to test the hypothesized relationships. The findings showed that the learning dynamic capabilities construct is the most important factor affecting in the outsourcing partnership

performance in the context of headquarters selling task. The task-related resources of the outsourcer had a significant positive effect on potential complementarities. However, the positive effect of the outsourcee's task-related resources on potential complementarities was not significant. Likewise, the positive effect of the potential complementarities on the outsourcing partnership performance did not emerge as significant. The effect of structural social capital of the outsourcer had a significant but negative influence on learning dynamic capabilities. The positive effect of structural social capital of the outsourcee on learning dynamic capabilities and the moderating role of learning dynamic capabilities were found to be insignificant.

CHAPTER 1 – INTRODUCTION

Outsourcing is defined as “the process by which a corporation, a governmental agency or another business entity subcontracts to a third party” (Gilbert 1993, p.7).

Outsourcer is the firm contracting out the function to the third party (third party is called outsourcee (Ukidwe and Bakshi 2005)). Although the phenomenon itself is quite old, the outsourcing concept has only gained prominence in the 1970’s (Cronk and Sharp 1995).

In order to overcome the inefficiencies, companies preferred to outsource the functions which are not performed efficiently in house (Stigler 1951). In the early days of outsourcing, businesses usually contracted out the functions that were relatively unimportant or simple, but time consuming (Anderson and Trinkle 2005). Today, outsourcing is being used for a wide range of functions by both small and large firms. There is an increasing trend toward outsourcing the marketing operations. Forrester Research estimates that typically 53% of businesses outsource more than half of their marketing activities (McGovern and Quelch 2005). Many companies such as Sony, American Express and Best Buy are outsourcing their marketing-related activities with the goal of “increasing critical left-brain marketing expertise” (McGovern and Quelch 2005, p.26). The functions that are most frequently outsourced are production, computer systems, logistical systems, accounting, sales and marketing functions (Anderson and Trinkle 2005).

While efficiency is still one of the important considerations in outsourcing decisions, recently effectiveness has also emerged as an equally important consideration. Based on the core competency arguments (Prahalad and Hamel 1990; Porter 1985), companies desire to outsource all non-core activities which other companies can perform

more effectively. For example, Goodyear had outsourcing arrangements with Exel (3PL-third party logistics provider) which allowed them to focus on their stronger skill sets and to benefit from the stronger strategic resources that Exel had in distribution (Maloney 2004). The belief that that customer care would be hurt by outsourcing is increasingly being challenged and, in fact, there are some outsourcees who are more skilled in up-selling and cross selling activities than their outsourcers (Marek 2005). Further, in depth interviews with executives of some manufacturers suggest that effectiveness is now equally important as efficiency when making outsourcing decisions (Parvatiyar et al. 2006).

In the outsourcing literature various theories have been used to explain the decision to outsource, such as the transaction cost theory (e.g. Anderson 1985) and resource-based theories (e.g. Lacity 1998). Transaction cost theory (Williamson 1975; 1985) examines the efficiency costs of performing a function in-house versus contracting out. However, this approach is limited in that outsourcing is no longer solely considered for cost minimization but it is increasingly considered as a very important strategic tool for many firms (Sanders et al. 2007) enabling firms to access the technical skills and newly acquired technologies of the outsourcee (Lacity and Willcocks 1998). Therefore, companies that outsource solely due to financial reasons may overlook the long term gains by focusing on the short term per unit cost reductions (Lynch 2005).

Alternatively, the resource-based reasons of outsourcing can provide long term gains by accessing resources such as technical know-how, assets and expertise (Sanders et al. 2007). According to this view (Barney 1991; 1999) companies should focus on

their core competencies and outsource for the functions that they are not capable of performing efficiently themselves.

Resource-oriented approaches such as the resource-based view (i.e. Barney 1991) and resource-advantage theory (i.e. Hunt and Morgan 1995) provide valuable insights to outsourcing relationships although there are some marked differences between the two in terms of their focus. The latter focuses on categorization of resources and incorporation of dynamic capability view (i.e. Teece and Pisano 1994). The dynamic capability perspective states that successful firms are the ones that are swift at redeploying and coordinating resources under changing environmental conditions (Teece, Pisano and Shuen 1997). A firm that is less capable at performing a task will choose to outsource that function. This study is rooted in the resource-based theories and aims to identify the role of dynamic capabilities in generating high performance with combined resource assortments of the firms.

Purpose of the Study

Most studies in marketing focus on the decision to outsource under the transaction costs, agency problems or resource-based considerations. In a departure from former studies, this study examines the underlying processes that affect coordination and performance outcomes of the parties that are already formed. Using the resource-advantage theory as its theoretical basis, the study aims to explain the conditions that lead to higher performance in outsourced sales and marketing functions.

Contributions of the Study

The study provides valuable insights to both outsourcing and channels literature concerning dyadic relationships. Based on resource-advantage theory of the firm and focusing exclusively on the resources construct, the study proposes and tests a model which clearly differentiates between static resources and dynamic capabilities by specifically identifying where the role of dynamic capabilities actually starts.

Another contribution is in the introduction of the construct of potential complementarities and provision of alternative measures for several other constructs in the model. In a dyadic relationship, the combination of task-related resources of each party (potential complementarities) can be an indicator of good performance, but only to a certain extent. How the two parties can jointly mobilize these complementarities via their dynamic capabilities can actually provide a better prediction of performance outcomes. The study captures this process by examining and conceptualizing how optimal level of performance can be achieved in inter-firm settings such as outsourcing.

A final contribution is the introduction of a new classification for resources as: 1) task-related and 2) social capital. Task-related resources are similar to transactional aspect of exchange where the exchange is discrete as in the basic form of outsourcing. On the other hand, social capital concerns the relational aspect of exchange where behavioral factors such as trust, norms, shared language become obvious as in the alliances.

Although the proposed model is in the context of outsourcing, it is generalizable to any other dyadic relationship where parties come together to jointly perform certain

tasks. Moreover, the proposed model is a step toward understanding the relational aspects that are often neglected in outsourcing relationships.

Next chapter provides a literature review on outsourcing and related theoretical concepts. In chapter 3, the conceptual and empirical models are presented. Chapter 4 describes the methodology and chapter 5 explains the data analysis and results. Final chapter discusses the implications, limitations and future directions of the study.

CHAPTER 2 – LITERATURE REVIEW

This chapter examines several concepts and theories from the literature to form the basis of the proposed conceptual model. In the first section, outsourcing is introduced as a concept with selected definitions from the literature. Second section provides explanations for two important theories used in outsourcing literature, namely transaction cost theory and resource-based theory. Outsourcing studies that choose to use resource-based view as a basis are also provided as examples. Next, the evolution of the resource-based view and its relation to differential performance is explored. Finally, the notion of dynamic capabilities and its hypothesized role between potential complementarities and performance is discussed.

Outsourcing Defined

Several different definitions are offered for the concept of outsourcing in the literature. Harrigan (1985) explained outsourcing as a make or buy decision which entails producing goods or services within one's own strategic business units (SBUs) or buying from other SBUs that are already producing. Quinn and Hilmer (1994) stated that outsourced activities should be the ones in which the firm has no special capabilities or strategic need. Following the core competency argument (Prahalad and Hamel 1994), a firm should concentrate on its core competencies and outsource the rest (Quinn and Hilmer 1994). Similarly, Quelin and Duhamel (2003) defined outsourcing as a long term contract with an external supplier for the accomplishment of a task. Ross, Dalsace and Anderson (2005) explored the outsourcing concept in the sales field and decision to outsource is whether to own or rent the sales force.

Espino- Rodriguez and Padron-Robaina (2006, p.52) defined outsourcing as “a strategic decision that entails the external contracting of determined non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability firms to undertake those activities or business processes, with the aim of improving competitive advantage.”

The above definition has three important implications according to Ray, Barney and Muhanna (2004). First, as outsourcing is a strategic decision of the firm, it is directly related to competitive advantage. Second, the firm should decide on the activities that are suitable for outsourcing and then select the outsourcees that have better resources and capabilities performing those activities. Third, incorporating processes as well as resources will provide a complete picture as resources should be exploited through processes to be competitive advantage (Ray et al. 2004).

Major Theories of Outsourcing

Transaction Cost Theory

The outsourcing concept has been studied in various contexts such as "make-or-buy" (Hendrick and Moore 1985), vertical integration (Coase 1937) and transaction cost analysis (Williamson 1985; Heide and John 1990) (Sanders et al. 2007).

Transaction cost theory is widely used in considering the outsourcing option in any kind of a task or a function (Cheon, Grover and Teng 1995; Grover, Cheon and Teng 1994; Wang 2002). Transaction cost theory examines the efficiency of choosing between different governance structures such as contracting out or vertical integration (Rindfleisch and Heide 1997). When a function is performed within the company, it is called vertical integration,

hierarchy or in-house, whereas the function performed outside the company is named market governance or contracting out (outsourcing).

Transaction cost theory posits that the governance structure (outsourcing or in-house) which minimizes the sum of production and transaction costs is the one to be preferred (Rindfleisch and Heide 1997). The costs of developing specifications, designing the product, and performing the other activities involved in moving to a production-ready component are referred to as production costs (Rosenau 1990; Williamson 1985). The costs of performing development activities are referred to as production costs (Williamson 1991). For instance, the prophecies such as labor, capital and materials incurred while executing the marketing function can all be classified as production costs (Williamson 1985).

As suggested by general production theory, the costs of performing development tasks may be subject to economies of scale and to experience effects (Thompson and Formby 1993). The economies of scale are the most stressed factor in the production cost theory (Bello, Lohtia and Dant 1999). The firms operating under high economies of scale have lower average production costs as they have specialized human and technology capital (Harvey 1983). When a firm operates on a large production volume, the employees are efficient in reducing costs by focusing on a few tasks at a time (Bello et al. 1999). Therefore, companies while selecting their outsourcee consider and compare the outsourcee which will have the highest economies of scale providing reduction in costs.

Transaction cost theory defines transaction costs as those of managing the development process between the parties (i.e., outsourcer and outsourcee) (Williamson 1991). For instance, the prophecies such as writing, monitoring, and enforcing contracts between the outsourcer and the outsourcee are named as transaction costs (Williamson 1985).

The basic premise is that if the transaction costs of contracting out to a third party (i.e., outsourcee) outweigh the production cost advantages then firms should execute the marketing function in-house (Rindfleisch and Heide 1997).

Transaction costs can be high due to three reasons: safeguarding, adaptation and measurement problems (Rindfleisch and Heide 1997). They are the result of specificity of assets, environmental uncertainty and behavioral uncertainty, respectively (Rindfleisch and Heide 1997). First, highly specific assets may cause a problem as they have of little value outside the contractual relationship between the outsourcer and the outsourcee and may result in one of the two parties' opportunistically exploitative behaviors (Rindfleisch and Heide 1997). Second, environmental uncertainties (i.e. volume and technological uncertainties) may cause increase in transaction costs due to difficulties in adapting contractual agreements ex ante (Rindfleisch and Heide 1997). Third, behavioral uncertainty may affect transaction costs as measuring the contractual performance of the outsourcee ex post is difficult (Rindfleisch and Heide 1997).

Therefore, from a governance cost perspective, outsourcing is appropriate for a marketing function that does not pose any safeguarding, measurement and adaptation problem for the outsourcer in terms of applying contractual terms. For instance, a manufacturer may choose to outsource its routine call center function to an outsourcee that is based in a low wage country. Thus, it experiences a reduction in call center expenses (production costs) while not incurring monitoring expenses (transaction costs) for this easily measured marketing function.

Resource-Based View

Resource-based theories have been used to provide effectiveness based explanation for outsourcing (Grover et al. 1994; Teng, Cheon and Grover 1995; Lacity 1998). Resource-based view (Barney 1991), considers the resources and capabilities of the firm as the source of the competitive advantage. A firm's resources are categorized into three categories; *physical* (e.g., equipment, building and access to raw materials), *human* (e.g., experience, intelligence and relationships) and *organizational* (e.g., planning, controlling and coordinating systems) (Barney 1991).

These resources and capabilities provide the firm a sustained competitive advantage as long as they are valuable, rare, hard to imitate and hard to substitute (Barney 1991). Moreover, since the creation of these capabilities is not easy, not all the firms can possess them for various reasons. First, creating capabilities may depend on certain historical advantage that is no longer available; the so-called "being at the right place at the right time" effect (Barney 1991). Second, that certain capability may be path dependent meaning that it requires long-term learning process, such as acquiring expertise through long term relationships (Barney 1991). Third, capability may be embedded in the complexities of social factors such as reputation, culture and trustworthiness of the firm (Barney 1991). Fourth, capabilities of the firm can be causally ambiguous which cause difficulty in creating them (Barney 1991). Considering these factors, a firm may not easily create these capabilities on its own (Barney 1991).

According to the resource-based view, firms should either own or have access to these capabilities in order to gain sustained competitive advantage. In case of a restrictive institutional environment (Grewal and Dharwadkar 2002), owning the firm

that possesses those capabilities by acquiring it, or by joint venture, may not be possible. In some cases, even if the institutional environment allows ownership, the ownership may impede the dynamics and deter the acquired firm from functioning as it did before the acquisition (Barney 1999). Therefore, the only way a firm can acquire these capabilities is through outsourcing the function to the firm that is already equipped with those capabilities.

As a result, firms that want to gain sustained competitive advantage through acquiring effective capabilities choose to outsource some of their marketing and sales functions to meet their strategic objectives such as gaining strategic market access, superior competitive position, building customer partner relationships and entering new markets.

Espino- Rodriguez and Padron-Robaina (2006) in their recent review on outsourcing recommended the adoption of resource-based view as a powerful theoretical tool for explaining outsourcing relations. Especially in management and information systems literature, there are several studies that have successfully examined the effects of outsourcing on performance from a resource-based view.

Lai et al. (2008) examined the firms that are outsourcing their logistics activities. In this case, outsourcees are called third-party logistics (3PL). The study supported the relationship between 3PL's technology capability and three dimensions of competitive advantage which are cost advantage, service variety advantage and service quality advantage. Gilley and Rasheed (2000) studied the relationship between organizational reliance on outsourcing and firm performance. Although they did not find direct

relationship between outsourcing and performance, moderating effects of firm strategy and environmental dynamism were supported.

Gilley, Greer and Rasheed (2004) analyzed the relationship between outsourcing of human resource activities and performance of the firm. They have found supportive results for this relationship however the moderating effect of firm size was unconvincing.

Wang et al. (2008) by taking a resource-based perspective observed the complementary role of firm's information technology capability in the value creation of information technology outsourcing. They concluded that firms with superior IT capability enhanced their value more by outsourcing.

Based on the above discussion, this study has chosen to use the resource-based theories as the underlying conceptual framework.

