Journal of Marketing Research

Impact Factor: **5.0**
5-Year Impact Factor:

Contents

More

Abstract

When a buyer firm a… of mechanism to govern the relati… ned relationships, the au… ns that make one or the other form o… d to address potential limitations regarding measurement, financial consequences, and context in the extant literature. The authors employ measures derived from Standard & Poor's Compustat financial database and an overall measure of firm reputation to examine empirically differences in firm characteristics across the two types of relationships. To examine the financial consequences of relationship structure, the authors use event-study techniques that tie stock price reactions to the governance mechanism choice. The results suggest that buyers and suppliers are more likely to form a joint venture (versus simple contract) when (1) the supplier's degree of asset specificity is high, (2) monitoring the supplier's behavior is difficult, and (3) the supplier has a poorer reputation. The authors find that vertical joint ventures (between buyers and suppliers) are economically similar to contracts, to the extent that abnormal wealth gains go solely to the supplier firms. Horizontal joint ventures (partners are at the same level of the value chain), however, provide bilateral, synergistic wealth gains. The results suggest that buyers and suppliers can use joint ventures to reduce certain governance problems rather than to gain synergies.

References

Akerlof George A. (1970), “The Market for Lemons: Qualitative Uncertainty and the Market Mechanism,” *Quarterly Journal of Economics*, 84 (August), 488–500.

Crossref

Web of Science

Google Scholar

Alderson Michael J., and Betker Brian L. (1995), “Liquidation Costs and Capital Structure,” *Journal of Financial Economics*, 39 (September), 45–69.

Crossref

Google Scholar

Aldrich John H., and Nelson Forrest D. (1984), *Linear Probability, Logit, and Probit Models.* Newbury Park, CA: Sage Publications.

Crossref

Google Scholar

Anderson Erin, and Coughlan Anne T. (1987), “International Market Entry and Expansion via Independent or Integrated Channels of Distribution,” *Journal of Marketing*, 51 (January), 71–82.

Crossref

Web of Science

Google Scholar

Aldrich John H. (1985), “The Salesperson as Outside Agent or Employee: A Transaction Cost Analysis,” *Marketing Science*, 4 (Summer), 234–54.

Crossref

Google Scholar

Armour Henry Ogden, and Teece David J. (1980), “Vertical Integration and Technological Innovation,” *Review of Economics and Statistics*, 62 (August), 470–74.

Crossref

Google Scholar

Atiase Rowland Kwame (1985), “Predisclosure Information, Firm Capitalization, and Security Price Behavior Around Earnings Announcements,” *Journal of Accounting Research*, 23 (Spring), 21–36.

Crossref

Web of Science

Google Scholar

Axelrod Robert (1984), *The Evolution of Cooperation.* New York: Basic Books.

Google Scholar

Balakrishnan Srinivasan, and Fox Isaac (1993), “Asset Specificity, Firm Heterogeneity and Capital Structure,” *Strategic Management Journal*, 14 (January), 3–16.

Crossref

Web of Science

Google Scholar

Balakrishnan Srinivasan, and Koza Mitchell P. (1993), “Information Asymmetry, Adverse Selection and Joint Ventures,” *Journal of Economic Behavior and Organization*, 20 (January), 99–117.

Crossref

Web of Science

Google Scholar

Berg Sanford V., Duncan Jerome, and Friedman Philip (1982), *Joint Venture Strategies and Corporate Innovation.* Cambridge, MA: Oelgeschlager, Gunn & Hain, Publishers, Inc.

Google Scholar

Bernstein Jeffrey I. (1986), *Research and Development, Tax Incentives, and the Structure of Production and Financing.* Toronto, ON: University of Toronto Press.

Google Scholar

BusinessWeek (1995), “The Case Against Mergers,” (October 30), 122–38.

Google Scholar

Carter John D., Cushman Robert F., and Hartz C. Scott (1988), *The Handbook of Joint Venturing.* Homewood, IL: Dow Jones–Irwin.

