

# Example From 5StarEssays

## **Antecedents of Commitment to an Import Supplier**

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## Abstract

The concept of commitment has emerged recently in international business literature especially in explaining importer behaviour as a counterpart of the process of internationalisation. Importer commitment often plays a dominant role as one of the major factors influencing relationships in the exporter-importer dyad and facilitates the process of internationalisation by imparting access to the international market. This critical importer and supplier relationship and its animating factors are, however, overlooked and largely neglected in the literature. Accordingly, it is inconclusive as to which factors influence importer commitment and how they influence it. Drawing on the literature, this study strived to investigate the spectrum of importer commitment and has explicitly examined eight factors influencing importer commitment to a foreign supplier by integrating the factors in a comprehensive model. Cultural similarity between importer and overseas supplier, knowledge and experience of the importer, the supplier's competencies, communication between importer and supplier, the supplier's opportunism, the importer's trust, importer transaction-specific investment, and environmental volatility of the import market have been identified as possible antecedents of importer commitment. Theoretical foundations are drawn basically from transaction cost economics, internationalisation process theory and resource-based theory of the firm to design a basic framework for quantitative investigation. Further, the study endeavors to gain important insights into the phenomena related to the trust and commitment building process through qualitative in-depth interviews. In addition, to validate the qualitative reasoning, a competing quantitative model is developed where trust plays a mediating role for some of the predictor variables in the model.

Primary data were collected from a sample of 232 industrial and commercial importers in a developing country for empirical verification of the quantitative models using Structural Equation Modeling. As reported in this thesis, the proposed model with minor modifications fit better with the data compared to the competing model, and it explained 56% of the variance of importer commitment. However, the analysis of the modified proposed structural model revealed that ten out of fourteen hypotheses are significant including five direct paths as antecedents of importer commitment. The mediating role of trust and opportunism in the model is also supported.

Twelve interviews were conducted to add in-depth richer insights into the study for further verification of the knowledge development, and trust and commitment building process in the importer-supplier relationship. The findings support most conceptual links in the qualitative model and lend support to most of the hypothesised relationships in the modified competing quantitative model. These findings extend the application of the underpinned theories and their tenets in explaining the importer-supplier commitment relationship and contribute to the body of knowledge. Implications of the findings are discussed and future research directions are recommended.

# Table of Contents

Contents	Page
<b>Chapter 1                    Introduction .....</b>	<b>1</b>
1. Overview .....	1
1.1 Introduction .....	2
1.2 Background of the Study .....	4
1.3 Research Problem .....	6
1.4 Research Question and Objective .....	7
1.5 Proposed Conceptual Framework .....	8
1.6 Scope of the Study .....	9
1.7 Significance of the Study .....	10
1.8 Research Methods and Analyses .....	11
1.9 The Study in Context .....	12
1.10 Major Areas of Contributions .....	13
1.11 Limitations of the Study .....	14
1.12 Thesis Outline .....	14
<b>Chapter 2                    Literature Review .....</b>	<b>17</b>
2. Overview .....	17
2.1 Review of the Fundamental Research Streams .....	18
2.1.1 Theoretical Foundation for the Study .....	18
2.1.2 General Review of the Pertinent Directions .....	27
2.1.3 Commitment Studies .....	28
2.2 Literature Related to the Antecedents of Commitment .....	33
2.2.1 Cultural Similarity .....	33
2.2.2 Knowledge and Experience .....	36
2.2.3 Supplier's Competencies .....	38
2.2.4 Communication .....	41
2.2.5 Opportunism .....	44
2.2.6 Trust .....	46
2.2.7 Transaction-Specific Investment .....	49
2.2.8 Environmental Volatility .....	52
2.3 Synthesis .....	54
<b>Chapter 3                    Conceptual Framework .....</b>	<b>55</b>
3. Introduction .....	55
3.1 Proposed Model and Hypothesised Relationships .....	56
3.2 Trust and Commitment Building Process - A Framework for Conceptual Insight .....	66
3.3 The Proposed Competing Model .....	70

## Table of Contents Cont..

Contents		Page
<b>Chapter 4</b>	<b>Methodology and Research Plan.....</b>	<b>75</b>
4.	Overview .....	75
4.1	Methodological Approach.....	76
4.2	Quantitative Research Design.....	78
4.2.1	Population and Sample of the Study .....	78
4.2.2	Unit of Analysis .....	81
4.2.3	Selection of Key Informants .....	81
4.2.4	Measurement of Constructs .....	82
4.2.5	Translation of Instrument and Pre-testing .....	91
4.2.6	Data Collection Procedure and Response Rate .....	91
4.2.7	Verification of Non-Response Bias .....	93
4.2.8	Analysis of Data.....	94
<b>Chapter 5</b>	<b>Sample Demographics, Data Screening, Measurement Development and Structural Model Testing .....</b>	<b>95</b>
5.	Overview .....	95
5.1	Sample Demographics and Data Screening.....	96
5.1.1	Respondent and Firm Profile .....	96
5.1.2	Examination of Data Entry and Missing Data .....	101
5.1.3	Assessment of Normality and Outliers.....	102
5.2	Measurement Development .....	104
5.2.1	Fit Indices .....	104
5.2.2	Initial Measurement Model Fit and Modification .....	108
5.2.2.1	Trust: Initial Findings .....	109
5.2.2.2	Communication: Initial Findings .....	110
5.2.2.3	Cultural Similarity: Initial Findings.....	112
5.2.2.4	Supplier's Competencies: Initial Findings.....	114
5.2.2.5	Transaction Specific Investment: Initial Findings.....	116
5.2.2.6	Overseas Supplier's Opportunism: Initial Findings ...	118
5.2.2.7	Environmental Volatility: Initial Findings.....	119
5.2.2.8	Knowledge and Experience: Initial Findings .....	120
5.2.2.9	Commitment: Initial Findings .....	122

## Table of Contents Cont..

Contents	Page
5.2.3 Overall Measurement Model Fit .....	124
5.2.4 Bivariate Correlations between Latent Variables .....	126

5.2.5	Validity of the Constructs.....	127
5.2.6	Overall Results of Measurement Development.....	128
5.3	Model Testing.....	130
5.3.1	Testing the Proposed Model and Fit Indices.....	130
5.3.2	Testing the Competing Model and Fit Indices.....	133
5.3.3	Model Comparison and Summary of the Model Fit.....	136
<b>Chapter 6</b>	<b>Hypotheses Testing and Discussions.....</b>	<b>141</b>
6.	Overview.....	141
6.1	Predictors and Mediators of Commitment.....	142
6.2	Hypotheses Testing.....	143
6.2.1	Cultural Similarity and Importer Commitment.....	145
6.2.2	Environmental Volatility and Supplier's Opportunism.....	146
6.2.3	Supplier's Opportunism and Importer Commitment.....	147
6.2.4	Supplier's Opportunism and Importer Trust.....	148
6.2.5	Environmental Volatility and Importer Commitment.....	149
6.2.6	Supplier's Competencies and Importer Commitment.....	150
6.2.7	Transaction-Specific Investment (TSI) and Importer Commitment.....	151
6.2.8	Knowledge and Experience and Importer Commitment.....	153
6.2.9	Communication and Importer Trust.....	154
6.2.10	Communication and Importer Commitment.....	155
6.2.11	Trust and Importer Commitment.....	156
6.3	Additional Paths in the Modified Proposed Model.....	157
6.3.1	Communication and Supplier's Opportunism.....	157
6.3.2	Cultural Similarity and Supplier's Opportunism.....	158
6.3.3	Supplier's Competencies and Supplier's Opportunism.....	158
	6.4 Summary	159

## Table of Contents Cont..

<b>Contents</b>	<b>Page</b>
<b>Chapter 7 Findings and Discussions of Qualitative Data .....</b>	<b>163</b>
7. Introduction.....	163
7.1 Qualitative Data Collection and Sample.....	165
7.2 Protocol for Qualitative Interview.....	166
7.3 Qualitative Data Analysis.....	167
7.4 Qualitative Depth Interview Profile.....	168
7.5 Brief Case Background and Discussion.....	170
7.6 Findings of Qualitative Depth Interviews.....	172

7.6.1	Cultural Similarity .....	172
	7.6.2 Communication .....	183
7.6.3	Learning, Knowledge and Experience.....	190
7.6.4	Trust and Commitment .....	195
7.7	Overall Synthesis of Cases .....	201
7.8	Overall Summary of the Case Analyses.....	204
<b>Chapter 8</b>	<b>Summary and Implications.....</b>	<b>207</b>
8.	Introduction .....	207
8.1	Summary of the Report.....	208
8.2	Theoretical and Managerial Implications .....	210
8.3	Overall Contributions.....	215
	8.4 Limitations .....	221
8.5	Future Research Directions.....	222
	8.6 Conclusion .....	224

## List of Tables

Table	Page
2.1 Studies Examined Commitment as DV and IV .....	29
2.2 Studies Examining Communication .....	42
2.3 Studies Examining Trust as DV, IV and Interrelated IV in Commitment Studies.....	47
4.1 Import Category and Overall Response Rate.....	93
4.2 Assessment of Non-Response Bias.....	93
5.1 Respondents' Profile.....	97
5.2 Firm Profile .....	99
5.3 Firms' Exporting Status and Import as Input of Export.....	100
5.4 Descriptive Statistics .....	103
5.5 SEM Fit Indices Reported in this Study .....	106
5.6 Summary of Initial Findings (CFA): Trust.....	110
5.7 Summary of Initial Findings (CFA): Communication .....	111
5.8 Summary of Initial Findings (CFA): Cultural Similarity.....	113
5.9 Summary of Initial Findings (CFA): Supplier's Competencies.....	115
5.10 Summary of Initial Findings (CFA): Transaction-Specific Investment.....	117
5.11 Summary of Initial Findings (CFA): Supplier's Opportunism .....	119
5.12 Summary of Initial Findings (CFA): Environmental Volatility.....	120
5.13 Summary of Initial Findings (CFA): Knowledge and Experience...	121
5.14 Summary of Initial Findings (CFA): Commitment.....	123
5.15 Summary of Overall (Initial and Final) Measurement Model .....	125
5.15 Implied Correlation Matrix .....	126
5.17 Summary of the Measurement Models Fit Statistics.....	129
5.18 Proposed Model: SEM Test Output, Fit Indices and Desired Fit Level .....	130
5.19 Modified Proposed Model: SEM Test Output, Fit Indices and Desired Fit Level .....	132
5.20 Proposed Competing Model: SEM Output, Fit Indices and Desired Fit Level.....	133
5.21 Modified Competing Model: SEM Output, Fit Indices and Desired Fit Level.....	134



## List of Tables Cont..

Table	Page
5.22 Models Comparison: Proposed and Competing Structural Model Fit Indices.....	136
5.23 Overall Measurement and Structural Model Fit Indices .....	137
5.24 Standardised Indirect Effect (IE) .....	140
6.1 Standardised Indirect Effect (IE) .....	142
6.2 SEM Output for Hypothesised Path Relationships in the Proposed and Modified proposed Model .....	144
7.1 Types of Respondents, Their Code Number and Characteristics .....	166
7.2 Interviewed Cases, Firm Sizes, Major Supplier Relationships, and Holding Job Positions of the Key Informants.....	169
7.3 Categorisation of Cases.....	169
7.4 Summary Report of Cross Case Analysis based on Codes.....	202
8.1 Contributions of the Study .....	219

## List of Figures

Figure		Page
1.1	Proposed Conceptual Framework .....	8
2.1	Factors Derived from the Transaction Cost Theory and Their Impact on Commitment.....	23
2.2	Factors Derived from the Internationalisation Process Theory as well as the Transaction Cost Theory and Their Impact on Commitment.....	25
2.3	Factor Derived from the Literature related to Resource-Based View of the Firm.....	26
3.1	Model 1: Propose Model - Antecedents of Commitment to an Import Supplier .....	56
3.2	A Framework for Trust and Commitment Building Process .....	69
3.3	Model 2: A Competing Model to Verify the Mediating Effect of Trust .....	71
5.1	Tested Proposed Structural Model with $\beta$ : Commitment & Other Paths.....	131
5.2	Modified Competing Structural Model with $\beta$ : Mediating Role of Trust...	135
5.3	Tested Modified Proposed Structural Model with $\beta$ : Commitment & Other Inter-Relationships.....	138
6.1	Significant Paths in the Proposed Model .....	160
6.2	Significant Additional Paths in the Modified Model.....	161
6.3	Final Tested Model with Standardised $\beta$ .....	162
7.1	A Conceptual Framework for Trust and Commitment Building Process .....	163
7.2	Cultural Similarity – Communication Matrix .....	173
7.3	Cultural Similarity – Learning, Knowledge and Experience Matrix	178
7.4	Cultural Similarity – Trust Matrix .....	182
7.5	Communication - Learning, Knowledge and Experience Matrix .....	186
7.6	Communication – Trust Matrix .....	188
7.7	Communication – Commitment Matrix.....	189
7.8	Learning, Knowledge and Experience – Trust Matrix.....	192
7.9	Learning, Knowledge and Experience – Commitment Matrix .....	194
7.10	Trust - Commitment Matrix.....	197
7.11	Derived Qualitative Model Based on In-depth Data: Trust and Commitment Building Process .....	205

## List of Appendices

Appendix		Page
1	Studies Examining Commitment in Importing .....	245
2	Frequency of Variables Used in Examining Commitment in Different Studies .....	259
3	Brief Conceptual Definition, Operational Definition and Measurements .....	267
4	Questionnaire for Quantitative Study .....	269
5	Bangla Version of the Questionnaire .....	277
6	Qualitative Interview Protocol .....	285
7	Overall Measurement Model, Proposed Structural Model, (A, B, C & D) Modified Proposed Structural Model, and Modified Competing Model .....	291
8	SEM Output for Hypothesised Relationships in the Competing Model .....	295
9	Hierarchical Regression Model Summary – A, B and C .....	296

## **List of Abbreviations:**

BEICB	Bangladesh Export Import Control Bureau
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CMIN/DF	Chi-square Mean/Degree of Freedom
CR	Critical Ratio
DV	Dependent Variable
EFA	Exploratory Factor Analysis
EFA	Exploratory Factor Analysis
IFI	Incremental Fit Index
IJV	International Joint Venture
IP	Internationalisation Process
IV	Independent Variable
LDC	Less Developed Country
MI	Modification Index
PCA	Principal Component Analysis
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modeling
SMS	Short Message Service
TLI	Tucker Lewis Index
TSI	Transaction-Specific Investment

## **STATEMENT OF ORIGINAL AUTHORSHIP**

The work contained in this thesis has not been previously submitted for a degree or diploma at any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

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# Chapter 1

## Introduction

### 1. Overview

In international business, importers and suppliers are often reluctant to depend on each other without a mutual commitment to establish an effective relationship. Although the concept of commitment has received great attention in management, marketing, and export literature in recent years, it is rather scarce in the import literature in a distinct international context. The importers' increased commitment requires both perceptual and behavioural attention to tightening the relationship for long-term business advantage. The theories of internationalisation process and transaction cost economics have been credited with the factors which lead to higher commitment in outward international operations to a great extent but their use is largely ignored in the inward side of the dyad. These issues are addressed in this thesis research. This introductory chapter of the thesis discusses the background of this research project including the research question, objective, scope, basic framework, brief methodology and contributions of the study. It also provides a brief outline of the thesis.

The goals of this chapter are to:

- Review the concept of commitment from different perspectives on a specific import supplier context (Section 1.1)
- Discuss the research issue along with the background of the research and summary of the problem of research (Section 1.2 and Section 1.3)
- Specify the research question and objective of the study (Section 1.4)
- Propose an *a priori* conceptual framework based on a preliminary review (Section 1.5)
- Focus on the distinct areas covered and justifications of the study which are specified as scope and significance (Sections 1.6, and 1.7)
- Provide in brief the research design and analysis (Section 1.8)
- Specify the present research setting as an international business context (Section 1.9)
- Focus on some areas of contributions to the body of knowledge and practice (Section 1.10)
- Briefly discuss the limitations of the study (Section 1.11)
- Provide an outline of this report (Section 1.12)

## 1.1 Introduction

In recent years, the term ‘commitment’ has received great attention in management (e.g., Elizur and Koslowsky, 2001; Yousef, 2000), marketing (Kim and Oh, 2002), and export literature (Richey and Myers, 2001). However, reference to commitment is scarce in the import literature. This section explores the concept of commitment in the buyer-seller relationship context and proposes an operational definition of importer commitment. Lok and Crawford (2001) synthesised the components of commitment from an organisational perspective and identified three main components: affective, continuance and normative. Affective commitment is “the employee’s emotional attachment to, identification with, and involvement in, the organization”, while continuance commitment is “based on the costs that the employee associates with leaving the organisation” and normative commitment refers “to the employee’s feeling of obligation to remain with the organisation” (p. 594-595). The concept of commitment is somewhat different in marketing and export import literature from that in the organisational and management literature, because the nature of involvement of the parties is different.

In the export literature, the term ‘commitment’ has been used to indicate a desire for a long-term presence in the export market or to continue the relationship with the international channels (Richey and Myers, 2001). It is also connoted that exporter commitment involves the export management’s willingness to devote adequate tangible and intangible resources to export related activities (Katsikeas *et al.*, 1996). More specifically, Beamish *et al.* (1993) perceived commitment to exporting as “the amount of the firm’s personnel and top management resources devoted to exporting activities” (p. 128).

The marketing discipline has emphasised the role of relationship commitment in relational exchange. Commitment is conceptualised as an ongoing process with the partner, characterised by maximising efforts for long-term continuance of the relationship. In this context, Morgan and Hunt (1994) have defined commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (p. 23). Some marketing scholars have

identified distributor commitment as an important relational exchange paradigm, and denoted it as the extent to which a firm is dedicated to a close and enduring relationship with its partners (Anderson and Weitz, 1992; Kim and Oh, 2002). More precisely, distributor commitment is a market-oriented effort of the buyers to maintain the relationship with a devoted supplier (Siguaw *et al.*, 1998). Further, Kim and Frazier (1997) view commitment as “the extent to which a firm is dedicated to a close and enduring relationship with another firm” (p. 847). Nonetheless, as is revealed from a systematic search of the international literature, only Skarmeas *et al.* (2002) have synthesized importer commitment into various components: continuance, behavioral, and affective. They define continuance commitment as “the importer’s desire to continue the relationship with the overseas supplier”, behavioral commitment “reflects the extent the importer provides special help to its overseas supplier in times of need”, and affective commitment refers “to the sense of unity binding the importer to its overseas supplier” (p. 760). While the concept of organizational commitment involves a normative component (feeling of obligation to the organization), it seems to be inappropriate in the importer commitment context. In contrast, behavioural commitment seems appropriate in the importer commitment context as a voluntary service to the transacting party, whereas these services are not voluntary in an organizational commitment context.

The brief review presented above indicates that commitment is a multidimensional concept that can be studied from different perspectives. The present study, however, explores a unidimensional perspective of importer commitment to an import supplier combining all relevant elements. The conceptual definition of commitment to an import supplier adopted for this study is *the extent to which an importer is dedicated to developing and maintaining a strong, close, and enduring relationship, and is willing to make short-term sacrifices to continue the relationship.*

## 1.2 Background of the Study

The international business literature is replete with conceptual and empirical works on a wide range of issues pertaining to the export marketing activity of the firm. A systematic search of the academic literature demonstrates a striking imbalance where relatively little attention has been given to the import side of the international exchange process (Karlsen *et al.*, 2003; Katsikeas, 1998; Katsikeas and Al-Khalifa, 1993; Liang and Parkhe, 1997). Importers are the dominant consuming counterpart in the international exchange processes (Liang and Parkhe, 1997), and there are opportunities to investigate the spectrum of importer behavior (Chetty and Eriksson, 2002; Ghymn and Jacobs, 1993; Kim and Oh, 2002).

Commitment to an import supplier is important from two perspectives. First, from the exporter's perspective, the importer facilitates the process of internationalisation by imparting access to foreign markets. Second, from the importer's perspective, relationships with an exporter allow the importer to attain competitive advantage through access to foreign supply markets. Skarmeas and his colleagues (2002, p. 760) argue that "importing firms, by bonding with overseas suppliers, are induced to stay in the relationship, be supportive, differentiate themselves from competitors, and produce feelings of affiliation and *esprit de corps*".

Recently, researchers have begun to investigate import behavior in some detail (Liang and Parkhe, 1997), including import stimuli (Katsikeas, 1998), importing problems (Katsikeas and Dalgic, 1995), commitment to the cross-cultural buyer-seller relationship (Skarmeas *et al.*, 2002) and distributor commitment in marketing channels (Kim, 2001; Kim and Oh, 2002). The last three studies are interrelated in terms of examining the buyer-supplier commitment relationships but no study has in particular looked at the antecedents of importer commitment to an import supplier. While Kim and Oh (2002) examined how task environmental factors and institutional factors influence distributor commitment, Skarmeas and his colleagues (2002) appraised the impact of commitment on performance in exporter-importer relationships. They argue that commitment consists

of a rather diverse set of factors including desire, willingness, sacrifice behavior, expectation of continuity, belief, and importance of the relationship.

Skarmeas *et al.*'s (2002) study has identified some antecedents of importer commitment and found that in an international exchange, importer transaction-specific investments, exporter/supplier opportunism, environmental uncertainty, and exporter cultural sensitivity influence importer commitment in a distributor-manufacturer relationship. However, no attempt has been made to verify these findings in any follow-up studies. Kim (2001) examined and identified a number of driving forces of commitment in industrial distribution channels. The study found that trust is one of the significant influential factors of commitment. Rodríguez and Wilson (2002) found trust to be a foundation of commitment in strategic relationships. Other researchers also contend that communication of information (Coote *et al.*, 2003) as well as opportunism and communication (Zineldin and Jonsson, 2000) influence both trust and commitment in supplier-dealer relationships. An extensive search of the literature (as summarised in Appendix 1 and 2) shows a significant range of variables discussed in the buyer-seller commitment studies. Among the 69 variables examined in 26 studies, only 15 variables are used in more than one study, the other 54 have not been assessed in any follow-up study. While researchers have found support for some of the variables, there seems to be no consensus among them on the antecedents of commitment.

Although factors such as opportunism, communication, trust, transaction-specific investment and environmental volatility (grounded in transaction cost economics) seem quite meaningful in explaining the overseas distributor's commitment, these do not necessarily form an exhaustive list of possible antecedents. A number of other antecedents of commitment can be inferred from theories relevant in this area of research (internationalisation process theory in particular). Cultural similarity (grounded in internationalisation theory), knowledge and experience (grounded logically in internationalisation theory and resource-based theory of the firm to some extent), and supplier's competencies (derived from the literature including resource-based view of the firm) may also be relevant as potential antecedents of importer commitment (a detailed review of the theoretical underpinnings is set out in Chapter 2).

In summary, the review reveals that no systematic attempt has been made in the literature to examine antecedents of importer commitment to an import supplier. The limited number of studies in this and related areas also suffer from disagreement among researchers on the impact of some antecedents of commitment. Many of the findings are also tentative unless verified in follow-up studies. The next section strives to identify the research problem under investigation.

### **1.3 Research Problem**

The classical and neoclassical economists (Ohlin, 1933; Ricardo, 1817, reprint 1981; Samuelson, 1948; Smith, 1776, reprint 1963) have acknowledged the import and export processes in their comparative studies. However, while Johanson and Vahlne (1977) regarded the word *import* in their theoretical analysis of the internationalisation process in conceptualizing the psychic distance between the home and the “*import/host*” countries, this theoretical exploration only stressed explaining and fostering outward operations of the firm (Karlsen *et al.*, 2003). The international business world of imports and exports has failed to draw the unified attention of scholars around the world (Ghymn *et al.*, 1999; Liang and Parkhe, 1997). Such imperfection has overlooked importing and the role of the importer in international business. Importers stimulate suppliers to fulfill international demand and facilitate their export success, and further persuade them to be capable of seeking and entering into the international market to gain their business advantage (Katsikeas, 1998). Moreover, although a behavioral aspect, importers’ commitment to their exporter appears to be instrumental to continuing the relationship. Consequently, understanding the commitment relationship between importer and supplier based on importer perception is important from both academic and practical perspectives (Skarmeas *et al.*, 2002). However, this has led to merely an analytic point of view in the academic business literature.

Based on the research background discussed in section 1.2, the problem of understanding importer commitment and its influential factors need to be sought and set forth in the specific context of the import supply relationship. Accordingly, pertinent antecedents of an importer commitment and their impact could be investigated as part of a more

coherent and comprehensive understanding of international business. The next section addresses the research question and fundamental objective of this research.

## **1.4 Research Question and Objective**

Given the background of the study and overview of the research problem, there seems to be an imminent need and opportunity to understand the importer commitment relationship with an import supplier and its driving forces to continue the relationship towards gaining relative advantage. Hence, the central research question to be addressed in this proposed study is:

*What are the antecedents of an importer's commitment to an import supplier and how do they influence the importer commitment?*

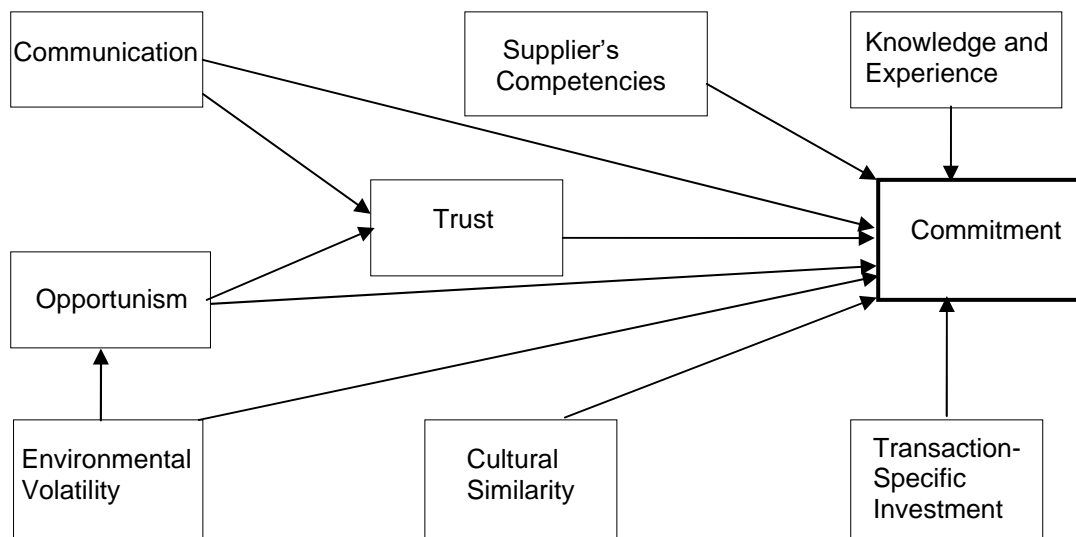
To answer the above research question, the aim of this study is to develop and test a comprehensive conceptual research framework that assesses commitment to an import supplier based on relevant theories and the literature. The specific objective of this study is to investigate the impact of antecedents of importer commitment to an import supplier.

This objective is conceptualised into testable hypotheses in the third chapter of this study. However, the proposed framework is presented in the following section to provide a summarised view of the research.

## 1.5 Proposed Conceptual Framework

From the discussions presented earlier, the emerged antecedents of importer commitment are clearly inferred. However, there are some variables that not only have direct influence on the importer commitment to an import supplier, but also play a mediating role. Accordingly, the proposed framework in Figure 1.1 depicts a complex relationship.

**Figure 1.1: Proposed Conceptual Framework**



The extensive review of the pertinent conceptual and theoretical literature suggested the need to develop a competing model as well as a conceptual qualitative model to empirically verify the mediating effect of trust in the commitment building process. Consequently, the above proposed fundamental framework helps to develop two additional models which are proposed in Chapter 3. The next section explores the scope of the study.



## 1.6 Scope of the Study

The proposed investigation combines two basic theoretical considerations (discussed in Chapter 2) providing better conceptualisation of importer commitment in an internationalisation dyad, specifically in a developing country context. Such an approach is proposed to cover:

- The concept of commitment is consolidated primarily from different broad views into a specific perspective i.e. importer context.
- Theoretical arguments such as internationalisation process theory and transaction cost theory have provided the basis as well as solid foundations toward extending their tenets in regard to a different perspective such as importer commitment.
- The inferences from the above theories and literature have indicated that factors such as cultural similarity, knowledge and experience, supplier's competencies, trust, communication, environmental volatility, supplier's opportunism, and transaction-specific investment are potential antecedents of importer commitment.
- While the term commitment has received great attention not only in organisational science but also in other fields of investigation, this study is focused only on importer commitment to an import supplier. However, this study has reviewed studies on buyer-seller relationships, distributor-supplier relationships, importer-exporter relationships, and manufacturer-supplier relationships for developing the proposed framework.
- The study additionally consolidates and focuses on the other pertinent studies where most of the identified variables have been examined from other perspectives. This has rendered auxiliary support to the variables in conceptualising the new context.
- Cross-sectional data have been collected from a developing country toward generalisation of the findings.
- The proposed conceptual model and a competing model have been tested to verify the mediating effect of some of the predictor variables in the model and their relative explanatory power. Further, the study incorporates a framework for conceptual insight based on qualitative information.

## 1.7 Significance of the Study

The study is significant in a number of ways. This section discusses the significance of the study from the theoretical and practical perspectives.

First, merging the streams of research with theoretical developments in international business, the theories of internationalisation (Johanson and Vahlne, 1977; 1990; Johanson and Wiedersheim-Paul, 1975) have been explored to a great extent on the export side. On the other hand, over the last three decades transaction cost economics (Williamson, 1985) has become mainstream theory in the field of organisational science. The theory has been used extensively to examine inter-firm relationships (Heide and John, 1992; Noordewier *et al.*, 1990). However, no study so far has explored any of the above theories to examine the importer commitment in any specific import supplier context. Though most of the factors considered in the relevant literature which explain the overseas distributor's commitment seem quite meaningful, such literature appears to have overlooked potential variables that can be derived from the above theoretical basis. Similarly, potential variables can also be derived from the conceptual and empirical literature (supplier's competencies) which deserves investigation in an importer-supplier relationship context. This study has explored the opportunity to identify the potential variables.

Second, the review uncovered that the term 'commitment' has been examined to a great extent in export marketing literature (Cox and Walker, 1997), but a similar extension could be enhanced on the import side to examine the importer-supplier relationship. The importance of international purchasing has increased exponentially, as it has become a corporate competitive weapon to maintain market share (Herbig and O'Hara, 1995). However, in the international buyer-seller relationship, commitment plays a strong tie-up role. Therefore, commitment is essential for the development and maintenance of successful long-term buyer-seller relationships (Dwyer *et al.*, 1987; Gundlach *et al.*, 1995) and researchers have identified its stable and enduring impact on buyer-seller relationships (Wilson, 1995).

Third, the review also shows that the term commitment and its determinants have been examined in the buyer-seller relationships in different industry bases, mostly in the developed country context. This limits generalisability of the findings because the macro-economic environment of a developing country may have a moderating effect on importers' continuing commitment to foreign suppliers. A survey of the related literature revealed that (as summarised in Appendix 1), to date, no study has been conducted as an exemplar of a developing country context to develop a framework. Therefore, the developing country data facilitates comparison of findings from developed countries toward identifying any similarities and differences.

## **1.8 Research Methods and Analyses**

In order to effectively conduct the proposed research investigation and test the research framework, both quantitative and qualitative approaches have been used as discussed in Chapter 4 and in Chapter 7. In brief, for quantitative testing of the model, primary data were extracted from a cross-section of 262 commercial and industrial importing firms (response rate 43.67%) in a developing country (Bangladesh). After elimination of cases with missing data and outlier cases, 232 cases have been used in the final analysis. Initially, measurement models in CFA were tested (Schumacker and Lomax, 1996) using AMOS 5 software. In the model refinement process, 12 measurement items out of 51 were excluded. The remaining 39 items with nine construct measures have been used to test the proposed models. The proposed model was found to have a better fit than the competing model, and the results of a modified proposed model are discussed in Chapter 6.

Furthermore, for qualitative testing of the proposed conceptual framework, twelve in-depth interviews were conducted. The cases have been categorised according to their properties with respect to different constructs being grouped together, enabling comparison, discussion and interpretation of the phenomena (Patton, 1990; Seale, 1999). Five types of respondents, based on the import characteristics of importing firms, have been used in the description and interpretation of the qualitative data in Chapter 7. The qualitative findings are intriguing, more intrinsic, and partly perplexing with some new

directions in the development of importer supplier commitment relationship. However, it is clear that the qualitative model is partially reinforced and complemented with the result of modified competing model (not discussed in this thesis) where theoretical arguments in terms of enhancing knowledge and experience and the mediating role of trust are partially supported.

## **1.9 The Study in Context**

A review of the academic literature revealed that so far, no attempt has been made to explore the importer-exporter perspective in a developing country context. Similarly, studies on relationship marketing, outsourcing, international joint ventures, supply chain management, export-import behaviour and inter-organisational relationships have also largely overlooked the area as a potential research setting. However, this is an important research context because importers from developing and less developed countries are becoming significant buyers to satisfy increased local demand (Bangladesh Bank Report, 2002; World Bank, 2005). Importers' commitment behaviour in such importing countries might be interesting in the process of import supply relationship. Therefore, the study of importers' commitment to the supplier in such a context is important for a clear understanding by exporters and policy makers. While commitment is a wide area of international business research interest, this study looks at importers' commitment and its determinants from a developing country context.

Further, as found from the detailed review of the relevant literature, theoretical development on internationalisation of firms (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) and transaction cost economics (Williamson, 1985; 1975) have largely ignored the importers' perspective (Liang and Parkhe, 1997). In consequence, this study made a rational choice to incorporate the theoretical grounding for the variables of interest into these theories.

## 1.10 Major Areas of Contributions

The study expects to contribute in a number of ways to the body of knowledge of the field. The major areas of contribution are:

- From the theoretical perspective, the study examines two basic economic theories to gain a better understanding of an importer's commitment to an import supplier, and thereby contributes to an understanding of the nature of generalisability of the theories by extending their tenets into the import side of the internationalisation dyad. Explicitly, applicability of the theories and implications for the importer commitment factors related to transaction cost economics (Williamson, 1985) and internationalisation process (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) are demonstrated.
- The conceptual schema proposed in the theoretical model is validated with high explanatory power and achieved good fit to the data. Therefore, the study contributes to the literature by validating most of the explanatory variables in the comprehensive model. Simultaneously, qualitative information provides support to the trust and commitment building process with some new insights.
- The study contributes to the literature by incorporating developing country data into empirical generalisations of the findings where managerial implications are also significant contributions in such a context.
- Finally, while this study has adapted some of the construct measures as well as developed some new measures, an appropriate methodological process has been followed to test their reliability and validity (Churchill, 1991), thus, contributing to a quantitative methodological approach to international business research.

Further details of these contributions are discussed in Chapter 8 (section 8.3).

