A Comparative Study of Interfirm Influence Strategies of Truck Manufacturers in Iran and India

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Abstract

This study aims to compare the interfirm influence strategies of distribution channels of truck manufacturers in Iran and India. Paired t-test and Computing Pearson Correlation Coefficients used to analyze the collected data from the dealers of truck manufacturers, of Iran and India. Manufacturers in both countries use indirect influence strategies more frequently than direct influence strategies toward their dealers. Recommendations are used more often than information exchange in India, but in Iran both are used almost equivalently. When direct influence strategies are applied by manufacturers, promises are used most often and threats are used least for both countries. When foreign firms especially western firms enter a market of an Asian country like India, they should be careful that the same influence strategies can not be applied in another Asian country like Iran. This is the first empirical study to compare the interfirm influence strategies of truck manufacturers in Iran and India.

Keywords: Distribution Channels, Truck manufacturers, Influence Strategies, India, Iran

1. Introduction

Over the past three decades, channel relationships have become a major marketing research topic. Relevant studies have addressed on the power use, conflict, satisfaction, opportunism, and, most recently, trust and commitment (Geyskens, Steenkamp, & Kumar, 1999). Of these, influence strategies (within the reign of power use) and their relationships with satisfaction have attracted the attention of many scholars (Frazier, Gill, & Kale, 1989; Frazier & Summers, 1986; Geyskens & Steenkamp, 2000; Geyskens et al., 1999). Automotive manufacturers and dealers are confronted with an increasingly competitive environment wherein too many competitors offer an excessive supply of an increasingly redundant and deflationary product to a saturated market.

To increase sales and profit margins, manufacturers and dealers have been forced to adopt strategies that may conflict with one another, the manufacturer's international and national strategies are often at odds with the dealers' regional and local competitive requirements. Using the right influence strategies by supplier would help to attain its business goal, but which would also keep the intermediaries satisfied, motivated, and performing. Influence strategies are communications directed by a supplier toward a dealer with an intention to impact on or change the dealer's behavior (Frazier & Summers, 1984). The influence strategies commonly used in the West may not be effective in the Iranian and Indian markets and local adaptations need to be made. In this article, the researchers report a study that examines the patterns of truck manufacturers' strategies in Iran and India to influence their dealers and the consequences of using influence strategies in terms of achieving an optimum, effective and efficient manufacturer-dealer relationship. The results would be of interest to foreign marketers intending to enter the Iranian and Indian markets through intermediaries of these countries.

2. Conceptual Background

2.1 Taxonomy of Influence Strategies

Most studies of influence strategies have been performed in western countries that are predominantly individualistic. Therefore, the results are very likely not to be applicable to oriental or more collectivistic countries (Geyskens & Steenkamp, 2000). For example, the assumption that channel members will feel happy when they guide their own behavior may not be applicable to collectivistic context. Influence strategies are communications directed by a source firm toward a target firm with an intention to cause a change in the latter's behavior (Frazier & Summers, 1984).

Influence strategies taxonomy by (Frazier and Summers, 1986)

Indirect Influence Strategies:

a)   Information exchange strategy: The source discusses general business issues and broad operating philosophies with the target without making specific statements about what it would like the target to do.
b)   Recommendations strategy: The source predicts that the target firm will be more profitable if the target follows its suggestions about some specific action or set of actions.
Direct Influence Strategies:

   a) Requests strategy: The source informs the target of the action(s) it would like the target to take without mentioning or directly implying any specific consequences of the target's subsequent compliance or noncompliance.
   b) Promises strategy: The source pledges to provide the target with a specified reward contingent on the target's compliance with its stated desires.
   c) Threats strategy: The source communicates to the target that it will apply negative sanctions should the target fail to perform the desired action.
   d) Legalistic pleas strategy: The source contends that the nature of the formal legal contract and/or informal binding agreement between the parties either requires or suggests the target should perform a certain action.

2.2 Use of Interfirm Influence Strategies

Most of the empirical research on interfirm influence strategies has been conducted in the United States. In a study of the automobile distribution channel in the United States, Frazier and Summers (1984, 1986) found that manufacturers relied mostly on information exchange and requests in their interactions with dealers. Recommendations, threats, legal pleas, and promises were used much less frequently.

