

The Influence of Economic and Non-Economic Satisfaction on Formalization, Specific Investments, and Dependence in B2B Relationships

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ABSTRACT

This investigation estimates a theoretical model that examines the influence of economic and non-economic satisfaction on formalization, specific investments, and dependence in B2B supply chain relationships from the sellers' perspective. The study's methodology is based on a deductive approach and data was collected using a structured questionnaire. The sample consisted of small and medium-sized companies across industries in Spain. The findings show that sales-specific investments rely on other business aspects than economic and non-economic satisfaction in B2B supply chain relationships, though a requirement is that the B2B supply chain relationships are marked by economic satisfaction. This research sheds light on antecedents of specific sales investments based on the perspectives of relationship marketing and transactional cost theories. In doing so, the study provides insights into the structural properties of economic and non-economic satisfaction, formalization, specific investments, and dependence in B2B supply chain relationships. Practical implications include the need for managers to ensure that their business partners are economically satisfied if they are to influence formalization in supply chain relationships. The importance of sales formalization is reflected in the positive relationship it has on specific investments in B2B sales relationships. The study's value lies in the fact that it distinguishes between the role of two different types of satisfaction on formalization, specific investments, and dependence in B2B sales relationships. In so

doing, the study helps determine the order of priority between economic and non-economic satisfaction to formalize and make specific investments in B2B sales relationships.

Keywords: Economic satisfaction; non-economic satisfaction; formalization; specific investments, supply chain relationship.

1. INTRODUCTION

Relationship marketing literature identifies satisfaction as an important goal for business executives to pursue in supply chains (Høgevold *et al.*, 2021; Ramish *et al.*, 2022; Rauyruen and Miller, 2007). This is mainly because at the core of relationship marketing in supply chains is the need to attract, maintain and enhance business relations, and satisfaction is associated with such benefits (Ramish *et al.*, 2022). As a post-activity measure, satisfaction is important in informing the decision to continue or discontinue business relations (Das 2020, Voldnes *et al.*, 2012). Satisfaction has also been found to exert a positive influence on word-of-mouth and referrals (Roy *et al.*, 2019; Wangenheim & Bayón 2007). These are behaviors that help in attracting new business. While achieving high customer satisfaction has become a central focus of many businesses, research shows that satisfaction does not always result in positive outcomes in B2B relationships. In this regard, Reichheld (1996 & 2003),

noted that satisfied customers are often among those that defect to competitors.

In supply chain inter-organizational partnerships, one possible reason for conflicting findings in research on positive outcomes of satisfaction may be to do with the way satisfaction is defined and conceptualized. Chumpitaz and Paparoidamis (2020) considered satisfaction as an affective evaluation of aspects of the relationship while Homburg *et al.* (2005), as well as Paulssen and Birk (2007) contend for the need to consider both affective and cognitive aspects when conceptualizing satisfaction. Affective perspective to satisfaction focus on psycho-emotional aspects of the relationship while cognitive-based satisfaction is rational, calculating part of satisfaction (Hulin & Judge, 2003, Moorman, 1993). In B2B context, cognitive-based satisfaction employs mainly economic outcomes that flow from the relationship while affective-based satisfaction makes use of non-economic social aspects. Furthermore, satisfaction can be transaction-specific or cumulative irrespective of whether it is assessed at different facets level or the general overall level (Askariyazad and Babakhani, 2015; Ojeme and Robson 2020).

Considering that the question of how satisfaction translates into desirable response behaviors lies at the heart of relationship marketing, this study aims at examining the influence of economic and non-economic facets of satisfaction on B2B transaction cost-related factors of formalization and specific investment as well as on the relationship marketing construct of dependence. The study makes its contribution to marketing knowledge through the lens of suppliers in B2B contexts. A review of literature in both B2C and B2B contexts shows that studies on satisfaction have to date focused largely on the customer (Høgevold *et al.*, 2021; Hudnurkar & Ambekar 2019). While the importance of customer satisfaction can not be underestimated, the dyadic nature of relations in B2B contexts particularly in industrial markets is such that buyers tend to purposely reduce the number of suppliers they work with (Schiele *et al.*, 2015). This allows for close working relations between buyers and suppliers for increased efficiency in value co-creation activities. Working with a streamlined seller network does however predispose buyers to higher levels of supplier performance risk. Effective management of this risk calls for effective fostering of supplier commitment to the buyer and this end, formalization and supplier satisfaction are likely to be of critical importance.

In examining supplier satisfaction, this study focuses on the effects of economic and non-economic satisfaction on dependence and transaction cost variables of formalization and specific investment. A review of relationship marketing literature shows that formalization and specific investments are largely understudied constructs (Høgevold *et al.*, 2021) with most studies focusing on such outcomes of satisfaction as trust and commitment/loyalty. Understanding the influence of satisfaction on transaction costs factors including formalization and specific investment is however very important as high costs on the part of an industrial buyer can significantly reduce competition and increase the risk of business failure.

Informed by the relationship marketing theory and transaction costs theory, this study validates arguments by

Høgevold *et al.* (2021) noting the importance of economic and non-economic satisfaction in explaining formalization, dependence, and specific investments in the context of sellers in business to business relationships. Of interest in this study were small and medium-sized sellers. The specific objectives of the study are to (a) examine the relationship between sellers' economic and non-economic satisfaction (b) evaluate the influence of economic and non-economic satisfaction on formalization and specific investment and (c) assess the relationship between formalization, dependence, and specific investment.

