

# To Collaborate or Not? The Role of Relationship

*by I Made Sukresna*

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## To Collaborate or Not? The Role of Relationship-specific Investments in Small and Medium-sized Enterprises

### ABSTRACT

Past studies examined the benefits and drawbacks of relationship-specific investments (RSIs), but few compared the two simultaneously in the context of small and medium-sized enterprises (SMEs). This study aims to fill the gap in the literature by investigating the impact of different factors on manufacturer–retailer relationships in Indonesian SMEs. We argue that RSIs, collaboration, and opportunism can influence relationship performance, and RSIs can drive collaboration and opportunism. This research employs data from 200 small and medium-sized furniture manufacturers in Indonesia and tests the hypotheses using structural equation modeling. Findings show that the benefits of RSIs outweigh their drawbacks, and RSIs can directly enhance relationship performance, foster collaboration, and reduce the negative opportunistic tendencies of retailers in marketing channels. The findings also show that optimal RSIs and collaboration can reduce the detrimental impact of the opportunism of retail partners. This study suggests that SMEs prioritize and apply knowledge-based RSIs by intensively teaching their channel partners specific sales and furniture product maintenance techniques to promote further interactions with retailers, which may result in enterprise growth. In addition, SMEs should complement collaboration with a formal contract, because overdependence on an informal contract may result in a false sense of security over opportunism actions.

**Keywords:** small and medium-sized enterprises; relationship-specific investments; collaboration; opportunism; relationship performance

### ABSTRAK

Kajian lepas telah mengkaji faedah dan kelemahan daripada pelaburan perhubungan secara khusus, tetapi sedikit yang membandingkan kedua-duanya secara serentak dalam persekitaran Perusahaan Kecil dan Sederhana. Kajian ini bertujuan untuk mengenalpasti kesan tersebut dalam hubungan pengilang-peruncit Perusahaan Kecil dan Sederhana di Indonesia. Kami berpendapat pelaburan perhubungan secara khusus saling berinteraksi dengan kerjasama dan oportunisme dalam mempengaruhi prestasi perhubungan. Kajian ini melibatkan data daripada 200 pengeluaran perabot kecil- sederhana di Indonesia dan hipotesis yang dibangunkan menggunakan Pemodelan Persamaan Struktur. Kajian ini mendapati impak faedah pelaburan perhubungan secara khusus melebihi kesan negatif. Ini secara langsung boleh meningkatkan prestasi perhubungan dalam pemasaran, memupuk kerjasama dalam saluran pemasaran oleh peruncit, dan mengurangkan kecenderungan oportunisme negatif peruncit. Apabila kedua-dua pelaburan perhubungan secara khusus dan kesan kerjasama dioptimumkan, kesan negatif oportunisme yang memudaratkan oleh rakan kongsi runcit mungkin berkurangan. Beberapa batasan berlaku kerana kajian tidak mempertimbangkan pelaburan perhubungan secara khusus peruncit, kesan internet dan jenis tadbir urus hubungan. Kajian ini mencadangkan Perusahaan Kecil dan Sederhana melabur dalam pelaburan perhubungan secara khusus yang berasaskan pengetahuan serta kerjasama harus dimuktamadkan dengan kontrak rasmi.

**Kata kunci:** perusahaan kecil dan sederhana; pelaburan perhubungan secara khusus; kerjasama; oportunisme; prestasi perhubungan

## INTRODUCTION

In marketing channels, well-managed relationships between manufacturers and retailers can stimulate value creation and minimize transaction costs (Wathne et al. 2018). Drawing on transaction cost economics (TCE) theory, previous studies found that manufacturer relation-specific investments (RSIs) are beneficial for value creation and channel performance improvement (Delbufalo 2021; Huang & Huang 2019). For instance, Kussudyarsan et al. (2020) found that in small and medium-sized enterprises (SMEs) in Indonesia, RSIs in family firms can lead to the adoption of formal and relational governance, which can increase SME management quality. In Japan, Kim, Ishii, and Park (2022) discovered that retailers' RSIs enhanced a buying group's brand equity and strengthened the brand equity's positive impact on the group's financial performance. In such cases, each channel member may deploy mutually beneficial RSIs and include the correct alternate value(s) (Kim, Cho & Ryu 2020).

However, RSIs can also enhance lock-in and barrier risks and increase transaction costs and thus facilitate the emergence of a negative perception on a partner's commitment (Huang & Huang 2019; Huo, Guo & Tian 2023). In China, Wan, Zeng, and Ao (2019) showed that small farmers' RSIs can positively influence their cooperation risk. In such cases, because of its perceived vulnerable position, a channel partner may act opportunistically and against the bond between the parties (Huo et al. 2018), which may reduce their relationship commitment.

The different empirical results indicate a discrepancy in the actual impact of RSIs on manufacturer-retailer relationship outcomes (Huang & Huang 2019). Existing studies showed the positive and negative influences of RSIs separately, and few paid attention to the two types of influences simultaneously, along with the direct consequences of RSIs on channel relationship performance (e.g., Liu, Xue & Li 2019; Wu, Wang & Chen 2017).

Existing studies also investigated the role of RSIs in large enterprise (LE) settings (e.g., Burki et al. 2023; Huang & Huang 2019; Kamalaldin et al. 2020; Mo et al. 2019), but few focused on SME settings in a developing country. SMEs implement supply chain management and marketing channel governance differently from LEs, and their marketing channel differences can significantly affect the performance outcomes of manufacturer-retailer relationships (Ranjan, Dash & Rayangoudar 2020). SME marketing channel performance is also linked with the expansion of a manufacturer's supply chain, but the relationship is typically less intensive compared with the partnerships of LEs (Zaridis, Vlachos & Bourlakis 2021).