According to Bandyopadhyay Soumava, (2004), indirect influence strategy use was found to be greater compared to direct influence strategy use in India. The suppliers in India used recommendations more than they did information exchange when they had to choose between the two types of indirect influence strategies. Also he found suppliers in India appear to believe that offering a reward in exchange for compliance would be effective in making the dealers act according to their desires.

From an organization theory point of view, dyadic trust seems to be a key element in maintaining harmonious channel climate leading to a long-term and solid channel relationship between dyadic channel members. Herein, dyadic trust refers to the mutual belief held by dyadic channel members in which the corresponding partner is reliable to fulfill its obligations in the interest-induced exchange process. Applying noncoercive influence strategies, dyadic channel members seem to readily communicate with each other without pressure, and this may facilitate the positive channel climate, (Tung-Lai Hu and Jiuh-Biing Sheu,2005).

A franchisor asks franchisees to undertake certain actions, some of which franchisees might not agree with, will cause tension and frustration among franchisees, this tension and frustration will breed conflict in the relationship (Frazier and Rody, 1991). Not all types of influence, however, cause conflict.

The (Kale, 1986), has argued the more powerful suppliers in a sellers' market are perceived to rely on threats, promises, and legalistic pleas to influence their dealers. Less powerful suppliers are perceived to use low pressure means of influence such as information exchange, request, and recommendations.

3. Hypotheses

3.1 Indirect influence strategies

Information exchange which is about general aspects and recommendation is related to specific aspects, dealers are smaller and need suggestions. Suggestions are likely to drive greater benefit from directive recommendation than general information exchange, which they may not know what to do with.

Now the following hypotheses are formulated.

H1: In Iran manufacturers use recommendation more frequently than information exchange when they use indirect influence strategies toward their dealers.

H2: In India manufacturers use recommendation more frequently than information exchange when they use indirect influence strategies toward their dealers.

3.2 Direct influence strategies

Tendency in exchange of desired actions are common in many countries like Iran and India. When a manufacturer does promise to its dealers for performing specific act will return some incentives back.

The promise strategy is likely to be used quite frequently in interorganization communications in such countries. Request strategy likely to be used less than promise which does not specify any reward for any act by dealer. Legal pleas are not likely to be used widely in countries like Iran and India. The threat strategy is likely to be used even less because it is intimidatory by definition.

The above discussion leads to the following hypotheses:

H3: In terms of frequency usage, manufacturers in Iran use threat, request, legal plea and promise, in ascending order toward their dealers.

H4: In terms of frequency usage, manufacturers in India use threat, request, legal plea and promise, in ascending order toward their dealers.

H5: In Iran there is a positive relationship among the use of threat, legal plea and request strategies by the manufacturers.

H6: In India there is a positive relationship among the use of threat, legal plea and request strategies by the manufacturers.

3.3 Indirect versus Direct Influence Strategies

Due to eight years war between Iran and Iraq, the economic conditions of Iran was in such a way that, it's economy was a seller's market. Also prior to the economic liberalization in the 90s, the economy of India was a seller's market for most products too. In the seller's market manufacturers were more likely to employ direct influence strategies, but the market conditions are quite different now due to more competition, the economic conditions of Iran and India are different too.

The above discussion leads to the following hypotheses:

H7: In Iran manufacturers use direct influence strategies more frequently compared to manufacturers in India.

H8: In Iran manufacturers use indirect influence strategies more frequently compared to manufacturers in India.

4. Research Methodology

4.1 Sampling Frame

The population was comprised of dealers of trucks. The dealers were surveyed about their communication patterns with their manufacturers. The owner and manager in each dealership was responsible for communicating with manufacturers was asked to complete the survey instrument. This survey is a comparison between automobile (trucks) industry Iran and India. In case of India among the Tata company and Ashok Leyland company, the Ashok Leyland company was selected and in Iran, among the Saipa Diesel company and Iran khodro Diesel company, the Saipa Diesel company was selected.

