

Will IT Take Over the Role of Personal Encounters in Business Relationships?

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Abstract

Will the new media take over the place of traditional face-to-face (F2F) meetings? Alternatively, do personal communication still matter in B2B relationships? This study examines the impact of the new, online, IT based communication methods on various factors of relationship success. We conducted an online survey with 400 respondents representing corporations and analysed the results using the PLS methodology. The results of our online survey show numerous interesting facts. Personal communication has a stronger effect on personal relationship than IT communication, and it is also interesting that IT communication has a direct effect on satisfaction, but personal communication has not. It is worth mentioning that the chain of strong/medium paths has a break in satisfaction; a personal communication – personal relationship and a satisfaction – trust – loyalty path can be highlighted in the model.

Keywords: IT communication, personal communication, B2B relationships

Track: B2B

1. Introduction

The rapid changes and continuous development of information technology seem to redraw the map of channels of interaction in business-to-business (B2B) relationships. These new tools might affect the efficiency of a relationship perceived by the parties. Based on our literature review we use the term relationship success as an indicator of business relationship effectiveness. This study will support the understanding of how the methods of communication affect the business actors' evaluation about the success of a relationship. We examine how the channels of communication impact relationship success factors such as satisfaction with the relationship, trust, commitment and loyalty in business-to-business relationships. Will the new methods of communication take over in evaluation of relationship success or will personal encounter remain the most important channel of interaction in a business relationship? The objectives of our research is to identify how face-to-face communication and online communication impact on personal relationships and how these affect business actors satisfaction and loyalty.

2. Conceptual Background

Numerous researchers have addressed success of business relationships (Mohr & Spekman, 1994; Dwyer, Schurr and Oh, 1987) and identified different factors that might affect success. The two major approaches are business success that is evaluated mostly with revenue, profit and market share (Ellram, 1995); and relationship success (Newman, Lings and Gudergan, 2005; Rauyruen & Miller, 2007) that is measured by analysing factors of interaction between organizations. A number of research projects (Čater & Čater, 2010; Rauyruen & Miller, 2007) have identified the connection between satisfaction, trust, commitment and loyalty. A deeper understanding of interorganizational interactions is essential while analysing these dimensions of relationship quality. Two levels of business relationships can be identified: the relationship between the buying and selling firms (firm-to-firm), and the interpersonal relationship between the representatives of firms (individual-to-individual) (Tellefsen, 2002). Interpersonal relationships can support problem-solving (Metcalf, Frear and Krishnan, 1992), can increase the trust and commitment towards business partners and might lead to loyalty (Rauyruen & Miller, 2007).

An important aspect of personal relationships is the method of communication. The channels of communication that partners use to share information with each other and that can take various forms especially with the rapid development of information and communication

technology. In business-to-business relationships communication is considered to be one of the most effective relationship building strategy (Anderson & Narus, 1990). As a result of the development of the information technology not only the methods and channels of communication have gone through dramatic changes, but the methods of personal connection have changed as well. More and more study suggests that the new communication channels (Web 2.0 social media, like Facebook, LinkedIn, Twitter, YouTube, Chatter etc.) gain ground in B2B relationships and these might have an effect on personal relationships and relationship quality (Murphy & Sashi, 2018).

3. Model and Hypotheses

In their empirical research Lindh, Dahlin and Hadjikhani (2008) analysed the impact of IT on business relationships. In their study they examined how social interactions in business relationships change as a result of the spreading of IT, and they found that the intensity of personal encounters does not decrease linearly. Other research also indicate that the role of face-to-face encounter remains important in B2B relationships. In F2F communication during personal interactions even unavoidable things like the body language can be interpreted as a feedback. Digital communication on the other hand allows several forms of feedback but it is not automatic and even can be avoided (Murphy & Sashi, 2018). Based on this, the following hypothesis can be formulated:

H1a. Personal communication (meeting F2F) has a positive direct effect on personal relationship

Not only Vargo and Lusch (2004) suggest that individuals in buyer and seller organizations must interact and adjust to each other but others found the same result, that the increased number of individuals participating in these interactions improve information sharing and communication and has a positive effect on satisfaction (Mohr & Spekman, 1994). Weitz and Bradford (1999) analyzing the importance of sales management, especially personal sales, also concluded that personal sales particularly the face-to-face encounter in the practice of companies seeking to establish long-term relationships, plays an important role during evaluating satisfaction.