Google Scholar

Cavanaugh Joseph K. (1998), “Asset-Specific Investment and Unionized Labor,” *Industrial Relations*, 37 (January), 35–50.

Google Scholar

Caves Richard E. (1982), *Multinational Enterprise and Economic Analysis.* Cambridge: Cambridge University Press.

Google Scholar

Caves Richard E., and Bradburd Ralph M. (1988), “The Empirical Determinants of Vertical Integration,” *Journal of Economic Behavior and Organization*, 9 (April), 265–79.

Crossref

Web of Science

Google Scholar

Caves Richard E., and Murphy W.F. (1976), “Franchising: Firms, Markets and Intangible Assets,” *Southern Economic Journal*, 42 (April), 572–86.

Crossref

Web of Science

Google Scholar

Chaney Paul K., Devinney Timothy M., and Winer Russell S. (1991), “The Impact of New Product Introductions on the Market Value of Firms,” *Journal of Business*, 64 (October), 573–610.

Crossref

Google Scholar

Chiles Todd H., and McMackin John F. (1996), “Integrating Variable Risk Preferences, Trust, and Transaction Cost Economics,” *Academy of Management Review*, 21 (January), 73–99.

Crossref

Web of Science

Google Scholar

Churchill Gilbert A. Jr. (1979), “A Paradigm for Developing Better Measures of Marketing Constructs,” *Journal of Marketing Research*, 16 (February), 64–73.

Crossref

Web of Science

Google Scholar

Coleman James S. (1990), *Foundations of Social Theory.* Cambridge, MA: Harvard University Press.

Google Scholar

Das Somnath, Sen Pradyot K., and Sengupta Sanjit (1998), “Impact of Strategic Alliances on Firm Valuation,” *Academy of Management Journal*, 41 (February), 27–41.

Crossref

Web of Science

Google Scholar

Das T. K., and Teng Bing-Sheng (1998), "Between Trust and Control: Developing Confidence in Partner Cooperation in Alliances," *Academy of Management Review*, 23 (July), 491–512.

Crossref

Web of Science

Google Scholar

Dollinger Marc J., Golden Peggy A., and Saxton Todd (1997), "The Effect of Reputation on the Decision to Joint Venture," *Strategic Management Journal*, 18 (February), 127–40.

Crossref

Web of Science

Google Scholar

Doney Patricia M., and Cannon Joseph P. (1997), "An Examination of the Nature of Trust in Buyer–Seller Relationships," *Journal of Marketing*, 61 (April), 35–51.

Crossref

Web of Science

Google Scholar

Dougherty Deborah (1992), "Interpretive Barriers to Successful Product Innovation in Large Firms," *Organization Science*, 3 (May), 179–202.

Crossref

Web of Science

Google Scholar

Dwyer F. Robert, Schurr Paul H., and Oh Sejo (1987), "Developing Buyer–Seller Relationships," *Journal of Marketing*, 51 (April), 11–27.

Crossref

Web of Science

Google Scholar

Dyer Jeffrey H. (1996), "Does Governance Matter? Keiretsu Alliances and Asset Specificity as Sources of Japanese Competitive Advantage," *Organization Science*, 7 (November/December), 649–66.

Crossref

Web of Science

Google Scholar

Eisenhardt Kathleen (1989), “Making Fast Strategic Decisions in High Velocity Environments,” *Academy of Management Journal*, 32 (September), 543–76.

Crossref

Web of Science

Google Scholar

Fazzari Steven M., Hubbard R. Glenn, Peterson Bruce C., Blinder Alan S., and Poterba James M. (1988), “Financing Constraints and Corporate Investment: Comments and Discussion,” *Brookings Papers on Economic Activity*, (1), 141–206.

Crossref

Google Scholar

Fiske Donald W. (1982), “Convergent-Discriminant Validation in Measurements and Research Strategies,” in *New Directions for Methodology of Social and Behavioral Science: Forms of Validity in Research*, Brinberg D., and Kidder J., eds. San Francisco: Jossey-Bass.