To fill the research gaps, this study compares the direct and indirect effects of RSIs on relationship performance in a marketing channel. This study also examines the role of collaboration and opportunism as co-contributors to relationship performance in a marketing channel. The research object in this study is the furniture industry in Indonesia. In line with the LE context, proper RSI management can increase SME performance (Kim et al. 2022).

Against this background, this study attempts to answer the following research question: What are the dual impacts of RSIs on the manufacturer-relationship performance of Indonesian SMEs? This study compares the benefits and drawbacks of RSIs on the relationship performance of Indonesian SMEs in a marketing channel.

## LITERATURE REVIEW

### RELATIONSHIP BETWEEN RSIs AND RELATIONSHIP PERFORMANCE

RSIs, whose definition is interchangeable with that of asset specificity, are associated with the degree to which the dedicated assets of channel members can be diverted to different purposes without incurring substantial supplementary costs (Williamson 1991).

Most empirical findings revealed the direct and positive influence of RSIs on relationship performance. For instance, in China, Chi, Zhang, and Deng (2021) found that human RSIs can positively influence cooperative and innovative relationships in downstream channels. Huo et al. (2023) observed that RSIs between suppliers and customers can positively impact market performance. In Taiwan, Huang, Kang, and Chiang (2020) determined that suppliers' RSIs can positively impact firm performance. In a meta-analysis study, Delbufalo (2021) discovered that in a buyer-supplier relationship, high asset specificity is positively related to relationship performance. Meanwhile, Yoon and Moon (2019) indirectly showed that in Korea, suppliers' RSIs can positively influence firm performance through strong commitment. However, Zhou, Sheng, and Zhang (2022) presented slightly different results, because they observed that distributors' RSIs can weaken the positive influence of their whistleblowing on relationship quality.

In SME settings, RSIs may encourage the parties in the marketing channel to share knowledge and workloads, thereby reducing coordination costs and improving efficiency (Choi & Hara 2018). Against this background, we present the following hypothesis:

H1: RSIs positively influence relationship performance.

#### RELATIONSHIP BETWEEN RSIs AND COLLABORATION

RSIs can create high transaction value but incur high transaction costs (Jia 2013). Recent empirical findings showed that RSIs do not consistently lead to cooperation or collaboration. In China, Liu et al. (2019) found that a supplier's RSIs may reduce cooperation when a distributor perceives the supplier's RSIs to be lower than those of a rival supplier. However, if the distributor perceives the supplier's RSIs to be higher than those of its competitor, its cooperation with the supplier will not necessarily improve. Meanwhile, Zhou et al. (2020) observed that a firm's RSIs can mediate the positive relationship between interpersonal *guanxi* (closeness among parties) at the operational level and a partner's voluntary help and collaboration.

The impact of RSIs on collaboration may be contingent, but reciprocity, flexibility, knowledge exchange, and solidarity may endure with the relationship (de Vita, Tekaya & Wang 2011; Lai, Li & Lai 2013). Thus, RSIs may be implemented in informal mechanisms to mitigate opportunism, such as information sharing and joint planning (Trada & Goyal 2020), which are elements of channel collaboration (Zhou et al. 2015). Thus, we propose the following hypothesis:

H2: RSIs positively influence collaboration.

#### RELATIONSHIP BETWEEN RSIs AND OPPORTUNISM

TCE theory suggests that RSIs are positively correlated with a partner's opportunistic behavior (Brown et al. 2020). However, current findings revealed certain conditions for the impact of RSIs on opportunism in the context of LEs. In China, Shi, Feng, and Li (2022) found that RSIs can positively influence opportunism when its level is low but increasing. By contrast, RSIs can negatively influence opportunism when its level is high but decreasing. Similarly, Liu et al. (2019) revealed that a supplier's RSIs can increase a distributor's opportunistic behavior when the distributor perceives the supplier's RSIs to be lower than those of a rival supplier. However, if the RSIs are higher, then the influence will be negative. Likewise, Wang, Ma, and Wang (2021) determined that manufacturer RSIs can have a direct positive effect on customer opportunism but an indirect negative effect through customer integration.

Other studies observed the positive effect of RSIs on opportunism. For instance, in China, Mo et al. (2019) found that partners' RSIs are positively associated with the opportunistic and extra-role behavioral intentions. Shen, Zhang, and Teng (2019) argued that when a distributor's RSI is high, the rate of its opportunism will increase, because *guanxi* will be high. Meanwhile, Wang et al. (2020) revealed that unilateral suppliers' RSIs can encourage international buyers' opportunism through increased supplier dependence.

SMEs typically suffer from scarcity of resources (Ismail 2014), lack of tangible assets, and low managerial skills (Ismail, Senik & Juhdi 2018; Omar, Aris & Nazri 2016). Therefore, SMEs may view high commitment to channel partners as entailing considerable connectivity and costly risks (Ranjan et al. 2020). Current findings mostly observed a positive correlation between RSIs and opportunism; thus, the same may be true in SME settings. Therefore, we propose the following hypothesis:

H3: RSIs positively influence opportunism.

#### RELATIONSHIP BETWEEN COLLABORATION AND OPPORTUNISM

Collaboration can facilitate close interfirm relationships and maintain channel flexibility and responsiveness (Cao & Zhang 2011). Recent findings showed the negative influence of collaboration on opportunism under certain conditions. In China, Wang, Zhang, and Jiang (2019) determined that relational governance is more effective in safeguarding suppliers' human RSIs than their physical RSIs by reducing opportunism. Zhang, Zheng, and Li (2019) found that though collaboration can restore trust, it fits better with individual boundary-spanner opportunism than with firm opportunism. Meanwhile, Zhou, Yang, and Zhuang (2021) demonstrated that relational embeddedness, which is a precursor of collaboration (Zhou et al. 2021), and channel opportunism exhibit a U-shaped association. Furthermore, Zhao, Wang, and Gu (2021) revealed that a focal firm's network embeddedness can negatively influence its partner's weak opportunism but not its strong opportunism.