## 1.11 Limitations of the Study

As this research is confined to the analyses and investigation of antecedents of importer commitment, the review of the literature suggests that there is a wide range of issues that might have some impact on importer commitment. A plethora of macro issues such as political, legal, cultural and environmental issues are likely exogenous factors. It was also found that a large number of diverse factors (as listed in Appendix 2) were tested in a number of buyer-seller commitment studies but not validated in other studies. To keep the study within manageable proportions for rigorous investigation and maintain parsimony, only eight theoretically driven rational issues have been included in this study as predictors of importer commitment. In addition, due to time and resources constraints, this study explores only importers' perceptions on the relationship with suppliers rather than considering all perspectives of the dyad. The limitations of the study are discussed in detail in Chapter 8.

## 1.12 Thesis Outline

Fundamentally, the presentation of this thesis follows the structure of the doctoral thesis suggested by Perry (1998). The study proceeds by outlining the broad view of internationalisation that leads to the focus of the research issue. This problem identification follows a conceptual framework having support from the theory and literature to test empirically and conceptual validation. The overall outline as well as organisational pattern of this thesis is discussed in this section. The thesis comprises eight chapters and each of the chapters is introduced as follows.

Chapter 1: **Introduction** explores the concept of commitment, research background and problem, research question, objective of the research, a framework based on background literature, scope and significance, brief methodology of the study, research context, expected contributions and delimitations of the study.

Chapter 2: **Literature review** focuses on four major dimensions which consolidate the review of the theories, general focus on commitment in different types of studies,

mainstream studies of buyer-seller commitment and review of the identified antecedents. This chapter additionally discusses the literature related to the antecedents of commitment from many different perspectives than simply the importer supplier context.

Chapter 3: **Conceptual framework** develops a conceptual model with hypothesised relationships and a framework for conceptual insight to explore the unfolding trust and its development process based on qualitative data. This chapter further proposes a competing model to verify the mediating impact of trust along with some other interrelationships.

Chapter 4: **Methodology of the study** covers all the relevant issues of the quantitative and qualitative research approaches to be followed in this study. This chapter includes the rationale for the qualitative and quantitative approaches for this study, population and sample, response rate, unit of analysis, selection of key informants, measurement of constructs, research instrument, survey data, analytical tools of quantitative data, qualitative data collection, protocol and analytical approach of qualitative data.

Chapter 5 comprises three major sections which are **sample profile, measurement model development and testing the proposed structural models**. The sample profile details the sample demographics, responses, data cleaning and descriptive statistics. Secondly, in the process of measurement validation, all construct measures have been assessed individually in CFA models and sequentially in an overall measurement model to verify the unidimensionality of the measures. Finally, proposed and competing models have been tested in SEM and compared with the overall measurement model to verify the overall fit to the data and the theory. Construct validity and reliability have also been reported in this chapter of the study.

Chapter 6 discusses the **findings of hypotheses testing**. Since the modified proposed model is found to have relatively high explanatory power and a better model fit than the competing model, findings of this model have been discussed for hypotheses testing in this chapter.

Chapter 7 deals with the **qualitative findings** of this study. The sample profile of the in-depth interviews, individual case profile and results of the cross-case analyses are discussed in this chapter.

Chapter 8 provides the **summary and implications** of the study. To consolidate the answer of the research question and objective, this chapter synthesises the overall findings, which follows the research implications for researchers and practitioners. Detailed contributions to the theory and the body of knowledge are also discussed. As directed by the present research findings and background, several future research directions are suggested. Finally, the limitations of this research are addressed.

In sum, this chapter of the study has provided the background and overview of this thesis. The background information explicitly specifies the research gap in the literature. The research problem, research question and objective, and justification of the study clearly signify the importance of this research. This chapter also provides an outline of the investigation including the research framework, methodological approach and areas of contributions. Given the framework of this thesis, the following chapter contains a comprehensive discussion of the relevant theories which emerged from a detailed review of the literature focusing on specific importer perspectives.



# **Chapter 2**

## **Literature Review**

### **2. Overview**

This review of the extant literature is designed to explore the theoretical foundation underpinning commitment relationship and specific commitment studies. This attempt also significantly consolidates buyer-seller, distributor-supplier/manufacturer, and importer-supplier/exporter commitment relationship studies as well as the literature related to the antecedents of importer commitment. As noted earlier, the extant literature is replete with works pertaining to the theory of the internationalisation process, the resource-based theory of the firm, and transaction cost economics, which emphasise either domestic or international buyer-seller/supplier or distributor-supplier relationships. In this chapter, all these directions have been considered in the context of narrowing the research question.

The aims of this chapter are to:

- Review of the relevant theories and their rational arguments into a new theoretical paradigm (Section 2.1.1)
- Review of the supportive streams that provide more insights for this study (Section 2.1.2)
- Consolidate the commitment studies which have provided a clear indication of antecedents of commitment to be used in an import supplier context (Section 2.1.3)
- Review the relevant literature related to the identified antecedents of commitment and to specify their probable impact on importer commitment (Section 2.2)
- Synthesise the review to consolidate the antecedents of importer commitment (Section 2.3)

## **2.1 Review of the Fundamental Research Streams**

The main purpose of this review is to develop a theoretical grounding of this study and identify antecedents of importer commitment. Initially the review consolidates literature on relevant theories before discussing the literature pertinent to relationship marketing, outsourcing, supply chain management, export-import behaviour, international joint venture and inter-organisational relationships. Further, the review identifies some of the key studies that have examined either buyer or seller commitment to others. Therefore, the following three sub-sections review three fundamental research streams for this study; the theoretical foundation, a brief review of the pertinent studies, and buyer-seller commitment studies.

### **2.1.1 Theoretical Foundation for the Study**

Classical and neoclassical economists (Ohlin, 1933; Ricardo, 1817, reprint 1981; Samuelson, 1948; 1776, reprint 1963, 62) have proposed that nations are involved in export and import activities based on the comparative advantage of nations. However, such classical international trade theories did not focus on firm level factors and their impact on international trade. A platform of scholarly contributions has been formed to understand the phenomenon of firm level factors and their impact on international trade.

Business history has made substantial contributions to the understanding of today's complex business phenomena and has relied on varieties of economic theories to explain inter-firm business relationships (Boyce, 2001). Some examples of these economic theories are "agency theory, transaction cost economics, the voice-exit approach, game theory, and sociological economics" that "provide an array of perspective and descriptive frameworks" (Boyce, 2001, p. 4). In addition, these theories, along with the internationalisation process (IP) theory (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975), the network theory (Axelsson and Easton, 1992; Ford, 1997; Thorelli, 1990) and the resource-based theory of the firm (Barney, 1991; Wernerfelt, 1984) raise issues relating to information exchange and communication, learning, knowledge and experience, and are linked to competitive advantages within inter-organisational structures, firm to firm, or market relationship structures. In addition to these theories, the key elements of Williamson's

transaction cost theory also provide, both empirically and conceptually, a more explicit understanding.

Williamson's 'communicating economies' (1985, 62) has been extensively explored and examined by Boyce (2003, 2001) to understand the cognitive framework in reducing transaction cost through communication, learning, knowledge and the trust building process. Further, Boyce (2003) argues from a historical context that the communication process enforces and facilitates the exchange of information which can be conveyed explicitly through face-to-face conversation. The communication process, as well as the frequency of communication and exchange, enhances learning of inter-firm relationships and network processes. This also facilitates the knowledge acquisition process, as well as trust and commitment in the relationships toward all parties' benefit and mutual advantage. It should be noted that transaction cost economics takes the view that in a market, participants transact between partners and participants are linked in a network. However, parties are common to transactions, but are viewed in a markedly different way (Banarjee and McGovern, 2004; Hennart, 2003). As a result, it is found that the same thing can be viewed differently depending on the context and theoretical approach. For example, in the knowledge network literature, Etemad and Lee (2003) assert that 'knowledge is simply the output of learning (or knowing) process' (p. 6). In the knowledge-based theory literature, Kogut and Zander (1993, 631) argue that 'through repeated interactions, individuals and groups in a firm develop a common understanding by which to transfer knowledge from ideas into production and market.' From the resource-based perspective (Barney, 1991; Wernerfelt, 1984), knowledge is seen as an intangible asset from which a firm's sustainable competitive advantage can be generated. Further, the internationalization process (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) literature views knowledge as a facilitating tool of international business where exchanges through close cultural interactions at the early stages of internationalization may generate learning and knowledge.

As seen above, the exploration, extension, and use of theories are explicit and widespread in all sections of organisational science, inter-firm relationships, firm-to-firm relationships, and other linked stages of involvement. Although these theoretical directions are interlinked, only a manageable number of closely interrelated

theoretical phenomena pertaining to the distributor/buyer-supplier/seller relationships are considered. The present study incorporates the conceptual ideas of the following basic economic theories.

### **Transaction Cost Theory**

Coase (1937) is credited for his significant contributions in the area of economics and organisational science and first came up with the explanation for how firms and markets are alternative governance structures and why these differ with respect to transaction cost. By acknowledging complementary works and taking the precision of Coase's arguments into account, Williamson (1991, 1981, 1975) investigated how firms make alternative governance choices or structure to minimise transaction costs. This investigation handled the relationships among economic actors, through different forms of contracting agreements to vertical integration via a hierarchy. Williamson (1985) asserts two human factors (bounded rationality and opportunism) and three environmental factors (uncertainty, small numbers trading and asset specificity) that lead to higher transactions costs, either *ex ante* or *ex post*.

As Williamson (1985) argues, bounded rationality implies that people behave having limited information and they have limited capability to process and communicate it, which implies perfect rationality. Opportunism is a habitual human act which implicates the view that 'contractual' man is seeking self-interest. Among the environmental factors, uncertainty exacerbates the obstructions that may arise due to bounded rationality and changing environmental circumstances surrounding the transaction. In the situation of a small number trading, one party in a transaction may have the effect of disciplining the other party (Aubert and Weber, 2001). However, asset specificity (as defined in section 2.2.7) has a pivotal role within transaction cost economics. As asset specificity (transaction-specific investment) and uncertainty (environmental volatility) increase, the risk of opportunism increases. The decision-makers are more likely to choose a hierarchical (firm-based) governance structure to reduce the cost of transactions. The long-term buyer-seller relationship is stronger than the 'arms-length buying and selling' relationship and reduces the cost of transactions (Williamson, 1985).

In terms of long-term relational arrangements, most of the above factors have been applied to analyse the buyer/importer-supplier commitment relationship. While opportunism, transaction-specific investment (asset specificity) and environmental uncertainty have already been used to examine the importer-manufacturer commitment relationship (Skarmeas et al., 2002), two other factors; communication and trust, are also used to provide insight into the buyer-seller commitment relationship (Coote *et al.*, 2003) and are relevant in the present analysis.

Transaction cost analysis (Williamson, 1975) and its treatment of efficient modes of governing exchange focuses on conditions of information asymmetry. As 'bounded rationality' signifies limited judgment of individuals, this implies that people may act rationally based either on partial competencies or on their intentions. This limited information and human intentions in communication between/among partners can affect information sharing. As a result, withholding or distorting information is a potentially important aspect of communication to assess a partner's behaviour and its impact on trust and commitment (Mohr and Sohi, 1995).

Transaction cost economics takes the view that parties to the transaction may have an incentive to behave opportunistically. Opportunistic people act cunningly and seek to further their own self-interests (MacNeil, 1982). As a result, an overseas supplier may engage in opportunistic behaviour by withholding critical information, the misrepresentation of facts, the evasion of obligations and/or by unscrupulously taking advantage of their partner (Wathne and Heide, 2000). Such suspicious (opportunistic) behaviour can be expected to forestall the development of importer commitment. Consequently, it is likely that suppliers' opportunism in the importer-supplier relationship reduces importers' commitment to that relationship (Skarmeas et al., 2002).

In addition, economic transactions can be seen as one of the specialised forms of interpersonal behaviour (Hosmer, 1995). Williamson (1975) uses the terms 'principal' and 'agent' to explain this inter-organisational or firm-to-firm relationship behaviour. From the principal versus agent point of view, Butler (1991) conceptualised that the literature on trust has converged on the beliefs of contracting parties and the impact on commitment. One of the central assumptions of the transaction cost theory is the trust between partners because a situation of distrust is

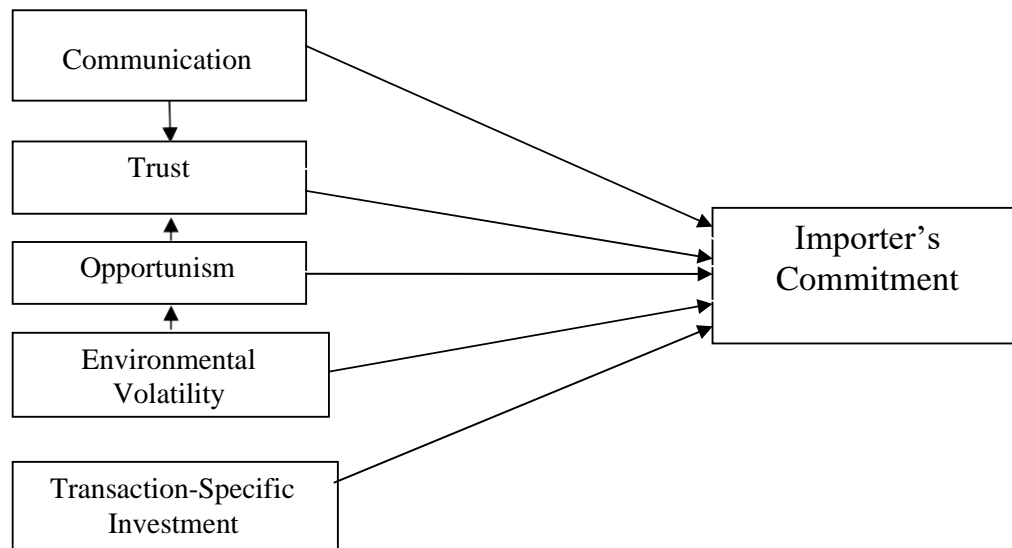
viewed as misleading, distorting, disguising and confusing as well as risking opportunism (Hill, 1990). Conversely, a trusting situation is viewed as one which reduces transaction costs (Kwon and Suh, 2004) and demonstrates strong commitment between partners (Coote et al., 2003).

In respect of asset specificity, the value of an asset in terms of commitment and cost may be attached to a particular transaction that it supports. The party who has invested in the asset will incur a loss if the party who has not invested withdraws from the transaction (Aubert and Weber, 2001). Williamson (1985) argues that asset specificity sustains its importance only in the context of a specific transaction. As Williamson (1985, 53) mentions, specificity means “transactions that are supported by durable, transaction-specific asset experience ‘lock in’ effects, on which account autonomous trading will usually be supplanted by unified ownership (vertical integration)”. Either party to the transaction may have transaction-specific investment and become ‘locked-in’ to the trading relationship. Therefore, as asset specificity increases, the importer’s (investor’s) commitment will also increase (Skarmas et al., 2002).

Transaction cost theory also predicts that the level of environmental uncertainty is likely to affect whether a decision-maker chooses to outsource or insource. Environmental ‘uncertainty exacerbates the problems that arise because of bounded rationality and opportunism’ (Aubert and Weber, 2001, p. 5). However, when transactions are conducted under conditions of uncertainty, in which, perhaps, it is impossible to identify future contingencies and specify ex ante appropriate adjustment, contractual partners may hesitate to develop and continue their relationship with their partners. This indicates that environmental uncertainty may have a negative impact on commitment to a relationship.

The above discussion suggests that communication, opportunism, trust, environmental volatility (uncertainty) and transaction-specific investment (asset specificity) are grounded on transaction cost theory, and tend to have influence on importer’s commitment to a foreign supplier (as shown in Figure 2.1) where some of factors are interrelated.

**Figure 2.1: Factors Derived from the Transaction Cost Theory and Their Impact on Commitment**



Source: Figure derived from the Transaction Cost Approach (Williamson; 1975, 1981, 1985, 1991)

These factors already have been addressed in commitment studies in different contexts. The theory, however, has so far, not been well regarded in investigating importer commitment. Therefore, the present study strives to relate the above theory base to investigate the effects of these factors on commitment to an import supplier.

### **Internationalisation Process Theory**

Internationalisation process theory (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) has received significant attention over the last three decades. Johanson and Wiedersheim-Paul (1975) posited that the psychic distance between the home and the “importer/host” is a critical factor in explaining the firm’s selection of foreign markets in which to pursue international business opportunities. They posited that firms initially target culturally similar markets to gain experience and then advance to psychically more distant markets.

Johanson and Vahlne (1977) refined earlier work on incremental internationalisation by formulating a dynamic theoretical base. They have argued that current business activities are the prime sources of experience. The model focuses on the gradual acquisition, integration, and use of knowledge about foreign markets and operations,

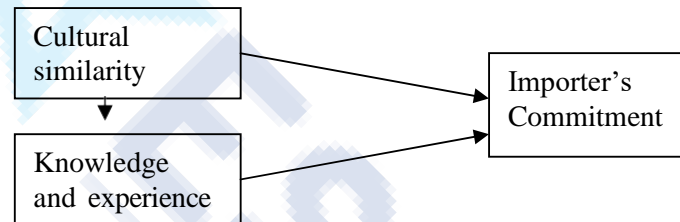
and on incrementally increasing commitments to foreign markets. Targeting culturally similar countries at the early stage of internationalisation can facilitate this knowledge acquisition process through easier and better communication and understanding. By gradually increasing knowledge, a firm gains experience in foreign business relationships (Blankenburg and Eriksson, 2000; Johanson and Vahlne, 1990) including relationships with the distributor (importer) and its customers through the distributor. This experiential knowledge of an exporter enhances its commitment to continue the relationship. It is worth noting that the relationship commitment is not a one way process. The exporter's objective of building market commitment through the distributor (importer) can not be achieved unless the other party intends to build and maintain the relationship. Though the theory so far has been widely regarded in explaining and fostering the outward operations of a firm (Karlsen *et al.*, 2003), a recent study (Skarmeas *et al.*, 2002) used this theory in explaining behaviour of the host side of the dyad. Skarmeas *et al.*'s study (2002) found that cultural sensitivity significantly influences importer commitment. Accordingly, as internationalisation process theory inferred, at the early stage of internationalisation of the firm, cultural similarity is an impetus to get easy access in the foreign markets and to understand and develop relationships with foreign actors. This suggests that the high degree of cultural similarity between importer and supplier may stimulate importer commitment to their supplier. However, the importer may extend its international business operation with suppliers from a distant culture with experience gathered in the initial stage. In a recent seminal paper, Johanson and Vahlne (2006) revisited their pioneering work on the internationalisation process and have changed their focus from "market commitment to relationship commitment" (p. 166). They proposed that "commitment is the dependent variable and experience is the independent variable" (p. 165) in the Internationalisation Process (IP) model. This has been explicitly focused on the outward operations of the firm for the past 25 years, but they have realised that a "similar process went also at the other end of the relationships constituting the business world" (p. 168). This acknowledgement of the importer's perspective in the IP model suggests that gathering knowledge and experience is equally important for an importer to build commitment to the supplier as it is important for an exporter to build 'market commitment'.

Williamson's (1985) transaction cost theory is used to explore the transaction between culturally similar markets (Amelung, 1994). It shows the reduction in



transaction cost and enhancement of relationships between partners through the learning, sharing knowledge and trust building process (Boyce, 2001). Further, from the resource-based view of the firm (Barney, 1991; Wernerfelt, 1984), knowledge and experience as intangible capabilities and competency create competitive advantage for the firm. This means a knowledgeable contract can facilitate the commitment relationship between/among partners. Consequently, the present study strives to investigate how cultural similarity interacts with knowledge and experience and influences the commitment relationship with an import supplier. Figure 2.2 illustrates that the factors such as knowledge and experience and cultural similarity have clear links with the internationalisation process theory to explain importer commitment.

**Figure 2.2: Factors Derived from the Internationalisation Process Theory as well as the Transaction Cost Theory and Their Impact on Commitment**



Source: Figure adopted from internationalisation theory (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) and transaction cost theory (Williamson, 1975, 1981, 1985)

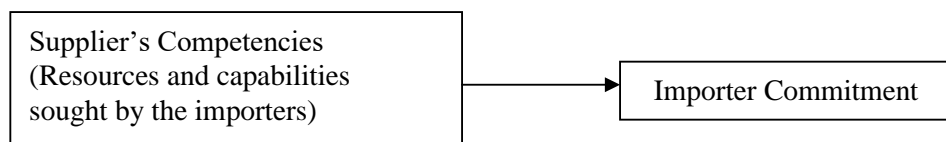
Further, looking at the conceptual and empirical literature, one can raise a logical question regarding why firms import rather than procure locally or produce themselves. While the classical economic theory provides answers to this question within a macro setting, it is not so clearly explored at a micro level. The relative cost advantage of the classical and neo-classical economic theory is based on the resource endowment of a nation, which in fact is not only a bundle of resources but also a competitive advantage created by firms for the nation (Porter, 1990).

From a micro perspective, every firm develops its resources and competencies to create competitive advantage. These capabilities could be developed by the firm internally and/or outsourced through strategic alliances (internalisation) and long-term supply contracts (arms length transaction) (Das and Teng, 2000). One supplier's resource competencies differentiate it from other suppliers which are normally considered by the importers to outsource its own competencies. The resource-based theory of the firm (Barney, 1991; Wernerfelt, 1984) states that the competitive

advantage of the firm is based on its control of tangible and intangible resources (assets, managerial attributes, information, and knowledge). Such resources influence firms to seek relative advantage in their buyer-seller relationships in a competitive market. The theory proposes that while both visible and invisible resources could be sources of a firm's competitive advantage, human capabilities in the form of knowledge and experience are also critical to superior performance (Barney, 1991; Prahalad and Hamel, 1990). Drawing on the resource-based view of the firm, researchers argued that suppliers' superior resources and capabilities (infrastructural and technological) are used to assess a supplier or alternative supplier selection (Masella and Rangone, 2000). More precisely, they argue that supplier resources and capabilities not only draw the attention of the buyer but also tie them in a long-term relationship. These resources and capabilities are considered as suppliers' competencies that help develop long-term collaborative relationships with the buyers (Humphreys *et al.*, 2001; Kotabe and Murray, 2004).

From an exporting perspective, Peng and York (2001) focused on the resource-based competitive advantage of the firm and suggested that by having competitively superior tangible and intangible resources, firms can seek better performance and advantages in their international operations. An exporting firm's competitive resources and competencies help to gain export success (Patterson, 2004) because these capabilities encourage the importing firm to maintain the relationship to benefit from those capabilities. This clearly indicates that resource-based competencies make the firm's offers attractive to importers who commit to the exporting firm to benefit from its resources. In other words, the importer tends to develop a long-term commitment to the supplier to improve their competitive capabilities based on the supplier's superior competencies. More precisely, the greater competencies of a supplier enhance importer commitment to that supplier. Thus, these logical inferences provide explanation to a supplier's competencies and its causal relationship with importer commitment as depicted in Figure 2.3.

**Figure 2.3: Factor Derived from the Literature related to Resource-Based View of the Firm**



Source: Figure derived from the relevant conceptual and empirical literature rooted in the resource-based theory of the firm.

In summary, theoretical developments describing transaction cost economics and the internationalisation process provide impetus for investigating the antecedents of commitment in an international context. The theoretical underpinning in terms of transaction cost theory suggests how factors such as communication, opportunism, trust, environmental volatility and asset specificity are likely to influence importer commitment. Further, among the identified antecedents, cultural similarity, and knowledge and experience are examined based on internationalisation process theory. However, knowledge and experience as intangible assets and supplier's competencies as tangible and intangible capabilities are likely to be considered from the resource-based perspective of the firm to explain importer commitment. Apart from this, the conceptual and empirical literature also suggests examining the impact of the supplier's competencies on importer commitment. The following section focuses on the literature of the allied streams of this research in general.

### **2.1.2 General Review of the Pertinent Directions**

The major focus of this section is to consolidate the empirical findings and conceptual foci that have assessed the importer-supplier relationship. Prior research has identified a number of antecedents of commitment in different contexts. In particular, the export performance literature (Julian, 2003; Katsikeas *et al.*, 1996; Richey and Myers, 2001), the export-import distinction literature (Katsikeas, 1998; Liang and Parkhe, 1997), the export-import behavior literature (Chetty and Eriksson, 2002) and distributor-supplier relationship literature (Coote *et al.*, 2003; Goodman and Dion, 2001; Kim, 2001; Kim and Oh, 2002; Ruyter *et al.*, 2001; Skarmeas *et al.*, 2002) provide the context and background for the present topic.

A systematic search for export literature reports commitment as a significant predictor of export performance. Nine recent studies (Beamish *et al.*, 1993; Cicic *et al.*, 2002; Dominguez and Zinn, 1994; Julian, 2003; Katsikeas *et al.*, 1996; Madsen, 1998; Richey and Myers, 2001; Styles and Ambler, 2000; Yip *et al.*, 2000) examined commitment and its impact on the buyer-seller relationship in the internationalisation process. All studies found strong positive impacts of exporter commitment on its consequences. Commitment may thus be a significant construct of long-term international buyer-seller relationships (Dominguez and Zinn, 1994). This indicates, in inverse direction, that importer commitment could be a strong dependent variable

in assessing international buyer-seller relationships because it is an indispensable part of the importer-exporter dyad.

In export-import distinction literature, Liang and Parkhe (1997) focused on contrasting situations of export and import studies and found that importer behaviour is a neglected stem in the internationalisation process. However, the importer's role is ever more dominant in consummating international transactions because they facilitate access for the import suppliers to enter the overseas buyer markets. The importer's incremental commitment in the internationalisation process may also lead importing firms to become more committed toward achieving greater efficiency in import management (Katsikeas, 1998). However, this conceptual argument has not been validated empirically.

In the context of export-import behaviour literature, Chetty and Eriksson (2002) examined the supplier-importer mutual commitment relationship and its antecedents and outcome. In exploring the supplier's perspective in the international context the study found some important predictors of mutual commitment in the buyer-seller relationship. Consequently, the importer's perspective is conspicuously absent and needs to be extended for a complete view of internationalisation analysis.

Some of the very recent studies have focused on distributor-supplier commitment relationship and its antecedents (Coote *et al.*, 2003; Goodman and Dion, 2001; Kim, 2001; Kim and Oh, 2002; Ruyter *et al.*, 2001; Skarmeas *et al.*, 2002). While all of these have a theoretical base as well as being empirical attempts to explain the causal relationship between/among the factors which have a significant impact on commitment, the importer's perspective still remains a largely ignored yet eminently potential area of analysis. These studies, however, show at least a specific direction in investigating importer commitment to a supplier. To specify the research gap and to explore the potential antecedents of commitment, the extensive review of the commitment studies (distributor-supplier/manufacturer, importer-supplier/exporter relationship) takes place in the section to follow.

### **2.1.3 Commitment Studies**

A systematic search of the academic literature has revealed 76 studies that are pertinent to buyer-seller commitment relationships indicating direct and/or indirect relationships. Among the 76 studies, seven studies are conceptual and the remaining

69 studies are empirical where 68 of them have scrutinised developed countries data. Sample responses vary from 39 to 844. Of these empirical studies, attempts have been made in 32 studies to (please see Appendix 1) explain commitment, either as a dependent variable (DV) or independent variable (IV). These 32 studies examined commitment in different varieties of buyer-seller relationships (such as distributor's commitment, mutual commitment, long-term commitment intention and dealer commitment, customer commitment and importer commitment), but none of them has exactly dealt with importer commitment to a specific foreign supplier. The other 44 studies indicate only remote relevance to the commitment relationship.

Table 2.1 reports (extracted from Appendix 1 and the frequency table in Appendix 2), out of 32 commitment studies, 26 of them examined commitment in the distributor-supplier/buyer-seller contexts and the other six studies examined commitment from other contexts. Among these studies, 12 studies examined commitment as both DV and IV in complex models.

**Table 2.1**  
**Studies Examined Commitment as DV and IV**

Variable	Studies	Freq uency
<b>Commitment as a Dependent Variable (DV)</b>		
DV-Distributor's commitment (only as DV) (Distributor-supplier/dealer-supplier/buyer-seller relationship/customer-supplier/importer-supplier commitment relationship)	uhmin (2002); Andaleeb (1996); Anderson & Weitz (1992); Bennett & Gabriel (2001); Coote et al. (2003); Geyskens et al (1996); Goodman & Dion (2001); Holm et al. (1996); Johnson et al. (2001); Kim (2001); Kim & Frazier (1997); Kim & Oh (2002); Kumar et al. (1995b); Kwon & Suh (2004); Miyamoto & Rexha (2004); Mohr et al. (1996); Moore (1998); Morgan & Hunt (1994); Rodríguez & Wilson (2002); Ruyter et al. (2001); Sharma & Patterson (2000); Siguaw et al. (1998); Skarmear et al.(2002); Walter & Ritter (2003); Wetzels et al. (1998); Zineldin & Jonsson (2000)	26
<b>Examining Commitment as an Explanatory Variable (IV)</b>		
IV-Commitment to the resellers (supplier)	Baker et al. (1999)	1
IV-Buyer's commitment to the supplier	Selnes (1998)	1
<b>Other Studies Examining Commitment as Dependent Variable (DV)</b>		
DV-Mutual relationship commitment	Chetty & Eriksson (2002); Holm et al. (1999)	2
DV-Long-term commitment Intention	Gundlach et al. (1995)	1
Manufacturer's (loyalty and calculative) commitment to the distributor	Gilliland and Bello (2002)	1
<b>Total Studies Examining Distributor's commitment either as Dependent Variable or Independent Variable</b>		<b>32</b>
Commitment as both DV and IV in complex models	Anderson & Weitz, 1992; Chetty & Eriksson, 2002; Holm et al., 1996; Holm et al., 1999; Johnson et al., 2001; Kim & Oh (2002); Miyamoto & Rexha, 2004; Ruyter et al., 2001; Siguaw et al., 1998; Skarmear et al., 2002; Walter & Ritter, 2003; Wetzels et al., 1998	12

At the bottom of Appendix 1 and the summarised frequency table in Appendix 2 show that while 26 commitment studies tested a total of 69 IVs to explain distributor commitment, a positive relationship was found for 44 of these IVs, no significant relationship was found for 13 IVs, a negative relationship was found for three and mixed relationships were found (in different perspectives) for nine IVs. Out of the other six studies, two studies (Baker *et al.*, 1999; Selnes, 1998) examined buyer's commitment as an explanatory variable (IV) and compound positive relationships in both studies. However, two studies (Chetty and Eriksson, 2002; Holm *et al.*, 1999) looked at mutual commitment relationships, one study (Gundlach *et al.*, 1995) investigated long-term commitment intention, and the other study (Gilliland and Bello, 2002) examined manufacturer's loyalty commitment as the dependent variable with a total of ten additional independent variables (not included in 69 IVs). They found seven positive, two negative and another non significant relationships. However, two studies (Chetty and Eriksson, 2002; Holm *et al.*, 1999) examined mutual commitment as both DV and IV in their research model and revealed all positive relationships except with one variable. The positive and negative antecedents to commitment and antecedents with no significant relationship with commitment are summarized in Appendix 2 including their references.

As reported in Appendix 2, 14 studies have investigated commitment as an explanatory variable to explain several other criteria variables such as manufacturer's perception of the distributor commitment, relationship profitability, mutual dependence, customer/buyer trust, intention to stay, satisfaction, and relationship performance. Commitment was examined both as dependent and independent variable in 12 of these 14 studies and only as an independent variable in two studies. The empirical result of these studies revealed commitment as a significant predictor of these DVs – positive effect was reported in 12 of these studies but negative effect was reported in one study.

Table 2.1 further shows, twelve studies examined distributor/buyer commitment simultaneously as DV and IV in their research models. These studies found that while commitment has a positive effect on some variables (relationship performance and satisfaction with financial performance and many others), it is also explained by a

number of other IVs (such as distributor perception, bilateral communication, supplier control, distributor dependence, long-term orientation etc.).

The appendix 2 presents a frequency distribution of the variables. Among the 69 explanatory variables of (buyer-seller or distributor-supplier) commitment tested in 26 studies, only 15 variables (distributor trust, communication, asset specificity, opportunistic behaviour, supplier trustworthiness, distributor dependence, buyer/customer dependence on supplier, satisfaction with supplier, interdependence in a distribution channel, cooperation, relationship benefits, shared values, relationship termination costs, interdependence asymmetry, and satisfaction) have been appraised in more than one study. In addition, out of 69 explanatory variables, distributor's/buyer's trust has been examined in 15 studies (detailed in Section 2.2.6) as a predictor of distributor commitment. While 12 of these studies found a positive impact, two (Moore, 1998; Siguaw *et al.*, 1998) reported no significant relationship and one (Geyskens *et al.*, 1996) found a mixed relationship. The contrasting situation across studies for the above variable needs further validation in another context.

Among the other variables, communication has been investigated in six studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim and Frazier, 1997; Mohr *et al.*, 1996; Moore, 1998; Zineldin and Jonsson, 2000) as a determinant of distributor/buyer commitment and all but one study (Moore, 1998) uncovered significant positive relationships. Similarly, transaction-specific investment has been examined in six studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002; Skarmeas *et al.*, 2002) as a predictor of distributor commitment and all revealed a positive relationship. Three studies enquired about opportunism as an explanatory variable of distributor commitment and reported mixed results – a positive relationship in one study (Zineldin and Jonsson, 2000), no significant relationship in the other (Moore, 1998), while a negative relationship in one study (Skarmeas *et al.*, 2002). These contradictory findings for opportunism in interfirm relations need further validation to reveal its real impact.

In addition, supplier trustworthiness (Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002), satisfaction with supplier (Abdul-Muhmin, 2002; Johnson *et al.*, 2001; Sharma and Patterson, 2000), interdependence in a distribution channel (Geyskens *et*

*al.*, 1996; Kim and Oh, 2002; Kumar *et al.*, 1995b) and distributor dependence on supplier (Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997) have been examined as determinants of distributor commitment in three studies each and positive relationships have been reported for each of the variables.

Nevertheless, five variables such as cooperation (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000), shared values (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000), relationship termination costs (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000), and satisfaction (Wetzels *et al.*, 1998; Zineldin and Jonsson, 2000) have been used as determinants of distributor/buyer commitment in two studies each and all found positive impact on the DV. Three other variables, interdependence asymmetry (Geyskens *et al.*, 1996; Kumar *et al.*, 1995b), relationship benefits (Moore, 1998; Morgan and Hunt, 1994) and buyer/customer dependence on supplier (Andaleeb, 1996; Wetzels *et al.*, 1998) have been used as predictors of distributor commitment in two studies each and mixed relationships have been reported.

As can be seen in Appendix 2, the reviewed studies have also investigated 34 other interrelated DVs and 76 IVs that explained some of the explanatory variables of commitment. This indicates that some of those variables have an indirect relationship with distributor commitment. This brief review also shows that while commitment has been regarded widely in different relationship contexts, to date there has been no clear attempt to examine this with regards to importer commitment. The review of the theoretical bases and main stream commitment studies also clearly suggest that eight driving factors of commitment could be included in an extensive model. The next section incorporates all the above directions together with other different supportive streams.



## **2.2 Literature Related to the Antecedents of Commitment**

Based on the discussion of theoretical foundation in section 2.1.1 and a comprehensive review of the academic literature pertinent to commitment and buyer-seller relationships discussed in section 2.1.3, eight variables have been identified for further investigation. This section reviews the literature pertinent to these variables toward getting further empirical and conceptual support from related academic literature.

