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Channel Governance: Knowledge Transfer and Integration  

Abstract  

Channels research has focused over time on a variety of important governance mechanisms, including the establishment of complete contracts, the monitoring of behaviors and outcomes, and the possession and use of inter-firm power. However, the role that the transfer and integration of knowledge has on the channel governance process has been largely ignored to this point.

This study focuses on industry and firm level conditions that make the transfer of explicit and tacit knowledge from upstream to downstream channel members highly important to the firm. That is, certain industry conditions (e.g., product differentiation, product-service complexity, end-customer heterogeneity) and firm conditions (e.g., brand positioning, product-service newness) make it vital to the firm to transfer a significant amount of knowledge to associated channel members. Only when the need for knowledge transfer is high does the firm need to allocate significant resources to building strong inter-firm relationships (i.e., partnerships) in its channel system. When the need for knowledge transfer is low, the firm is better off maintaining arms-length relationships with associated intermediaries and diverting scarce resources to non-channel activities (e.g., new product development, advertising).

This study also focuses on conditions at the channel relationship level of analysis that impact knowledge integration in intermediary organizations. Specifically, the need for knowledge transfer may be high, but the actual processing and utilization of that knowledge within the intermediary organization may be impeded by such dyadic factors as low supplier power advantage, lack of adequate monitoring by supplier personnel, and causal ambiguity.

The theoretical and managerial implications of the study are important to the marketing discipline. In particular, the study provides novel insights to managers on how resource allocations should be made within the firm across alternative marketing activities.