H1b. Personal communication (F2F) has a positive direct effect on satisfaction

Tong, Johnson, Umesh and Lee (2008) examined the impact of information technology on inter-company relationships. Their research pointed out, that intensive use of information

technology can serve both transactional and relational approaches. So it is important to know how the technology is applied as automation supports the transactional approach, on the other hand the implementation of customer databases and personalization supports the relationship approach. According to the predictors of the rise of IT there are some cases when buyers still favor to interact with a sales person, but when they do so, they rather use digital channels like email, chat, sales engagement platforms, Skype and collaborative software rather than interact F2F or via phone calls (Hawkins, 2017).

H2a. IT communication has a positive direct effect on personal relationship

It has been shown that buyer's satisfaction with the supplier's technology based communication forms like e-mail, voice mail, audio/video conferencing, and web-based ordering have a significant positive effect on future purchase intentions (MacDonald & Smith, 2004). Examining the effect of the way of communication Murphy and Sashi (2018) found that feedback in the communication should be encouraged and, if possible, the number of participants involved in the interaction should be limited. According to their research results, daily relationships have a negative effect on satisfaction, which is stronger in case of personal and weaker in case of digital communication.

H2b. IT communication has a positive direct effect on satisfaction

Because of the permanency of the relationship in B2B context the satisfaction is not a single act, but it is a long process to develop it. During this development, a number of other factors also influence the overall feeling of satisfaction or dissatisfaction (Fornell, 1992). During this process not only the organizations, but also the people involved develop a relationship, which plays an important part in satisfaction and in ensuring the long-term relationship.

H3. Personal relationship has a positive direct effect on satisfaction

However some researches show trust leads to satisfaction (Singh & Sirdeshmukh, 2000), according to other findings satisfaction may also create trust. Meta-analysis of satisfaction of B2B relationships proves that satisfaction is the one that creates trust therefore the satisfied customer places trust in the organisation (Geyskens, Steenkamp, Scheer, & Kumar, 1996).

H4. Satisfaction has a positive direct effect on trust

First stage of trust is built on the trust given prior based on the previous experience and the personal relationship in general strengthens the trust and the relations itself; when

customers do not get disappointed in trust they start to have desire for building a long-term relationship.

H5. Trust has positive direct effect on loyalty

According to Andaleeb (1992) trust is a faith, an attitude, an expectance related to the partner's behaviour which means he will do his best in order to achieve a fruitful cooperation.

H6. Trust has positive direct effect on commitment

In a seller-buyer relationship, commitment is defined as a kind of skill, willingness to maintain a continuous relationship between partners (Dwyer et al., 1987), plainly to say commitment means that participants are motivated to stay connected (Moorman, Zaltman and Deshpande, 1992).

H7. Commitment has positive direct effect on loyalty

4. Measurement, Methodology

In the course of operationalizing the concepts included in the study, we relied on the literature review and qualitative research conducted earlier. We applied scales already validated by other studies (Rauyruen & Miller 2007, Čater & Čater 2010). Separating items of personal meeting and personal relations was done by principal component analysis. The following concepts are included in our final model: personal communication, personal relationship, IT communication, satisfaction (with items considering the satisfaction with the relationship and with the product also), trust, commitment, loyalty.

Our research was conducted between 1 December 2016 and 31 January 2017 among social enterprises employing more than 2 employees. Sampling and sending out the questionnaires carried out by the Hungarian Central Statistical Office. Results of 400 respondents were collected. The sample is considered to be representative from the point of view of size of enterprises and regional distribution.

Testing the hypotheses requires the examination of the relations between latent variables, for which PLS path analysis can be applied (Hair, Hult, Ringle and Sarstedt, 2014), as the variables (indicators) cannot be considered normally distributed (Kolmogorov-Smirnov test $p < 0.01$ for each item). We applied SmartPLS 3 (Ringle, Wende and Becker, 2015) software for PLS path analysis.

