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The impact of value congruence on marketing channel relationship

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ABSTRACT

Organizational values guide acceptable behavior and provide motivational dynamism. Marketing channel literature has yet to address the impact of values on interfirm exchanges. We propose that value congruence between cooperating firms can be an effective governance method. This research examines the impact of value congruence between manufacturers and their primary distributors. Survey data from 278 manufacturing firms demonstrate that perceived value congruence has a positive effect on distributors' performance. Moreover, information sharing and joint problem solving serve as mechanisms that partially mediate the main effect. This research calls for integration of organizational values into partner selection and marketing channel governance.

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1. Introduction

In marketing channel, interfirm exchanges have long been an intriguing topic for both academics and practitioners. Effective governance of interfirm exchanges is key to channel performance and competitive advantage (Heide, 1994). In the past three decades, governance theories have been developed or adopted to explain interfirm transactions and relationships (for review, see Cao & Lumineau, 2015). Contractual governance (formal governance) theories tackle transaction cost and agency related issues (Li, Poppo, & Zhou, 2010). Relational governance (informal governance) theories focus on how to coordinate business exchanges via social relations and shared norms (Heide & John, 1992; Poppo & Zenger, 2002). Different from contractual governance that relies on formal structure and third party enforcement, relational governance relies on informal structure and self-enforcement to guide behavior of exchange partners (Dyer & Singh, 1998). Relational governance effectively affects exchange performance (Cannon, Achrol, & Gundlach, 2000; Lusch & Brown, 1996a, 1996b) and reduces conflict (Jap & Ganesan, 2000).

In existing literature, trust and norms are the most frequently discussed relational governance types (Griffith & Myers, 2005). Trust refers to the confidence in the partner's integrity, ability and benevolence in an exchange relationship (Das & Teng, 1998) whereas relational norms refer to shared expectations about the behaviors of each party (Cannon et al., 2000). Trust is considered a trait that becomes embedded in a particular exchange relation. A trustworthy partner is expected to behave in a trustworthy fashion (Poppo & Zenger, 2002). Relational norms are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior, and are designed to enhance the wellbeing of the relationship as a whole (Heide & John, 1992). Norms describe appropriate behavioral guidelines that enforce social obligation in the exchange (Heide, 1994; Heide & John, 1992). Both trust and norms demonstrate to be effective governance methods in marketing channel literature (Cannon et al., 2000).

This research proposes that values can be another method of relational governance. If governance emerges from the values and agreed-upon processes found in social relationships (Heide & John, 1992; Noordewier, John, & Nevin, 1990), underlying values and principles of exchanging firms should enforce their obligations, promises, and expectations. Organizational values have long been considered critical to understanding actions in and across organizations (Gehman, Trevino, & Garud, 2012). Values are a fundamental element of organizational culture and leadership, impacting both individual and organizational performances (Schein, 2010). Virtually all high performing firms have well-defined sets of guiding beliefs, principles or values (Peter & Waterman, 1982). Given the importance of values to organizations, a rich literature has emerged around the meanings, dimensions and functions of values. However, the governance potential of values in interfirm exchanges has yet to be explored.

Take the example of Ben & Jerry's, a company that has progressive values and principles to create linked prosperity for everyone connected to the business (http://www.benjerry.com/values). When it entered the Russian market, however, Ben & Jerry's encountered great difficulty finding an appropriate partner (Kotler, Kartajaya, & Setiawan, 2010). Potential partners were ambitious and benefit-oriented and sought only to achieve high profits and quick growth. They rarely understood or cared about Ben & Jerry's core values and basic principles. The conflicted values led to disagreements relating to business activities

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(e.g., use of bribery), product manufacturing (e.g., environmentally friendly ingredients) and product quality. These issues caused Ben & Jerry's to stumble and eventually withdraw from Russia after five years (Kotler et al., 2010).

The case of Ben & Jerry's points qualitatively to the importance of value congruence. But does value congruence matter generally in inter-firm exchanges? Our research is an empirical study that examines the impact of values on supplier-distributor exchanges. We aim to address the following questions: 1) In the context of marketing channels, does value congruence between channel members affect their cooperation performance? 2) Does value congruence motivate channel members to engage in positive behaviors? Note that value congruence alone may not translate into desirable outcomes unless it leads to useful actions. 3) How is the impact of value congruence on channel performance affected by exchange partners' relationship duration?

This research aims to make three contributions to relational governance literature. First, it examines value as a key component in inter-firm governance. The concepts of value and value congruence are distinct from other relational governance types that have been extensively studied. This research highlights the significance of value congruence in channel relationships and their impact on channel performance. Second, we investigate the behavioral mechanisms that mediate the impact of value congruence on channel performance. Compatible values are not simply ideologies; they are useful tools that enable firms to work together. This study shows that value congruence makes desirable behaviors possible and subsequently leads to better performance. Third, this research examines whether relationship duration strengthens or weakens the impact of values on firm performance. It addresses the lasting effect of values on firms' cooperation.

2. Theory and hypotheses

2.1. Organizational value

Values are enduring beliefs about what is preferred or desirable and standards by which existing structures or behaviors can be measured and assessed (Scott, 2014). Values are the bedrock of organizational cultures; they guide acceptable behavior (Edwards & Cable, 2009) and provide motivational power and dynamism in an organization (Frederick, 1995). In a business context, values are tenets regarding means and ends leaders and managers should apply in leading, managing and making decisions about the running of the enterprise, in choosing what business actions or objectives are preferable to alternate actions, or in establishing firm objectives (Enz, 1988a, 1988b). Core values are usually embedded in firms' operating principles, organizational mission and leadership (Bhattacharya & Sen, 2003). Value system determines which types of behaviors, events, situations, or people are desirable or undesirable (Jones & George, 1998). Values are seen as integral to business success; they help stakeholders make sense of past performance and provide a foundation for businesses to continue to grow and prosper in the future (Schein, 2010).