The study contributes to the literature in significant ways. Firstly, the study is to the author's knowledge, the first to shed light on the relationship between economic and non-economic satisfaction in the context of small and medium-sized sellers in B2B supply chain markets. Research that systematically explores satisfaction at different dimensional levels in the same study is very scarce to date (Geyskens & Steenkamp, 2000; Chumpitaz & Paparoidamis, 2020). In elucidating the dynamic relationship between economic and non-economics satisfaction, this study posits that the formation of non-economic satisfaction among SME sellers is contingent on economic satisfaction. Secondly, by focusing on sellers, this study addresses the lingering question in marketing literature on the significance of satisfaction in B2B supply chain contexts beyond that of the buyer. With marketing researchers widely agreeing that the customer is the king that needs to be satisfied for business success (Kim *et al.*, 2021), one may question whether the customer is the only king worth focusing satisfaction efforts on more so in B2B supply chain contexts. Thirdly, this study establishes the specific effect of SME sellers' satisfaction on business transaction costs related to variables of formalization and specific investment. The findings point to the need to consider economic and non-economic satisfaction as distinct precursors of formalization, dependence, and specific investments in B2B contexts. It also enhances knowledge on the paths that economic and non-economic satisfaction take respectively in influencing formalization, dependence, and specific investments. The findings in the study are also of significant practical value. Managers can among other things, the studies' findings for guidance on how to enhance seller's willingness to formalize business relations and/or make specific investments thereby minimising supply-related costs.

The remainder of this article is structured such that the next section presents the theoretical framework informing the study including the posited hypotheses. This is followed by methodology and the results. Thereafter, the results are discussed and their theoretical and managerial implications are outlined before concluding.

2. THEORETICAL FRAMEWORK

2.1 Relationship Marketing Theory

Relationship marketing presents a paradigm shift from the traditional transactional view to marketing (Gummesson 1997; Sheth 1993). Unlike relationship marketing, transactional marketing places emphasis on acquiring customers, engaging them in a largely arms-length relationship that does not give due consideration to the development of long-term relations (Palmer *et al.*, 2005).

Relationship marketing on the other hand places emphasis on the development of long-term relations. Relationship marketing is consistent with the purpose of marketing as described by Levitt (1983) noting it as not only the creation but also keeping of customers. Marketers have however historically focused more on the value creation aspect and not on keeping customers (Buttle, 1996). It was only in the early 1990's that the shift in marketing orientation from an emphasis on customer acquisition started to gain a lot of momentum. One of the early and most cited definitions of relationship marketing is that by Morgan and Hunt (1994) who define it as "all marketing activities directed towards establishing, developing, and maintaining successful exchange relations" p. 22. More importantly, relationship marketing attempts to involve and integrate not only customers but also suppliers and other value chain partners into marketing activities for the development of the firm (Shani and Chalasani 1992). It reflects inter-dependence rather than dependence in business relations with business value creation stakeholders. Proponents of relationship marketing argue that it leads to higher value creation through increased efficiency and effectiveness of business processes including decision making (Palmatier *et al.*, 2008; Chai *et al.*, 2020). The close working relations between partners associated with relationship marketing enable firms to provide individualized attention to partners and be highly responsive to their needs. Accordingly, cooperation and partner satisfaction including customer satisfaction are key elements associated with relationship marketing theory.

2.2 Transaction Cost Theory

The origins of transaction cost theory are attributed to seminal work by Coase (1937) in his article 'Nature of the Firm' in which he provides insight into the existence of transaction costs in exchange relations. Coase (1937) suggested that firms incur the costs of negotiating and concluding contracts in exchange transactions. Later in an article titled 'Problems of Social Cost' Coase (1960) elaborated on transaction cost by providing examples including the cost of locating exchange partners and conducting inspections. Rindfleisch (2020) notes that through his work Coase set the foundation for the subsequent specification of transaction costs as occurring ex-ante i.e pre-contractual eg cost of negotiating contracts as well as ex-post i.e. post-contract negotiations e.g. monitoring costs and costs of settling disputes. Building on Coase's work, Williamson (1971, 1975, and 1985) pointed out factors that lead to an increase in transaction costs including uncertainty in the environment and the human problem of bounded rationality. One of the major uncertainties that business organizations face is the threat of opportunism. Williamson (1975) defined opportunism as behaviors that are self-seeking with guile. It can be manifested aggressively through outright dishonesty, or passively through the withholding of information. As per Williamson (1993), the risk of opportunism rises with specific investments i.e. investments that have no real value outside of the current organization. Bounded rationality relates to the fact that actors in a transaction do not have to their disposal complete information for decision making. Together with opportunism, bounded rationality increases

transaction costs. Considering that exchange transactions are central to marketing activities, the transaction cost theory is useful for understanding the governance of relations between buyers and sellers. Actors in B2B supply chain markets commonly use formalization through contracts that spell out what is expected of each party to minimize transaction costs. Accordingly, the constructs of formalization and specific investments are key to understanding transaction costs in B2B supply chain exchange relationships. Transaction Cost Theory is widely used in supply chain investigations (Ramish *et al.*, 2022)

2.3 Proposed Conceptual Model

This study integrates the relationship marketing theory and the transaction cost theory to gain insights into the effect of supplier satisfaction on transaction costs variables of formalization and specific investment. As per **Figure 1**, the study argues economic sales satisfaction (ESS) positively influences their level of non-economic sales satisfaction (NESS) as well as their readiness to enter into binding agreements i.e. formalization. The study further posits that specific investment is positively influenced by NESS, formalization, as well as supplier dependence on the buyer and that formalization and dependence are positively related.