Ashok Leyland has got 208 dealers according to it's website, the questionnaires were sent to all 208 dealers. The mail survey method was used due to geographical dispersion of India. 82 usable responses were returned by Indian dealers. But in case of Iran (Saipa Diesel Company) there were 60 dealers which were involved in both sale and services, the questionnaires were personally delivered to the dealers and collected from those who agreed to respond, 30 usable responses were returned by Iranian dealers.

4.2 Construct Measurement

Multi-item scales were used to measure the influence strategies (six types). The reliability measurement is shown in Table 1. It is seen that all the multi-item measures had acceptable reliabilities (Cronbach's alpha).

4.3 Influence Strategies

The multi-item influence strategy scale used by (Boyle et al. 1992) was adopted. The manufacturer's representatives used each of the six influence strategies in their interaction with the dealer on a 5-point Likert scale (1=never, 5=always).

5. Test of Hypotheses

The statistical tests to test hypotheses H1-H2 are presented in Table 2. Hypotheses H1 and H2 were tested by paired t-test to compare the use of the two indirect influence strategies: information exchange and recommendations. The mean

value for recommendations of Iran (3.8333) was not significantly differ (t=1.2, p value=0.12, p<0.05) than the mean for information exchange of Iran (3.9667), therefore hypothesis H1 was not supported.

The mean value for recommendations of India (3.735) was significantly higher (t=2.3, p value=0.014, p<0.05) than the mean for information exchange of India (3.538), therefore hypothesis H2 was supported.

To test hypotheses H3 and H4, paired t-tests were performed to compare among the means of all four direct influence strategies (requests, promises, threats and legal pleas), one pair at a time. The differences between all pairs of direct influence strategies were found statistically significant in case of Iran, threat strategy (mean value=2.622, P value=0.002, request strategy (mean value=2.7917, p value=0.045), legal plea (mean value=2.9200, p value=0), and promise strategy (mean value=3.3333, p value=0), (all at p<0.05), therefore hypothesis H3 was supported. In case of India threat strategy (mean value=1.869, p value=0, p<0.05), legal plea strategy (mean value=2.406, p value=0.001, p<0.05), request strategy (mean value=2.947, p value=0.237, p>0.05) and promise strategy (mean value=3.079, p value=0.237, p>0.05). The data, therefore support partially to H4, (Table 3).

Hypotheses H5 and H6 were tested by Computing Pearson Correlation Coefficients, among the use of threats, legal pleas, requests, the results appeared in Table 4. Statistically significant positive correlation were found for data of Iran between threats and legal pleas (r=0.628, p value=0.005, p<0.05), legal pleas and request (r=0.404, P value=0.027, p<0.05) and between threats and requests (r=0.504, p value=0.005, p<0.05). Thus hypothesis H5 was supported.

For data of India, threats and legal pleas (r=0.574, p value=0.004, p<0.05), threats and requests (r=0.245, p value=0.17, p>0.05), legal pleas and requests (r= -0.047, p value=0.796, p>0.05). Thus hypothesis H6 was not supported.

Hypotheses H7 and H8 were tested by paired t-test to compare the respective strategies, (Table 5). In Iran manufacturers use direct influence strategies (mean=2.917) more frequently than direct influence strategies in India (mean=2.575), In Iran manufacturers use indirect influence strategies (mean=3.9) more frequently than indirect influence strategies in India (mean=3.636), In Iran manufacturers use indirect influence strategies (mean=3.9) more frequently than direct influence strategies in India (mean=2.575) and, In Iran manufacturers use direct influence strategies (mean=2.917) less frequently than indirect influence strategies in India (mean=3.636) and, therefore, H7 and H8 were supported.

6. Discussion and Managerial Implications

Manufacturers in Iran used information exchange a little more (not significantly) than recommendation (H1), when they had to choose between the two types of indirect influence strategies, but they can not make critical business decisions. It was also found in this study that dealers in India used recommendations more than they did information exchange among the two types of indirect influence strategies, (H2). It seems the dealers do not have much expertise to make critical business decisions so the manufacturers leave dealers to make their own decisions.

As far as direct influence strategies were concerned, promises were used more frequently than other strategies, Hypotheses (H3 & H4). Manufacturers of both countries appear to believe that offering a reward in exchange for compliance would be effective in making the dealers act according to their desires. In Iran legal pleas come for second option after the promises, while in India requests come for second option. In Iran manufacturers pay more attention on legal pleas than requests but in India is reverse. In both countries threats come last.

