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Opposites Attract, but Similarity Works:

A Study of Interorganizational Similarity in Marketing Channels

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Abstract

This study explores the construct of interorganizational similarity in business orientation between manufacturers and distributors. Drawing on Social Identity Theory, the authors develop hypotheses concerning the outcomes of similarity on the relationship. In particular, they argue that relationship effectiveness for the manufacturer is positively affected by similarity in business orientation through the mediating construct of cooperation. An empirical study of more than 200 business relationships provides support for the theoretical reasoning.

1. Introduction

In recent years, industry ties are becoming closer leading researchers to analyze the phenomenon of long-term relationships such as partnerships, cooperation, and alliances in various settings, especially in buyer-seller-relationships and channel relationships (e. g., Stern and Reve 1980; Frazier 1983; Anderson and Narus 1984; Bucklin and Sengupta 1993; Ganesan 1994). Empirical research indicates that long-term relationships may be more effective and successful than pure market transactions (e. g., Kalwani and Narayandas 1995). In order to build long-term relationships, companies have to chose the "right" partners. Many companies have considered this aspect and are now rethinking their partner selection process. As an example, IBM introduced a higher standard of business partner selection and authorization throughout North America (Bisby 1998, p. 1). This leads us to the question which characteristics favor the development of an effective relationship. Previous literature has focused on such constructs as flexibility (e. g., Dwyer, Schurr, and Oh 1987; Anderson and Narus 1990; Heide 1994) or trust (e. g., Anderson and Narus 1990; Noordewier, John, and Nevin 1990; Moorman, Zaltman, and Deshpandé 1992; Moorman, Deshpandé, and Zaltman 1993). Interestingly, the role of interorganizational similarity has been neglected so far. This paper will focus on the role of similarity between business partners in building effective relationships.

Existing research in marketing on the outcomes of similarity has primarily focused on interpersonal relationships (e. g., between a salesperson and a customer). Interpersonal similarity has been operationalized in terms of many different aspects. They include gender (e. g., Churchill, Collins, and Strang 1975; Churchill et al. 1985; Byrne, Clore, and Worchel 1986; Dwyer, Richard, and Shepherd 1998; Smith 1998), age (e. g., Churchill, Collins, and Strang 1975; Churchill et al. 1985; Byrne, Clore, and Worchel 1986; Dwyer, Richard, and Shepherd 1998), attitudes (e. g., Johnson and Johnson 1972; Smith 1998), appearance, lifestyle, goals and status (e. g., Evans 1963; Gadel 1964; Tan 1981; Crosby, Evans, and Cowles 1990). There is general agreement that similarity between persons is positively related to the success of an interpersonal relationship. As an example, Doney and Cannon (1997) demonstrate that similarity between a salesperson and a purchasing manager affects trust in buyer-supplier relationships.

Research dealing with similarity in interorganizational relationships has typically focused on settings such as strategic alliances (e. g., Hakansson 1982; Chen, Chen, and Meindl 1989; Lorange and Ross 1991; Chen and Boggs 1998), buyer-seller relationships (e. g. Morgan and Hunt 1994; Smith and Barclay 1997) co-marketing alliances (e. g., Bucklin and Sengupta 1993) and logistic alliances (e. g., Whipple, Frankle, and Frayer 1996). Research on similarity in marketing channel relationships has been scarce so far. A notable exception is the study by Anderson and Weitz (1989). These authors study the role of cultural similarity and goal congruence between manufacturers and their distributors within a broader framework. However, cultural similarity does not affect the relationship characteristics explored in this study. Only goal congruence is observed to have a positive impact on interorganizational trust. To the best of our knowledge, there is no research exploring the impact of interorganizational similarity on relationship effectiveness aspects such as the achievement of sales targets and financial outcomes. In view of the large body of literature related to beneficial effects of interpersonal similarity this constitutes a significant gap in the literature.

Our research aims at filling this gap in the literature. More specifically, we will use Social Identity Theory to justify beneficial outcomes of interorganzational similarity in marketing channels.

Besides the theoretical contribution, our study is also relevant from a managerial perspective. Our research will provide guidance for marketing and sales managers concerning the selection of channel partners. Finding appropriate channel partners is considered a crucial success factor in many industries (e. g., Rosenbloom 1995, p. 258).