5. Results

With regard to the results of the *outer (measurement) model*, we examined the reliability of the constructions with Cronbach's Alpha (>0.7) indicator and CR indicator (composite reliability >0.7), concerning which we find that criteria (Hair et al., 2014) are fulfilled in the case of all constructions. For checking convergent validity, we considered standardized factor loadings (>0.5), AVE (average variance extracted, >0.5) indicators. Comparing minimal criterion values (Hair et al., 2014) to the indicators, the existence of the seven constructions can be verified. For checking discriminant validity, HTMT ratio of correlations can be applied (Henseler, Christian and Sarstedt, 2015), which is lower for each variable pair compared to the criterion value of 0.9. Based on the results of the outer model, the existence of latent variables can be proven; furthermore, the indicators related to the given latent variables represent the same phenomenon.

In terms of the results of the *inner (structural) model*, the effect on satisfaction ($p=0.161$), is not significant. After eliminating non-significant effect from the model, all of the paths represent significant effects; thus except of H1b, all of the hypotheses are accepted (Table 1).

Table 1: Testing significance path coefficients

Path	Path coefficient (original sample)	Mean of path coefficients (bootstrap samples)	Standard error of the mean	t-value	p-value
IT comm. -> Satisfaction	0.214	0.211	0.073	2.928	0.003
IT comm.-> Personal rel.	0.283	0.285	0.058	4.897	$1.0 \cdot 10^{-6}$
Personal comm. -> Personal rel.	0.532	0.531	0.054	9.927	$5.2 \cdot 10^{-23}$
Trust -> Commitment	0.600	0.606	0.068	8.771	$2.4 \cdot 10^{-18}$
Trust -> Loyalty	0.510	0.514	0.073	6.996	$2.9 \cdot 10^{-12}$
Satisfaction -> Trust	0.666	0.673	0.060	11.049	$4.7 \cdot 10^{-18}$
Commitment -> Loyalty	0.249	0.260	0.079	3.134	0.002
Personal rel. -> Satisfaction	0.263	0.265	0.066	4.012	$6.1 \cdot 10^{-5}$

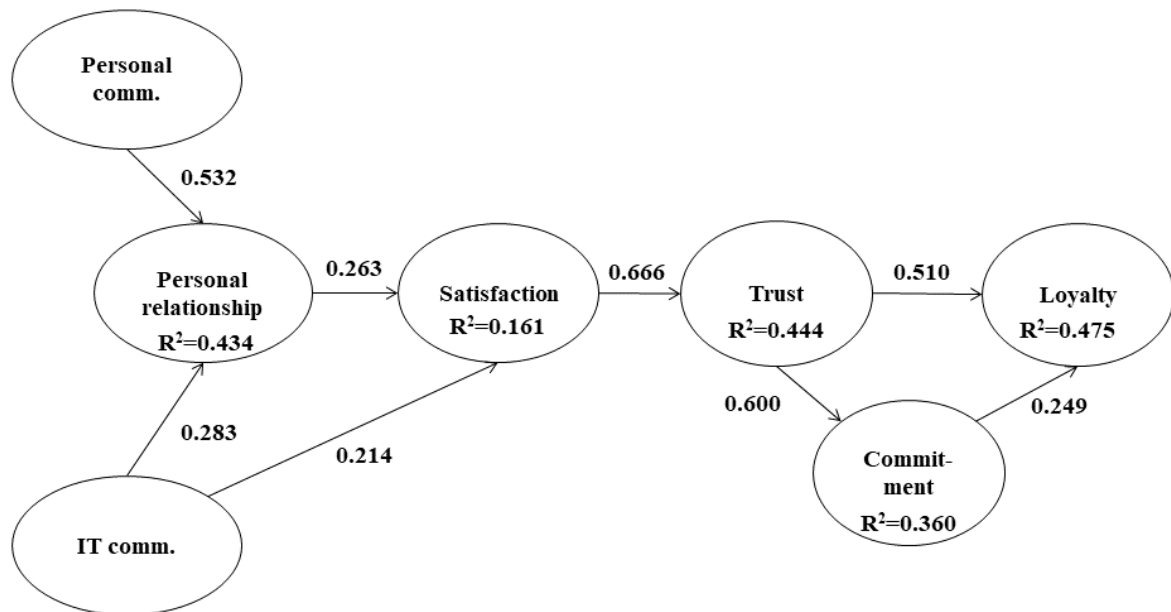
In the final model developed by taking account of the significant effects, in terms of direct effects we can state – based on the standardized path coefficients in Figure1 – that there are positive effects between the latent variables in the case of every pairing.