Other studies indicated a negative relationship without any conditions. For example, Jia et al. (2021) showed that manufacturers' use of a noncoercive influencing strategy in collaboration can negatively impact resellers' opportunistic tendencies. Huo et al. (2019) indicated that buyers' use of noncoercive power can negatively impact their partners' opportunistic tendencies. Moreover, Wang, Fang, and Li (2019) found that relational governance and a noncoercive strategy can negatively influence opportunistic tendencies. In India, Maurya and Srivastava (2020) observed that flexibility, as a form of collaboration, is necessary in the governance structure to reduce partners' opportunistic tendencies.

The dominant findings on the negative impact of collaboration on opportunism lead us to propose the following hypothesis:

H4: Collaboration negatively influences opportunism.

#### RELATIONSHIP BETWEEN COLLABORATION AND RELATIONSHIP PERFORMANCE

Recent empirical findings indicated the positive influence of collaboration on relationship performance. In Ghana, Pomegbe et al. (2021) found that relational governance, as part of collaboration (Zhou et al. 2015), can positively influence channel coordination. In China, Wang et al. (2019) revealed that relational governance can positively influence project performance. In the United States, Cho, Bonn, and Terrell (2019) argued that relational stability can positively affect restaurant performance.

Collaboration can also foster commitment to sustainable channel relationships and trust, even in the face of opportunism (Zhang et al. 2019). Collaboration can lead to manufacturer–retailer relationship satisfaction (Payan et al. 2019) and increase the focal firm’s agility (Narayanan, Narasimhan & Schoenherr 2015). Agile and satisfied channel members will eventually improve their relationship performance (Gligor, Esmark & Holcomb 2015). Against this backdrop, we propose the following hypothesis:

H5: Collaboration positively influences relationship performance.

RELATIONSHIP BETWEEN OPPORTUNISM AND RELATIONSHIP PERFORMANCE

A partner’s opportunism can cause the focal firm to experience intense deprivation and obtain few benefits from the channel relationships (Wang et al. 2013).

Current empirical findings mostly indicated the negative effects of opportunism on relationship performance (e.g., Wang et al. 2021; Wang et al. 2019; Trada & Goyal 2020; Steinle, Schiele & Bohnenkamp 2020), and only a few studies observed a minor impact. For example, in Ghana, Pomegbe et al. (2021) showed that opportunistic behavior can partially mediate the relationship between contractual governance and coordination. Meanwhile, in the United States, Cho et al. (2019) demonstrated that opportunism does not negatively affect restaurant performance.

Hence, in SME settings, opportunism may reduce a partner’s commitment, induce dysfunctional behaviors, or trigger occasional relationship termination. However, low opportunism in channel relationships can reduce monitoring and safeguarding costs and leave the channel members open to joint activities and relationship cohesion (Yang, Qian & Zheng 2017). Therefore, we propose the following hypothesis:

H6: Opportunism negatively influences relationship performance.

The proposed framework based on the hypotheses is depicted in Figure 1.

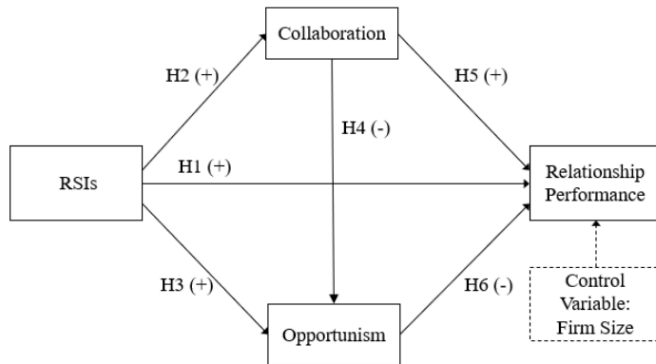


FIGURE 1. Conceptual model of marketing channel relationship performance

METHODOLOGY

In this study, we defined an SME as a firm with up to 100 employees (Statistics Indonesia/BPS). The participants were from Jepara Regency, Central Java, Indonesia. The initial sampling frame was based on the Jepara Regional Study, which consisted of 5,993 SMEs in the furniture industry. However, owing to its imprecise statistical records (nonexistent firms and inaccurate company addresses), we conducted nonprobability (purposive) sampling to collect the data. We hired professional surveyors to overcome the inaccuracies in the official database of Indonesian SMEs (Gunawan, Jacob & Duyster 2016). With the help of local business contacts, the surveyors compiled business addresses and details across Jepara, then contacted the business owners via phone. The business owners or directors identified the most qualified individual in the organization to answer the questionnaire. The questionnaire was given to the manufacturing firm's representative. The surveyors successfully contacted a total of 249 manufacturers by phone or through face-to-face meetings. To ensure the data integrity, the surveyors were trained to follow the survey protocols and seek further qualitative feedback from the respondents.

Of the 249 manufacturers contacted, 210 agreed to participate in the survey through face-to-face interviews. This method is considered to be the most effective in obtaining responses and avoiding obstacles. The final sample consisted of only 201 responses, because some of the respondents opted out of the study or refused to complete the questionnaire. The missing value analysis showed that no cases needed to be deleted from the 201 valid questionnaire responses. However, one case was an outlier, so the final sample consisted of responses from 200 SMEs in the furniture industry.