Our paper is organized as follows. In the following section, we describe the Similarity-Attraction-Paradigm and Social Identity Theory to provide a theoretical background. Afterwards, we present our framework and hypotheses. Next, we describe our data collection and sample as well as measure development and validation. We then present our results. Finally, we discuss our findings in a theoretical and a managerial context.

2. Theoretical Background

Our theoretical reasoning is embedded in the Similarity-Attraction Paradigm (Byrne 1971; Berscheid and Walster 1978). According to this paradigm, similarity, defined as the degree to which group members are alike in terms of personal attributes or other characteristics, is a determinant of interpersonal attraction and therefore of social integration (Baron and Pfeffer 1994). People are attracted by and are seeking membership in groups whose members have similar characteristics (Byrne, Clore, and Worchel 1986). This leads to cooperation, performance, and satisfaction.

A more elaborate description of the process driven by similarity is provided by Social Identity Theory, a theory of intergroup relations. This theory owes its origins to Tajfel and Turner (Tajfel 1982; Tajfel and Turner 1986). It describes the search of individuals for social identity. Social Identity Theory is an extension of Tajfel's Theory of Stereotype Systems that predicts a polarization of opinions on the basis of available categorization.

According to Social Identity Theory, belonging to a group leads to a state of social identity and behavior. A Group is "conceptualized as a collection of individuals who perceive themselves to be members of the same social category, share some emotional involvement ... and achieve some degree of social consensus about the evaluation of their group and of their membership in it" (Tajfel and Turner 1986, p. 15; Sherif 1966).

Social Identity Theory identifies four steps in the process of identity building. They include social categorization, social identification, social comparison, and psychological group distinctiveness.

Social categorization is defined as a cognitive tool for the classification and segmentation of the social environment. It enables individuals to undertake different forms of social action. Social categorization is not only a tool for systemizing the environment, but also for creating and defining the individual's place in society.

Furthermore, social groups provide their members with a *social identification* of themselves which is highly relational and comparative. For example, individuals are defined as similar to or different from the other members of the group (Tajfel and Turner 1986, p. 16).

Tajfel and Turner argue that individuals strive to achieve or maintain a positive social identity. *Social comparisons* between the in-group and some relevant out-group lead to such a positive social identity by creating a favorable bias for one's in-group (Bass and Dunteman 1963; Dustin and Davis 1970; Brewer 1979). The in-group is perceived to be positively differentiated from the out-group. A high level of in-group similarity facilitates comparisons with out-groups. Thus, it decreases cognitive biases towards one's own group and increases group attraction which finally enhances group performance (Linville and Jones 1980).

Finally, this results in psychological *group distinctiveness* which is an individual's desired state "in which the in-group has an identity that is perceived by the group members as being both distinct and positive vis-à-vis relevant comparison groups" (Taylor and Moghaddam 1994, p. 78). Therefore, psychological processes associated with social identity lead to solidarity within a group, to conformity to a group, and discrimination against other groups.

Social Identity Theory considers individuals and conformative behavior of individuals in a group. In our study, we will apply this theory to an interorganizational context. More specifically, we argue that manufacturer as well as distributor represent each a social group of individuals and each group search for social identity. As described earlier for individuals, similarity between members of a group is very important trough the process of identity building. Organizations such as manufacturers and distributors can judge the similarity or dissimilarity of the environment (social categorization). One important element of the environment is the channel member (distributor and manufacturer, respectively). Furthermore, similarity between members of a group facilitates social identification (members of a group can recognize themselves as being similar to each other) and social comparison (members of a group can judge themselves against members of other groups). Finally, the opposite of similarity (dissimilarity) makes a psychological group distinctiveness possible.

Against this background, in an interorganizational context, Social Identity Theory suggests that the higher the similarity between manufacturer and distributor the more likely will be the formation of cross-company social groups. In other words, a new group emerges which involves members of both, the manufacturer organization and the distributor organization. This is consistent with the perspective suggested by Lucas and Gresham (1985, p. 31) viewing the manufacturer-distributor dyad as a superorganization.

