

The Effect of Distributors' Relationship Exploration on the Relationship Quality under Market Uncertainty

Abstract

While relationship exploration, or seeking alternative exchange partners, is a ubiquitous marketing channel strategy when facing a volatile marketing environment, how this strategy affects a firm's incumbent relationship is unclear. Drawing upon resource dependency theory and the dynamic capabilities perspective, we argue that a distributor's relationship exploration does not destruct but rather improves the existing relationship by enhancing the focal distributor's dynamic capabilities (e.g., absorptive capability and innovative capability) that are essential in volatile environments. However, the ultimate influence of this strategy via dynamic capabilities is contingent upon the careful alignment of dynamic capabilities with market conditions. Using a sample of electronic component distributors in China, this study confirms the role of dynamic capabilities as underlying mechanisms in the influence of relationship exploration on relationship quality. Moreover, we find that market uncertainty varies the effects of dynamic capabilities differentially; it strengthens the effect of absorptive capability, while it weakens that of innovative capability.

Keywords: Channel relationship exploration; Dynamic capabilities; Market uncertainty

1. Introduction

Conventional marketing channel research focuses on maintaining high quality dyadic relationships via commitment to existing incumbent relationships to reduce transaction costs and enhance exchange effectiveness (e.g., Dyer, 1997; Morgan & Hunt, 1994; Rindfleisch & Heide, 1997). As a result, exploring alternative suppliers (i.e., relationship exploration in this study) is considered to be destructive under the assumption that it undermines the incumbent relationship and increases the transactions costs, such as the monitoring and contracting costs (e.g., Anderson & Weitz, 1992; Gundlach, Achrol, & Mentzer, 1995; Rokkan, Heide, & Wathne, 2003). However, when facing increasingly volatile environments with frequent disruptions (e.g., economic slowdown, technological breakthroughs) and faster changing customer preferences in the markets (Christensen & Snyder, 1997; Palmatier & Sridhar, 2017), simply committing to the existing incumbent relationship endangers the distributors by increasing the risk of distributors being isolated from the external business environment. A distributor could thus overlook emerging opportunities in market segments that the incumbent supplier does not serve. The reason is that distributors who are tied in a close relationship with incumbent suppliers could fall victim to myopia, which stifles new ideas and the ability to recognize and adapt to changes in a dynamic environment (Baker, Dant, & Weaven, 2019). In this regard, relationship exploration can be advantageous because it broadens the distributor's social network and brings new resources that are important for the distributor's survival and competitiveness in volatile environments. Relationship exploration in this study is defined as a distributor's exploration of alternative suppliers for more business opportunities. Note that in cases where distributors are not bound by exclusive supply contracts, they have the flexibility to explore alternative suppliers. The purpose of such exploration activities is to maximize their own benefits rather than replace

existing suppliers, and hence, it does not necessarily impose a threat to existing supply relationships.

The recent US-China trade war provides a vivid scenario that shows how dealers in China are forced to diversify their sources of suppliers to cope with uncertainties. A 2019 news report, for example, documented a Shanghai-based fruit importer, Lucas Liu, moving part of his fruit orders from the US to Uzbekistan to hedge against the rising costs. Lucas continues to buy from his established US suppliers though, to maintain their long-standing relationship (Wu, 2019). Disintermediation represents another disruptive force for distributors. Given the pressure of "cutting out the middlemen", distributors are motivated to broaden the supply chain and build up their own capabilities to cope with the challenge. However, there is still a dearth of research on how a distributor's relationship exploration affects its dyadic relationship with the incumbent supplier in a volatile environment.

Our study is an attempt to move forward in this direction. Drawing from resource dependency theory and the dynamic capabilities perspective, we argue that a distributor's relationship exploration strategy does not necessarily damage its relationship with the incumbent supplier. The distributor can use such a strategy to gain a power advantage over its incumbent supplier and to gain access to critical resources from the external environment (e.g., Casciaro & Piskorski, 2005; Chiambaretto, 2015; Emerson, 1962; Hillman, Withers, & Collins, 2009). This action improves the resource foundation that is essential for the distributor's dynamic capabilities, which consequently makes the distributor a more attractive partner and increases the incumbent supplier's motivational investments, leading to higher relationship quality. Dynamic capabilities are firm abilities to "integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano, & Shuen, 1997, p.516).

They are essential capabilities for a firm to achieve a competitive advantage in a fast changing and unpredictable environment (Eisenhardt & Martin, 2000; Makadok & Barney, 2001; Teece, Pisano, & Shuen, 1997; Winter, 2003). We argue that relationship exploration allows a distributor to acquire knowledge and resources outside the dyad (e.g., Cohen & Levinthal, 1990; Ganesan et al., 2009; Gao, Xie, & Zhou, 2015), to enhance its dynamic capabilities (Teece, Pisano, & Shuen, 1997). However, the impact of the dynamic capabilities that result from relationship exploration could be contingent upon market uncertainty – a key environmental variable in transaction cost analysis. We focus on two types of dynamic capabilities, absorptive capability and innovative capability, which have been repeatedly highlighted as critical and unique dynamic capabilities in the literature (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997; Wang & Ahmed, 2007; Zahra & George, 2002). We posit that their values change systematically under varying conditions of market uncertainty.

Therefore, this study has two important contributions. First, drawing upon resource dependency theory and the dynamic capabilities perspective, we highlight the potential role of relationship exploration as a viable channel strategy in response to volatile environments. Developing dynamic capabilities is especially important for small firms (e.g., distributors) to survive in volatile markets. Given the asymmetric power in the supplier-distributor relationship, a distributor, usually a weaker party, is under pressure to prove value to the supplier and sustain growth. This study shows that relationship exploration can be a strategic choice of a distributor, who aims to build dynamic capabilities. Moreover, our study revealed the mediating role of dynamic capabilities in leveraging exploratory behaviors to enhance dyadic relationships. In contrast to the traditional view that relationship exploration is destructive to incumbent

relationships, our study shows its positive impact and the process through which the quality of the incumbent relationships actually improves.

Second, this study sheds new light on the consequences of dynamic capabilities in channel relationships when bound to uncertain market conditions. While previous research on dynamic capabilities in general agrees that the efficacy of dynamic capabilities depends on various environmental contingencies (e.g., Barreto, 2010; Drnevich & Kriauciunas, 2011; Schilke, 2014; Zahra, Sapienza, & Davidsson, 2006), such contingency effects are often regarded as universal for the different types of dynamic capabilities without noting the possibility that different dynamic capabilities could work under environmental contingencies differently. Our research, however, suggests that the moderating roles of environment constraints, i.e., market uncertainty, could be capability specific in channel relations. In other words, the moderating effects vary according to the specific type of dynamic capabilities. The reason is that the development and use of dynamic capabilities are costly and demand timely resource reconfiguration according to changes in the external environment. High market uncertainty imposes serious challenges to the focal firm in matching necessary resources to resource reconfigurations as well as in overcoming organizational inertia that hinders such reconfigurations (Schilke, 2014). Dynamic capabilities differ in their abilities to overcome these problems. For example, absorptive capability could be more beneficial to dyadic relations in an uncertain market, because it helps a distributor to overcome both the matching and inertia problems more competently, whereas the innovative capability could become less valuable because fast-paced market changes could amplify the difficulties in resource matching as well as the inertia hurdles faced by the utilization of innovative capability (Katz & Allen, 1982), further undermining its possibility to fully realize the commercial value of a distributor's

innovativeness. Hence, the extent to which the two types of dynamic capabilities enhance relationship quality vary in different directions when the market becomes highly uncertain. Our results confirm these predictions, which suggests that market uncertainty can be a double-edged sword in shaping the effectiveness of relationship exploration via dynamic capabilities.