The respondents were firm owners, directors, or managers. Such positions are involved in a firm's main investment and collaboration decision making. We asked the respondents to provide information about their firm's relationship with a connecting retailer that they considered to be relevant to their operation and with whom they have had a long-term relationship. To ensure the data validity, we evaluated the respondents' competency and knowledge of the subject under investigation. Specifically, we measured the respondents' work experience and found that they had 12.2 years' work experience in their company, on average (median 11 years). This finding confirmed the capability of the respondents to complete the survey. Table 1 shows the demographics of the respondents, which reflected the firms' diversity in terms of the number of employees, annual sales, duration of their relationship with the identified connecting retailer, the number of partner retailers, and the position of the respondent in the company.

Table 1 also reveals that each SME generated a sizeable annual sales revenue and was likely operating its marketing channels efficiently. The respondents were SME leaders, and the firms had close and long-term relationships with a few retail partners. The obtained data represented the targeted furniture industry.

TABLE 1. Demographics of respondents

Demographics	Frequency	%	Demographics	Frequency	%
Position of respondents			Number of stores as partners		
Owner	174	87%	1 – 5	169	85%
Director	3	2%	6 – 10	23	12%
Manager	23	12%	11 – 15	3	2%
	<u>200</u>		16 – 20	1	1%
Number of employees			21 – 25	2	1%
< 20	168	84%	> 5	<u>2</u>	1%
20 – 100	32	16%		<u>200</u>	
	<u>200</u>		Relationship length (years)		
Annual sales (rupiahs)			< 1	30	15%
0 – 49 million	55	28%	1 – 5	94	47%
50 – 99 million	118	59%	> 5 – 10	49	25%
100 – 149 million	15	8%	> 10	<u>27</u>	14%
150 – 199 million	5	3%		<u>200</u>	
> 200 million	7	4%			
	<u>200</u>				

#### MEASUREMENT DEVELOPMENT

The measurement items in the questionnaire were originally in English and adapted from previous studies, then translated into Indonesian. The clarity of the measurement items was enhanced through in-depth interviews with four manufacturers. A professional translator back translated the questionnaire into English to ensure its accuracy (Hoskisson et al. 2000). A five-point (1 = strongly disagree to 5 = strongly agree) Likert scale was used by the participants to rate the measurement items. Table 2 reports the Likert scale scores.

We adopted four items from Rokkan, Heide, and Wathne (2003) to measure the RSIs, but only three items passed the fit test. The items were mainly concerned about the degree to which assets were dedicated to the transactions of manufacturer–retailer partners, with no significant additional costs (Table 2). We measured collaboration with eight items adapted from Claro, Hagelaar, and Omta (2003); Narayanan et al. (2015); and Paulraj, Lado, and Chen (2008). However, only three items were strongly related and formed a strong construct, having residuals below 0.05. We measured opportunism with five items adapted from Rokkan et al. (2003), which examined a retailer's actions to earn individual profits at the cost of its manufacturer. Following Wang et al. (2013), we used a manufacturer's perception of a retailer's opportunism, instead of a retailer's self-reported opportunistic behavior, because self-reports may be biased. However, only three items passed the final fit test. Furthermore, we measured relationship performance with five items adapted from Villena, Revilla, and Choi (2011), which indicated the improvement scale of a manufacturer's operation owing to cooperation with its retailer in the past 1–5 years. However, only two items formed a strong construct, having residuals below 0.05.

To corroborate the results, we included firm size as a control variable, because it can represent the bargaining power of the channel members (Huang & Huang 2019). We measured the variable with the number of employees, following the criterion set by BPS. We measured the firm size using a dummy variable (1 = < 20 employees or a small firm; 0 = 20–100 employees or a medium-sized firm).

#### MEASUREMENT ASSESSMENT



We referred to Anderson and Gerbing (1988) to test the construct validity of the measurement items. First, the confirmatory factor reduction yielded residuals below 0.05. The constructs and measurement items are presented in Table 2. Second, we calculated the mean and SD of the construct items, along with the construct reliability with the average variance extracted (AVE) and Cronbach's alpha, which were well above 0.6 (Villena et al. 2011). The AVE and Cronbach's alpha values supported the discriminant validity and reliability of each construct (Hair et al. 2014).

The recursive SEM path model in Figure 2 closely resembles the proposed conceptual model of relationship performance in a marketing channel and the hypotheses shown in Figure 1. However, the H4 pathway (displayed in Figure 1) was not significant at the 0.05 level; thus, it was excluded from the final model of relationship performance with the SEM path, as shown in Figure 2.

Figure 2 illustrates the final full-item SEM model, with one model outlier (case 143) removed to resolve the problem of interaction effects. The remaining 20 cases and their measurement items showed an excellent model fit:  $\chi^2(49) = 1.358$ ,  $p = 0.048$ ,  $NFI = 0.938$ ,  $CFI = 0.982$ , and  $RMSEA = 0.042$  (Hu & Bentler 1999).  $GFI-AGFI = 0.030$  and  $TLI = 0.976$  further indicated the excellent fit structure of the model (Cunningham 2008).

Figure 2 shows that RSIs can positively influence collaboration (COL), relationship performance (RP), and opportunism (OPP). In addition, RSIs and collaboration can positively influence relationship performance, whereas opportunism can negatively influence relationship performance.