For values to be useful for an organization, they need to be accepted and shared within the organization (Malbašić, Rey, & Potočan, 2015). Organizational values indicate how things ought to be and how employees are expected to act in the organization. Values provide the foundation for the purpose and goals of an enterprise. They silently give direction to the hundreds of decisions made at all levels of the organization every day (Posner, 2010). Within an organization, values provide common direction for employees and guidelines for their day-to-day behavior (Deal & Kennedy, 2000). Employees draw from organizational values to guide their decisions and actions; organizational values provide norms that specify how employees should behave and how organizational resources should be allocated (Edwards & Cable, 2009). Values encompass desirable goals that direct behavior and "imbue it with meaning, defining what is good to attain and the ideal manner in which one should attain it" (Longest, Hitlin, & Vaisey, 2013, p. 1500). Values are distinct from other relational governance methods (i.e., norms and trust) and we provide a comparison of these constructs in Table 1.

2.2. Intra-organization value congruence

Intra-firm values manifest in subordinate-supervisor and employee-organization circumstances (e.g., Badovick & Beatty, 1987; O'Reilly, Chatman, & Caldwell, 1991). Intra-firm value congruence refers to the similarity between values held by individuals and organizations (Chatman, 1989; Kristof, 1996). In leadership literature, value congruence between employees and leaders explains why employees relate to leaders and pledge their loyalty and support (Hayibor, Agle, Sears, Sonnenfeld, & Ward, 2011; Hoffman, Bynum, Piccolo, & Sutton, 2011). Empirical research has found that perceptions of subordinate-supervisor value congruence account for the effectiveness of transformational leaders. When values are aligned at all levels and in all areas of a firm, they influence how people work, how customers experience the firm's products and services, and the effectiveness and efficiency of the firm's operation (Chatman & Barsade, 1995). Employee-firm fit explains how the patterning and content of an employee's values, when juxtaposed with the value system of the firm, affect that individual's behaviors and attitudes (O'Reilly et al., 1991) (Fig. 1).

Intra-organization value congruence has demonstrated positive effects on employees' trust, satisfaction, commitment and work performance (e.g., Edwards & Cable, 2009; Enz, 1988a, 1988b; Meglino, Ravlin, & Adkins, 1989; Posner, 2010; Ren, 2010). People with high levels of person-organization congruence perceive that they are a part of something bigger than themselves and are more likely to engage in behaviors that facilitate group productivity (Podsakoff & MacKenzie, 1997). Value congruence between employees and their organization complements delegation of decision-making, substitutes for monitoring (Ren, 2010); it is also associated with behavioral support for organizational change (Lamm, Gordon, & Purser, 2010). Edwards and Cable (2009) develop and test a theoretical model that integrates four key explanations of intra-organization value congruence effects, which are framed in terms of communication, predictability, interpersonal attraction, and trust. In sum, the literature has underscored the importance and demonstrated the effect of congruence between the values of employees and organizations (Chatman, 1989; Meglino & Ravlin, 1998).

2.3. Inter-organization value congruence

Due to values' relative stability and scriptedness, values can make organizations homogenous internally but externally heterogeneous or distinct from other organizations (Giorgi, Lockwood, & Glynn, 2015). In inter-firm relationships, firms may identify their partners' values and compare them with their own values (Moorman, Zaltman, & Deshpande, 1992). These values are manifest in a firm's goals, norms, and interests. In the intra-firm context, value congruence has two conditions: 1) the firm's values must be regarded as important or desirable; 2) the set of values must be shared by firm members (Enz, 1988a, 1988b). In the inter-firm context, value congruence refers to "the extent to which partners have beliefs in common about what behaviors, goals and policies are important or unimportant, appropriate or inappropriate, and right or wrong" (Morgan & Hunt, 1994, p. 25).

Our research is focused on manufacturers' perceived value congruence with their distributors. That is, a manufacturer evaluates its distributor's key values and principles and compares them with its own. We conceptualize and measure value congruence in terms of subjective fit, which involves the match between a manufacturer's own values and its perceptions of the distributor's values (Edwards & Cable, 2009). Consistent with this stream of value literature, value congruence is treated as "a perceptual construct that captures the espoused, recognized, explicitly stated, and socially defined levels of consensus" (Enz, 1988a, 1988b, p. 287). In a summary of value congruence research,

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Table 1
Comparison of relational governance methods.

	Organizational value	Relational norm	Trust
Definition	Enduring beliefs about what is preferred or desirable and standards by which existing structures or behaviors can be measured and assessed (Scott, 2014)	Expectations about behavior that are partially shared by a group of decision makers (Heide & John, 1992)	Willingness to rely on an exchange partner in whom one has confidence (Moorman, Deshpande, & Zaltman, 1993)
Dimensions & measures	Ethical values Operational values Occupational/professional values	Flexibility Solidarity Mutuality Information exchange	Ability Reliability Integrity Benevolence
Functions	Provide common direction Guide acceptable behavior Provide motivational power Establish organizational objectives	Guide behavior in expected ways Protect against deviant behavior Reduce cost of contracting and controlling	Focus on the long-term benefits Reduce the perception of risk Increase the confidence of the partner Reduce transaction cost

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Meglino and Ravlin (1998) find that it is common to use global and unspecified perception of value congruence between the respondent and some other entity. Posner (2010, p. 536) suggests that "from an empirical perspective, value congruence requires an estimation of the extent to which individuals are aware of both their own values and those of their organizations. It also requires an appreciation for the sense of agreement or consistency between personal and organizational value."

Value congruence is distinct from other types of inter-firm congruence such as goal compatibility. Goal compatibility is a bilateral understanding, approach, and vision for achieving tasks and outcomes (Inkpen & Tsang, 2005). It is oriented toward firms' joint future outcomes. Value congruence, by contrast, is rooted in a firm's fundamental belief system. Values are prescriptions for how partners should behave whereas goals are anticipations or expectations (Scott, 2014). For example, values drive a firm to serve its roles as a market player, a cooperator and/or a society member (Deal & Kennedy, 2000; Enz, 1988a, 1988b). Value congruence also differs from any type of resource sharing because values stand as independent firm characteristics and not as a result of mutual investment or coordination.