### **2.2.1 Cultural Similarity**

Cultural similarity refers to the cultural closeness that reduces cultural barriers and that achieves a greater degree of closeness (Swift, 1999). The review of the relevant literature shows that very few studies have examined cultural similarity and its impact on commitment relationships with partners in the international exchange processes in general and importer commitment in particular.

For the present context, six studies provide the relational path toward investigating cultural similarity and its impact on importer commitment. Kraft and Chung (1992) investigated Korean importer perceptions of both American and Japanese industrial product suppliers to reveal any impact of culture in international business relationships. It was proposed that Korean importers would prefer to buy from suppliers with a similar culture (e.g. Japanese) rather than from suppliers with dissimilar culture (e.g. the US). The research explored that culturally similar (Japanese) suppliers were rated more favourably than their counterparts from a dissimilar culture (the US) on almost all dimensions of variables in three product categories. This suggests that cultural similarity has a strong impact on the importer-supplier relationship and deserves careful consideration in developing effective marketing strategies. The cultural implication of this study supports the Hawrysh and Zaichkowsky (1990) study which focuses on how Korean managers perceived Japanese business negotiation processes in the international context as culturally more similar than that of Americans. Lin and Miller (2003) likewise lend support for the contention that cultural preferences for negotiation approaches have an impact on their commitment relationship.

Swift's (1999) study attempted to find whether cultural closeness is a determinant of psychic closeness in a different international context. Using 20 cultural elements, the higher mean score indicates greater perceived cultural similarity between the overseas market and the United Kingdom. Among the top five markets, Germany emerges with the closest and Saudi Arabia scored the lowest. The result of this study suggests that cultural closeness (similarity) is a contributory element of psychic closeness. No other study so far has validated this finding. Conway and Swift (2000) conceptualised a negative relationship between psychic distance and commitment, trust, and communication. They proposed that the causes of success of relationship commitment are heavily dependent on the level of psychic distance. They argued that higher psychic distance required greater time and effort in order to develop a successful business relationship. Therefore, the greater the degree of cultural similarity between partners in international business, the greater the degree of understanding between them, and the higher the commitment. This implies that a high degree of psychic closeness is beneficial to the establishment of good business relationships and commitment. The indicated impact of cultural similarity of the above study supports Kanter and Corn's (1994) pilot study in terms of cross cultural business relationship success. However, the above findings need to be tested empirically in another perspective.

Evans and Mavondo (2002) investigated the impact of cultural distance on organisational performance. The empirical findings of this study did not support their predicted positive outcome. In terms of business relationships, however, they argued that managers may find a culturally similar market and may consider the cultural impact on it. This indicates that cultural similarity may have some positive impacts on partner commitment if not also on organisational performance. Therefore, buying firms may be more committed to the supplier of a culturally similar market.

From the international joint venture (IJV) perspective, Fenwick *et al.* (2003) focused on cultural similarity and its impact on IJVs. They argue that in order to minimise risk, firms often invest in markets that are similar to their culture. For example, Australian manufacturers have preferred to base their foreign investments in the UK

mainly due to perceived cultural similarity to the Australian culture (Edwards and Buckley, 1998). This lends empirical support to Li and Guisinger's (1991) study which found that US affiliates whose foreign partners are from culturally similar countries are more likely to succeed than those that are culturally dissimilar. In contrast to these studies, Ali (1995) and Sim and Ali (1998) did not find significant support for the proposed relationship between psychic distance and international joint venture performance in a developing country context. The measurement of the variable was pointed out as possible reason for the inconclusive result (Evans and Mavondo, 2002). However, at one stage, they argue that cultural similarities facilitate trust and cooperation in their relationship, which indicates its impact on commitment in their relationship.

In the ethnocentric literature, numerous studies have explored the cultural effect on international buyer-seller relationships. Watson and Wright (2000) posited that ethnocentric consumers have more favourable attitudes toward products imported from culturally similar countries than dissimilar countries. The result suggests that cultural similarity is an important consideration for highly ethnocentric consumers in the evaluation of foreign products. The study, however, supports Herche's (1994) arguments of cultural similarities and its effects on ethnocentric tendencies in import purchase behaviour. In addition, Heslop *et al.* (1998) suggest that preferred products are those which are viewed as being from culturally similar countries than culturally dissimilar countries. This is also a motivation for a market driven importer to be committed to a supplier from a similar culture as a source of competitive advantage. These findings need to be further validated in different contexts. Thus, the present study attempts to investigate the impact of cultural similarity on an importer's commitment to a specific import supplier. In sum, the above review indicates that as one of the antecedents of commitment, cultural similarity has some support in investigating its impact on commitment.

### 2.2.2 Knowledge and Experience

Internationalisation process theory (Johanson and Vahlne, 1977) has been widely embraced in explaining export market knowledge and its impact on commitment (Anderson, 1993; Yli-Renko *et al.*, 2002; Zou and Stan, 1998). The internationalisation process studies already include import (inward) oriented activities (Karlsen *et al.*, 2003) because it is just another side of the international business dyad which plays a significant preparatory role in the export process (Welch and Luostarinen, 1993).

As Appendices 1 and 2 illustrate, one study (Chetty and Eriksson, 2002) asserts a direct link in examining the impact of knowledge and experience on commitment to the foreign partner. They showed that experiential knowledge of a firm influences mutual relationship commitment, which then influences experiential knowledge in a cycle. This supports Buckley and Casson's (1988) argument that commitment is both an input and output in a relationship context. While Chetty and Eriksson's study (2002) was precise in investigating the impact of supplier's knowledge on commitment in the supplier-importer relationship. This in turn, implies the importance of the effects on the importer commitment relationship and so will be worthwhile to investigate.

The other three pertinent reviewed studies extend support from different contexts to investigate the factors such as knowledge and experience and its impact on importer commitment. In internationalisation process research, Eriksson *et al.* (1997) found support in terms of both foreign business knowledge and institutional knowledge, which in turn, influences the perceived cost of internationalisation. This perceived cost is associated with an incremental market commitment. As the firm gathers knowledge about the market, it gradually increases its commitment to that market. The study conceptualised that knowledge of particular market triggers greater commitment to the exchange relationship. The incremental internationalisation commitment has been used to measure perceived cost in terms of market seeking, customer seeking, and their helping attitude. In brief, the result shows that a lack of internationalisation knowledge has a strong impact on the perceived high cost of internationalisation because experiential knowledge reduces that cost and may encourage maintaining commitment. This might be applicable for an importer to be

more knowledgeable about the market, products and techniques which may encourage them to be more committed to their supplier.

In inward-outward connection studies, Karlsen *et al.* (2003) focus on a case study to develop a framework and show that the internationalisation process integrates inward (import) and outward (export) activities that are influenced by knowledge of internationalisation. The study attempts to bridge import and export through an exploration of effect of knowledge in the context of connection between inward and outward international operations. This operation explains movement from one stage to another stage of the internationalisation process. They argue that knowledge of internationalisation of the firm is an input of import activities which generate output activities e.g. effective export operations. It establishes that knowledge is both an input and output in the internationalisation process. Accordingly, gradual increasing knowledge about the foreign market and the relationship with the foreign supplier leads to an increased commitment to that market and foreign suppliers as well. The study additionally supports Welch and Luostarinen's (1993) view that inward steps can play a significant preparatory role in international outward operations. They further argue that even before the buyer-seller relationships are established, a buyer that is committed to prospective internationalisation ought to assess suppliers for the enhancement of the process. This suggests that the knowledge competency of an importer helps the importing firm to evaluate the supplier and to be more committed to them (suppliers).

From a different perspective, Katsikeas and Dalgic (1995) scrutinised the importing problems experienced by UK distributors. Their empirical findings reveal that regular importers are more knowledgeable and experienced, and are likely to perceive less uncertainty in their relationships. They additionally found that the level of import development is positively related to the perception of import knowledge and experience. This may imply that a long-term import relationship with a supplier increases knowledge and experience which in turn, reduces uncertainty and motivates commitment to the import supplier.

In brief, the reviewed studies provide support for the view that knowledge and experience has an impact on commitment to an import supplier. Knowledgeable importers are likely to continue the commitment relationship to gain more advantage from the supply market.

### **2.2.3 Supplier's Competencies**

A brief review of the relevant literature shows that no specific attempt so far has been made to investigate the impact of supplier's competencies on importer commitment to an import supplier. Among the reviewed studies, three empirical and three conceptual studies show coherency and explore the impact of supplier's competencies on the business/commitment relationship. Lau (2002) examined the relative importance of nine resource-based capabilities and their correlations with performance measures in the global market, and found some support where buyers are considering relative economic competency. The result suggests that there is a need to explore firms' emerging resources to achieve sustainable competitive advantage in the international market. This suggests that importers are more likely to seek superior capabilities from the supply market and consequently a rent-seeking importer may build a long-term commitment to the supplier who provides better relative advantage than other suppliers.

In addition, two conceptual papers have addressed the impact of supplier capabilities and competencies on the buyer-seller relationship. Lau and Hurley (1997) argued that both Japanese and US manufacturers have reaped profitable rewards by developing strategic supplier relationships and proposed that a long-term cooperative buyer-seller relationship is positively related to the competitive advantage and competency of the firm. This may indicate that the competitive advantages resulting from importing from the specific supplier can contribute to the buyer-seller relationship by tying buyers with the firm in a long-term commitment. Morgan and Hunt (1999) also enhanced the understanding of relationship-based competitive advantage and proposed that relationship marketing should only be adopted when it offers superior capabilities to a firm. They inferred that firms engage in (commitment) relationships when compatible partners are identified, and whose complementary resources provide competitive advantages. This suggests that suppliers who offer competitive competency may influence an importer's commitment to establish a long-term relationship for success.

Moreover, Masella and Rangone (2000) proposed a contingent approach to support purchasing management in designing suitable vendor selection systems for different types of purchaser-supplier cooperative relationships. Out of two derived criteria for vendor selection, one criterion views a company as a set of tangible and intangible resources. That resource capability influences a potential buyer to evaluate the relative advantage and performance of alternative suppliers. This demonstrates that purchasing firms strive to seek competitive advantage in their cooperative relationship with suppliers. The study is close to Min's (1994) argument of an international supplier selection approach where the international supplier selection decision involves a large number of closely interrelated factors simply termed as 'supplier's capabilities'. These capabilities, in turn, are considered as a relative advantage of importing for the importer/buyer, which influence the importer's commitment to maintain long-term relationship with the supplier. Though the last two studies (Masella and Rangone, 2000; Morgan and Hunt, 1999) have a strong conceptual and theoretical basis, these were not tested empirically in any subsequent study. However, in one empirical study, Shahadat (2003) examined how suppliers' capabilities are scrutinised by importing agencies in a developing country context as their supplier selection criteria. The study found that 14 supplier capabilities and competencies are ranked in the supplier selection process where price, timely delivery, sufficient financial capacity to do work, reliable quality, and regularly meets quality specifications are the five most ranked supplier capabilities. These capabilities (criteria) have also been appraised in Karande, *et al.*'s (1999) study where they focused on industrial buyers to evaluate suppliers. The findings revealed that purchasing managers from private sectors placed significant emphasis on economic and other competencies such as better warranties, competitive prices, delivery service, technical ability and knowledge, technical services etc. This may indicate that these capabilities are not only assessed in selecting suppliers but also likely to be considered by the importer in developing continuing supplier relationship toward building its competencies.

Researchers also focused on global sourcing strategy and sustainable competitive advantage (Kotabe and Murray, 2004) and contend that the sourcing decision depends

on the interplay between their competitive advantage and the comparative advantage of various sourcing areas for long-term success. However, source (supplier's) resource capabilities can generate sustainable competitive advantage in the buyer-seller relationship. Thus, buyers are likely to be increasingly outsourced to gain access to suppliers' capabilities (Barney, 1997; Das and Teng, 2000). These resource capabilities offer competitive advantage in the global market, and buyers strive to seek this relative advantage through outsourcing from the capable suppliers. This inference of relative advantage of outsourcing could be examined on the import side when investigating the impact of supplier's resource competencies on importer commitment.

In the buyer-supplier collaborative relationship studies, Humphreys *et al.* (2001) attest that it is essential for the suppliers to gain competitive advantage in international markets in terms of their resource capabilities and their ability to share risk. The result proclaims that suppliers' resource competency, problem solving capability and logistics are the most significant factors required by the buyers when a collaborative relationship existed with their strategic supplier. This, in fact, intimates that suppliers' resource capabilities and competencies can differentiate them in the supply market in providing competitive advantage. As a result, the buying firm will be more committed to the supplying firm based on their relative competencies.

In sum, in terms of commitment relationship and links, this review provides an impetus to investigate the impact of supplier's resource competencies on commitment to an import supplier. Thus, the supplier's resource competencies may encourage the importer to maintain a long-term relationship.



#### 2.2.4 Communication

Communication of information is an important aspect of assessing buyer-seller relationship behaviour (Mohr and Sohi, 1995). The idea underlying information exchange is related closely to the concept of communication, which has a significant impact on commitment (Mohr and Nevin, 1990).

Communication is defined as the extent to which the partners of the exchange relationship engage in the obvious and unrestricted sharing of information as they work towards overcoming the obstructions as well as achieving the goal of success (Anderson and Weitz, 1992; Anderson and Narus, 1990; Selnes, 1998). Easy and open communication helps exchange partners to share unavoidable situations which go toward enhancing effective channel relationships (LaBahn and Harich, 1997). Cannon and Perreault Jr. (1999) argue that when communication/information is impacted, market failure is more likely. This is also a prerequisite for building trust (Morgan and Hunt, 1994; Selnes, 1998) and commitment (Anderson and Weitz, 1992; Zineldin and Jonsson, 2000) in the buyer-seller relationship.

The review of the literature which is summarised in Appendices 1, 2 and in Table 2.2 shows six studies that have examined communication (including collaborative communication) as an explanatory variable of commitment. All of these, except one (Moore, 1998), have revealed its positive significant impact on distributor/buyer commitment. However, as Table 2.2 reports, while five studies have found communication as predictor of distributor trust in the buyer-seller commitment relationships, three of these (Coote *et al.*, 2003; Morgan and Hunt, 1994; Selnes, 1998) produced positive findings, one study (Zineldin and Jonsson, 2000) was negative and one study (Moore, 1998) found no significant relationship between communication and trust. Moore (1998) investigated communication as a determinant of trust and commitment and found contrasting negative results in both cases. These findings have not been validated in any other subsequent context.

**Table 2.2**  
**Studies Examining Communication**

Communication as Independent Variable (IV)	Dependent Variable (DV)	Frequency
	(DV) Commitment: (Anderson & Weitz, 1992; Goodman & Dion, 2001; Kim & Frazier, 1997; Mohr et al., 1996; Zineldin & Jonsson, 2000; <b>Moore, 1998</b> )	6
	(DV) Trust: (Coote et al., 2003; Morgan & Hunt, 1994; Selnes, 1998; Zineldin & Jonsson, 2000; <b>Moore, 1998</b> )	5

Note: The boldfaced study did not find significant result.

In regard to communication as a determinant of commitment, four other allied studies have been reviewed. Among these, Mohr and Nevin (1990) asserted a theoretical perspective (not included in commitment studies/Appendix 1) of communication and conceptualised that communication strategy is the use of a combination of four facets (frequency, direction, modality, and content) which has a strong impact on commitment as one of the qualitative channel outcomes. The posited relationship of this study has not been tested empirically. However, a similar communication direction was investigated by Mohr *et al.* (1996). They examined the effects of collaborative communication (four facets of communication such as frequency, bidirectional, formal, and noncoercive) on commitment as one of the channel outcomes and found some moderating effects of integration and control. While the result shows that collaborative communication has a positive significant effect on commitment, it is also moderated by manufacturers' control. This may suggest that dealers are more satisfied and committed to the relationship in a situation where there is a high level of collaborative communication.

LaBahn and Harich (1997) investigated the impact of communication on conflict and performance in the international buyer-supplier relationship. From the distributor's perspective, strong support is evidenced for the hypothesised positive relationship between communication and performance, but no significant support was found for the predicted negative relationship between communication and conflict. Most importantly, channel members' sensitivity to business culture was shown to increase communication which, in turn, influenced channel relationship performance from both the manufacturer and distributor perspective.

Mohr and Sohi (1995) examined communication flows and their impact on satisfaction in the dealer-supplier relationship. The study on US computer dealers tested the model of distribution channel relationship and found that a norm of information sharing is a significant predictor of communication frequency and bi-directionality. It was revealed that while communication frequency is a significant predictor of communication quality, it is also in turn is a significant determinant of satisfaction in the dealer-manufacturer relationship.

From a distributor-manufacturer working partnership perspective, Anderson and Narus (1990) estimated correlations from both the distributor firm perspective and manufacturer firm perspective and built up significant support for the posited relationship between communication and trust. While the structural equation model shows a direct relational path from communication to trust which is evident in the manufacturer perspective, it is indirect in the distributor context. The findings imply that communication is a strong predictor of trust in the buyer-seller relationship from both regards. This is additionally supported by findings of Aulakh *et al.* (1996) which indicate that the existence of bilateral norms of continuity expectations, and information exchange (communication) in international partnerships lead to greater trust in channel relationships.

In order to expand the discussion of communication studies, some of the studies employed communication as an explanatory variable of commitment and some of them used it as predictor of trust. However, one study (Zineldin and Jonsson, 2000) has shown communication as an independent variable of commitment and trust, and formulated positive significant relationships for both. The findings of this study are supported by Jonsson and Zineldin's study (2003) where they contend that communication is a significant determinant for building trust and developing enduring commitment to a relationship. This suggests that communication has an impact on both trust and commitment in the buyer-seller relationship. To validate these findings, it would be appropriate to include communication as one of the possible explanatory variables of trust and commitment from an import supplier perspective.

### 2.2.5 Opportunism

Williamson (1975, 6) defined opportunism as “self-interest seeking with guile.” A person usually acts to further his/her own self-interest (Aubert and Weber, 2001). The contractual gap that may arise from one or both parties to any transaction is an incentive to behave opportunistically which increases the costs of transaction or reduces the revenues (Williamson, 1985). This manifests itself when conflict arises from contractual incompleteness; someone wanting not to do what he/she promises is termed ‘opportunism’. Opportunism has a negative impact on commitment relationship with the partners because “contractual” people try to interpret vague contingencies in their own favour (Williamson, 1985).

As discussed earlier and summarised in Appendix 2, while three studies (Moore, 1998; Skarmeas *et al.*, 2002; Zineldin and Jonsson, 2000) tested opportunism as an explanatory variable of distributor commitment, others examined it as an explanatory variable of long-term commitment intention (Gundlach *et al.*, 1995) and distributor trust (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000). All studies expressed a negative relationship with the dependent variables indicating that a less committed party enjoys an advantage over a more committed partner in both the long and short terms (Gundlach *et al.*, 1995) and a partner’s opportunistic behaviour reduces trust in their relationship (Morgan and Hunt, 1994). The exception being the study by Zineldin and Jonsson (2000) which found a contrasting positive relationship between opportunism and distributor trust.

From the different perspectives, three studies elucidate links to examine supplier opportunism in the present context. In terms of dependence and opportunism, the researcher perceived a negative relationship between these two and pointed out that in the absence of a symmetric dependence, an individual party can behave opportunistically (Heide, 1994). This may indicate that the buyer’s dependence on the supplier is likely to increase the chance of supplier’s opportunism and as a result may decrease buyer’s commitment to the supplier (Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997). Other researchers found that buyer dependence and

supplier opportunism are negatively related, although this relationship is moderated by high relational norms (Joshi and Arnold, 1997). The study also revealed that supplier opportunism is significantly negatively correlated with buyer commitment. Similarly, Skarmeas *et al.* (2002) have examined the relationship between opportunistic behaviour and importer commitment and reported a negative relationship.

By contrast, one study (John, 1984) investigated some antecedents of opportunism in a marketing channel. The main purpose of this study was to develop an understanding of the reasons for opportunistic behaviour emerging in inter-firm exchange. The results reveal that opportunism is an endogenous factor determined by attitudes and inter-organisational structure. The implications, in turn, for transaction costs analysis simply assumes that individuals behave opportunistically to the extent that such behaviour is feasible and profitable. Thus, it suggests that long-run relationships are vulnerable and are less effective in such opportunistic situations. This means that opportunism is a more complex behavioural concept which has a negative impact on buyer-seller long-term relationships.

Briefly, the above review as it relates to opportunistic behaviour provides the basis to examine its impact on importer commitment to an import supplier.

## 2.2.6 Trust

The concept of trust is viewed often in transaction cost economics as well as in economic exchange. The same theory based concept has been used in organisational literature to suggest that confidence on the part of the trusting party results from the firm's belief that the trustworthy party is reliable and has high integrity (Morgan and Hunt, 1994). Achrol (1991) argued that organisational interrelationships are driven by relational factors such as norms of commitment which are based on trust.

Trust is defined as one party's belief that its needs will be fulfilled in the future by actions taken by the other party (Anderson and Weitz, 1989). Trust exists when one party has confidence in the reliability and integrity of the exchange partner (Morgan and Hunt, 1994). Rotter (1967) explained trust as one of the most salient factors of social organisation which is the willingness of one or more individuals in a social unit to trust others. Morgan and Hunt (1994) characterised trust as one party's confidence in an exchange partner's reliability and integrity, while Moorman *et al.* (1993) defined trust as a willingness to rely on an exchange partner in whom one has confidence. In brief, the literature has depicted trust as a multi-dimensional construct including reliability, integrity, honesty and truthfulness, openness, trustworthiness and confidence (Coote *et al.*, 2003; Mavondo and Rodrigo, 2001).

The reviewed commitment literature summarised in Appendix 1 and 2, shows that trust has emerged as a multi-dimensional construct in explaining buyer-seller relationships. A number of studies have examined trust simultaneously as an explanatory variable and criteria variable. As summarised in Table 2.3, 15 studies have used trust as an explanatory variable of buyer/distributor commitment and found a significant positive relationship in 12 of those studies. While no significant relationship was found in two studies, one reported mixed results. Furthermore, 24 other explanatory variables explained trust (as DV) in eleven studies where nine studies employed trust as an intervening variable in commitment studies. In various ways, however, ten studies handled trust as both DV and IV. This reflects that trust is a multidimensional construct which can explain other variables (such as commitment) but is also explained by other variables in the buyer-seller commitment studies. This may imply that trust as a construct has a potential to be used as an explanatory variable of importer's commitment which may also be explained by other potential discerned factors in the framework.

**Table 2.3**  
**Studies Examining Trust as DV, IV and Interrelated IV in Commitment Studies**

	Studies	Frequency
Trust as an independent variable (IV) of commitment (DV)	<b>Positive:</b> Andaleeb (1996); Bennett and Gabriel (2001); Coote et al. (2003); Goodman & Dion (2001); Kwon & Suh (2004); Morgan & Hunt (1994); Rodríguez & Wilson (2002); Ruyter et al. (2001); Sharma & Patterson (2000); Walter & Ritter (2003); Wetzels et al. (1998); Zineldin & Jonsson (2000).	12
	<b>Non-significant:</b> Moore (1998); Siguaw et al. (1998);	2
	<b>Mixed result:</b> Geyskens et al. (1996);	1
Trust as dependent variable (DV) in commitment studies	Coote et al. (2003); Kumar et al. (1995b); Kwon & Suh (2004); Moore (1998); Morgan & Hunt (1994); Rodríguez and Wilson (2002); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Walter & Ritter (2003); Zineldin & Jonsson (2000)	11
Trust as an interrelated independent variable in commitment studies	Andaleeb (1996); Baker et al. (1999); Bennett and Gabriel (2001); Kim (2001); Moore (1998); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Walter & Ritter (2003)	9
Trust as both DV and IV	Coote et al. (2003); Kwon & Suh (2004); Moore (1998); Morgan & Hunt (1994); Rodríguez and Wilson (2002); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Walter & Ritter (2003); Zineldin & Jonsson (2000)	10

It is seen from a systematic review of academic buyer-seller relationship literature that nine other studies (not included in commitment studies or Table 2.3) have examined trust from different viewpoints. Claro *et al.* (2003) have investigated the determinants of relational governance for managing business relationships. They revealed that a high level of inter-organisational trust is positively related to the relational governance and joint problem solving in business relationships. This confirms the relevance of trust underlined in previous studies (Bhattacharya and Devinney, 1998; Zaheer and Venkatraman, 1995). Similarly, Doney and Cannon (1997) find several antecedents of trust and examined the impact of trust on a buyer's future purchasing intentions. They found that the buying firm's trust of the supplier firm has a positive effect on their relationship, which influences the buyer's anticipated future interaction with the supplier.

In addition, Aulakh *et al.* (1996) have developed a model of antecedents of trust and performance in international distributor and licensing relationships. The empirical findings support the bilateral norm of continuity expectation and information exchange which have significant impacts on distributor trust. The continuity expectation is interpreted as a buyer's willingness to stay with the same supplier which is a signal of commitment and trustworthiness. However, in turn, the result

negates the posited positive influence between trust and performance which also opposes extant empirical findings conducted in the intra and inter-organisational context (Robicheaux and Coleman, 1994). The findings of this study so far have not been validated in any further studies. By contrast, Dyer and Chu (2000) examined the antecedents of supplier trust in a buyer (supplier-automaker) seller relationship. In the pooled sample of two countries, the result shows significant support for supplier trust when the buyer has a track record of continuity in their relationship. Continuity is however explained as commitment to the relationship (Anderson and Weitz, 1992).

In examining trust and its impact on the selling partner relationship, Smith and Barclay (1997) have put forward that trusting behaviour has a greater effect on perceived task performance than on their mutual satisfaction. However, the dimensions (mutual perceived trustworthiness and mutual trusting behaviour) of trustworthiness have both direct and indirect effects on partner's satisfaction. In the context of satisfaction in the dealer-supplier long-term working relationship, Jonsson and Zineldin (2003) found there to be an impact of high trust and high commitment on achieving high satisfaction. The result adds to suggestions that trust and commitment are the critical predictors in assessing high and low satisfaction in long-term relationships.

From a different perspective, however, Johnson *et al.* (1996b) investigated the formation and outcome of trust in international cooperative alliances and found support for trust having a significant impact on outcome. They explain that the greater the degree of a firm's trust in its partner the more positive will be the effect on its strategic integration in the alliance. Similarly, Nooteboom *et al.* (1997) tested the effect of trust on risk perceived by agents of firms in alliances. The hypothesised relationship of trust, induced by institutionalisation and habitualisation has a significant negative effect on the risk of probability of loss. The study confirms earlier findings of a negative impact of trust on a partner's perceived dependence (Berger *et al.*, 1995). This suggests that higher trust reduces risk and dependence in their relationship which, in turn, has a positive impact on the buyer-seller relationship.

Boersma *et al.* (2003) focused on trust in international joint venture relationships. The conceptual model of the study implies that trust has a positive effect on international



joint venture performance. Personal contact, reputation and exchange are the inputs of trust which shifts from perceived self-interest towards commitment for long-term success. This indicates that trust is affiliated with some predictor variables and output variable(s) in international business.

The above review clearly reveals that trust is a critical construct in assessing international business relationships. It can be concluded that trust plays a role as an input and output in the buyer-seller relationship. In addition, as the commitment studies indicate, trust is a significant predictor of buyer/distributor commitment. But the findings of the above studies have so far not been validated in a specific context for example, in a developing country's importer commitment context.

### **2.2.7 Transaction-Specific Investment**

As Williamson (1975) asserts, when the value of an asset has been attached to a specific transaction or a transaction involves assets that are specific to a particular transaction then it is referred to as a transaction-specific investment (Klein *et al.*, 1978). This investment is idiosyncratic as well as non-redeployable; it is specialised and unique to a task and it sustains its value only to that specific exchange (Williamson, 1985). In regards to specificity, Williamson (1985, 53) explicitly mentions that, "transactions that are supported by durable, transaction-specific assets experience 'lock in' effects, on which account autonomous trading will usually be supplanted by unified ownership." Accordingly the above view of transaction-specific investment (TSI)/asset specificity has been used extensively to find its effect on the buyer-seller commitment relationship.

As focused on in section 2.1.3 and summarised in Appendix 2, six buyer-seller commitment related studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002; Skarmeas *et al.*, 2002) have found an unanimous positive significant relationship between transaction-specific investment and distributor commitment (including importer commitment). Consequently, distributors' or importers' transaction-specific investments tie them to a relational path and they are compelled to commit for long-term success. Since all these studies were conducted in developed country contexts, this could be tested in a

developing country context for further validation and facilitate generalisability of the findings.

Other eight studies are found to be relevant to the present study. Buvik and Andersen (2002) found that under conditions of substantial asset specificity, vertical coordination is more effective to reduce *ex post* transactions cost significantly in international buyer-seller relationships. This supports the finding of Klein *et al.* (1990) that transaction-specific investment has a positive relationship with channel integration in a foreign market. In addition, Heide and John (1988) investigated how transaction-specific assets in exchange relationships are safeguarded. Their findings suggest that transaction-specific investment by channel members can be safeguarded by offsetting investment. This indicates that buyers are more likely to seek safeguards in their specific investment and hence will be more committed to the partner. Similarly, Ganesan (1994) appraised how trust and dependence play a key role in determining the long-term orientation of both retail buyers and their vendors. Among the antecedents identified in the conceptual model, transaction-specific investment is seen as a sign of dependence that plays an important role in determining a long-term orientation. The result reveals that retail buyer's transaction-specific investment has a positive impact on retailer's dependence on a vendor, which in turn influence retailer's long-term orientation. However, a long-term orientation further influences buyer's commitment to the supplier (Kim and Oh, 2002).

From the seller's perspective, Lohtia and Krapfel (1994) found a positive relationship between performance outcomes and the buyer's perception of transaction-specific investment (made by the seller). The result of this study additionally supports the findings of Anderson and Weitz (1992) that transaction-specific investments by a manufacturer and distributor act as potent pledges in the channel relationship, which has a positive impact on their willingness to continue the relationship with the buyer.

From the service firm's view, Erramilli and Rao (1993) focused on the relationship between asset specificity and the service firms' propensity for shared control and found that lower levels of asset specificity encourage shared control with buyers in their international entry mode choice. Moreover, in understanding a firm's power in international business, Griffith and Harvey (2001) found that a distributor's investment in assets specific to the transaction has a positive influence on its power.

However, power has a positive effect on the distributor's commitment (Goodman and Dion, 2001). This, in fact, implies that higher transaction-specific investment leads to stronger buyer commitment in their long-term relationship.

Stump and Heide (1996) examined how industrial buyers control and organise their supplier relationships. They argue that a buyer's transaction-specific investment played a strong role in the development of control mechanisms that are influenced by contextual factors. In addition, they found that the posited outcomes such as the buyer's specific investments are positively associated with their perception of supplier ability and supplier motivation. However, the study added the finding that a buyer's specific investment has a positive association with specific investments by suppliers. Therefore, a buyer can manage a potentially risky dependence situation by increasing the supplier's dependence. As a result, it can be deduced that the asset specificity factor has an impact on both parts of the relational aspects for buyers and suppliers. Similarly, Jap and Ganesan (2000) investigated the implications of safeguarding specific investments, how a buyer might better manage it through using control mechanisms, and how commitment has been developed in the buyer-supplier relationship life cycle. The findings show that three control mechanisms such as supplier's TSIs, relational norms and explicit contracts, moderate the negative impact of buyer investments on perceptions of supplier commitment contingent on the relationship life cycle. In addition, bilateral TSIs enhance commitment and that has a positive effect on the declining phase of their relationship life cycle.

Transaction cost economics has also been used to advance a theoretical extension in the context of import distribution channel decisions (Kim, 1998). The study framed support for asset specificity where importing firms have preferred an integrated channel to an intermediate or an independent channel for distributing their products in the domestic market. This, in turn, suggests that the TSI has an impact on an import distributor's degree of commitment to the channel integration.

In essence, extant empirical as well as conceptual attempts on transaction-specific investment provide strong support for investigating its impact on commitment to a specific import supplier because transaction-specific investment may enhance importer commitment to establish a long-term relationship with suppliers.

## 2.2.8 Environmental Volatility

Transaction cost theory (Williamson, 1985) provides a view of environmental uncertainty that refers to the volatile situation of the economic, business, legal and political environment surrounding a transaction (Ganesan, 1994; Klein *et al.*, 1990; Leblebici and Salancik, 1981). In a highly volatile market situation, the predicted future outcome is uncertain. This may create problems in writing contracts (Klein *et al.*, 1990) and maintaining commitments with the partners. While volatility leads to higher transaction costs in the international exchange process, this may encourage firms to create long-term commitments in order to minimise the transaction costs caused by such potential changes.

The review of commitment studies, as summarised in Appendix 2 shows that only one study (Skarmetas *et al.*, 2002) directly examines the impact of environmental volatility on an importer's commitment to a supplier but found no significant relationship. However, it was posited that greater environmental volatility surrounding exporter-importer relationship reduces the importer's commitment. Nonetheless, the researchers are not convinced with this finding because extant studies on inter-firm relationships provided strong support for the above supposition. Hence they clearly argue that their finding is tentative subject to confirmation in future research.

Researchers studied the impact of environmental volatility on a number of related factors in the inter-firm relationship contexts which may have some relevance with commitment in the present context. Out of six reviewed studies pertinent to environmental volatility, researchers are equally divided on the nature of the relationship between environmental volatility and buyer/importer commitment or other firm relationship vantage point. Noordewier *et al.* (1990) tested the performance implications of environmental uncertainty in a repetitively purchased industrial buyer and seller relationship and argued that the relational governance<sup>1</sup> in their relationship

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<sup>1</sup> "Governance is a multidimensional phenomenon, encompassing the initiation, termination and ongoing relationship maintenance between a set of parties" (Heide, 1994, p. 72). It also suggests a relationship management issue.

increases with a high level of environmental uncertainty. Achrol and Stern (1988) also reported a positive relationship between the perceived changes in the environment and buyers' decision-making uncertainty where long-term commitment can reduce that uncertainty. By contrast, Ganesan (1994) did not find any significant support for the impact of environmental volatility either on a retailer's dependence on a vendor or a vendor's dependence on a retailer. It is worth reminding that buyer-seller dependence has an impact on their commitment (Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997).

In a different research context, Kumar *et al.* (1995a) revealed a negative relationship between environmental uncertainty and relationship quality. While relationship quality in their study manifests several related constructs including commitment, commitment was found to be critical in developing long-term relationships. This implies that increasing environmental volatility is likely to reduce dealer commitment in the relationship. Bello *et al.* (2003) also found support for this argument.

Klein *et al.* (1990) reported no significant relationship between environmental volatility and channel integration in international markets. While channel integration may be achieved through members' commitment in their relationships, this finding intimates mixed support where environmental volatility may have some impact on a distributor's commitment to a supplier. Therefore, this mixed impact of volatility could be validated through making an endeavour in the specific importer-supplier commitment aspect.

To briefly summarise, the above review of the pertinent studies revealed that perceived environmental volatility has an impact on channel decisions as well as on commitment to the partner. This provides support to investigate the impact of environmental volatility as a predictor of commitment to an import supplier.