Resource-Based Theories for Differential Performance

In today's competitive environment, most of the companies are aware that a strategy based solely on efficiencies does not guarantee high financial or behavioral outcomes. The reduction in production costs or efficiently defining contractual terms that will minimize transaction costs are only a part of a complex strategy. Nowadays, the differentiating point becomes the value added by the outsourcee, namely, quality execution of the marketing function.

Early works of several researchers that are based on resource-based view (Barney 1991) take a static perspective (Newbert 2007). The resources that a firm has are considered to be its main source of competitive position. However, resource possession (resource) and resource exploitation (dynamic capabilities) are two different contributors

of competitive advantage (Mahoney and Pandain 1992). Attention to processes aspect of competitive advantage results in Barney's reframed resource based view (VRIO), which suggest that firms should be organized in a manner to exploit these resources that are rare, valuable and inimitable (Barney 1997).

Building on Barney, Teece et al. (1997, p.516) explain the notion of dynamic capability as "firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments". It has been shown that the firms that are successful in the competitive market are the ones that can respond to changing environmental conditions with rapid production innovations, by effectively coordinating and redeploying competencies and processes (Teece et al. 1997). This view points out the important role of strategic management in adaptation, integration and reconfiguration of skills as well as resources and processes in an organization (Teece et al. 1997).

When we compare resource-based view with the "dynamic capability approach", we observe that resource-based view focuses on resources whereas dynamic capability framework considers processes (Eisenhardt and Martin 2000). According to dynamic capability framework (Teece et al.1997), processes are the ways things are performed. Therefore, they are related to concepts such as knowledge sharing routines, learning, coordination, integration and reconfiguration.

Dynamic capability framework does not only examine asset specificity as the sole determinant of competitive advantage but also considers the dynamic processes that are in effect to exploit these resources in an integrated and coordinated way. According to this view, knowledge sharing routines, best practices and complementary resources will

result not only in valuable outcomes but also the flexibilities in those processes will determine how the firm adapts to changing environments (Teece et al. 1997). Strategic decisions of managers as well as the mechanisms through which these processes are controlled and planned are important in this framework. Teece et al. (1997) stated that, unique combination of these resources through coordinated processes will generate outcomes that are difficult to imitate. Thus, this will, in return, provide sustained competitive advantage for the firm.

The latest version of resource-based theories in marketing is resource-advantage theory (Hunt and Morgan 1995). The resource-advantage theory is rooted in models such as resource-based view (Barney 1991), dynamic capability (Teece and Pisano 1994), heterogeneous-demand theory (Alderson 1957), competitive-advantage theory (Porter 1985), evolutionary economics (Hodgson 1993) and competence perspective (Foss 1993) (Hunt, Lambe and Wittmann 2002) . As it draws its logic from several theories, it has been proposed as an integrative model for explaining alliance success (Hunt et al. 2002).

Firms can create superior customer value and superior performance by joining with other firms that have resources complementing their resources (Teece 1988). Superior is defined as being more or better than a reference point (Hunt and Morgan 1997). This reference point can be based on time (e.g. compared to last year), competitor or industry average performance (Hunt and Morgan 1997). Due to globalization and technological advances, mergers, alliances and acquisitions are viable options to succeed in the intensely competitive markets (Cushman and Dyer 1995). In many ways outsourcing resembles alliances. In both cases, parties are engaged in collaborative efforts to achieve mutual goals that are difficult to achieve alone (Lambe, Spekman and

Hunt 2002; Day 1995). Therefore, resource-advantage theory is a valuable theoretical source to explain outsourcing success.

Resource-advantage theory emphasizes the importance of relational factors in alliance success (Hunt et al. 2002). Trust, cooperation, commitment, shared values, keeping promises and communication are the characteristics that foster alliance success (Dwyer, Schurr and Oh 1987; Morgan and Hunt 1994). These characteristics are also in line with the premises of the social capital theory (Adler and Kwon 2002; Nahapiet and Ghoshal 1998; Tsai and Ghoshal 1998).

Innovation plays a crucial role in gaining competitive advantage, as well as in resource-advantage theory. Resource-advantage theory regards renewal competencies as central to proactive innovation (Hunt and Arnett 2003). Renewal competencies are described as “dynamic capabilities” in Teece and Pisano (1994). Dynamic capabilities are socially complex and interconnected (Hunt and Arnett 2003). They enable the firms to foresee the unmet or changing wants and decide on required resources that should be acquired, developed or created to meet those wants (Hunt and Arnett 2003).

According to resource-advantage theory, “demand is heterogeneous across and within industries, and dynamic...Competition is not perfect and is disequilibrium-provoking....Superior financial performance is the firm’s main objective and the role of the management is to recognize, understand, create, select, and modify strategies” (Hunt 1997, p.62). This premise coincides with the logic of dynamic capability framework.

Different from the resource-based view, resources here are categorized as “financial (e.g., cash reserves and access to financial markets), physical (e.g., plant, raw materials and equipment), legal (e.g., trademarks and licenses), human (e.g., the skills

and knowledge of individual employees), organizational (e.g., competences, controls, policies and culture), informational (e.g., knowledge about consumers, competitors, and technology) and relational (e.g., relationships with competitors, suppliers, employees, and customers)” and “the firm’s resources are heterogeneous and imperfectly mobile” (Hunt 1997, p.64).

According to resource-advantage theory, heterogeneity in resources explains firm diversity (Hunt 1997). As each firm has different resource assortments, firms should seek for other firms that have higher level of resources whenever their resource level is low (Levin and McDonald 2006). In other words, they should search for complementary resources. Complementary resources are the ones that complete one another’s resource assortments (Das and Tang 2000). For instance, Ford benefited from manufacturing and product development expertise of Mazda whereas Mazda from finance and international marketing expertise of Ford (Hunt 1997). Therefore, complementary resources are the means to access the resources that one does not own (Hunt et al. 2002).

On the other hand, idiosyncratic resources are created during two firms are coming together to establish a task. As they are usually unique to the relationship, they may have little value outside of the relationship (Jap 1999; Hunt 2000). However, this uniqueness enables competitive advantage. It has been shown that both complementary and idiosyncratic resources promote alliance success (Jap 1999).

The Role of Dynamic Capabilities in the Relationship between Potential Complementarities and Performance

Resource-based theories recognize that access to many resources and capabilities are outside firm's boundaries (Doz and Hamel 1998; Barney 1999). Therefore, partnership between firms through joint ventures, alliances or outsourcing help them access to complementary resources. In other words, accessing to complementary resources motivates firms to enter into collaborative arrangements (Teece 1996; Harrison et al. 2001). According to the complementarity theory, complementary resources increase the value of an organizational resource (Milgrom and Roberts 1995). Thus, Das and Teng (2000) stated that joining forces with other firms provide competitive advantage. Also, Grant (1991) suggested outsourcing is a remedy when internal resources are scarce.

When two firms collaborate, such as by outsourcing, their complementary resources require a certain level of coordination (Stieglitz and Heine 2007). Coordination is handling the task interdependencies (Malone and Crowston 1994). For some tasks, the coordination may require fewer arrangements whereas for others, it may require complex decisions.

We define potential complementarity as the degree of complementarity between the tasks of two firms without any further arrangements. Nevertheless, depending on the characteristics of the task and the resources of the firms, additional arrangements may be required.

Thompson (1967) acknowledges this coordination problem by arguing that interdependencies between tasks increase the complexity of arrangements to be made.

Task interdependence refers to the degree to which each firm is dependent on one another to accomplish the task (Kiggundu 1981). According to Thompson (1967) there are three kinds of interdependencies: pooled, sequential and reciprocal. In pooled interdependence, each firm contributes by its own right, each contribution is necessary and the common point is the final task (Thompson 1967). In sequential interdependence, one task is an input to the other, therefore there is temporal order, whereas reciprocal interdependence can be considered as a cyclic version of sequential interdependence where one output becomes the input to the other and vice versa (Thompson 1967).

Van de Ven, Delbecq and Koenig (1976) expand Thompson's (1967) work by introducing the concept of team interdependence where "work is undertaken jointly by unit personnel who diagnose, problem-solve and collaborate in order to complete the work. In team work flow, there is no measurable temporal lapse in the flow of work between unit members, as there is in sequential and reciprocal cases; the work is acted upon jointly and simultaneously by unit personnel at the same point in time" (Van de Ven et al. 1976, p.325).

Building on Van de Ven et al. (1976), Kumar, Van Fenema and Von Glinow (2009) develop an extended typology of interdependencies in order to address the limitations. They introduce the notions of integration interdependence, hand-offs and stickiness (Kumar et al. 2009). In pooled interdependence, activities are performed independently and actors are not concerned about outcomes of each activity, whereas in integration interdependence each actor should be concerned about each sub activity as there is a need for fitting of the outcome of the activities (Kumar et al. 2009). Therefore,

they place integration interdependence between sequential and reciprocal interdependence in the interdependence intensity scale (Kumar et al. 2009).

Kumar et al. (2009) use the term hand-offs as a reference to “technically separable interface”. The interface is defined as “the point where control of the work object is actually transferred from the preceding activity A at one location to the succeeding activity B at another location” (Kumar et al. 2009, p.652). At the point of hand-offs, the work transfer includes the object and information about the object. The information about the status of the object can be either implicitly (e.g. observation) or “explicitly (e.g. packing slip) communicated” (Kumar et al. 2009, p.652). Stickiness is defined as the cost of transferring a unit of information to the information seeker (Von Hippel 1994). Kumar et al. (2009) extend Von Hippel (1994)’s definition of stickiness by considering the dynamic aspect of it which is due to interactions between actors, changing perceptions, innovations and moving people. Stickiness tends to be low when the task is certain, simple and easy to codify (Kumar et al. 2009). This revised typology aids in understanding “globally distributed, complex and increasingly knowledge-intensive” tasks (Kumar et al. 2009, p.646).

As lack of coordination between tasks results in mismatch in supply and demand, it causes inefficiencies and poor performance (Ho and Tang 2004). Successful alignment between tasks reduces task uncertainty and eliminates potential functional problems (Sethi 2000). Therefore, close alignment of tasks enhances performance (Bharadwaj, Bharadwaj and Bendoly 2007).

Dynamic capability construct has been defined as “processes to integrate, reconfigure, gain and release resources- to match and even create market change”

(Eisenhardt and Martin 2000, p.1107). Thus, competitive advantage is strictly contingent upon firm's ability to develop dynamic capabilities and dynamic capabilities are the ability to coordinate and reorganize resources (Dyer and Nobeoka 2000; Griffith and Harvey 2001; Song et al. 2005). Dynamic capabilities act as facilitator to potential complementarities in optimally coordinating them to achieve high performance.

When two firms collaborate on a certain task, due to the characteristics of the task and existing resource deployments of each of the firms, complex arrangements may be needed to resolve task interdependencies. Dynamic capabilities are the firm's ability to make those arrangements so that they optimally coordinate the resource-task interdependencies.

In turbulent environments, importance of dynamic capabilities is more evident as they are less likely to be imitated by other firms and help firms achieve competitive advantage (Eisenhardt and Martin 2000).

In order to assess the importance of dynamic capabilities, we need to understand the motives behind firm's willingness as well as ability to make use of or create dynamic capabilities. The firms' willingness may be more likely to depend on achievement of mutual goals such as profits. On the other hand, their ability is constrained by each others' relational resources that can be explored under the notion of social capital.

Social capital is a relational resource that is obtained through a network of social relationships (Baker 1990; Coleman 1990). Social capital is a multidimensional construct with three components: structural, relational and cognitive (Nahapiet and Ghoshal 1998). The structural component refers to pattern of ties and connections between actors (Burt 1992). The issues related to structural component of social capital are network ties,

network configuration, and the appropriable organization (Nahapiet and Ghoshal 1998). Network ties are very central to outsourcing decisions as they are related to access to resources (Nahapiet and Ghoshal 1998). Network configuration refers to overall configuration of relational ties and appropriable organization explores the ways relational ties can be transferred from one social setting to another (Nahapiet and Ghoshal 1998). For instance, the degree of transferability of relational ties a firm has from firm level to the outsourcing relationship.

The second component of social capital, the relational component, considers issues such as trust, norms, obligation and identification (Nahapiet and Ghoshal 1998). Trust is defined as accepting the susceptibility toward another party (Nahapiet and Ghoshal 1998). In the outsourcing context, if each party trusts one another, they will be more willing to share information, invest on idiosyncratic resources and utilize dynamic capabilities. Norms are the degree of consent in the social system, whereas obligation refers to being committed to carry out some activity (Nahapiet and Ghoshal 1998). To the extent that outsourcing relationship has well defined norms and both parties are obliged to carry out the functions, better performance results are likely. Identification is achieved when individuals see themselves as part and reflection of the group (Nahapiet and Ghoshal 1998). In the outsourcing context, if each firm can identify itself with one another, they will be willing to achieve mutual goals and forgo short term opportunistic gains.

The cognitive component is the third component of social capital. It involves issues such as shared codes, shared language and shared narratives (Nahapiet and

Ghoshal 1998). When both parties share common codes and languages, their ability to access to information and people would be much more efficient and effective.

To sum, social capital plays a crucial role in facilitating resource exchange (Gabbay and Zuckerman 1998), reducing turnover rates (Krackhardt and Hanson 1993), creation of intellectual capital (Nahapiet and Ghoshal 1998), strengthening supplier relations (Baker 1990) and inter-firm learning (Kraatz 1998).

Social capital is found to be helpful in understanding the integration and recombination of resources (Blyler and Coff 2003). Social capital is an antecedent to knowledge integration (Grant 1996). Tsai and Ghoshal (1998) stated that social ties facilitate resource exchanges which in return advance innovation. Moreover, it has been argued that in the absence of social capital resources stay unconnected and opportunities are unutilized (Blyler and Coff 2003). Finally, Blyler and Coff (2003) proposed social capital as a necessary condition for dynamic capability.

CHAPTER 3 – MODEL DEVELOPMENT AND HYPOTHESES

Conceptual Model and Propositions

Resource-advantage theory stresses the importance of heterogeneous firm resources and their immobility (Hunt 2001). In the case of nations, some have comparative advantage in some resources and others do not, and that is where the benefits of trade come into place (Hunt 2001). Trade allows for exchange of resources one party does not have and in return the other party gains monetary value. In the same manner, some firms are competent at performing some tasks better than others due to their resource assortments. Alliances help firms combine their resource assortments and perform better in the competition (Levin and McDonald 2006). Competitive advantage is gained through efficiently and/or effectively deploying those resources (Hunt 2001).

Resources are not restricted to land, labor and capital but “financial, physical, legal, human, organizational, informational, and relational” resources are included in the definition of resources in resource-advantage theory (Hunt 2001, p.529). Resources that are valuable, rare, inimitable and not substitutable are the ones that promote success (Barney 1991).