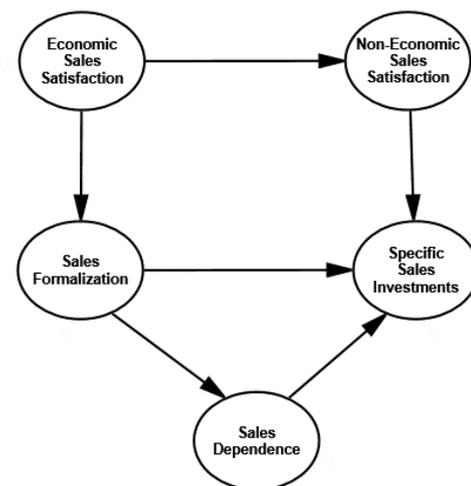


Figure 1. Proposed Conceptual Model

Economic and Non-Economic Satisfaction

Research on satisfaction in business relations is predominantly modeled based on the disconfirmation paradigm (Reinhold *et al.*, 2017; Patterson *et al.*, 1996). This may be because satisfaction is evaluative. The disconfirmation paradigm noted that parties to a business relationship have expectations and satisfaction only ensues when these are met or exceeded. This is because these expectations serve as a baseline for performance assessments (Oliver 1993). According to Geyskens and Steenkamp (2000) as well as the meta-analytic study by Geyskens *et al.* (1999), while satisfaction entails the assessment of varied aspects of a relationship, in B2B supply chain relations the appraisal aspects can be categorized into two namely the social interactional aspects of the relationship and the economic value of the relationship. Geyskens and Steenkamp (2000) defined economic satisfaction as "a channel member's evaluation of

the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts” p. 13. Non-economic satisfaction on the other hand is about the psychosocial issues of the relationship. Geyskens *et al.* (1999) note that in B2B supply chain relationship a channel member who is satisfied with the non-economic aspects of a relationship finds interactions with the partner gratifying and likes working with it on a personal level because it believes the partner is concerned, respectful and open to exchanging ideas. The categorization of satisfaction in business relations as consisting of non-economic (social aspects) and economic aspects has been largely accepted and adopted in literature by several scholars including Farrelly and Quester (2005), Rodriguez *et al.* (2006) as well as Ferro *et al.* (2016). Despite this, it is not clear in the literature how the two dimensions relate to one another. Farrelly and Quester (2005) for example found that non-economic satisfaction is a precursor of economic satisfaction while Rodriguez *et al.* (2006), as well as Ferro *et al.* (2016), reported an inverse relationship. Considering that the main reason businesses enter into exchange relations is economic and not social, this study submits in line with Ferro *et al.* (2016) that economic satisfaction results in business partners taking more interest in improving the quality of their engagement to maintain profitable relations. Thus the study posits that:

H₁: *ESS in B2B settings relates positively to NESS.*

Economic Satisfaction and Formalization

Formalization is one way in which businesses reduce transaction costs that arise from opportunism in the channel (Dahlstrom and Nygaard, 1999, Khan *et al.*, 2019). Scott (1987) defined formalization as ‘the degree to which rules prescribing behavior are formulated, as well as the extent to which role responsibilities are prescribed’ p. 33. Jaworski and Kohli (1993) described formalization as ‘the degree to which rules define roles, authority relations, communications, norms, sanctions, and procedures’ p. 56. During the formalization process business partners project exchanges into the future and engage in negotiations that eventuate in promises and obligations which often get to be recorded in written documents also known as contracts (Blomqvist *et al.*, 2005; Macneil 1980). The contract negotiation process allows partners to get to know each other as they articulate their respective positions, deliberate on the same, and try to come to a common agreement (Vlaar *et al.*, 2006). Partners gain a sense of ability to work well with one another as they undergo the formalization process. Thus, while the signed contract is a key output, the benefits of formalization include the sense-making and mutual understanding that ensues from the negotiation process (Vlaar *et al.*, 2006). More importantly, the contract as an output of successful negotiations provide a framework that spells out behavioral expectation and reduces uncertainty and ambiguity with regards to roles, rules, and authority governing the relationship (Brown *et al.*, 2006). While the benefits of formalization cannot be disputed, it is not without a downside to it. Critiques note that a major disadvantage is a fact that formalization results in a lock-in effect. This is because the signed contract binds parties to the business relationship to the agreements therein and in so doing can result in reduced flexibility in business activities

(Khan and Eilert, 2020; Vlaar *et al.*, 2006). Any business including a supplier is thus unlikely to commit to binding agreements that result in reduced business flexibility unless they are the relationship is satisfactory (Hutchinson *et al.*, 2011). Moreover, contracts often require substantive investments in not only formulating the agreements but also in enforcing them. To be willing to make such investments, a business organization would want to be certain that it will be able to reap economic benefits beyond the costs (Pemer *et al.*, 2014). Though from a buyers’ perspective, findings in studies by Mysen *et al.* (2011) as well as Hutchinson *et al.*, (2011) confirm the positive relationship that exists between satisfaction and formalization in business-to-business relationship contexts. Accordingly, this study posits that:

H₂: *ESS relates positively to sales formalization in B2B settings.*

Non-Economic Satisfaction and Specific Investment

In B2B buyer-supplier relationships, businesses are often required to make investments that are specific to the relationship. Specific investments thus refer to investments whose utility is unique to a particular buyer-supplier relationship (Huang and Huang 2019; Xie *et al.* 2010). Such investments are largely non-transferable for they have little if any value outside of a given relationship. Examples include a supplier investing in specialized equipment or plant to meet specific buyers’ demands or a supplier investing in acquiring highly specialized skills by training or experience that are not in demand outside the focal business relationship. Specific investments can thus be tangible or intangible. They arise mainly out of the need for customization (Kermani and Ma, 2020). In general the more customized an asset is to particular users the less readily transferable it is to another user. Asset non-transferability can also be a function of asset mobility as this determines the extent to which an asset can easily reach alternative users. Assets that are location specific or costly to transport for example, as specialized assembly lines can not be redeployed to other users if problems arise in the business relationship in which the investment was made. As per Ghosh and John (1999), the benefits of specific investment are mainly through the realization of competitive advantage can be extensive. Brown *et al.* (2009) note that the advantage of transaction-specific investments is that they are more efficient and effective in generating returns for the investing party and the relationship as a whole compared to generalized assets. There is however significant business risk that comes with specific investments in that they create a lock-in effect which can lead to increased risk of partner opportunism (Rokkan *et al.*, 2003; Brown *et al.*, 2009). The lock-in effect results from the fact that the assets cannot be easily redeployed to other business relationships even if problems arise in the focal relationship are not working. The risk of opportunism can lead to reluctance on the part of business partners to make specific-investment unless they are convinced that the relationship is worth taking such risk. This study argues that suppliers will be more willing to make a specific investment when dealing with buyers that they are satisfied with not only economically but more importantly non-economically. Høgevoid *et al.* (2021)

argued for a direct positive influence of non-economic satisfaction on specific investment noting that no firm would want to make such an investment in a relationship that they have a happy working relationship with. Thus, the specific hypothesis posited is that:

H₃: *NESS relates positively to specific sales investment in B2B settings.*

Formalization and Specific Investment

Considering that specific investments expose firms to opportunism (Liu *et al.*, 2019) it is in the best interest of those making such investments to find ways of protecting themselves. The fact that a firm may be dealing with a business partner that they are non-economically satisfied, may not provide adequate protection against exposure of specific investments to opportunistic behavior. This is more so considering that high levels of non-economic satisfaction do not guarantee high levels of loyalty in a business relationship (Russo *et al.*, 2016; Bennett and Rundle-Thiele, 2004). Indeed while studies by Gundlach *et al.* (1995); Brown *et al.* (2000); Lai *et al.* (2012) show that good relational norms help reduce the risk of opportunism, a such effect only applies as long as good relations can be maintained. Considering that uncertainty, manifested through the inability to predict partner behavior and/or changes in the external environment, is a defining characteristic of buyer-seller relations, the need for adequate protection from opportunistic behaviors cannot be over-emphasized. Opportunistic behaviors certainly increase costs and reduce revenue for the injured party (Hawkins *et al.*, 2009; Wathne and Heide 2000.) as the detrimental effects of such behaviors can be significant and need to be avoided. As per Yang *et al.* (2017), formalization through the use of contracts provides strong protection against the risk of opportunities. Dwyer and Oh (1987) argued that formalization of responsibility serves as a guard against unpredictable use of power. In their study, Dahlstrom and Nygaard (1999) found that the use of contracts and specific descriptions of duties and responsibilities of both parties hurts opportunism in franchisor-franchisee relationships. Therefore, any action that reduces the probability of opportunistic behavior in a B2B supply chain relationship, such as the formalization of the agreement through a contract, will contribute positively to the willingness of the partners to invest in specific assets within the collaboration agreement. In line with these findings, this study hypothesizes that:

H₄: *Sales formalization relates positively to specific sales investments in B2B settings.*

Formalization and Dependence

Dependence in B2B supply chain exchange relations is considered to be a very important factor that glues business partners together (Tellefsen and Thomas, 2005). As per Anderson & Narus (1984) as well as Scheer *et al.* (2015) dependence is particularly prominent in buyer-supplier relationships. Supplier dependence can be defined as a supplier's need to maintain an exchange relationship with the buyer to achieve one's goals (Bello *et al.*, 2003; Beier & Stern 1969). Dependence can be benefit or cost-based. As per Scheer *et al.* (2010) benefit-based dependence arisen out of the need to maintain a relationship due to the unique

value associated with remaining in the relationship that one stands to forfeit if the relationship was to end. For example, a supplier may be dependent on a buyer because of the large sales opportunities that a specific buyer affords the supplier. Cost-based dependence on the other hand arises because of unrealized costs that a supplier would incur if they were to end their relationship with a buyer (Scheer *et al.*, 2010). In a cost-based situation, a supplier becomes dependent to avoid costs such as costs of switching to a new business partner (Scheer *et al.*, 2010; Scheer *et al.*, 2015). Irrespective of the basis, dependence results in a willingness to maintain a relationship, and this will help secure cooperation of the dependent partner (Razzaque & Boon, 2003). This study argues that formalization affects dependence. This is because through formalization, the roles and rules embedded in policies and contracts assist in managing the problem of uncertainty in business relations. By so doing, formalization can help encourage partners not to be hesitant to rationally work together (Suprpto *et al.*, 2016). A study by Dahlstrom and Nygaard (1999) shows that formalization enhances relationship performance. In doing so, formalization can impact benefit-based dependence. At the same time, by reducing the risk arising from business uncertainty, formalization can increase the cost of switching from the current partner to a new business partner. In line with the above arguments, this study hypothesis that:

H₅: *Sales formalization relates positively to sales dependence in B2B settings.*