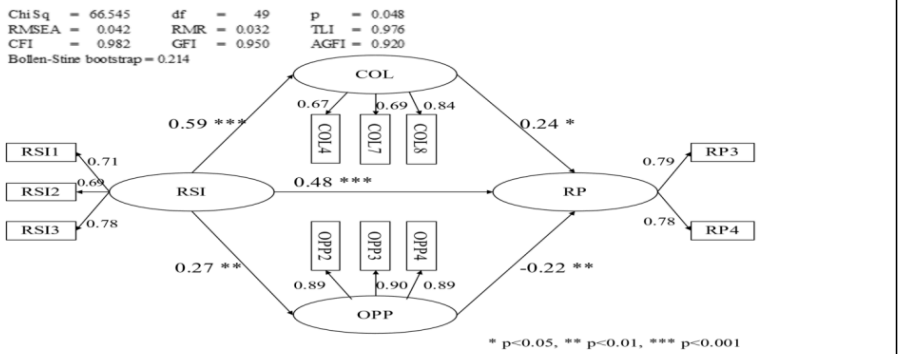
Figure 2 also shows the SEM model constructs with freely estimated parameters. However, SEM models can include averaged measurement item constructs as single-indicator construct composites. This approach has value for SEM path studies in which the constructs have multifaceted measurement items, the interaction effects require measurement item minimization, or the related constructs have joint interests (Grace & Bollen 2008). Others scholars view single-indicator construct composites as construct summary items, which may not make sense compared with SEM model covariates (Bollen & Bauldry 2011).

To clarify the relational pathways of the model in Figure 2, we presented Figure 1 (relationship performance in a marketing channel) as Figure 3 (hypothesized connectivity paths), which employed single-indicator construct composites (Munck 1979) as intermediate and dependent model constructs (Bollen & Bauldry 2011). Each unique single-indicator construct composite consisted of the deleted intermediate and dependent construct measurement items in Figure 2 (deleted because of their significant interaction effects, and they may mask the SEM model pathways; Munck 1979).

The final two columns of Table 2 map the intermediate or dependent constructs as a composite structural path model in Figure 3. The Munck (1979) approach was used for the columns, which provided the SEM average measurement item load for each construct's single-indicator load and error (Munck 1979; Cunningham 2008; Hair et al. 2014).

TABLE 2. Construct measurement summary

Survey questionnaire: Constructs and their measurement items (N = 200)		Item load	Construct					
			AVE	Mean	SD	Alpha	Load = SD $\sqrt{\alpha}$	Error = SD $\sqrt{1-\alpha}$
<b>RSIs</b>	Our company finds when working with this store:		0.53	3.54	0.68	0.81	0.61	0.09
	RSI1 we dedicate significant investments to our joint relationships	0.751						
	RSI2 we make significant internal adjustments to deal with its demands	0.664						
	RSI3 our logistic systems are tailored to meet its requirements	0.770						
	adapted from Rokkan et al. (2003)							
<b>COL</b>	Our company finds when working with this store:		0.53	3.61	0.63	0.81	0.57	0.08
	COL4 we both jointly deal with our relational problems	0.663						
	COL7 we share likely beneficial information with it	0.693						
	COL8 even changes information are jointly shared	0.838						
	adapted from Claro et al. (2003), Paulraj et al. (2008), and Narayanan et al. (2015)							
<b>OPP</b>	Our company finds when working with this store:		0.73	3.18	0.9	0.86	0.83	0.11
	OPP2 sometimes it promises to do things without actually doing them later	0.881						
	OPP3 sometimes it tries to breach our agreements to maximize their own benefit	0.890						
	OPP4 it tries to take advantage of 'holes' in our agreement to further their own interests	0.887						
	adapted from Rokkan et al. (2003)							
<b>RP</b>	When our company cooperates with this store:		0.61	4.13	0.47	0.66	0.38	0.07
	RP3 we learn about customers	0.785						
	RP4 we improve our existing product quality	0.779						
	adapted from Villena et al. (2011)							



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 FIGURE 2. Full structural path model

Chi Sq = 13.707    df = 7    p = 0.057  
 RMSEA = 0.069    RMR = 0.022    TLI = 0.931  
 CFI = 0.976    GFI = 0.978    AGFI = 0.933  
 Bollen-Stine bootstrap = not required

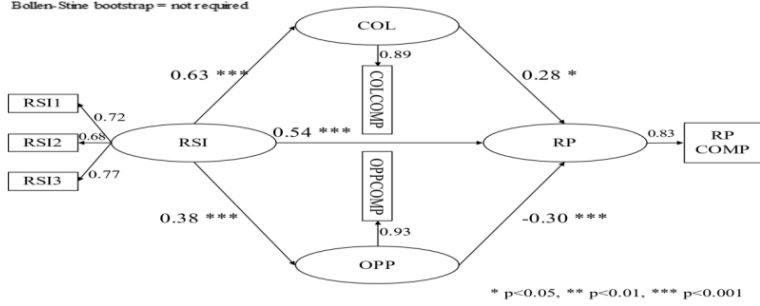


FIGURE 3. Composite structural path model

54 TESTS FOR NONRESPONSE BIAS AND COMMON METHOD VARIANCE (CMV)

We compared the valid questionnaires returned in the first and second waves to test the nonresponse bias (Armstrong & Overton 1977). The 200 sample items, which we divided roughly into two equal parts, showed no significant t-test differences.

We employed Harman's single factor approach for the CMV assessment, which yielded four factors that captured 71.44% of the variance. The first factor accounted for only 27.123% of the variance, which suggested that CMV was not a problem (Doty & Glick 1998). We used the marker variable technique for second assessment (Lindell & Whitney 2001). Specifically, we used a special marker variable that was theoretically unrelated to the research variables but included in the survey questionnaire (Malhotra, Kim & Patil 2006). The two questions denoted the respondents' perception of customer information and ability to capture business opportunities. The results revealed a weak relation between the marker and the research variables. The correlation test values were 0.139 (p = 0.127), 0.341 (p = 0.026), 0.033 (p = 0.638), and 0.156 (p = 0.111) for RSIs, COL, OPP, and RP. The results indicated that CMV was rather limited.