## 2.3 Synthesis

A number of conclusions can be drawn from the above discussion with regards to commitment and its predictor variables specific to an import supplier perspective. First, the three basic theories (discussed in Section 2.1.1) provide impetus and links with a number of antecedents of importer commitment to an import supplier. However, prior empirical studies had very little focus on these variables, thus these could be included in a model to examine their impact on importer commitment. Second, despite the term ‘commitment’ drawing attention in several areas of research, the literature review revealed that it has not been examined from the viewpoint of a specific importer-supplier relationship. Third, while each of the reviewed studies show coherency and relationships with identified antecedents, these affiliations are not substantiated with empirical data in a different context. Fourth, the researchers conceptualised and empirically verified five antecedents of commitment in different buyer-seller commitment studies. While these variables such as **communication, opportunism, trust, transaction-specific investment, and environmental volatility** have been used in recent studies (Coote *et al.*, 2003; Kim, 2001; Skarmeas *et al.*, 2002; Zineldin and Jonsson, 2000), the findings have not been validated subsequently. In addition, while the theory base provides three other antecedents such as **cultural similarity, knowledge and experience, and supplier’s competencies** as potential explanatory variables of commitment; these have not been tested in any empirical study. Therefore, further study is required to fill this gap and provide empirical assessment that will contribute to a better understanding of commitment to an import supplier under such a framework. Accordingly, the next chapter of this study proposes a comprehensive research framework incorporating the identified predictors of commitment along with hypothesised path relationships.

# **Chapter 3**

## **Conceptual Framework**

### **3. Introduction**

This chapter presents the conceptual framework and hypothesised relationships emerging from the proposed framework of the study. While the basic proposed model looked at the direct effect of eight variables on commitment, the impact of some of the variables could be mediated by two other variables in the model. For instance, communication tends to facilitate trust between transacting parties (Boyce, 2001; 2003) towards building commitment. Further, a conceptual framework has been developed for qualitative validation of knowledge building and the trust generating process. An additional model strives to conceptualise the trust and commitment generating process with the aim of developing a competing model to be tested in this study where causal effects of some of the identified variables could be mediated by other variable(s). Therefore, this chapter discusses the proposed model, qualitative model and a competing model. The proposed and competing models are compared with the overall measurement model in Chapter 5 (section 5.3.3) to identify the better fitting model.

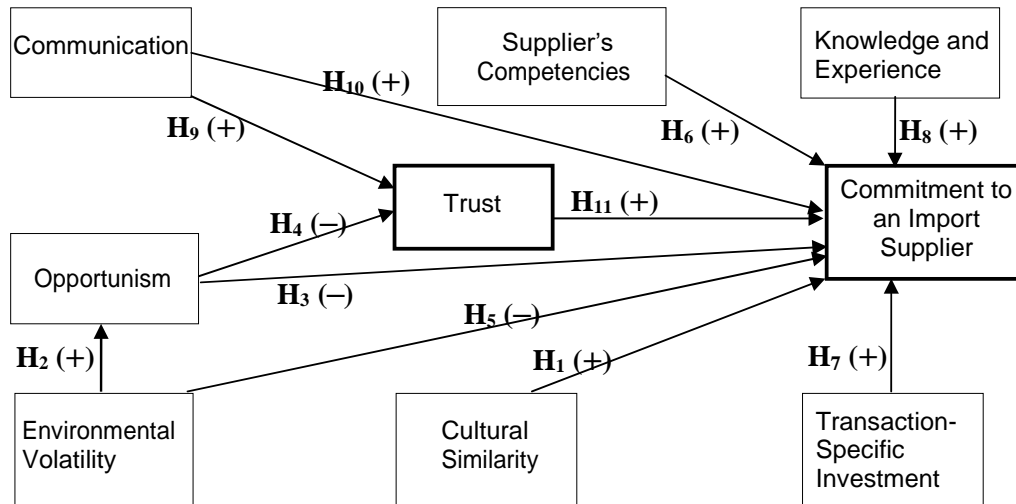
The goals of this chapter are to:

- Propose a conceptual model (Figure 3.1) to test the direct impact of eight variables on importer commitment and some interrelationships among variables with their hypothesised paths (Section 3.1).
- Propose a qualitative framework toward gaining more in-depth insight of the development process of trust and commitment in the importer supplier relationship (Section 3.2, Figure 3.2).
- Validate the qualitative model, a competing model along with a hypothesised relationship encapsulates the qualitative path directions including mediating role of trust for empirical testing (Section 3.3, Figure 3.3)

### 3.1 Proposed Model and Hypothesised Relationships

The conceptual framework for the present study is presented in Figure 3.1. The relevant independent variables in the framework are the cultural similarity of the importer and the supplier, overseas supplier opportunism, communication, trust, environmental volatility, supplier's competencies, importer's transaction-specific investment, and importer knowledge and experience. The dependent variable is commitment to an import supplier. As the conceptual framework specifies, some of these variables have interrelations as well as direct and indirect relations in the path model.

**Figure 3.1: Model 1: Proposed Model – Antecedents of Commitment to an Import Supplier**



The hypotheses for the relationships in the model have been proposed in the sections to follow.



## **1. Overseas supplier's cultural similarity and commitment to an import supplier**

The concept of psychic distance was studied in the 1970s by authors such as Johnson and Wiedersheim-Paul (1975), Johnson and Vahlne (1977) and Wiedersheim-Paul *et al.* (1978). The concept assumes that, primarily, firms target culturally similar markets at their initial stage of internationalisation and then advance to the culturally distant markets. However, the foreign market expansion models of internationalisation imply that firms perform best in foreign markets that are most similar to their home market (Johanson and Vahlne, 1977; Nordstrom and Vahlne, 1994) due to similar cultural dimensions (Conway and Swift, 2000; Swift, 1999) and ease of communication. From a different viewpoint, Lin and Miller (2003) revealed that cultural similarity has direct and indirect effects on negotiation behaviour in international joint venture (IJV) relationships. IJV studies additionally found that culturally close markets had been very significant in determining the location of the subsidiaries (Fenwick *et al.*, 2003) and IJVs perform better between partners from psychic proximity (Sim and Ali, 2000). In addition, Kraft and Chung (1992) state that buyers seem to prefer products from countries viewed as culturally similar or it seems reasonable to expect that importers would prefer to import from the supplier of similar culture (Heslop *et al.*, 1998). However, it can be asserted that international buyers and sellers are more likely to prefer a culturally similar market for maintaining long-term successful business relationships. This implies that importers are more committed to the supplier of a culturally similar market. Therefore, based on the arguments supporting the positive impact of cultural similarity on the international buyer (importer) and seller (supplier) relationships it is hypothesised that:

*Hypothesis 1: The greater the cultural similarity between importer and supplier, the stronger the commitment to the supplier.*

## **2. Environmental volatility and supplier's opportunism**

As Williamson (1985) argues, given bounded rationality, environmental volatility precludes the writing of contracts and creates uncertainty toward getting specified responses from the partner. Drago (1998) opined that volatility refers to the changes in the environment which creates threats and/or opportunities for an organisation. In addition, high environmental volatility would reflect rapid fluctuations in customer

demand and the inability to predict trends and future outcomes in specific markets (Klein *et al.*, 1990). Hence, considering the inability of the importer to accurately forecast demand and supply in market changes, volatility might provide the potential for the overseas supplier to pursue opportunistic actions in each convenient direction (Heide, 1994). Therefore, suppliers are more likely to behave opportunistically when a high degree of environmental volatility exists (Stump and Heide, 1996). In a volatile situation, suppliers can try to interpret unspecified clauses in their favour and own interest (Klein *et al.*, 1990). Moreover, under highly volatile circumstances, suppliers are enthusiastic to take advantages (Ganesan, 1994) and there are numerous possibilities for them to shirk obligation in a turbulent environment surrounding the transaction (Skarmas *et al.*, 2002). This facilitates supplier propensity to behave opportunistically. Thus, it is hypothesised that:

*Hypothesis 2: The greater the environmental volatility in international markets, the greater the overseas supplier's opportunism.*

### **3. Overseas supplier's opportunism and commitment to an import supplier**

In Williamson's (1975, 9) words, "opportunism refers to self-interest seeking with guile" and one of the basic assumptions of transaction cost economics is that the human agents are opportunistic. In ongoing exchange relationships, the benefits of opportunism accrue unilaterally and in the short-term (Joshi and Arnold, 1997). As a result, opportunistic parties may seek advantage from their dyadic channel relationship (Gassenheimer *et al.*, 1996). In addition, an overseas supplier may engage in opportunistic behavior by withholding critical information, misrepresenting facts, applying trickery techniques or taking advantages of trading partners (Wathne and Heide, 2000; Williamson, 1985). While commitment studies reflect mixed results (the summarized results in Appendix 2 show one positive, one negative and one with no significant support) in seller/supplier opportunism and buyer/distributor commitment relationships (Moore, 1998; Skarmas *et al.*, 2002; Zineldin and Jonsson, 2000), the theoretical argument so far has not been validated from the other perspective. Gassenheimer *et al.* (1996) revealed a significant negative relationship between franchiser opportunism and franchisee satisfaction. Similarly, Skarmas *et al.* (2002) found a negative relationship between overseas supplier opportunism and

importer commitment. This indicates a trend of increasing supplier opportunism reducing importer commitment. So it can be hypothesised that:

*Hypothesis 3: The greater the overseas supplier's opportunism, the lower the importer's commitment to the import supplier.*

#### **4. Overseas supplier's opportunism and importer trust**

The opportunistic behavioural pattern explains the situation where one party has an intention to break promises or try to seek interest and evasion of obligations and violating contracts to other parties. This creates ambiguity and a subsequent distrustful situation among contracting parties. Accordingly, it is posited that when one party perceives that another party is involved in opportunistic behaviour, such perception leads to decreased trust in the distributor supplier relationship (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000). This further postulates that opportunistic behaviour is not worthy because the impacted partner believes they should no longer trust their partner. As a result, Morgan and Hunt (1994) hypothesised a negative relationship between opportunistic behaviour and trust in the dealer–supplier relationship and found significant support. Therefore, the following causal relationship can be proposed in the present context to test:

*Hypothesis 4: The greater the supplier's opportunism in their relationship, the lower will be the importer's trust.*

#### **5. Environmental volatility and importer's commitment**

Environmental change affects the demand and supply conditions (Achrol and Stern, 1988). Achrol and Stern (1988) revealed support for environmental volatility with decision making uncertainty which, in turn, implies a negative direction of causal relationship. However, increasing volatility surrounding the international exchange relationship decreases commitment to the supplier. It implies that, in the volatile situation, the importers are less committed to the overseas supplier in their relationship because volatility is an ambiguity that greatly diminishes the willingness to respond properly (Bello *et al.*, 2003). In the situation of environmental volatility, importing firms are reluctant to continue their relationship with their overseas

suppliers (Kumar *et al.*, 1995a). In addition, volatility in international markets may create obstacles to establishing a relationship with the foreign supplier (Skarmeas *et al.*, 2002). In this situation, volatility decreases the importer's commitment to a supplier. So, it can be hypothesised that:

*Hypothesis 5: The greater the environmental volatility, the lower the importer's commitment to the supplier.*

## **6. Supplier's competencies and commitment to an import supplier**

As Prahalad (1993) suggests "competence is embedded in the whole organization" (p. 45). From that perspective, competence of a supplier is a complex concept that includes technical and production expertise along with knowledge of the buyer's organization, markets, competitors and the capabilities in distribution, sales and necessary customer support services (Bakker *et al.*, 1994; Selnes, 1998). These aspects seem tangible and intangible resources and capabilities of a firm that create competitive advantage for the buyer firms. A firm can achieve a sustainable competitive advantage by utilising its competitive competencies to establish and maintain a unique operational focus (Barney, 1991, 1997). A competitive advantage can exist only in relation to the market and other offerings in that market (Devlin and Ennew, 1997). Lau (2002) reported similar assertions whereby international buyers were considering supplier's resource competencies in the supply market to achieve sustainable competitive advantage. Lau also pointed out that "resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete" (p. 126). Further, Grunert and Hildebrandt (2004) focused that "resources are those assets that are semi-permanently linked to the firm" (p. 459) and firm capabilities are linked to the competencies which represent a broader concept comprising "socially complex organizational routines that enable the firm to use and combine their resources to create valuable products/services" (p. 459). This suggests that the resource competencies differentiate supply firms from others in the competitive market based on their offers for importing firms. These competencies of a supplier may attract overseas buyers and help build long-term importer commitment with the supplier.

In a different context, Kotabe and Murray (2004) contend that source (supplier) resource capabilities can be a guarantee of sustainable competitive advantage in a global sourcing strategy. This resource capability and competency may tie buyers and sellers in a commitment relationship for long-term success. However, Humphreys *et al.* (2001) assert that supplier resource capability is one of the significant factors for a collaborative relationship with a strategic supplier. Moreover, supplier resource capabilities influence purchasing firms to evaluate and seek competitive advantage (Masella and Rangone, 2000) from the supply market. This competitive advantage then influences buyer commitment to a supplier. Therefore, it can be proposed that the supplier's relative resource competency has a direct positive influence on importer commitment to an import supplier. Given this background, the following hypothesis is offered:

*Hypothesis 6: The greater the importer's perceived relative competency of a specific supplier, the stronger the importer's commitment to the supplier.*

## **7. Importer's transaction-specific investment and commitment to the supplier**

Transaction-specific assets are investments in durable assets that are highly specialised to the relationships, are not easily redeployable, and have little salvage value in other relationships (Heide and John, 1992; Williamson, 1981). Buvik and Andersen (2002) highlighted asset specificity on the buyer (importer) side, which refers to adaptations and resources that the buying firm deploys to tailor their own skills, product design, production processes, or logistics to the relationship with a specific supplier. The empirical findings suggest that under conditions of asset specificity, vertical coordination reduces *ex post* transactions more significantly in international buyer-seller relationships. Specific investments vary in their degree of specificity (Heide and John, 1988). Heide and John (1990) erected strong support for specific investment and joint action and expectation of continuity in both the buyer and supplier context. Furthermore, Erramilli and Rao (1993) revealed support for the lower levels of asset specificity and the buyer's shared control in their international entry mode choice. In another direction, bilateral TSIs enhance commitment in the buyer-supplier relationship in the declining phase of their relationship life cycle (Jap and Ganesan, 2000). However, such investments constitute the impetus for creating

importer commitment to their overseas supplier relationships (Kim and Frazier, 1997). In a number of ways, the six commitment studies (as summarised in Appendix 2 and discussed in section 2.2.) have provided extensive and significant support for a positive relationship between buyer/importer TSI and commitment to their supplier. These findings need to be validated in a different but specific context. Therefore, having recourse to the above supporting evidence, it is hypothesised:

*Hypothesis 7: The greater the transaction-specific investment by the importer, the higher the importer's commitment to the supplier.*

## **8. Knowledge and experience and commitment to an import supplier**

Knowledge refers to an observer's distinction of "objects" through which, a coherent and self-consistent set of coordinated actions are brought forth from the background of experience (Zeleny, 1987). The knowledge of international purchasing strategies should help buyers establish and maintain a healthy relationship with overseas suppliers (Min and Galle, 1991). Furthermore, knowledge gathered from the international market leads to better product purchases, which lower costs and increase benefits in the buyer-seller relationship (Homburg *et al.*, 2002). Similarly, Eriksson *et al.* (1997) revealed that internationalisation knowledge has a strong impact on both business and institutional knowledge which, in turn, affects the perceived cost of internationalization. In a case study, Karlsen *et al.* (2003) argued that the internationalisation process includes activities that are inwardly oriented which provide opportunity for building relations with foreign actors and gathering knowledge about the international market. Such knowledge is an impetus for extending outward activities which will lead to increased commitment to the supply market. Moreover, it has been intimated that knowledge gained through experience from business activities in a specific overseas market is the primary means of increasing commitment to the foreign market (Johanson and Vahlne, 1990). Within the domain of international purchasing, it might then be upheld that the level of experiential knowledge as to a specific foreign supply market influences the ability to cope with the problems of importing from the overseas market (Katsikeas and Dalgic, 1995). Referring specifically to importer commitment to the overseas supplier, it may

be inferred that knowledge creates an outlook enabling importers not only to seek foreign supply market opportunities, but also to respond effectively in a committed manner with a partner (Katsikeas, 1998). So, it is hypothesised that:

*Hypothesis 8: The greater the importer's knowledge and experience in the relationship, the stronger the commitment.*

## **9. Communication and trust**

It is evidenced from the human aspects of the theory of transaction economics (Williamson, 1975) and extant literature (see Section 2.2.4) that frequent and effective communication is one of the prerequisite factors for building trust in an exchange relationship. Mohr and Sohi (1995) argue that communication symmetry in the buyer-seller relationship is potentially important to evaluate its impact on trust. Moreover, Anderson and Narus (1990) assembled support for communication which leads to greater trust in the distributor-supplier relationship from both regards; for example, from the manufacturer and distributor perspective. In addition, the literature summarised in Appendix 2 provides strong support and shows that four studies found a predicted positive relationship between communication and distributor/buyer trust. As a result, it can suggest that more communication of information in the importer supplier relationship will lead to greater trust. Thus, the following proposition can be formulated:

*Hypothesis 9: The greater the communication in the importer supplier relationship, the greater will be the trust in their relationship.*

## **10. Communication and commitment to an import supplier**

Free exchange of confidential information is an important factor in relational exchange (MacNeil, 1980). The idea underlying communication of information exchange is one of the prerequisites for developing and maintaining commitment (Anderson and Weitz, 1992). In addition, Mohr and Nevin (1990) conceptualised four facets of communication and they posited its positive effects on commitment. Mohr *et al.* (1996) posited the similar argument and found empirical support for the effect of

collaborative communication on a specific buyer-seller commitment relationship. From the distributor's perspective, LaBahn and Harich (1997) found strong support for the effect of communication on performance. Most significantly, however, among six reviewed commitment studies (Appendix 2), all (except one study, Moore, 1998) demonstrate a positive significant relationship between communication and buyer/distributor commitment. This implies that communication is a strong predictor of importer commitment to an import supplier. Hence, further validation is required to achieve generalisability of these findings. As a result, the following hypothesis can be proposed:

*Hypothesis 10: The greater the communication between importer and supplier, the higher will be the importer's commitment to an import supplier.*

## **11. Trust and commitment to an import supplier**

The behavioural pattern related to the "principal" and "agent" (Williamson, 1975) concept is considered as an expansion of the concept of trust. However, Hosmer (1995) opines that in one sense economic transactions can be seen as one of the specialised forms of interpersonal behaviour. This behavioural pattern is reflected not only at the interpersonal level but also at the organisational level as well as buyer-seller relationship level. In buyer/distributor-seller/supplier literature, for example, Morgan and Hunt (1994) and Sigauw *et al.* (1998) found that distributor trust has a significant positive impact on commitment to the supplier. Furthermore, as summarised in Appendix 2, the variable 'trust' has been employed extensively in the buyer/distributor-seller/supplier studies as an independent variable as well as an intervening variable in explaining commitment relationships and found strong support. Thus, 'trust' as a construct clearly explains commitment. This indicates that trust can be used as an important predictor of importer commitment in the present context as well. Therefore, the following statement can be posited:

*Hypothesis 11: The higher the importer's trust in the supplier, the greater will be the commitment to an import supplier.*



Further, as it is depicted in the proposed theoretical framework, communication is not only influencing commitment directly but also facilitating trust toward building commitment. Opportunism has a direct effect on commitment but also affecting the trust toward building commitment. Similarly, environmental volatility has both direct and indirect effect on importer commitment where opportunism plays a mediating role. Accordingly, apart from the above hypotheses, two mediating paths can be sorted from the proposed model. The paths from communication to commitment and opportunism to commitment are explicitly mediated by trust. On the other hand, the effect of environmental volatility on importer commitment is mediated by opportunism and trust. Therefore, two mediating hypotheses are proposed:

*Hypothesis A: The effects of communication and opportunism on importer commitment are mediated by trust.*

*Hypothesis B: The effect of environmental volatility on importer commitment is mediated by opportunism and trust.*

These mediating effects are tested and reported in Chapter 6. The following section strives to conceptualise the trust and commitment generating process with the aim to develop a competing model to be tested in this study where causal effects of some of the identified variables could be mediated by other variable(s).

## **3.2 Trust and Commitment Building Process - A Framework for Conceptual Insight**

While there are different schools of thought in the literature, the present review strives to incorporate an additional direction, based on transaction cost economics aimed at gaining more in-depth insight which will follow a more critical framework/model in an empirical setting.

Williamson's concept of 'communicating economies' (1985, p. 62) has extensively been explored and examined by Boyce (2003, 2001) to comprehend the cognitive framework in reducing transaction cost through communication, learning, knowledge and the trust building process. Further, Boyce (2003) argues from a historical context that a communication process enforces and facilitates the exchange of information, which can be conveyed explicitly through more close interpersonal communication methods such as face-to-face conversation. The communication process as well as frequency of communication and exchange enhances learning and cognitive aspects of the inter-firm relationship. This also facilitates the knowledge acquisition process in generating trust and commitment in the relationships toward all parties' benefit and mutual advantages. Accordingly, in this section an attempt has been made to conceptualise how communication, culture, learning and knowledge facilitate the trust and commitment building process in a buyer-seller relationship.

### **Cultural similarity**

Cultural similarity removes any cultural barriers in communication and exchange; and that achieves a greater degree of closeness in understanding and relationships (Swift, 1999). This is due to similarity of language, level of education, business and cultural practices, and communication style. The theoretical inference (Williamson, 1985) has already been used to show that the transactions between culturally similar firms/markets reduce transaction cost and strengthen relationships between partners (Amelung, 1994). It is, however, posited in the internationalisation process literature that firms initially target culturally similar markets to learn and gain knowledge and experience through better communication and understanding toward building commitment in their relationships (Johanson and Vahlne, 1977; Johanson and

Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977). Researchers argue that entering countries that are culturally close reduces the level of uncertainty in the new market and makes it easier for firms to communicate freely and learn from each other quickly (Kogut and Singh, 1988; O'Grady and Lane, 1996). This also facilitates the negotiation and communication of information within inter-firm/organisational relationships. This emphasises how particular cultural values and methods shape the conception of trust and support specific communication mechanisms toward building the trust (Anderson and Weitz, 1989; Boyce, 2001). This indicates that similar business practices and values are the impetus toward building trust between transacting parties through the communication and learning and knowledge generating process.

## **Communication**

The term 'communicating economies' (Williamson, 1985) focuses on cognitive aspects of transaction costs to identify how these help to reduce the level of transaction costs (Boyce, 2003). While purchasing professionals utilize a variety of media of communication including face-to-face contact, phone, fax, mail, e-mail, internet, and electronic data interchange to communicate information with suppliers, the specific use of a communication mechanism depends on the nature of the message being transmitted (Larson and Kulchitsky, 2000). Further, Cannon and Homburg (2001) compared the effectiveness of face-to-face interaction, telephone and written communication as tools of information sharing and found that face-to-face communication and written communication are more effective than the others. The historical findings, however, indicate that the communication process advances through many interaction channels such as face-to-face, telephone and written contact. This then facilitates learning that in turn facilitates knowledge and the trust building process (Boyce, 2001; 2003).

In terms of effectiveness of communication, face-to-face communication is the richest medium of all the available modes, because it allows for a variety of cues including immediate feedback, body language, facial expression and personal focus (Larson and Kulchitsky, 2000). This additionally enhances learning about each other, gaining knowledge and experience and building trust. Moreover, it is claimed that frequency

of communication is the most significant indicator of the amount of communication rather than the duration of contact (Mohr and Nevin, 1990). Accordingly, frequency of communication helps firms to solve complex issues in repetitive interactions directly. However, direct communication modes help build understanding and trust over the modes. Similarly, Morgan and Hunt (1994) argue that frequent and high quality relevant, timely and reliable communication generates trust which has a strong significant relationship with commitment. This approach clearly indicates that the effectiveness of different communication mechanisms facilitates the knowledge sharing process toward building trust and commitment.

## **Knowledge and Experience**

The transaction cost view of bounded rationality (Williamson, 1985) signifies the limited judgment of individuals as well as their limited cognitive power and capability to process the contractual relationship, which asserts imperfect rationality of knowledge. This limited knowledge competency may inhibit the ability to act rationally (Ballantyne, 2004). This in turn, indicates that by having knowledge competency people may be more rational and can assess parties' trustworthiness. This may further reduce transaction costs in the buyer-seller relationship. Moreover, the internationalisation process theory (Johanson and Vahlne, 1977; Vahlne and Wiedersheim-Paul, 1977) asserts the importance of the knowledge acquisition process such as teaching and learning, and states that experiential knowledge can only be learned through personal experience (Penrose, 1959). However, as argued earlier, targeting culturally similar countries/markets at the early stage of internationalisation enhances the knowledge acquisition process and facilitates international operations for a firm (Johanson and Vahlne, 1977; Vahlne and Wiedersheim-Paul, 1977).

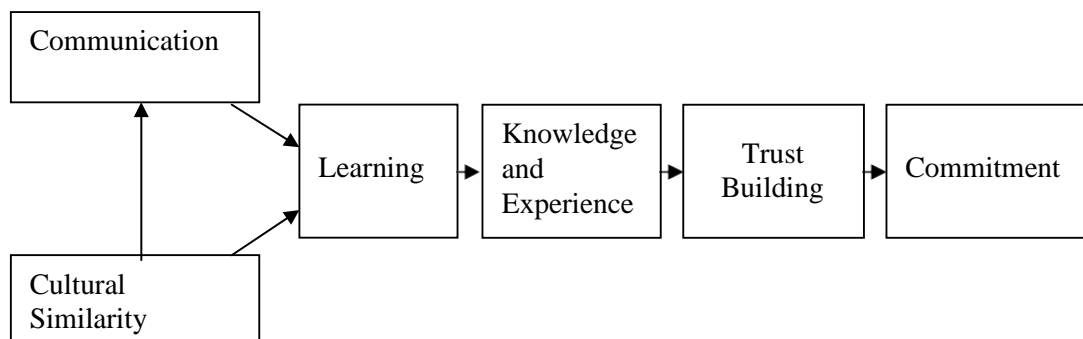
From the business history research perspective, Boyce (2001) highlights learning by interaction, training and development of professional ethos, generating knowledge and experience, and instilling trust-creating skills toward building relationship. Business history research emphasised that scientific knowledge is considered to be objective knowledge generated through observation and learning (Spender, 1992). In addition, teamwork is also a learning mechanism that generates knowledge in creating trust and commitment. Researchers also focused on dialogical interactions that

involve learning together towards generating knowledge, creating trust and commitment (Ballantyne, 2004).

## Trust

As mentioned earlier, organisational interrelationships are driven by relational factors such as norms of commitment which are based on trust (Achrol, 1991). The trust building process can be explored from the historical observation that cultural closeness/similarity, long-term interactions, communication, learning and knowledge generate trust (Boyce, 2001; 2003) in transacting parties. In other words, the buyer-seller literature depicts trust as a concept that explains truthfulness, honesty, reliability, openness, maintaining confidentiality and integrity in the buyer-seller relationship toward enhancing commitment (Coote *et al.*, 2003; Mavondo and Rodrigo, 2001; Zineldin and Jonsson, 2000). The above conceptualisation can be shown in a conceptual framework for exploratory purposes only.

**Figure 3.2: A Framework for Trust and Commitment Building Process**

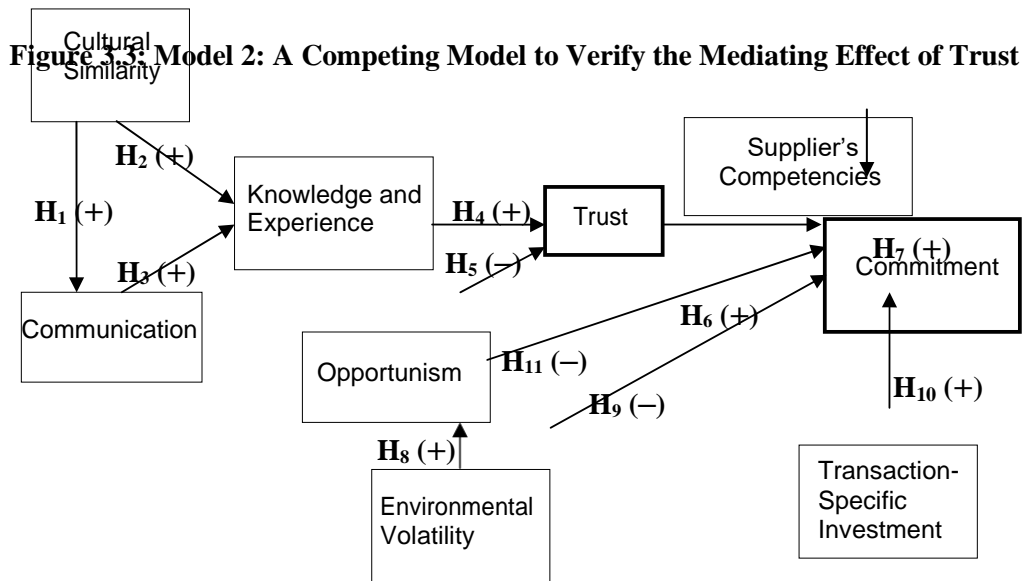


In summary, it can be concluded that cultural similarity facilitates communication and that communication mechanisms enhance the learning and knowledge generation process toward facilitating the trust building process. This ultimately influences the parties' commitment in the buyer-seller relationship specifically importer's commitment to an import supplier. Based on the above arguments, conceptual links are proposed to complement the conceptual model of this study. These conceptual links are examined with the qualitative information collected from the importers of Bangladesh in Chapter 7.

While noting the mediating role of learning, knowledge-experience and trust in the commitment building process in the proposed qualitative model, it is important to draw attention to the extant commitment studies. The review of the extant literature as summarised in appendix-1 revealed that nine studies (Coote *et al.*, 2003; Kwon and Suh, 2004; Moore, 1998; Morgan and Hunt, 1994; Rodríguez and Wilson, 2002; Ruyter *et al.*, 2001; Siguaw *et al.*, 1998; Walter and Ritter, 2003; Zineldin and Jonsson, 2000) used trust as a mediator of some of the determinants of commitment. However, seven of these studies found significant support for the mediating role of trust. This lack of inconsistency in the extant literature warrants further validation. Therefore, to validate the conceptual mediating role of trust in the commitment relationship in this study (relating to cultural similarity, communication, learning, and knowledge and experience), an additional conceptual model has been developed to compare the direct and indirect effects of these variables on commitment. As no objective measurement of learning has been developed so far, this has been excluded from the proposed competing model.

### **3.3 The Proposed Competing Model**

This research proposed a conceptual model in section 3.1 to test the direct impact of eight variables on importer commitment. However, more insight could be achieved by consolidating the trust and commitment building process conceptualized in section 3.2. Therefore, the study incorporates those conceptual bases in a competing model (see Figure 3.3) to explore the mediating role of trust for empirical testing in path analysis. The proposed competing model follows the discussion of hypothesized relationships. To avoid repetition, only four new hypothesized relationships for the new mediating effects are discussed.



### 1. Overseas supplier's cultural similarity and communication

The concept of psychic distance and its impact on the firm internationalisation process was studied in the 1970s by Uppsala researchers (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977; Wiedersheim-Paul *et al.*, 1978). The concept assumes that, primarily, firms target culturally similar markets at their initial stage of internationalisation and then advance to the psychically distant markets. However, the foreign market expansion models of internationalisation imply that firms are performing well in foreign markets that are most similar to their home market (Johanson and Vahlne, 1977; Nordstrom and Vahlne, 1994) due to similar cultural dimensions of values, ethics, business practices, communication style (Conway and Swift, 2000; Swift, 1999). In addition, cultural similarity makes it easier for firms to communicate openly (Kogut and Singh, 1988). However, it can be asserted that international buyers and sellers are more likely to prefer a culturally similar market which facilitates easy communication toward maintaining long-term successful business relationships. Therefore, based on the arguments supporting the positive impact of cultural similarity in facilitating the communication process, it is hypothesised that:

*Hypothesis 1: The greater the perceived cultural similarity between the importer and the import supplier, the better the communication.*

## **2. Overseas supplier's cultural similarity and knowledge and experience**

As Johanson and Vahlne (1977) assert, targeting culturally similar countries at the early stage of internationalisation can facilitate the knowledge acquisition process. This further indicates that a culturally similar market provides better comprehension of the cultural issues and processes in any international buyer-seller context. By gradually increasing knowledge from the culturally similar market, a firm gains experience in foreign business relationships (Blankenburg and Eriksson, 2000; Johanson and Vahlne, 1990) including relationship with the distributor (importer) and its customers through the distributor. From a different perspective, Hussle (2004) found cultural similarity is the influential factor in knowledge flows and innovation. Cultural similarity between an international buyer and seller in terms of similar business practices, ethics and morals, and styles (Swift, 1999) might be the impetus to facilitate learning and the knowledge gathering process. In addition, cultural similarity in terms of values and practices additionally enhances learning about each other more quickly (Boyce, 2001; Kogut and Singh, 1988). However, it is asserted that knowledge is simply the output of learning (Etemad and Lee, 2003). This indicates that an importer may prefer a culturally similar market when gathering more knowledge and experience for long-term business relationship success (Johanson and Vahlne, 1977; 1990). Therefore, it can be proposed to test:

*Hypothesis 2: The higher the cultural similarity, the greater the importer knowledge and experience in their relationship.*

## **3. Communication and knowledge and experience**

Buying organisations utilise a variety of communication media with their suppliers such as face-to-face contact, phone, fax, mail, e-mail, internet, and electronic data interchange, but the preferred use of media depends on the nature of the message being transmitted (Larson and Kulchitsky, 2000). Larson and Kulchitsky (2000) additionally assert that “richness of medium should be matched to needs of message for effective communication” (p. 31). Among these media of communications, face-to-face communication is the richest as it allows multiple cues including immediate feedback, facial cues, body language, and personalisation (Lengel and Daft, 1985; Mohr and Nevin, 1990). It has been further emphasised that face-to-face



communication is more useful for solving complex issues such as fostering functional conflict, changes, product development, and operational procedure in buyer-seller relationships (Cannon and Homburg, 2001). They further mention that the effectiveness of communication media also relies on frequency of use rather than richness of mode, because more frequent communication enables a partner to gain a deeper understanding of the phenomena. This process arguably facilitates learning about each other and is a tacit knowledge gathering process in firm to firm or buyer-seller relationships (Boyce, 2001; 2003). From a different perspective, Teigland and Wasko (2003) assert that communication of information enhances integration of global market knowledge which also promotes knowledge sharing across internal organisational boundaries. In other words, the communication of information content with respect to changes, benefits, events, possibilities, development, and problems (Coote *et al.*, 2003) is likely to be considered as knowledge competency in the importer supplier relationship. While richer as well as more frequent communication provides deeper understanding about the contents of communication through either open face-to-face discussion or repetitive contact, this process could help develop knowledge and experience in the relationship. Accordingly, it can be hypothesised that:

*Hypothesis 3: The more the communication in importer supplier relationship, the greater the knowledge and experience in their relationship.*

#### **4. Knowledge and experience and trust to an import supplier**

Knowledge refers to an observer's distinction of "objects" which bring forth from the background of experience a coherent and self-consistent set of coordinated actions (Zeleny, 1987). The knowledge of international purchasing strategies should help buyers establish and maintain a healthy relationship with overseas suppliers (Min and Galle, 1991). Furthermore, knowledge gathered from the international market makes better product purchases, which lower costs and increase benefits in the buyer-seller relationship (Homburg *et al.*, 2002). Similarly, Eriksson *et al.* (1997) revealed that internationalisation knowledge has a strong impact on both business and institutional knowledge which, in turn, affects the perceived cost of internationalization. In a case study, Karlsen *et al.* (2003) proposed that the internationalisation process includes activities that are inwardly oriented which provide opportunity for building relations

with foreign actors and gathering knowledge through learning about the international market. Such knowledge is an impetus for extending outward activities which will lead to increased trust to the supply market. Moreover, it has been conceptualised that knowledge gained through learning by interaction, training and development of professional ethos (Boyce, 2001) facilitates trust. However, tacit knowledge is experiential which is created by learning-by-doing and face-to-face communication (Spender, 1992) as the impetus of generating trust. So, it is hypothesised that:

*Hypothesis 4: The greater the importer's knowledge and experience in the relationship, the stronger will be the trust.*

The above four hypotheses signify the explicit mediating role of knowledge-experience and trust in the model toward enhancing importer commitment to the import supplier. These hypotheses can also be presented alternatively in a summarised form:

*Hypothesis A: The effect of cultural similarity on commitment is mediated by communication, knowledge and experience, and trust.*

*Hypothesis B: The effect of cultural similarity on commitment is mediated by knowledge and experience, and trust.*

The proposed conceptual framework and proposed competing model are tested in Chapter 5 using empirical information gathered for this study.