Dependence and Specific Investment

Considering that dependence in B2B supply chain relationships is associated with the felt need to maintain a relationship, it is a fundamental factor in explaining the willingness of one firm to work with another. Jiang *et al.* (2012) note that dependence is one of the important factors that share the exchange climate in business relationships. Anderson and Narus (1990) specifically observed that dependent firms tend to be amenable to requests and agreeable to changes proposed by their partners. Bello *et al.* (2003) found that dependence in B2B relationships can motivate a firm to show solidarity with its partner, more so in situations demanding joint action. Therefore, this study argues that supplier dependence can accordingly help to explain its willingness to make specific investments in business relationships. As per Mysen and Svenson (2010), specific investments require coordination of activities. At the same time, solidarity as per Bello *et al.* (2003) serves as a coordination mechanism. Solidarity does also encourage firms to respond positively to partner requirement (Macneil, 1980). Arguments advanced in this study on the relationship between dependence and specific investments is further supported by the fact that continuity expectations associated with dependence encourage cooperation (Aulakh *et al.*, 1996). The study posits that:

H₆: *Sales dependence relates positively to specific sales investments in B2B settings.*

3. METHODOLOGY

Research and Sample Setting

The study sample comprises small- and medium-sized companies across industries in Spain, obtained from LinkedIn by means of specific search characteristics, to

target appropriate key informants. To analyze B2B supply chain relationships from a sales management perspective, the key informants participating in this study all met the specific criteria of being sales or marketing managers/directors in a Spanish small- and medium-sized company.

We identified 2,576 potential informants, who were requested to participate in the study, yielding 1,240 (48.1%) positive responses. After obtaining their approval to participate in the study, a digital questionnaire was emailed to each key informant, providing a Qualtrics link for completing the questionnaire online. Ultimately, the targeted sample yielded 312 questionnaire responses (25.16%). However, 70 responses of the 312 were excluded due to non-response bias. Thereby, the total usable responses were 242 satisfactorily completed questionnaires.

The Qualtrix link to the questionnaire sent to key informants included a brief letter of instruction and a statement of strict confidentiality concerning data treatment. The instructions to complete the survey requested each key informant to think of one current B2B customer with whom the company had interacted over the last twelve months. We also asked each key informant to bear this B2B customer in mind when answering each item in the questionnaire.

Furthermore, to avoid potential common method bias during the data collection process, informants were specifically requested to provide honest responses, and the anonymity of their answers was ensured. For this reason,

we did not ask key informants to reveal any details about the customer, to ensure strict confidentiality. Ultimately, we also tactfully asked each key informant to respond diligently to each item in the questionnaire to ensure high-quality data.

Additionally, the questionnaire included two control questions to ensure that the participants had the appropriate knowledge, and were sufficiently experienced to answer the survey. Accordingly, the survey included two questions that respondents were asked to rank on a five-point Likert scale where (5) means strongly agree and (1) means strongly disagree. These questions were “I have a lot of knowledge about this customer”; and “I have a lot of experience with this customer”.

Most respondents stated that they had substantial knowledge of the customer (97.1%) and plenty of associated experience (96.2%). However, due to certain respondents revealing that they did not have much knowledge or experience with the reference customer, five responses had to be removed to avoid potential response bias. Finally, the total number of usable questionnaires for the data analysis amounted to 237 responses.

Table 1 contains a summary of sales managers who participated in the study by listing their nature of business, full-time employee equivalent, and annual firm turnover. From this overview, it is evident that a broad range of companies from different industries with varied annual turnovers participated in the study.

Table 1. Industry, Full-Time Employee Equivalent and Annual Turnover

Industry	Count	Full-Time Employee Equivalent	Count	Annual Turnover (Euro)	Count
Accommodation, Cafe or Restaurant	12	01-Apr	44	0 – 4.9 Millions	125
Agriculture, Forest or Fishing	9	05-Sep	23	5.0 – 9.9 Millions	31
Communication Services	20	Oct-19	38	10.0 – 24.9 Millions	25
Construction	21	20-49	39	25.0 – 99.9 Millions	32
Cultural or Recreational Services	3	50-99	34	100 + Millions	16
Education	7	100 - 249	28	Non-response	8
Electricity, Gas or Water	11	250 +	24	Total	237
Finance and/or Insurance	6	Non-response	7		
Govt Admin or Defence	2	Total	237		
Health & Community Services	3				
Mining	17				
Manufacturing	7				
Personal and Other Services	14				
Property and Business Services	21				
Retail Trade	13				
Transport and Storage	43				
Wholesale Trade	23				
Non-response	5				
Total	237				

Constructs and Items of Conceptual Model

The conceptual model in **Figure 2** contains five constructs considered in this research, namely: (i) economic sales satisfaction, (ii) non-economic sales satisfaction, (iii) sales formalization, (iv) specific sales investments, and (v) sales dependence. All five constructs were measured based on

multi-item measures. Informants ticked on a five-point Likert scale, anchored at (1) strongly disagree and (5) strongly agree, the extent to which they agreed with each statement item. Items used to measure economic sales satisfaction originate from Sanzo *et al.* (2003), while non-economic sales satisfaction originates from Geyskens,

Steenkamp, and Kumar (1999). The items of sales formalization originate from Dahlstrom and Nygaard (1999), while the ones of specific sales investments and sales dependency originate from Lusch and Brown (1996)

and Weisee and Anderson (1992) respectively. In this study, we applied the items used by Høgevold *et al.* (2021) all of which as shown in **Table 2** report the adapted items.