ANALYSIS OF ASSUMPTIONS

We conducted SEM using AMOS 24 to test the proposed research model and the hypotheses. The full model consisted of four constructs, 11 indicators, and a multivariate kurtosis of 200 cases that totaled 17.5, with skewness below 0.519. Meanwhile, the composite multivariate kurtosis totaled 0.397, with skewness below 0.465. The values indicated that the construct measures did not violate the SEM normality requirements and supported the maximum likelihood estimates (Cunningham 2008). In addition, the variance inflation factor (VIF) scores remained below 4, which indicated the absence of multicollinearity. Although extreme outlier values can skew results (Cohen et al. 2003), the farthest composite Mahalanobis d-squared distance from the centroid was continual and below 37.9 (full model) and 16.5 (composite model), which indicated that no further outlier removal was required.

Table 3 shows the correlations between the constructs of the full model and those of the composite model (with intermediate and dependent measures), which were all suitable for the SEM analysis.

TABLE 3. Correlations

Figure 2 full model construct	RSIs	COL	OPP	RP
RSIs	1.00			
COL	0.59	1.00		
OPP	-0.27	-0.16	1.00	
RP	0.56	0.49	0.05	1.00
Figure 2 composite model construct	RSIs	COL	OPP	RP
RSIs	1.00			
COL	0.59	1.00		
OPP	-0.27	-0.16	1.00	
RP	0.56	0.49	0.05	1.00

Firm size ranged from 1 to 100 employees, mean = 16.6, SD = 10.7  
 p < 0.05 (2 – tailed)

RESULTS

The SEM analysis shows that both structural models (full and composite models) meet all the requirements for an excellent fit (Hu & Bentler 1999; Cunningham 2008). Figures 2 and 3 reveal that  $\chi^2/df$  values between 1 and 3, with  $p > 0.05$ , are nearly achieved by the full model (an excellent fit, supported by the Bollen–Stine bootstrap  $>0.05$ ). The CFI, TLI, and GFI exceed 0.95; the AGFI exceeds 0.90; and the GFI-AGFI difference is below 0.06. Moreover, the RMSEA and RMR values are below 0.08. The SEM measures indicate that both models have an excellent fit for small datasets (Cunningham 2008; Hair et al. 2014).

Table 4 presents the full model and the coefficient weights and critical ratio (CR) of each hypothesis. Specifically, H1 is supported (CR = 3.84,  $\beta_1 = 0.48$ ,  $p < 0.001$ ), which indicates the significant positive influence of RSIs on RP. Likewise, H2 is accepted (CR = 6.24,  $\beta_2 = 0.59$ ,  $p < 0.001$ ), which suggests the significant positive effect of RSIs on COL. H3 is also supported (CR = 3.22,  $\beta_3 = 0.27$ ,  $p < 0.01$ ), which indicates the direct positive impact of RSIs on OPP. Interestingly, H4 is not accepted, because no significant pathway exists (CR = 0.217,  $\beta_4 = -0.024$ ,  $p = 0.828$ ), which means that the result does not support the hypothesized negative relationship between COL and OPP. Meanwhile, H5 is accepted (CR = 2.13,  $\beta_5 = 0.24$ ,  $p < 0.05$ ), which indicates the significant positive influence of COL and RP. H6 is also supported (CR = -2.73,  $\beta_6 = -0.22$ ,  $p < 0.01$ ), which suggests the significant relationship between OPP and RP. Table 4 also shows similar but slightly strong hypothesis results from the composite model.

TABLE 4. Hypothesis testing results

		Hypothesis	Standardized regression weights	Expected relationship	Estimate	SE	CR	p	Std. Estimate
Figure 2 Full model	H1	RSIs	-----> RP	Positive	0.36	0.10	3.84	***	0.48
	H2	RSIs	-----> COL	Positive	0.54	0.09	6.24	***	0.59
	H3	RSIs	-----> OPP	Positive	0.39	0.12	3.22	0.001	0.27
	H4	COL	-----> OPP	Negative	<i>Not significant</i>				
	H5	COL	-----> RP	Positive	0.20	0.09	2.13	0.034	0.24
	H6	OPP	-----> RP	Negative	-0.12	0.04	-2.73	0.006	-0.22
		Hypothesis	Standardized regression weights	Expected Relationship	Estimate	S.E.	C.R.	p	Std. Estimate
Figure 3 Composite model	H1	RSIs	-----> RP	Positive	0.82	0.21	3.94	***	0.54
	H2	RSIs	-----> COL	Positive	0.91	0.13	6.83	***	0.63
	H3	RSIs	-----> OPP	Positive	0.56	0.13	4.43	***	0.38
	H4	COL	-----> OPP	Negative	<i>Not significant</i>				
	H5	COL	-----> RP	Positive	0.29	0.13	2.34	0.019	0.28
	H6	OPP	-----> RP	Negative	-0.31	0.09	-3.38	***	-0.3

The construct models' combined effects in Figures 2 and 3 are presented in Table 5, which shows that RSIs, either directly or through intermediate constructs, can significantly influence marketing relationship performance in a marketing channel. The strongest total effect on relationship performance is from RSIs, with COL and OPP each exerting a weak total effect.

TABLE 5. Construct model combined effects

		Indep var (IV)	Intermed var (M)	Dep var (DV)	Effect of IV on M (a)	Effect of M on DV (b)	Direct effects on DV	Indirect effects	Total effects
Full model	RSIs	COL	RP	0.59	0.24	-	-	0.24	
	RSIs	-	RP	-	-	0.48	0.08	0.56	
	RSIs	OPP	RP	0.27	-0.22	-	-	0.22	
Composite model	IV	M	DV	Effect of IV on M (a)	Effect of M on DV (b)	Direct effects on DV	Indirect effects	Total effects	
	RSIs	COL	RP	0.63	0.30	-	-	0.30	
	RSIs	-	RP	-	-	0.54	0.06	0.60	
	RSIs	OPP	RP	0.38	-0.28	-	-	0.28	

Furthermore, we test whether the significant predictors of relationship performance will remain significant when we control for firm size. The control variable does not significantly influence the dependent variables, including relationship performance (CR = 0.595; p = 0.552). This result increases our confidence in the proposed model.

