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Review Article

EFFECTS OF COLLABORATIVE COMMUNICATION ON RELATIONAL PERFORMANCE METRICS IN INDUSTRIAL MARKETS

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ABSTRACT
Collaborative communications improve organizational capabilities and in turn facilitate superior organizational performance. However, past research regarding collaborative communication focuses largely upon the direct effect of collaborative communication on various relational performance outcomes. Without addressing the potential role played by collaborative communication in developing organizational capabilities. Such a focus upon direct performance effects, while certainly beneficial, impedes our understanding of how collaborative communication contributes to the firm's competitive advantage. The aim of this study was to investigate the Effects of collaborative communication on relational performance metrics in industrial markets. Firms with greater collaborative communication possess close relationships with customers, and thus customers are less price sensitive because of perceived higher switching costs. In this vein, collaborative communication may contribute to firm performance in sales and profitability by effectively reducing transaction costs and improving operational efficiency. The literature review concluded that Communication is associated with (a) the performance of customer-centric, (b) co-operation with the customer and(c) financial performance. It is necessary to improve the services provided to gain competitive advantage. The discovery of the relationship between performance and relationship with customer relationship management, organizations are better able to realize their weaknesses and thus better understand customers' needs and strive to meet them.

Keywords: *Collaborative Communication, Relational Performance, Industrial Markets*

INTRODUCTION

Marketing Mix is the dominant paradigm of thinking in marketing management, research and marketing operations. Today, this paradigm is losing its status and location. New approaches are emerging in marketing research.

The reasons can be cited changes to the globalization of business, increasing emphasis on the importance of customer, market economies, economies of customer-orientation, physical distance, time, deregulation, customer expectations and new information technology. Among other mainstream trend, reinforcing marketing (Brookes, 2002; Coulter, 2002).

After 1990, many companies have focused their attention on areas such as how to maintain positive relations with customers, how to increase customer loyalty and lifetime value of customer development. The recent strategies of companies will change the customer-oriented strategies. Especially understanding the needs of customers and provide additional services known as the determinants of success or failure (Ahn and Jeong, 2003).

Drawing from the relational perspective, collaborative communication helps firms develop and maintain quality relationships with customers (Mohr and Nevin, 1990; Morgan and Hunt, 1994; Palmatier *et al.*, 2006).

The importance of collaborative communication has been well noted by marketing and management scholars, especially in business to- business market research (e.g., Joshi, 2009; Mohr and Nevin, 1990; Paulraj *et al.*, 2008) with a large body of empirical studies examining its effect on various relational performance outcomes, such as satisfaction, commitment and collaboration (Meek *et al.*, 2011; Mohr *et al.*, 1996). Chen *et al.*, (2013) states that collaborative communication may improve organizational capabilities and in turn facilitate superior organizational performance. However, past research regarding collaborative communication focuses collaborative communication may improve organizational

capabilities and in turn facilitate superior organizational performance. However, past research regarding collaborative communication focuses largely upon the direct effect of collaborative communication on various relational performance outcomes (e.g. Meek *et al.,* 2011; Mohr *et al.,* 1996; Schultz and Evans, 2002) without addressing the potential role played by collaborative communication in developing organizational capabilities (Chen, 2013). Such a focus upon direct performance effects, while certainly beneficial, impedes our understanding of how collaborative communication contributes to the firm's competitive advantage (i.e., the process of influence is not well defined) (Chen, 2013).
The aim of this study was to investigate the Effects of collaborative communication on relational performance metrics in industrial markets.