2.4. Value congruence and channel performance

We now discuss the impact of value congruence on manufacturer-distributor exchanges. In his seminal social exchange theory, Blau (1964) argues that congruent values between exchange partners provide a basis for cooperation and a sustainable relationship. He suggests that value consensus provides the mediating mechanism for social associations and transactions and motivates concerted efforts from both parties. When this motivation is maintained and reinforced intrinsically, it is likely to enhance the outcomes of their relationship. In line with this view, marketing scholars suggest that value congruence prompts exchange partners to follow through conscientiously on initial agreements (Murry & Heide, 1998).

Values drive the goals a firm pursues and the kinds or standards of behavior it uses to achieve these goals (Malbašić et al., 2015; Posner, 2010). When exchange partners share core values, they generally have mutual understandings and common expectations (Moorman et al., 1992). Intra-organization value congruence is positively related to work group effectiveness (Hoffman et al., 2011). Value congruence helps develop norms and guidelines that prescribe appropriate behavior by both partners (Schein, 2010). In marketing channels, for instance, shared values bolster members' coordination and performance by way of internalized common goals (Kashyap & Sivadas, 2012). They also help to control the behavior of parties toward each other (Schein, 2010). Exchange partners' shared values are used to control and rationalize decision making, particularly decisions that are in conflict with the ability to control resources (Enz, 1988a, 1988b). Value congruence guides channel members toward uniformity of behavior, which is beneficial to their cooperation (Kashyap & Sivadas, 2012).

Moreover, shared values and beliefs underpin the harmony of interests that reduce the likelihood of opportunistic behavior (Ren, 2010). Values are connected to the threat of future violations of expectations—"those who do not think like us may do the unthinkable." By contrast, those who share fundamental values are regarded as trustworthy and come to be trusted (Sitkin & Roth, 1993). Values underlie the premise that many understandings are common to exchange partners (Kashyap & Sivadas, 2012). As a consequence, the outcomes of the exchange will be beneficial to both partners. Therefore, we hypothesize:

H1. Value congruence between a manufacturer and a distributor is positively related to the distributor's performance for the manufacturer.

2.5. A mediation model — mechanisms of value congruence on performance

The reason for hypothesizing a mediating effect is to better understand the mechanisms that underlie the main effect. These mechanisms remain speculative unless they are tested as mediators of the relationships that link value congruence to outcomes (Edwards & Cable,

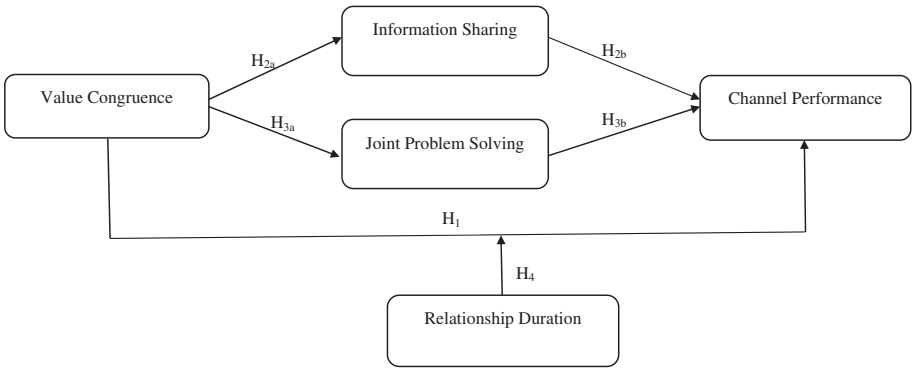

Fig. 1. Conceptual framework.

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2009). We first hypothesize that value congruence has a positive effect on performance. The rationale is that value congruence serves as a governance method for cooperating firms. Furthermore, this governance method needs to facilitate subsequent interfirm actions to substantiate its impact. We argue that value congruence stimulates important behaviors between partners and these behaviors lead to better performance. These interfirm behaviors serve as mechanisms that mediate value congruence and firm performance. We hypothesize that information sharing and joint problem solving serve as mediators between value congruence and firm performance. In this way, conceptual and directive values translate into concrete and observable behaviors. As a result, these behaviors lead to better channel performance.

2.5.1. Value congruence and information sharing

Value congruence leads to a better understanding of a partner's goals and objectives (Zenger & Lawrence, 1989). Value congruence should promote communication because having shared standards about what is important provides a common frame for describing, classifying, and interpreting events (Meglino & Ravlin, 1998). This common frame facilitates the exchange of information and reduces misinterpretation or misunderstanding (Meglino et al., 1989; Meglino, Ravlin, & Adkins, 1992).

Second, the depth and width of information exchange is likely to increase between partners. Value congruence motivates partners to discuss topics including operations, personnel, markets and strategies. The communication is likely to be more in-depth because the partners understand and subscribe to each other's fundamental beliefs. A strong motivation can be created and maintained when organizational value congruence is high (Posner, 2010; Ren, 2010). The quantity and quality of information acquired improves as a result. Cognitive information processing models suggest that people whose values are similar interpret events similarly (Meglino & Ravlin, 1998). The effectiveness of information sharing increases as a result.

Third, value congruence mitigates tensions and facilitates information flow. Shared values advance collaborative endeavors, which help forestall coordination problems arising from conflicts of interest (T. K. Das & Teng, 1998). Value congruence is positively related to organizational level trust (Dwyer, Schurr, & Oh, 1987; Morgan & Hunt, 1994; Ren, 2010). Das and Teng (2001) contend shared values are important because they promote the creation of a clan-like environment between partners. This sense of belonging is considered to foster trust as partners gain confidence in each other and shed concerns about the other partner taking advantage by using or leaking shared information.

H2a. Value congruence between a manufacturer and a distributor is positively related to the manufacturer's information sharing with the distributor.