## DISCUSSION

This study examines the impact of a manufacturer's RSIs and their interplay with other constructs to predict manufacturer-retailer relationship performance. In line with previous studies (Brown et al. 2020; Choi & Hara 2018; Huang & Huang 2019), this study shows that RSIs can significantly increase manufacturer-retailer relationship performance.

This study shows a strong pathway from a manufacturer's RSIs to retailer collaboration; however, it may not translate immediately into strong relationship performance. This finding

suggests that collaboration must be harnessed properly for the marketing channel to benefit relationship performance positively. In other words, to improve relationship performance within SMEs in Indonesia, first, the collaboration benefits in the marketing channel should be assessed as marketing channel inclusion strategies. Second, the negative effect of the opportunistic tendencies of a partner must be monitored continuously by manufacturers and retailers to support astute decision making in the marketing channel.

Collaboration and solidarity norms driven by common goals and mutuality are part of relationship governance (Zhou et al. 2015; Ralston, Richey & Grawe 2017). Strong solidarity norms among channel members and their bonding effect can positively impact relationships (Rokkan et al. 2003). Likewise, solid collaboration can encourage cooperation and reduce opportunism (Zhou et al. 2015), which means that RSIs, with intensive collaboration, may influence relational performance more positively than those with opportunism. Such intensive collaboration may stem from close-knit interfirm social capital, which typically indicates high trust (Wang et al. 2013; Ralston et al. 2017).

The positive impact of collaboration and the negative impact of opportunism apply to SMEs, because they may have only a few individuals to oversee or manage their marketing channels (Son, Ha & Lee 2019). In this context, trust will likely exist in their operating channel relationships (Murthy & Paul, 2017), which can be strengthened by using knowledge-based and intangible RSIs to promote further interactions with retailers, which can result in a firm's growth (Vázquez-Casielles, Iglesias & Varela-Neira 2017) and willingness to sustain the relationship. In addition, mutual satisfaction can stimulate collaboration for mutual competitive advantages (Payan et al. 2019). Therefore, SMEs should minimize opportunistic behaviors that may lead to channel dysfunction and conflicts.

The direct positive impact of RSIs on relational performance may indicate that in the SME context, firms are aware of their size, so they closely coordinate with one another to reach large economies of scale. Thus, sacrifices, such as investing in specific assets, may not be a burden that will lead to dysfunctional opportunism. Instead, a high RSI can increase interfirm trust and improve marketing channel relationships and firm performance (Kim et al. 2022) and will likely outweigh the need to form a formal relational governance contract to curb opportunism (Kim et al. 2020).

Meanwhile, two reasons may explain why the influence of collaboration on opportunism is not significant. First, this study does not focus on the level of collaboration. In other words, the level of collaboration, as observed in this study, may be low. Consistent with the logic of Rokkan et al. (2003) on low solidarity norms, a low collaboration level may exert a weak bonding impact on channel members, which would be too weak to facilitate the collaboration required to reduce opportunism. A low degree of bonding may compel each member to put their interests first. In other words, a certain level of collaboration is needed to mitigate opportunism.

Second, empirical studies found that collaboration is not consistently effective in decreasing opportunism (e.g., Zhao et al. 2021; Zhou et al. 2021; Zhou et al. 2015). Specifically, Zhou et al. (2021) revealed that relational embeddedness exhibits a U-shaped impact on opportunism. This finding implied that collaboration may lead to negative impacts in certain contexts. Zhao et al. (2021) found that a focal firm's network embeddedness will have no significant impact on its partner's strong opportunism. This finding indicated that the impact of collaboration on opportunism within marketing channels is contingent.

In line with Zhou et al. (2015), we suggest that the contingent impact manifests in the level of consistency between relational norms and collaboration. Collaboration may safeguard against negative opportunism when it is combined with sufficient relational norms. In addition, when opportunism promotes positive relational norms, the marketing channel will likely benefit from the collaboration. Meanwhile, joint planning is effective in low levels of relational

norms, whereas joint problem solving is effective in high levels of relational norms (Zhou et al. 2015).

The negative mediating impact of opportunism may indicate the need to be cautious in channel relationships. SMEs may realize that exchanges in their channels are characterized by nonlegally binding contractual obligations; thus, they may view opportunistic behavior as an inevitable effect, especially in an asymmetric power setting (Son et al. 2019). Although negative opportunism may harm marketing channel relationship performance, such behavior is considered to be normal if it does not lead to dysfunctional conflicts, which can be mitigated through regular informal meetings between the manufacturer and retailer.

#### THEORETICAL CONTRIBUTIONS

This study's findings corroborate and contribute to the RSI literature and TCE theory. The direct positive influence of RSIs on relationship performance, the positive influence of RSIs on collaboration, and the positive influence of RSIs on opportunism, as shown in this study, confirm TCE theory (Rokkan et al. 2003; Liu et al. 2019; Brown et al. 2020). TCE theory can explain a firm's discriminating alignment responses. A firm's vertical integration aims to make complex operations efficient and focused by avoiding waste and finding feasible cost-effective solutions for its chosen retailers or consumers. However, Vázquez-Casielles et al. (2017) and Wu et al. (2017) argued that other factors beyond TCE theory may explain the channel mechanisms.

