

# The Structural Relationship between Social Capital Dimensions and Performance in Distributional Channels

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**Abstract.** This article provides an overview on the formation of social capital in the relationship between the manufacturer and dealer on the basis of the social capital theory. It builds on the premise that when the distributional channel members continue their relationship for longer periods of time, social capital is more strongly formed. Also tested is how social capital affects sales performance. A survey was conducted through 210 dealers in Korea. Results show that the structural dimension and cognitive dimension affect the formation of the relational dimension of social capital. Relational duration does not have a significant correlation with the accumulation of social capital. Social capital is shown to have significant effects on sales performance.

**Keywords:** social capital theory, distribution channel, franchiser, sales performance, relational duration

## 1 Introduction

In recent distributional channels of Korea, the conflict between the manufacturer and dealer is a focal point because of the push strategy and coercive power exercise of manufacturers. Dealers of exclusive distributional channels and franchisees in contracts with parent companies are known to experience unfair business practices from their source firms. These phenomena show evidence that exclusive dealers and franchisees have not formed a tight relationship on the basis of social capital. On the contrary, the conflict between a manufacturer and dealer has grown into a nationwide boycott movement by customers due to SNSs and information sharing through the Internet. Due to this, people doubt social capital works positively to build strong relationships between a manufacturer and dealer for the purpose of achieving strong bondage and common goals. With this in mind, this research scrutinizes the formation of social capital and the structure among the dimensions of social capital. Additionally, the relationship between social capital and relational duration as well as sales performance is analyzed.

## 2 Research Model and Data Analysis

The relationships among the structural dimension, cognitive dimension, and relational dimension are analysed. Based on previous literature, it is assumed that when the structural and cognitive dimensions are formed, the relational dimension manifests at the same time. To analyse these relationships among the three components in the relations between manufacturers and dealers, SEM (Structural Equation Model) was utilized. Table 1 presents the correlations among the variables.

**Table 1.** Correlations

	<i>ST2</i>	<i>ST4</i>	<i>ST5</i>	<i>CO1</i>	<i>CO3</i>	<i>RE1</i>	<i>RE2</i>	<i>RE3</i>	<i>RE4</i>
ST2	1								
ST4	.743**	1							
ST5	.701**	.720**	1						
CO1	.648**	.609**	.640**	1					
CO3	.666**	.644**	.643**	.881**	1				
RE1	.740**	.654**	.654**	.635**	.713**	1			
RE2	.721**	.718**	.660**	.725**	.748**	.764**	1		
RE3	.701**	.667**	.620**	.709**	.713**	.773**	.824**	1	
RE4	.656**	.673**	.638**	.679**	.759**	.758**	.820**	.808**	1

The Confirmatory Factor Analysis was undertaken to determine the quality of the items of a construct and establishes a measurement model with the closest fit to the data (Table 2: Chi-Square = 49.70 (P=0.00), DF = 24, GFI = 0.91, CFI = 0.99, NFI = 0.99, AGFI = 0.91, SRMR = 0.019, RMSEA = 0.072). The test result of the structural relationship among three components (Table 3) explains that the structural dimension has a positive effect on the relational dimension (ST→RE, 0.58, p<0.001) and the cognitive dimension has a positive effect on the relational dimension (CO→RE, 0.39, p<0.001).

**Table 2.** Confirmatory Factor Analysis

<i>Construct</i>	<i>Indicator</i>	<i>Standardized factor loading</i>	<i>Standard deviation</i>	<i>Cronbach <math>\alpha</math></i>	<i>AVE</i>	<i>CR</i>
ST	ST2	0.87	0.25	0.89	0.72	0.89
	ST4	0.86	0.26			
	ST5	0.82	0.33			
CO	CO1	0.91	0.17	0.94	0.89	0.94
	CO3	0.97	0.06			
RE	RE1	0.86	0.26	0.94	0.79	0.94
	RE2	0.92	0.16			
	RE3	0.89	0.20			
	RE4	0.89	0.20			