In channel relationships, information sharing enables transactions and operations (Heide & John, 1992; Jia, Cai, & Xu, 2014). Information acquisition is critical to distributors' competitive advantage and performance in the following ways. First, information shared by manufacturers helps distributors respond to market uncertainty. Manufacturers can provide distributors with strategic information including production planning and demand forecasting (Frazier, Maltz, Antia, & Rindfleisch, 2009). Demand changes in the market greatly impact distributors' performance, and manufacturers' production planning and demand forecasting help distributors prepare for future market changes. Second, manufacturers' information sharing allows distributors to address the manufacturers' requirements and expectations and reduce uncertainty about the priorities of the manufacturers (Lusch & Brown, 1996a, 1996b). Distributors can thus better formulate marketing plans to meet manufacturers' needs as well as use their resources efficiently and effectively. Therefore, we hypothesize:

H2b. A manufacturer's information sharing with a distributor is positively related to the distributor's performance.

2.5.2. Value congruence and joint problem solving

Value congruence between partners generates clear role expectations arising from the ability to predict the other partner's behavior (Meglino et al., 1989). The role of each partner is delineated and warranted in the relationship. Firms are encouraged to seek mutual gains and forego individual agendas detrimental to their joint outcome. Value congruence reinforces the principle of partnership and mutual benefit, as manifested in joint actions.

When a partner strongly adheres to certain values, it tends to appreciate others who share the same values. Value congruence is conducive to attraction and liking because agreement on what is important promotes harmony and cooperation among organizational members (O'Reilly et al., 1991). Shared values enhance a sense of association, furthering bonding and nurturing a cooperative relationship (Mukherjee & Nath, 2003). Perceived value congruence between employees and organization is associated with behavioral support for organizational change (Lamm et al., 2010). Therefore, shared values increase intimacy and support in joint actions.

Joint problem solving implies the extent to which disagreements with a partner are resolved ex post (Claro, Hagelaar, & Omta, 2003). Value congruence reduces tension (Schneider, 1983) and use of coercive strategies (Lai, 2009). In intra-organizational cooperation, teams with low levels of value congruence have higher levels of team conflict (Jehn, Chadwick, & Thatcher, 1997; Klein, Knight, Ziegert, Lim, & Saltz, 2011). One may presume that the other's progress interferes with its own and thus have little incentive to cooperate (Song, Xie, & Dyer, 2000). Low value congruence also makes consensus costly in terms of time, effort and resources so that one may choose to collaborate in a minimal way (Song et al., 2000). By contrast, people feel pleasure when they interact with others who hold similar values, opinions, and beliefs (Posner, 2010). Therefore, value congruence facilitates coordinated action planning which in turn decreases misunderstanding and task-related conflict (Denison, 1984; Watson, Kumar, & Michaelsen, 1993).

H3a. Value congruence between a manufacturer and a distributor is positively related to joint problem solving.

Joint problem solving shows that both channel partners regard their relationship highly and indicates their willingness to maintain a good relationship (Heide & John, 1992). Joint problem solving requires partners to invest resources including money, time, and effort to conduct operations and transactions efficiently and reduce transaction costs (Claro et al., 2003). It facilitates value creation between suppliers and customers because they can clarify their roles and optimize resource utilization (Aarikka-Stenroos & Jaakkola, 2012). Collaborative problem solving helps create a harmonious and trusting relationship (Cannon et al., 2000), which is key to channel performance.

H3b. Joint problem solving between a manufacturer and a distributor is positively related to the distributor's performance.

2.6. When values matter more: the moderating effect of relationship duration

Finally, this research aims to examine values' impact on exchange outcomes over time. Does the impact of value congruence on performance weaken or strengthen as two firms' cooperation continues? We argue that as a manufacturer-distributor relationship continues over time, the importance of value congruence strengthens. First, values can be better transferred and understood as the partner relationship goes on. Important tenets trickle down from top management to mid-level managers. A longer relationship enables different levels and more units of the firm to realize its partner's values, and a broader base of employees strengthens the impact of value congruence.

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Second, a longer relationship enables partners to interpret and understand each other's values more fully and learn about the other's value system as a whole. For example, a manufacturer can explain what its values mean and why they are important to the distributor. The distributor can interpret the manufacturer's values more accurately. A longer relationship also allows a partner to determine whether the other party holds on to its values in times of uncertainty and difficulty. This signifies whether or not the values are deep-seated and stable.

H4. The longer the relationship between manufacturer and distributor, the stronger the positive relationship between manufacturer-distributor value congruence and distributor performance.

3. Methods

3.1. Data and sample

To test our hypotheses, we selected a sample of manufacturers in China. We randomly selected 900 manufacturers based on a list of manufacturing firms in the four-digit Standard Industrial Classification codes 1411–3990 located in six major Chinese industrial cities (three northern cities, Shenyang, Dalian, and Beijing, one eastern city, Shanghai, and two southern cities, Guangzhou and Fuzhou) with 150 firms in each city. The firms represented a wide variety of industries, including electronics, IT equipment, food and beverage, detergents and cosmetic, apparel and shoes, etcetera. The multi-industry setting allowed us to achieve greater variance and enhance the potential generalizability of our results (Su, Yang, Zhuang, Zhou, & Dou, 2009; Wang, Gu, & Dong, 2013).

A national market research firm with nationwide branches and affiliates administered our survey. Face-to-face interviews were used to ensure high response rates and generate valid information in China, which is an emerging market (Gu, Hung, & Tse, 2008; Hoskisson, Eden, Lau, & Wright, 2000). In order to reduce potential biases, we trained all the interviewers beforehand and sent one interviewer to each respondent. During the interviews, the interviewers explained the academic purpose of the project and helped clarify questions when the respondents answered the questionnaires (Sheng, Zhou, & Li, 2011). We chose manufacturers' sales managers as key informants because they are the primary liaisons between manufacturers and their distributors. During the interviews, each respondent was asked to select one primary distributor with which his/her company had the greatest volume of business in the previous year. S/he then answered the survey questions according to his/her firm's relationship with the chosen distributor.

We first contacted the sales managers of all selected firms via telephone and invited them to participate in our study. After several rounds communication, we identified 338 sales managers who agreed to participate, of whom we successfully interviewed 301 at their work locations. After preliminary data screening, we deleted 23 firms because of missing data. Thus, we had 278 useful responses for an effective response rate of 30.9%. On average, the respondents had been working at their companies for 4.3 years, indicating that they were appropriate key informants for this study. We evaluated potential nonresponse bias by comparing early and late respondents' scores of key major constructs as well as firm characteristics (i.e., industry types, annual sales revenues, and locations) (Armstrong & Overton, 1977). We found no significant differences, suggesting that nonresponse bias was not a concern for this study.