3. Framework and Hypotheses

The independent construct in our framework is interorganizational similarity. We use a broad conceptualization of this construct. Interorganizational similarity is defined as the coherence between a manufacturer and his distributors in terms of price positioning, quality positioning, general orientation of marketing and sales, and organizational culture. This definition of interorganizational similarity refers to the work by Achrol, Scheer, and Stern (1990). These authors highlight the strategic and cultural similarity of organizations for the dyad's effectiveness (see also Lorange and Ross 1991). Against this background, the construct interorganizational similarity is operationalized using strategic-related and cultural-related items, respectively. More specifically, the measurement of this construct is adapted from Achrol (1992) and encompasses four items. Price positioning is considered a key strategic aspect of consistency between a manufacturer and his distributors. If, for example, a manufacturer aims at a premium price positioning while the distributors are positioned in the low price segment, this creates a fundamental mismatch. Similarly, quality positioning is an important strategic aspect of interorganizational similarity since it influences many key marketing decisions. The third facet of interorganizational similarity relates to the general orientation of marketing and sales activities and thus addresses like the first two items a strategic-related similarity between two organizations. As an example organizations may differ in their emphasis placed on different tools for communicating with customers. Finally, we also consider cultural similarity between organizations. This aspect relates to shared values and behavioral norms within the organizations.

The model depicted in Figure 1 shows the likely effects of similarity on participation of distributors in decision processes of the manufacturer as well as on cooperation between both parties. Furthermore, it shows indirect effects of similarity on distributor power and relationship effectiveness for the manufacturer.

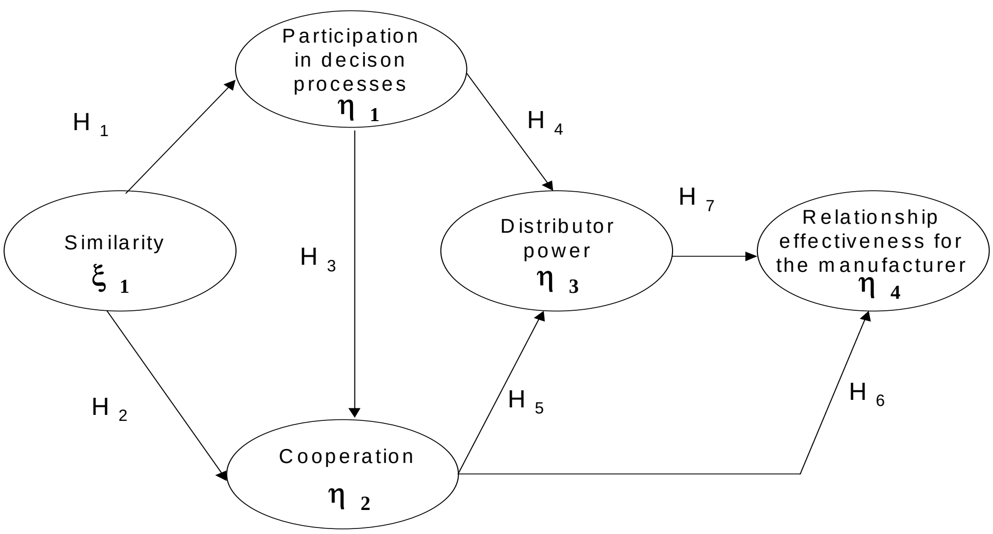

Figure 1: Research Model

Participation as the first hypothesized outcome of similarity refers to the extent to which group members are involved in decision making (Spekman and Stern 1979, p. 57). We specifically consider the level to which distributors are allowed to participate in marketing and sales decisions of the manufacturer. Decision areas where this type of participation may occur include decisions on the product range, on advertising activities, and on marketing and sales goals among others. This construct has frequently been studied in research on marketing channels (e. g., Spekman and Stern 1979; Anderson, Lodish, and Weitz 1987; Dwyer and Oh 1987, 1988; Mohr and Spekman 1994).