Table 2. Construct Definitions and Items Used

Economic sales satisfaction: Satisfaction with the economic outcomes of the relationship including sales goals, financial promance and other economic rewards (Sanzo et al., 2003; Geyskens et al., 1999; Ting (2011).
a) We benefit economically from the relationship with this customer
b) This customer contributes to our financial performance
c) This customer generates economic growth for us
Non-economic sales satisfaction: Satisfaction with the psycho- social aspects of the relationship (Sanzo et al., 2003; Geyskens et al., 1999).
a) The relationship between us and this customer is positive.
b) Our firm is content about its relationship with this customer.
c) The relationship between us and this customer is satisfying.
Sales formalization: The degree to which rules prescribing behaviour are formulated, as well as the extent to which role responsibilities are prescribed. (Scott (1987)
a) Our relationship with this customer is regulated by written contracts.
b) There is a clear distribution of tasks with this customer.
c) There are well-established information routines with this customer.
Specific sales investments: Investments that are specific to a business relationship and that have little if any value outside of the relationship (Ebers and Semrau, 2015; Choi and Hara, 2018)
a) We have made investments in resources that are of most use only to this customer.
b) We have customized an essential share of our business in dealing with this customer.
c) We have tailored our business to accommodate the needs of this customer.
Sales dependence: A business partner’s need to maintain a business relationship in order to achieve desired goals (Frazier, 1983; Bello et al., 2003).
a) We are dependent upon this customer.
b) This customer would be difficult to replace.
c) We would have to use a lot of resources to replace this customer.

As proposed by Podsakoff *et al.* (2012) the questionnaire of this study contained straightforward items to reduce the presence of common method bias. Items used are based on simple, specific, and concise statements. In addition, solely knowledgeable informants are targeted with a professionally interest in the subject area of this study in each company. The participating informants are familiar with the themes addressed. A test for common method bias is undertaken as part of data analysis based on the Harman single factor. The outcome of this test suggests that common method bias is not likely concern in this study. The explained variance of the single factor based on an unrotated factor solution is 27.2%, which is satisfactorily within the guidelines (Eichhorn, 2014).

4. RESULTS AND ANALYSIS

Univariate and Multivariate Statistics of Constructs and Related Items

The univariate statistics of each construct reported in **Table 3** are as follows: (i) number of respondents, (ii) mean value per item and average per construct, (iii) standard deviation per item and mean value per construct, (iv) variance explained per item and mean value per construct, and (v) factor loading per item and mean value per construct. **Table 3** shows acceptable univariate statistics across constructs by proposed thresholds (Hair *et al.*, 2006).

Table 3 shows an acceptable non-response bias consisting of 233-237 valid responses out of 237 on each construct item. The average values per construct range from 2.92 to 4.22 and the standard deviation ranges from 0.72 to 1.14. **Table 3** also shows that the variance explained across constructs ranges from 0.47 to 0.78 and the average factor loadings per construct ranges from 0.66 to 0.88. The constructs exceed the proposed thresholds (Hair *et al.*, 2006) of 0.5 for average variance explained, and 0.7 for average factor loading, per construct, except for one item of formalization (i.e. ‘a’). In sum, the univariate and multivariate statistics are satisfactory.

Measurement and Structural Statistics

We undertake a series of multivariate analyses based on confirmatory factor analysis (Jöreskog and Sörbom, 1976) and structural equation modeling (Hair *et al.*, 2006). On the one side, the confirmatory factor analysis encapsulates the measurement properties of the conceptual model of this research. On the other, the structural equation modeling encapsulates structural properties between constructs in the conceptual model. The measurement and structural models are based on five constructs and fifteen items, as shown in **Figure 3**. IBM SPSS/AMOS 27.0 software is applied throughout the multivariate analyses.

The confirmatory factor analysis (Hair *et al.*, 2006, pp. 745-749) shows that the measurement model reflects satisfactory goodness of fit. The estimates of the measurement model are as follows: Chi-square is 108.36

with 80 degrees of freedom and a p-value of 0.019 based on a sample size of N = 237. The estimates of fit statistics are as follows: the normed Chi-square (X^2/df) is 1.36 with the

NFI of 0.939, the RFI of 0.908, the IFI of 0.983, the TLI of 0.974, the CFI of 0.983 and an RMSEA of 0.023 (confidence interval 90%: 0.016-0.056).

Table 3. Univariate and Multivariate Statistics

Construct Items	N	Mean		Std Deviation		Variance Explained		Factor Loading	
		Item	Mean	Item	Mean	Item	Mean	Item	Mean
Economic Sales Satisfaction									
a)	236	4.12	4.08	0.75	0.72	0.56	0.54	0.75	0.73
b)	236	4.08		0.67		0.50		0.71	
c)	237	4.05		0.74		0.55		0.74	
Non-economic Sales Satisfaction									
a)	236	4.26	4.22	0.77	0.76	0.71	0.78	0.84	0.88
b)	236	4.18		0.77		0.82		0.90	
c)	237	4.23		0.75		0.80		0.89	
Sales Formalization									
a)	233	3.60	3.77	1.17	1.14	0.16	0.47	0.39	0.66
b)	234	3.79		1.14		0.53		0.73	
c)	234	3.91		1.12		0.72		0.85	
Specific Sales Investment									
a)	236	2.92	2.92	1.25	1.03	0.53	0.65	0.73	0.80
b)	236	2.90		0.91		0.88		0.94	
c)	237	2.94		0.94		0.54		0.73	
Sales Dependence									
a)	237	3.37	3.32	1.11	1.11	0.63	0.71	0.79	0.84
b)	237	3.36		1.06		0.81		0.90	
c)	237	3.23		1.16		0.70		0.84	

Consequently, the estimates of goodness-of-fit based on the confirmatory factor analysis of the conceptual model are acceptable about the proposed thresholds (Hair *et al.*, 2006, pp. 745-749). The acceptable fit enables us to

continue with structural equation modeling based on the conceptual model and its hypothesized relationships. It is shown in **Figure 3**.