Resource-advantage theory also stresses the relational factors view (Hunt et al. 2002) in the success of partnerships such as alliances. According to the relational view, not all the exchanges are transactional, and relational aspects such as trust, cooperation, keeping promises by strengthening the relationship foster business success (Hunt et al. 2002). Under the resource categories of resource-advantage theory, relational and organizational resources represent the relational view factor whereas the remaining resources are more relevant to transactional aspect of exchange. Thus, those transaction-

related resources are called task-related resources in our conceptualization and they are comprised of financial, legal, human, and informational resources.

When two firms join forces in the form of an alliance or an outsourcing relationship, two kinds of resources become critical: complementary resources and idiosyncratic resources (Hunt et al. 2002). Idiosyncratic resources are created through the formed relationship and have little value outside of it (Jap 1999). However, they are unique to the relationship and they are difficult to imitate in creating a competitive advantage. Complementary resources complete one and other's resource assortments (Das and Teng 2000). Thus, both parties benefit from acquiring the resources that they do not have by using the complementary resources (Hunt et al. 2002). Complementary resources act as the antecedent to idiosyncratic resources (Hunt et al. 2002), since in order to create unique resources; both firms should combine their resources first.

When an outsourcee and an outsourcer come together, the goal is to achieve superior performance outcomes (Teece 1988). Each firm is dependent on one another and contributes to the relationship with its own resources. According to this model, each party (outsourcee and outsourcer) has its own task-related resource endowments. Degree of resource endowment fit to task is the degree of satisfying the interdependencies between firms in order to accomplish the task in hand. When the two parties join forces, without any modification, the mere existence of collection of these resource endowments provide a certain degree of endowment fit to task which is called "potential complementarities" in our conceptualization. Therefore, we propose:

P1: There is a positive relationship between task-related resources of the outsourcer and potential complementarities

P2: There is a positive relationship between task- related resources of the outsourcee and potential complementarities

As stated above, when a firm is not self-sufficient or is not effectively/efficiently deploying its resources, outsourcing is a remedy (Grant 1991). Competitive advantage can be achieved in those cases by joining forces with another firm (Das and Teng 2000). Hence, the value of the organization is increased by those complementary resources (Milgrom and Roberts 1995). Therefore, potential complementarities have a positive effect on the performance outcomes of the firms. Performance outcomes can be assessed via three criteria: internally-oriented (i.e. little concern for competitors and customer, hence inner directed), competitor-centered (i.e. relative to competitors) and customer-focused (i.e. customer benefits and satisfaction) performance (Cameron and Whetten 1983). Thus, we propose:

- P3: There is a positive relationship between potential complementarities and:*
- a) internally-oriented performance,*
 - b) competitor-centered performance, and*
 - c) customer-focused performance*

When two firms collaborate by an outsourcing relationship, their resources complement one another to a certain degree (i.e. potential complementarities) and they require a certain level of coordination in order to better handle the task interdependencies (Stieglitz and Heine 2007). Characteristics of the task determine the intensity of the interdependence and a highly interdependent task requires greater level of coordination

and communication between the firms (Kumar et al. 2009). The potential complementarities for the two firms are contingent upon the intensity of the interdependencies that resides in the accomplishment of the task by these firms.

Following the typology of Kumar et al. (2009), the ten interdependencies are: non-sticky form of pooled interdependence, sticky form of pooled interdependence, non-sticky form of sequential interdependence, sticky form sequential interdependence, non-sticky form of integration interdependence, partially sticky form integration interdependence, fully sticky form integration interdependence, non-sticky form of reciprocal interdependence, sticky form of reciprocal interdependence and intense interdependence.

The costs of transferring the information about the task and status of the task are called stickiness (Kumar et al.2009). Stickiness is relatively high for the tasks that are uncertain, complex and difficult to express (Kumar et al. 2009). When tasks are performed in a simultaneously parallel manner and remain independent of each other, it is called pooled interdependence (Van de Ven et al. 1976). In the sticky form of pooled interdependence, the actors should be informed about the status of the tasks of their counterparts (Kumar et al. 2009). Integration interdependence requires a fitting activity for the outcomes of the acts that are performed in a simultaneously parallel manner (Kumar et al. 2009). When the task is not partitioned routinely or outcomes of the activities are not standardized, sticky form of integration interdependence arises as the costs of information transfer will be incurred (Kumar et al. 2009). In sequential interdependence, activities are linked in a linear fashion whereas in reciprocal interdependence one output becomes input to another and vice versa (Van de Ven et al.

1976). In a same manner, sticky forms of sequential interdependence and reciprocal interdependence arise due to the complex nature of the task. In the case of intense interdependence, actors perform simultaneously and jointly therefore it is inherently sticky (Kumar et al. 2009).

Standardization of activities, training and meeting on a common ground in terms of language and communication will aid in easing the stickiness problem of interdependence (Kumar et al. 2009). Especially technological advancements are useful in communication and functioning of actors (Kumar et al. 2009). These factors and remedies to interdependencies are analyzed under the concept of dynamic capabilities. Dynamic capabilities are defined as ‘the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’ (Teece et al. 1997, p.516). Thus, dynamic capabilities are related to notions such as learning, integration, reconfiguration and adaptation (Teece et al. 1997). These notions are at the core of solving the interdependence problem as they act as coordination mechanisms. For instance, in order training to act as a remedy to sticky interdependence, the actors in the firm should have the learning ability which is a dynamic capability. In a same manner, in order to solve integration interdependence, the actors in the firm should have the integration ability which is again a dynamic capability. Thus, dynamic capabilities act as a catalyst in solving interdependencies and aligning the tasks. Interdependencies require effective coordination mechanisms (Malone and Crowston 1994) and close alignment of tasks is the crucial factor in firm’s performance (Bharadwaj et al. 2007). Hence, we propose:

P4: The relationship between potential complementarities and performance is stronger when dynamic capabilities are high.

Since the dynamic capabilities concept takes the dynamic processes view instead of a more static view observed in classical resource-based view (Newbert 2007), relational factors become critical. Especially in understanding the motives behind firm's willingness as well as ability to make use of or create dynamic capabilities, the relational factors approach can be useful. According to the relational view, trust, cooperation, keeping promises are some of the relational resources of exchange (Hunt et al. 2002). Through the network of social relationships, social capital, which is a relational resource, can be obtained (Baker 1990). Social capital is a multidimensional construct and is comprised of structural, relational and cognitive dimensions (Nahapiet and Ghoshal 1998). Pattern of ties and connection between actors represent the structural component (Burt 1992) whereas the issues of trust, norms and identification are explored under the relational component (Nahapiet and Ghoshal 1998). The cognitive component is related to issues such as shared codes, shared language and shared narratives (Nahapiet and Ghoshal 1998). Social capital is a key element in coordination of activities as it is argued that resources stay unconnected and opportunities are unutilized in the absence of social capital (Blyler and Coff 2003). Blyler and Coff (2003) contend that social capital is a necessary condition for dynamic capabilities. Therefore, we propose:

P5: There is a positive relationship between social capital of the outsourcer and dynamic capabilities

P6: There is a positive relationship between social capital of the outsourcee and dynamic capabilities

The above discussions and propositions lead to the conceptual model depicted in Figure 1.

Empirical Model and Hypotheses

In the previous section, we discuss the conceptual model and respective propositions. In this section, we provide an empirical model that allows for model testing. Constructs are rearranged and simplified in order to make the model tractable and testable. It is also important to have simple constructs that can be captured in a questionnaire that will be administered to practicing managers. The empirical model is depicted in Figure 2. The hypotheses to be tested according to this model are:

H1: Task- related resources of the outsourcer are positively related to potential complementarities

H2: Task- related resources of the outsourcee are positively related to potential complementarities

H3: Structural social capital of the outsourcer is positively related to learning dynamic capabilities

H4: Structural social capital of the outsourcee is positively related to learning dynamic capabilities

H5: Potential complementarities are positively related to outsourcing partnership performance

H6: Learning dynamic capabilities are positively related to outsourcing partnership performance

H7: The relationship between potential complementarities and outsourcing partnership performance is moderated by learning dynamic capabilities, whereby this is stronger when learning dynamic capabilities are high

CHAPTER 4 – RESEARCH DESIGN AND METHODOLOGY

In the first section, the insights gained from the field interviews are discussed. Next, the operationalization of the constructs is explained followed by the description of the sampling plan, data collection procedures and method of analysis.

Field Interviews

Field interviews were conducted with the key informants who are practicing managers of outsourcing in the consumer packaged goods (CPG) industry. The field interviews with these two key informants continued throughout the study constituting a fourteen month span. Their feedback guided the study throughout the whole research from the selection of the context to the purification of the study scale items. The key informants also played a significant role in convincing The Association of Sales and Marketing Companies (ASMC) to endorse the study. Otherwise, it would not have been possible to collect such a niche data by any other means.

First phase of the field interviews showed that the “headquarters selling task”¹ was among the most outsourced functions in the consumer packaged goods industry. Parvatiyar et al. (2006) also posited that the most critical factor for success is the accomplishment of headquarters selling task and 57% of the time the headquarters selling task is outsourced to third parties known as sales and marketing agencies (SMAs). Hence, the headquarters selling task was chosen as the context of the study.

¹ While the author realizes that, in the spirit of grammatical accuracy, an apostrophe is needed in the term “headquarters selling task”, she chose to keep the term in the way it is used in the industry and general literature.

After the second phase of the field interviews, it was realized that the collection of the data from such a small population would be not only difficult but also unrealizable without the sponsorship of the ASMC. The reason attributable to the facts that the incentives would not work for the managers, most of the time these managers were on the field and survey participation request emails were immediately considered as spam. Besides, none of the market research firms contacted had any connections to create a panel of respondents for this context.

The third phase of the field interviews revealed that even with the sponsorship of the ASMC, the sample size would be inadequate to test higher order formative constructs or complex relationships. Therefore, the need to specify which one of the dimensions of the multi dimensional constructs and higher order formative construct played the most important role in the headquarters selling task, emerged.

Later on, the ASMC agreed to sponsor the study. However, they requested additional tasks (i.e. retail and administrative services) and items² to be included in the survey to be analyzed later and reported as a separate report.

The fourth phase of the field interviews revealed that the scale items in the initial survey instrument needed to be simplified both in terms of length and wording. Academic jargon was different from the practice and using the scale items as they were would cause misunderstandings, boredom as well as incomplete responses. Therefore, original scale items were simplified and shortened. Instead of using the outsourcer and the outsourcee terms, informants recommended the usage of the field terms: CPG and SMA. One of the most important factors in ensuring higher response rate is the effort

² The additional items were adapted from Parvatiyar et al. (2006), Subramani (2004), Subramani and Venkatraman (2003), Bensaou and Venkatraman (1995), Agarwal and Selen (2009) and Atuahene-Gima and Murray (2007).

needed to complete the questionnaire (Tedin and Hofstetter 1982). In the determination of effort, survey design and length are the most defining factors (Deutskens et al.2004). Hence, Yu and Cooper (1983) found out that 4 or 5 pages of questionnaire with 10 or 12 questions on each page resulted in higher response rates. Throughout 10 month span, simplification and shortening of the survey continued with back and forth emails with the key informants.

The next section explicates the operationalization of the constructs in the light of the literature and the field interviews.

Operationalization of the Constructs

In the study, headquarters selling task was the sales and marketing task chosen for the analysis. Headquarters selling task includes the activities that CPG needs to perform in selling its product line to the headquarters of a retailer. Different from the retail services task which includes in-store activities such as out of stock identification and merchandising of promoted items, headquarters selling task is the heart of selling which concerns the execution of the sales to retailers (Parvatiyar et al.2006). Headquarters selling task includes functions such as "...development and maintenance of key contacts, achieving retailer acceptance of new items, planning of joint marketing programs, and influencing favorable product placement for company brands" (Parvatiyar et al. 2006, p.7). The task is prevalently outsourced to SMAs (Parvatiyar et al. 2006). The first phase of interviews also revealed that headquarters selling task is one of the most important tasks in the performance of the CPG firms. Moreover, in the successful accomplishment of this task, the CPG (outsourcer) and the SMA (outsourcee) are highly

dependent on each other`s resources and capabilities. Therefore, headquarters selling task was considered to be suitable for testing the resources, capabilities, interdependency and performance concepts explored in the study.

The main constructs of this study are: a) task-related resources of the outsourcer, b) task-related resources of the outsourcee, c) structural social capital of the outsourcer, d) structural social capital of the outsourcee, e) potential complementarities, f) learning dynamic capabilities, and g) outsourcing partnership performance.

Task-Related Resources

Resource-advantage theory categorizes resources as financial, physical, legal, human, organizational, informational and relational (Hunt 2001). Task-related resources (for both outsourcee and outsourcer) are the resources released from a relational aspect. Therefore, we defined task-related resources as the non-relational resources needed to accomplish a task such as financial, physical, legal, human and informational resources.

In the literature, two main approaches seem to be prevalent in measuring the effects of resources on performance. First, the effect of a single resource on firm`s performance has been measured in several studies (e.g. Berman, Down and Hill 2002; Deephouse 2000). The second stream of studies measured the effects of wide range of resources simultaneously. Thus, Chandler and Hanks (1994) developed a 19 item 7 anchored scale to measure availability of resources and defined 19 type of resources. Hence, the present study adapted Chandler and Hanks (1994) scale to the study context. As the study had task-related resources of the outsourcer and task-related resources of the

outsourcer constructs, two scales adapted from Chandler and Hanks (1994) were created (Table 1).

In order to secure validity and reliability criteria, the scales needed to be pre tested (Gerbing and Anderson 1988; Churchill 1979). Considering the fact that the initial population was already small and very difficult to reach, the purification and pre tests of the scale items were carried out with two key informants and three academicians. In the context of outsourcing, key informants proposed 4 important task-related resources in the accomplishment of headquarters selling task. Hence, managerial expertise, human, financial and technological resources were concluded to be highly interrelated, thus important resources in the accomplishment of the headquarters selling task. The terms outsourcer and outsourcee were replaced with CPG and SMA respectively, as it was the common terminology used in the practice. The final scale used in the study asked the respondent to rate the degree his firm and the CPG utilizes the managerial expertise, human, financial and technological resources on a 5 point scale, with very low and very high anchors in each end (Table 2). Thus, both the task-related resources of the outsourcer and the task-related resources of the outsourcee constructs were measured by a reflective scale composed of 4 items.

Structural Social Capital

Social capital is a relational resource. It is a multidimensional construct with three components: structural, relational and cognitive (Nahapiet and Ghoshal 1998). Structural component refers to pattern of ties and connections between actors (Burt 1992). Relational component considers issues such as trust, norms, obligation and

identification (Nahapiet and Ghoshal 1998). The cognitive component is associated with shared codes, shared language and shared narratives (Nahapiet and Ghoshal 1998). In the literature, when the overall concept of social capital was operationalized, it was operationalized as a first order reflective second order reflective construct (e.g., Koka and Prescott 2002). However, majority of the studies considered the effect of single dimension of the construct to a dependent variable (e.g., Atuahene-Gima and Murray 2007; Chiu, Hsu and Wang 2006). Hence, separate effect of each one of the structural, relational and cognitive components was considered.