2. Conceptual framework and hypotheses development

2.1 Relationship exploration

In this study, relationship exploration is defined as a distributor's exploration of alternative suppliers for more business opportunities. Although previous research believes that seeking alternative partners could harm incumbent dyadic relationships (Anderson & Weitz, 1992; Rokkan, Heide, & Wathne, 2003), there is no substantiated evidence for such causality. Conventional wisdom in channel management suggests that distributors who are committed to incumbent relationships should not explore alternative suppliers (Gundlach, Achrol, & Mentzer, 1995). Recent studies, however, indicate that relationship exploration is not the opposite of commitment; instead, it is a conceptually independent construct (Tse, Wang, & Zhang, 2019).

A single supplier might not satisfy a distributor's need for survival and growth, especially when consumers have changing needs and firms compete with innovative offerings to the market. Distributors must consider exploring new suppliers to access resources and knowledge that enable them to compete effectively in the marketplace (e.g., Granovetter, 1985; Palmatier, 2008; Wuyts et al., 2004). Therefore, it is legitimate, and sometimes imperative, for distributors to engage in relationship exploration to optimize resource allocation. In this study, we argue that dynamic capability is the missing link between distributors' relationship exploration and dyadic relationship outcomes. Relationship exploration can help a distributor to develop unique dynamic capabilities, which in turn motivates its incumbent supplier to maintain

a high-quality relationship with the distributor. We present our conceptual framework in Figure 1 which underscores the roles of dynamic capabilities in mediating the effects of relationship exploration on relationship quality and the moderating role of market uncertainty.

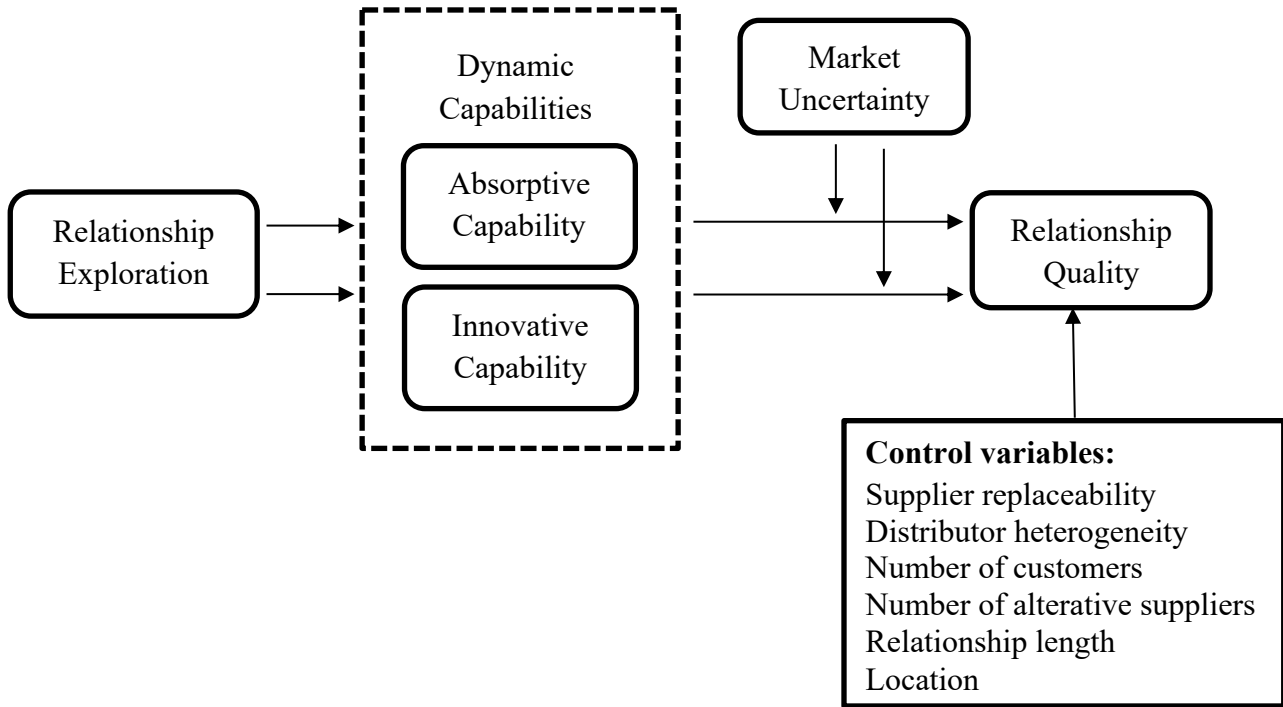


Fig. 1. The theoretical framework

2.2 *Dynamic capabilities and resource dependency theory*

The dynamic capabilities perspective is an extension of the resource-based view (Barreto, 2010). The resource-based view suggests that a sustained competitive advantage is derived from valuable, rare, inimitable, and nonsubstitutable (VRIO) resources controlled by the firm (Barney, 1991). Resources include tangible and intangible assets and knowledge, as well as firm capabilities that utilize those assets (Amit & Schoemaker, 1993; Barney, 1991; Mahoney & Pandian, 1992). In the marketing channel context, the resource-based view has been used to explain issues such as the channel effectiveness (Jap, 1999; Palmatier, Dant, & Grewal, 2007) and the adoption of new sales channels (Lee & Grewal, 2004). However, the resource-based

view is essentially static in nature and is inadequate to explain a firm's competitive advantages in changing environments (Priem & Butler, 2001). The dynamic capabilities perspective extends this line of thinking and focuses on the firm's capabilities that create new resources and renew its valuable resources bundles in responding to changing environments (Teece, Pisano, & Shuen, 1997). It shares similar assumptions with the resource-based view and regards a firm as a bundle of heterogeneous resources. The distinctive role of dynamic capabilities is to modify and extend the firm's extant resource base and create new bundles of resources that can sustain its competitive advantage (Ambrosini & Bowman, 2009). Thus, a firm's resource base is usually regarded as an important antecedent of dynamic capabilities (Teece, Pisano, & Shuen, 1997). It is also widely accepted that dynamic capabilities are vital for a firm's survival and its competitive advantages in fast-changing environments (Peteraf, Stefano, & Verona, 2013; Teece, Pisano, & Shuen, 1997; Teece, 2007; Winter, 2003), although a firm's performance impact could be subject to some internal and external constraints (see Barreto, 2010 for a review).

While the dynamic capabilities perspective has provided an important theoretical foundation for firms to achieve sustainable competitive advantages in hypercompetitive environments, there are still debates over the conceptualization of dynamic capabilities (Ambrosini & Bowman, 2009; Barreto, 2010). Our study follows the conceptualization of the most influential landmark work by Teece and his colleagues (1997), which laid the foundation for the dynamic capabilities literature (Peteraf, Stefano, & Verona, 2013). Therefore, dynamic capabilities are defined as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environment" (Teece et al., 1997, p.516). According to this conceptualization, our study focuses on absorptive capability and innovative capability as they reflect the key aspects of dynamic capabilities.

