

# The mediating effect of satisfaction on trust-commitment and relational outcomes in manufacturer–supplier relationship

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## Abstract

**Purpose** – This study aims to investigate the effect of commitment and trust on satisfaction and sequential effect of satisfaction on relational outcomes (i.e. performance and governance cost) in a manufacturer–supplier relationship. Authors of this paper explore the relationship quality parameters such as trust, commitment and satisfaction and its effect on improving the performance and reducing the governance cost between the partners, as well as the effect of relationship duration on the antecedents and relational outcomes.

**Design/methodology/approach** – Based on the conceptual framework developed by authors, hypotheses were formulated, to test the effect of trust and commitment to performance and governance cost through the mediating effect of satisfaction in the manufacturer–supplier relationship. Data were collected from 196 manufacturers from the western part of India, through a structured questionnaire, and collected quantitative data were analyzed through structural equation modeling.

**Findings** – The analysis of the sample of 196 manufacturers suggests a positive relationship between satisfaction and commitment and between satisfaction and trust. The study suggests that increased satisfaction lowers governance cost as well as suggests a positive relationship between satisfaction and performance in a manufacturer–supplier relationship. As a relationship grows in an early stage, relationship performance improves, and as the relationship matures, the relationship performance diminishes.

**Practical implications** – Findings suggest that managers in business and industrial markets shall focus on commitment in the relationship rather than just trust that leads to satisfaction. It also suggests that a higher level of satisfaction enhances the performance and reduces the governance cost in a manufacturer–supplier relationship.

**Originality/value** – This research makes four contributions: first, it enquires the direct impact of trust and commitment to a manufacturer’s satisfaction; second, it investigates the indirect impact of trust on a manufacturer’s satisfaction through commitment in the relationship; third, it investigates the mediating satisfaction between trust-commitment and relationship outcomes (relationship performance and governance cost); fourth, the research shows the impact of relationship duration regarding the relational outcomes and the dimensions of relationship quality into a short-term and long-term relationship. It also uniquely suggests that the presence of commitment has a catalytic effect on satisfaction. Research offers managerial implication to increase the performance and to reduce the governance cost in the relationship.

**Keywords** Performance, Satisfaction, Trust, Commitment, Governance cost, Relationship duration, Business and industrial markets

**Paper type** Research paper

## 1. Introduction

Business partner relationship refers to the “business activities worked toward establishing, developing, and sustaining business exchanges with the partners” (Morgan and Hunt, 1994). Organizations are moving towards the relational exchanges rather than purely transactional exchanges (Nguyen *et al.*, 2007; Ganesan, 1994), as organizations cannot work in isolation (Nguyen *et al.*, 2007). Many researchers have concluded that interdependent relationships between the manufacturers–suppliers are the primary source of establishing core competencies to build their capabilities over the competitors (Akrouf and Diallo, 2017; Ulaga and Eggert,

2006; Cannon and Homburg, 2001; Ganesan, 1994; Morgan and Hunt, 1994).

In the inter-organizational relationship and customer relationship studies, trust, commitment and satisfaction are used in designing the construct of relationship quality (Ferro *et al.*, 2016; Svensson *et al.*, 2010; Walter *et al.*, 2003; Wong and Sohal, 2002; Naude and Buttle, 2000; Walter *et al.*, 2000; Shamdasani and Balakrishnan, 2000; Geyskens *et al.*, 1999; Wetzels *et al.*, 1998). Though in many studies, trust and commitment in partner relationship are considered as independent concepts (Hewett *et al.*, 2002; Ruyter *et al.*, 2001; Morgan and Hunt, 1994), while other studies consider business partner’s satisfaction as a separate concept from trust and commitment (Svensson

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Journal of Business & Industrial Marketing  
35/2 (2020) 219–230  
© Emerald Publishing Limited [ISSN 0885-8624]  
[DOI 10.1108/JBIM-09-2018-0268]

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Received 24 September 2018  
Revised 18 February 2019  
29 May 2019  
25 July 2019  
Accepted 26 July 2019