Sales volumes of the 278 firms in the previous year varied widely: 26.3% had sales revenues of less than RMB 5 million; 43.9% between RMB 5 and 50 million; 13.7% between RMB 50–300 million; and 16.1% more than RMB 300 million (1RMB = 0.16USD). The mean of relationship duration with a primary distributor was 5.7 years, with 14.0% of the firms having less than two years, 41.4% between two and five years, and 44.6% more than five years. Regarding firm ownership, 51.4% of the firms sampled were private; 24.1% were joint-ventures; 16.9% were foreign firms; and 7.6% were state-owned.

3.2. Measures

We developed a scale of value congruence based on extant literature. We adapted other multi-item measures from existing scales. All the adapted measures were translated from English to Chinese using a translation/back-translation procedure to ensure equivalence (Douglas & Craig, 2006). To ensure the content and face validity, we first conducted five in-depth interviews with sales managers and subsequently revised several items to enhance clarity. We present the items used to measure each construct with each scale's Cronbach's alpha (α), composite reliability (CR), and average variance extracted (AVE) values in Appendix A. All the multi-item measures employ five-point Likert scales (1 = "strongly disagree," and 5 = "strongly agree").

Value congruence. We developed a scale of value congruence because no appropriate scales were found in the B2B literature. The scale was based on a basic conception of the extent to which partners have principles and beliefs in common (Morgan & Hunt, 1994). In order to warrant the scale's feasibility in channel relationships, we first conducted in-depth interviews with ten manufacturing managers. The informants stated that values were an important element in their cooperation with channel members. Consistent with value-based literature (e.g., Bourne & Jenkins, 2013; Enz, 1988a, 1988b), informants identified multiple organizational values. Depending on the industry and market, firms manifested a range of fundamental and characteristic values (Enz, 1988a, 1988b). Our research does not aim to identify particular values that are regarded as important by firms. Rather, we aim to examine perceived value congruence between cooperating firms. Consistent with the measures of goal compatibility (e.g., Jap, 1999), we developed the scale that measures a firm's own values as compared to its primary distributor's values. Based on the literature and in-depth interviews, we first generated seven items and then assessed their clarity and validity. Five marketing professors evaluated these items and we eliminated one item and refined the others based on their comments. We also did a pretest with 36 sales managers from a MBA program in a Chinese university. After they completed the questionnaires, we sought their feedbacks on the items. Last, we conducted an exploratory factor analysis and we deleted two items because of low factor loadings. The final scale consists of four items (please see Appendix A).

Information sharing. We used a scale adapted from Noordewier et al. (1990) to measure information sharing as the degree to which a manufacturer would like to provide operational and strategic information to its distributor.

Joint problem solving. We adapted Heide and John's (1992) scale to capture the extent to which a manufacturer and its distributor share the responsibility for solving problems that arise over the course of the relationship.

Channel performance. We employed a similar measure to the scale reported by (Kumar, Stern, & Achrol, 1992) that reflects how the manufacturer perceives the performance of its distributor as a result of channel cooperation. Specifically, we used a four-item scale adapted from Sheng et al. (2011) to measure the degree of the manufacturer's satisfaction with the distributor's performance. We

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used subjective performance measures instead of objective performance measures for the following reasons. First, the distributor's performance within a manufacturer-distributor relationship, rather than the distributor's overall performance, is needed. Because our data is collected from the manufacturer, the best possible measure is the manufacturer's estimate of its distributor's performance. Second, the underlying logic of our subjective measures is that the manufacturer's satisfaction with the distributor's performance is a focal consequence of their operating relationship. Finally, the subjective measures are consistent with the previous measurement of performance in the channel literature (Sheng et al., 2011; Su et al., 2009).

Relationship duration. We measured relationship duration by asking about the number of years the manufacturer had done business with its focal distributor.

Controls. We controlled several other variables that may also affect information sharing, joint problem solving, and channel performance. First, we controlled formal contract because of its governance role in channel relationships (Lusch & Brown, 1996a, 1996b). We adapted a scale from Lusch and Brown (1996a, 1996b) to capture the extent to which a manufacturer and its distributor has a formal contract to define the responsibilities of each party and handle unexpected events in their relationship. Second, we controlled firm size measured by the annual sales of the manufacturer in the previous year. We asked the respondents to provide the sales figures of their company, which ranged from 1 = <5 million to 6 = >300 million. Third, we considered product demand. Respondents were asked to evaluate their products' demand condition in which 1 = supply exceeds demand; 2 = balance of supply-demand; 3 = demand exceeds supply. Fourth, we included the competitive status of the manufacturers' products. Respondents were asked to evaluate their products' competitive status in which 1 = not competitive at all to 5 = very competitive. Fifth, we included ownership as a dummy variable, such that 1 presents a Chinese local company and 0 a foreign owned company. Finally, we included industry as a dummy variable, where 1 represents a consumption product and 0 represents an industrial product.

We checked the reliability with Cronbach's alpha, and computed the composite reliabilities (CR) of the constructs. As shown in Appendix A, the Cronbach's alpha coefficients for the scales and the composite reliability of each construct are both acceptable, in support of internal consistency. Because two constructs (i.e., information sharing and joint problem solving) are measured with only two items, following the suggestion of Eisinga, Grotenhuis, and Pelzer (2013), we used the Spearman-Brown formula to estimate the reliability of these two constructs. The results showed that the Spearman-Brown coefficients of Information Sharing (0.721) and Joint Problem Solving (0.676) are both acceptable. In Table 2, we present the correlation matrix and descriptive statistics of the measures.