Absorptive capability highlights the importance of learning external knowledge (Wang & Ahmed, 2007), which emphasizes external knowledge exploration (Lichtenthaler & Lichtenthaler, 2009). Innovative capability refers to the firm's ability to generate, accept, and implement new ideas, processes and products (Calantone, Cavusgil, & Zhao, 2002), which mainly focuses on internal knowledge exploitation (Lichtenthaler & Lichtenthaler, 2009). Both capabilities have been repeatedly highlighted in the literature as proxies for dynamic capabilities (Eisenhardt & Martin, 2000; Lichtenthaler & Lichtenthaler, 2009; Teece, Pisano, & Shuen, 1997; Wang & Ahmed, 2007; Zahra & George, 2002). For example, Wang and Ahmed (2007) highlighted innovative capability and absorptive capacity as two important components of dynamic capabilities. Lichtenthaler and Lichtenthaler (2009) theorized them as two distinctive and essential components of a dynamic capability that they referred as knowledge management capacity.

The dynamic capabilities perspective has drawn increasing attention in channel research. For example, Reuter et al. (2010) used the dynamic capabilities perspective to conceptualize sustainable global supplier management capabilities as a source of competitive advantage. Fawcett et al. (2011) considered the supplier chain collaboration to be a dynamic capability without which investments in information technology cannot make their optimal contribution to firm competitiveness. In line with this trend, our study integrates this perspective with resource dependency theory to explain how a distributor can leverage relationship exploration through building its dynamic capabilities to enhance its dyadic relationships.

Since Pfeffer and Salancik's (1978) seminal work, resource dependency theory has become an influential theory in explaining firm strategies and behaviors (see Hillman, Withers, & Collins, 2009 for a review) in various contexts, such as international joint ventures (Inkpen &

Beamish, 1997) and channel partner alliances (Lazzarini, Claro, & Mesquita, 2008). According to the theory, a firm is an open system that is constrained by its external environment (Pfeffer & Salancik, 1978). The external environment thus influences the firm's behaviors, whereas managers can manage these influences by formulating strategies that change the power balance in their social relations (Hillman, Withers, & Collins, 2009). Such strategies help the firm to gain power and hence to gain access to critical resources from its external environment, the ability of which is critical to its survival (Casciaro & Piskorski, 2005). One of the strategies is to use interorganizational relationships (e.g., Bae & Gargiulo, 2004; Chiambaretto, 2015) in which a weaker partner can gain power advantage and status in a social relation by forming new relationships (Emerson, 1962). Hence, if a firm has potential partners who are substitutes for its current partner, it is feasible for the firm to leverage such an extended network structure to reduce its current partner's bargaining power and gain access to critical resources from the external environment (Chiambaretto, 2015).

In line with this theory, we argue that relationship exploration augments the distributor's power in its dyadic relationship by gaining access to critical resources, such as information and knowledge, in a broadened external network (Ganesan et al., 2009; Gao, Xie, & Zhou, 2015). These resources lay the knowledge foundation for building dynamic capabilities that manifest a firm's ability "to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano, & Shuen, 1997, p.516). Empirical evidence also demonstrates that social interactions among network actors promote knowledge sharing among them and create opportunities for mutual learning and cooperation (Tsai, 2002), thus sharpening a firm's dynamic capabilities, including learning (Todorova & Durisin, 2007) and innovation (Tsai, 2001). These dynamic capabilities allow the distributor to continuously modify and extend

its existing resources and competences in response to the changing environment. Consequently, the distributor becomes a more attractive partner, which enhances the incumbent supplier's motivational investment (Emerson, 1962), leading to improved dyadic relationships.

2.3 Relationship exploration, absorptive capability, and relationship quality

Absorptive capability is a learning-based ability to assimilate and utilize the information and knowledge from the external environment for internal use (Cohen & Levinthal, 1990; Lenox & King, 2004; Zhou & Li, 2010). It enables a firm to “recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128). It helps to reinforce, complement or refocus the firm's knowledge base, which is critical for the firm's long-term survival and success (Lane, Koka, & Pathak, 2006).

The distributor's relationship exploration strategy enhances its absorptive capability in three ways. First, to develop absorptive capability, firms need both an existing knowledge base and a continued inflow of new knowledge (Cohen & Levinthal, 1990). Exploring alternative suppliers enables the distributor to gain access to more specialized new knowledge, which enriches, updates, and enlarges its current knowledge base. This result facilitates the firm's ability to recognize relevant information when scanning the external environment and to make connections between new and existing knowledge, which leads to an enhanced absorptive capability (Todorova & Durisin, 2007). Second, relationship exploration furnishes the distributor with a flexible learning structure that underscores a firm's absorptive capability (Tsai, 2001). Connecting to alternative suppliers allows the distributor to develop networks that are rich in structural holes (Ma, Yao, & Xi, 2009), which provides the distributor with timely information about new opportunities and affords the flexibility to develop and learn from new ties when facing significant changes in environments (Gargiulo & Benassi, 2000). These results help to

unleash the distributor's learning potential by breaking its cognitive and capabilities constraints, which often leads to failure in the identification and absorption of external knowledge (Todorova & Durisin, 2007). As such, relationship exploration allows the distributor to discern opportunities and changes more swiftly, which promotes stronger recognition and assimilation of external knowledge. Last, when exploring alternative suppliers, the distributor coordinates and manages an increased number of relationships. This activity demands active communication and interaction with network actors, which greatly enhances the learning effectiveness (Oliver, 2004). The resulting improvement in skills for exchanging information and collaborating with others subsequently bolsters the distributor's ability to assimilate external new knowledge, which results in a stronger absorptive capability. Therefore, we posit the following:

H1: A distributor's relationship exploration strategy increases its absorptive capability.

Relationship quality is widely viewed as a combination of several distinct though related constructs (Dwyer & Oh, 1987). Although there is a considerable amount of research that focuses on relationship quality, there is still no consensus on which constructs comprise relationship quality. Dwyer, Schurr, & Oh (1987) note that trust, commitment, and disengagement underlie the construct of relationship quality. Kumar, Scheer, & Steenkamp (1995) refer to it as conflict, trust, and commitment. Skarneas et al. (2008) indicate that the relationship quality is composed of trust, commitment, and satisfaction. Lages, Lages, & Lages (2005) submit that relationship quality signals the intensity of the information sharing, communication quality, long-term orientation, and satisfaction. Consistent with the previous literature, we conceptualize relationship quality as the extent to which each party is concerned about the joint benefits of the relationship, is willing to make cooperative moves, and can expect a continuity of the relationship.

In this study, we argue that the focal distributor's absorptive capability will increase its relationship quality with the incumbent supplier. A firm with a strong absorptive capability is flexible and usually outperforms other firms in the industry (Todorova & Durisin, 2007). It allows a firm to make adaptations to match the dynamics of the market (Cohen & Levinthal, 1989; 1990), which leads to competitive advantages (Zahra & George, 2002). Distributors who are capable of simulating and utilizing new knowledge and reacting to changes make themselves attractive partners to collaborate with. Their competitive positions in the market, as a result of their superior absorptive capability, motivate the incumbent supplier to maintain and strengthen the ongoing relationship.

Moreover, a distributor who is equipped with high absorptive capability also provides joint learning opportunities (Selnes & Sallis, 2003). Because both the supplier and distributor engage in mutual learning, they are more likely to understand each other's needs and show flexibility when responding to changing requests (Kalwani & Narayandas, 1995), which characterizes a high-quality relationship. The joint learning activities also draw the partners closer, leading to a positive evaluation of the relationship. Taken together, we posit:

H2a: A distributor's absorptive capability enhances the relationship quality with its incumbent supplier.