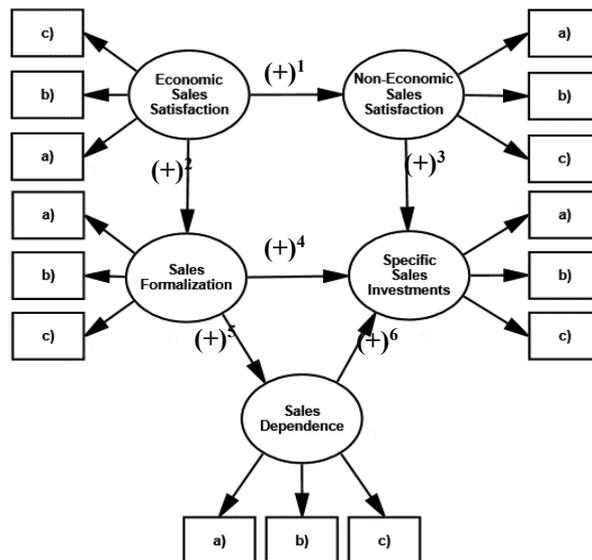


Figure 2. Conceptual Model with Items

The goodness-of-fit based on the structural equation modeling of the conceptual model is also acceptable (Hair *et al.*, 2006, pp. 745-749). Chi-square is 121.38 with 84 degrees of freedom. The fit estimates are also acceptable and in line with the proposed thresholds (Hair *et al.*, 2006, pp. 745-749). The Chi-square is statistically significant at $p = 0.005$. The normed Chi-square (X^2/df) is 1.45. The NFI is 0.931, the RFI is 0.910, the IFI is 0.978, the TLI is 0.968,

and the CFI is 0.977 with an RMSEA of 0.043 (confidence interval 90%: 0.025-0.060).

The goodness-of-fit estimates derived from the structural equation modeling are acceptable (Hair *et al.*, 2006, pp. 745-749). In addition, the multivariate statistics of hypothesized relationships in the conceptual model shown in **Figure 3** are reported in **Table 4**. Five out of six hypothesized relationships are supported, as shown in **Table 4**.

Table 4. Tests of Hypothesised Relationships in the Research Model and Refined Model

Hypothesis	Exogenous Construct	Endogenous Construct	Regression Weight	Significance	Finding
1	Economic sales satisfaction	Non-economic sales satisfaction	0.68	0.00	Supported
2	Economic sales satisfaction	Sales formalization	0.40	0.00	Supported
3	Non-economic sales satisfaction	Specific sales investments	-0.05	0.45	Not supported
4	Sales formalization	Specific sales investments	0.16	0.05	Supported
5	Sales formalization	Sales dependence	0.15	0.06	Weakly supported
6	Sales dependence	Specific sales investments	0.29	0.00	Supported

Table 4 shows that the hypothesized (positive) relationship between economic and non-economic sales satisfaction is supported (H1: p-value: 0.00; regression coefficient: 0.68). The hypothesized relationship between non-economic sales satisfaction and specific sales investments is not supported (H3: p-value = 0.45; regression coefficient: -0.05).

Economic sales satisfaction relates significantly (positively) to sales formalization (H2: p-value: 0.00; regression coefficient: 0.40). Sales formalization relates positively to specific sales investments (H4: p-value: 0.05; regression coefficient: 0.15). Consequently, economic sales

satisfaction relates positively to sales formalization, which in turn relates positively to specific sales investments.

Ultimately, sales formalization relates positively to sales dependence (H5: p-value = 0.06; regression coefficient: 0.15), and in turn sales dependence relates positively to specific sales investments (H6: p-value = 0.00; regression coefficient: 0.29).

Construct Reliability and Validity

Table 5 shows the squared inner construct correlations, explained variance, and composite trait reliability to assess the construct validity and reliability of the conceptual model.

Table 5. Squared Interconstruct Correlations, Explained Variance and Composite Trait Reliability

Variable	(1)	(2)	(3)	(4)	(5)
(1) Economic Satisfaction	1,000				
(2) Non-Economic Satisfaction	0.43	1,000			
(3) Formalization	0.13	0.20	1,000		
(4) Specific Assets	0.01	0.00	0.03	1,000	
(5) Dependence	0.01	0.00	0.02	0.10	1,000
Variance Extracted	53.7%	77.7%	47.0%	65.0%	71.3%
Composite Trait Reliability	0.85	0.92	0.88	0.81	0.90

Convergent validity examines the extent to which a construct’s items share variance between them (Hair *et al.*, 2006). It is based on the variance extracted per construct. The results show that the variance extracted per construct is above 50%, ranging from 53.7% to 77.7% except for the construct of formalization which is slightly below the threshold with an explained variance of 47.0%. Discriminant validity examines whether the constructs’ measurement properties are different from each other by comparing the variance extracted with the squared inter-construct correlations (Hair *et al.*, 2006). The results show that the variance extracted per construct is larger than the corresponding squared inter-construct correlations for all constructs. Nomological validity examines whether the directions of the hypothesized relationships between the

constructs in the conceptual model are in line with previous studies. The results show that the hypothesized relationships in the conceptual model are mostly consistent with previous studies discussed earlier.

Composite trait reliability is also examined. The results shown in **Table 5** report that the reliability estimates are above 0.7 per construct (Hair *et al.*, 2006), ranging from 0.81 to 0.92. The results reported in **Table 5** show that the characteristics of convergent, discriminant, and nomological validity, as well as construct reliability, in the conceptual model are acceptable. Consequently, we find that the measurement and structural properties of the conceptual model in Spanish B2B sales relationships possess acceptable validity and reliability.