# **Chapter 4**

## **Methodology and Research Plan**

### **4. Overview**

This chapter provides justifications of the methodology used in this study. The research design and analytical path of any research program should have a specific methodological direction based on its research objective and framework. The two proposed frameworks (Figure 3.1 and 3.3) look at scientific investigation to quantify the relationships between proposed paths and antecedents of importer commitment. An additional conceptual model has been designed (in Figure 3.2) to explore the unfolding insight of the trust and commitment building process. Accordingly, this research project examines causal effects through quantification and further strives to explore the story of the history of the trust and commitment generating process in importer supplier relationship. Therefore, the goals of this chapter are to:

- Justify the combination of both qualitative and quantitative methods within a research approach and to explore the strengths and limitations of both approaches (Section 4.1)
- Provide a brief explanation of the quantitative research approach (Section 4.2)
- Justify and explore the quantitative research methodology to be used in this study (Section 4.2.1 to 4.2.8)

## 4.1 Methodological Approach

As the proposed conceptual models (Figure 3.1 and 3.3) demonstrate, this research proposes an empirical setting to investigate the theoretical relational path drawn from the literature and test this through hypotheses. The conceptual framework seeks to quantify the data (Malhotra, 2002) for the purpose of explaining the causal relationships. The approach for this investigation is explanatory and comprises quantitative research tools and techniques. However, for further conceptual validation, qualitative information might be worthwhile in any research approach. Therefore, qualitative information is gathered so as to generate insight into validating the trust and commitment building process (qualitative model in Figure 3.2). Accordingly, the proposed study incorporates both quantitative and qualitative triangulation of data where empirical findings show the level of significance of the relationship and qualitative information explores interpretation of the phenomena.

The quantitative method is conventionally based on the positivist approach to explore scientific inquiry of the phenomena. This also underlies the deductive model which shows hypothesised relationships. The proposed relationships are obvious (Aaker *et al.*, 2001; Davis, 2000) and seek to quantify an observable consequence through running a statistical experiment thereby getting results whether the hypothesised relationships hold or not (Aaker *et al.*, 2001). More specifically, Cooper and Schindler (2001) assert that in respect to interpreting the causal hypothesis, “the direction is obvious from the nature of the variables” (p. 49). The causal hypothesis testing is most well-suited to ‘mature science’ where a research approach seeks to match the underlying assumptions of the scientific observation and the challenge is not to uncover the unknown but to obtain the known (Kuhn, 1970). This research approach provides a concrete answer to the research question scientifically which is defined in an objective way and measured through statistical tools and techniques (Rosner, 1990). The quantitative approach also exhibits some inherent limitations. As this research approach is not designed to reveal rich details of individual phenomena, this may not always be justifiable to compound and derive more complex observable situations. Additionally, this research method limits the objectivist approach and is not suitable for subjective experiments or information where statistical analysis is not required for detailed discussion of the situation (Beedles, 2002). Moreover, this

technique may not be useful to compile a historical process involving changes (Morgan and Smircich, 1980).

The qualitative research method emphasises the exploration of real interest of a complex situation which cannot always be easily quantified. This is a subjective approach to finding an answer to the research question (Beedles, 2002). The qualitative data is also used as a contributory support to the quantitative research findings for qualitative interpretation (Fielding and Fielding, 1986). This approach additionally can provide the intricate details of phenomena that are sometimes impossible to compose and derive through quantitative methods (Strauss and Corbin, 1990). However, the present research project already has incorporated the deductive approach and this is an opportunity to supplement the deductive theoretical model through qualitative information. The limitations of this research technique are: this method is not a formal research approach to quantify data (Miles and Huberman, 1984); and having rich and complex data, it is often difficult to build a parsimonious theory and theoretical specification (Eisenhardt, 1989). As a result, generalisability of the findings is the most difficult aspect of this research approach (Beedles, 2002).

Researchers emphasise the justification of combining both qualitative and quantitative techniques within a research approach (Denzin, 1989; Strauss and Corbin, 1990). This combination is not only to develop or extend theories and test their applications, but also to achieve triangulation between methods through enhancing the quantitative output with rich interview data. The differences among these two research approaches do not limit researchers to using one methodology. Rather, combining both approaches sequentially is likely to be more useful. Accordingly, a basic quantitative outcome can be reinforced through in-depth investigation (Beedles, 2002). Combining these two approaches overcomes some inherent limitations in each of the methodologies used alone. The combination, however, is simply identified as the quantification of qualitative measures and the use of quantitative field data/observations to strengthen statistical data (Jick, 1983). Details of the qualitative part of the research are discussed in Chapter 7 and the quantitative methodological approach is discussed in the sections to follow.

## **4.2 Quantitative Research Design**

Quantitative techniques can measure specific characteristics through structured data collection procedures from a large representative sample, so that the result can be projected to the entire population (Davis, 2000). As mentioned in the earlier section, the main strength of this research approach is to provide a concise answer to the research question through the acquisition and analysis of information that can be aggregated from the survey data (Beedles, 2002). The quantitative/empirical result also can be generalised, where a certain context only is to be relevant to the area of study. For example, the empirical setting tested in a developing country can be inferred in another similar context that could be another developing or developed country. In addition, this research design underlies the deductive models that confirm hypothesised relationships or consequences of the relationships. The proposed models have been tested in Chapter 5 and interpreted in Chapter 6. The remainders of the following sections discuss the population of the study, response rate, unit of analysis, informant selection, measurements, research instrument, data collection, and data analysis.

### **4.2.1 Population and Sample of the Study**

This study being one of the rare initiatives in the import domain, needs to restrict the interacting variables in a uniform environment. Therefore, the rationale for selecting a single country context rather than a multi-country study was to eliminate the macro-environmental diversity that exists among countries. The collection of data in a fairly homogeneous environment is expected to further facilitate the control of plausible impacts arising from uncontrollable external variables (Amine and Cavusgil, 1986). The rationales for selecting Bangladesh as a context were: the researcher himself is a native of Bangladesh, which has facilitated easy access to Bangladeshi data sources; and the study provides less developed countries (LDC) data for increasing generalisability.

As Appendix 1 shows, the size of sample in extant reviewed studies ranged from a low 72 to a high 844. The standard and sophisticated statistical analysis including structural equation modeling recommends sampling of 200 as fair, and 300 as good (Tabachnick and Fidell, 1996). In addition, Hair *et al.* (1998) recommended a sample

size of 200 to test a model using SEM, because 200 is a 'critical sample size' (Hoelter, 1983) that can be used in any common estimation procedure for valid results. An approach using comparable and similar extant study's sample size, however, is recommended as a guide (Aaker *et al.*, 2001) with a satisfactory level of reliability. A number of closely related commitment studies (Coote *et al.*, 2003; Siguaw *et al.*, 1998; Skarmeas *et al.*, 2002) used a sample size of less than or close to 200 with a response rate of 14.59% to 22%. These studies also used structural equation modeling as a tool of analysis.

The response rate for any organisational study in a developing country context is relatively low where 20% could be very optimistic. For instance, a recent study in a developing country context extracted 203 usable responses where the response rate was 17% (Shamsuddoha, 2004). Therefore, this study attempted to yield approximately 200 or above usable samples that would be sufficient to satisfy the statistical recommendation and the related studies for the proposed testing and analysis.

The activity of manufactured imports plays a significant role in world business, and it is the largest segment of the world's total import (World Bank, 2000). In common with most other developing nations of the world except the oil exporting countries, Bangladesh has recorded a persistent continuous deficit in balance of trade with imports around double the export figures since independence of the country (Export Promotion Bureau, 2003; Saleh, 1996). Importing is also an impetus to gear up the nation's promotion of self-reliance. Consequently, the Government of Bangladesh has further liberalised its import policy since 1997 not only for manufactured industrial imports but also for consumer imports (Government of Bangladesh, 1998). However, a significant part of the import is organised through government agency aid or under project loans. This study only focuses on the private sector industrial and commercial imports and excludes aid and loan financed imports into the country. The practical reason for excluding procurement under aid and grants is that these imports are controlled by bilateral/multilateral arrangement where import decisions are influenced by donor countries/agencies (Shahadat, 2003).

Additionally, in terms of the value of imports, the industrial and commercial importers are dominant (85.1%) in the total imports of Bangladesh (Bangladesh Bank

Report, 2002). The industrial importers import only for manufacturing or industrial use but commercial importers import both consumer and industrial goods for resale. Accordingly, the inclusion of both importers of major industrial and consumer products facilitates comparison across buyer-seller relationship studies (e.g., Coote *et al.*, 2003; Skarmeas *et al.*, 2002).

The sample frame was developed from the register of importers maintained by the office of the Chief Controller of Import and Export of Bangladesh where 7,590 commercial and 569 industrial importers were registered up to December, 2003 (Import Control Bureau, 2003). This is an entrusted authority where registration is compulsory for any kinds of import. However, verification of this database was necessary before using it as a sampling frame because it was seldom updated to remove inactive importers. To this end, leading commercial banks were contacted to crosscheck the list of operative industrial and commercial importers from their register of importer clients and current contact address of the importers. Earlier an endeavour was made to verify the above list using Central Bank and Customs databases, but it was understood that they are involved with maintaining the total value of transactions and not maintaining a register for importers. As a result, a validated list through the commercial banks was used to develop a list of active importers and that was used as a sampling frame.

The specific sampling strategy was stratified random sampling because two subgroups of importing firms were encountered (commercial and industrial importers) and drawn from the sampling frame separately. Stratified sampling involves extracting proportionate representation of multiple groups of firms considered in the research (Reynolds *et al.*, 2003). However, Bangladesh Bank Statistics indicate that the ratio of industrial and commercial import in dollar terms are approximately 60% and 40% respectively (Bangladesh Bank Report, 2002). Therefore, disproportionate stratified sampling was appropriate to produce more efficient estimates than proportionate sampling (Churchill, 1991).

The rationales for using this sampling strategy were to increase precision without increasing cost and to reduce the sample variation. While the technique offers an opportunity to reduce sampling error towards an increasing level of confidence (Churchill, 1991), this was also ensured by the representation of two importing



categories of pertinent sample characteristics that accurately reflect the population (Davis, 2000; Zikmund, 2000). Each stratum included the same character of interest that facilitated the systematic random sampling procedure (Churchill, 1991; Malhotra, 2002). Every fifth firm from commercial importers and seven out of every eight importers from industrial importers lists were drawn systematically for initial contact. This method yielded an initial sample of 2000 importers (1500 commercial and 500 industrial importers) to further verify their contact address and soliciting participation.

#### **4.2.2 Unit of Analysis**

The unit of analysis refers to the extent to which the level of aggregation (Sekaran, 2000) or the level of investigation (Zikmund, 2000) of collected data focuses specifically on objects or an object (entire organisation, department, groups, venture/activity and individuals). As mentioned earlier, the three basic theories (discussed in section 2.1.1, Chapter 2) have been used in examining firm-based situations as a unit of analysis in different circumstances of buyer-seller relationship behaviour either in the internal or international context. The summarised review in Appendix 1 shows that all (32) commitment studies have investigated firm level activity/buyer-seller relationship or commitment relationship as a unit of analysis. While conceding previous trends in the reviewed studies, however, for the present study, the unit of analysis is a specific commitment relationship between the importer and supplier with respect to a specific major product importing activity. This was intended to capture an importer's perception of import venture with regards to a certain significant supplier relationship.

#### **4.2.3 Selection of Key Informants**

As emphasised, it was imperative to select an appropriate knowledgeable key informant who was engaged with the import decision making process (Kim and Frazier, 1997) through verification of their relevant details (Skarmeas *et al.*, 2002). Such key ideal informant(s) should have some qualities such as direct involvement in importing activities, in communicating and dealing with suppliers, in perceiving market and supplier behaviour and should have experience dealing with foreign markets. More specifically, as suggested by Mitchell (1994), the questionnaire was

targeted at the qualified person of the importing firm who has complete and specialized knowledge regarding the information sought and possible shared interest in the study. Keeping these qualifications in mind the key informant selected for this study was either the owner or manager of the firm or any other responsible person within the firm who is actively involved in the import decision-making process. These high-ranking informants were considered more reliable and enabled standardisation of information across the firms (Mitchell, 1994). These were the important considerations regarding the span of absolute judgment of a key informant (Miller, 1956).

Multiple respondents per firm would have been better to reduce the source of common method variance (Podsakoff *et al.*, 2003) but the research context may not permit that approach where a vast majority of the firms were small and medium sized enterprises (SMEs). It should be indicated here that many of the importers are small entrepreneurial sole trading or partnership firms owned by one or two owner(s) where a single key informant was the only option. Since the key respondent was assessing the relationship with specific reference to a supplier of a specific product the person has been dealing with (rather than the firm wide relationship in general), it was assumed that the informant is qualified to assess the relationship with a high degree of accuracy and reliability.

While importers are usually engaged with more than one foreign supplier, even for the same importing item; they may have different commitments to different suppliers based on the imported product or the size of imports (Skarmeas *et al.*, 2002). Therefore, informants were instructed to keep their major supplier of a major product in their mind while they filled out the provided questionnaire. Furthermore, the informants were instructed to consider the commitment relationship for an import venture with at least a two year business relationship. This was to incorporate a more meaningful representation of data in terms of commitment to an import supplier perceived over a reasonable time of working together.

#### **4.2.4 Measurement of Constructs**

Podsakoff *et al.*'s (2003) state in their discussions that “common method variance can have a substantial impact on the observed relationships between predictor and criterion variables in organizational and behavioural research” (p. 897). To control for

the method bias (Podsakoff *et al.*, 2003), this study carefully considered some key concerns with respect to measurement of predictor and criterion variables. First, measurement of the DV and IVs at a time interval could provide better causal interpretation (Davidsson, 2004). However, as this research proposed a cross-sectional research setting rather than longitudinal one, both the DV and IVs were measured at the same time due to difficulties of getting longitudinal data in this research setting. Second, obtaining measurement of the dependent variable (importer's commitment to import supplier in this study) from different sources could be a way of reducing common method bias in a survey setting (Podsakoff *et al.*, (2003). To achieve this objective, the assessment of importer's commitment by the respective import supplier could have been better. However, that option was not practical due to the time and resources constraints of the study. Similarly, it might not be appropriate in this research setting to assess the firm's commitment to a specific import supplier by another informant unless the person is involved in that importing venture.

As the dependent and independent variables were causally related and using the same types of measurement scales, all of those could suffer from common method bias. To overcome the use of similar measurement problems, some of the IVs and at least the DV were measured differently. Therefore, the present study used 7-point Likert scales as well as semantic differential scales including some reverse worded items in the questionnaire. Specifically, respondents were asked to rate their perception on questionnaire items on 7-point Likert scales ranging from 1 "strongly disagree" to 7 "strongly agree" for six construct measures; for the other three construct measures, semantic differential scales were used. However, mixing two different types of measurement scales when measuring the predictor variables and the dependent variable have reduced measurement bias. This process also has separated predictor and criterion variables psychologically toward ensuring unbiased responses (Podsakoff *et al.*, 2003).

Further, an attempt was made to collect some objective information such as growth of imports from the supplier over a period, importing other items that the specific supplier can supply, and advancement of business deals with the supplier other than the import alone. These were assumed to be indications of high commitment to an import supplier, and highly committed import partners are likely to go for these

options. However, no study so far has used these measures. Therefore, these measures were used on an ad hoc basis for further verification of the proposed measure adapted in this study.

The reliability and validity of measures have been proposed to be assessed by the plan and procedures as suggested in the literature (Nunnally, 1978). As content validity involves the subjective assessment of scale measures or characteristics of the included variables (Malhotra, 2002), this was well defined and reflected a content domain (Arino, 2003; DeVellis, 1991) in each construct measure. For this study, almost all construct measures were derived from the close extant studies having a higher reliability (not less than .70) consistency. The content validity of the questionnaire was also overseen by a panel of five academic scholars. As Spector (1992, p. 47) notes, “discriminant and convergent validities were frequently studied together and involve investigating the comparative strengths or patterns of relations among several variables”, thus these validities have been assessed and described in section 5.2.5 to explore the ‘hypothesised relations between a scale of interest and other variables’ (Spector, 1992, p. 47).

The brief conceptual and operational definition, proposed relationships (hypotheses) and domain of the measurement are summarised in Appendix-3. For measuring each theoretical construct in the proposed model, the measurement variables are briefly discussed below:

**Trust** – Trust is conceptualised as the importer’s/import manager’s perception of their relationship with the supplier which tends to measure their attitude in terms of honesty and truthfulness, reliability, openness, integrity, and monitoring of the import supplier. As the operational definition specifies, five items (honesty and truthfulness, reliability, openness, integrity) were extracted from Coote *et al.*’s (2003) study where alpha reliability was reported as .88 and an additional item (monitoring of the import supplier) from Wilson and Vlosky (1997) were adopted to fulfil the domain of the measurement. The scale showed high construct reliability and was tested in the similar dimension of study (Coote *et al.*, 2003; Zineldin and Jonsson, 2000) and other studies have used these items (Doney and Cannon, 1997; Mavondo and Rodrigo, 2001; Wilson and Vlosky, 1997). The questionnaire items are exhibited below.

1. Our major supplier has generally been honest
2. Our major supplier is truthful
3. Promises made by our major supplier are reliable
4. Our major supplier is open in dealing business with us
5. Our major supplier has a high degree of integrity
6. Transactions with our major supplier do not need close supervision

**Communication** – Communication items measure the extent to which importers in the supplier relationship actively exchange or communicate information that facilitates importing activities with each other. However, more specifically, this construct measures the extent to which an importer communicates business changes to the suppliers, information that may benefit one another, information about events and changes in the market, frequency of contact, and information about new possibilities and problems if they arise. As the domain specification of this measurement, three items (business changes to the suppliers, information that may benefit one another, information about events and changes in the market) were drawn from Coote *et al.*'s (2003) study where the alpha reliability score was reported as .85. Two additional items (frequency of contact, and information about new possibilities and problems if they arise) were extracted from Zineldin and Jonsson's (2000) study to cover the additional facets in the measurement domain. Most of the items were used in other studies (Mohr *et al.*, 1996; Mohr and Sohi, 1995; Selnes, 1998). All questionnaire items for this construct are shown below.

1. We keep our supplier informed about changes in our business
2. Our major supplier and our company exchange information that may benefit both
3. This supplier and our company keep each other informed about events and changes in the market
4. Our major supplier frequently discusses and informs us about new possibilities for business development
5. Our major supplier informs us immediately if any problem arises

**Cultural similarity** – This measure captures the import managers' perception regarding the extent of socio-business cultural similarity with their suppliers. This construct measure represents the extent to which an import manager perceives the similarity between the importer and supplier with respect to their style of greeting/address, business practice, legal formalities that influence business negotiations, standard of ethics, and the uses of contracts and agreements in business. This was measured differently in the extant literature. Hofstede's (1980) country

scores on four dimensions of national culture (power distance, individualism/collectivism, masculinity/femininity, and uncertainty avoidance) have been used by some researchers (Batonda and Perry, 2003; Kogut and Singh, 1988; Li and Guisinger, 1991) to examine the cultural distance between countries. While Hofstede's (1980) value scores are readily available for 50 countries these scores are based on work-related value only rather than evaluating relationship. Also these scores are very dated (based on 1960s data) and not even available for many of the countries including China. However, taking Johanson and Vahlne's (1977) assertions of cross cultural relationship, Swift (1999) used 20 cultural elements to assess managers' perceived cultural closeness with overseas suppliers and reported mean scores to identify the cultural affinity and closeness. Four questionnaire items were adopted from Swift's (1999) study for their relevance to the construct measure for this study. One additional item was adopted from Ali's (1995) dissertation which was utilised in measuring psychic distance between international joint venture partners in a developing country context. This measurement was one of the challenging ones, and so may contribute to producing a reliable score in CFA. Questionnaire items for this measure are listed below.

1. The styles of our greeting/address/introductions are similar to those of our major supplier
2. Our business practices (such as keeping appointments and meeting on time) are similar to those of our major supplier
3. Our legal formalities that influence business negotiations are similar to those of our major supplier
4. Our standards of ethics and morals in business are similar to that of the supplier
5. The uses of contracts and agreements in our business are similar to those of our major supplier's business practice

**Supplier's competencies** – This measure captures importers' perceptions of firms' relative competencies derived from the specific supplier capabilities and resources. Suppliers' competitive quality, warranty, prices, payment terms, technical ability and knowledge, knowledgeable salespeople, and frequency in delivery services may provide competencies from the specific supplier relative to other suppliers. Researchers have used these tangible and intangible capabilities of the supplier to develop the measure. Initially, supplier selection criteria were employed in Cavusgil and Yavas's (1987) study and that measure was adapted in two follow-up studies (Karande *et al.*, 1999; Shahadat, 2003). For the domain specification, seven items of

this questionnaire were adopted from these studies where alpha reliability scores have been reported at .78 and above. While only mean and alpha reliability scores were reported in these studies, an endeavour was made to confirm their reliability using confirmatory factor analysis which is expected to be an additional contribution in this study. The questionnaire items are shown below.

1. Our major supplier has a better quality product than other suppliers
2. Our major supplier offers better warranties than other competitive suppliers
3. Our major supplier offers more competitive prices than other suppliers
4. Our major supplier offers more extended payment terms than other suppliers
5. Our major supplier has better knowledge of supply chain than other suppliers
6. Our major supplier has more knowledgeable salespeople than other suppliers
7. Our major supplier offers frequent and timely delivery services

**Transaction-specific investment** – This construct measures the degree of importer's perception on the dedication of investment in building, facilities, and personnel specific to an import supplier, the risk of withdrawing that investment, and the intellectual property involved in carrying the supplier's product line. For this construct measure, all four items were drawn from Ganesan's study (1994), where alpha reliability was reported as .76. To elaborate the domain of the measure, two additional items were adopted from Skarmeas *et al.*'s (2002) study. The questionnaire items are shown below.

1. We have invested substantially in personnel dedicated to our major source of supply
2. We have invested a great deal in building up our major supplier's business
3. We have made substantial investments in facilities dedicated to our major supplier's product line
4. If we switched to a competing source, we would lose a lot of the investment we have made in this supplier
5. If we decided to stop working with our major supplier, we would be wasting a lot of knowledge regarding their method of operation
6. We have made significant investments to display and promote our major supplier's product

**Supplier's Opportunism** – The supplier's opportunism measures the extent to which an importer perceives the opportunistic behaviour of the supplier during the period of exchange relationship and negotiations. More specifically, this measure comprises

how an importer perceives the supplier's malfeasance, exaggeration, alteration of facts, negotiation style and attitudes towards achieving benefit at the detriment of others. For measuring this construct, Skarmeas *et al.*'s (2002) study used five items and an alpha reliability was reported of .87. However, four of these items were also used by Gundlach *et al.* (1995). All items from Skarmeas *et al.*'s (2002) study were adopted for this study. The questionnaire items are shown below.

1. Our major supplier exaggerates their needs in order to get what they desire
2. Our major supplier sometimes breaches formal or informal agreements for their own benefit
3. Our major supplier sometimes alters facts to get what they want
4. Good faith bargaining is not a hallmark of this supplier's negotiation style
5. Our major supplier has benefited from our relationship to our own detriment

**Environmental volatility** – This construct measure taps the importers' perceptions of the degree of predictability of the market environment, maintaining market share, monitoring trends, forecasting and result of marketing action in regards to maintaining relationships with a specific supplier. Celly and Frazier (1996) adopted four items from Ganesan's (1994) study and added an additional item to measure environmental volatility and reported an alpha reliability score of .85. Skarmeas *et al.* (2002) also adopted Ganesan's (1994) items and reported a reliability score of .73. However, for this study, Celly and Frazier's (1996) five item measure has been adopted for better domain specification. To reduce common method bias, a semantic differential scale with reverse wording was used for this construct measure. The items are appeared below.

1. The market environment relating to our major supplier's product is -----  
Unpredictable/Predictable
2. The market share of our major supplier's product is ----- Volatile/Stable
3. Monitoring market trend for our major supplier's product is -----  
Difficult/Easy
4. In respect to our major supplier's product, our sales forecasts are likely to  
be ---- Inaccurate/Accurate
5. The results of marketing actions in respect to our major supplier's product  
are ---- Difficult to predict/Easily predictable

**Knowledge and experience** – This measure covers the importers' perception of their knowledge and experience in respect to product markets, familiarity with market needs, overall experience with the market, understanding the suppliers' preferred



procedures and technical efficiency in evaluating the product. As the domain specifies for this construct measure, all three items were extracted from Celly and Frazier's (1996) study (where alpha reliability was reported as .86) and two additional items were adopted from Ozanne *et al.*'s (1992) study to include the knowledge content in the domain. Following the trend of these two studies, a semantic differential scale was also used in this study. This was designed to reduce common method bias in the questionnaire. The questionnaire items are shown bellow.

1. We have----- market knowledge about the product we buy from our major supplier (Limited/Substantial)
2. Our familiarity with market needs for our major supplier's product is -----  
----(Limited/Substantial)
3. Our overall experience with the markets for our major supplier's product is-----  
(Limited/Substantial)
4. Our knowledge about major supplier's preferred steps/procedures of buying is ---  
(Limited/Substantial)
5. Our knowledge about the technical attributes of the product offered by our major supplier is-----  
(Limited/Substantial)

**Commitment to an import supplier** – This construct measures the importers' perceptual aspects and attitudes covering continuity, development and short-term sacrificing tendencies in their commitment relationship with a specific supplier. Commitment has been measured differently in the extant literature. Coote *et al.* (2003) put forth five items where the alpha reliability score was reported as .91, Skarmeas *et al.* (2002) used twelve items and found a .86 alpha reliability whereas Zineldin and Jonsson (2000) used seven items having an alpha reliability score of .72 and Wilson and Vlosky (1997) used seven items with alpha reliability of .84. Two items were found common (intention to maintain and develop relationship and continue working relationship) in these studies and were adopted in this study. However, for better domain specification, two additional items (relationship requirement and satisfaction in the relationship) from Zineldin and Jonsson (2000), two other items (devotion of time and responding to the request for help) from Skarmeas *et al.* (2002), and an additional item (expectation of increasing purchase) from Wilson and Vlosky (1997) were adopted. Consequently, the total number of items was seven for this dependent construct measure. While all the above studies used Likert type scales in different contexts, the scale items were rearranged and reworded for the purpose of using a semantic differential (summated rating) scale in

this study. This conversion was necessary to reduce common method bias in response (Podsakoff *et al.*, 2003). The operational items are shown below.

1. We -----more time to our major supplier when it needs help (Do not devote/Devote)
2. We -----quickly to our major supplier when it needs help (Do not respond/Respond)
3. We -----to increase our purchase from our major supplier in the future whatever product he/she can supply (Do not expect/Expect)
4. We -----to maintain/continue working with our major supplier for a long time (Do not expect/Expect)
5. We -----intentions to develop and strengthen this relationship over time (Do not have/Have)
6. The relationship with our major supplier ----- maximum effort and involvement (Do not requires/Requires)
7. We -----very satisfied with the level of cooperation we get from our major supplier (Do not feel/Feel)

While there is lack of consensus in the parent literature about the scale items for measuring the proposed constructs, this study integrates extant measures. This was exclusive of an indication that the use of different items for domain specification and/or meaningful presentation of the relevant concept of the construct (Nunnally, 1978). Apart from using the extant measurement, very small changes were made in either wording or drawing flow and consistency, as the conceptual and operational definitions connote. Accordingly, along with the extant established measures, in some instances it was intended to combine extant measures in new ways and add new items toward developing new measures for a new empirical context. This certainly has increased the risk of reliability and validity of some of these operational measures which required extensive pre-testing. All the questionnaire items are shown in Appendix - 4.

In terms of the use of scales, variants of scales were common from five to nine and most of the commitment studies used 7-point scales to operationalise the variables (see Appendix 1). This scale integrates ideal precision of seven categories of absolute judgement (Miller, 1956). This scale is universally adaptable, relatively insensitive and statistically sophisticated (Malhotra, 2002). As such, this 7-point subjective rating scale along with semantic differential scale was used in this study instead of asking for any objective information (Kaynak and Kuan, 1993).

#### **4.2.5 Translation of Instrument and Pre-testing**

A panel of experts reviewed the original English version of the questionnaire before pre-testing. According to the reviewers' comments, the questionnaire was revised and modified. This version was pre-tested for its clarity and scale reliability on a small sample of importers in Bangladesh. Based on the pre-test feedback, the wording of the questionnaire items was slightly modified. To facilitate a quick response, the questionnaire was translated into Bangla, the native language of the respondents. While English is widely used in the business community in Bangladesh, the use of Bangla versions of the questionnaire was expected to ensure clear communication to respondents. Although conducting studies in a different nation, it was required to ensure that the translated question was equivalent in both versions (Chang *et al.*, 1999). The method of translation of questionnaire into Bangla was direct translation (Brislin, 1970; Malhotra *et al.*, 1996), in which a bilingual qualified business academic translated the questionnaire directly from the original English language version of the questionnaire into Bangla. Further, as emphasized in the literature (Brislin, 1970), a day long meeting was organized by the principal supervisor with a panel for review of the translated Bangla questionnaire. The panel consisted of the principal supervisor (a native of Bangladesh) and a senior academic in the Faculty of Business, the University of Queensland (also a native of Bangladesh), the researcher himself, a native of Bangladesh. The panel discussed better Bangla terminologies and expressions for each questionnaire item for the finalisation of the translated Bangla version of the questionnaire for its authenticity. To get more clarity, the draft Bangla version of the questionnaire was pre-tested in Australia among the business people of Bangladeshi origin and was revised for better flow in understanding. Further, a pilot test was done with a small number of sample respondents (importers) in Bangladesh to refine the measurement instrument before final print and mail-out (Cooper and Schindler, 2001). The Bangla version of the questionnaire is shown in Appendix 5.

#### **4.2.6 Data Collection Procedure and Response Rate**

The self-administered mail survey approach was deemed most appropriate for a widespread research program (Malhotra, 1993; Zikmund, 2000). The main strengths of this method are respondent anonymity, confidentiality and free expression and fair temporal response (Bush and Hair, 1985; Davis, 2000). This also facilitates the avoidance of inadequate record keeping and helps to generate uniform data from

different respondents (Sutton, 2001). Another important advantage of this method is minimal cost compared to other methods. However, it cannot be safely said that among all data collection methods one is the best and the selected method is not without limitations. Considering all these, the widely used mail survey has been used in this study for its ability to collect data economically in a short period of time from temporally scattered diverse sources.

Past researchers experience suggests (as summarised in Appendix 1) that this method suffers from a low response rate for different reasons including survey fatigue of a typical mail survey. Keeping this in mind, measures were taken to increase the response rate toward reducing response bias and increasing validity of the statistical inference (Churchill and Iacobucci, 2002). To achieve that objective, out of the verified initial sample of 2000, 1646 potential informant(s) were contacted by telephone (Goodman and Dion, 2001) to further check the accuracy of the name, address, build rapport and solicit participation in the survey. This telephone contact was made by some of the highly influential business professionals (Bankers, Members of the Chambers of Commerce and Stock Exchange) in Bangladesh. This was critically important to identify the owner or manager or the persons who are involved with importing decisions as knowledgeable key informant, and to seek prior commitment to participate in the mail survey (Mohr *et al.*, 1996). In this process, a total of 600 firms/respondents in two categories of importers (196 from industrial and 404 from commercial importers) agreed to participate in the survey. Attached to the survey was a covering letter from the Head of School supporting the research and encouraging participation in the survey. It was stressed that the study was being conducted only for academic purposes, and that participation in this study was completely voluntary, anonymous and confidential. Access to the supplied information would be limited to the university researchers only. It was envisaged that this process would maximise the usable responses.

Finally, 600 survey packages were mailed to the agreed participants and a further follow-up phone call yielded 154 complete responses (67 industrial and 87 commercial) within four weeks of the mail-out. A second mail-out of 400 questionnaires and further telephone follow-up produced 108 (41 industrial and 67 commercial) additional responses. The total responses after two mail-outs and follow-up telephone calls were 262 with an aggregate response rate of 43.67%. The detailed responses and response rates of the two basic categories of importers are reported in Table 4.1.

**Table 4.1**  
**Importer Category and Overall Response Rate**

Import Category	Total Sample	Return	Return %	Overall Response Rate
Commercial	404	154	38.12	43.67
Industrial	196	108	55.10	
Total	600	262		

The evaluation of missing data, assessment of normality and outliers are reported in sections 5.1.2 and 5.1.3 respectively. The respondent and firm profiles and their relevant characteristics are discussed in Chapter 5. The verification of non-response bias is discussed in the section to follow.

#### 4.2.7 Verification of Non-Response Bias

To minimise the impact of non-response bias in the survey, obtaining a higher response rate is important (Lessler and Kalsbeek, 1992). Accordingly, an attempt was made to assess the non-response bias in the survey data by following Armstrong and Overton's (1977) recommendations. This process assesses statistical significance by comparing the responses of the questionnaires between the early and late returns (Lambert and Harrington, 1990). The returned responses were split into two groups based on return dates – before the second wave mail-out and after the second wave mail-out. Accordingly, the first yielded responses (59%) were classified as early and the rest (41%) were classified as late respondents.