Furthermore, because the relationship exploration nurtures a distributor's absorptive capability, which in turn leads to higher relationship quality with the incumbent supplier, we suggest that absorptive capability plays a mediating role in the process.

H2b: A distributor's absorptive capability mediates the effect of relationship exploration on its relationship quality with the incumbent supplier.

2.4 Relationship exploration, innovative capability, and relationship quality

Innovative capability in this study refers to the firm's ability to generate, accept, and implement new ideas, processes and products (Calantone, Cavusgil, & Zhao, 2002). It showcases a firm's receptivity, inclination, and openness to new ideas (Hurley & Hult, 1998) and is essential for the firm's survival, especially in volatile markets (Cavusgil, Calantone, & Zhao, 2003). Relationship exploration enhances the distributor's innovative capability in three ways. First, alternative suppliers provide new specialized knowledge and technologies that improve the distributor's abilities to launch new products or services faster than its competitors. Innovation is complex, costly, and risky because customer preference and technology change rapidly (Griffin, 1997). A relationship exploration strategy allows a distributor to learn new knowledge from alternative suppliers in such a way as to more readily predict and react to the changing customer preferences. Alternative suppliers also provide additional sources of new technologies, which allows the distributor to integrate and enhance its own innovative capability (Calantone, Cavusgil, & Zhao, 2002).

Second, the addition of new suppliers broadens the knowledge that the distributor can access and, hence, facilitates the making of novel associations in problem solving. Innovation is a problem-solving process for which new and novel knowledge and information is essential (Fang, 2011). External networks provide a rich source of innovative ideas (Gao, Xie, & Zhou, 2015) and diverse information (Burt, 1992; Gargiulo & Benassi, 2000). Several studies suggest that a diverse flow of information can affect innovation, because it can trigger novel associations (Cohen & Levinthal, 1990) and stimulate broader perspectives as well as encourage syntheses (Dewar & Dutton, 1986). Finally, exploring alternative suppliers encourages the distributor to embrace innovative ideas. A learning trap occurs when a firm repeats doing the same thing even after the situation has changed and the previous strategy is no longer effective (Assink, 2006). To

avoid this trap, firms must bring in outsiders to stimulate a breakthrough in the business model (Calantone, Cavusgil, & Zhao, 2002). Alternative suppliers are outsiders who offer new perspectives for the distributor and, hence, help it to avoid falling prey to the learning trap and enhance its capability to develop innovations.

H3: A distributor's relationship exploration strategy increases its innovative capability.

The distributor's innovative capability enhances its relationship quality with the incumbent supplier in that a strong innovative capability makes the distributor a more desirable and attractive partner to collaborate with and, thus, motivates the incumbent supplier to continuously invest in the relationship and improve relationship quality. The attractiveness that results from innovative capability manifests itself in several ways. First, innovative firms can launch new and high-quality products at a lower cost than competitors (Lawson & Samson, 2001) and at a faster speed (Cavusgil, Calantone, & Zhao, 2003). Innovations also present barriers to prevent imitation by other distributors and deter them from entering the same market (Neely & Hill, 1999), allowing the focal distributor to obtain a strong competitive advantage, which helps to retain its incumbent supplier. Moreover, innovative distributors usually respond to a fast-changing environment more rapidly (Hurley & Hult, 1998), aiding the incumbent supplier to better keep abreast of the market changes and react promptly, consequently improving the supplier's competitiveness. Finally, innovative capability facilitates the integration of new and existing knowledge, which helps a firm to improve current products and processes and develop new offerings (Romijn & Albaladejo, 2002). A distributor with a strong innovative capability is competent in self-renewal within the organization while continuously transforming new knowledge and ideas into new products, processes and systems. These innovative attributes

and outcomes benefit the company as well as its partners (Lawson & Samson, 2001). Therefore, we propose the following:

H4a: A distributor's innovative capability enhances the relationship quality with its incumbent supplier.

Taken together, we predict that innovative capability mediates the relationship between relationship exploration strategy and relationship quality. Formally stated,

H4b: A distributor's innovative capability mediates the effect of relationship exploration on its relationship quality with the incumbent supplier.

2.5 The moderating role of market uncertainty

Market uncertainty refers to a situation whereby a firm is unable to accurately forecast the sales volume and customer preferences in the downstream market (Wathne & Heide, 2004). In a stable market where customer preferences are steady, distributors can predict customers' future needs and preferences. However, in an uncertain environment, understanding and responding to market changes is more difficult for managers, which necessitates stronger adaptation from the firm (Carson, Madhok, & Wu, 2006).

Market uncertainty affects the effectiveness of dynamic capabilities in that it could affect the opportunities for change as well as a distributor's capacity to change. The use of dynamic capabilities could be costly (Schilke, 2014) because the process involves continuous modification and extension of existing resource bundles in response to market conditions. Unnecessary or wrong alterations of resource bundles could be harmful. Thus, when markets are stable, the need for resource reconfiguration is low, which reduces the value of dynamic capabilities for the distributor's competitiveness. However, when market uncertainty is high, whether the distributor can fully utilize its dynamic capabilities hinges on its ability to overcome

inertia (Eisenhardt & Martin, 2000) and match necessary resources with alterations (Schilke, 2014). Highly uncertain markets pose serious challenges to the efficacy of dynamic capabilities in that the distributor might not recognize the need for resource alterations or could be unable to act due to inertia, which impedes the effective use of dynamic capabilities. A strong absorptive capability helps to break cognitive and capability constraints (Todorova & Durisin, 2007), alleviating the inertia problem and enabling the necessary resource matching. Therefore, a distributor with a strong absorptive capability is likely to gain greater value in uncertain markets.

Moreover, when market uncertainty is high, firms lack sufficient information about the market and its changes, which obstructs managers from making proper decisions (Galbraith, 1974; Luo, 2003). A distributor with a strong absorptive capability becomes a more appealing partner for the incumbent supplier because it can better assimilate and utilize external knowledge and information (Cohen & Levinthal, 1990; Lenox & King, 2004; Tsai, 2001; Zhou & Li, 2010), which compensates for the deficiency in information that is caused by market uncertainty.

Finally, changing customer preferences make it vital for the supplier to anticipate and react to market trends. If the incumbent supplier engages in a close partnership with a distributor who has a strong absorptive capability, then the supplier will be in an advantageous position as the distributor constantly absorbs and assimilates new knowledge from external sources, which provide the supplier with up-to-date market information. This information advantage facilitates the supplier to sense and seize new opportunities swiftly. Thus, such a close partnership stimulates a high level of perceived relationship quality between the two parties.

H5a: Market uncertainty strengthens the positive effect of absorptive capability on the relationship quality between the distributor and its incumbent supplier.