In the decision of which dimension of the social capital the study should operationalize, insight gained from the field interviews as well as the theoretical relationship between social capital and dynamic capabilities was considered. Since dynamic capabilities were operationalized as the learning dynamic capabilities which means using market intelligence to create further knowledge (Hurley and Hult 1998), structural social capital as an antecedent to learning dynamic capabilities made more theoretical sense. Moreover, field interviews pointed out that structural component was more relevant to the characteristics of headquarters selling task. Headquarters selling task requires formation of ties to develop key contacts and to learn from the experience and acquire information to come up with strategies to influence customer acceptance decisions and favorable product placement. Therefore, social capital was defined as the structural social capital. Structural social capital was operationalized as the ties the company forms in the industry to facilitate learning and information acquisition. Hence, the scale developed by Atuahene-Gima and Murray (2007) was used as a reference. As the study had structural social capital of the outsourcer and structural social capital of the

outsourcer constructs, two scales adapted from Atuahene-Gima and Murray (2007) were created (Table 3). The initial scale consisted of totally 5 items with one reverse coded item, on a 5 point Likert scale. However, the initial scale was reduced to 2 item scale after pre tested. The final instrument asked the respondent to comment on his agreement about the statements for both his firm and the CPG. The statements were “My firm maintains competitive intelligence” and “My firms learns a lot from its interactions with its business partners” rated on a 5 point Likert scale (Table 4). Thus, both structural social capital of the outsourcer and structural social capital of the outsourcee were measured by 2 item reflective scales.

Potential Complementarities

The potential complementarities construct is defined as the degree of resource fit to task without further arrangements. Since the interdependency between the tasks of these parties affect the necessary cooperation and arrangements down the road, the “resource fit to task” is a critical construct. According to Thompson (1967) there are three kinds of interdependencies: pooled, sequential and reciprocal. In pooled interdependence, each firm contributes by its own right, each contribution is necessary and the common point is the final task (Thompson 1967). In sequential interdependence, one task is an input to the other, therefore there is temporal order, whereas reciprocal interdependence can be considered as a cyclic version of sequential interdependence where one output becomes the input to the other and vice versa (Thompson 1967).

According to field interviews, two kind of arrangements were observed in the headquarters selling task: Each party performs its own part (pooled dependence) or the task is

performed jointly (reciprocal dependence). Hence, the resource endowments of the outsourcee solely would not result in the successful accomplishment of the task. The resources of the outsourcer and the outsourcee should be combined to perform the headquarters selling task. Thus, it was concluded that the headquarters selling task had an adequate level of interdependency that was suitable for testing of the hypothesized relationships.

Potential complementarities construct was operationalized as the degree of success in accomplishing the headquarters selling task with the already existing arrangement. Hence, the scale was adapted from Van de Ven et al. (1976). First the respondents were asked to define the existing arrangement that they have for the headquarters selling task to confirm that headquarters selling has the adequate level of dependency (Table 5). Next, they were asked to rate “how successfully the headquarters selling task is performed with the existing arrangement” and “if they would like to change the existing arrangement” (reverse coded) on a 5 point scale (Table 5). Hence, potential complementarities construct was measured with 2 reflective items.

Learning Dynamic Capabilities

Dynamic Capabilities is a complex construct that has been defined as a higher order formative construct combined of several kind of capabilities such as learning, integration, reconfiguration and adaptation capabilities (Teece et al. 1997).

A recent study by Pavlou and El Sawy (2011) operationalized the overall dynamic capabilities construct as a second order formative, first order reflective construct with sensing, learning, coordination and integration dynamic capabilities as subconstructs.

However, there are fewer attempts to measure the dynamic capability as a higher order formative construct. Instead, researchers preferred to examine the effect of single dynamic capability dimension that was more relevant and specific to the context. It may be attributable to the fact that operationalization of higher order formative constructs may inherit multicollinearity problems. Moreover, the sample size should be high enough to allow for testing higher order formative constructs. Another study on dynamic capabilities defined several capabilities under the general concept of dynamic capabilities (Agarwal and Selen 2009). Each dynamic capability was measured with reflective measures and the effect of each capability on the dependent factor was analyzed. Hence, following the same logic, we defined only one kind of dynamic capability that acted as the most important factor in the relationship between the outsourcer and the outsourcee in the accomplishment of the headquarters selling task.

The field interviews showed that partnership's ability to learn from the partnership experience and acquire the capabilities needed to further improve the partnership is the most important factor in the outsourcing partnership performance. Hence, we operationalized dynamic capabilities construct as the learning dynamic capabilities. The collaborative organizational learning capability scale of Agarwal and Selen (2009) was adapted to the concept of the study. The original adapted scale was a 3 item, Likert type scale. After the field interviews one item ("we have enhanced our existing capabilities as a result of partnership") was removed and the final scale consisted of 2 items (Table 6). Thus, learning dynamic capabilities construct was measured with a 2 item reflective scale.

Outsourcing Partnership Performance

In the light of field interviews, we observed that satisfaction from the outsourcing partnership performance is a good proxy for the actual outsourcing partnership performance. Satisfaction is the positive affective state resulting from the appraisal of working relationship (Anderson and Narus 1984). The outsourcing partnership performance scale was adapted from Brock-Smith and Barclay (1997). The original study scale consisted of 5 items with one reverse coded item (Table 7). However, the final scale was reduced to 3 items (Table 8). Hence, outsourcing partnership performance was measured by a 3 item reflective scale.

Sampling Plan and Data Collection

Sampling Plan

Consumer packaged goods (CPG) industry was chosen to be the appropriate setting for testing the hypothesized relationships. This selection was based on the fact that there is a high pervasiveness of outsourcing of sales and marketing functions by consumer packaged goods companies (Parvatiyar et al. 2006). Approximately one half of the \$500 billion CPG sales are represented by sales and marketing agencies (SMAs) (Parvatiyar et al. 2006). Moreover, consumer packaged goods industry is one of the largest valued industry.

Second phase of the field interviews revealed that the initial population that the study could create a sample from was in fact small and difficult to reach. Only if the Association of Sales and Marketing Companies (ASMC) supported the study, the representative sample from SMAs could be obtained. The ASMC is a foundation that

provides training, education and research to the consumer packaged goods industry. It has over 20 active members who are practicing managers in sales and marketing agencies. Another association that connects retailers, service firms and manufacturers in the consumer packaged goods industry is the National Association of Retail Marketing Services (NARMS). Through our contacts in the ASMC, SMAs who were members of NARMS were also contacted.

Data Collection

The online survey instrument was programmed in Qualtrics³. Qualtrics is an online survey programming tool that has several functions that allows for creating better survey designs. The color of the rows changes as respondents click an answer for each question, which allows better flow of the survey questions. Moreover, the forced response option reminds the respondent to click an answer for the items that are forgotten and does not allow passing to the other question without answering the prior first. This option was very helpful in the current study in the control of missing data due to carelessness of the respondents. Moreover, non-applicable column options were also added for each question to prevent the respondents from answering the questions that they did not have any opinion about.

Two versions of the online survey instrument exactly symmetric in every aspect were created for SMA and CPG respondents (Appendix A and Appendix B). These surveys contained the measures of the study constructs as well as the additional questions requested by the ASMC to be included. Definition of the headquarters selling task was

³ Available at www.qualtrics.com

provided and the respondent was asked to respond to questions thinking only one CPG in mind. In addition, the survey for the SMAs included a part where the SMA could copy and paste the email invitation to be sent to the CPG (Appendix A).

It has been shown that the emails whose delivery were accepted by the user are more likely to be considered carefully and not be directed to spam mailbox (Tezinde, Smith and Murphy 2002). Therefore, getting the approval of respondents before directing them to the online survey link deemed to be necessary for higher response rate. Hence, the invitation letters were sent by mail in batches to the 20 members of ASMC and 60 members of NARMS through a one month span. Another crucial factor that affects the response rate is the relevance and importance of the study as perceived by the respondent (Tedin and Hofstetter 1982). In order to show the importance and credibility of the study, third-party sponsorships were found to be useful (Dillman 2000). In addition, sharing the results of the study also found to increase response rate (Yammarino, Skinner and Childers 1991). Thus, the invitation letters included the letter cover head with ASMC and GSU (Georgia State University) as the sponsors of the study, the past reports of the ASMC related to outsourcing and the online survey link for the study.

However, as some of the members of the ASMC are also members of NARMS, the overall study population was 80 minus the duplicate members (SMAs who were members of both ASMC and NARMS). NARMS membership list was not updated recently so several invitations were returned in the mail. After accounting for duplications and returned mail, the population size was reduced to 60. In order to minimize the response bias due to key informant method, the SMAs were requested to

the send the CPG version of the survey link to the CPG that they considered in assessing the questions in the survey. Thus, a dyadic data was collected.

After the one month span, the reminder emails were sent to the SMAs and additional responses were obtained. In total, the data yielded 20 usable responses (15 SMAs and 5 CPGs).

Method of Analysis

The chosen method of analysis was partial least squares path modeling approach. PLS algorithm allows simultaneous testing of structural relationships (Chin 1998).

PLS is a powerful tool for testing the structural models as it has less restrictive assumptions on measurement scales, data distribution and sample size (Chin 1998).

PLS can be both used for theory testing and development of theory (Chin 1998). Compared to other covariance based techniques such as LISREL, it “ensures against improper solutions and factor indeterminacy” (Fornell and Bookstein 1982, p.440).

One of the most important advantages of PLS is that it can be applied to small sample size (Chin 1998). The rule of thumb for the minimum sample size that can be analyzed in PLS is the highest of ten times (1) the number of indicators of the construct with the largest number of formative indicators (2) the largest number of structural paths directed at a particular construct (Chin 1998). A weak rule of thumb is 5 times the above criteria (Chin 1998). Hence, the study sample size (N=20) just satisfied the criteria as there were no blocks with formative indicators and the highest number of paths influencing a dependent variable was 2.

The second advantage of PLS is that it does not assume any specific distribution for the data. Therefore, the data does not need to satisfy any normality assumptions (Chin 1998).

Third, bootstrapping procedure (Efron and Tibshirani 1993) in PLS creates large number of data sets from taking samples from the original data set and gives t statistics for the path coefficients and loadings.

Fourth, reliability and validity criteria for the construct measures can be tested in a single run of PLS algorithm (Chin 1998). Hence, in order to test for structural relationships between constructs, reliability and validity criteria of the constructs should be met first (Chin 1998).

Fifth, moderator effects of constructs can be tested by the create moderating effect function of PLS (Ringle, Wende and Will 2005) and comparing t statistics and effect size of the main and moderator added model (Chin, Marcolin and Newsted 2003).

Sixth, PLS can be used to test common method bias by introducing a common method factor to the model (Liang et al. 2007).

Therefore, PLS path modeling was utilized in the study to test the measurement properties and hypothesized relationships.

CHAPTER 5 – DATA ANALYSIS AND RESULTS

This chapter explains the procedures employed for the data analysis. First, overall profile of the respondents is given followed by the response bias test. Next, in the measurement model section, reliability and validity checks for constructs and their measures are provided followed by the detailed analysis of the common method bias. Hypothesized relationships are then tested via structural model analysis followed by the discussion of the results .

Respondents` Profile

Since the SMA respondents were requested to send a CPG version of the survey link to their contacts at the manufacturing company (CPG), our data consisted of both SMA and CPG respondents and yielded 20 usable responses from both sides. The response rate is determined by dividing the number of completed questionnaires by the number of total sample who received the questionnaires (Kviz 1977). Of the 60 SMAs, 15 responded to the online survey yielding a response rate of 25%. While it is not known how many of the SMA respondents did actually send the survey link to the CPG, assuming all 15 did forward the request, the effective response rate for CPGs was 33%. Although, the response rates seem to be small, several researchers found that surveys with lower response rates can in fact yield as accurate results as those with higher rates (Holbrook, Krosnick and Pfent 2007; Keeter et al.2006). Thus, the representativeness of the sample is the most important quality criteria that should be satisfied.

In the two survey instruments (versions for CPGs and SMAs), each respondent was asked to comment on his/her own company profile, such as number of employees

and annual sales revenue (Subramani 2004) (Appendix A and Appendix B). It appeared that many of the large national SMAs responded, as the SMA sample represented over 50% of total SMA sales revenues (Table 9). The company size statistics also conveyed that the majority of the SMA respondents was from either medium or large sized SMAs with 41.7% and 50%, respectively (Table 10). CPG firm level data was in line with SMA characteristics and the respondents were from medium (40%) and large (40%) sized CPG firms (Table 11). Moreover, CPGs had considerable level of annual sales volume with 40% between 1 and 5 and the other 40% above 5 billion U.S. dollars (Table 12).

Another important factor considered was the total number of years CPGs and SMAs were working together (Subramani 2004). The results revealed that only 10.5 % of the respondents had less than 4 years of partnership relationship (Table 13). About 36.8% of the respondents had between 4 and 5 years, whereas more than 50% of the respondents had more than 5 years of experience (Table 13). These values suggested that the respondents had adequate experience to assess the working relationship between CPGs and SMAs.

The final statistics was the degree of dependency between CPGs and SMAs in the accomplishment of the headquarters selling task. As Table 14 shows, only 15% of the respondents stated that there is no dependency between CPGs and SMAs. Eighty-five percent of the respondents stated that headquarters selling task requires contribution of each party, thus is a highly dependent task (Table 14).

Response Bias

Since the invitations to the online survey link were mailed in batches, the responses were observed through a one month span. After this period, total number of respondents was 11 (8SMAs and 3CPGs) constituting the 55% of the final sample.

Nine more responses were gathered once the reminder emails were sent (7SMAs and 2CPGs). In order to test whether early and late responses differed significantly or not, nonparametric test function of the SPSS 13.0 module for 2 independent samples was utilized. The early and late responses were divided as group1 and group 2. Mann-Whitney U tests revealed that there were no differences between early and late responses across all the study variables.

Measurement Model

The main model was run by PLS algorithm module in SmartPLS 2.0 software (Ringle et al. 2005). The overview of the quality results of the main model is depicted in Table 15. In order to assess the internal consistency and reliability of the constructs, both Cronbach`s Alpha and Composite Reliability values were checked. Nunnally (1978) advised a Cronbach`s Alpha value between 0.6 and 0.7 for 2-3 item scales. Hence, for all the constructs, Cronbach`s Alpha values were almost equal or higher than the value of 0.7. Composite reliability, another inter item consistency measure, is advised to be higher than 0.7 (Fornell and Larcker 1981; Nunnally and Berstein 1994). All the constructs, but the “structural social capital of the outsourcee” construct (CR=0.56) satisfied the criteria.