A positive correlation was observed however, among the uses of requests, legal pleas and threats (H5), this suggests that, dealers in Iran are likely to assume that a request from manufacturer, if complied with, might result in some kind of reward, even though the request strategy does not explicitly specify so. Also, dealers perceive legal plea as a threat if they do not follow the agreement's rules, and they assume that some negative sanction for non-compliance is implicit. Similarly, dealers may also perceive a request or a legal plea as a threat if they do not compliance with. The blurring of the distinction among requests, legal pleas and threats will probably depend on how the language used by the manufacturer in its influence attempt is perceived by the dealer. Hence, manufacturer will need to be careful in their choice of words when they use requests or legal pleas, to ensure that the "right" message is conveyed. In case of India a positive correlation was found only among the uses of threats and legal pleas but a negative relationship between them and requests. This suggests that, dealers in India are likely to assume that a request from manufacturer, if not complied with, might not result in some kind of reward, even though the request strategy does not explicitly specify so. But dealers perceive a legal plea as a threat if they assume that some negative sanction for non-compliance is implicit, (see Hypothesis H6).

In both countries manufacturers use indirect influence strategies more frequently than direct influence strategies, in Iran, it is found that manufacturers use direct influence strategies more frequently than in India, (Hypotheses H7 & H8).

When foreign firms especially western firms enter a market of an Asian country like India, they should be careful that the same influence strategies cannot be applied in another Asian country like Iran. The empirical test presented in this paper illustrates the pattern of intrachannel influence strategy use in Iran and India.

The key is to keep local dealers satisfied and active that, foreign manufacturers will have to use influence strategies that be different from what they use in their domestic markets, and be different from country to country in Asia. By using the right influence strategies in dealing with dealers, manufacturers will be able to achieve their goals.

7. Limitations of Study

This study has the usual limitations associated with most survey research. The empirical test was conducted in channel of distribution for automobile industry of Iran and India. Caution must be exercised before generalizing the results across other industries. Also, only one side of the manufacturer-dealer dyad was considered for empirical test. This too indicates the necessity for caution before generalizing the results.

8. Conclusion

Despite its limitations, this study has some significant theoretical and practical contribution in that it tries to guide manufacturers that seek to enter the markets of Iran and India into appropriate influence strategies toward local dealers. Appropriate influence strategies will help manufacturers mange their relationships with local dealers better, and that will make the manufacturers more competitive. This study can be regarded as a step toward a better understanding of interfirm communication strategies in general, and influence strategies in particular, in the markets which geographically and culturally very different from each other and have changed substantially over the past decade.

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Table 1. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
0.640	0.622

Table 2.

	Variables	**Mean**	**St. Deviation**	**Paired t**	**Significance p-value**
H1:	Recommendations	3.8333	0.5225	1.2	0.12
	Information Exchange	3.9667	0.313		
H2:	Recommendations	3.735	0.541	2.3	0.014
	Information Exchange	3.538	0.603		

Table 3.

		Mean	St. Deviation	p-value
H3:	1. Threats	2.6222	0.2834	0.002
	2. Requests	2.7917	0.3154	0.045
	3. Legal Pleas	2.9200	0.4055	0
	4. Promises	3.3333	0.3977	
H4 :	1. Threats	1.869	0.513	0
	2. Legal Pleas	2.406	0.625	0.001
	3. Requests	2.947	0.575	0.237
	4. Promises	3.079	0.661	

Table 4.

H5:	Influence Strategies	Threats	Legal Pleas
For	Legal Pleas	0.628 (0.005)	
Iran	Requests	0.504 (0.005)	0.404 (0.027)
H6:	Influence Strategies	Threats	Legal Pleas
For	Legal Pleas	0.574 (0.004)	
India	Requests	0.245 (0.17)	- 0.047 (0.796)

Table 5.

(H7 & H8)	Mean	St. deviation	p-value
Indirect (Iran)	3.9	0.305	0
Direct (Iran)	2.917	0.248	0.008
Indirect (India)	3.636	0.518	0
Direct (India)	2.575	0.276	0