However, we believe that uncertain markets reduce the impact of innovative capability of a distributor on its dyadic relationship quality. First, uncertain markets highlight the need for sufficient market information in decision making (Galbraith, 1974; Luo, 2003). However, innovative capability might not help but could instead hinder the search for external knowledge due to the inherent “not-invented-here” syndrome in innovation management (Katz & Allen, 1982). When this syndrome occurs, knowledge-creating employees believe that their team possesses “a monopoly on knowledge in its area of specialization”, and thus, they do not “consider very seriously the possibility that outsiders might produce important new ideas or information relevant to the group” (Katz & Allen, 1982, p.7). This position results in a protective attitude among employees against the acquisition of external knowledge (Lichtenthaler & Ernst, 2006). As a result, the distributor could face greater inertia that hinders it from activating and effectively exploiting the value of innovative capability, thus limiting the improvement of relationship quality. Second, distributors with a strong innovative capability must constantly scan the environment to sense new opportunities and maintain a constant inflow of new knowledge to fuel innovations. Highly uncertain markets make this sense-making process of new information difficult. The effective matching of resources that are necessary for leveraging innovative capability also becomes more difficult, which reduces the positive role of innovative capability in binding with incumbent suppliers.

Last, when the market is uncertain, firms must stabilize their performance through cost reduction and increased efficiency (Miller, 1993). However, firms that specifically emphasize innovation often invest heavily in risky projects, the outputs of which are relatively uncertain (Sheng, Zhou, & Li, 2011; Tellis, Prabhu, & Chandy, 2009). Therefore, innovative distributors might not be able to generate as much benefit to the incumbent supplier in an uncertain

environment as they do in a stable environment. This circumstance undermines the attractiveness of the distributor as a partner, thereby diminishing the importance of the distributor's innovative capability in improving relationship quality.

H5b: Market uncertainty weakens the positive effects of innovative capability on the relationship quality between the distributor and its incumbent supplier.

3. Methodology

3.1 Sample and data collection

Data were collected with the help of China Electronics Distributor Alliances (CEDA), which is a nonprofit organization that connects electronics component distributors with operations in Greater China. For reasons of confidentiality, the complete list of membership and their contact information was not revealed. The distribution of the survey questionnaire was administered by CEDA and forwarded to the senior executives of their member firms. All of the respondents were highly qualified, holding titles such as presidents, general managers, chief executive officers, and marketing directors. Because our research context does not include distributors that are bound by exclusive contracts with their suppliers, we had a screening question in the beginning of our questionnaire to rule out such cases. Therefore, all of our responding firms have flexibility in their exploratory relationship activities. We sent out 500 questionnaires and successfully obtained 124 complete questionnaires, resulting in a response rate of 24.8%. Most distributors (71.3%) operate in Shenzhen, a high-tech center in China. To ensure the validity and quality check, we also gathered the respondents' working experience in the industry and in their companies. The average working experience in the industry of the respondents in our survey was 7.63 years, and the average working experience of the respondents in their companies was 5.66 years.

We designed the questionnaire based on measures from previous studies as much as possible. To validate the measures in our context, we conducted in-depth interviews with 10 senior managers. The respondents answered all questionnaire items and provided comments on the questionnaire. We modified the questionnaire based on their feedback. This step also helped us to obtain a greater understanding of the industry and to improve our conceptual framework. After we finalized the questionnaire, we conducted a large-scale survey with the help of CEDA.

3.2 Measurement

We report the measurement items' Cronbach's alpha (α), composite reliability (CR), and average variance extracted (AVE) values in the Appendix. All of the measurement items used seven-point Likert scales. *Relationship exploration strategy* (EXP) is defined as a distributor's efforts to seek alternative suppliers for business opportunities (Tse, Wang, & Zhang, 2019). To measure it, distributors were asked about their strategies in exploring different channel opportunities with other potential suppliers. The scale was adopted from Tse, Wang, & Zhang (2019), and it had a Cronbach's Alpha of .845.

Absorptive capability refers to the learning-based ability to assimilate and utilize the information and knowledge from the external environment for internal use (Cohen & Levinthal, 1990; Lenox & King, 2004; Tsai, 2001; Zhou & Li, 2010). We measure it by asking the distributors to rate their ability to recognize, assimilate and apply new information. Six items were adapted from previous studies (Fang & Zou, 2010; Jansen, Bosch, & Volberda, 2005), with two items representing each of the three dimensions (i.e., recognize, assimilate, and apply). Two items were dropped due to cross loadings. The resultant scale had a Cronbach's Alpha coefficient of .853. *Innovative capability* refers to the firm's ability to generate, accept, and implement new ideas, processes, and products (Calantone, Cavusgil, & Zhao, 2002; Thompson,

1965). We adopted the scale of innovative capability from Calantone, Cavusgil, and Zhao (2002), to ask about the distributors' ability to innovate in the market. The Cronbach's Alpha was .780. *Relationship quality* measures the distributor and its incumbent supplier's willingness to invest in the relationship and the expectations of continuity. The scale was adopted from Siguaw, Simpson, & Baker (1998) and Kumar, Scheer, & Steenkamp (1995), and it achieved a Cronbach's Alpha coefficient of .887. *Market uncertainty* refers to the extent to which customers' product demands and preferences change as well as the difficulty in predicting these changes (Wathne & Heide, 2004). The measurement items were adapted from Wathne & Heide (2004). The Cronbach's Alpha was .814.

Although the cross-sectional design of our research limited our ability to infer causal relationships, we purposely requested data with different time frames. Whereas we measured the dependent variables (i.e., two dynamic capabilities and relationship quality) and the moderating variable (market uncertainty) in a status quo situation, we also asked the respondents to assess their relationship exploration *in the past year*, i.e., to what extent a focal distributor has invested resources in exploring new supplier opportunities in the past year. This research design allowed us to empirically test our key argument: a distributor's past exploration efforts promote the distributor's current capabilities, which strengthens the focal supplier's cooperation intentions. To a certain degree, this approach also alleviates some endogeneity concerns.

We also included several control variables in the analysis because previous literature suggests that they could influence distributors' relationship strategy and outcomes. We first followed Jap & Ganesan (2000) to control for the effects of the *relationship length* between partners and the total *number of alternative suppliers* available to the focal distributor. The measure of the relationship length reflected the number of years that the distributor had been in a

working relationship with the focal supplier. The number of alternative suppliers was measured by asking the respondents to estimate “the number of other suppliers that could provide substitutes for the main product your firm buys from this supplier”. We then included the *number of customers* to control for the effect of the market size of the distributor. *Distributor heterogeneity* was included to control for the differences among available distributors (Dutta, Heide, & Bergen, 1999). We also measured *supplier replaceability* to control for the distributor ability to replace its incumbent supplier (Heide 1994). Finally, we used a dummy variable to control for *location* (Shenzhen=1, others=0).

3.3 Construct validity

We followed a two-step approach to examine the validity of the measures (Murray, Kotabe, & Zhou, 2005). First, we performed an exploratory factor analysis for all constructs using a principle component method with varimax rotation. Afterward, some items with low factor loading or high cross-loading were dropped to ensure a satisfactory fit. The remaining items were significantly and cleanly loaded on their respective factors without significant cross-loading. Second, we performed a confirmatory factor analysis on the proposed constructs with maximum likelihood estimation, using the AMOS 25 software suite.

The measurement model provided a satisfactory fit ($\chi^2=355.500$, $df=230$, $p < .01$, incremental fit index [IFI]= .916, confirmatory fit index [CFI]=.914; and root mean square error of approximation [RMSEA]= .067). The standardized factor loadings of all items were significant and were loaded on their respective construct. The standardized factor loadings of the measurement items were statistically significant ($p < .05$), and the AVEs were above the recommended threshold of 0.50 (Anderson & Gerbing, 1988). Furthermore, we performed Fornell and Larcker's (1981) test and found that the average variance extracted for each construct

was greater than its highest shared variance with other constructs (see Appendix), which further supports the discriminant validity. Overall, the results indicated satisfactory measure reliability and validity.