Next, constructs were checked for convergent validity. The AVE value (Table 15) provides information about the amount of variance of the indicators explained by the construct and should be above 0.5 (Fornell and Larcker 1981). The AVE value for each construct was well above the 0.5 criteria, but the AVE value of the “structural social capital of the outsourcee” construct was 0.445. The second criteria for convergent validity requires the loading of the items on their respective constructs to be higher than 0.7 (Hulland 1999). As it is depicted in Table 16, loadings of all the items to their respective constructs were higher than 0.7, except the item measuring the “competitive intelligence of the outsourcee”. The loading of that item to the structural social capital of the outsourcee construct was only 0.284, indicating poor convergent validity.

In the assessment of discriminant validity of the constructs, a construct correlation matrix that contained the squared root AVEs along the diagonals was formed (Table 17). In order to satisfy the discriminant validity criteria, all the correlations should be lower than the squared root AVEs (Fornell and Larcker 1981). All the constructs passed this criterion. The second criteria for discriminant validity requires the loading of each item to be greater in its construct and lower in other constructs (Chin 1998; Gefen, Straub and Boudreau 2000). As it is depicted in Table 18, only the item measuring the competitive intelligence of the outsourcee did not satisfy the criteria. It loaded greater on the task-related resources of the outsourcee construct.

In order to test the significance of the loadings, re-sampling techniques needed to be employed (Bagozzi, Yi and Singh 1991). Thus, we ran a bootstrap procedure in SmartPLS to test if the loadings of the items on their respective constructs were significant (Efron and Tibshirani 1993; Chin 1998). The item loadings output provided

the t-values for the loadings (Table 19). The item measuring the competitive intelligence of the outsourcee had a t value of 0.95 which was not significant ($p > 0.1$), indicating poor convergent validity.

The above results pointed out that the item measuring the competitive intelligence of the outsourcee was indeed problematic. However, the elimination of items should be considered with caution. If the deletion of the item results in a significant increase in both AVE and the composite reliability of the construct (Henseler, Ringle and Sinkowics 2009), and the item loads insignificantly (< 0.4) on its construct, it is advisable to delete the item from the model (Nunnally 1978). Therefore, the item measuring the competitive intelligence of the outsourcee was deleted from the main model.

The model was run for the second time by PLS. The overview of the quality criteria values are depicted in Table 20. For all the constructs, Cronbach's Alpha values were almost equal or higher than the threshold value of 0.7 (Nunnally 1978). Composite Reliability values for each construct were very high (Fornell and Larcker 1981; Nunnally and Bernstein 1994).

AVE values (Table 20) for each construct were well above the 0.5 criteria (Fornell and Larcker 1981). Moreover, the loading of the items on their respective constructs (item loadings) were higher than 0.7 (Table 21), indicating high convergent validity (Hulland 1999).

The construct correlation matrix that contained the squared root AVEs along the diagonals depicted in Table 22 showed that all the correlations were lower than the squared root AVEs, satisfying discriminant validity (Fornell and Larcker 1981). Moreover, cross loadings (Table 23) showed that the loading of each item was greater in

its own construct and lower in other constructs, another satisfactory finding for discriminant validity (Chin 1998; Gefen et al. 2000).

Finally, a bootstrap procedure in PLS was employed to test if the loadings of the items on their respective constructs were significant (Chin 1998). All the t-values for the loadings (Table 24) were significant ($t > 1.65$, $p < 0.1$). Hence, the measurement model satisfied both reliability and validity criteria.

Common Method Bias

Common method bias can be problematic when the dependent and independent variables are collected from the same source in a single research setting (Podsakoff et al. 2003). Bagozzi and Yi (1991, p.426) defined common method variance as “the variance that is attributable to the measurement method rather than to the construct of interest”. Hence, the existence of common method bias threatens the validity of conclusions about the hypothesized relationships (Campbell and Fiske 1959).

Since, the study employed key informant method and survey technique, common method bias was the biggest concern. Therefore, procedural remedies proposed by Podsakoff et al. (2003) were followed whenever applicable in the research design to control for the common method bias. First, two versions of the survey instrument were created. Each version of the survey was designed symmetrically to allow for combination of the observations from both sides (SMAs and CPGs). Hence, it was expected that the amount of bias will be minimal due the fact that dyadic data were collected from both SMAs and CPGs. Second, the final survey instrument included

several other measurement items that impeded the respondents from guessing the hypothesized relationships. Third, some of the scale items were reverse coded.

In order to test whether the procedural precautions were effective and that common method bias was not a concern for the study, two common method bias analyses were conducted.

First, Harman`s single-factor test was employed (Podsakoff and Organ 1986). All the variables of the study were entered to the factor analysis in SPSS 13.0 module. The un-rotated factor solution showed that there are multiple factors that accounted the variance in variables. Hence, one factor explained at most 26.8% of the variance. Therefore, common method variance appeared to be not significantly biasing the study results.

Second, the PLS- based common method variance analysis was applied to confirm the results of Harman`s single-factor test. Following the guidelines of Podsakoff et al. (2003), Liang et al. (2007) explained the introduction of the common method factor to the structural model in PLS step by step. This study followed Liang et al. (2007)`s approach. First, each indicator in the study was transformed to a first order reflective construct with a single indicator. Thus, the first order reflective constructs in the model became second order reflective constructs. Then, a common method factor was introduced, the indicators of which were all the indicators in the model. Finally, paths from the common method factor to all the single indicator constructs were defined.

The model was run in SmartPLS 2.0 software (Ringle et al. 2005). As indicated in Table 25, none of the loadings of the indicators to the common method factor was significant. Hence, the first criterion for the non existence of common method bias was

met (Podsakoff and Organ 1986). Mimicking the Liang et al. (2007) procedure, a table showing the average variances of the indicators and method factor were constructed (Table 26). The average variance explained by the indicators was 76.7%, where the average variance explained by the common factor was only 4.9%, yielding an inconsiderable ratio of 16:1. Therefore, it can be concluded that common method bias was not a concern for the study.

Structural Model

The second step in the model analysis was testing the hypotheses for the main relationships. The hypotheses' testing was conducted in two steps as there was an interaction (moderator) effect. First, the basic model was run in PLS excluding the interaction effect to test the main hypotheses. Second, interaction effect of learning dynamic capabilities and potential complementarities construct was added to the main model to test the moderating effect of learning dynamic capabilities.

The PLS run resulted in R square values of 0.214, 0.181 and 0.433 for potential complementarities, learning dynamic capabilities and outsourcing partnership performance, respectively. The value of 0.433 suggested that the variance of the outsourcing partnership performance explained by the model is indeed high, above the moderate level of 0.33 (Chin 1998, p.323). The variance in learning dynamic capabilities as explained by structural social capital of the outsourcee and structural social capital of the outsourcer was weak, as it was below 0.19 (Chin 1998, p.323). However, the variance in potential complementarities as explained by the task-related resources of the

outsourcer and the task-related resources of the outsourcer was between moderate and weak (Chin 1998).

The path coefficients and t statistics of the main model are shown in Table 27. The path coefficient between potential complementarities and outsourcing partnership performance constructs posited that potential complementarities had a positive influence on outsourcing partnership performance, but the influence was insignificant ($\beta = 0.290$, $t = 0.94$, $p > 0.1$). Therefore, hypothesis 5 was not supported.

The path coefficient between learning dynamic capabilities and outsourcing partnership performance constructs showed that learning dynamic capabilities had a strong positive and significant influence on outsourcing partnership performance ($\beta = 0.514$, $t = 3.11$, $p < 0.01$). Thus, hypothesis 6 was supported.

The path coefficient between the task-related resources of the outsourcer and potential complementarities constructs showed that the task-related resources of the outsourcer had a positive and significant influence on potential complementarities ($\beta = 0.452$, $t = 1.649$, $p < 0.1$). This provides support for hypothesis 1.

The path coefficient between the task-related resources of the outsourcee and potential complementarities posited that the task-related resources of the outsourcee had a positive influence on potential complementarities but the influence was insignificant ($\beta = 0.186$, $t = 0.66$, $p > 0.1$). Therefore, no evidence was found to support hypothesis 2.

The path coefficient between structural social capital of the outsourcer and learning dynamic capabilities posited that structural social capital of the outsourcer had a significant influence on learning dynamic capabilities but the influence was negative ($\beta = -0.467$, $t = 1.679$, $p < 0.1$). Hence, hypothesis 3 was not confirmed.

Finally, the path coefficient between structural social capital of the outsourcee and learning dynamic capabilities posited that structural social capital of the outsourcee had a positive but insignificant influence on learning dynamic capabilities ($\beta = 0.164$, $t = 0.488$, $p > 0.1$). Hence, there was not enough support for hypothesis 4.

In order to test the moderating effect of learning dynamic capabilities in the relationship between potential complementarities and outsourcing partnership performance, an interaction term composed of learning dynamic capabilities and potential complementarities was introduced to the PLS model (Chin et al. 2003). The results showed that the effect of the interaction term on outsourcing partnership performance was insignificant ($\beta = 0.181$, $t = 0.495$, $p > 0.1$). Moreover, the R square values for the main constructs before and after the introduction of the interaction term were almost equal (Table 28). The effect size was calculated by the formula advised by Cohen (1988). The R square value of the construct in the main model was subtracted from the R square value of the construct in the interaction added model. Then, that value was divided by 1 minus the R square value of the construct in the main model. For all of the main constructs, the effect size was almost equal to zero pointing out almost unrecognizable effect of the interaction term on the model (Cohen 1988). Hence, hypothesis 7 was not supported.

Findings

Although the sample size was quite small, it represented most of the large and medium sized SMAs as well as CPGs. Moreover, the majority of the respondents had over 5 years of ongoing partnering relationship with the CPGs (or SMAs) and, thus, had

adequate outsourcing relationship experience with the partner to assess the items in the survey. The final sample size was quite small but considering the fact the initial population frame was also small, representativeness of the sample can be deemed quite satisfactory.

Procedural controls in research design were taken to minimize the common method bias. In addition, post hoc analysis signified that common method was not accountable for most of the variance explained.

Though the reliability of the scales was satisfactory, an item was removed from the structural path analysis due to the fact that the discriminant and convergent validity criteria were violated. Although the constructs are advised to be measured by multiple items, many of the studies found that in fact single item scales can be as effective as the multiple item ones (e.g., Bergkvist and Rossiter 2007).

Two of the main hypothesized relationships were supported out of a total of seven hypotheses. Considering the small number of sample size, these results are quite promising. More importantly, the most important construct of the study “learning dynamic capabilities” was found to have a strong and positive effect on outsourcing partnership performance.

Since both the moderating effect of learning dynamic capabilities and the relationship between potential complementarities and outsourcing partnership performance emerged as insignificant, one can conclude that learning dynamic capabilities is the most defining factor in the success of outsourcing relationships.

The task-related resources of the outsourcee were found to have a non significant positive effect on potential complementarities. On the contrary, the task related resources

of the outsourcer had a significant positive effect on the construct, pointing out the outsourcee is bounded by the resources outsourcer provides on the accomplishment of the headquarters selling task. Hence, outsourcing of the headquarters selling task is far from the common outsourcing belief of one-sided transaction. Instead, the parties need to work as partners.

Although the structural social capital of the outsourcee had a positive insignificant effect on learning dynamic capabilities, structural social capital of the outsourcer had a significant negative influence on the learning dynamic capabilities. This finding contrasts with our theoretical model. The resource-advantage theory posits that social capital has a positive effect on dynamic capabilities. Moreover, our findings showed that resources of the outsourcer are important in the outsourcing performance and outsourcing relationship resembles partnerships. One possible explanation for the above mentioned negative influence is that if some aspects of the outsourcing relationship fails, the outsourcer may attribute the responsibility solely to the outsourcee instead of the partnership. Thus, as the outsourcer gains more competitive intelligence and information from the outsourcing partnership, instead of using it for the benefit of the partnership, he might use it to increase his demands and impede the overall learning curve of the outsourcing partnership. This finding opens a venue for future research. For instance, literature on power (e.g., Dwyer and Walker 1981; Wilkinson and Kipnis 1978) can be used to explain this finding. When there is power imbalance between parties, the powerful party may act manipulative and be demanding on the other side (Bannister 1969). Hence, as the outsourcer gains competitive intelligence and learns from his relationships, he realizes the potential of other opportunities. Such revelations might lead

him to believe that he deserves better and lead to increase his demands on the outsourcee. Hence, instead of sharing these opportunities with the outsourcee to enhance the partnership performance, he might choose to pursue the self-serving option thus creating a negative impact on the learning dynamic capabilities that is observed in this study. Naturally, such a behavior goes against the very core of an outsourcing relationship which is based on the intention that both parties jointly learn and grow thus enabling the learning dynamic capabilities of the partnership to take effect.

CHAPTER 6 – DISCUSSION

The study proposes a complex conceptual model that can be employed not only in studying outsourcing relationships but also in any business relationship where two parties join their forces, such as joint ventures, strategic alliances, franchising, and so forth. The study also differentiates between the resources needed to accomplish a function as social capital and task-related (non-relational) resources. This allows for the distinct identification of how each type of resource contributes to the final performance outcomes.

Another important theoretical contribution of the study is to explicate the routes where task-related resources and social capital affect the outsourcing partnership performance. The results show that task-related resources influence the degree of endowment fit to task (potential complementarities) while the social capital affects the dynamic capabilities which are needed to transform the resources into higher performance outcomes.

In the conceptual model constructs are proposed as higher order constructs where extensive classification of each contributing factor is shown. However, in the specified context the most important factors contributing to the outsourcing of headquarters selling task was considered. Hence, in different contexts, different operationalization of the constructs can be used in the light of the proposed theoretical model. For instance, if the task chosen requires high agility, then the operationalization of the dynamic capability as an adaptation dynamic capability would be more appropriate. In contrast, if the chosen task is market intelligence then the operationalization of the dynamic capability as a sensing dynamic capability would make more sense.

The study opens a venue for alternative ways of operationalization of the constructs such as potential complementarities where the degree of fit of resources to the task without extra arrangements has been measured by two reflective measures with a logical flow of three questions in the final survey. The respondents were first asked to determine the dependency type that exists in the accomplishment of headquarters selling task. This helped to confirm that dependency actually existed between the outsourcer and the outsourcee in the accomplishment of the headquarters selling task. Then, with two more questions the degree of success in resolving the dependencies was assessed.

The field interviews and the literature showed that for the headquarters selling task, learning dynamic capabilities are the most important factor and structural social capital is the antecedent to learning dynamic capabilities. Moreover, managerial expertise, technological, human and financial resources are the interrelated factors affecting the partnership complementarities. Hence, for different contexts or different tasks of outsourcing, different resources, other dimensions of social capital (i.e. relational and cognitive) and other dynamic capabilities (e.g. integration or adaptation capability) may need to be considered. This implies that the overarching theoretical model proposed here can be used as a roadmap for other conceptualizations.