**Table 4.2**  
**Assessment of Non-Response Bias**

Item	Early Response Mean ( $\sigma$ ) N=154	Late Response Mean ( $\sigma$ ) N=108	t- value
Q7a. Honesty	6.13 (.908)	5.95 (1.076)	1.38
Q 8c. Information about event and changes	5.86 (.963)	5.63 (1.069)	1.78
Q 10c. Offering competitive price	5.88 (1.062)	5.91 (1.186)	-.27
Q 10d. Payment terms	5.17 (1.370)	5.12 (1.430)	.31
Q 11e. Risk of losing intellectual property	4.51 (1.712)	4.35 (1.806)	.69
Q 11f. Invest. to promote supplier's product	4.97 (1.404)	4.81 (1.698)	.86
Q 12a. Supplier's exaggeration	2.97 (1.738)	3.02 (1.775)	-.20
Q 13e. Predicting results of marketing action	2.55 (1.329)	2.68 (1.334)	-.71
Q 14a. Market knowledge substantiality	5.99 (1.266)	6.00 (1.161)	-.04
Q 15b. Nature of respond	5.89 (1.284)	5.97 (1.020)	-.52
Q 15c. Trend of increasing purchase	6.01 (1.259)	5.85 (1.302)	.98

By following Prahinski's (2001) procedure, about 20% of the survey items (11 out of 51) were randomly drawn and an independent sample t-test was conducted on each item (early n=154 and late n=108) for assessing non-response bias. Table 4.2 illustrates the t-test results and it reveals that there is no significant difference between early and late responses.

#### **4.2.8 Analysis of Data**

The data extracted from the cross-section of importing firms have been analysed in Chapter 5 and in Chapter 6 to test the construct measures and to test the hypotheses set forth in the conceptual model. The adopted construct measures require measurement of scale reliability and validity. Relevant descriptive statistics of the sample are reported in Chapter 5. Measurement model in the Structural Equation Modeling (SEM) technique is used for the confirmatory factor analysis using Amos version 5 followed by specification and estimation of the models (Schumacker and Lomax, 1996).

As it signifies, SEM is a powerful quantitative data analytical technique which estimates and tests theoretical relationships between/among latent and/or observed variables and also combines regression and factor analysis (Tabachnick and Fidell, 1996). SEM is also a path analytical method for handling multiple relationships and assessing relationships from exploratory analysis to confirmatory analysis (Hair *et al.*, 1992). It has also been used in similar studies toward examining causal impact of the predictors of buyer/importer commitment (Coote *et al.*, 2003; Skarmeas *et al.*, 2002). This program estimates a series of causal relationships and shows parameter estimates as well as path links among variables in the conceptual model. SEM also estimates multiple regression equations simultaneously through specifying the structural model. This likewise allows modeling with latent variables through modeling the measurement errors that may be associated with observed indicators (Wickramasekera, 1998). Therefore, despite some limitations, SEM is used as a significant tool for testing the proposed and competing models in Chapter 5.

# Chapter 5

## Sample Demographics, Data Screening, Measurement Development and Structural Model Testing

### 5. Overview

In Chapter 4, research methodology and research design were discussed in detail. The respondents' profiles along with sample characteristics, data screening, measurement model assessment and structural model fit are described in this chapter.

The goals of this chapter are to:

- Describe the sample demographics as well as characteristics of respondents and firms (Section 5.1.1)
- Examine the data management procedure, handling of missing data (Section 5.1.2) and to assess and identify the outlier cases (Section 5.1.3)
- Review and discuss the fit indices in structural equation modeling (Section 5.2.1) using AMOS
- Discuss the development of the measurement of constructs (Section 5.2.2)
- Assess and analyse overall measurement model fit (Section 5.2.3)
- Report and assess the implied correlations matrix (Section 5.2.4)
- Examine the relevant validities of the constructs (Section 5.2.5)
- Test the proposed original and competing models to identify the theoretically plausible model (Section 5.3).

## **5.1 Sample Demographics and Data Screening**

The collected sample in this study varied widely on personal and respondent's firm characteristics. The profile of respondent and the participating firms' are explored in this section as part of the assessment of the data. As this research used a self-administered questionnaire, response error (Highman, 1955) was an issue as the researcher had no control over how it was completed. Hence, the relevant data screening techniques such as descriptive statistics, treatment of missing data and identifying outlier cases are discussed in this section.

### **5.1.1 Respondent and Firm Profile**

In terms of sample demographics, firm and respondent characteristics are varied widely (Morgan and Hunt, 1994), and are reported in this section. Respondents' gender, educational qualifications, age, experience, and their job position in the organisation are relevant personal data. In addition, in the importer category, duration of the firm's involvement in importing, the number of importing items/products, number of employees, firms' exporting status, and the duration of exports are relevant to the firm characteristics.

While demographic information has no impact on the level of analysis of this study, this reporting may provide a generalised view in terms of male and female participation in international business in developed and developing countries. Table 5.1 shows that the sample was made up mostly of male respondents (99%). This is consistent with Morgan and Hunt's study (1994) where male respondents in their survey was 98.4%.



**Table 5.1**  
**Respondents' Profile**

Demographic Features	Frequency	Percent
<b>Gender</b>		
Male	260	99.14
Female	2	.86
Total	262	100.0
<b>Educational Qualification</b>		
Masters	139	53.1
Hons/Pass Graduate	90	34.4
H.S.C	22	8.4
Others	7	2.7
Total	258	98.5
Missing	4	1.5
Total	262	100.0
<b>Age of the Respondents</b>		
Up to 35 years	94	35.90
36 – 45	106	41.60
46 – 55	46	17.50
Over 55 years	13	5.00
Total	262	100.0
Mean = 40.39, s.d. 8.629		
<b>Length of Experience</b>		
2 – 5 years	45	17.18
6 – 10	89	33.97
11 – 15	60	22.90
16 – 20	38	14.50
Over 21 years	29	11.07
Total	261	99.62
Missing	1	.38
Total	262	100.0
Mean = 12.38, s.d. 7.456		
<b>Designation of the Respondents</b>		
Owner Manager of the Firm	93	35.50
Managing Director/ Director/	53	20.23
Chief Executive Officer		
General Manager/ Manager	42	16.03
Commercial Officer/Executive	65	24.81
Others	8	3.05
Total	261	99.62
Missing	1	.38
Total	262	100.0

The Table 5.1 also shows that the majority of the importers in this sample have graduate and postgraduate qualifications (87.50%). It is revealed that the respondents are varied widely in terms of their age. The highest representatives of the respondents (41.60%) are from the age group of 36 to 45 followed by a relatively young generation below 35 years of age (36%).

As reported in Table 5.1, the average year of respondents' experience of importing is 12.38 years. Most of the respondents in this sample (about 82%) had more than five years of business experience. This may indicate that the respondents are experienced in the field of international business. In terms of job position of the respondents, around three-quarters of the key informants in the survey held key decision-making positions either as Owner Manager, Managing Director/Director/Chief Executive or as General Manager/Manager of the firm (71.76%). In addition, a significant number of Commercial Officers/Executives of the firm (24.81) who are playing a key role within the importing firms also participated in this survey. The key informants' overall position within the firm signifies the high profile participation in the survey that added to the data quality (Kim and Frazier, 1997).

Firm characteristics are an integral part of analysis to categorise the participating firms. However, as noted earlier, 12.6% of the importing firms were involved in both industrial and commercial importing and they are categorised into the commercial importer category for their major emphasis on that trade. In order to verify the group difference in responses, t-tests for all (51) items were conducted. The results show that there is no significant difference between the responses of industrial and commercial importers for 47 items. However, two trust items and one item each in 'transaction-specific investment' and 'environmental volatility' show a marginally significant difference between the responses of the two groups. In terms of the group mean of these items, the results indicate that the mean scores of commercial importers are higher than that of the industrial importers on 'supplier honesty' and 'truthfulness', 'risk of withdrawing their investment', and 'monitoring market trend for major supplier's product'. This may happen by chance alone and may not indicate that these two groups are significantly different. The following two tables along with the accompanying brief discussion elaborate the firms' characteristics of the sample.

**Table 5.2**  
**Firms' Profile**

Firm Characteristics	Commercial		Industrial		Total	
	No	%	No	%	No	Overall %
<b>Duration of Importing</b>						
2 – 5	48	31.17	34	31.48	82	31.30
6 – 10	52	33.77	36	33.33	88	33.59
11 – 15	29	18.83	24	22.22	53	20.23
16 – 20	11	7.14	8	7.41	19	7.25
≥ 21	14	9.09	6	5.56	20	7.63
Total	154	100	108	100	262	100.0
Mean scores for commercial: 10.54; industrial: 9.92; and Overall Mean = 10.28, s.d. 7.06						
<b>Number of Importing Items</b>						
Up to 5	73	47.40	44	40.74	117	44.66
6 – 10	36	23.38	24	22.22	60	22.90
Above 10	43	27.92	38	35.19	91	30.92
Missing	2	1.30	2	1.85	4	1.52
Total	154	100	108	100	262	100
Mean = 14.32						
<b>Firm Size by Number of Employees</b>						
Micro (1 – 4 employees)	9	5.84	6	5.56	15	5.73
Small (5 – 19 " )	78	50.65	19	17.59	97	37.02
Medium (20 – 199 " )	45	29.22	31	28.70	76	29.00
Large (200 – above " )	19	12.34	51	47.22	70	26.72
Missing	3	1.95	1	.93	4	1.53
Total	154	100	108	100	262	100.0

In terms of the duration of business as well as the duration of the business relationship with major suppliers, Table 5.2 shows that around 69% of the firms sampled have had more than five years business involvement with their major supplier, and the rest (31%) have had more than two years business relationship. The overall average number of years of importing relationship with a major supplier is 10.28 years. It was further found that there is not much difference in different levels of business relationship between the commercial and industrial importers in terms of length of relationship.

The number of imported products by the commercial and industrial importers may indicate their level of commitment with the suppliers. The above table (5.2) presents a comparative number of products imported by the commercial and industrial importers of this sample from the major supplier. The table denotes that 44.66% of importers imported up to 5 items and the rest (54%) imported six or more items from the major

suppliers. It is also apparent from the table that almost half of the commercial importers (47.40%) import up to 5 products (items) from their major suppliers compared to 41% of industrial importers. Further, it is revealed that above 35% of the industrial importers import more than 10 items and overall around 58% of them import more than five items.

The respondents were asked to provide the exact number of employees in their organisation for classification purposes and these data were categorised using the Australian Bureau of Statistics classification of business framework (Office of Small Business, 1999). A firm is defined as ‘micro’ if it employs fewer than five workers, ‘small’ if it employs fewer than 20 workers and ‘medium’ if it has up to 199 employees in the operating business sector (Kotey and Slade, 2005). A firm that employs above 200 employees is considered a large firm. Considering this classification, Table 5.9 shows that two-thirds of the sample firms in the present study (68%) were small and medium (SMEs) businesses. Another quarter is classified as large (27%) and a small proportion (5.73%) are micro businesses. The median number of employees of the respondent firms is 22. However, the median employees’ number for industrial importing firms is higher than the commercial importing firms (150 compared to 15 respectively).

Table 5.3 shows the responding firms’ export and import status. The table precisely shows how many participating importing firms are also involved with exporting.

**Table 5.3**  
**Firms’ Exporting Status and Import as Input of Export**

Import Category	No Export	Export	% of Total Category	Import Form Export	% of Total Category
Commercial	122	32	20.80	28	18.18
Industrial	48	60	55.60	60	55.60
Total	170	92	35.10	88	33.60

It can be seen in Table 5.3 that around 18% of commercial importers were involved in exporting compared to 56% of the industrial importers. It was also revealed that among the 33 firms categorised as importing firms, 18 were involved in exporting and the other 15 firms only engaged in both commercial and industrial importing for local distribution and manufacturing.

Further, Table 5.3 demonstrates that 88 importers (28 commercial importers and 60 industrial importers) are importing for re-export either as finished goods or as partly manufactured goods. Close scrutiny of the data revealed that 49 industrial importers started their importing and exporting at the same time because most of the apparel producers and exporters depended on their imported raw materials to fulfil their importers' demands.

While there was no hypothesised relationship between import and export in this study, the above information partially supports the theoretical argument described in section 2.1.1 that the internationalisation process (Johanson and Vahlne, 1977) is not only exploring and fostering the export operations of a firm (Karlsen *et al.*, 2003) but also explaining the behaviour of the host side of the dyad. As a significant member of the international business dyad, an importer might behave in the same way as its import supplier does and acquire knowledge of foreign operations (import) quickly by dealing with an import supplier to seek competitive advantage in the export market through importing from a reliable supply source on a continuing basis. Other relevant statistical analyses of the sample are discussed in the next two sections.

### **5.1.2 Examination of Data Entry and Missing Data**

The data analysis proceeded with the examination of data entry and handling of missing data. This is significantly relevant to gain some critical insights into the data characteristics and analysis (Hair *et al.*, 1998). Accordingly, in order to gain a high level of precision in the data entry process, a double check was performed. As a first check, all entries were verified case by case and as second check, descriptive statistics including frequency distribution, mean and standard deviation were conducted and verified. The frequency distribution statistics yielded two mistakes in the data entry process and ensured the accuracy of data entry. The accuracy of the data entry into the data set was approximately 99.25%.

In examining the completeness of the returned questionnaire, it was found that 29 questionnaires contained missing data for some of the construct measurement sections. Among those cases, 21 questionnaires had at least 20% or more of the overall questionnaire unanswered. Those cases were omitted from the preliminary analysis (Hair *et al.*, 1998). In relation to this deletion, it is important to note that a

mixture of Likert scale and semantic differential scales were used to reduce common method bias in the responses. It was observed that 16 of those 21 questionnaires had missing responses to the semantic differential scales sections. Respondents' lack of familiarity with semantic differential scales could be the main reason for missing data in those sections.<sup>2</sup> Further, it was found that four respondents to the surveys had missing data in transaction-specific investment scales due to perceived concern over confidentiality of data.<sup>3</sup> A few missing responses in different scales were found randomly in another eight surveys and a maximum likelihood function was used to replace those missing values (Downey and King, 1998; Enders and Bandalos, 2001). Therefore, upon deletion of 21 cases, 241 usable samples were retained in the database (response rate of 40.17%) for further examination of normality and outliers.

Before moving towards assessing normality and identifying outlier cases, it should be noted that a lot of information was missing in the *ad hoc* measurement section of commitment in the questionnaire. This might be due to a lack of understanding and reluctant attitude of the respondents because there were some questions relating to prospects, growth, and profitability which might be considered sensitive by the informants. As this was a supplementary attempt to measure commitment differently, non-response was not considered a problem and it was excluded from the analysis.

### **5.1.3 Assessment of Normality and Outliers**

Normality in the data is often a conventional assumption in the estimation process (Bai and Ng, 2005). Data distribution with either a highly skewed nature or with high kurtosis is indicative of non-normality which has random effects on specification or estimation (Hall and Wang, 2005). This non-normality may exist due to the presence of outlier cases in the data set. As Tabachnick and Fidell (2001) argued, "an outlier is a case with such an extreme value on one variable (a univariate outlier) or such a strange combination of scores on two or more variables (multivariate outlier) that they distort statistics" (p. 66). Therefore, an attempt was made to assess the normality of the data and to search for outlier cases. At the first stage, descriptive statistics

<sup>2</sup> During the pilot study as well as pre-testing of the questionnaires, it was observed that some respondents hesitated when moving to semantic differential scales and took a relatively long time to understand and fill out these sections of the questionnaire.

<sup>3</sup> One of the cases with missing data on TSI was identified and the respondent was requested to clarify his reluctance to fill out this section. The respondent clearly indicated the confidentiality of the data on investment.

analysis using the mean score of components of dependent and independent variables was conducted and it was found that the Kurtosis scores ( $>3$ ) for three variables were extreme (shown in Table 5.4).

**Table 5.4**  
**Descriptive Statistics**

Variables	Minimum	Maximum	Mean	Std	Skewness	Kurtosis
TRUST	2.50	7.00	5.7448	.84711	-.921	1.154
COMMUN	1.60	7.00	5.7568	.92347	-1.445	3.277
CULSIM	1.00	7.00	5.2025	1.04155	-1.196	1.899
RELAD	2.86	7.00	5.6586	.75047	-1.192	2.018
TSI	1.00	7.00	4.8534	1.28639	-1.163	1.105
OPPONSM	1.00	6.00	2.6971	1.35377	.740	-.311
ENVOL	1.00	6.80	2.6299	1.01116	.949	1.505
KNOWEX	1.00	7.00	5.8382	1.06123	-1.939	4.677
COMMIT	1.50	7.00	5.8887	1.07278	-1.807	3.814
Valid N = 241						

The above result confirms that the univariate non-normality is evidenced in the data set because kurtosis scores for three variables including ultimate dependent variable exceeded the maximum level of normality range ( $\leq 3$ ) and these may affect the overall findings of the study. However, the continuous variables were the points of interest and were incorporated in this study and the searching procedure for outliers among continuous variables depends on whether data are grouped or ungrouped. Therefore, a further attempt was made to identify the specific cases with extreme values and very different from the rest. This process was preceded by identifying univariate outliers assessing standardized z scores of  $\pm 3.29$  and multivariate outliers evaluating Mahalanobis distance greater than  $\chi^2(9) = 27.877$  ( $p < .001$ ) respectively (Tabachnick and Fidell, 2001).

The above statistical diagnostics revealed nine cases as extreme univariate as well as multivariate outliers. These cases were checked one by one to interpret why these cases are outliers and explain whether their exclusion limits generalisability. One explanation could be related to the respondents' strong beliefs regarding observed relationship in terms of 'trust' and 'commitment'. For example, on close examination, some of the cases indicated that they trust their major supplier but are not committed to them or they don't have any transaction-specific investment in their relationship. As only nine cases were found to have an insignificant number in terms of ratio of the variables (Hair *et al.*, 1998) thus exclusion of those may not limit the generalisability

of the findings. Therefore, these nine cases were excluded from the data set and finally 232 valid cases with eight IVs (including minimum five to maximum seven items) and a total of 51 items satisfied a very good case-to-variable ratio for confirmatory factor analysis (Hair *et al.*, 1998; Schumacker and Lomax, 1996; Tabachnick and Fidell, 2001). Apart from these, this sample size also satisfies the Hulland *et al.* (1996) recommendation of 200 or more in a sample for any complex structural model analysis.

In the outline of the sample validation process, respondents' and firms' profiles as well as characteristics, non-response bias, examination of data entry and handling with missing data, and assessment of outlier cases have been reported in this section. As reported, the initial responses totalled 262 (response rate 43.67%) which were used for reporting the respondent and firm profile and verification of group (industrial and commercial) response. The data screening and refinement process identified 21 responses as unusable and were excluded. The remaining 241 responses were used to identify the outlier cases. In this process, data normality was tested and nine univariate and multivariate outlier cases were identified by conducting standardized z score and Mahalanobis distance. Consequently, excluding those nine outlier cases, the usable final sample size consisted of 232 for confirmatory factor analysis and structural model testing.

## **5.2 Measurement Development**

To proceed with measuring the fit, there are some interrelated statistical techniques usually used to analyse the data as a supportive stream. Therefore, this section explores the reliability scores for the construct measures followed by confirmatory factor analysis (CFA). The reliability tests examine the internal consistency of the item in a measure to determine whether each observed variable should be retained or any exclusion should be done. This process follows the development of an individual measurement model for each construct measure to CFA and the overall measurement model to check the dimensionality of the construct and validity of the measures.

### **5.2.1 Fit Indices**

The use of Structural Equation Modelling (SEM) has steadily increased in the business literature where three forms of SEM are identified. The first form consists of



measurement models (type 1), the sequential next form is structural models (type 2), and the third form combines measurement and structural parameters (type 3) in a single analysis (McQuitty, 2004). In this study, the research paradigm indicates and concurrently strives to test using the type 3 approach because it combines measurement and structural parameters for complete parameter tests. SEM is a quantitative data analytical technique which specifies, estimates, and tests theoretical relationships between observed endogenous variables and latent, unobserved exogenous variables (Byrne, 2001). While SEM does not designate a single statistical technique but rather a family of relevant procedures including analysis of covariance structure, this combines regression and factor analysis as well. The SEM approach starts with model specification that links the variables assumed to affect other variables and directionalities of those effects (Kline, 2005). Specification is a way of visual representation of substantive (theoretical) hypotheses and a measurement scheme involving relevant theory, information, and ultimately a developed model (Diamantopoulos and Siguaw, 2000). In the estimation process, SEM produces regression weights, variances, covariances, and correlations in its iterative procedures converged on a set of parameter estimates (Holmes-Smith *et al.*, 2004).

Through the process of estimation, fit statistics should be evaluated to check whether the proposed model is a fit to the data or not, or whether any modification is required to increase fit. The model fit statistics can be divided into three types (Holmes-Smith *et al.*, 2004). The basic types are as follows:

- Absolute fit indices,
- Incremental fit or Comparative fit indices, and
- Indices of model parsimony

In each of those types, there are different fit indices and some rules of thumb about the required minimum level of score/value for good fit (Arbuckle, 1999; Byrne, 2001). However, researchers emphasise that many different fit indexes are found to have some problems in the evaluation process (Kline, 2005), because different fit indices are reported in different articles and different reviewers of the same manuscript suggest the indices that they prefer (Maruyama, 1998; Ping Jr., 2004). For example, Kenny and McCoach (2003) argue that there is no consistent standard for evaluating an acceptable model and they only emphasised CFI, TLI, and RMSEA as commonly used fit indexes. Steenkamp *et al.* (2003) stressed  $\chi^2$ , CFI and TLI as fit

measures to test moderating effect of their proposed model. Knight and Cavusgil (2004) reported CFI, NNFI (TLI), DELTA2 (IFI), RNI, and RMSEA in LISREL8 as fit measures. Further, McQuitty (2004) synthesised goodness-of-fit statistics which are less sensitive to sample size. These indices are TLI suggested by Marsh *et al.* (1988), IFI, TLI, CFI suggested by Bentler (1990), and RMSEA, CFI and TLI suggested by Fan *et al.* (1999). Accordingly, as recommended by Holmes-Smith *et al.* (2004) and Hulland *et al.* (1996), it is unlikely to find all of those fit measures in a report, however, a subset or sample of fit indices from major categories has been reported in this study to assess the degree of overall fitness of the measurement model and the structural model. Taking sample sensitivity and model complexity effect into account,  $\chi^2/df$  (CMIN/DF), IFI, TLI, CFI, and RMSEA are considered in this study for evaluating fit indices because these have been commonly used and reported in the literature (Hulland *et al.*, 1996). The other grounds for reporting the following subset (Table 5.5) as fit measures are also extrapolated in the following paragraphs.

**Table 5.5**  
**SEM Fit Indices Reported in this Study**

Level of Model Fit	Overall Model Fit				
	Model Fit		Model Comparison		
Fit Measures	CMIN/DF	RMSEA	IFI	TLI	CFI
Recommended for Further Analysis if	>2	> .08	< .90	<.90	< .90
Acceptable Scale for Good as well as Adequate Fit	$\leq 2$	< .06 (Reasonable fit up to .08)	$\geq .90$	$\geq .90$	$\geq .90$

Source: Adopted from Byrne (2001), Holmes-Smith *et al.* (2004), Hulland *et al.* (1996), and Kline (2005).

The  $\chi^2$  (Chi-square) is a measure of the absolute discrepancy between the matrix of implied variances and covariances ( $\hat{\mathbf{E}}$ ) to the matrix of empirical sample variances and covariances ( $\mathbf{S}$ ). This statistic tests whether the matrix of implied  $\hat{\mathbf{E}}$  is significantly different to the matrix of  $\mathbf{S}$ . For assessing the discrepancy between  $\hat{\mathbf{E}}$  and  $\mathbf{S}$ , probability (usually  $\alpha = 0.05$ ) of achieving  $\chi^2$  value is used to show whether the alternative hypothesis is rejected or null hypothesis is accepted if there is no significant difference between  $\hat{\mathbf{E}}$  and  $\mathbf{S}$ . However, this can be evaluated through its associated degree of freedom (df) and probability of significant difference. If the probability is greater than .05, it can be said that the specified model that provides an impetus to the parameter estimates and yielded that this discrepancy is feasible

representation of data that purports to portray (Holmes-Smith *et al.*, 2004). However,  $\chi^2$  is very sensitive in relation to the sample size and complexity of the model: the more complex the model the bigger the  $\chi^2$  that is more likely to reject the specified model (Kenny and McCoach, 2003). Gulliksen and Tukey (1958, p.96) note that “if the sample size is large, the  $\chi^2$  test will show that the data are significantly different from those expected on a given theory even though the difference may be so very slight as to be negligible or unimportant on other criteria”. Taking these complexities into account, some researchers have referred to and preferred the use of “normed”  $\chi^2$  where  $\chi^2$  is divided by the degrees of freedom to provide an  $\chi^2$  measure per degree of freedom with an index of model parsimony (Holmes-Smith *et al.*, 2004). The equation for normed  $\chi^2$  is: Normed  $\chi^2 = \chi^2/\text{df}$ . Accordingly, a value of normed  $\chi^2$  greater than 1 and smaller than 2 indicates a very good model fit (Byrne, 2001; Hair *et al.*, 1998; Holmes-Smith *et al.*, 2004).

In the baseline comparisons, incremental fit index (IFI) proposed by Bollen (1989), the Tucker Lewis Index (TLI) known as the non-normed fit index (NNFI) by Tucker and Lewis (1973), and comparative fit index (CFI) proposed by Bentler (1990) are widely used indices in SEM to assess the relative improvement in fit to the model. To assess the model fit, the proposed model is compared to some baseline model fit criteria. All of these strive to assess how much better the estimated model fits with the observed data. However, NFI, IFI, CFI are meant to lie between zero to one but the value close to one (e.g. .90 to .95) suggests adequate fit and more than .95 indicates a very well fit model (Hulland *et al.*, 1996). On the other hand, a value close to zero indicates that the specified model is not better than the independence model. In other words, a value close to one (.90 to 1.00) is considered to be adequate to evaluate the incremental fitness of the model (Holmes-Smith *et al.*, 2004; Kline, 2005). Given the limitation of  $\chi^2$  statistics for assessing structural model fit (Bentler, 1990), CFI and IFI were the interest from baseline comparison and being used to evaluate and report the model fit.

The RMSEA has attracted much more interest among the evaluation of fit indices for its unique relative power of combination of properties. It is also recognised that this fit statistic is one of the most informative criteria in covariance structure modelling (Byrne, 2001). As it is a parsimony-adjusted index, it takes into account the error of approximation which is not affected by sample size and relaxes the stringent

requirement on  $\chi^2$  that the model holds exactly in the population. Thus it is referred to as a population-based index (Holmes-Smith *et al.*, 2004; Kline, 2005). A value less than .05 indicates good fit, and values as high as .08 represent reasonable errors of approximation in the population (Browne and Cudeck, 1993a; Byrne, 2001). MacCallum *et al.* (1996) additionally elaborated that RMSEA values from .06 to .10 indicate mediocre fit, and thus values greater than .10 are considered poor fit. Similarly, Hulland *et al.* (1996) proposed that RMSEA values between .05 and .10 are sometimes considered adequate fit. These model fit indices are used in assessing the initial measurement models and the final structural model reported in the sections to follow (sections 5.2.2.1 to 5.2.2.9 and 5.3).

## **5.2.2 Initial Measurement Model Fit and Modification**

This section of the thesis focuses on all key findings in relation to initial measurement model fit along with confirmatory factor analysis (CFA). As its power, CFA incorporates the testing of unidimensionality and evaluates a data set by confirming the underlying structure on the basis of theoretical ground (Mueller, 1996). This further suggests simplification, modification, and/or any required refinement in the measurement model for theory testing and examining the level of fit.

Although model identification is the requirement of CFA, modification and standardised loadings (standardised regression weights) in AMOS output were the options to verify the dimensionality of the measurement or to verify the model fit. Modification indices (MIs) are comprised of variances, covariances, and regression weights. These indices were examined during evaluation of model fit to get the direction of modification, for example, whether freeing or incorporating parameters either between or among unobserved variables if required in obtaining better model fit. Anderson and Gerbing (1988) suggested that under unacceptable but converged and proper solutions, relating or deleting the indicator from the model are the preferred basic ways to respecify the model. This means that item deletion and adding a new path indicator are the best ways to get a better fitting model. Any changes or deletion of items in this iterative process results in changes in the parameters and model fit statistics. Therefore, with these dilemmas in mind, the measurement models for each construct measure are discussed in the sections to follow.

### 5.2.2.1 Trust: Initial Findings

Trust was measured using six items. Initial inspection of the inter-item correlation matrix revealed that trust 'item 6' ('transactions with our major supplier do not need close supervision') was poorly correlated with all other items in the scale. These items were subjected to a CFA, the results of which are provided in Table 5.6. The fit indices suggested a mixed picture with regards to the adequacy of the fit elevated  $\chi^2$  and RMSEA. Examination of the loadings indicated that the standardised regression weight for 'trust 6' was very low (.43). This item asked for respondents' supervision requirements of transactions from the major supplier which was slightly different from other items in the scale. While the other trust items encapsulated perceptions of suppliers' honesty, truthfulness, reliability, openness and integrity, item 6 strived to know the supervision requirements to assess perceived trustworthiness differently. It is also possible that the negative wording of this item contributed to its lower loading.

Item 5 exhibited an acceptable loading of .74 (relatively low compared with other items), but the modification indices identified a number of significant error covariances associated with this item. MIs with expected changes in statistics associated with the error covariances revealed misspecification between 'trust 1' and 'trust 5', as well as 'trust 5' and 'trust 4'. Further, looking at the mean scores of the items it was evident that 'trust 6' and 'trust 5' were relatively least scored.

In the case of 'trust 5', this was symptomatic of disagreement regarding integrity between importers and their major supplier while at the same time there is trust between the importer and the supplier. Although this item was important to measure the overall trust and showed relatively reasonable standardized loading, it affects dimensionality of the construct and deletion was the option to improve the overall measurement model fit. An *ad hoc* attempt was made to test the model by excluding 'item 6' only which exhibited inadequate fit to the data with  $\chi^2$  value of 20.40 (df=5, p=.001), CMIN/DF 4.08, and RMSEA .115 though other fit indices were reasonable. Upon deletion of 'trust 5' and 'trust 6', (as shown in Table 5.6) all fit indices showed significant improvement which exhibited high loadings with reduced  $\chi^2$  value from 30.38 (df=9 and p=.000) to 6.27 (df=2 and p=.043). Although these marginally affect the overall fit statistics, the suggested modification has a tremendous impact on the overall measurement model also. Integrity as an important item has been used in

some studies but other researchers (Doney and Cannon, 1997; Kumar *et al.*, 1995b; Mavondo and Rodrigo, 2001) have ignored its inclusion in the measure. Therefore, deletion of the two items and using four items measuring trust would not affect the content and face validity of the measurement.

**Table 5.6**  
**Summary of Initial Findings (CFA): Trust**

Quest. Items	Item wording		Initial Standardised Loadings	Final	
				Standardised Loadings	C.R. (t)
Trust1	Our major supplier has generally been honest		.85	.87	16.19
Trust2	Our major supplier is truthful		.90	.91	17.27
Trust3	Promises made by our major supplier are reliable		.79	.79	13.91
Trust4	Our major supplier is open in dealing business with us		.81	.78	13.80
Trust5	Our major supplier has a high degree of integrity		.74		
Trust6	Transactions with our major supplier do not need close supervision		.43		
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	3.376 (30.38/9)	.101	.974	.956	.974
Final	3.135 (6.27/2)	.096	.993	.978	.993
Composite Construct Reliability .91					

The composite construct reliability for this four-item measure is .91 which is well above the acceptable level as indicated in the literature (Hair *et al.*, 1995). This indicated that the retained four items are considered reliable as well as valid for this construct measure.

#### **5.2.2.2 Communication: Initial Findings**

Communication was measured by five items. The initial analysis of the inter-item correlation matrix revealed that communication ‘item 5’ was relatively poorly correlated with all other items in the scale. All five items were subjected to a CFA. The initial CFA results are exhibited in Table 5.7 which indicated that the model was

a poor fit to the data and needed modification as the cut-off ranges of fit indices are below the recommended levels with a high  $\chi^2$  value of 17.368 (df=5 and p = .004) and with unreasonable CMIN/DF and RMSEA. Expected change statistics of error covariances suggested misspecification associated with ‘item 4’ and ‘item 5’ and measurement model fit statistics showed relatively poor fit.

**Table 5.7**  
**Summary of Initial Findings (CFA): Communication**

Quest. Items	Item wording		Initial Standardised Loadings	Final	
				Standardised Loadings	C.R. (t)
Comm1	We keep our supplier informed about changes in our business		.58	.58	8.68
Comm2	Our major supplier and our company exchange those information that may benefit both		.68	.71	11.08
Comm3	This supplier and our company keep each other informed about events and changes in the market		.79	.82	12.97
Comm4	Our major supplier frequently discusses and informs us about new possibilities for business development		.71	.65	9.89
Comm5	Our major supplier informs us immediately if any problem arises		.68		
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	3.474 (17.37/5)	.103	.967	.933	.966
Final	1.795 (3.59/2)	.059	.994	.981	.994
Composite Construct Reliability .69					

In terms of ‘item 5’ (‘our major supplier informs us immediately if any problem arises’), it seemed not to be an adequately perceived aspect/factor of communication in the importer supplier commitment relationship in the present context. However, while ‘item 5’ exhibited an acceptable standardised loading of .68, this item also showed relatively weak error association with ‘item 4’ of this measure. As a result, upon deleting of communication ‘item 5’, the better fitted model was then identified with reduced  $\chi^2$  value from 17.368 to 3.589 (df=2 and p =.166) and all other fit indices showed substantial enhancement to the overall fit to the model (Table 5.7). Although

item 5 covered a specific additional aspect of communication related to their problems, some researchers (Coote *et al.*, 2003; Li and Dant, 1997) have ignored its inclusion in the measure. Therefore, deletion of this item does not lose any important element that should be retained in the measure and will not affect the content and face validity of this construct. The composite reliability score for this measure is .69 which signified that these items are considered reliable for this measure.

#### **5.2.2.3 Cultural Similarity: Initial Findings**

Cultural similarity between the importer and supplier was measured by a five item scale. All of these items were subjected to a CFA, the initial results are reported in Table 5.8. The results of the CFA of the five items indicated that the model was a poor fit to the data with a high  $\chi^2$  value of 35.735 (df= 5, p = .000), unacceptable CMIN/DF and RMSEA scores despite reasonable IFI, TLI, and CFI scores above .90. Investigation of the covariance structure in the MIs section of this construct measure specifically suggested that at least one modification was necessary due to associated misspecification. The expected change statistics of error covariances revealed that three of the four misspecifications were associated with cultural similarity 'item 2'. The overall findings of initial analysis for this measure clearly suggest that 'item 2' was responsible for the poor fit to the model although it is one of the high loaded items (standardised loading score is .77) in the model.