The following statements are formulated regarding standardized path coefficients (β):

- Personal communication has stronger effect ($\beta=0.532$) on personal relationship compared to the effect of IT communication ($\beta=0.283$).

- Personal relationship has a stronger effect ($\beta=0.263$) on satisfaction compared to the effect of IT communication ($\beta=0.214$).
- Trust has stronger effect ($\beta=0.510$) on loyalty compared to the effect of commitment ($\beta=0.249$).

Figure 1. Effects of communication types on relationship success



Based on the values in the ellipses in Figure 1, the total variances explained in the model can be regarded as low in the case of satisfaction – but finding all of the explanatory variables of satisfaction was not the aim of this research. However, in the case of personal relationship, trust, commitment and loyalty R-squares are regarded as medium.

However, in the model it is worth mentioning the effect sizes between the variables based on the f^2 indicator, which examines the change in the coefficient of determination of an endogenous variable by omitting a given exogenous variable (Hair et al., 2014).

The effect of personal communication on personal relationship ($f^2=0.472$), the effect of satisfaction on trust ($f^2=0.508$), and the effect of trust on commitment ($f^2=0.525$) can be considered strong. Furthermore, the effect of IT communication on personal relationship ($f^2=0.134$), and the effect of trust on loyalty ($f^2=0.317$) can be considered medium. Thus, based on the f^2 indicators, a personal communication – personal relationship and a satisfaction – trust – loyalty path can be highlighted.

6. Discussion

In this research our objective was to identify how face-to-face communication and IT based communication impact on personal relationships and how these affect business actors satisfaction and loyalty. The primary research offers some important results. Personal communication has a stronger effect on personal relationship than IT communication. This result shows us that despite of the rapid development of IT communication methods, personal, face-to-face communication still has stronger role in building personal relationships than IT communication. But as previous research suggest, different communication approaches are best utilized under different conditions (Murphy & Sashi, 2018), that is why IT communication proved to have an effect on personal relationships too. What is more, some researchers suggest that F2F meetings are losing their importance in B2B relationships and online communication will take their place (Hawkins, 2017). However, the results indicate that either personal communication or IT communication has no direct effect on trust, on commitment or on loyalty.

One of the most interesting result is that IT communication has direct effect on satisfaction, but personal communication has not. This might be the result of the changing communication habits of sellers and buyers. We also have to mention that during this analysis we only evaluated the direct effects between the variables and did not measure or indicate the indirect effects. We may conclude, that the effect of IT communication on satisfaction is stronger, but at the same time the indirect effect of personal communication remains important on satisfaction and loyalty as well.

It is also worth mentioning (based on f^2 measures) that the chain of strong/medium paths has a break in satisfaction (a personal communication – personal relationship and a satisfaction – trust – loyalty path can be highlighted in the model). It is logic; since personal relationship is not the only one explaining factor of satisfaction (exploring all of the influencing factors of satisfaction was no aim of this study).

As part of the research project, we have examined the effects of communication forms on relationship success by using our previously collected data set from 2015 with the help of the same algorithm (PLS-SEM). However, we had a different sample and there were some changes in the *indicator* list. It is worth mentioning though, that IT communication had weaker effect ($\beta=0.130$) in 2015 than in 2017 ($\beta=0.214$). It is questionable if it is because of the

different sample or the effect of IT communication on satisfaction has strengthened. This can be a question of a possible future panel research.

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