Departing from the traditional sense that outsourcing is a task where the success or failure is predominantly dependent on the outsourcee, this study shows that the resources as well as the social capital of the outsourcer are critical factors for successful outsourcing. Once again it is clear that in today`s world, nothing can be left unconnected and every success is a product of a chain of connections and resources.

Another important contribution of the study is to demonstrate how PLS can be aided to measure complex structural relationships with a small sample size. Moreover, the moderator as well as the common method analyses are explicated in detail. Satisfying the minimum sample size requirement of the PLS was quite challenging. Even in PLS, there is a limit to number of relationships one can test. Hence, the control variables could not be included in the model, as the main model itself was already complicated and the sample size was at the minimum threshold for testing the main model.

The managerial implications of this study are substantial since the research itself was inspired from and rooted in practice. Interestingly, the dynamic capabilities concept which raised concern and was not originally appreciated by the practitioners, in fact, turned out to be the most important defining factor for explaining successful outsourcing performance. In fact, even more important than the combination of task-related resources of the parties, learning dynamic capabilities of the partnership emerged as having a significant positive effect on the outsourcing partnership performance. In addition, the findings indicated that headquarters selling task required a hybrid model where both the outsourcer and the outsourcee should cooperate with both task-related resources and social capital. Thus, the traditional view that the failure of the outsourcing partnership performance is solely due to the outsourcee has been nullified by this study. Our findings indicate that task-related resources of the outsourcer and social capital of the outsourcer are even more important than those of the outsourcee`s.

In general, management can make use of these findings by considering the fact that outsourcing relationships are, in fact, partnerships. The importance of dynamic capabilities has been quantified by this study. Hence, learning dynamic capabilities, (i.e.

parties` ability to learn from the experience), connections and operational capabilities, were found to be the most defining factors in the accomplishment of headquarters selling task. Clearly, companies can improve performance outcomes by focusing on the specific dynamic capabilities related to the task in hand.

The study was limited by data availability given that the outsourcing context is perhaps one of the most difficult contexts to obtain data. While panel data can be accessed for most of field studies, for the outsourcing context this is almost impossible. Hence, access to data can only be possible with personal contacts and the sponsorship of the associations. Even with the endorsement, managers are hard to convince and none of the traditional techniques (e.g. incentives, third party endorsements, importance of the findings, etc.) actually works to increase their cooperation. Thus, the sample size of this study is small compared to other studies in the literature. However, considering the company size and annual sales volume statistics of the study, the representativeness of the sample for the defined context is quite satisfactory.

Due to the fact that initial population and the corresponding sample size were small, the study did not allow for the operationalization of the higher order constructs as well as the control variables to be included to the model. However, as the study defined a specific context for the outsourcing relationships (i.e. headquarters selling), determination of the most important underlying factors can be more valuable in terms of providing on the spot recommendations.

Moreover, since the study had to balance the needs of the research with the needs of the sponsoring organization, the survey contained additional items in lieu of multi-item scales typically used in academic research. However, the study overcame this

limitation by choosing the items of already existing scales with high reliabilities in the literature. Moreover, PLS, which works well with both single and multi item scales, was used in the analysis (Henseler et al. 2009). Hence, the operationalization of the constructs was concrete in the sense that even single item scales would work as effectively (Bergkvist and Rossiter 2007).

Although, the data access was the biggest limitation of the study and the overall study sample size was small, in terms of being the first application of a novel concept, representativeness of the sample and bringing out the importance of dynamic capabilities, value gained through the study outweighed the data limitations.

A number of future research implications can be gleaned from the findings. For example, studies may use the model and constructs of the study to examine different outsourcing tasks (such as in-store merchandising and shelf management). Different contexts, hence different tasks, would have distinct underlying relationships to be explored. The richness of the study constructs allows for transporting the theoretical framework to different dimensions, antecedents and, thus, different structural models. For instance, in the accomplishment of administrative services task, the resources and the social capital of the outsourcee may become more important than those of the outsourcer's. As the administrative task requires less agility, the effect of potential complementarities construct on the performance outcomes may be found to be more important than the effect of dynamic capabilities.

Different moderating relationships, such as the environmental volatility and dynamic capability interaction, can be examined within the conceptual framework offered here. Certain dimensions of the dynamic capability construct (such as adaptation)

are inherently related to change and environmental volatility. Thus, the effect of dynamic capability on the performance outcomes may become even more important in the highly uncertain environments.

The current model can be applied to other settings such as alliances to test the possible outcomes of potential complementarities and dynamic capabilities. According to the nature of the alliance, task-related resources construct of each party can be measured by different types of resources and the type of dynamic capabilities that emerge as influential can change accordingly (for example, integration or adaptation capabilities may become more important than others).

Interestingly, the structural social capital of the outsourcer emerged as a significant negative influence on the learning dynamic capabilities, although theoretically it should have a positive influence. It is plausible that as the outsourcer gains more competitive intelligence and information, he becomes increasingly more demanding and impedes the overall learning curve of the outsourcing partnership. Although, our study showed that, in terms of resources and social capital, both parties have influence on the partnership; the outsourcer may not always behave in the desired direction particularly if he has the bigger power in the relationship. Hence, future research can examine the effect of power and determine the specific conditions under which the powerful outsourcer is likely to become manipulative and demanding in the relationship.

The study was conducted with a U.S. sample, however, in the international context, even for the same task, the impactful resources and dynamic capabilities are likely to differ from country to country. For instance, for the developing countries, technological and financial resources may determine the performance outcomes more

distinctly. Hence, the application of the model to different cultural and national contexts might yield some interesting insights and new research avenues.

TABLES

TABLE 1: INITIAL SCALE FOR TASK-RELATED RESOURCES

Task-Related Resources of the Outsourcee

The following items are representative of the task-related resources needed to accomplish the headquarters selling task. Please rate if your firm is in an advantageous position in those resources. {7 point scale- great disadvantage(1), significant disadvantage (2), slight disadvantage (3), neither advantage or disadvantage (4), slight advantage (5), significant advantage (6), great advantage (7), N/A}

My firm's position on:

1. Availability of financial capital
2. Headquarters selling expertise
3. Highly productive employees
4. Expertise in customer service
5. Access to low cost labor
6. Managerial expertise
7. Employees trained to provide superior customer service
8. Employees with innovative, new ideas
9. Technological resources enabling better information dissemination

Task-Related Resources of the Outsourcer

The following items are representative of the task-related resources needed to accomplish the headquarters selling task. Please rate if your outsourcer is in an advantageous position in those resources. {great disadvantage(1), significant disadvantage (2), slight disadvantage (3), neither advantage or disadvantage (4), slight advantage (5), significant advantage (6), great advantage (7), N/A}

My outsourcer's position on:

1. Availability of financial capital
2. Headquarters selling expertise
3. Highly productive employees
4. Expertise in customer service
5. Access to low cost labor
6. Managerial expertise
7. Employees trained to provide superior customer service
8. Employees with innovative, new ideas
9. Technological resources enabling better information dissemination

TABLE 2: FINAL SCALE FOR TASK-RELATED RESOURCES

Please rate the degree your firm and your typical CPG utilize the following resources to perform the headquarters selling task.

	YOUR FIRM						CPG					
	Very LOW	Low	Average	High	Very HIGH	N/A	Very LOW	Low	Average	High	Very HIGH	N/A
1-Technological Res.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2-Human Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3-Managerial Expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4-Financial Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TABLE 3: INITIAL SCALE FOR STRUCTURAL SOCIAL CAPITAL

Structural Social Capital of the Outsourcee (1 = “strongly disagree,” and 5 = “strongly agree”,N/A)

1. Your firm maintains close contact with other firms in the industry.
2. Your firm learns a lot from its interactions with firms in the industry.
3. Your firm has social interaction with other firms with knowledge about conditions in the industry.
4. Your firm puts a lot of effort in building relationships with other knowledgeable firms in the industry.
5. Your firm doesn't have social interaction with other firms with knowledge about conditions in the industry.(R)

Structural Social Capital of the Outsourcer (1 = “strongly disagree,” and 5= “strongly agree”,N/A)

1. Your outsourcer maintains close contact with other firms in the industry.
2. Your outsourcer learns a lot from its interactions with firms in the industry.
3. Your outsourcer has social interaction with firms with knowledge about conditions in the industry.
4. Your outsourcer puts a lot of effort in building relationships with other knowledgeable firms in the industry.
5. Your outsourcer doesn't have social interaction with other firms with knowledge about conditions in the industry.(R)

TABLE 4: FINAL SCALE FOR STRUCTURAL SOCIAL CAPITAL

Please state your level of agreement or disagreement with each of the following statements about **your FIRM** and **your typical CPG** (the same manufacturer you evaluated and named in the previous section).

	Your FIRM						CPG					
	Strongly DISAGREE	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non-Applicable	Strongly DISAGREE	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non-Applicable
1-Maintains competitive intelligence.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2-Learns a lot from its interactions with its business partners (SMAs, CPGs and retail firms).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

TABLE 5: FINAL SCALE FOR POTENTIAL COMPLEMENTARITIES

Please select which best describes your typical arrangement with the CPG for the headquarters selling task.

We perform all the activities	We performs some activities and the CPG performs other activities	We jointly perform with the CPG all activities	Other
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now, please rate how successfully the headquarters selling task is performed with this CPG by using the above arrangement you selected

Very Unsuccessfully	Unsuccessfully	Neither Successfully nor Unsuccessfully	Successfully	Very Successfully	Non-Applicable
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Would you like to change the above arrangement you currently have for the headquarters selling task?

Never	Maybe	Unsure	Probably	Definitely	Non-Applicable
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

TABLE 6: FINAL SCALE FOR LEARNING DYNAMIC CAPABILITIES

Please state your level of agreement or disagreement with each of the following statements about your OUTSOURCING PARTNERSHIP with this typical CPG.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- Both firms have learned or acquired information from the partnership including weaknesses, strengths, gaps, and discontinuities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Both firms have learned or acquired new critical capabilities or skills from the partnership.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

TABLE 7: INITIAL SCALE FOR OUTSOURCING PARTNERSHIP PERFORMANCE

Please rate your outsourcing partnership performance (1 = strongly disagree, and 7 = strongly agree, N/A).

1. Some aspects of our working relationship could be better.
2. Overall, we are both quite satisfied with our working relationship.
3. I am happy with my working relationship with this outsourcer.
4. Compared to other working relationships I've known or heard about, the one I have with this outsourcer is quite good.
5. Overall, we are both quite dissatisfied with our working relationship.

TABLE 8: FINAL SCALE FOR OUTSOURCING PARTNERSHIP PERFORMANCE

Please state your level of agreement or disagreement with each of the following statements about the **working relationship** of your OUTSOURCING PARTNERSHIP with the typical CPG (the manufacturer you evaluated in previous sections).

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- Could not be better.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Overall, we are satisfied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- Better than with other CPGs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

TABLE 9: SMA ANNUAL SALES REVENUE

U.S. Dollars (in millions)	Frequency	%
< 50	3	33.33
50-250	4	44.44
>1000	2	22.22
	9	

TABLE 10: SMA COMPANY SIZE

Number of Employees	Frequency	%
< 150	1	8.3
150- 300	5	41.7
>300	6	50.0
	12	

TABLE 11: CPG COMPANY SIZE

Number of Employees	Frequency	%
< 500	1	20
500-1000	2	40
>1000	2	40
	5	

TABLE 12: CPG ANNUAL SALES REVENUE

U.S. Dollars (in billions)	Frequency	%
< 1	1	20
1-5	2	40
>5	2	40
	5	

TABLE 13: YEARS OF WORKING RELATIONSHIP BETWEEN SMA AND CPG

Years	Frequency	%
< 4	2	10.53
4-5	7	36.84
6-10	5	26.32
>10	5	26.32
	19	

TABLE 14: DEPENDENCY CHARACTERISTICS OF HQ SELLING

	Frequency	Percent
We perform all the activities	3	15.0
We perform some activities and the CPG performs others	9	45.0
We jointly perform all activities with the CPG	5	25.0
Other	3	15.0
Total	20	100.0

TABLE 15: FIRST MEASUREMENT MODEL- OVERVIEW

	AVE	Composite Reliability	R Square	Cronbach`s Alpha
POTENTIAL COMPLEMENTARITIES	0.76619	0.86714	0.21447	0.70774
LEARNING DYNAMIC CAPABILITIES	0.76209	0.86485	0.19868	0.69122
TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	0.68329	0.89496		0.84445
TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	0.79953	0.94058		0.93869
OUTSOURCING PARTNERSHIP PERFORMANCE	0.70487	0.87744	0.43456	0.79240
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	0.85357	0.92098		0.82982
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)	0.44549	0.55845		0.80493

TABLE 16: FIRST MEASUREMENT MODEL- ITEM LOADINGS

	POTENTIAL COMPLEMENTARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	0.8173						
PC2	0.9297						
DC1		0.9022					
DC2		0.8427					
R1_CPG			0.7568				
R2_CPG			0.9024				
R3_CPG			0.9224				
R4_CPG			0.7037				
R1_SMA				0.9756			
R2_SMA				0.7628			
R3_SMA				0.9186			
R4_SMA				0.9059			
OPP1					0.8166		
OPP2					0.8723		
OPP3					0.8288		
SC1_CPG						0.9095	
SC2_CPG						0.9381	
SC1_SMA							0.2842
SC2_SMA							0.9001

TABLE 17: FIRST MEASUREMENT MODEL- CONSTRUCT CORRELATIONS AND SQUARE ROOT AVES

	POTENTIAL COMPLEMENTARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
POTENTIAL COMPLEMENTARITIES	0.875						
LEARNING DYNAMIC CAPABILITIES	0.048	0.873					
TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	0.420	-0.044	0.827				
TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	0.068	-0.263	-0.285	0.894			
OUTSOURCING PARTNERSHIP PERFORMANCE	0.343	0.579	0.107	-0.087	0.840		
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	0.288	-0.412	0.319	0.207	0.074	0.924	
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)	-0.174	0.116	-0.351	0.218	0.151	0.128	0.667