5. RESEARCH IMPLICATIONS

The results reported in this research provide insights into the structural properties of sales satisfaction in B2B supply chain relationships. The results show that economic sales satisfaction (ESS) influences non-economic sales satisfaction (NESS) (H1). The results show that ESS in B2B supply chain relationships is not enough to make specific sales investments in customer relationships. It is contrary to Hutchinson *et al.* (2011) linking investments by an exchange partner to satisfaction with the business relationship. Accordingly, to several investigations (Dahlstrom and Nygaard, 1999; Dwyer and Oh, 1987; Mysen *et al.*, 2011; Yang *et al.*, 2017), the results reported reveal that it is not until the B2B sales relationship with customers is formalized that generate specific sales investments (H2 and H4).

The hypothesized relationship in the conceptual model between NESS and specific sales investment (H3) turned out to be insignificantly related, instead of being significant as posited in the conceptual model and by Høgevoid *et al.* (2021). Although the result was unexpected, it can maybe justified that economic sales satisfaction is an important determinant to make specific investments in B2B sales relationships (Høgevoid *et al.*, 2020). B2B sellers who are aware of such risk are less interested to make specific investments based on only happiness and comfort with the customer, as encapsulated in NESS. Consequently, it is insufficient that the B2B seller is pleased and content with the customer to consider formalizing the B2B sales relationship. They need to be economically satisfied with the customer to enroll in formalization (H2).

In line with studies by Razzaque & Boon (2003), Suprpto *et al.* (2016), and Dahlstrom and Nygaard (1999), the result of this research show that the formalization of the B2B sales relationships with customers increases B2B seller's dependence (H5). This sales dependence increases the willingness to make specific sales investments (H6), in accordance with Bello *et al.* (2003). B2B sellers are less interested to make specific investments in B2B relationships if customers are unwilling to formalize the B2B relationships. The positive relationship between sales dependence and specific sales investments can be reasoned that dependence improves embeddedness in B2B supply chain relationships (Özen *et al.* 2016), in the context that specific sales investments, need coordination of activities, which is improved when there is embeddedness.

Accordingly, the results in this research shed light on antecedents of specific sales investments based on the perspectives of relationship marketing and transactional cost theories. While the conceptual model visualizes potential antecedents, the results show that specific sales investments are influenced by two of them. The first one is through the indirect effect of formalization which directly influences specific sales investments (H2/H4). The second one is through formalization driven by ESS raising the dependence which may justify specific sales investments (H2/H5/H6). ESS does not influence specific sales investments through NESS (H1/H3). The results show that NESS does not influence specific sales investments.

6. MANAGERIAL IMPLICATIONS

The results of the conceptual model illustrated in **Figure 2** communicate several lessons learned for business practices in sales management. In the conceptual model, economic sales satisfaction (ESS) relates directly to non-economic sales satisfaction (NESS), and it focuses on the role of ESS and NESS on formalization, specific investments, and dependence in B2B sales relationships.

Consequently, the primary focus on the outcome of ESS and NESS is restricted to the interrelationships with sales formalization, sales-specific assets, and sales dependence. Notably, ESS relates to sales formalization, while NESS does not relate to specific sales investments, but it is sales formalization that relates to specific sales investments. It makes sense in business practices that specific sales investments commonly require the formalization of B2B sales relationships (Dahlstrom and Nygaard, 1999; Dwyer and Oh, 1987; Mysen *et al.*, 2011; Yang *et al.*, 2017).

However, sales formalization relates weakly to sales dependence in the studied B2B sales relationships. The reason is that dependence does not occur because of formalizing B2B sales relationships but occurs when specific sales investments are made in the B2B sales relationships (Bello *et al.*, 2003). In turn, sales dependence relates to specific sales investments (Bello *et al.*, 2003). Consequently, sales formalization and sales dependence exercise therefore direct influence on specific sales investments, while ESS and NESS only exercise influence indirectly.

The conceptual model communicates the main lesson learned, namely that specific sales investments rely on several other aspects involved in B2B sales relationships. It is not a straightforward reality, but a rather complex situation that has to evolve through sales formalization before specific sales investments are made.

Nevertheless, another main lesson learned is the requirement that the B2B sales relationships are marked by ESS. If so, sales formalization is then required followed by increased sales dependence on specific sales investments. Managing and monitoring B2B sales relationships, therefore, need to secure the outcome of ESS rather than NESS.

7. CONCLUDING THOUGHTS AND PROPOSALS FOR THE FUTURE

The research objective of this study was to examine the role of economic and non-economic sales satisfaction as antecedents to formalization, specific investments, and dependence in B2B sales relationships. The results communicate that economic sales satisfaction (ESS) relates directly to the formalization of B2B sales relationships. ESS also relates indirectly to specific sales investments. However, non-economic sales satisfaction (NESS) does not relate to any of them, while the sales dependence relates to specific sales investments.

We conclude that the primary antecedent to formalization, specific investments and dependence in B2B sales relationships is the role of ESS, while NESS only plays a secondary role. This study, therefore, contributes to distinguishing between the role of two constructs of

satisfaction on formalization, specific investments, and dependence in B2B sales relationships. Consequently, it contributes to determining the order of priority between ESS and NESS in the process to formalize and make specific investments in B2B sales relationships.

This study is limited to Spanish B2B sales relationships, so further research is requested. For example, the conceptual model may be verified based on corporate samples in other countries as well as Non-European ones. Further research may verify the model in either product- or service-oriented industries or both to enable comparisons.

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