**Table 5.8**  
**Summary of Initial Findings (CFA): Cultural Similarity**

Quest. Items	Item wording	Initial Standardised Loadings	Final		
			Standardised Loadings	C.R. (t)	
Culs1	The styles of our greeting/address/introductions are similar to those of our major supplier	.71	.66	10.68	
Culs3	Our legal formalities that influence business negotiations are similar to those of our major supplier	.74	.71	11.94	
Culs4	Our standards of ethics and morals in business are similar to that of the supplier	.82	.85	15.15	
Culs5	The uses of contracts and agreements in our business are similar to those of our major supplier's business practice	.86	.89	16.19	
Culs2	Our business practice (such as keeping appointments and meeting on time) are similar to those of our major supplier	.77			
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	7.147 (35.74/5)	.163	.951	.902	.951
Final	.971 (1.94/2)	.00	1.00	1.00	1.00
Composite Construct Reliability .79					

The plausible explanation for deleting 'item 2' is that it is close to the meaning and shares the sense of 'item 1' with respect to similarity in business style and similarity in business practices in terms of appointment and on time meeting. It is sensible that those two items are redundant because keeping appointments and meeting on time can both be considered to be elements of business style and practice. Therefore, on exclusion of 'item 2', the model arrived with significant enrichment in overall fit to the model with  $\chi^2$  value reduced from 35.735 to 1.942. However, for such a measure, Coote et al. (2003) used four different items for measuring similarity of cultural, economic and social background in a different context. For this study, this measure used different items from Coote *et al.* (2003) covering cultural similarity in terms of style, legal formalities, standard of ethics and morals and the use of contracts and agreements. Accordingly, deletion of one item and using four items for measuring cultural similarity between importer and supplier would not impact on the content and face validity of the measurement because these items are not losing any basic element

of cultural similarity which they are supposed to measure. The composite construct reliability for this measure was .79 which is well above the acceptable level as indicated in the literature (Hair *et al.*, 1995).

#### **5.2.2.4 Supplier's Competencies: Initial Findings**

Supplier's competencies were measured by seven items. The initial verification of the inter-item correlation matrix revealed that competencies items 4, 5, 6 and 7 are relatively poorly correlated with other items in the scale (correlation coefficient as low of .12 and high of .45). Despite the concerns about these items, all seven items were subjected to a CFA, the results of which are exhibited in Table 5.9. The CFA results of these items indicated that the model was a poor fit to the data with a large  $\chi^2$  value of 32.855 (df =10, p = .003) and with unreasonable CMIN/DF and RMSEA scores. Examination of the standardised regression weights in initial analysis revealed that 'item 4', 'item 5', and 'item 6' had relatively low loadings. The three error covariances in the MIs with expected changes revealed misspecifications affiliated with 'item 3', 'item 4', 'item 5' and 'item 7'. Further, looking at the mean scores of the items it was evident that items 4, 5, 6 and 7 were relatively low scored.

The two least correlated as well as least loading items (item 4 = .38 and 6 = .47) and their indicated misspecification need an explanation. Supplier's competency 'item 4' (our major supplier offers more extended payment terms than other suppliers) was found not to be a relevant item in the country context because importers normally guarantee payment on delivery of documents by letter of credit.<sup>4</sup> 'Item 6' (our major supplier has more knowledgeable salespeople than other suppliers) is likely to be out of context for Bangladeshi importers who are mostly served by agents and rarely meet suppliers' salespeople.<sup>5</sup> 'Item 7' (our major supplier offers frequent and timely delivery services) on the other hand, exhibited misspecifications associated with items 3, 4, and 5. Such misspecification could mean that 'item 7' shares the sense of 'item 5' which measures importer perception of supplier's knowledge of the supply chain. Although 'item 7' showed a reasonable initial standardized loading of .60 and

<sup>4</sup> During the period of pre-testing of the questionnaire, most of the respondent indicated (on item 4) that they **were** importing under specification and providing advance L/C, so that there is no way to get extended payment terms or such any facilities from the supplier.

<sup>5</sup> Further, some of the respondents argued that they have no idea about whether their major suppliers have knowledgeable salespeople or not, and even that they did **not** visit their supplier's place of business at all.

it was important to cover an additional specific facet of measuring supplier's competencies, it affects dimensionality of the construct. As a result, deletion was an option to improve the overall measurement model fit. Moreover, it was found that deletion of 'item 7' of this measure reduces  $\chi^2$  value by 92.939 (with df 48) in the overall measurement model improving the overall model fit.

**Table 5.9**  
**Summary of Initial Findings (CFA): Supplier's Competencies**

Quest. Items	Item wording			Initial Standardised Loadings	Final	
					Standardised Loadings	C.R. (t)
Rad1	Our major supplier has a better quality product than other suppliers			.78	.82	12.94
Rad2	Our major supplier offers better warranties than other competitive suppliers			.79	.79	12.37
Rad3	Our major supplier offers more competitive prices than other suppliers			.63	.59	8.96
Rad5	Our major supplier has better knowledge of supply chain than other suppliers			.48	.45	6.46
Rad4	Our major supplier offers more extended payment terms than other suppliers			.38		
Rad6	Our major supplier has more knowledgeable salespeople than other suppliers			.47		
Rad7	Our major supplier offers frequent and timely delivery services			.60		
Achieved Fit Indices						
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI	
Initial	3.286 (32.86/10)	.097	.967	934	.967	
Final	.158 (.316/2)	.00	1.00	1.00	1.00	
Composite Construct Reliability .72						

Although the respecified model in each alternative step shows marginal effects to the overall fit, the suggested modification of this measure has an impact on the overall measurement model as well. As a result, on eliminating items 4, 6 and 7, the CFA for this measure finally manifested significant improvement to the overall fit which reduces  $\chi^2$  value from 32.855 to 0.316. The other fit indices of this analysis as presented in Table 5.9 are good. Though the final standardised loading for the 'item

5' asserted a relatively low score of .45, it exceeded the minimum recommended level of standardised loading of .40 (Lewis and Byrd, 2003) and the overall measurement model with this item showed comprehensive fit. Though all of these items were used to report reliability scores only in some studies (Karande *et al.*, 1999; Shahadat, 2003), the use of the four item construct measure in CFA is so far new evidence as well as consistent with some of the measures used in this study. Therefore, these seem not to be losing anything that is supposed to be measured and it is also sensible that it would not affect the content and face validity of this construct. Furthermore, the composite construct reliability score for this measure was .72 which evinced that the retained items are thought to be reliable measure.

#### **5.2.2.5 Transaction Specific Investment: Initial Findings**

Transaction-specific investment (TSI) in the proposed model of this study was measured by six items. The inter-item correlation matrix revealed that TSI 'item 5' was poorly correlated with all other items in the scale. All six items were subjected to a CFA, the results are presented in Table 5.10. The CFA results of the five items indicated that the model was a poor fit to the data because the cut-off ranges of fit indices were far from the recommended levels with a very high  $\chi^2$  value of 88.997 (df=9, p = .000), CMIN/DF = 9.889, and RMSEA = .196. Verification of the loadings signified that the standardized regression weight for 'item 5' was relatively low (.49). Furthermore, seven associated error covariances specifically suggested that at least two modifications were necessary to improve the fit. To identify the directions, expected change statistics of error covariances denoted four of the seven misspecifications linked with 'item 2'. This suggests that 'item 5' along with 'item 2' are problematic as well as responsible for poor fit to the data, thus those should be excluded from the measurement to identify the better fitting model.

**Table 5.10**  
**Summary of Initial Findings (CFA): Transaction-Specific Investment (TSI)**

Quest. Items	Item wording		Initial Standardised Loadings	Final	
				Standardised Loadings	C.R. (t)
Tsi1	We have invested substantially in personnel dedicated to our major source of supply		.79	.77	13.12
Tsi3	We have made substantial investments in facilities dedicated to our major supplier’s product line		.91	.87	15.80
Tsi4	If we switched to a competing source, we would lose a lot of the investment we have made in this supplier		.62	.65	10.52
Tsi6	We have made significant investments to display and promote our major supplier’s product		.78	.83	14.65
Tsi2	We have invested a great deal in building up our major supplier’s business		.93		
Tsi5	If we decided to stop working with our major supplier, we would be wasting a lot of knowledge regarding their method of operation		.49		
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	9.889 (88.997/9)	.196	.913	.853	.912
Final	1.645 (3.29/2)	.053	.997	.991	.997
Composite Construct Reliability .71					

The disagreement on confirming the converged factor, however, in terms of TSI, 'item 2' and 'item 5' need an explanation. The 'item 2' ('we have invested a great deal in building up our major supplier's business') seems to quite closely share the meaning of 'item 3'. Initial standardised loading for these two items also indicates that these two are reiterative. Thus it makes sense that 'item 2' might be converged into 'item 3' and thus deletion of 'item 2' is more meaningful rather than 'item 3' as an option to improve the overall fit to the data although 'item 2' evidenced a high loading score of .93. In the context of TSI, 'item 5', ('if we decided to stop working with our major supplier, we would be wasting a lot of knowledge regarding their method of operation') regarding the risk of losing knowledge of method of operation

is slightly different from other directly related incorporated investment aspects in the questionnaire.<sup>6</sup> This item may share the sense of wording with ‘item 4’ as well. However, before making the final decision of deletion of these items, an *ad hoc* attempt was made to test the model by excluding only ‘item 5’. This evinced a relatively improved result but did not seem to be an adequate level of fit to the data where  $\chi^2$  value was 25.655 (df =5. P=.000), CMIN/DF was 5.131 and RMSEA was .134 though other fit indices were reasonable. It was also found that ‘item 2’ has a deleterious effect on overall measurement model fit (which reduces  $\chi^2$  value by 116.85 with df 48).

Finally, upon deleting TSI ‘item 2’ and ‘item 5’, the model was then rerun and a better fitting model was estimated which reduced the  $\chi^2$  value from 88.997 to 3.29 and the cut-off values achieved the recommended level of fit in other model fit indices (shown in Table 5.10). Although these two items tapped into two important aspects of TSI, the four item factor for measuring TSI is consistent with the literature (Ganesan, 1994; Skarmas *et al.*, 2002), and this attained the face and content validity of the measure. The composite reliability for this four item factor is also reasonable with the score of .71 which considered reliable to the measure.

#### **5.2.2.6 Overseas Supplier’s Opportunism: Initial Findings**

Overseas supplier’s opportunism was measured by five items. The initial inspection of the inter-item correlations revealed strong and significant correlations among the items (all above .50). These items were subjected to a CFA to verify their dimensionality and to assess whether the model was an adequate fit to the data. The CFA results of this measure were consistent with all initial pertinent analyses. By comparing the recommended level of model fit statistics described in Table 5.5, initial CFA analysis suggested that the model was acceptable without any modification. As shown in Table 5.11, all items exhibited high loading scores and the model exhibited a good fit to the data.

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<sup>6</sup> In terms of item 5, most of the importers disagreed with the statement and claimed that we would not lose knowledge of method of operation if we stopped working with the major supplier. However, the knowledge from one relationship will be an asset as well as a helping tool to work with others.

**Table 5.11**  
**Summary of Initial Findings (CFA): Supplier's Opportunism**

Quest. Items	Item wording	Standardised Loading	C.R. (t)	
Opnsm1	Our major supplier exaggerates their needs in order to get what they desire	.81	14.51	
Opnsm2	Our major supplier sometimes breaches formal or informal agreements for their own benefit	.93	18.63	
Opnsm3	Our major supplier sometimes alters facts to get what they want	.89	16.87	
Opnsm4	Good faith bargaining is not a hallmark of this supplier’s negotiation style	.68	11.56	
Opnsm5	Our major supplier has benefited from our relationship to our own detriment	.68	11.50	
Achieved Fit Indices				
CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
1.461 (7.303/5)	.045	.997	.994	.997
Composite Construct Reliability .78				

The five item factor for measuring opportunism is widely used in the literature (Gundlach *et al.*, 1995; Skarmeas *et al.*, 2002). Consequently, there is no question about the content or face validity of this measure which is considered to be a reliable and valid measure for measuring overseas suppliers' opportunism in the context of the importer supplier relationship. The composite reliability for this construct is .78 which is considered a reliable measure for overseas suppliers' opportunism.

#### **5.2.2.7 Environmental Volatility: Initial Findings**

Environmental volatility in the proposed model was measured by five items. Nevertheless, in order to achieve a high degree of validity in response and to reduce the common method variance bias (Podsakoff *et al.*, 2003), an attempt was made to break the flow in the questionnaire by using reverse ordered semantic differential scales in this measure. This was a significant aspect of this study to overcome the common method bias in responses. Accordingly, all five items were reverse coded to make them symmetrical with other measures in this study before examining their reliability and conducting a CFA. The initial examination of inter-item correlation

illustrated strong significant correlations among the items (all above .50). The CFA indicated a good fit of the model to the data. The findings confirmed the validity of the model with excellent model fit statistics for this construct measure as reported at the bottom of Table 5.12.

**Table 5.12**  
**Summary of Initial Findings (CFA): Environmental Volatility**

Quest. Items	Item wording	Standardised Loading	C.R. (t)	
Env1	The market environment relating to our major supplier's product is --Unpredictable/Predictable	.63	10.12	
Env2	The market share of our major supplier's product is -----Volatile/Stable	.72	11.88	
Env3	Monitoring market trend for our major supplier's product is----- Difficult/Easy	.66	10.62	
Env4	In respect to our major supplier's product, our sales forecasts are likely to be --- Inaccurate/Accurate	.81	13.93	
Env5	The results of marketing actions in respect to our major supplier's product are ---Difficult to predict/Easily predictable	.84	14.75	
Achieved Fit Indices				
CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
1.723 (8.615/5)	.056	.992	.984	.992
Composite Construct Reliability .79				

The five item factor for measuring environmental volatility has already been used in the extant literature (Ganesan, 1994) which approved the content and face validity of the measure. The composite reliability score for this construct measure is .79.

#### **5.2.2.8 Knowledge and Experience: Initial Findings**

Five items were used to measure knowledge and experience. Similar to the previous measure, semantic differential scales were used in this measure to avoid common method bias (Podsakoff *et al.*, 2003). These items were subjected to a CFA, the results of which are shown in Table 5.13. The initial investigation of inter-item correlations indicated that 'item 4' was relatively poorly correlated with all other items. The CFA of the five items indicated that the model was a poor fit to the data because the cut-off ranges of fit indices were beyond the recommended levels (Table 5.5) with a highly scored  $\chi^2$  of 33.43 (df = 5, p = .000), CMIN/DF of 6.686, and RMSEA of .157. The modification indices of this analysis indicated ways to improve



the fit. Modification indices with expected change statistics of error covariances denoted misspecification associated between four error terms. Two of them were highly affiliated with ‘item 4’ and showed that ‘item 4’ is more responsible for the lack of fit to the data. Though this item was loaded reasonably to the measure with a score of .74, this item was found to be more responsible for weak fit.

Examination of the poorly performing ‘item 4’ shows that it might share the importers’ perceptual meaning as well as sense of ‘item 5’, where knowledge content is related to the supplier’s preferred steps/procedure (in item 4) and is likely to be redundant in terms of technical attributes of the supplier’s product as described in ‘item 5’. Even if this item showed a reasonable loading score, it was also essential to achieve a superior level of fit by removing ‘item 4’ from this measure which had a large impact on the level of overall measurement model fit.

**Table 5.13**  
**Summary of Initial Findings (CFA): Knowledge and Experience**

Quest. Items	Item wording	Initial Standardised Loadings	Final		
			Standardised Loadings	C.R. (t)	
Knwex1	We have----- market knowledge about the product we buy from our major supplier (Limited/Substantial)	.79	.81	14.08	
Knwex2	Our familiarity with market needs for our major supplier’s product is ----- Limited/Substantial	.77	.80	13.90	
Knwex3	Our overall experience with the markets for our major supplier’s product is --Limited/Substantial	.83	.83	14.75	
Knwex5	Our knowledge about the technical attributes of the product offered by our major supplier is ----- Limited/Substantial	.82	.77	13.31	
Knwex4	Our knowledge about major supplier’s preferred steps/procedures of buying is ----- Limited/Substantial	.74			
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	6.689 (33.43/5)	.157	.956	.911	.956
Final	2.212 (4.424/2)	.072	.995	.984	.995
Composite Construct Reliability .87					

Finally, on deletion of item 4, the measurement model was rerun which manifested significant enrichment to the overall fit to the model (shown in Table 5.13) with significantly changed  $\chi^2$  value from 33.43 to 4.424. It was not a problem for the four item factor to attain content and face validity covering importers' knowledge about the product, its market demand and supply, and technical aspects. In terms of removing 'item 4' (in terms of knowledge of supplier's preferred step/procedures) from the measure, Celly and Frazier (1996) used only three items in measuring distributors' knowledge and experience in a different context. Finally, the composite reliability score for this four item factor model compounds the score of .87 which is deemed to be reliable for the measurement of knowledge and experience.

#### **5.2.2.9 Commitment: Initial Findings**

Commitment was measured by differentiating the ultimate dependent variable from most of the independent variables by using seven semantic differential scales items with a mixture of positively and negatively worded items. Initial inquiry of the inter-item correlations matrix suggested that the only reversed negatively worded commitment 'item 6' was negatively correlated with other items (after reverse scoring the item) and 'item 1' was relatively poorly correlated with all other items. However, only negatively correlated 'item 6' was excluded from analysis and the retained six items were subjected to a CFA. The initial CFA results are presented in Table 5.14. The CFA of the six items exhibited that the model was a poor fit to the data because the cut-off ranges of fit indices were far from the recommended levels (Table 5.5) with a large  $\chi^2$  of 51.563 (df=9, p =.000), CMIN/DF of 5.729, and RMSEA of .143 though the other fit indicators were reasonable. Examination of the loadings signified that the standardised regression weight for 'commitment 1' was relatively low at .55.

Error covariances in the MIs section of this construct measure specifically suggested that at least one modification was necessary. The expected change statistics of error covariances revealed two of three misspecifications associated with commitment 'item 1'. Therefore, the overall findings of initial analysis for this measure clearly suggest that 'item 1' was responsible for poor fit to the data, and indicate that the exclusion of 'item 1' was more meaningful rather than 'item 2'. The expository note for this item could be importers' busy and overburdened business workload causing limited time to devote to suppliers when they need help. This connotes a

philanthropic service to the supplier rather than business-related expectation. The additional explanation could be that the meaning of ‘item 1’ and ‘item 2’ were very close in measuring importers’ commitment in terms of helping attitude.

**Table 5.14**  
**Summary of Initial Findings (CFA): Commitment**

Quest. Items	Item wording		Initial Standardised Loadings	Final	
				Standardised Loadings	C.R. (t)
Commit2	We ----- quickly to our major supplier when it needs help (Do not respond/Respond)		.70	.68	11.51
Commit3	We ----- to increase our purchase from our major supplier in the future whatever product he/she can supply (Do not expect/Expect)		.91	.92	17.94
Commit4	We ----- to maintain/continue working with our major supplier for a long time (Do not expect/Expect)		.92	.92	18.18
Commit5	We ----- intentions to develop and strengthen this relationship over time (Do not have/Have)		.85	.85	15.94
Commit7	We ----- very satisfied with the level of cooperation we get from our major supplier (Do not feel/Feel)		.73	.73	12.64
Commit1	We ----- more time to our major supplier when it needs help (Do not devote/Devote)		.55		
Commit6	This relationship ----- maximum effort and involvement (Do not requires/Requires)				
Achieved Fit Indices					
	CMIN/DF ( $\chi^2$ /df)	RMSEA	IFI	TLI	CFI
Initial	5.729 (51.563/9)	.143	.955	.925	.955
Final	1.686 (8.43/5)	.054	.996	.992	.996
Composite Construct Reliability .91					

The respecification from the initial six items to a five item measure excluding ‘item 1’ resulted in an adequate level of fit between data and model by significantly reducing the  $\chi^2$  value from 51.563 to 8.43. Devoting time for help and relationship requirement as important items have been used in some studies but other researchers (Coote *et al.*, 2003; Kumar *et al.*, 1995b; Wilson and Vlosky, 1997) overlooked its importance to be included in the measure. Therefore, deletion of these items and

using the five item factor to measure the importer commitment to an import supplier was also documented in the literature (Coote *et al.*, 2003) which would not affect the content and face validity of this measure and not lose any significant element of commitment used by other studies. The composite construct reliability for this measure is .91.

In conclusion, from the above analysis and discussion, it can be said that all measurement models were subjected to initial statistical analysis and CFA. Further, it was found that all measurement models achieved the desired level of fit indices as recommended in section 5.2.1. These results were expected as indicative toward strong support of the overall measurement model with unidimensionality and covering convergent validity of the measures (Voss and Parasuraman, 2003). More specifically, all IFI, TLI, CFI in different measurement models scored between .98 and 1.00. In addition, Chi-square-to-degrees-of-freedom-ratios (CMIN/DF) for most constructs were between the desired level of fit except for two, that is, 'trust' (3.135) and 'knowledge and experience' (2.212). These scores reflect a marginal fit (Prahinski, 2001), but these will be relatively inflated due to low degree of freedoms in each model. The RMSEA value for trust was also a bit higher (.096) but within the range of marginal fit (Browne and Cudeck, 1993b). However, these measures confirmed the factors with other supporting recommended levels of fit statistics and also with high standardized loading scores. The next section of this study discusses the overall measurement model by combining all the above CFA measures to verify the dimensionality of the measures.

### **5.2.3 Overall Measurement Model Fit**

So far individual measurement model fit has been tested for all the dependent and independent variables in the proposed and competing models. In this process 11 items have been excluded from the individual models to achieve a better fit to the data. In this section, an overall measurement model test has been conducted to test the adequacy of the measurement model. It examined the covariance structures for all latent variables together (dependent and independent). Through covering all latent variables (the DV and IVs) with each other, the overall measurement model (initial and final) was then tested (Appendix-7 A). Initially, all 50 items were examined in the overall measurement model. The fit statistics are presented in column 1 of Table

5.22 clearly indicates a weak fit to the data. Therefore, the final overall measurement model was tested with 39 items that are retained at the individual model test stage. The model fit statistics of the final overall measurement model test are presented in column 2 of Table 5.15.

**Table 5.15**  
**Summary of Overall (Initial and Final) Measurement Model**

Fit Indices	Overall Measurement Model	
	Initial (50 items) 1	Final (39 items) 2
$\chi^2$ (df)	2014.022 (1139)	971.929 (666)
CMIN	1.768	1.459
IFI	.878	.943
TLI	.868	.935
CFI	.877	.942
RMSEA	.058	.045

The fit statistics justify the deletion of eleven items from different construct measures. This reduces  $\chi^2$  value by 1042.093 (df 473,  $p < .001$ ) along with improving other fit indices in the final overall measurement model. The application of suggested modifications in the individual measurement model also substantially improves the other fit indices in the overall measurement model. The retained 39 items in different construct measures suggest reasonable congruity between data and the measurement model.

Further, the MIs with expected changes in statistics affiliated to the error covariances revealed five relatively high scored misspecifications (MIs scores were around above 10 in final measurement model) associated with five different items. These MIs do not represent any significant evidence of cross-loading and are, in effect, meaningless. Upon drawing covariances among those five items and re-running the overall measurement model again, it was found that the impact on the overall analysis was very minimal. It increased the level of fit with the total amount of change in CMIN/DF (.056), IFI (.007), TLI (.008), CFI (.007), and RMSEA (.003). As these modifications were found to have not much impact on the overall measurement model fit statistics (demonstrated in Table 5.15 above), they were removed. Either way, this was an *ad hoc* examination as a sample towards verification of the impact of larger

error covariances and regression weights associated with the observed, endogenous variables. Finally, it was evident that all items loaded satisfactorily on their respective factors and that no cross-loading of items onto a different factor occurred. Thus, this further affirmed that the items for each construct are converged into their single factor model and that each measure is discriminated from the other in the overall model.

#### 5.2.4 Bivariate Correlations between Latent Variables

To gain fundamental theoretical precision from the data, correlations between construct measures were then examined by conducting overall measurement model analysis using retained items in SEM. This correlation matrix is in fact the implied correlation matrix in the SEM technique. It will assist in the reporting of convergent and discriminant validity of the measure by comparing composite reliability scores (reported in Table 5.17) and correlations between the factors.

**Table 5.16**  
**Implied Correlation Matrix**  
(Note: The boldface scores on the diagonal are Average Variance Extracted)

	1	2	3	4	5	6	7	8	9
1. Trust	<b>.877</b>								
2. Communication	.483***	<b>.793</b>							
3. Cultural Similarity	.426***	.420***	<b>.843</b>						
4. Supplier's competencies	.547***	.263**	.345***	<b>.775</b>					
5. Transaction Specific Investment	.345***	.300***	.294***	.277***	<b>.854</b>				
6. Opportunism	-.629***	-.485***	-.467***	-.407***	-.269***	<b>.857</b>			
7. Environmental Volatility	-.185*	-.057 $\gamma$	-.284***	-.216**	-.189*	.159*	<b>.810</b>		
8. Knowledge & Experience	.402***	.288***	.375***	.412***	.299***	-.348***	-.461***	<b>.863</b>	
9. Commitment	.526***	.422***	.381***	.591***	.327***	-.396***	-.372***	.613***	<b>.874</b>

Significant at different levels: \*\*\* 0.001, \*\* 0.01 and \*0.05 levels,  $\gamma$  non significant, N=232

In reviewing the covariance matrix reported in Table 5.16, the result shows that commitment as DV is significantly correlated with all IVs in the proposed model. Moreover, except in only one case, all IVs are also significantly correlated between each other with only low to moderate coefficient scores. This low to moderate level of correlations between variables is normally expected to explain discriminant validity of the measures (Campbell and Fiske, 1959). It is further anticipated that

these correlations hint that the model will perform well in terms of testing the theory. Some of these correlations could be highlighted when interpreting the final hypotheses results of the SEM model in Chapter 6.

### **5.2.5 Validity of the Constructs**

In the validation process of the research survey instruments, there are two basic validities, namely content and construct that can be assessed to get the uniqueness of the measures. Content validity is the subjective assessment of the measures affiliated with the face validity for informal as well as commonsense evaluation of the scales and measures by the expert judges (Arino, 2003; Ariño, 2003; Hardesty and Bearden, 2004; Malhotra, 2002). The content validity has already been addressed in section 4.2.4 and further discussed along with face validity of the measures in respective measurement sections (5.2.2.1 to 5.2.2.9).

As “both convergent and discriminant coefficients are used to support or refute a claim of construct validity” (Zhu, 2000, p.190), these are assessed and discussed in this section. Convergent validity refers to “the extent to which the scale correlates positively with other measures of the same construct” and “discriminant validity is the extent to which a measure does not correlate with other constructs from which it is supposed to differ” (Malhotra, 2002, p.294).

Towards assessing convergent and discriminant validity, inter-item correlations, standardised item alpha, correlation coefficients and measurement of constructs in CFA along with standardized loading should be reviewed and discussed. In order to demonstrate convergent validity, inter-item correlations revealed that all retained items (in CFA) in respective measures are positively correlated with moderate to high coefficients. Further, CFA findings reported from Tables 5.6 to 5.14 strongly indicated that all construct measures were unidimensional which suggested that the construct measures achieved not only convergent validity but also discriminant validity. In order to assess discriminant validity, Gaski (1984) also recommended that the correlations among composite constructs must be lower than the respective standardised composite reliabilities. Considering this approach, composite reliability scores (Table 5.17) were compared to the construct correlations (Table 5.16) and it was found that no correlation coefficient exceeded .63 where the lowest composite reliability score was .69. This low to moderate level of correlations between the

variables are normally expected but these levels of correlations satisfy discriminant validity of the measures indicating the measurement scales' ability to discriminate between measures that are supposed to differ (Campbell and Fiske, 1959). As a result, discriminant validity is supported. Further, as shown in Table 5.16, the average variance extracted (AVE) is greater than all corresponding construct correlations which is an additional evidence of discriminant validity of the constructs (Fornell and Larcker, 1981; White *et al.*, 2003).

### **5.2.6 Overall Results of Measurement Development**

In summary of this section, several conclusions can be drawn. Specifically, measurement validation processes as well as measurement models in CFA have been tested and reported in different sections. In the measurement model validation process, measurement model fit through CFA was conducted. In this process, the reliability scores were found to be as low as .79 and as high as .91. The composite reliability scores for the construct measures were reported as low as .69 and as high as .91. A stepwise process of eliminating the item contributing most to the lack of fit was followed (Finn and Kayande, 2004) in CFA. Finally, measurement models for all constructs and overall measurement model were tested and achieved a satisfactory level of fit to the models. Out of fifty-one initial scale items, one commitment (reverse worded) item indicated negative inter-item correlations and that was eliminated at the early stage of analysis from any further analysis. Further, as suggested, CFA in its robust analyses, one 'commitment' item, two 'trust' items, three 'supplier's competencies' items, one 'communication' item, one 'cultural similarity' item, two 'transaction-specific investment' items and one 'knowledge and experience' item were not included in the measures. As a result, in total eleven items were excluded during the process of measurement refinement. Finally, all measurement models in CFA with fit statistics exhibited an adequate level of fit indicators that are shown in Table 5.17.



**Table 5.17**  
**Summary of the Measurement Models Fit Statistics**

Fit Measures  Measurement Models	Overall Model Fit					Composite Reliability
	Model Fit		Model Comparison			
	CMIN/DF	RMSEA	IFI	TLI	CFI	
Trust	3.135	.096	.993	.978	.993	.91
Communication	1.795	.059	.994	.981	.994	.69
Cultural Similarity	.971	.000	1.00	1.00	1.00	.79
Supplier's Competencies	.158	.000	1.00	1.00	1.00	.72
Transaction-Specific Investment	1.645	.053	.997	.991	.997	.71
Opportunism	1.461	.045	.997	.994	.997	.78
Environmental Volatility	1.723	.056	.992	.984	.992	.79
Knowledge and Experience	2.212	.072	.995	.984	.995	.87
Commitment	1.686	.054	.996	.992	.996	.91

Moreover, in order to check the dimensionality of the measures, the initial (using 50 items) as well as final (using retained 39 items) measurement model was tested. However, in either way, two theoretical (proposed and competing) models were set out in Chapter 3 with some quite different claims. The usual process is to compare the two models towards making a decision, if possible, as to which model better fits the data. Therefore, an extensive search for the congruous better fitting model has been conducted in the sections to follow by comparing and assessing the proposed and competing SEM models with the overall measurement model to make a final decision to report the hypothesised paths.

## 5.3 Model Testing

The proposed model (developed in Chapter 3) strived to identify the valid and reliable antecedents of commitment. Further, a competing model was proposed to verify the mediating role of trust in the trust and commitment building process. By using reliable and validated 39 measurement items for nine construct measures, the proposed original and competing models were tested and assessed in this section to identify the best fitted model.

### 5.3.1 Testing the Proposed Model and Fit Indices

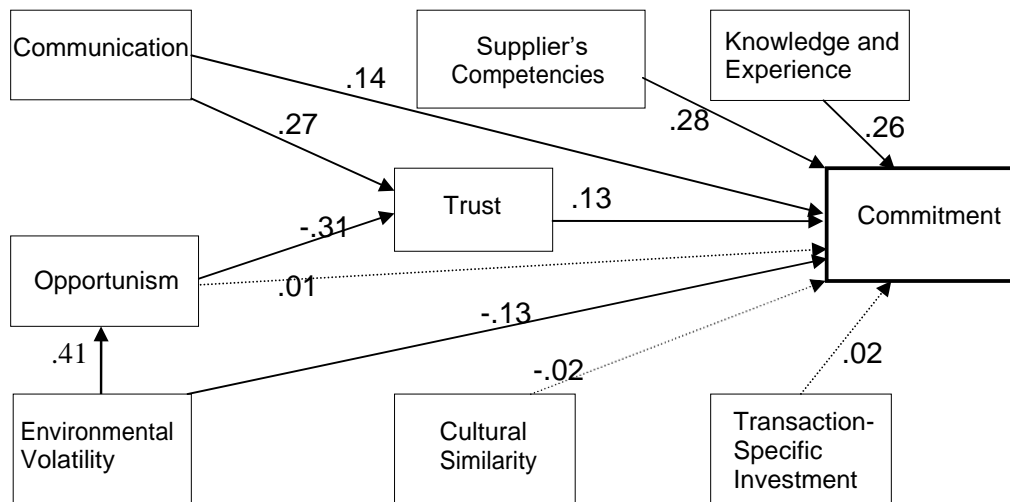
To achieve the parsimonious fit between the data and the theoretical model, all possible exogenous latent variables were allowed to covary in the proposed structural model (Holmes-Smith *et al.*, 2004; Kline, 2005). That means the full SEM model including all indicators was tested. The fit indices of initial SEM test for the proposed model are presented in Table 5.18.

**Table 5.18**  
**Proposed Model: SEM Test Output, Fit Indices and Desired Level of Fit**

Level of Model Fit	Overall Model Fit				
	Model Fit		Model Comparison		
Fit Measures	CMIN/DF	RMSEA	IFI	TLI	CFI
Acceptable Scale for Good as well as Adequate Fit	< 2	< .06	> .90	> .90	> .90
Composed Model Fit	1.606	.051	.923	.915	.922
$\chi^2$ (df) in Proposed Model	1085.95 (676)				
$\chi^2$ (df) in Measurement Model	971.93 (666)				

The proposed model is shown in Figure 5.1 with estimated standardised regression coefficients in the path links in the SEM model. Significant and non-significant paths are shown in straight and broken lines respectively.

**Figure 5.1: Tested Proposed Structural Model with  $\beta$ : Commitment & Other Paths**



Index for Path Directions:

— Significant original paths

.... Non-significant original paths

(NB: Full SEM Model is shown in Appendix – 7 B)

It should be noted here that while the fit indices for the initial proposed model (reported in Table 5.18) achieved the desired level of fit, it shows a substantial reduction in model fit, compared to the overall measurement model ( $\chi^2$  difference 114.02, df 10). Taking this concern into account, a review of the overall measurement model and initial model results is considered appropriate to find the cause of the decrement in model fit.

The review of the MIs for the regression weights revealed three parameters with relatively large scores - (i) communication and opportunism, (ii) cultural similarity and opportunism, and (iii) the supplier's competencies and opportunism. Towards getting a better structural model fit, this modification was essential to minimise the  $\chi^2$  difference and to improve other fit indices between the overall measurement model and the proposed structural model. Accordingly, on an *ad hoc* basis, by adding these paths in the alternative model (Appendix-7C), the results revealed much improvement in the overall fit indices ( $\chi^2$  difference is 32.92 with df 7 between modified proposed model and measurement model) as reported in Table 5.19.<sup>7</sup>

**Table 5.19**  
**Modified Proposed Model: SEM Test Output, Fit Indices and Desired Fit Level**

Level of Model Fit	Overall Model Fit				
	Model Fit		Model Comparison		
Fit Measures	CMIN/DF	RMSEA	IFI	TLI	CFI
Acceptable Scale for Good as well as Adequate Fit	< 2	< .06	> .90	> .90	> .90
<b>Composed Model Fit</b>	<b>1.493</b>	<b>.046</b>	<b>.938</b>	<b>.931</b>	<b>.937</b>
$\chi^2$ (df) in Modified Proposed Model	1004.85 (673)				
$\chi^2$ (df) in Measurement Model	971.93 (666)				

By using the same valid and reliable construct measures, the next section of this study tests and examines the proposed competing model which will be followed by a

<sup>7</sup> Full SEM Model is shown in Appendix – 7 C

comparative discussion to make the decision as to which model (original or competing) best fits the data.

### 5.3.2 Testing the Competing Model and Fit Indices

Though the proposed competing model made some quite different claims from the original proposed model, this section of the study tests the proposed competing model to compare the fit indices with the overall measurement model. Consistent with the proposed model and modified model test, all possible exogenous latent variables were allowed to covary in the competing structural model (Holmes-Smith *et al.*, 2004; Kline, 2005). The model fit statistics of the SEM test for the competing model are presented in Table 5.20. The fit indices of this test show substantial reductions in model fit, compared to the overall measurement model. The  $\chi^2$  difference is 207.54 with df 19 between this two models.