TABLE 18: FIRST MEASUREMENT MODEL- CROSS LOADINGS

	POTENTIAL COMPLEMEN TARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCERS OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	0.8173	0.0745	0.1943	0.2165	0.2384	0.1528	-0.1506
PC2	0.9297	0.0225	0.4853	-0.0395	0.3458	0.3203	-0.1569
DC1	0.0338	0.9022	0.0427	-0.4188	0.5701	-0.3674	0.1364
DC2	0.0527	0.8427	-0.1393	0.0057	0.4280	-0.3525	0.0586
R1_CPG	0.2075	0.0635	0.7568	-0.2668	-0.0755	0.2657	-0.3373
R2_CPG	0.3210	-0.0332	0.9024	-0.3594	0.1524	0.3896	-0.2439
R3_CPG	0.4734	-0.0567	0.9224	-0.2012	0.1253	0.2077	-0.4178
R4_CPG	0.2973	-0.0787	0.7037	-0.1517	0.0806	0.2346	-0.1252
R1_SMA	0.0787	-0.1801	-0.3454	0.9756	-0.0124	0.1739	0.1840
R2_SMA	0.0108	-0.2117	-0.1196	0.7628	-0.2514	0.0746	0.0797
R3_SMA	-0.0063	-0.2055	-0.3812	0.9186	-0.0931	0.1803	0.1434
R4_SMA	0.0297	-0.4277	-0.1394	0.9059	-0.2059	0.2916	0.2926
OPP1	0.4417	0.4241	0.3797	-0.0252	0.8166	0.0566	0.0065
OPP2	0.1972	0.6110	-0.0087	-0.3031	0.8723	0.0602	0.1374
OPP3	0.2168	0.3945	-0.1501	0.1865	0.8288	0.0724	0.2700
SC1_CPG	0.3081	-0.3435	0.4316	0.1020	0.0086	0.9095	0.0181
SC2_CPG	0.2315	-0.4124	0.1809	0.2668	0.1184	0.9381	0.2011
SC1_SMA	-0.2636	-0.0338	-0.5450	0.6650	-0.1328	-0.0280	0.2842
SC2_SMA	-0.2541	0.0743	-0.5181	0.4702	0.0563	0.0856	0.9001

TABLE 19: FIRST MEASUREMENT MODEL- T-STATISTICS FOR ITEM LOADINGS

	POTENTIAL COMPLEMENTARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	2.1414						
PC2	4.8792						
DC1		8.1909					
DC2		5.9907					
R1_CPG			2.7428				
R2_CPG			3.7903				
R3_CPG			3.7536				
R4_CPG			2.4068				
R1_SMA				1.9859			
R2_SMA				1.9171			
R3_SMA				2.0711			
R4_SMA				2.1921			
OPP1					2.9307		
OPP2					3.7212		
OPP3					3.2049		
SC1_CPG						5.2514	
SC2_CPG						6.2222	
SC1_SMA							0.9590
SC2_SMA							2.8420

TABLE 20: SECOND MEASUREMENT MODEL- OVERVIEW

	AVE	Composite Reliability	R Square	Cronbach`s Alpha
POTENTIAL COMPLEMENTARITIES	0.7662	0.8672	0.2145	0.7077
LEARNING DYNAMIC CAPABILITIES	0.7624	0.8651	0.1819	0.6912
TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	0.6833	0.8950		0.8445
TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	0.7993	0.9405		0.9387
OUTSOURCING PARTNERSHIP PERFORMANCE	0.7049	0.8775	0.4335	0.7924
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	0.8536	0.9210		0.8298
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)	1.0000	1.0000		1.0000

TABLE 21: SECOND MEASUREMENT MODEL- ITEM LOADINGS

	POTENTIAL COMPLEMENTARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCERS OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	0.8175						
PC2	0.9296						
DC1		0.8998					
DC2		0.8457					
R1_CPG			0.7569				
R2_CPG			0.9024				
R3_CPG			0.9224				
R4_CPG			0.7036				
R1_SMA				0.9758			
R2_SMA				0.7623			
R3_SMA				0.9186			
R4_SMA				0.9056			
OPP1					0.8163		
OPP2					0.8722		
OPP3					0.8294		
SC1_CPG						0.9093	
SC2_CPG						0.9382	
SC2_SMA							1.0000

TABLE 22: SECOND MEASUREMENT MODEL- CONSTRUCT CORRELATIONS AND SQUARE ROOT AVES

	POTENTIAL COMPLEMENTARITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
POTENTIAL COMPLEMENTARITIES	0.8754						
LEARNING DYNAMIC CAPABILITIES	0.0484	0.8732					
TASK-RELATED RESOURCES OF THE OUTSOURCER (CPG)	0.4196	-0.0447	0.8266				
TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	0.0682	-0.2601	-0.2849	0.8940			
OUTSOURCING PARTNERSHIP PERFORMANCE	0.3429	0.5780	0.1062	-0.0862	0.8396		
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	0.2877	-0.4120	0.3186	0.2075	0.0741	0.9239	
STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)	-0.2541	0.0742	-0.5181	0.4702	0.0566	0.0857	1.0000

TABLE 23: SECOND MEASUREMENT MODEL- CROSS LOADINGS

	POTENTIAL COMPLEMENTA RITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCERS OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	0.8175	0.0767	0.1943	0.2168	0.2387	0.1528	-0.1774
PC2	0.9296	0.0212	0.4853	-0.0397	0.3454	0.3203	-0.2556
DC1	0.0337	0.8998	0.0427	-0.4189	0.5697	-0.3674	0.0721
DC2	0.0529	0.8457	-0.1393	0.0060	0.4283	-0.3526	0.0562
R1_CPG	0.2075	0.0634	0.7569	-0.2669	-0.0757	0.2656	-0.4133
R2_CPG	0.3209	-0.0337	0.9024	-0.3594	0.1522	0.3895	-0.4816
R3_CPG	0.4734	-0.0584	0.9224	-0.2014	0.1248	0.2076	-0.5156
R4_CPG	0.2970	-0.0792	0.7036	-0.1522	0.0801	0.2345	-0.2745
R1_SMA	0.0788	-0.1773	-0.3454	0.9758	-0.0119	0.1739	0.4513
R2_SMA	0.0107	-0.2115	-0.1196	0.7623	-0.2516	0.0746	0.3182
R3_SMA	-0.0062	-0.2034	-0.3812	0.9186	-0.0929	0.1804	0.4332
R4_SMA	0.0297	-0.4263	-0.1394	0.9056	-0.2057	0.2916	0.4607
OPP1	0.4415	0.4225	0.3797	-0.0254	0.8163	0.0566	-0.1073
OPP2	0.1972	0.6099	-0.0087	-0.3027	0.8722	0.0602	0.0749
OPP3	0.2169	0.3962	-0.1501	0.1870	0.8294	0.0725	0.2101
SC1_CPG	0.3080	-0.3432	0.4316	0.1019	0.0085	0.9093	-0.0574
SC2_CPG	0.2314	-0.4127	0.1809	0.2669	0.1184	0.9382	0.1929
SC2_SMA	-0.2541	0.0742	-0.5181	0.4702	0.0566	0.0857	1.0000

TABLE 24: SECOND MEASUREMENT MODEL- T-STATISTICS FOR ITEM LOADINGS

	POTENTIAL COMPLEMENTA RITIES	LEARNING DYNAMIC CAPABILITIES	TASK-RELATED RESOURCERS OF THE OUTSOURCER (CPG)	TASK-RELATED RESOURCES OF THE OUTSOURCEE (SMA)	OUTSOURCING PARTNERSHIP PERFORMANCE	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCER (CPG)	STRUCTURAL SOCIAL CAPITAL OF THE OUTSOURCEE (SMA)
PC1	1.9408						
PC2	6.3148						
DC1		7.3332					
DC2		8.2635					
R1_CPG			2.7638				
R2_CPG			3.3851				
R3_CPG			3.1741				
R4_CPG			1.9932				
R1_SMA				1.7927			
R2_SMA				1.7889			
R3_SMA				1.8919			
R4_SMA				2.0978			
OPP1					2.3102		
OPP2					3.9252		
OPP3					3.2860		
SC1_CPG						5.6086	
SC2_CPG						5.5212	
SC2_SMA							

**TABLE 25: COMMON METHOD BIAS- SIGNIFICANCE OF ITEM LOADINGS
(BOOTSTRAP OUTPUT)**

	Path Coefficients	Standard Error (STERR)	T Statistics (O/STERR)
DC1 <- DC1	1.000000		
DC1 <- DYN	0.873996	0.080177	10.970799
DC1 <- COMMON	0.059213	0.461840	0.915364
DC2 <- DC2	1.000000		
DC2 <- DYN	0.874403	0.038767	22.402852
DC2 <- COMMON	-0.003747	0.417499	0.237506
PC1 <- PC1	1.000000		
PC1 <- POT.COMP	0.862232	0.109240	7.954797
PC1 <- COMMON	0.193696	0.335692	0.465274
R4_CPG <- R4_CPG	1.000000		
R4_CPG <- RES_CPG	0.647075	0.214604	3.176545
R4_CPG <- COMMON	0.304888	0.435117	0.964169
R4_SMA <- R4_SMA	1.000000		
R4_SMA <- RES_SMA	0.909336	0.079984	11.688357
R4_SMA <- COMMON	0.009200	0.641758	1.155156
R1_CPG <- R1_CPG	1.000000		
R1_CPG <- RES_CPG	0.810849	0.089359	9.033750
R1_CPG <- COMMON	0.280607	0.557241	1.023095
R1_SMA <- R1_SMA	1.000000		
R1_SMA <- RES_SMA	0.886173	0.102804	8.860751
R1_SMA <- COMMON	-0.072078	0.672110	1.155987
R2_CPG <- R2_CPG	1.000000		
R2_CPG <- RES_CPG	0.909029	0.044001	20.705469
R2_CPG <- COMMON	0.363178	0.670076	1.108817
R2_SMA <- R2_SMA	1.000000		
R2_SMA <- RES_SMA	0.859450	0.081579	10.775879
R2_SMA <- COMMON	-0.021773	0.626506	1.045757
R3_CPG <- R3_CPG	1.000000		
R3_CPG <- RES_CPG	0.903187	0.037267	24.115823
R3_CPG <- COMMON	0.356010	0.597081	1.096021

R3_SMA <- R3_SMA	1.000000		
R3_SMA <- RES_SMA	0.937750	0.044985	21.145654
R3_SMA <- COMMON	-0.093485	0.690783	1.185247
OPP1 <- OPP1	1.000000		
OPP1 <- PERFORM	0.752249	0.266668	2.990228
OPP1 <- COMMON	0.306178	0.371505	1.008763
OPP2 <- OPP2	1.000000		
OPP2 <- PERFORM	0.884540	0.048385	17.857533
OPP2 <- COMMON	0.112182	0.483744	0.836911
OPP3 <- OPP3	1.000000		
OPP3 <- PERFORM	0.881027	0.060233	14.278269
OPP3 <- COMMON	0.103748	0.416974	0.081472
SC1_CPG <- SC1_CPG	1.000000		
SC1_CPG <- SOC_CPG	0.919863	0.046622	19.797470
SC1_CPG <- COMMON	0.307302	0.387834	0.404042
SC2_CPG <- SC2_CPG	1.000000		
SC2_CPG <- SOC_CPG	0.926100	0.034042	27.197308
SC2_CPG <- COMMON	0.226416	0.335131	0.227928
SC2_SMA <- SC2_SMA	1.000000		
SC2_SMA <- SOC_SMA	1.000000		
SC2_SMA <- COMMON	-0.176029	0.581200	1.084855
PC2 <- PC2	1.000000		
PC2 <- POT.COMP	0.878791	0.123373	7.213530
PC2 <- COMMON	0.335383	0.385671	1.039854

TABLE 26: COMMON METHOD BIAS- COMPARISON OF AVERAGE “R SQUARES”

CONSTRUCT	INDICATOR	FACTOR LOADING(R1)	R1 SQUARE	COMMON METHOD LOADING(R2)	R2 SQUARE
DYN	DC1	0.873996	0.763869008	0.059213	0.003506179
	DC2	0.874403	0.764580606	-0.003747	0.00001404
POT.COMP	PC1	0.862232	0.743444022	0.193696	0.03751814
	PC2	0.878791	0.772273622	0.335383	0.112481757
RES_SMA	R1_SMA	0.886173	0.785302586	-0.072078	0.005195238
	R2_SMA	0.85945	0.738654303	-0.021773	0.000474064
	R3_SMA	0.93775	0.879375063	-0.093485	0.008739445
	R4_SMA	0.909336	0.826891961	0.0092	0.00008464
RES_CPG	R1_CPG	0.810849	0.657476101	0.280607	0.078740288
	R2_CPG	0.909029	0.826333723	0.363178	0.13189826
	R3_CPG	0.903187	0.815746757	0.35601	0.12674312
	R4_CPG	0.647075	0.418706056	0.304888	0.092956693
PERFORM	OPP1	0.752249	0.565878558	0.306178	0.093744968
	OPP2	0.88454	0.782411012	0.112182	0.012584801
	OPP3	0.881027	0.776208575	0.103748	0.010763648
SOC_SMA	SC2_SMA	1	1	-0.176029	0.030986209
SOC_CPG	SC1_CPG	0.919863	0.846147939	0.307302	0.094434519
	SC2_CPG	0.9261	0.85766121	0.226416	0.051264205
AVERAGE		0.873113889	0.767831172	0.143938278	0.04956279

TABLE 27: MAIN STRUCTURAL MODEL- PATH COEFFICIENTS, STANDARD ERROR AND T-STATISTICS (BOOTSTRAP OUTPUT)

	Path Coefficients	Standard Error (STERR)	T Statistics (O/STERR)
POT.COMP -> PERFORM	0.290203	0.334276	0.944302
DYN -> PERFORM	0.514046	0.180715	3.114125
RES_CPG -> POT.COMP	0.452089	0.289667	1.649719
RES_SMA -> POT.COMP	0.186372	0.309247	0.660975
SOC_CPG -> DYN	-0.467874	0.251035	1.679060
SOC_SMA -> DYN	0.164189	0.225886	0.488515