Google Scholar

Fombrun Charles, and Shanley Mark (1990), “What's in a Name? Reputation Building and Corporate Strategy,” *Academy of Management Journal*, 33 (June), 233–58.

Crossref

Web of Science

Google Scholar

Fryxell Gerald E., and Wang Jia (1994), “The *Fortune* Corporate ‘Reputation’ Index: Reputation for What?” *Journal of Management*, 20 (Spring), 1–14.

Crossref

Web of Science

Google Scholar

Garvey Gerald T. (1995), “Why Reputation Favors Joint Ventures Over Vertical and Horizontal Integration—A Simple Model,” *Journal of Economic Behavior and Organization*, 28 (December), 387–97.

Crossref

Google Scholar

Geringer J. Michael, and Hebert Louis (1989), "Control and Performance of International Joint Ventures," *Journal of International Business Studies*, 20 (Summer), 235–354.

Crossref

Web of Science

Google Scholar

Gomes-Casseres Benjamin (1989), "Ownership Structures of Foreign Subsidiaries: Theory and Evidence," *Journal of Economic Behavior and Organization*, 11 (January), 1–25.

Crossref

Web of Science

Google Scholar

Gompers Paul A. (1995), "Optimal Investment, Monitoring, and the Staging of Venture Capital," *Journal of Finance*, 50 (December), 1461–89.

Crossref

Web of Science

Google Scholar

Green Richard C., and Talmor Eli (1986), "Asset Substitution and the Agency Costs of Debt Financing," *Journal of Banking and Finance*, 10 (October), 391–99.

Crossref

Google Scholar

Gulati Ranjay (1995), "Does Familiarity Breed Trust? The Implications of Repeated Ties for Contractual Choice in Alliances," *Academy of Management Journal*, 38 (February), 85–112.

Crossref

Web of Science

Google Scholar

Heide Jan B. (1994), "Interorganizational Governance in Marketing Channels," *Journal of Marketing*, 58 (January), 71–85.

Crossref

Web of Science

Google Scholar

Heide Jan B., and John George (1988), “The Role of Dependence Balancing in Safeguarding Transaction-Specific Assets in Conventional Channels,” *Journal of Marketing*, 52 (January), 20–35.

Crossref

Web of Science

Google Scholar

Heide Jan B., and John George (1990), “Alliances in Industrial Purchasing: The Determinants of Joint Action in Buyer–Supplier Relationships,” *Journal of Marketing Research*, 27 (February), 24–36.

Crossref

Web of Science

Google Scholar

Heide Jan B., and Weiss Allen M. (1995), “Vendor Consideration and Switching Behavior in High-Technology Markets,” *Journal of Marketing*, 59 (July), 30–43.

Crossref

Web of Science

Google Scholar

Helfat Constance E. (1994), “Firm Specificity in Corporate Applied R&D,” *Organization Science*, 5 (May), 173–84.

Crossref

Web of Science

Google Scholar

Hennart Jean-Francois (1991), “The Transaction Cost Theory of Joint Ventures: An Empirical Study of Japanese Subsidiaries in the United States,” *Management Science*, 37 (April), 483–97.

Crossref

Web of Science

Google Scholar

Hennart Jean-Francois (1993), “Explaining the Swollen Middle: Why Most Transactions Are a Mix of ‘Market’ and ‘Hierarchy,’” *Organization Science*, 4 (November), 529–47.

Crossref

Web of Science

Google Scholar

Horsky Dan, and Swyngedouw Patrick (1987), “Does It Pay to Change Your Company's Name? A Stock Market Perspective,” *Marketing Science*, 6 (Fall), 320–25.

Crossref

Web of Science

Google Scholar

Jacob Rahul, and Farnham Alan (1994), “America's Most Admired Company,” *Fortune*, 129 (February 7), 50–66.

Google Scholar

Jensen Michael C., and Meckling William N. (1976), “Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure,” *Journal of Financial Economics*, 3 (October), 305–60.

Crossref

Web of Science

Google Scholar

John George, and Reve Torger (1982), “The Reliability and Validity of Key Informant Data from Dyadic Relationships in Marketing Channels,” *Journal of Marketing Research*, 19 (November), 517–24.