Social Identity Theory states that similarity leads to group formation. Members of a group strive to social identity and conformative behavior. Participation in decision processes can be seen as a first approach to group formation. If distributors are perceived as highly similar, manufacturers are more likely to have them participate in their decision processes, because the distributors are likely to have the same decision criteria. Thus, it is hypothesized:

> *H_1: Interorganizational similarity has a positive effect on the participation of distributors in the decision processes of a manufacturer.*

Cooperation, a second hypothesized outcome of similarity, is defined as the level of two organizations working together in order to achieve mutual goals (Stern and Reve 1980). Cooperation may relate to things such as joint problem solving, mutual goal setting or open communication of the costs and price fixing of each side. Previous research in the field of marketing channels has identified beneficial outcomes of cooperation such as trust (e. g., Anderson and Narus 1990), a reduction of conflicts (e. g., Skinner, Gassenheimer, and Kelley 1992; Mohr and Spekman 1994), stability of the relationship (e. g., Eisenhardt 1989), and efficient resource allocation (e. g., Anderson, Lodish, and Weitz 1987).

The Similarity-Attraction Paradigm states that similarity leads to attraction and liking (Byrne 1971; Berscheid and Walster 1978). Attraction and liking lead to social integration (Baron and Pfeffer 1994). Burt and Reagans (1997) showed that in a free choice situation persons have a tendency to choose somebody they are attracted to and who is somehow similar to themselves. This has been observed in interpersonal settings (McPherson and Smith-Lovin 1987) as well as in organizational settings (Ibarra 1992; Mehra, Kilduff, and Brass 1998). Based on the Similarity-Attraction Paradigm, we argue that similarity between a manufacturer and his distributors will lead to attraction and liking and finally to social integration. While this interorganizational integration can adopt many forms, intensive cooperation is certainly a key aspect of social integration between organizations. Therefore, if distributors and a manufacturer are highly similar, it is likely that cooperative relationships occur. This leads to the second hypothesis:

> *H2: Interorganizational similarity has a positive effect on cooperation between distributors and a manufacturer.*

Participation of distributors in the decision processes of the manufacturer enhances the interaction between both parties. If distributors are welcomed to participate in decision processes, it is likely that they will be involved in the implementation of these decisions. Furthermore, some kind of task division between the manufacturer and the distributors occurs (e. g., Mohr and Spekman 1994). Therefore, we argue that participation has a positive impact on cooperation and hypothesize:

> *H3: Participation of distributors in a manufacturer's decision processes has a positive impact on cooperation between a manufacturer and his distributors.*

Further, we argue that both, participation and cooperation, have a positive impact on distributor power in the relationship. Distributor power is defined as the ability of distributors to get the manufacturer to do something he would not have done otherwise (e. g., Dahl 1957; Emerson 1962; Gaski and Nevin 1985). French and Raven (1959) delineate five power sources: reward power, coercive power, legitimate power, referent power, and expert power. Two of these power sources, legitimate and expert power, are suitable to explain our two hypotheses. Legitimate power stems from internalized norms. It occurs if one channel member is perceived to have a legitimate right to influence the other which the other party has to accept. However, as Rosenbloom (1995, p. 155) emphasizes, legitimate power is unlikely to exist in loosely aligned marketing channel relationships. Some level of closeness in the relationship is required before legitimate power can occur. Joint decision making (i. e., participation in manufacturer decisions) and cooperation between the organizations are activities that foster the development of internalized norms that form the basis for legitimate power.

Expert power is derived from knowledge or perception of knowledge which one channel member attributes to another in some given area (French and Raven 1959). Expert power is quite common in marketing channels. For example, many manufacturers supply their distributors with management assistance (Rosenbloom 1995). Participation of distributors in decision making processes and intensive cooperation lead to enhanced knowledge. Distributors are able to gain insight into strategies, goals, and decision making processes of manufacturers. Thus, expert power is increased. These considerations lead to the following two hypotheses:

> *H4: Distributor participation in a manufacturer's decisions has a positive impact on distributor power.*

> *H5: Cooperation has a positive impact on distributor power.*

Effectiveness is defined as the degree to which a manufacturer's relationship with his distributors contributes to the fulfillment of the manufacturer's objectives (e. g., Gaski and Nevin 1985). This construct relates to such issues as the achievement of sales targets, contributions to cost reduction and development of new markets for existing products among others.

Manufacturers and distributors build cooperative relationships to gain competitive advantages (Sethuraman, Anderson, and Narus 1988). For example, Kalwani and Narayandas (1995) show in an empirical study that long-term manufacturer-supplier relationships are able to contribute to cost reduction. In addition, companies in long-term relationships can benefit from increases in sales volume, market share, and profitability (Frazier, Spekman, and O'Neal 1988; Nielson 1997).