TABLE 28: R SQUARE VALUES OF MAIN AND MODERATOR ADDED STRUCTURAL MODEL

Original Model

	R Square
POT.COMP	0.214475
DYN	0.181869
PERFORM	0.433538

Moderator Added Model

	R Square
POT.COMP	0.214471
DYN	0.181832
PERFORM	0.467839

FIGURES

FIGURE 1: THE CONCEPTUAL MODEL

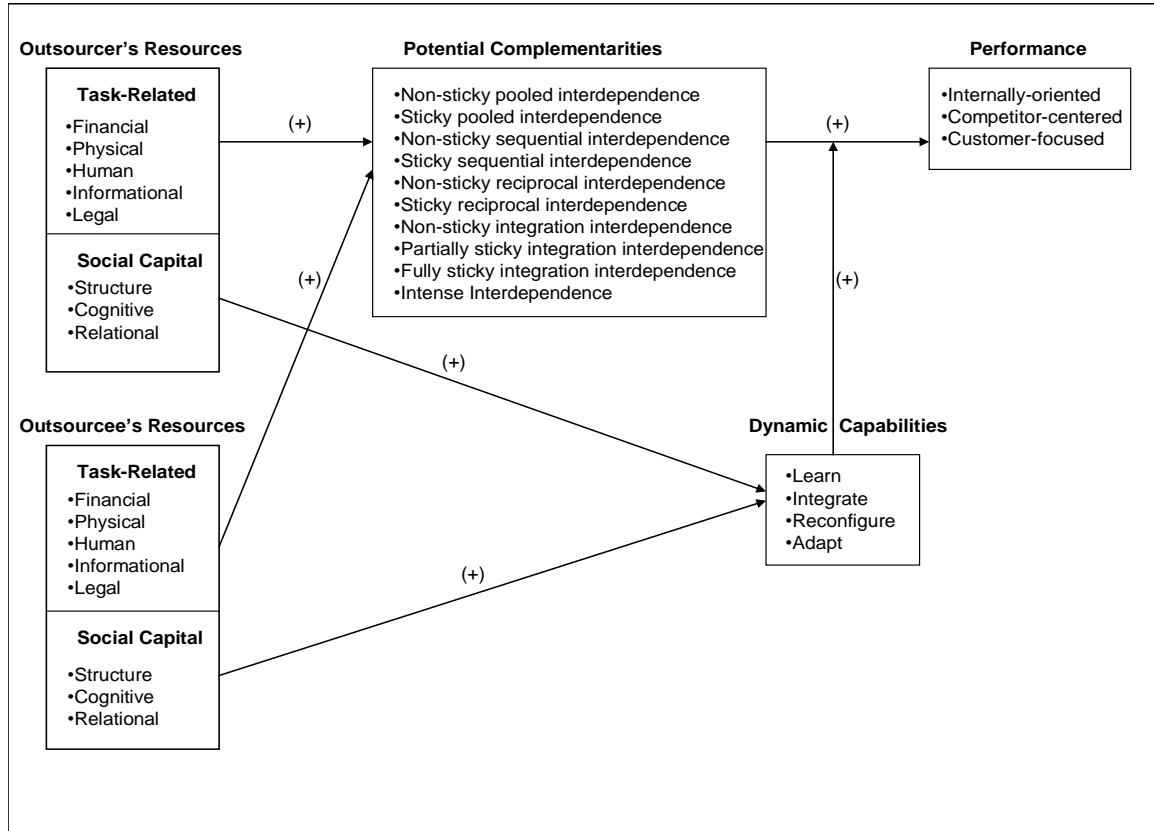
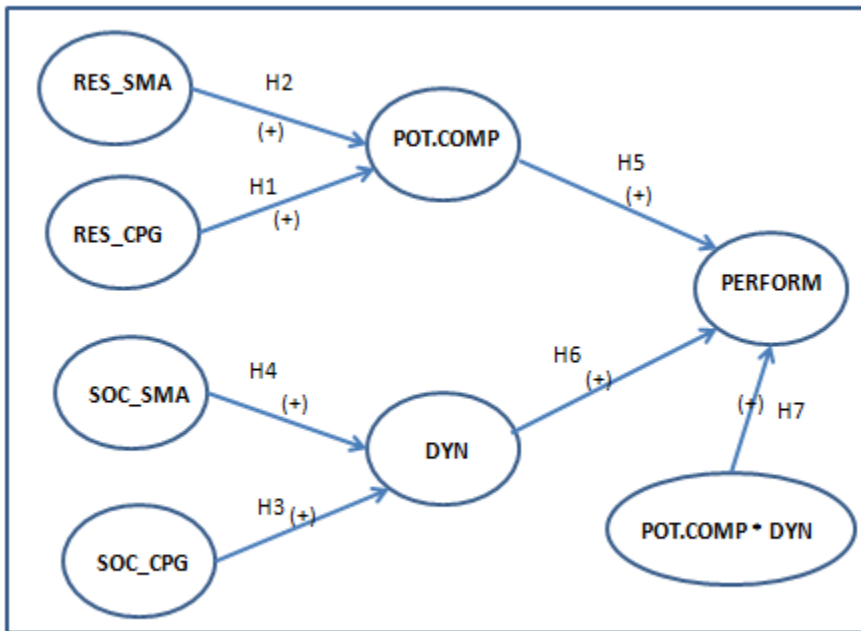


FIGURE 2: THE EMPIRICAL MODEL



APPENDICES

APPENDIX A: FINAL SURVEY (SMA VERSION)



“Gains from Outsourcing Collaboration between CPG Manufacturers and Sales and Marketing Agencies”

Dear SMA Executive:

The ASMC Foundation and Georgia State University are conducting an original Research Study to better understand and improve the partnering capabilities between Sales and Marketing Agencies (SMAs) and their manufacturing (CPG) clients. We are writing to request your participation in this important follow-up Study to two previous Research Reports on outsourcing sponsored by ASMC Foundation referred to in the next paragraph. **The findings are expected to highlight the capabilities of SMAs, help grow their businesses and make a stronger fact and research-based case for their services** ASMC Foundation was a co-sponsor and Georgia State University was a research participant in the first two seminal SMA outsourcing studies “**The Value of Outsourcing**” and “**Outsourcing is In**”, the Executive Summaries of which can be found at the Foundation's website www.asmcfoundation.org. Participants in this Research Study will be sent an Executive Summary of the findings for their use and business development.

While this Study is being sponsored by the ASMC Foundation, it is being conducted independently by researchers at Georgia State University in order to guarantee anonymity and academic rigor. Your individual responses will not be shared with anyone or identified in any reports. Only aggregate results will be published. All data will be stored on secure servers at the university.

The Survey will take no more than 15 minutes of your time. We believe the Study findings will be of significant value to your organization and the SMA community. As with any research project, there are no right or wrong answers. Participation to the Survey is completely voluntary. Importantly, we want your candid opinions and assessments. If you have any questions, please contact us at the below email addresses:

Dr. Naveen Donthu
Georgia State University
ndonthu@gsu.edu
404-413-7662

Mark Baum, President
ASMC Foundation
mbaum@asmcfoundation.org
571-321-2026

Barry Maloney, CFO
ASMC Foundation
bmaloney@asmcfoundation.org
202-293-1414

Thank you, in advance, for your participation. You can print this page for your records.

DEFINITIONS

Please use the following definitions for all future questions in this study.

Headquarters Selling - covers activities such as development, presentation and execution of sales plans, development and maintenance of key contacts at customer headquarters, achieving retailer acceptance of new items, planning of joint marketing programs, and influencing favorable product placement.

Retail Services - covers retail support and merchandising activities including continuity coverage (product placement, rotation, audits, etc), home store programs, new item cut ins, shelf management updates, out-of-stock identification, and merchandising of promoted items.

Administrative Services - covers activities such as back office support, order management support, promotion and deduction management support, post audit claim management support, and customer service.

Typical CPG - one of your top 5 manufacturing clients.

PART 1 - SMA and CPG RESOURCES

Please rate the degree **your FIRM** and **your typical CPG** utilize the following resources.

	YOUR FIRM						CPG					
	Very LOW	Low	Average	High	Very HIGH	Non-Applicable	Very LOW	Low	Average	High	Very HIGH	Non-Applicable
1-Technological Resources to perform:												
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2-Human Resources to perform:												
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3-Managerial Expertise to perform:												
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4-Financial Resources to perform:												
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 2 - SMA and CPG CHARACTERISTICS

Please state your level of agreement or disagreement with each of the following statements about **your FIRM** and **your typical CPG** (the same manufacturer you evaluated and named in the previous section).

YOUR FIRM

CPG

	Strongly DISAGRE F.	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non- Applicable	Strongly DISAGRE E.	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non- Applicable
1-Can be relied upon to fulfill its responsibilities for:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2-Is characterized as being trustworthy by its business partners (SMAs, CPGs and retail firms).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3-Maintains competitive intelligence.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4-Learns a lot from its interactions with its business partners (SMAs, CPGs and retail firms).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5-Has frequent meetings to reach an agreement about its strategic business plans.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6-All employees share the same organizational vision and ambitions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7-Is dynamic and has a lot of flexibility in customizing its activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 3 - PERFORMANCE

Headquarters selling, retail services and administrative services tasks consists of several activities. Please select which best describes your typical arrangement with the CPG for each one of these 3 tasks.

	We perform all the activities	We performs some activities and the CPG performs others	We jointly perform all activities with the CPG	Other
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now, please rate how successfully each one of these 3 tasks is performed with this CPG by using the above arrangement you selected.

	Very Unsuccessfully	Unsuccessfully	Neither Successfully nor Unsuccessfully	Successfully	Very Successfully	Non-Applicable
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Would you like to change the above arrangement you currently have for any of the 3 tasks below?

	Never	Maybe	Unsure	Probably	Definitely	Non-Applicable
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 4 - PARTNERSHIP SATISFACTION

Please state your level of agreement or disagreement with each of the following statements about the **working relationship** of your OUTSOURCING PARTNERSHIP with the typical CPG (the manufacturer you evaluated in previous section)

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- Could not be better.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Overall, we are satisfied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- Better than with other CPGs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 5 - PARTNERSHIP OUTCOMES

Please state your level of agreement or disagreement with each of the following statements about your OUTSOURCING PARTNERSHIP with this typical CPG.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- We are keenly aware of our weaknesses, strengths, gaps, and discontinuities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- We have acquired new critical capabilities or skills.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- We work fast and meet deadlines.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4- Our partnership is dynamic and has a lot of flexibility in customizing our services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5- We are able to combine, recombine, and create new business processes as needed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 6 - FUTURE ENVIRONMENT

Please rate the likelihood that the following will occur in the product lines you represent over the next 12 months.

	Very Unlikely	Unlikely	Neither Likely nor Unlikely	Likely	Very Likely	Non-Applicable
1- Extensive changes in retail environment (consolidation, new competition, etc.).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Major product innovations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3-Key supply chain innovations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4-Major changes in customer preferences.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 7 - SMA PROFILE

Please fill in the approximate:

1. Annual sales revenue of your firm in U.S. dollars (\$): _____
2. Number of employees in your firm: _____
3. Number of years your firm has represented this CPG: _____

PART 8 - CPG CONTACT

Please send the below e-mail to your contact at the CPG firm whom you evaluated in this questionnaire requesting their participation in the study using the below link.

Dear _____,

On behalf of my organization, we just participated in a Study on **"Gains from Outsourcing Collaboration between CPG Manufacturers and Sales and Marketing Agencies"** conducted by ASMC Foundation and Georgia State University. They would also like CPG companies like yours to participate in the Study. I encourage you to click on the below link and take this short Survey (15 minutes).

<http://www.surveyindustry.com/>

Thank you.

_____ (your name)

APPENDIX B : FINAL SURVEY (CPG VERSION)



J. MACK
ROBINSON
COLLEGE
OF BUSINESS



“Gains from Outsourcing Collaboration between CPG Manufacturers and Sales and Marketing Agencies”

Dear CPG Executive:

The ASMC Foundation and Georgia State University are conducting an original Research Study to better understand and improve the partnering capabilities between Sales and Marketing Agencies (SMAs) and their manufacturing (CPG) clients. We are writing to request your participation in this important follow-up Study to two previous Research Reports on outsourcing sponsored by ASMC Foundation referred to in the next paragraph. **The findings are expected to highlight the capabilities of SMAs to better serve their CPG clients and make a stronger fact and research-based case for their services.**

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Dr. Naveen Donthu
Georgia State University
ndonthu@gsu.edu
404-413-7662

Mark Baum, President
ASMC Foundation
mbaum@asmcfoundation.org
571-321-2026

Barry Maloney, CFO
ASMC Foundation
bmaloney@asmcfoundation.org
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Thank you, in advance, for your participation. You can print this page for your records.

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Administrative Services - covers activities such as back office support, order management support, promotion and deduction management support, post audit claim management support, and customer service.

Typical SMA - one of your top 5 sales and marketing agencies.

PART 1 - SMA and CPG RESOURCES

Please rate the degree **your FIRM** and **your typical SMA** utilize the following resources.

	YOUR FIRM						SMA					
	Very LOW	Low	Average	High	Very HIGH	Non-Applicable	Very LOW	Low	Average	High	Very HIGH	Non-Applicable
1-Technological Resources to perform:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2-Human Resources to perform:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3-Managerial Expertise to perform:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4-Financial Resources to perform:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 2 - SMA and CPG CHARACTERISTICS

Please state your level of agreement or disagreement with each of the following statements about **your FIRM** and **your typical SMA** (the same sales and marketing agency you evaluated and named in the previous section).

YOUR FIRM

SMA

	Strongly DISAGRE F	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non- Applicable	Strongly DISAGRE E	Disagree	Neither Agree Nor Disagree	Agree	Strongly AGREE	Non- Applicable
1-Can be relied upon to fulfill its responsibilities for:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-HEADQUARTERS SELLING	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-RETAIL SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-ADMINISTRATIVE SERVICES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2-Is characterized as being trustworthy by its business partners (SMAs, CPGs and retail firms).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3-Maintains competitive intelligence.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4-Learns a lot from its interactions with its business partners (SMAs, CPGs and retail firms).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5-Has frequent meetings to reach an agreement about its strategic business plans.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6-All employees share the same organizational vision and ambitions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7-Is dynamic and has a lot of flexibility in customizing its activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 3 – PERFORMANCE

Headquarters selling, retail services and administrative services tasks consists of several activities. Please select which best describes your typical arrangement with the SMA for each one of these 3 tasks.

	We perform all the activities	We perform some activities and the SMA performs others	We jointly perform all activities with the SMA	Other
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now, please rate how successfully each one of these 3 tasks is performed with this SMA by using the above arrangement you selected.

	Very Unsuccessfully	Unsuccessfully	Neither Successfully nor Unsuccessfully	Successfully	Very Successfully	Non-Applicable
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Would you like to change the above arrangement you currently have for any of the 3 tasks below?

	Never	Maybe	Unsure	Probably	Definitely	Non-Applicable
Headquarters Selling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 4 - PARTNERSHIP SATISFACTION

Please state your level of agreement or disagreement with each of the following statements about the **working relationship** of your OUTSOURCING PARTNERSHIP with the typical SMA (the sales and marketing agency you evaluated in previous sections).

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- Could not be better.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Overall, we are satisfied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- Better than with other SMAs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 5 - PARTNERSHIP OUTCOMES

Please state your level of agreement or disagreement with each of the following statements about your OUTSOURCING PARTNERSHIP with this typical SMA.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Non-Applicable
1- We are keenly aware of our weaknesses, strengths, gaps, and discontinuities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- We have acquired new critical capabilities or skills.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- We work fast and meet deadlines.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4- Our partnership is dynamic and has a lot of flexibility in customizing our services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5- We are able to combine, recombine, and create new business processes as needed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 6 - FUTURE ENVIRONMENT

Please rate the likelihood that the following will occur in the product lines you represent over the next 12 months.

	Very Unlikely	Unlikely	Neither Likely nor Unlikely	Likely	Very Likely	Non-Applicable
1- Extensive changes in retail environment (consolidation, new competition, etc.).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2- Major product innovations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3- Key supply chain innovations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4- Major changes in customer preferences.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PART 7 - CPG PROFILE

Please fill in the approximate:

1. Annual sales revenue of your firm in U.S. dollars (\$): _____
2. Number of employees in your firm: _____
3. Number of years your firm has been represented by this SMA: _____

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