Conceptual Framework and Hypothesis Development

The foundational relationship marketing concepts of the 1980s and 1990s highlight the importance of developing quality relationships with customers (e.g., Webster, 1992). Research further indicates that long-term and high quality relationships with customers potentially enable a firm to create a competitive advantage relative to firms without such relationships (Anderson *et al.*, 1997; Ganesan, 1994).
In this regard, communication between buyers and sellers plays a vital role in developing and maintaining mutual relationships (Morgan and Hunt, 1994; Palmatier *et al.*, 2006; Weitz and Jap, 1995). Specifically, poor communication quality not only damages mutual relational exchange (Mohr *et al.,* 1996) but also impedes information exchange between the customer and the firm (Frazier and Summers, 1984; Jaworski and Kohli, 2006). Hence, researchers focus on providing actionable guidelines for managers to develop effective collaborative communication strategies and programs (e.g., Joshi, 2009; Mohr and Nevin, 1990; Mohr *et al.*, 1996; Paulraj *et al.*, 2008). Mohr and Nevin (1990) indicate that collaborative communication strategies are constructive for generating two-way and the open flow of information between the firm and the customer. Joshi (2009) extends Mohr *et al.,* (1996) to identify four facets of collaborative communication, including frequency, reciprocal feedback, formality, and rationality. Frequency refers to the amount of contact between the firm and the customer. Reciprocal feedback focuses on two-way communication between the firm and its customers. Formality represents the extent to which the firm's contacts with the customer are routine, planned, and structured, as opposed to unplanned, fleeting, and ad hoc in nature. Finally, rationality refers to the extent to which the firm provides a rationale and clear evidence for why its customers should adopt a particular recommendation. Importantly, such collaborative communication helps firms develop relationships with their customers while also learning from them (Ballantyne, 2004; Ballantyne and Varey, 2006).
Therefore, in the context of industrial markets, collaborative communication refers to the extent to which firms communicate with their customers through frequent interactions, reciprocal basis, and routine contacts while adopting rationality as a means to effectively influence them (Joshi, 2009). Importantly, such collaborative communication helps firms develop relationships with their customer while also learning from them (Ballantyne, 2004; Ballantyne and Varey, 2006). In this regard, collaborative communication has been seen as one of the most important competitive resources in industrial markets (Joshi, 2009; Paulraj *et al.,* 2008).
For example, Taiwan Semiconductor Manufacturing Company (TSMC), which is one of the world's largest semiconductor dedicated foundry manufacturers, engages in establishing long-term and reciprocal relationships with its customers by developing excellent collaborative communication activities with customers. Specifically, TSMC builds thorough, dedicated formal communication channels (e.g., telephone, online platform and email) to have more frequent, prompt and two-way communication with its customers while actively providing specific information or knowledge to make a case for a particular course of action, all of which can create superior mutual benefits (e.g., providing superior technological solutions to improve product quality or yield rate) (Chen, 2013). More specifically, communication is important to building stronger relationships due to the role of communication in aligning mutual goals, resolving opinion discrepancies and identifying cooperative opportunities (Anderson and Weitz, 1992; Mohr and Nevin, 1990; Morgan and Hunt, 1994). In the second route, based on the RBV, collaborative communication indirectly affects relational performance outcomes through the mediating roles of market-

relating capabilities. The RBV addresses the origins of organizational competitive advantage that results from valuable organizational capabilities (Barney, 1991; Grant, 1991; Hunt, 2000).

Following the market knowledge development perspective of collaborative communication, collaborative communication puts emphasis on the effective information sharing and dissemination between the customer and the firm (Ballantyne and Varey, 2006; Joshi, 2009).

In addition, three types of relational performance outcomes are presented in our conceptual framework, consistent with the research previously discussed (Palmatier *et al.,* 2006). Namely, relational performance outcomes include customer-focused performance (i.e., customer-focused outcomes), customer cooperation performance (i.e., dyadic outcomes) and financial performance (i.e., seller-focused outcomes) (Palmatier *et al.,* 2006). Formally defined, customer-focused performance refers to the level of customer satisfaction and loyalty offered through quality services and products (Moorman and Rust, 1999).

Customer cooperation performance refers to the level of coordinated and complementary actions between the customer and the firm in their endeavors to accomplish mutual goals (Morgan and Hunt, 1994; Palmatier *et al.,* 2006).

Financial performance is defined as the degree of a firm's ability to perform profit and sales growth (Moorman and Rust, 1999; Palmatier *et al.,* 2006).