The research findings support the relational exchange framework developed by Macneil (1981), which departs from TCE theory. Regardless of the power dependence between a manufacturer and its connecting retailer (which is beyond the scope of this study), collaboration may stem from solidarity norms, as an informal mechanism that can capture the readiness of channel members to seek common benefits and promote joint values (Rokkan et al. 2003).

#### MANAGERIAL IMPLICATIONS

A manufacturer's RSIs in a marketing channel may enable coordination between multiple channel members and promote the RSIs of other manufacturers (Huang & Huang 2019). This potential suggests two implications for SMEs. First, firms should utilize their RSIs, because RSIs can directly affect relationship performance and foster collaboration with channel partners. According to Vázquez-Casielles et al. (2017), SMEs should focus on knowledge-based RSIs, because they can help promote intensive collaboration among channel members. Knowledge-based RSIs are investments in techniques or skills that a member must learn to attain the objectives of its channel partners. Furniture manufacturers can teach their channel partners about specific sales techniques and product maintenance.

Second, the impact of RSIs on relationship performance and collaboration may result in strong bonding effects among the channel members, rather than negative opportunism. Opportunistic behaviors are unavoidable, but most are not a serious concern. Some behaviors may be beneficial and complementary to the collaborative pursuit of joint goals in the manufacturer-retailer marketing channel. Therefore, we recommend SMEs to explicitly manage their collaboration and underlying motivations, such as common goals, mutuality, and coordination (Ralston et al. 2017), to add value and sustain their channel relationships. As an informal safeguarding mechanism in relationship governance, collaboration is preferable to a formal contract, because a formal contract can increase opportunism, and a manufacturer-retailer marketing channel can facilitate joint interaction and progress for mutual benefits (Kim et al. 2020).

Nonetheless, in the relationship between SMEs and LEs in large networks in the supply chain, overdependence on an informal contract to mitigate opportunism may result in a false sense of security, which may discourage SMEs from implementing legal safeguards and make them vulnerable to LEs' opportunistic behaviors, especially considering the high risk and benefit sharing (Son et al. 2019). Accordingly, collaboration should complement, rather than replace, a formal contract.

## CONCLUSION

Valuable relationships do not emerge automatically in the marketing channels of SMEs. Instead, relationships require marketing channel relationship governance between a manufacturer and a retailer. Such governance can stimulate value creation and minimize transaction costs. In such relationships, RSIs play an important role. However, few studies investigated the role of RSIs in SMEs and the negative and positive effects of RSIs on manufacturer-retailer relationship outcomes. Therefore, this study answers the research question on the dual impact of RSIs on the manufacturer-retailer relationship performance of Indonesian SMEs.

Based on TCE theory, we hypothesize that RSIs can influence collaboration, opportunism, and relationship performance. In addition, collaboration can influence opportunism, and both constructs can influence relationship performance. This study shows a strong pathway from a manufacturer's RSIs to collaboration with a retailer, which does not translate into a strong driver of relational performance. Furthermore, RSIs can enhance opportunism. The results indicate that in the context of Indonesian SMEs, investing in specific assets may not be a burden that will lead to dysfunctional opportunism. Instead, a high RSI can strengthen interfirm trust and enhance marketing channel relationships. However, collaboration does not significantly influence opportunism, which shows that the impact of collaboration on opportunism within marketing channels is contingent on the level of collaboration.

The findings corroborate TCE theory, because RSIs can foster collaboration and opportunism. SMEs will likely make complex operations efficient and focused by seeking cost-effective solutions for each of its chosen retailer partners. Furthermore, the research findings support the relational exchange perspective, because they show that the influence of RSIs on retailer collaboration is stronger than that on retailer opportunism. In practice, SMEs should use their knowledge-based RSIs, such as competence in specific sales and management techniques of furniture products. In addition, collaboration should complement, rather than replace formal contract.

The limitations of our study suggest avenues for future research. First, we measured all the variables from the perspective of a manufacturer. We assumed that the variables were easily discernible by any manufacturer in the marketing channel. In reality, either the manufacturer or its connecting retailers will have RSIs, and each may behave opportunistically. Hence, we recommend future studies to examine the impact of manufacturer-retailer RSIs on relationship performance as an alignment dyad or a network, because such units of analysis may yield rich insights.

Second, in line with the findings of Vázquez-Casielles et al. (2017) on the impact of RSI inputs on relationship governance types in LE settings, further investigation is needed on the role of RSI inputs in the SME context. Furthermore, considering the insignificant effect of collaboration on opportunism, further research may combine different RSI types with collaboration, relational norms, and formal contracts to gain a comprehensive understanding.



Last, the scope of this study, that is, the Indonesian furniture industry, may have captured insights into the role of RSIs, but its generalizability may not be extensive. Therefore, future research should engage with other industries or compare Western and non-Western contexts.

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1. Author's name: I Made Sukresna\*  
 Faculty: Department of Management, Faculty of Economics and Business, Universitas Diponegoro  
 Full address including postal code: Jl. Prof. Moeliono Trastotenojo, Tembalang-Semarang, Central Java, Indonesia 50275  
 Email: i.made.sukresna@live.undip.ac.id
2. Author's name: Mahfudz  
 Faculty: Department of Management, Faculty of Economics and Business, Universitas Diponegoro  
 Full address including postal code: Jl. Prof. Moeliono Trastotenojo, Tembalang-Semarang, Central Java, Indonesia 50275  
 Email: mahfudz.fe.undip@gmail.com

3. Author's name: John Robert Hamilton  
Faculty: College of Business, Law, and Governance, James Cook University  
Full address including postal code: 14-88 McGregor Road Smithfield QLD Australia 4878  
Email: john.hamilton@jcu.edu.au

\* Corresponding author: I Made Sukresna

# To Collaborate or Not? The Role of Relationship

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