Crossref

Web of Science

Google Scholar

Johnson Shane A. (1997), “An Empirical Analysis of the Determinants of Corporate Debt Ownership Structures,” *Journal of Financial and Quantitative Analysis*, 32 (March), 47–69.

Crossref

Web of Science

Google Scholar

Jones Steven K., Yurak Tricia J., and Frisch Deborah (1997), “The Effect of Outcome Information on the Evaluation and Recall of Individuals' Own Decisions,” *Organization Behavior and Human Decision Processes*, 71 (July), 95–120.

Crossref

Google Scholar

Kalwani Manohar U., and Narayandas Narakesari (1995), "Long-Term Manufacturer–Supplier Relationships: Do They Pay Off for Supplier Firms?" *Journal of Marketing*, 59 (January), 1–16.

Crossref

Web of Science

Google Scholar

Kerlinger Fred N. (1986), *Foundations of Behavioral Research*, 3d ed. Fort Worth, TX: Holt, Rinehart and Winston, Inc.

Google Scholar

Klein Benjamin, Crawford Robert G., and Alchian Armen A. (1978), "Vertical Integration, Appropriate Rents, and the Competitive Contracting Process," *Journal of Law and Economics*, 21 (October), 297–326.

Crossref

Web of Science

Google Scholar

Klein Benjamin, and Leffler Keith B. (1981), "The Role of Market Forces in Assuring Contractual Performance," *Journal of Political Economy*, 89 (4), 615–41.

Crossref

Web of Science

Google Scholar

Klein Saul, Frazier Gary L., and Roth Victor J. (1990), "A Transaction Cost Analysis of Channel Integration in International Markets," *Journal of Marketing Research*, 27 (May), 196–208.

Crossref

Web of Science

Google Scholar

Kogut Bruce (1988), "Joint Ventures: Theoretical and Empirical Perspectives," *Strategic Management Journal*, 9 (July/August), 319–32.

Crossref

Web of Science

Google Scholar

Koh Jeongsuk, and Venkatraman N. (1991), “Joint Venture Formations and Stock Market Reactions: An Assessment in the Information Technology Sector,” *Academy of Management Journal*, 34 (December), 869–92.

Crossref

Web of Science

Google Scholar

Lal Rajiv (1990), “Improving Channel Coordination Through Franchising,” *Marketing Science*, 9 (Fall), 299–318.

Crossref

Web of Science

Google Scholar

Lane Vicki, and Jacobson Robert (1995), “Stock Market Reactions to Brand Extension Announcements: The Effects of Brand Attitude and Familiarity,” *Journal of Marketing*, 59 (January), 63–77.

Crossref

Web of Science

Google Scholar

Leeth John D., and Scott Jonathan A. (1989), “The Incidence of Secured Debt: Evidence from the Small Business Community,” *Journal of Financial and Quantitative Analysis*, 24 (September), 379–94.

Crossref

Google Scholar

Levy David T. (1985), “The Transactions Cost Approach to Vertical Integration: An Empirical Examination,” *Review of Economics and Statistics*, 67 (August), 438–45.

Crossref

Web of Science

Google Scholar

Lohtia Ritu, Brooks Charles M., and Krapfel Robert E. (1994), “What Constitutes a Transaction-Specific Asset?” *Journal of Business Research*, 30 (July), 261–70.

Crossref

Google Scholar

Lusch Robert F., and Brown James R. (1996), “Interdependency, Contracting, and Relational Behavior in Marketing Channels,” *Journal of Marketing*, 60 (October), 19–38.

Crossref

Web of Science

Google Scholar

MacDonald James M. (1985), “Market Exchange or Vertical Integration: An Empirical Analysis,” *Review of Economics and Statistics*, 67 (May), 327–31.

Crossref

Google Scholar

MacKinlay A. Craig (1997), “Event Studies in Economics and Finance,” *Journal of Economic Literature*, 35 (March), 13–39.