Furthermore, Argyle (1991) concludes that cooperation enhances effectiveness. This holds true especially under the condition of small groups, interdependent tasks, problem solving tasks, and resource dependency (e. g., Van de Ven, Delbecq, and Koenig 1976; Cheng 1983). In a recent study, Smith and Barclay (1999) have shown a positive link between channel member cooperation and relationship effectiveness. Hence, we can hypothesize:

> *H6: Cooperation has a positive impact on relationship effectiveness for the manufacturer.*

Research examining the impact of power on performance measures has been scarce so far. However, we have some evidence that unequal distributed power favors conflicts in distribution channels (e. g., Walker 1972; Wilkinson 1974). Resources are not employed for the achievement of objectives but rather for conflict-related activities (e. g., Ding 1997). Furthermore, there are studies which show that distributor use their power to negotiate benefits at the expenses of the supplier (e. g., Cool and Henderson 1998; McDonald 1999). Thus, we hypothesize:

> *H7: Distributor power has a negative impact on relationship effectiveness for the manufacturer.*

4. Methodology

4.1. Data Collection and Sample

Data were collected in Germany by means of a questionnaire mailed to manufacturing firms in the machinery industry. The sample frame was drawn from a list of members of the VDMA (Verband Deutscher Maschinen- und Anlagenbau), the German Machinery and Plant Manufacturers‘ Association.

The unit of analysis for this research is a typical manufacturer-distributor relationship. We asked the manufacturing companies to answer distributor-related questions in such a way that the answers apply for the majority of their distributors.

In a first step, companies were asked to indicate if they sell through distributors at least for some transactions either in Germany or abroad. Those who had never used indirect channels were not included in the sample.

A personalized letter and questionnaire were then sent to 400 possible respondents. As an incentive for filling out and returning the questionnaires, respondents were promised a report summarizing the major findings of the study as well as two managerial working papers. A reminder phone call was made three weeks after the initial mailing (91 questionnaires were obtained at this point of time). This procedure resulted in an overall response rate of 53% (212 questionnaires).

Nonresponse bias was assessed by comparing early versus late respondents (Armstrong and Overton 1977). More than half of the sample had answered after receiving the reminder phone call. All five constructs of our research model (see Figure 1) were tested for differences between the two respondent groups. No significant differences were found suggesting that nonresponse bias is not a problem with this data set.

In this study, manufacturer organizations included producers of fittings, pumps, precision tools, agricultural machinery, and building machinery. Most of the responding companies have sales below 50 million Euro and employ less than 250 people. On average, more than 50% of sales is generated by indirect channels.

Evidence of respondent competency is suggested by the data. 92% of the respondents were either sales managers/directors, marketing managers/directors or general managers/owners. This suggests that respondents were sufficiently qualified to act as key informants on their organization and its relationships with distributors.

4.2. Measure Development and Validation

Standard psychometric scale development procedures were used for measure development and validation (Gerbing and Anderson 1988). Measures were developed using multiple-item formats, with multiple-item scales conceptualized as reflective in nature. All measures were conducted with a 5-point Likert scale (e. g., “strongly disagree” and “strongly agree” as anchors).

Statistical procedures used to validate the measures included assessment of item and scale reliability, convergent and discriminant validity (Gerbing and Anderson 1988). All measures and item reliability values are reported in the Appendix. A few of the scales directly reflect measures from previous research, some were adapted to this context, while others were developed particularly for this research. The means and standard deviations (1 = lowest score and 5 = highest score) suggest that respondents used the full range of the scales and that variance is reasonable for each of the measures.

Factor	*No. of items*	*Cronbach’s Alpha (standardized)*	*Composite Reliability*	*Average Variance Extracted*
Similarity	4	.75	.80	.51
Participation	11	.90	.93	.54
Cooperation	11	.88	.91	.47
Distributor power	4	.75	.80	.52
Relationship effectiveness for the manufacturer	9	.87	.91	.53

Table 1: Measurement Information

sTable 1 lists summary statistics for the measurement scales. The reported values for item reliabilities, for composite reliabilities, and for average variances extracted are based on the use of separate confirmatory factor analyses for each of the five constructs of our research model (see Figure 1). The reliability of the individual scales reported in Table 1 provides further evidence of the measures' sound psychometric properties. Coefficient alpha values range from .75-.90 exceeding the .7 cutoff suggested in the literature (Nunnally 1978). The composite reliability measure ranges from .80 to .93 exceeding the .6 cutoff value suggested in the literature (e. g., Bagozzi and Yi 1988). The average variance extracted by each measure exceeds the .5 minimum cutoff value suggested by Bagozzi and Yi (1988) with one exception.