3.4 Common method variance

As we collected data from self-reports, we took steps to minimize the potential common method bias. First, the design of the survey instruments was based on scales in previous studies with established reliability and validity (Atuahene-Gima & Murray, 2007). Second, we followed Feldman & Lynch's (1988) "self-generated validity" approach to verify the terms and phrases used by the subject population. Third, the survey questions never appeared in the hypothesized order. Fourth, we conducted a Harman's single factor test (MacKenzie & Podsakoff, 2012) to assess the potential common method bias. The result showed that the first factor accounted for only 21.6% of the variance, which suggests that common method bias was unlikely to be a concern. Fifth, we conducted a method variance (MV) marker test by using a theoretically unrelated marker variable to proxy for common method variance (Lindell & Whitney, 2001). We used an item that measured the replaceability of the distributor's key customer and selected the lowest positive correlation ($r = .008$) between the MV marker and other variables to adjust the construct correlations and statistical significance. None of the significant correlations became insignificant after adjustment (see Table 1). Finally, the correlation matrix provided evidence that the variables were not highly correlated (the highest correlation is $r = .463$), whereas based on common method variance, the correlation matrix should have extremely high correlations ($r > .90$) (Pavlou, Liang, & Xue, 2007). Taking all the evidence together, we conclude that common method bias was unlikely to be a serious concern for our results.

Table 1
Descriptive statistics and correlations (n=124)

Variables	1	2	3	4	5	6	7	8	9	10	11
1. Relationship exploration		0.319**	0.345**	0.202*	0.265**	-0.199*	0.231**	-0.061	0.369**	0.307**	0.149
2. Absorptive capability	0.324**		0.415**	0.423**	-0.027	-0.037	0.170*	0.136	0.189*	0.113	0.129
3. Innovative capability	0.351**	0.419**		0.388**	0.090	-0.036	0.128	0.016	0.061	0.088	0.092
4. Relationship quality	0.209*	0.427**	0.392**		0.087	-0.001	0.141	0.212*	-0.100	0.030	-0.018
5. Market uncertainty	0.271**	0-0.019	0.097	0.094		-0.042	-0.042	-0.209*	0.152	0.019	0.006
6. Relationship length	-0.189*	-0.028	-0.028	0.007	-0.034		-0.149	0.239**	-0.058	-0.012	-0.109
7. Number of alternative suppliers	0.237**	0.177*	0.135	0.148	-0.033	-0.140		0.185*	0.038	0.022	0.182*
8. Number of customers	-0.052	0.143	0.024	0.219*	-0.199*	0.245**	0.192*		-0.187*	0.122	-0.114
9. Distributor heterogeneity	0.374**	0.196*	0.069	-0.091	0.158	-0.049	0.045	-0.177*		0.459**	0.266**
10. Supplier replaceability	0.312**	0.120	0.095	0.038	0.027	-0.004	0.030	0.129	0.463**		0.119
11. Location (dummy)	0.155	0.136	0.100	-0.009	0.013	-0.100	0.188*	-0.106	0.271**	0.126	
12. Marker variable	-0.102	0.008	-0.064	0.068	-0.108	0.063	-0.122	-0.062	0.138	0.064	0.035
Mean	5.521	5.454	4.706	5.368	4.257	9.253	84.000	2008.900	4.669	4.114	0.718
SD	1.099	0.944	1.300	1.202	1.144	7.356	147.080	4482.525	1.221	1.359	0.452

Note: Below the diagonal is the zero-order correlation; above the diagonal is the correlation adjusted for potential common method variance with the MV marker technique.

* $p < .05$.

** $p < .01$ (two-tailed).

4. Analysis and results

4.1 Hypothesis testing results

Because our model contains both a mediating and a moderating test, we used a combination of structural equation modeling and regression analysis to test the hypotheses. Specifically, we employed structural equation modeling to test H1-H4 and regression analysis to test H5. Note that for the relationships that are examined with both structural equation modeling and regression, the results are consistent and have similar magnitude (see Tables 2 and 3), which also serves as a robustness check.

We used AMOS 25 software to test the proposed main effects and mediation effects. The results showed a satisfactory goodness of fit of the proposed model (Model fit: $\chi^2=451.278$, $df=312$, $p < .01$; incremental fit index [IFI]= .911; confirmatory fit index [CFI]=.907; and root mean square error of approximation [RMSEA]= .060).

H1 predicted a positive relationship between relationship exploration and absorptive capability, while H2a predicted a positive relationship between absorptive capability and relationship quality. As shown in Table 2, relationship exploration is significantly related to absorptive capability ($\beta=.379$, $p < .01$), while absorptive capability is significantly related to relationship quality ($\beta=.316$, $p < .01$). Thus, H1 and H2a are supported. H3 predicted a positive relationship between relationship exploration and innovative capability, whereas H4a predicted a positive relationship between innovative capability and relationship quality. Our results indicated that relationship exploration is significantly related to innovative capability ($\beta=.460$, $p < .01$), while innovative capability is significantly related to relationship quality ($\beta=.307$, $p < .05$). Therefore, both H3 and H4a are supported.

Table 2
Standardized structural equation modeling estimates

	Standardized Estimate	S.E.
Hypothesized paths		
H1: Relationship exploration strategy → Absorptive capability	.379**	.077
H2: Absorptive capability → Relationship quality	.316**	.190
H3: Relationship exploration strategy → Innovative capability	.460**	.134
H4: Innovative capability → Relationship quality	.307*	.123
Other paths		
Relationship exploration strategy → Relationship quality	.056	.171
Market uncertainty → Relationship quality	.170+	.119
Relationship length → Relationship quality	-.011	.015
Number of alternative suppliers → Relationship quality	.055	.001
Number of customers → Relationship quality	.138	.000
Distributor heterogeneity → Relationship quality	-.296*	.183
Supplier replaceability → Relationship quality	.104	.134
Location dummy → Relationship quality	-.042	.248
Overall model: $\chi^2=451.278$, $df=312$, $p < .01$; IFI= .911; CFI=.907; RMSEA= .060		

** $p < .01$, * $p < .05$, + $p < .10$

The bootstrapping procedures (Preacher & Hayes, 2004) in AMOS 25 were used with 2000 bootstrap samples requested, to test the mediating effects (H2b and H4b). Both the direct effect and the total indirect effects of the relationships within a confidence interval (CI) of 95% were estimated. More specifically, we examined the indirect effects of relationship exploration on relationship quality via the absorptive capability and innovative capability (Indirect effect=.319; $CI_{Lower} = .148$; $CI_{Upper} = .690$; $p = .00$).

Since AMOS only reported the total indirect effect via two proposed mediators, we used the product coefficient approach (Bollen, 1987) to estimate a specific indirect effect, and we conducted a Sobel test (1982) to evaluate its level of significance. We followed the procedure of

Genc, Dayan, & Genc (2019) to estimate a specific indirect effect. In support of H2b, absorptive capability mediates the effect of relationship exploration on relationship quality between the distributor and supplier. The Sobel test confirms the mediation effect ($z = 2.228, p = .026$). In support of H4b, innovative capability mediates the effect of relationship exploration on relationship quality between the distributor and supplier. Again, the Sobel test confirms the mediation role of innovative capability ($z = 2.171, p = .030$).