3.3. Construct validity

To examine construct validity, we performed confirmatory factor analysis (CFA). We restricted each measurement item to load on its hypothesized factor. All items revealed significant ($p < 0.001$) loadings on their expected constructs in support of convergent validity. As shown in Appendix A, the factor loadings and model fit indices ($\chi^2(80) = 125.511$, GFI = 0.944, NFI = 0.925, IFI = 0.971, TLI = 0.962, CFI = 0.971, RMSEA = 0.045) indicate that our model fits the data well. Then we examined the discriminant validity of the measures with a variance extracted test (Fornell & Larcker, 1981). As shown in Appendix A, the average variance extracted (AVE) of all the constructs is higher than or close to the widely accepted threshold of 0.50. We compared the variance-extracted estimates for each pair of constructs with the square of the correlations between the two constructs and found that both variance-extracted estimates for each pair of constructs were greater than their squared correlations, in support of their discriminant validity.

3.4. Common method bias assessment

We conducted three separate tests to examine potential common method variance (CMV) bias. First, according to the suggestions of Podsakoff et al. (2003), we performed the single factor test, the most commonly used statistical remedy for common method variance, with the independent variable, dependent variable, mediators, and moderator used in our study. We found that all the variables were loading on different factors, in which the largest factor explained only 21.83% of the variance. Thus, there is no general factor that accounts for the majority of the covariance across our measures, suggesting the threat of CMV bias is not likely to be serious.

Second, following the suggestion of Craighead, Ketchen, Dunn, and Hult (2011), we performed a test with a confirmatory factor analysis (CFA). Specifically, we compared a one-factor model and a five-factor model with all the latent variables included. The results showed that the five-factor model ($\chi^2(80) = 125.511$, GFI = 0.944, NFI = 0.925, IFI = 0.971, TLI = 0.962, CFI = 0.971, RMSEA = 0.045) was considerably better than one-factor model ($\chi^2(90) = 639.408$, GFI = 0.716,

Table 2
Construct means and correlations.

	1	2	3	4	5	6	7	8	9	10	11
1. Value congruence		0.387**	0.528**	0.281**	0.110	0.466**	0.025	0.181**	−0.019	−0.040	−0.063
2. Information sharing	0.389**		0.411**	0.375**	0.106	0.363**	0.112	0.035	0.203**	−0.094	0.070
3. Joint problem solving	0.490**	0.484**		0.305**	0.092	0.518**	0.152*	0.157**	0.138*	−0.060	−0.047
4. Channel performance	0.278**	0.376**	0.390**		0.189**	0.271**	0.143*	0.165**	0.229**	−0.097	0.036
5. Relationship duration	0.111	0.107	0.210**	0.190**		0.141*	0.175**	0.190**	0.049	−0.102	−0.010
6. Contract	0.495**	0.365**	0.484**	0.267**	0.140*		0.242**	0.237**	0.056	−0.074	−0.067
7. Firm size	0.069	0.121*	0.182**	0.144*	0.174**	0.282**		0.298**	0.161**	−0.363**	0.075
8. Competitive status	0.255**	0.048	0.267**	0.165**	0.187**	0.286**	0.334**		0.252**	−0.233**	−0.044
9. Product demand	−0.037	0.197*	0.192**	0.227**	0.048	0.032	0.139*	0.221**		−0.101	0.078
10. Ownership	−0.053	−0.097	−0.095	−0.099	−0.103	−0.088	−0.368**	−0.242**	−0.094		0.014
11. Industry	−0.093	0.061	−0.013	0.033	−0.012	−0.101	0.042	−0.079	0.090	0.023	
Marker variable	0.216**	0.055	0.088	0.020	0.013	0.255**	0.207**	0.251**	−0.086	−0.066	−0.146*
M	3.79	3.47	3.65	3.43	5.72	3.79	2.85	4.17	1.85	0.65	0.53
SD	0.61	0.77	0.71	0.62	3.68	0.68	1.79	0.58	0.99	0.48	0.50

Notes: N = 278. Zero-order correlations are below the diagonal; adjusted correlations for potential common method variance are above the diagonal.
* Significant at $p < 0.05$ (two-tailed).
** Significant at $p < 0.01$ (two-tailed).

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NFI = 0.607, IFI = 0.642, TLI = 0.578, CFI = 0.639, RMSEA = 0.148), demonstrating that CMV was not a problem.

Last, we employed the marker variable assessment technique approach recommended by Lindell and Whitney (2001). Specifically, we added an item pertaining to each firm's IT equipment capacity (ranging from very low to very high) as our marker variable. This marker variable meets Lindell and Whitney's criterion of being unrelated to our main variables theoretically. The results of a partial correlation analysis after we controlled for the influence of IT equipment capacity showed only two significant correlations (joint problem solving and relationship age, and information sharing and firm size) became insignificant, and no insignificant correlations became significant (see Table 2). Overall, these assessments suggest that the effect of CMV is minimal.

4. Results

We ran moderated regression models to test the hypotheses because our model contains interaction effects. To avoid potential problems of multi-collinearity, we mean-centered the variables that include an interaction term and created the interaction term by multiplying the relevant mean-centered variables (Jaccard & Turrisi, 2003). Variance inflation factors (VIF) showed no significant bias (ranges from 1 to 2). We summarize the regression results in Table 3.

H1 suggests that value congruence has a positive impact on channel performance. The results show that value congruence has a significant influence on channel performance ($\beta = 0.213$, $p < 0.01$), in support of H1.

We predict that value congruence is positively related to information sharing and joint problem solving (H2a and H3a), which in turn positively affects channel performance (H2b and H3b). Consistent with H2a and H3a, value congruence has a positive effect on information sharing ($\beta = 0.313$, $p < 0.01$) and joint problem solving ($\beta = 0.336$, $p < 0.01$), respectively. Because our model contains two mediating effects, we include each mediator in two separate models to test the mediation hypotheses (Baron & Kenny, 1986). The results indicate that information sharing ($\beta = 0.245$, $p < 0.01$) and joint problem solving ($\beta = 0.237$, $p < 0.01$) impact channel performance positively, in support of H2b and H3b. As shown in Model 4 and Model 5 in Table 3, the effect of value congruence drops from 0.213 ($p < 0.01$) to 0.130 ($p < 0.05$) and 0.127 ($p < 0.1$) when we include information sharing ($\beta = 0.245$, $p < 0.01$) and joint problem solving ($\beta = 0.237$, $p < 0.01$) in the model, respectively. Thus, taken these findings together, both information sharing and joint problem solving are partial mediators.