Chi-Square = 49.70(P=0.00), DF = 24, GFI = 0.91, CFI = 0.99 , NFI = 0.99, AGFI = 0.91, SRMR = 0.019, RMSEA = 0.072

**Table 3.** Results of SEM

<i>Path</i>	<i>Standardized coefficients</i>	<i>Model Fit</i>
ST→RE	0.58***	Chi-Square = 49.70(P=0.00), DF = 24, GFI = 0.95, CFI = 0.99 , NFI = 0.99, AGFI = 0.91, SRMR = 0.019, RMSEA = 0.072
CO→RE	0.39***	

To analyse the relationships between the relational duration and social capital, simple regression analysis is conducted (Table 4). All of the three equations lacked significance. Because of the negative values of the beta, ANOVA also was conducted to analyse the differential effects of each segment of the relational duration (Table 5).

**Table 4.** Results of

<i>independent variable</i>	<i>dependent variable</i>	$\beta$	<i>R2</i>	<i>adjusted R2</i>	<i>f-value</i>	<i>t-value</i>	<i>p-value</i>
relational duration	ST	-0.002	0.003	-0.002	0.669	-0.818	0.414
	CO	-0.002	0.001	-0.003	0.309	-0.556	0.579
	RE	-0.002	0.002	-0.003	0.430	-0.656	0.513

**Table 5.** Results of SEM

<i>social capital</i>	<i>relational duration</i>	<i>N</i>	<i>mean</i>	<i>standard variation</i>	<i>f-value</i>	<i>p-value</i>
ST	1-12months	38	4.98	1.22	1.012	.388
	13-36months	91	4.55	1.55		
	37-72months	52	4.78	1.30		
	over 73months	29	4.51	1.63		
	total	210	4.68	1.45		
CO	1-12months	38	5.04	1.53	0.764	.516
	13-36months	91	4.54	1.64		
	37-72months	52	4.69	1.67		
	over 73months	29	4.73	2.05		
	total	210	4.70	1.69		
RE	1-12months	38	4.69	1.37	0.627	.598
	13-36months	91	4.26	1.65		
	37-72months	52	4.37	1.45		
	over 73months	29	4.34	1.90		
	total	210	4.38	1.59		

Will the social capital affect sales performance? A regression analysis was conducted to test the relationships between the two variables. Sales performance consists of three items: profitability, ROI, and rate of return to sales. Social capital is ascertained to have an effect on sales performance (Table 6). ANOVA was used to explain the relationship between different magnitudes of social capital and sales performance (Table 7).

**Table 6.** Results of SEM

<i>independent variable</i>	<i>dependent variable</i>	$\beta$	$R^2$	<i>adjusted <math>R^2</math></i>	<i>f-value</i>	<i>t-value</i>	<i>p-value</i>
ST	Performance	0.273	0.547	0.541	83.007	3.078	0.002
CO		0.249				3.010	0.003
RE		0.299				3.042	0.003

**Table 7.** Results of SEM

<i>variable</i>	<i>social capital</i>	<i>N</i>	<i>mean</i>	<i>standard variation</i>	<i>f-value</i>	<i>p-value</i>
sales performance	low ST	47	2.96	1.53	73.859	0.000***
	middle ST	81	4.83	1.29		
	high ST	38	6.35	0.89		
	total	166	4.65	1.77		
	low CO	47	2.80	1.32	79.757	0.000***
	middle CO	81	4.32	1.21		
	high CO	38	6.08	0.93		
	total	166	4.29	1.66		
	low RE	47	3.34	1.35	60.679	0.000***
	middle RE	81	4.62	1.11		
	high RE	38	6.10	0.88		
	total	166	4.60	1.50		

### 3 Conclusion and Discussion

This article illustrates the accumulation and effects of social capital in the distributional channel between manufacturers and dealers. Social capital is explained the structural dimension, cognitive dimension, and relational dimension. When the social capital in the structural dimension and cognitive dimension are achieved first, then those in the relational dimension are also likely to be achieved as well. Social capital does not show a positive correlation with the relational duration.

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