To test our hypothesis H5a and H5b, we ran moderated regression models. We mean-centered each scale that was used to construct the interaction terms, to minimize the potential threat of multicollinearity and clarify the interaction effect (Aiken, West, & Reno, 1991). The regression coefficients were calculated using version 24 of the SPSS software package. The regression analysis results show that all VIFs were below 2.5, which suggests that multicollinearity was not a serious concern. For stage 1 (control variables model), we examined the effect by adding control variables. For stage 2 (main effects and moderating variable model), we added the main effect (absorptive capability and innovative capability) and moderating (market uncertainty) variables to show the effects on the dependent variable. For stage 3, we added two interaction effects (Table 3).

H5a proposed that market uncertainty strengthens the positive effects of absorptive capability on relationship quality. As shown in Table 3, the interaction between absorptive capability and market uncertainty is significant and positively affects relationship quality ($\beta = .224, p < .05$), which lends support to H5a. H5b proposed that market uncertainty weakens the positive effects of innovative capability and the relationship quality. As shown in Table 3, the interaction between innovative capability and market uncertainty is marginally significant and negatively affects relationship quality ($\beta = -.166, p < .10$), which supports H5b.

Table 3
Standardized regression estimates (t-value)

Variables	Relationship Quality		
	Model 1	Model 2	Model 3
<i>Control Variables</i>			
Relationship exploration strategy	.266** (2.674)	.055 (.553)	.107 (1.068)
Relationship length	.011 (.120)	-.007 (-.078)	-.002 (-.019)
Number of alternative suppliers	.057 (.597)	.034 (.402)	.014 (.171)
Number of customers	.190 ⁺ (1.949)	.148 (1.644)	.159 ⁺ (1.773)
Distributor heterogeneity	-.162 (-1.497)	-.192 ⁺ (-1.947)	-.211* (-2.153)
Supplier replaceability	.003 (.033)	.029 (.314)	.004 (.039)
Location (dummy)	.003 (.035)	-.030 (-.356)	-.055 (-.661)
<i>Direct Effects</i>			
Absorptive capability		.326** (3.576)	.355** (3.836)
Innovative capability		.229* (2.551)	.253** (2.800)
Market uncertainty		.124 (1.476)	.075 (.873)
<i>Interaction Effects</i>			
Absorptive capability* Market uncertainty			.224* (2.194)
Innovative capability * Market uncertainty			-.166 ⁺ (-1.692)
R ²	.120	.309	.339
R ² Change	.120	.189	.030
Highest VIF	1.539	1.596	1.758

** $p < .01$, * $p < .05$, ⁺ $p < .10$

4.2 Additional model specifications and analysis

We examine two alternative model specifications to verify our findings. One potential concern of our model is the causality between market uncertainty and relationship exploration: Market uncertainty could possibly motivate the distributor to engage in relationship exploration. To address this concern, we tested an alternative structural model that specifies the path from market uncertainty to relationship exploration. We also linked market uncertainty to two dynamic capabilities and to relationship quality as well as between relationship exploration and relationship quality. The results show that market uncertainty positively affects relationship exploration ($\beta = .292, p < .01$). However, the fit of this model is relatively poor (Model fit: $\chi^2=498.058, df=318, p < .01$; IFI=.884; CFI= .879; RMSEA= .068). Because the Akaike Information Criterion (AIC) index allows a comparison between nonhierarchical models (Kline, 1998), we also compared the AIC indices between this alternative model and our hypothesized model. The AIC index of the alternative model (AIC=674.058) is larger than that of our proposed model (AIC = 639.278), which indicates that our proposed model has a better fit.

To further rule out this potential endogeneity concern, we conducted the following two-stage analysis. In stage 1, we regressed market uncertainty on relationship exploration to obtain the residuals of relationship exploration, which is free from the influence of market uncertainty. Then, in stage 2, we used the residual as the indicator of relationship exploration and included it in the structural model. The results revealed that our hypothesized effects remain unchanged, which indicates the robustness of our findings.

A second concern is that dynamic capabilities and relationship quality can be two parallel consequences of relationship exploration. Conceptually, both the resource-based view and the dynamic capabilities perspective do not support a parallel relationship; instead, a sequential relationship between dynamic capabilities and relationship quality (as depicted in our model) is

more reasonable. Nevertheless, we examined the alternative structural model in which we linked relationship exploration to both dynamic capabilities and relationship quality. The results showed that relationship exploration significantly affects relationship quality ($\beta = .426, p < .01$), but the estimation displayed a poor model fit ($\chi^2=478.709, df=302, p < .01$; IFI=.887; CFI= .881; RMSEA= .069). We compared the alternative model with our proposed model using the AIC index. The AIC of our proposed model (AIC = 639.278) is smaller than that of the alternative model (AIC = 686.709), which confirms that our proposed model is a better model. Taken together, the alternative model specifications did not rule out but instead supported our findings and thus further verified our results.

5. Discussion and conclusions

5.1 Theoretical contributions

This study aims to resolve the ambiguous role of relationship exploration strategies in uncertain environments by building on the dynamic capabilities perspective. The ambiguity stems from the conventional wisdom in the previous channel literature, which usually discourages firms from managing multiple relationships and exploring new channel partners. Indeed, it is unclear whether a relationship exploration strategy is a positive or negative strategy in managing channel relationships under uncertainties. The findings of our study revealed that a distributor's relationship exploration could be beneficial to its dyadic relationship quality if such a strategy promotes dynamic capabilities such as absorptive capability and innovative capability, although the effectiveness of these two capabilities varies at varying levels of market uncertainty.

Our study contributes to marketing channel research in several ways. First, our study demonstrates the possibility of distributors using relationship exploration as a strategic response to volatile environments. The emphasis of the previous studies on the continuity of the channel

relationships has led to an assumption that the distributor's efforts in seeking new suppliers (relationship exploration) would hurt the dyadic relations. However, observations suggest that this strategy could be necessary for the distributor to survive and grow in the fast-changing environments that are present today. This study empirically shows that relationship exploration enables the distributor to better respond to fast-changing environments in that it strengthens the distributor's dynamic capabilities, which are essential in dynamic environments (e.g., Peteraf, Stefano, & Verona, 2013; Teece, Pisano, & Shuen, 1997; Teece, 2007).

Second, this study helps to explicate the important role of dynamic capabilities in dyadic relations, an emerging yet under-researched topic in channel research. Recent decades have witnessed the burgeoning of channel research that emphasizes the importance of firm resources and capabilities (e.g., Lee & Grewal, 2004; Palmatier, Dant, & Grewal, 2007). In this context, new studies that test the role of dynamic capabilities in particular (e.g., Fawcett et al., 2011; Reuter et al., 2010) have emerged. Our study theorizes and substantiates the role of dynamic capabilities in explaining how relationship exploration could affect the dyadic relationship quality in dynamic environments. By elucidating the essential role of dynamic capabilities in leveraging relationship exploration, our study presents the first piece of evidence that explains why a distributor relationship exploration strategy might not necessarily constitute a bad business practice but instead could benefit the dyadic relationship with the incumbent supplier.

Third, this study is one of the first to conceptualize and substantiate the differential roles of market uncertainty as a boundary condition in varying the effects of dynamic capabilities on dyadic relationship quality. The findings of our study reveal that market uncertainty strengthens the positive effect of absorptive capability on relationship quality but weakens the positive effect of innovative capability on relationship quality. Therefore, market uncertainty can be a double-

edged sword in varying the effectiveness of a distributor's dynamic capabilities. This finding contributes to our understanding of the boundary conditions of dynamic capabilities in channel relations, which is largely overlooked in channel studies.