To confirm these results, we conducted two Sobel tests of mediation. The Sobel test is used to examine whether a mediator carries the influence of independent variable to a dependent variable (Baron & Kenny, 1986). The results of the Sobel tests further support that both information sharing ($t = 3.114$, $p < 0.01$) and joint problem solving ($t = 2.994$, $p < 0.01$) function as partial mediators in the relationship between value congruence and channel performance.

Regarding the moderating effects, we propose that relationship duration strengthens the relationship between value congruence and channel performance (H4). The findings in Model 3 in Table 3 show that the interaction of value congruence and relationship duration has no significant effect on channel performance ($\beta = -0.065$, $p > 0.1$). Thus H4 is rejected.

5. Discussion

5.1. Theoretical implications

Values are internal forces that drive a firm's decisions about right and wrong, what to do and what not to do. A pattern of shared values and beliefs helps individuals understand organizational functioning and thus provides norms for behavior within an organization (Deshpande & Webster, 1989, p. 4). This research highlights values as a fundamental element in inter-firm cooperation. It examines value congruence as a means to govern inter-firm exchanges. Congruent

Table 3
Standardized parameter estimates (t-value) of regression analyses.

	Channel performance					Information sharing	Joint problem solving
	Model 1	Model2	Model 3	Model 4	Model5	Model 6	Model 7
Independent variable							
Value congruence	0.213**	0.207**	0.209**	0.130*	0.127†	0.313***	0.336***
	(3.270)	(3.188)	(3.228)	(1.962)	(1.876)	(5.117)	(5.957)
Relationship duration		0.131*	0.146*	0.119*	0.104†	0.050	0.113*
		(2.297)	(2.557)	(2.134)	(1.847)	(0.924)	(2.270)
Information sharing				0.245***			
				(3.897)			
Joint problem solving					0.237**		
					(3.457)		
Interaction terms							
Value congruence × relationship duration			−0.065				
			(−1.125)				
Control variable							
Contract	0.142*	0.136*	0.128†	0.077	0.069	0.240***	0.281***
	(2.097)	(2.017)	(1.898)	(1.142)	(1.005)	(3.780)	(4.794)
Firm size	0.040	0.027	0.026	0.022	0.023	0.019	0.016
	(0.625)	(0.412)	(0.409)	(0.348)	(0.358)	(0.315)	(0.294)
Competitive status	0.010	−0.006	0.000	0.035	−0.017	−0.166**	0.047
	(0.150)	(−0.096)	(−0.001)	(0.555)	(−0.279)	(−2.784)	(0.858)
Product demand	0.215***	0.189**	0.215***	0.160**	0.173**	0.219***	0.174**
	(3.705)	(3.312)	(3.744)	(2.780)	(3.001)	(4.034)	(3.470)
Ownership	−0.039	−0.020	−0.036	−0.018	−0.033	−0.068	−0.007
	(−0.634)	(−0.344)	(−0.591)	(−0.307)	(−0.561)	(−0.1.203)	(−0.143)
Industry	0.048	0.049	0.053	0.027	0.039	0.083	0.036
	(0.843)	(0.868)	(0.931)	(0.493)	(0.706)	(1.554)	(0.726)
F-value	7.279***	7.130***	6.484***	8.359***	7.924***	12.070***	20.081***
R^2	0.159	0.175	0.179	0.219	0.210	0.264	0.374

† Significant at $p < 0.1$ (two-tailed).
* Significant at $p < 0.05$ (two-tailed).
** Significant at $p < 0.01$ (two-tailed).
*** Significant at $p < 0.001$ (two-tailed).

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values between channel members provide the basis of cooperation and motivate concerted efforts from both partners. Shared values and principles are also likely to reduce the possibility of opportunistic behavior. The empirical results demonstrate that value congruence between manufacturers and distributors leads to better distributor performance.

In addition, this research examines the mechanisms under which value congruence leads to better performance. We argue that value congruence stimulates and warrants important behaviors that enable partners to better perform. The results show that information sharing and joint problem solving function as partial mediators between value congruence and distributors' performance. Our results, however, show that relationship duration does not moderate the impact of value congruence on distributor performance. Prior research shows that relationship duration, as a dimension of relationship strength, does not necessarily improve inter-firm behaviors (Claro et al., 2003). Perhaps it merely provides more opportunities for partners' interaction and understanding. Values may not penetrate more levels and units of the partnering firms as their relationship unfolds. Longer relationships may simply result from satisfying outcomes but not the content and nature of relationship (Ganesan, 1994).

The basic assumption of this research is that values stand independent of economic incentives. Partnerships are initiated and maintained to generate win-win outcomes. No doubt that economic incentives remain a strong driving force for partnerships, and partners' resources and markets are key factors for success. However, this research considers and evaluates another criterion in exchange relationships. It supplements the marketing channel literature by incorporating the values, beliefs and principles of firms. This study suggests that a good match in values serves as a strong antecedent to channel performance.

Specifically, this research supplements channel governance literature by proposing value congruence as another governance means. Marketing and management literature has extensively examined the impact of contractual and relational governance on interfirm exchanges. Among relational governance methods, norms and trust have been most-frequently studied. If values are the bedrock of organizational culture and direct firms' attitude and behavior (Schein, 2010), values of cooperating firms (e.g., value congruence) should impact the process and outcome of interfirm exchanges. Our results support this tenet and suggest that value congruence can indeed be treated as an interfirm governance type.

Echoing Homburg and Pflesser's (2000) finding, our study suggests that values may influence the selection of available norms. While norms are considered favorable in inter-firm relationships, they are likely to be influenced by values. In fact, norms—behavioral patterns—may be directed and driven by underlying values. Values are more general and powerful justifications for norms and express the aspirations that allegedly inform the required activities (Katz & Kahn, 1978, p. 43). As the formation of norms within an organization is easier if employees are in agreement about fundamental values (O'Reilly, 1989), this research suggests that the impact of values is likely to hold across cooperating organizations.