Web of Science

Google Scholar

Mahoney Joseph T. (1992), “The Choice of Organizational Form: Vertical Financial Ownership Versus Other Methods of Vertical Integration,” *Strategic Management Journal*, 13 (November), 559–84.

Crossref

Web of Science

Google Scholar

Mansfield Edwin, Schwartz Mark, and Wagner Samuel (1981), “Imitation Costs and Patents: An Empirical Study,” *Economic Journal*, 91 (December), 907–18.

Crossref

Web of Science

Google Scholar

McConnell John J., and Nantell Timothy J. (1985), “Corporate Combinations and Common Stock Returns: The Case of Joint Ventures,” *Journal of Finance*, 40 (June), 519–36.

Crossref

Google Scholar

McGrath Joseph E., and Brinberg David (1983), “External Validity and the Research Process: A Comment on the Calder/Lynch Dialogue,” *Journal of Consumer Research*, 10 (June), 115–24.

Crossref

Web of Science

Google Scholar

Mitchell Will, and Singh Kulwant (1992), “Incumbents' Use of Pre-Entry Alliances Before Expansion into New Technical Sub-fields of an Industry,” *Journal of Economic Behavior and Organization*, 18 (August), 347–72.

Crossref

Web of Science

Google Scholar

Mjoen Hans, and Tallman Stephen (1997), “Control and Performance in International Joint Ventures,” *Organization Science*, 8 (May/June), 257–74.

Crossref

Google Scholar

Monteverde Kirk, and Teece David J. (1982), “Supplier Switching Costs and Vertical Integration in the Automobile Industry,” *Bell Journal of Economics*, 13 (Spring), 206–13.

Crossref

Google Scholar

Morck Randall, and Yeung Bernard (1992), “Internalization: An Event Study Test,” *Journal of International Economics*, 33 (August), 41–56.

Crossref

Web of Science

Google Scholar

Murray Alan I., and Siehl Caren (1989), *Joint Ventures and Other Alliances: Creating a Successful Cooperative Linkage.* Morris-town, NJ: Financial Executives Research Foundation.

Google Scholar

Murray Janet Y., Kotabe Masaaki, and Wildt Albert R. (1995), “Strategic and Financial Performance Implications of Global Sourcing Strategy: A Contingency Analysis,” *Journal of International Business Studies*, 26 (first quarter), 181–202.

Crossref

Google Scholar

Neter John, Wasserman William, and Kutner Michael H. (1989), *Applied Linear Regression Models*, 2d ed. Homewood, IL: Richard D. Irwin.

Google Scholar

Noordewier Thomas G., John George, and Nevin John R. (1990), “Performance Outcomes of Purchasing Arrangements in Industrial Buyer–Vendor Relationships,” *Journal of Marketing*, 54 (October), 80–93.

Crossref

Web of Science

Google Scholar

Osborn Richard N., and Baughn C. Christopher (1990), “Forms of Interorganizational Governance for Multinational Alliances,” *Academy of Management Journal*, 33 (September), 503–19.

Crossref

Google Scholar

Parkhe Arvind (1993), “Strategic Alliance Structuring: A Game Theoretic and Transaction Cost Examination of Interfirm Cooperation,” *Academy of Management Journal*, 36 (August), 794–829.

Crossref

Web of Science

Google Scholar

Peter J. Paul (1981), “Construct Validity: A Review of Basic Issues and Marketing Practices,” *Journal of Marketing Research*, 18 (May), 133–45.

Crossref

Web of Science

Google Scholar

Porter Michael E. (1985), *Competitive Advantage.* New York: The Free Press.

Google Scholar

Raghuram Rajan G., and Zingales Luigi (1995), “What Do We Know About Capital Structure? Some Evidence from International Data,” *Journal of Finance*, 50 (December), 1421–60.

Crossref

Google Scholar

Reese Jennifer, and Serwer Andrew (1993), “America's Most Admired Corporations,” *Fortune*, 127 (February 8), 44–72.