Fourth, this study deepens our understanding of the antecedents and consequence of dynamic capabilities in marketing channels. Dynamic capabilities extend and modify the firm's existing resource bundles in responding to fast-changing environments, and thus, they are vital for the survival and competitive advantage of firms such as distributors in modern business environments. However, with a lack of research that investigates dynamic capabilities in marketing channels, precise knowledge of the antecedents and consequences of dynamic capabilities in this setting has thus far been elusive. Our study investigates and discovers both a potential antecedent of dynamic capabilities, that of relationship exploration, and a consequence, relationship quality, in channel settings. In so doing, our study answers the call for empirical studies on the antecedents and consequences of dynamic capabilities (Barreto, 2010; Zahra, Sapienza, & Davidsson, 2006) in the context of marketing channels.

Fifth, our findings also echo the recent development of the alliance portfolio research which demonstrates the importance of adopting a network perspective in managing alliances (Castro & Roldan, 2015; Parise & Casher, 2003; Wassmer & Dussauge, 2011, 2012). The addition of a new alliance partner can generate positive or negative spillovers on the existing alliance partners, depending on whether the new partner can generate synergies with the firm's resources or resources of its existing alliance partners (Wassmer & Dussauge, 2011).

Last but not least, this research provides a strategy for downstream distributors to manage the relationship with upstream suppliers. Another limitation in marketing channel research is that much research has focused on how more powerful players in a relationship can govern the

weaker players in the relationship (Bastl, Johnson, & Choi, 2013). This research offers a strategic relationship exploration strategy for downstream distributors to survive in a dynamic environment and better manage the relationship with upstream suppliers.

5.2 Managerial implications

Conventional marketing channel studies discourage relationship exploration strategy behavior and relationship diversity. However, this dominant perspective is insufficient to address the real practice in the business world. Because the current business environment is experiencing massive disruptions, firms that are fully committed to incumbent relationships will suffer and become more vulnerable. In contrast, relationship exploration promotes diversity in the distributor's social network with such diversity providing information and resources that help protect against environmental uncertainty (Siciliano, 1996). This research provides empirical evidence that a distributor relationship exploration strategy could be beneficial in volatile environments in that it not only enhances the distributor's dynamic capabilities but also strengthens the dyadic relations by building such capabilities. Therefore, managers in distributor firms are suggested to leverage a relationship exploration strategy to build dynamic capabilities in response to fast-changing environments. In particular, they should focus on developing dynamic capability in the forms of absorptive capability and innovative capability through relationship exploration strategy. This act not only benefits the firm's own development but also enhances its relationship with incumbent suppliers, which is a win-win situation.

This research also provides managerial implications for supplier firm managers. Our study suggests that the enhancement of the distributor's dynamic capabilities, a result of its relationship exploration, could be beneficial to the incumbent suppliers. Thus, the distributor's relationship exploration strategy does not necessarily mean disloyal behavior, and it can be an

act that helps both parties to stay competitive in a fast-changing environment. However, managers are also advised to pay attention to the market environment changes. The impacts of the distributor's specific dynamic capabilities on the dyadic relations vary according to market conditions. The distributors might want to leverage their absorptive capability to enhance the relationship with their incumbent suppliers when the customer demand is difficult to predict, or in contrast, they might want to rely more on innovative capability in a relatively stable market.

6. Limitations and future study

This study, however, is subject to several limitations. First, due to the difficulties encountered in data collection, measures were taken from the same source for which common method bias could be a potential concern. This study conducted two methodology tests, Harman's single factor test and method variance (MV) marker, to examine the common method bias post hoc. Although the results revealed no serious concerns, further research could employ more rigorous methods, for example, using multiple data sources such as a dyadic survey to eliminate the bias. Second, as the first small step, this study achieves our main objectives in substantiating the potential mediating roles of dynamic capabilities by purposely selecting the two most relevant types of dynamic capabilities, absorptive capability and innovative capability. Future research could examine other dimensions of dynamic capabilities. Third, future study could include different moderators (e.g., the relationship embeddedness of the focal distributor). This approach could provide more insights into how a distributor can leverage its dynamic capabilities for a better channel relationship under different conditions. Fourth, due to our limitations in data collection, the study adopted a cross-sectional design, which cannot completely rule out the possibility of reversed causality between relationship exploration and dynamic capability. Future study can take a longitudinal perspective to better resolve this

endogeneity issue. Finally, because our intention is to explore the potential mediating roles of dynamic capabilities, we operationalized absorptive capability and innovative capability with limited numbers of items. Although this simplification serves our purpose and the constructs have revealed reasonably good reliability and validity statistically, it could result in some loss of the validity of the concepts. Future studies might want to incorporate the full scales from the previous literature.

Appendix: Measurement items and validity assessment

<i>Multi-item construct measures</i>	<i>SFL</i>
Relationship exploration strategy (CR = .845; AVE = .578; HSV = .201)	
Over the past year, how did your company invest in new channel opportunities?	
1. We are continually on the lookout for relationship building with various potential suppliers.	.704
2. We always consider potential new suppliers to secure better product lines, delivery conditions, or prices even when we are happy with the current suppliers.	.806
3. We continually adjust our resources to build up relationships with diverse potential suppliers.	.787
4. It is important for us to expand our supplier network to explore new future opportunities.	.739
Innovative capability (CR = .780; AVE = .640; HSV = .309)	
1. Our company is often the first in the market to launch new product and service.	.765
2. Our company does not consider innovation as too risky and resisted.	.834
Absorptive capability (CR = .853; AVE = .601; HSV = .356)	
1. We frequently interact with corporate headquarters to acquire new knowledge.	.578
2. New opportunities to serve our clients are quickly understood.	.947
3. We quickly analyze and interpret changing market demands.	.878
4. We constantly consider how to better exploit knowledge.	.626
Relationship quality (CR = .887; AVE = .568; HSV = .226)	
1. Both sides are concerned about the other's profitability.	.776
2. One party will not take advantage of a strong bargaining position.	.807
3. Both sides are willing to make cooperative changes.	.766
4. No matter who is at fault, problems are considered joint responsibilities.	.746
5. We expect our relationship with the supplier to continue for a long time.	.687
6. The renewal of our relationship with the supplier is virtually automatic.	.734
Market uncertainty (CR = .814; AVE = .596; HSV = .073)	
1. Downstream customers' demands are uncertain.	.736
2. Downstream customers' preferences change rapidly.	.894
3. The sales forecasts are difficult to predict.	.670
Distributor heterogeneity (CR = .802; AVE = .669; HSV = .309)	
1. Distributors in our industry differ in terms of pre-sale services to customers.	.780
2. Distributors in our industry differ in terms of post-sale services to customers.	.854
Supplier replaceability (CR = .825; AVE = .617; HSV = .309)	
1. There are many competitive suppliers for product components in our market	.698
2. Our production system can be easily adapted to using components from a new supplier.	.938
3. Dealing with a new supplier would only require a limited redesign and development effort on your part.	.695

Overall model: $\chi^2 = 355.500$, $df = 230$, $p < .01$, CFI = .914, IFI = .916, RMSEA = .067

Notes: SFL = standardized factor loading; CR = composite reliability; AVE = average variance extracted; HSV = highest shared variance with other constructs.

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