Literature on organizational values states that value systems are internal to firms (e.g., Edwards & Cable, 2009; Enz, 1988a, 1988b; Meglino et al., 1992). Management literature has extensively studied and empirically demonstrated the positive impact of employee-organization value congruence on employees' satisfaction, commitment and performance. Early marketing strategy research suggests that firms should measure and understand their shared organizational values so that the implementation of their strategies will not be hindered by lack of value congruence relevant to programs and actions undertaken (Badovick & Beatty, 1987, p. 25). Going a step further, our research indicates that values can be understood and shared by cooperating firms. These values can be a cornerstone of the relationship and serve as a relationship governance method.

5.2. Managerial implications

This research shows the importance of value congruence in interfirm relationships. We suggest that firms pay close attention to their own values as well as those of their partners. Clear values and principles not only guide firms' own directions and behaviors but also affect how they select and evaluate external partners. Unilever, for example, states that "we want to work with suppliers, agents, distributors and other business partners who have values similar to ours and uphold the same standards as we do" (https://www.unilever.com/about/who-we-are/purpose-and-principles/). P&G claims that "How we operate as a company… is based on the principle of doing the right thing in all that we do." P&G expects its external partners to share its core values such as sustainability, human rights, and ethics (https://www.pgsupplier.com/en/pg-values/sustainability.shtml). Based on these existing practices and the results of our study, we propose that channel partner selection should carefully consider values, beliefs and principles in addition to capabilities and resources. Firms need to delineate their own values and compare them with those of potential partners. Because channel transactions and relationships entail considerable cost, finding suitable partners is likely to reduce conflict and enhance channel performance. In the long run, values provide a clear guidance for appropriate attitudes and behaviors.

Second, values may be especially important for channel relationships in emerging markets. Emerging markets increasingly account for global firms' market share and profit. Emerging markets are fast growing but filled with uncertainties and risks. Global firms face unfamiliar or even conflictual values and principles. Their beliefs about what is preferred or desirable may be challenged by partners in emerging markets. Doing the right thing may not sound "right" to their partners. As shown earlier by the example of Ben & Jerry's venture into Russia, it had difficulty finding partners who shared its values. Despite emerging markets' lack of development and institutions, we argue that values play an even more important role. This research suggests that choosing partners with similar values and beliefs is likely to reduce risks and sustain long-term cooperation.

Last, firms should emphasize information sharing as a key aspect of channel management. On the one hand, information sharing enables distributors to better respond to manufacturers' marketing strategies. On the other hand, information sharing facilitates bilateral understanding and reduces potential friction arising out of the relationship. Therefore, information sharing benefits distributors, thus enhancing their performance. Joint problem solving demonstrates an effective mechanism to resolve issues or conflicts. Our study indicates that when channel members engage in joint problem solving, better performance results. Joint problem solving demonstrates that both partners take the relationship seriously and allows partners to correct misunderstandings in a timely fashion, thus providing a solid foundation for relationship success.

5.3. Limitations and future research

This research has several limitations that warrant future research. First, it does not investigate specific values that may be shared by cooperating firms. While value congruence is a strong factor in interfirm performance, the specific values that are important need better understanding. This research examines value congruence from one side of the channel relationship and future research can better capture the degree of value congruence by collecting dyadic data.

Second, this research takes a one-point-in-time examination of value congruence. It is worth studying the longitudinal impact of values. Do value-congruent partners outperform others over the long-term? While values are relatively stable over time, goals and strategies change. Do congruent values guide partnering firms' cooperation and lead to long-term commitment? When values conflict during cooperation, how do firms respond and adapt?

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Third, how do personal values and organizational values interrelate in inter-organizational relationships? Organizational behavior studies focus on the synergy between individual and organizational values. Our research proposes that inter-firm value congruence is important as well. Interestingly, inter-firm cooperation entails value congruence both at the inter-firm level and at the intra-firm level. Our analysis is focused on the firm level by examining boundary spanners' perceptions. Future research can integrate both individual values and firm values to better understand the impact of value congruence.

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Appendix A. Measurement items and validity assessment

Measures	SFL
Value congruence: $\alpha = 0.789$, CR = 0.790, AVE = 0.485	
My firm and the distributor understand each other's values and beliefs.	0.708*
My firm and the distributor have congruent values.	0.667*
My firm and the distributor stick to our principles with each other.	0.737*
My firm and the distributor regard our core values important.	0.670*
Information sharing: $\alpha = 0.675$, CR = 0.676, AVE = 0.512	
We keep the distributor informed of our plans.	0.700*
We regularly provide the distributor with long-range forecasts of demands of our products.	0.729*
Joint problem solving: $\alpha = 0.721$, CR = 0.721, AVE = 0.564	
Problems that arise in the course of this relationship are treated by the parties as joint rather than individual responsibilities.	0.764*
Both parties are committed to improvements that may benefit the relationship as a whole, and not only the individual party.	0.738*
Channel performance (distributor): $\alpha = 0.856$, CR = 0.857, AVE = 0.602	
The sales growth of the products distributed	0.792*
The profit margin of the products distributed	0.839*
The return of investment of the products distributed	0.775*
The payment collection from the distributor	0.689*
Contract: $\alpha = 0.782$, CR = 0.782, AVE = 0.545	
In dealing with this distributor, our contract or distribution agreement precisely defines the responsibilities of each party.	0.717*
In dealing with this distributor, our contract or distribution agreement precisely states what will happen in the case of events occurring that were not planned.	0.773*
In dealing with this distributor, our contract or distribution agreement precisely states how disagreements will be resolved.	0.724
Overall model fit	
$\chi^2(80) = 125.511$, GFI = 0.944, NFI = 0.925, IFI = 0.971, TLI = 0.962, CFI = 0.971, RMSEA = 0.045	

Notes: SFL = standardized factor loading, CR = composite reliability, AVE = average variance extracted.

* Significant at the $p < 0.001$ level.

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