Effects of Collaborative Communication on Relational Performance Metrics

The relational view of strategic management consists of various theories and perspectives articulating howthe organization achieves superior competitive advantage by building, developing, and maintaining successful relational exchanges with its partners (e.g., Anderson and Weitz, 1992; Doney and Cannon, 1997; Dwyer *et al.,* 1987; Lusch and Brown, 1996; Morgan and Hunt, 1994; Palmatier *et al.,* 2007).

This view suggests that long-term relationships can sustain a competitive advantage (Ganesan, 1994). In this regard, communication is one of the most important factors in developing successful relational exchanges (Bleeke and Ernst, 1993; Grabner and Rosenberg, 1969).

Collaborative communication is effective for firms to develop quality relationship with customers (Joshi, 2009; Mohr *et al.,* 1996; Paulraj *et al.,* 2008).

Following this, based on the relational view, collaborative communication may contribute to relational performance outcomes for several possible reasons. First, according to the commitment-trust theory, effective communication between the firm and the customer improves customer trust and further leads to increased customer cooperation and reduced propensity to leave (Morgan and Hunt, 1994). In other words, when interacting with firms exhibiting greater collaborative communication (e.g., frequent and reciprocal communication), customers are more trusting and therefore are more willing to develop ongoing relational activities and actively cooperate (Mohr *et al.,* 1996; Palmatier *et al.,* 2007).

In addition, the literature also indicates that collaborative communication can improve the customer's relationship commitment and generate superior loyalty (Meek *et al.,* 2011). Hence, it is suggested that collaborative communication may enhance customer-focused and customer cooperation performance through increased customer trust and commitment. Second, communication plays a critical role in understanding mutual benefits derived for both the customer and firm (Anderson and Weitz, 1992).

When firms adopt collaborative communication strategies, customers perceive less uncertainty in the relationship and increase their willingness to make relationship-specific investments (Claycomb and Frankwick, 2010).

Such customer relationship-specific investments lead to the greater expectation of relational continuity and joint action, which in turn improves firm performance (Heide and John, 1990; Palmatier *et al.,* 2007).

As such, collaborative communication may contribute to increased customer retention and cooperative behaviors through increased investment in relationship-specific assets.

Finally, drawing from the perspective of relational rents, the literature suggests that collaborative communication enables the firm to reduce information asymmetry and improve behavioral transparency in the customer–firm relationship (Heide and Miner, 1992; Paulraj *et al.,* 2008), thereby leading to decreased transaction costs and opportunistic behaviors, as well as increased transaction value (Dyer, 1997; Paulraj *et al.,* 2008).

On the other hand, collaborative communication helps firms establish close relationships with customers (Ballantyne and Varey, 2006; Mohr *et al.,* 1996; Prahinski and Benton, 2004), in turn creating superior price premium value for firms (Johnson and Selnes, 2004).

That is, firms with greater collaborative communication possess close relationships with customers, and thus customers are less price sensitive because of perceived higher switching costs (Johnson and Selnes, 2004). In this vein, collaborative communication may contribute to firm performance in sales and profitability by effectively reducing transaction costs and improving operational efficiency (Palmatier *et al.*, 2007; Paulraj *et al.*, 2008).

CONCLUSION

The attitude of companies and institutions in the development of competitive environment to attract more and more focused on customer satisfaction and profit to sell more. The transition from the traditional economy and the strongest competition of the new deal, the customer is the main pillar of all activities of the organization accordingly; So that competing points of views, Survival and continuous absorption of new customers and maintaining existing customers is the life of organizations require identification (Elahi, 2005).

The literature review concluded that Communication is associated with (a) the performance of customer-centric, (b) co-operation with the customer and(c) financial performance. It is necessary to improve the services provided to gain competitive advantage. The discovery of the relationship between performance and relationship with customer relationship management, organizations are better able to realize their weaknesses and thus better understand customers' needs and strive to meet them.

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