For assessing discriminant validity, we applied the procedure recommended by Fornell and Larcker (1981). Discriminant validity is demonstrated by showing, for all pairs of constructs, that both average variances extracted exceed the squared correlation between the two constructs. This test provided evidence of discriminant validity between all pairs of constructs.

5. Results

The hypothesized model was estimated by structural equation modeling techniques, using the LISREL 8 program (Jöreskog and Sörbom 1993). The model shown in Figure 2 yielded good results. The overall fit measures suggest that the data provide a satisfying fit for the hypothesized causal model. More specifically, the root mean square error of approximation (RMSEA = .074) is below the .08 cutoff recommended in the literature (e. g., Browne and Cudeck 1993). The chi-square-degrees of freedom ratio, goodness-of-fit index, adjusted goodness-of-fit index, and comparative-fit index (chi-square-degrees of freedom ratio = 2.05; GFI = .92; AGFI = .91; CFI = .94) clearly meet the requirements recommended in the literature (Bagozzi and Yi 1988; Baumgartner and Homburg 1996).

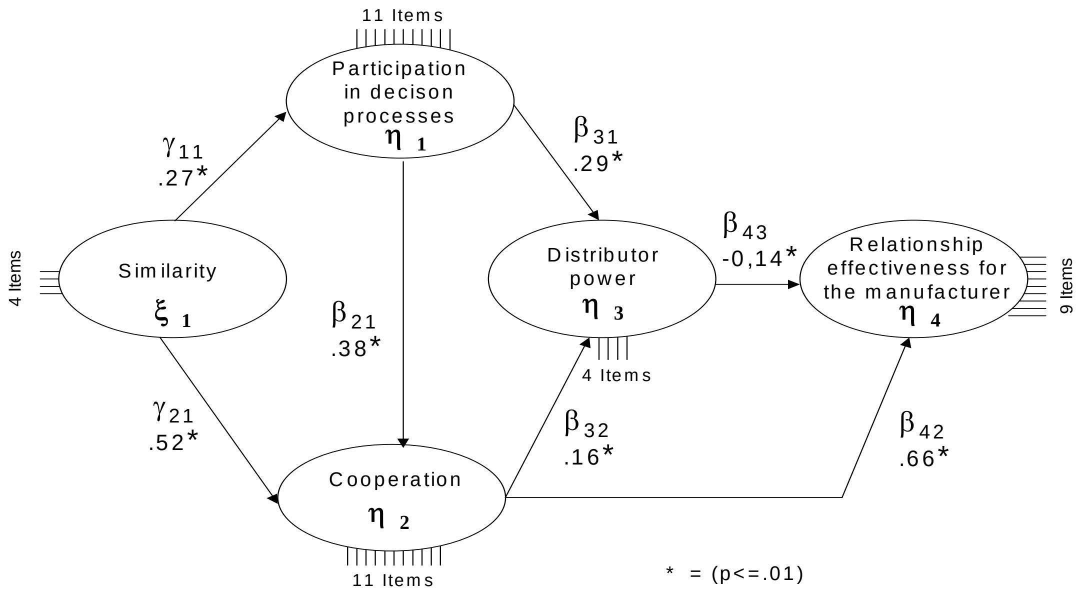

Figure 2: Causal Modeling Results

The two predicted effects of interorganizational similarity on participation and cooperation are supported by these data. They are significant at the 1%-level and have standardized gamma-values of .27 (γ_{11}) and .52 (γ_{21}), respectively. Thus, similarity affects participation and cooperation positively, lending support for H1 and H2.

Furthermore, the two effects of participation on cooperation and distributor power are significant at the 1%-level, too, and have standardized beta-values of .38 (β_{21}) and .29 (β_{31}), respectively. Thus, participation affects cooperation and distributor power positively, supporting H3 and H4.