Google Scholar

Rindfleisch Aric, and Heide Jan B. (1997), “Transaction Cost Analysis: Past, Present, and Future Applications,” *Journal of Marketing*, 61 (October), 30–54.

Crossref

Web of Science

Google Scholar

Shrum Wesley, and Wuthnow Robert (1988), “Reputational Status of Organizations in Technical Systems,” *American Journal of Sociology*, 93 (January), 882–912.

Crossref

Web of Science

Google Scholar

Simon Carol J., and Sullivan Mary W. (1993), “The Measurement and Determinants of Brand Equity: A Financial Approach,” *Marketing Science*, 12 (Winter), 28–52.

Crossref

Web of Science

Google Scholar

Srivastava Rajendra K., Shervani Tasadduq A., and Fahey Liam (1998), “Market-Based Assets and Shareholder Value: A Framework for Analysis,” *Journal of Marketing*, 62 (January), 2–18.

Crossref

Web of Science

Google Scholar

Stump Rodney L., and Heide Jan B. (1996), “Controlling Supplier Opportunism in Industrial Relationships,” *Journal of Marketing Research*, 33 (November), 431–41.

Crossref

Web of Science

Google Scholar

Teece David J. (1986), “Transactions Cost Economics and the Multinational Enterprise,” *Journal of Economic Behavior and Organization*, 7 (March), 21–45.

Crossref

Web of Science

Google Scholar

Teece David J. (1988), "Capturing Value from Technological Innovation: Integration, Strategic Partnering, and Licensing Decisions," *Interfaces*, 3 (May/June), 46–61.

Crossref

Google Scholar

Teece David J. (1992), "Competition, Cooperation, and Innovation," *Journal of Economic Behavior and Organization*, 18 (June), 1–25.

Crossref

Web of Science

Google Scholar

Thompson Robert B. II, Olsen Chris, and Dietrich J. Richard (1987), "Attributes of News About Firms: An Analysis of Firm-Specific News Reported in the *Wall Street Journal* Index," *Journal of Accounting Research*, 25 (Autumn), 245–74.

Crossref

Web of Science

Google Scholar

Titman Sheridan, and Wessels Roberto (1988), "The Determinants of Capital Structure Choice," *Journal of Finance*, 43 (March), 1–19.

Crossref

Web of Science

Google Scholar

Walker Gordon (1988), "Strategic Sourcing, Vertical Integration, and Transaction Costs," *Interfaces*, 18 (May/June), 62–73.

Crossref

Google Scholar

Walker Gordon, and Poppo Laura (1991), "Profit Centers, Single-Source Suppliers, and Transaction Costs," *Administrative Science Quarterly*, 36 (March), 66–87.

Crossref

Web of Science

Google Scholar

Webster Frederick (1992), "The Changing Role of Marketing in the Corporation," *Journal of Marketing*, 56 (October), 1–17.

Crossref

Web of Science

Google Scholar

Weick Karl (1979), *The Social Psychology of Organizing.* Reading, MA: Addison-Wesley.

Google Scholar

Weston J. Fred, Chung Kwang S., and Hoag Susan E. (1990), *Mergers, Restructuring, and Corporate Control.* Englewood Cliffs, NJ: Prentice Hall.

Google Scholar

Williamson Oliver E. (1975), *Markets and Hierarchies.* New York: The Free Press.

Google Scholar

Williamson Oliver E. (1985), *The Economic Institutions of Capitalism.* New York: The Free Press.

Google Scholar

Williamson Oliver E. (1991), "Strategizing, Economizing, and Economic Organization," *Strategic Management Journal*, 12 (Winter), 75–94.

Crossref

Web of Science

Google Scholar

Williamson Oliver E. (1996), *The Mechanisms of Governance.* New York: Oxford University Press.

Crossref

Google Scholar

Also from Sage

CQ Library

Elevating debate

Sage Data

Uncovering insight

Sage Business Cases

Shaping futures

Sage Campus

Unleashing potential

Sage Knowledge

Multimedia learning resources

Sage Research Methods

Supercharging research

Sage Video

Streaming knowledge

Technology from Sage

Library digital services