The effect of cooperation on power is significant at the 1%-level. It has a standardized beta-value of .16 (β_{32}). Therefore, the results support H5, that cooperation affects distributor power positively.

Furthermore, it was analyzed how effectiveness is influenced by cooperation and distributor power. Both effects are significant at the 1%-level. The effect of cooperation on effectiveness has a standardized beta-value of .66 (β_{42}). The negative effect of distributor power on effectiveness is much weaker, however, exhibiting a standardized beta-value of –.14 (β_{43}). Therefore, both hypotheses (H6 and H7) are supported.

Thus, on an overall basis, all our hypotheses are supported by our data. Further insight is gained by looking at the overall effects of interorganizational similarity on relationship effectiveness for the manufacturer. As can be seen from Figure 2, there are two opposite effects to be considered. First, similarity has a positive effect on effectiveness through the mediating construct of cooperation. Second, similarity has a negative impact on effectiveness through the mediating construct of distributor power. The magnitude of these effects can be obtained by multiplying the parameter estimates along the corresponding causal chains. For the positive effect of cooperation we computed a magnitude of β_{42} (γ_{21} + γ_{11} β_{21}) = .41. The negative effect is β_{43} (γ_{11} β_{31} + γ_{11} β_{21} β_{32}+ γ_{21} β_{32}) = -.02. Thus, we observe that the positive effect is much stronger than the negative effect which leads to a positive total effect of interorganizational similarity on relationship effectiveness for the manufacturer.

6. Discussion

Previous research in marketing channels has largely neglected the issue of similarity between manufacturers and distributors. Compared to the area of interpersonal relationships (especially between salespersons and their customers), partner similarity has not been considered to a large extent in the study of interorganizational relationships in marketing.

Against this background, we introduced the construct of interorganizational similarity to the marketing channel literature. The construct refers to the level of consistence of the business philosophy between a manufacturer and his distributors. Thus, it is broader in nature than previous related constructs such as partner match or shared values (e. g., Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994). We suggested a framework related to the impacts of interorganizational similarity on participation and cooperation in channel relationships. We developed our hypotheses on the basis of the Social-Attraction-Paradigm and Social Identity Theory.

Essentially, our framework suggests that similarity has a positive impact on channel relationship effectiveness for the manufacturer through the mediating constructs of participation of distributors and cooperation with distributors. However, our framework also suggests that partner similarity negatively impacts effectiveness because power tends to be shifted towards partners with a high level of similarity. Our empirical findings support our theoretical reasoning. More specifically, we find that the positive impact of similarity dominates the negative one, so that the total effect of similarity on effectiveness is clearly positive. Thus, our research makes a significant contribution to a better understanding of the influences of interorganizational similarity on marketing channel effectiveness.

Our research also adds to the understanding of power in marketing channels. Previous research has largely ignored the link between interorganizational power and relationship performance outcomes. Against this background, our finding that distributor power negatively affects relationship effectiveness for the manufacturer deserves some attention. More importantly, we find that this reduction of effectiveness is paralleled by an even stronger increase in effectiveness through cooperation. This finding suggests that some loss of power is a necessary consequence of cooperative relationships with distributors, but one for which companies are highly rewarded.

Additionally, from a theoretical perspective, our study has shown how theories rooted in the area of social psychology can be used to provide a theoretical basis for the outcomes of similarity in interorganizational relationships. Previous research using similarity-related constructs in marketing channel relationships has typically been based on plausibility arguments rather than a theoretical basis. Our research constitutes an attempt to use Social Identity Theory for theoretically justifying beneficial effects of similarity in interorganizational relationships.

Our study also identifies avenues for future research. More specifically, we suggest that the construct of interorganizational similarity should receive more attention than in the past. Future research on buyer-seller relationships or relationships in marketing channels should incorporate this important construct to a larger extent.

Additionally, our research has conceptualized interorganizational similarity as the model's independent variable. Based on Social Identity Theory, we developed hypotheses related to the outcomes of similarity. Future research might also investigate antecedents of similarity. In this context, it might be particularly interesting to adopt a dynamic perspective looking at the process of assimilation between business partners.

Finally, while our study has been based on data collected from the manufacturer's perspective, it would be interesting to study interorganizational similarity based on dyadic data. As an example, research of this type might investigate whether similarity is perceived differently from different sides of the dyad. Thus, the construct of interorganizational similarity opens up new research issues. In studying these issues, researchers should make extensive use of the theories and concepts in the area of interpersonal relationships.

Furthermore, our study has two major managerial implications. First, we clearly show that similarity is a driver of channel relationship effectiveness for the manufacturer. Thus, our research tells managers that it is very important to carefully choose distributors. This choice should not only be based on objective criteria such as market coverage. It is very important to find partners which have a similar business philosophy in terms of price and quality positioning, marketing and sales orientation as well as organizational culture.

Second, our research provides interesting insight concerning the construct distributor power in channel relationships. We show that it is a typical consequence of similarity that power is partly shifted to distributors which reduces relationship effectiveness for the manufacturer. However, similarity also increases cooperation which strongly increases effectiveness. On an overall basis, the negative impact through the construct of distributor power is dominated by a much stronger impact through the construct of cooperation. This tells managers that a loss of power is sometimes a price to be paid in channel relationships which is rewarded by a much greater benefit through cooperative relationships.

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8. Appendix

Scale Items

(mean/SD/item reliability)

Similarity (partly adapted from Achrol 1992)
How similar are your company and your distributors concerning

... price positioning	(3.00/1.05/.31)
... quality positioning	(3.37/.94/.72)
... orientation of marketing and sales	(3.02/.93/.65)
... organizational culture	(2.73/1.05/.36)

Participation of distributors in decision processes of the manufacturer
How strongly do you involve your distributors in decisions concerning the following aspects in your company?

♦ Product range	(3.19/1.07/.37)
♦ Advertising activities	(2.78/1.04/.44)
♦ Marketing and sales goals	(2.89/1.15/.54)
♦ Marketing and sales budget	(2.00/1.04/.53)
♦ Organization of the sales function	(2.05/.99/.67)
♦ Organization of the sales process	(2.17/1.02/.53)
♦ Sales staff	(1.37/.65/.61)
♦ Design of technical service	(2.11/1.00/.60)
♦ Design of other service offerings	(2.37/1.03/.49)
♦ Day-to-day activities in marketing and sales	(2.30/1.08/.59)
♦ Strategic activities in marketing and sales	(2.10/1.07/.50)

Cooperation (partly adapted from Anderson and Narus 1990)

Our firms jointly solve problems when it comes to selling our products.	(3.66/.89/.31)
Both sides bring input in the development of marketing and sales ideas.	(3.28/.99/.54)
Our distributors help us when we have problems or questions.	(3.13/.99/.23)
Our firms jointly develop sales targets.	(3.17/1.28/.58)
We set up mutual goals with our distributors.	(3.51/1.18/.57)
We plan and design joint marketing activities with our distributors.	(3.27/.99/.64)
We openly communicate with our distributors about the costs of each side.	(2.93/1.09/.36)
We openly communicate with our distributors about the price fixing of our products.	(2.91/1.17/.46)
Our firms jointly care about customer interests.	(3.91/.87/.35)
Our firms jointly set up marketing and sales plans.	(2.83/1.08/.70)
We involve our distributors in the new product development process.	(3.05/1.09/.47)

Distributor power
To which extent would you take steps when your distributors ask you to do so with respect to the following aspects?

♦ Change of product features	(3.49/.74/.74)
♦ Development of new products	(3.67/.76/.62)
♦ Change of advertising and promotion activities for your products	(3.22/.80/.24)
♦ Change of service offerings	(3.34/.77/.46)

Relationship effectiveness for the manufacturer
(partly adapted from Gaski and Nevin 1985, Haugland and Reve 1996)
How do you evaluate the relationship with your distributors concerning the following aspects?

♦ Achievement of sales targets	(3.16/.79/.61)
♦ Net return of the relationships	(3.12/.73/.49)
♦ Contributions to your company’s growth	(3.14/.83/.62)
♦ Contributions to market growth	(2.88/.92/.44)
♦ Contributions to your company’s new product development	(2.73/.91/.40)
♦ Contributions to cost reduction	(2.18/.84/.33)

♦	Development of new markets for your products	(2.77/.93/.39)
♦	Overall performance	(3.19/.69/.74)
♦	Benefit for your company	(3.34/.76/.68)