**Table 5.20**  
**Proposed Competing Model: SEM Output, Fit Indices and Desired Fit Level**

Level of Model Fit	Overall Model Fit				
	Model Fit		Model Comparison		
Fit Measures	CMIN/DF	RMSEA	IFI	TLI	CFI
Acceptable Scale for Good as well as Adequate Fit	< 2	< .06	> .90	> .90	> .90
Composed Model Fit	1.722	.056	.907	.899	.906
$\chi^2$ (df) in Proposed Competing Model	1179.47 (685)				
$\chi^2$ (df) in Measurement Model	971.93 (666)				

A review of the modification indices (MIs) for the regression weights and initial covariances revealed three relatively high scored parameters – (i) communication and opportunism, (ii) knowledge and experience and supplier’s competencies, and (iii) environmental volatility and knowledge and experience. Similar to the proposed model (section 5.3.1), upon inclusion of those paths into the competing model, a modified competing model (Appendix-7 D) was also tested on an *ad hoc* basis to assess the comparative fit strengths. The model fit statistics are shown in Table 5.21.

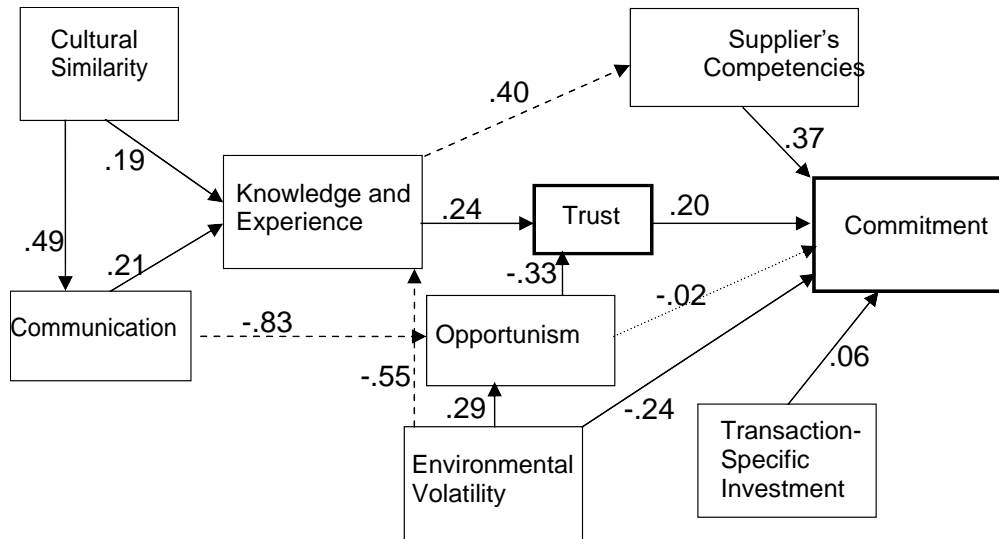
**Table 5.21**  
**Modified Competing Model: SEM Output, Fit Indices and Desired Fit Level**

Level of Model Fit	Overall Model Fit				
	Model Fit		Model Comparison		
Fit Measures	CMIN/DF	RMSEA	IFI	TLI	CFI
Acceptable Scale for Good as well as Adequate Fit	< 2	< .06	> .90	> .90	> .90
Composed Model Fit	1.586	.050	.925	.918	.924
$\chi^2$ (df) in Proposed Competing Model	1086.54 (685)				
$\chi^2$ (df) in Measurement Model	971.93 (666)				

The fit indices (Table 5.21) in the modified competing model revealed significant improvement from the proposed competing model, but still suffered from the substantial reductions in model fit, compared to the overall measurement model ( $\chi^2$  difference 114.61, df 19). The estimated path coefficients along with significant and non-significant paths are shown in the Figure 5.2.<sup>8</sup>

<sup>8</sup> Full SEM Model is shown in Appendix – 7 D

**Figure 5.2: Modified Competing Structural Model with  $\beta$ : Mediating Role of Trust**



Index for Path Directions:

- Significant original paths
- Significant additional paths
- .... Non-significant original paths

(NB: Full SEM Model is shown in Appendix – 7 D)

The composed additional paths in the alternative models (original and competing model) could be considered in the proposed original models because those are highly significant. However, while the incorporated modifications were only for theoretical justification to deem and assess the parsimonious model fit, this was essential to get a clearer picture of the theory as well as data driven result. Nonetheless, on comparing and identifying the congruous model, the additional paths should also be explained for their theoretical justification (reported in the following section). The next section summarises the adopted changes and makes a distinct comparison between measurement model and the structural model.

### 5.3.3 Model Comparison and Summary of the Model Fit

This section summarises the proposed and competing models fit indices which elaborates explicit comparison between the measurement model and the structural models. The summarised picture of those models' fit indices is presented in Table 5.22.

**Table 5.22**  
**Models Comparison: Proposed and Competing Structural Model Fit Indices**

Fit Indices	Proposed and Competing Models		Modified Models	
	Proposed (A)	Competing (B)	Proposed (C)	Competing (D)
$\chi^2$ (df)	1085.95 (676)	1179.467 (685)	1004.85 (673)	1086.541 (685)
CMIN	1.606	1.722	1.493	1.586
IFI	.923	.907	.938	.925
TLI	.915	.899	.931	.918
CFI	.922	.906	.937	.924
RMSEA	.051	.056	.046	.050
Significant Paths	8	8	10	12
Non-significant	3	3	4	2
R <sup>2</sup>	.54	.41	.56	.46



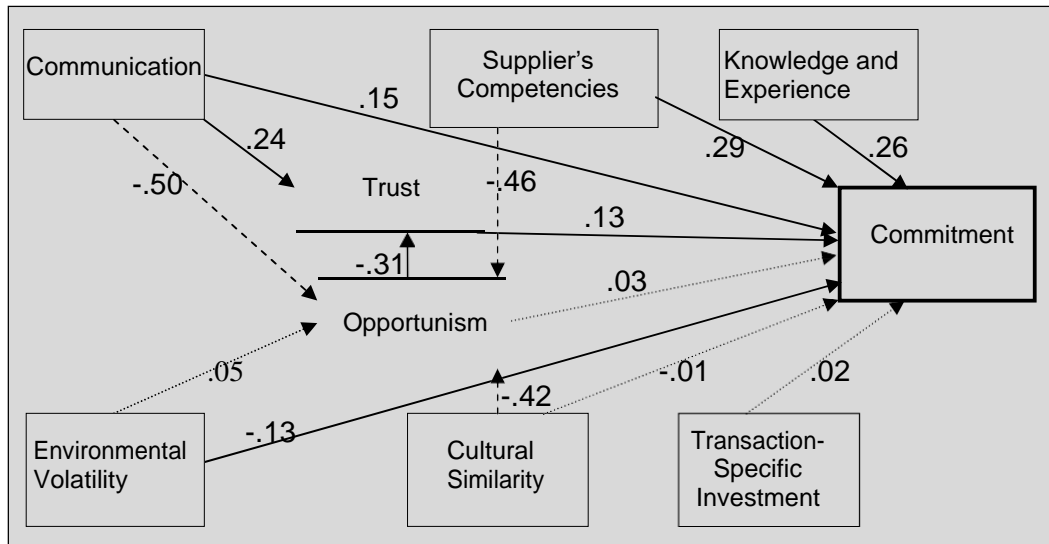
It should be noted that while all the above (Table 5.22) fit indices for the tested models in the iterative process achieved the desired level of fit, the modified proposed model (C) seems much better than others. However, as it is important to compare the overall measurement model and better fitted structural model, Table 5.23 presents the comparative pictures of these two models.

**Table 5.23**  
**Overall Measurement and Structural Model Fit Indices**

Fit Indices	Models	
	Overall Measurement Model	Modified Proposed Model
$\chi^2$ (df)	971.929 (666)	1004.85 (673)
CMIN	1.459	1.493
IFI	.943	.938
TLI	.935	.931
CFI	.942	.937
RMSEA	.045	.046

Tables 5.22 and 5.23 suggest that the modified proposed model (C in Table 5.22 and Table 5.19) is very close and parsimonious compared to the overall measurement model. The  $\chi^2$  difference is 32.92 with seven degree of freedom, which exceeds the critical value marginally (acceptance score is 24.32) and further indicates a close fit between the overall measurement model and the modified proposed model. It seems that the modified proposed model explains the investigated phenomena in a better way than the other tested models. The explanatory power of this model is also higher ( $R^2=.56$ ) than the modified competing model ( $R^2=.46$ ). The modified proposed model is shown in Figure 5.3 (based on Table 5.19) with estimated  $\beta$  scores in the path links in the SEM model where the three additional paths (communication  $\leftrightarrow$  opportunism, cultural similarity  $\leftrightarrow$  opportunism, supplier's competencies  $\leftrightarrow$  opportunism) are shown in the broken lines.

**Figure 5.3: Tested Modified Proposed Structural Model with  $\beta$ : Commitment & Other Inter-Relationships**



Index for Path Directions:

- Significant original paths
- Significant additional paths
- .... Non-significant original paths

(NB: Full SEM Model is shown in Appendix – 7 C)

The additional three paths in the modified proposed model need theoretical underpinnings to demonstrate that these paths are not simply data driven but also theoretically acceptable (Hair *et al.*, 1998).

The added path between communication and opportunism could be explained from the transaction cost perspective (Williamson, 1985; 1975), which infers that humans act for self-interest and by nature they behave opportunistically (Aubert and Weber, 2001). With this attitude, a transacting party may disguise or not reveal the true information that elicits the communication effect (Mohr and Sohi, 1995; Wathne and Heide, 2000). This in turn asserts that more frequent communication is likely to be a stimulus to reduce the opportunistic tendency in the importer-supplier relationship.

In the context of cultural similarity and suppliers' opportunism, O'Grady (1996) contends that entering a culturally close market reduces the level of ambiguity in the new market as well as in the relationship. This suggests that cultural similarity between importer and supplier is a stimulus to discourage opportunism in the importer-supplier relationship. Under the similar cultural import-supply situation, both parties are familiar with their business and ethical practices which discourages opportunistic inclination in the relationship. This clearly indicates that the higher degree of cultural similarity between importer and supplier is instrumental in decreasing the supplier's opportunistic attitude in the importer-supplier relationship.

Further, competencies are bundles of resources and capabilities which enable a firm to achieve sustainable competitive advantage (Barney, 1991) and neutralise threats of environmental uncertainty (Harmsen and Jensen, 2004) as well as competitive pressure (Krause *et al.*, 2000). To achieve the goal of relative advantage of importing from a specific supplier, an importer enters into the long term relationship with a supplier to build his/her own competitive advantage derived from the supplier's capabilities. This common goal of the importer and the supplier in the long term relationship tends to discourage the supplier from behaving opportunistically. In other words, the supplier's capabilities and competencies are the pledge of relationship that may neutralise both parties' opportunistic inclination in the relationship. The

transaction cost approach (Williamson, 1985) suggests that opportunistic inclination of the transacting party diminishes other party's intention to stay in the relationship and as a result their rent seeking propensity from the relationship is likely to be demoralised. This in turn indicates that a high degree of relative competitive capabilities and offers of a supplier tie the buyer in to a long-term relationship (Saleh and Ali, 2005) but opportunistic behaviour of the supplier diminishes importers' intention to stay in the relationship. Moore (1998) argued that the long-term expectation of sharing benefits (equity) in a relationship make short term benefits less important. He also posited that under such a situation the greater offered benefits by the supplier decrease their opportunistic impulsion. This suggests that higher levels of competitive advantage in the importer-supplier relationship may deflate the suppliers' ability to behave opportunistically. Therefore, the greater the importer's perceived relative competency of a specific supplier, the lower the supplier's opportunistic inclination in their relationship.

In sum, the adopted iterative process identified the modified proposed model as the best model to test and report the hypotheses where eight direct antecedents of importer commitment were hypothesised. Among these, five direct significant effects and one indirect significant effect on importer commitment were revealed. In addition, three indirect effects on trust found to have significant in the model. The indirect effects of the variables are exhibited in Table 5.24.

**Table 5.24**  
**Standardised Indirect Effect (IE)**

<b>Variables</b>	<b>IV</b>	<b>Relative Advantage</b>	<b>Cultural Similarity</b>	<b>Environ. Volatility</b>	<b>Communication</b>	<b>Opportunism</b>
<b>DV</b>		IE	IE	IE	IE	IE
<b>Trust</b> Significance Level (P value)		.128 (.014)	.127 (.006)	-.013 (.766)	.160 (.001)	
<b>Commitment</b> Significance Level (P value)		.006 (.679)	.006 (.710)	-.001 (.684)	.048 (.174)	-.083 (.041)

The next chapter of this study outlines the hypotheses testing and provides a discussion of the results.

# **Chapter 6**

## **Hypotheses Testing and Discussions**

### **6. Overview**

In the previous chapter, sample validation and measurement models for construct measures have been tested. The comparison between the levels of model fit in measurement and SEM models clearly provided much clearer theory-driven results and the decision was made to report the modified proposed model for the hypotheses testing. Accordingly, Structural Equation Modeling (SEM) outputs of the modified proposed model (henceforth, the ‘modified model’) are reported and discussed in this chapter. Further, as reported in section 5.3.3, in this chapter three additional paths in the modified model are also discussed in terms of their theoretical implications which follow a summary report to conclude the results of hypotheses testing.

The goals of this chapter are to:

- Provide a brief overview on the direct and indirect effects of the antecedents of importer commitment (Section 6.1).
- Test, report and discuss the results of hypotheses testing (Section 6.2, and Sections 6.2.1 to 6.2.11);
- Report the implications for the additional paths in the model (Sections 6.3.1 to 6.3.3); and
- Summarise the results of the hypotheses testing and discussion (Section 6.4).

## 6.1 Predictors and Mediators of Commitment

The central research question is posited to identify the antecedents of importer commitment to an import supplier. The proposed model integrated eight direct antecedents of importer commitment, all uniquely predicting commitment where three of them have intervening effects in the proposed model. As indicated in Chapter 5, three intervening paths were also added to the original model. Results of the modified proposed model indicate that five of the eight direct paths, two of the three original indirect paths and three additional indirect paths are significant.

The final modified model is presented in Figure 6.3 including a standardised regression coefficient beta for each path. However, exploring the indirect effects of the variables on importer commitment is important to explain the casual effects of paths in the model. Therefore, all standardised indirect effects of the relevant variables are presented in Table 6.1.

**Table 6.1**  
**Standardised Indirect Effect (IE)**

Variables	IV	Relative Advantage	Cultural Similarity	Environ. Volatility	Communcation	Oppor tunism
DV		IE	IE	IE	IE	IE
<b>Trust</b> Significance Level (P value)		.128 (.014)	.127 (.006)	-.013 (.766)	.160 (.001)	
<b>Commitment</b> Significance Level (P value)		.006 (.679)	.006 (.710)	-.001 (.684)	.048 (.174)	-.083 (.041)

The bootstrap approximation obtained by constructing two-sided bias-corrected confidence intervals based on 1000 bootstrapped samples exhibits the magnitude of the level of effects and their level of significance (P Value). The indirect effects of the supplier's competencies, cultural similarity, environmental volatility, and communication on importer commitment are not significantly different from zero at the .05 level. This suggests that these variables have no indirect effects on the importer commitment. However, the effect of opportunism on commitment (-.083) is significantly different from zero at the .05 level ( $p = .041$ ) indicating a significant indirect effect on importer commitment.

The standardized indirect (mediated) effects of supplier's competencies, cultural similarity and communication on trust are significantly different from zero at the .05 level (0.014, 0.01 and 0.001 respectively). By contrast, the indirect (mediated) effect of environmental volatility on trust is not significantly different from zero at the .05 level ( $p=.766$ ). The following section discusses the result of hypotheses testing.

## 6.2 Hypotheses Testing

To answer the research question posed in Chapter 1 (section 1.4), a proposed framework and a set of hypotheses were developed in Chapter 3 and are now being tested in this section by using outputs of the SEM. Further, to compare the significant and non-significant paths in the SEM results for the proposed model (as presented in Figure 5.1) and the modified proposed model (as presented in Figure 5.3), the detailed SEM results for the path relationships in both models are presented in this section. Although the explanatory power ( $R^2$ ) of the proposed model ( $R^2 = .54$ ) as well as modified proposed model (upon inclusion of the three paths,  $R^2 = .56$ ) are very close, this comparison is important to shed light on any path affected by co-sharing the variances and its extent. Therefore, the hypothesised path results of the modified proposed model are reported in this section to test the hypotheses. The path terms used in the table are:

- CUL = Cultural similarity between importer and supplier
- CMT = Commitment to an import supplier
- EN = Environmental volatility
- OP = Supplier's opportunism
- TR = Importer's trust
- CM = Communication
- KNEX = Importer's knowledge and experience
- SC = Supplier's competencies
- TS = Importer's transaction-specific investment.

**Table 6.2**  
**SEM Output for Hypothesised Path Relationships in the Proposed and Modified proposed Model**

Hypotheses	Paths	SEM Output: Proposed Model				SEM Output: Modified Proposed Model				Results*
		Standardised (β)	S.E.	C.R. (t)	P	Standardised (β)	S.E.	C.R. (t)	P	
H <sub>1</sub> The greater the cultural similarity between importer and supplier, the stronger the commitment to the supplier.	CUL → CMT	-.017	.054	.316	.752	-.008	.056	.152	.879	Not Supported
H <sub>2</sub> The greater the environmental volatility in international markets, the greater the overseas supplier's opportunism.	EN → OP	.405	.157	2.59	<b>.010</b>	.052	.138	.375	.708	Mixed Supported
H <sub>3</sub> The greater the overseas supplier's opportunism, the lower the importer's commitment to the import supplier.	OP → CMT	.009	.032	.272	.785	.029	.039	.752	.452	Not Supported
H <sub>4</sub> The greater the supplier's opportunism in their relationship, the lower will be the importer's trust.	OP → TR	-.306	.038	-8.00	***	-.309	.044	-7.01	***	Supported
H <sub>5</sub> The greater the environmental volatility, the lower the importer's commitment to the supplier.	EN → CMT	-.127	.068	-1.86	<b>.063</b>	-.129	.067	-1.91	<b>.056</b>	Supported
H <sub>6</sub> The greater the importer's perceived relative competency of a specific supplier, the stronger the importer's commitment to the supplier.	SC → CMT	.281	.064	4.39	***	.294	.068	4.35	***	Supported
H <sub>7</sub> The greater the transaction-specific investment by the importer, the higher the importer's commitment to the supplier.	TS → CMT	.016	.034	.471	.638	.016	.034	.467	.640	Not Supported
H <sub>8</sub> The greater the importer's knowledge and experience in the relationship, the stronger the commitment.	KNEX → CMT	.256	.059	4.38	***	.255	.059	4.35	***	Supported
H <sub>9</sub> The greater the communication in importer supplier relationship, the greater will be the trust in their relationship.	CM → TR	.274	.066	4.18	***	.240	.073	3.29	<b>.001</b>	Supported
H <sub>10</sub> The greater the communication between importer and supplier, the higher will be the importer's commitment to an import supplier.	CM → CMT	.139	.060	2.32	<b>.020</b>	.147	.062	2.39	<b>.017</b>	Supported
H <sub>11</sub> The higher the importer's trust in the supplier, the greater will be the commitment to an import supplier.	TR → CMT	.130	.061	2.13	<b>.033</b>	.132	.061	2.16	<b>.031</b>	Supported
H <sub>12</sub> Additional path: higher degree of communication reduces oppnsm	CM → OP					-.496	.130	-3.82	***	Supported
H <sub>13</sub> Additional path: higher the cultural similarity lower the oppnsm	CUL → OP					-.416	.131	-3.19	<b>.001</b>	Supported
H <sub>14</sub> Additional path: supplier's competencies reduces oppnsm	SC → OP					-.462	.135	-3.42	***	Supported

\* Results Supported at Significance Level:  $p \leq .001$ ,  $p \leq .01$ ,  $p \leq .05$ , and  $p \leq .10$



The reported SEM findings in Table 6.2 are assessed based on estimated path coefficient  $\beta$  value with critical ratio (C.R. equivalent to t-value), and p-value. The standard decision rules (t-value greater than or equal to 1.96, and p value is  $\leq .05$ ) apply here to decide the significance of the path coefficient between DV and IV (Byrne, 2001). However, some researchers in this field (Anderson and Weitz, 1992; Kim and Frazier, 1997; Kim and Oh, 2002; Kwon and Suh, 2004) reported p value  $\leq .10$  as a marginal level of significance.

**6.2.1 Cultural Similarity and Importer Commitment:** The standardised estimated path coefficient for the relationship is close to zero in both models (.02 and .01) and not significant (t-value .32 and .15 respectively with p value  $>.75$ ) for hypothesis 1. This finding strongly rejects the hypothesised relationship between cultural similarity and importer commitment to an import supplier. However, the bivariate correlation in Table 5.16 shows that cultural similarity is significantly correlated with commitment (coefficient .38, significant at  $p \leq .001$ ), and it is one of the highly correlated IVs in the model. However, the non-significant result in the SEM may suggest that some of the covariances of cultural similarity and commitment may have been explained by other variable(s) in the complex model leaving an insignificant amount of unique covariances for this path. To examine this contention, a hierarchical regression (in SPSS) was conducted where cultural similarity, opportunism, trust, communication, environmental volatility and supplier's competencies were ordered as priority of entry in the model to explain importer commitment. The analysis (shown in Appendix-9A) clearly indicates that while cultural similarity is highly significant in the initial model (with significant  $\beta$  value at  $p < .001$ ), it becomes gradually less significant in the subsequent models after the entry of opportunism, trust, and communication but become non-significant after the entry of environmental volatility and supplier's competencies in the model. However, as presented in Table 6.1, the standardised mediated effect of cultural similarity on trust is significant ( $p .006$ ). This further suggests that the non-significant result in terms of direct influence of cultural similarity on importer commitment is only due to co-sharing of covariances in the overall model.

Though the finding seems inconsistent with the theoretical expectations as well as findings of a number of past studies (Conway and Swift, 2000; Kraft and Chung,

1992; Lin and Miller, 2003) from different contexts, it is consistent with similar findings reported in other studies (Ali, 1995; Ali and Sim, 1996; Sim and Ali, 1998) where the relationship between overall cultural closeness and international joint venture (IJV) performance was not supported. The result could have been different if only culturally proximal importers would have been included in the sample representation for analysis.

**6.2.2 Environmental Volatility and Supplier's Opportunism:** As shown in Table 6.2, the path coefficient from environmental volatility to supplier's opportunism in the proposed model is significant (estimated  $\beta$  value .41 with t-value 2.59, and  $p \leq .01$ ) and supports hypothesis 2. However, in the modified model the result is non-significant (estimated  $\beta$  value .052 with t-value .375). This mixed result needs an explanation and clarification in an analytical context. In the modified model, three additional paths from cultural similarity to opportunism, communication to opportunism, and supplier's competencies to opportunism have been added, which contribute to the non-significant results to this path due to sharing the covariances.

An analysis of the bivariate relationships between the IVs in the implied covariance matrix provides some light on the non-significant result evident between environmental volatility and opportunism. The correlation matrix in Table 5.16 shows that the relationship between environmental volatility and supplier opportunism (coefficient .16) is smaller than the other related paths in the model and this contributes to the loss of unique value to these paths. This hints that some of the covariances of environmental volatility and opportunism are shared by other variables. To check this concern again, hierarchical regression in SPSS was conducted on an *ad hoc* basis where environmental volatility, cultural similarity, supplier's competencies, communication and trust were forced to explain opportunism in sequential order of entry into the models. The results (shown in Appendix-9B) clearly indicate that while environmental volatility entered in the initial model with a marginal level of significance ( $p \leq .10$ ), it became insignificant in other subsequent models due to sharing the covariances with the supplier's competencies, cultural similarity and communication. Therefore, it confirms that the path is affected by co-sharing of variances in the more complex modified model. More explicitly, the regression results show that the entry of cultural similarity into

the model reduced standardised beta for environmental volatility from .112 to .016 (a loss of .096 to cultural similarity) indicating a significant level of sharing of covariances. In consequence, the additional path between cultural similarity and supplier opportunism in the modified model explained most of the covariances between environmental volatility and opportunism.

As the result negates the theoretical assertion and some of the past findings (Heide and John, 1990; Klein *et al.*, 1990; Skarmeas *et al.*, 2002; Stump and Heide, 1996), this indicates that environmental volatility is not a driving factor of supplier's opportunism for parties from a similar culture. Under an uncertain volatile environment, suppliers from a similar culture tend not to engage in opportunistic behaviour with their buyers/importers because this may harm the long-term relationship as well as their continuing business benefit.

**6.2.3 Supplier's Opportunism and Importer Commitment:** The estimated standardised  $\beta$  value in the original (.009) and modified (.029) models are not significant to provide support to hypothesis 3. Results indicate that supplier opportunism in the importer-supplier relationship is not a direct significant predictor of importer commitment though it has an indirect effect through trust ( $\beta = -.083$ ,  $p = .041$ , as shown in Table 6.1).

This finding is apparently inconsistent with the past finding reported by Skarmeas *et al.* (2002), but a closer analysis of the bivariate relations between the DV and other IVs in the model throw some light in support of the hypothesized relationship. The implied correlation matrix in Table 5.16 shows that opportunism is moderately correlated with commitment (coefficient -.396, significant at  $p \leq .001$ ), while it is highly correlated with other predictors of commitment such as trust (-.629), communication (-.485), cultural similarity (-.467), and relative supplier's competencies (-.407). It is worth noting here that all these are significant predictors of commitment in the model except cultural similarity. These indicate sharing of covariances with commitment in a complex model. Further, hierarchical regression analysis reconfirmed that while the relationship between opportunism and commitment is highly significant (with significant  $\beta$  value at  $p < .001$ ) in its initial model, its impact on commitment diminishes in subsequent models with entry of trust, communication, cultural similarity and supplier's competencies (shown in

Appendix-9C). This suggests that some of the covariances of opportunism and commitment are explained by these variables in the complex model leaving no significant amount of unique covariances for this variable. Therefore, despite significant negative bivariate relationship, the non-significant SEM result is due to co-sharing of its variances in the complex model. However, the SEM model identified the indirect effect of opportunism on commitment through these co-sharing IVs in the complex model but the total effect of opportunism on commitment is also found to be non-significant ( $\beta = -.023$ ,  $p = .779$ ).

This result implies that the theoretical assertion extracted from the literature is not valid in this complex model. Apparently this finding does not support the argument that buyer's commitment is affected when the overseas supplier is engaged in opportunistic behaviour by withholding critical information, misrepresenting facts, applying trickery techniques or taking advantage of trading partners (Wathne and Heide, 2000; Williamson, 1985). However, as discussed in subsection 6.2.4, these opportunistic behaviours adversely affect importers' trustworthiness regarding the supplier. Although, this does not support Gundlach *et al.*'s (1995) findings, this is analogous with Moore's (1998) findings where no support was found for buyers' perceived high risk of third party opportunism in their logistic alliance that was proposed to have a negative impact on their commitment.

**6.2.4 Supplier's Opportunism and Importer Trust:** The SEM findings in both models (estimated  $\beta$  value  $-.306$  and  $-.309$ ,  $t$ -value  $-8.00$  and  $-7.01$  with  $p \leq .001$ ) provide strong significant support for the hypothesised negative relationship between opportunism and trust. These results suggest that a high degree of supplier opportunism tends to reduce trust in the importer-supplier relationship. In other words, a high level of importer trust is built on zero or lower level of supplier opportunism. This negative relationship between importer trust and supplier opportunism is consistent with the theoretical arguments and also lends support to similar past findings reported in different studies from different buyer-seller relationship contexts (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000). More precisely, the study validates the theoretical assertion of suppliers' opportunistic inclination which creates and causes distrusting situations and encourages parties to break promises or try to seek interest and evasion of obligations and violation of

contracts to other parties (Williamson, 1985). Such a perception from the importer-supplier context is valid and leads to decreasing trust in the importer-supplier relationship.

Although supplier opportunism did not exhibit any significant impact on importer commitment (as found in hypothesis 3), such behaviour significantly affects the importer trust. This hints that importers' perceived supplier opportunism may not be a direct factor for commitment but a significant influential factor for their trustworthiness to their supplier. This is supportive evidence of an indirect significant relationship between opportunism and commitment through trust in the proposed model. The other possible explanation for this finding is that opportunism may be a much more sensitive issue in terms of the trustworthiness of suppliers than commitment, and is closely monitored by the importers in their relationship evaluation process. Accordingly, a more opportunistic attitude of the supplier reduces importer trust in their relationship and consequently affects commitment.

**6.2.5 Environmental Volatility and Importer Commitment:** In the context of the direct path proposed in hypothesis 5 between environmental volatility and importer commitment, the estimated negative path coefficients ( $\beta$  value  $-.127$  and  $-.129$ ,  $t$ -value  $-1.86$  and  $-1.91$  with  $p \leq .10$  in both models) provide marginally significant support for the hypothesis. This confirmed that the higher degree of environmental volatility surrounding the international market has a negative impact on the importer commitment. This means that a volatile situation in the international market may reduce importer commitment to an import supplier. Augmenting the environmental aspect of transaction cost theory (Williamson, 1985) again, this presents consistent results and confers support to the contentions of Kumar *et al.* (1995b) and Geyskens *et al.* (1999) that environmental volatility debilitates a partner's aspiration for a continuing relationship. The result of this study is also harmonious with Bello *et al.*'s (2003) claim of volatility as ambiguity that greatly diminishes one of the transacting party's willingness to respond properly. Under such circumstances, importing firms may be averse to a continuing relationship with the overseas suppliers because it is a situation of uncertainty which results in a low quality of relationship and an inclination to decrease their commitment in the relationship (Kumar *et al.*, 1995a). This also clearly suggests that a volatile market environment is likely to undermine a

firm's intentions to maintain the commitment with a foreign supplier. As such, this situation may foil the establishment of cooperative rapport with foreign actors for long-term endeavour (Skarmeas *et al.*, 2002).

One possible interpretation for this result is that volatility is an ongoing changing circumstance surrounding the market which creates doubt in writing contracts and maintaining a commitment relationship with the supplier. Further, as volatility is one of the environmental factors of the transaction cost view (Williamson, 1985), this may have the potential for some types of inputs/outputs related to relationship outcome (Achrol and Stern, 1988). While Achrol and Stern (1988) discovered that increased environmental volatility increases decision making uncertainty, this study specifically postulates that increasing volatility surrounding the international exchange relationship decreases commitment to the supplier. This also signifies that environmental change affects not only the demand and supply conditions but also affects the prediction of future marketing action and results. Either way, the present study strived to generalise this finding from a developing country perspective.

**6.2.6 Supplier's Competencies and Importer Commitment:** The coefficients for the direct path between supplier's competencies and importer commitment (estimated standardised  $\beta$  value .28 and .29, t-value 4.39 and 4.35 with  $p \leq .001$ ) in both models provide strong significant support for hypothesis 6. This is an indication that the higher degree of relative competencies offered by the supplier has a direct positive effect on the importer commitment. In other words, the higher the importers' perceived competencies of a specific supplier, the higher the commitment to the supplier. This further indicates that suppliers' resources and capabilities are the impetus of importer commitment.

The study thus lends support to a series of conceptual as well as theoretical assertions. While this brings new empirical evidence to the literature, it is consistent with the conceptual argument that suppliers' resources and capabilities influence the importing firms' selection decision to seek competitive advantage (Masella and Rangone, 2000). The result also validates the argument that a firm can achieve a sustainable competitive advantage by utilising suppliers' competitive factors to establish and maintain a unique operational focus (Barney, 1991, 1997). This finding is analogous with the expostulation that a competitive advantage can exist only in relation to the

competent supplier's offer relative to other offerings in that market (Devlin and Ennew, 1997).

The findings also boost Lau's (2002) assertion that international buyers consider relative resource advantage in the supply market to achieve sustainable competitive advantage and relative competencies of a supplier help importers to build up a long-term commitment to the supplier. This is also a guarantee for the buyer to achieve sustainable competitive advantage in a global sourcing strategy (Kotabe and Murray, 2004). This resource capability attracts and ties buyers with the seller in a commitment relationship for long-term success. Moreover, this result is also harmonious with Karande *et al.*'s (1999) findings where they stressed evaluating better warranties, competitive prices, delivery services, and technical abilities as suppliers' relative capabilities in their industrial buying process to continue the relationship. This result in relation to supplier's competitive competencies empirically proved the impetus for influencing importer commitment to their supplier.

Consequently, this endorses the view that the higher degree of perceived competencies from a specific supplier leads to higher importer commitment to the import supplier. As the importer continues in the relationship with the supplier, the suppliers' resources and capabilities tend to tie them to be more committed in the relationship. The other interpretation of this significant evidence is that the suppliers' efficient supply chain can differentiate them from other suppliers, and importers are likely to be more attracted and more committed to the suppliers' offered resources and capabilities in their supply chain.

**6.2.7 Transaction-Specific Investment (TSI) and Importer Commitment:** The positive hypothesised relationship between transaction-specific investment and importer commitment did not get significant support in the proposed and modified models. The standardised estimated  $\beta$  value .016, t-value .47 with p value >.64 in both models for hypothesis 7 is contrary to the expectation. This finding exhibits a challenging non-significant impact which symbolised a non-attachment bond to the importer-supplier relationship. It is also inconsistent with the finding of Skarmas *et al.* (2002) and other studies reported in the literature (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002) as well as the theoretical argument of Heide and John (1992) and Williamson (1981).

While the bivariate result in the implied correlations matrix exhibited a moderate level of correlation (.327) between transaction-specific investment and importer commitment, the SEM finding rejects the relationship. Most importantly, it should be noted that this result is also discordant with the multiple regression result of the same database where TSI and importer commitment were found to be significantly associated (Saleh *et al.*, 2005)<sup>9</sup>. The level of complexity of the SEM over the multiple regression model and the magnitude of analytical rigour of SEM are the most plausible reasons for this variation in results. Moreover, the country context and sample characteristics may be other likely reasons for this inconsistent result. Commercial importers in most least-developed countries such as Bangladesh are small firms that have no or little investment on TSI for relatively small import quantity. Since around 60% of the sample is in the commercial category, the result could be misleading because many of these small scale importers may remain committed despite their relatively low level of TSI.

Further, it was argued in the literature (Heide and John, 1988) that specific investments may vary in their degree of specificity. In the present perspective, the perceived TSI may have varied widely in terms of the degree of industrial and commercial importers' investment specificity. Accordingly, industrial importers are more likely than commercial importers to invest in transaction specific facilities and are inclined to tie suppliers to a long-term importer-supplier relationship. To investigate this contention, the study attempted to test industrial importers' TSI and commitment relationship by selecting industrial importers from the data set. The SEM result supported the view that industrial importers' TSI has a strong significant impact on commitment ( $\beta$  value .10 with t-value 2.39, significant at  $p \leq .05$ ). This means that industrial importers who have a high level of TSI are also committed to their import supplier. Therefore, TSI may not have a direct impact on importer commitment for most commercial importers in this sample but its impact is significantly positive for industrial importers. This suggests that the importers' category is likely moderator for this relationship. While the moderating effect of TSI has been tested in this analysis, further attempt may be necessary to explore this moderating effect for other variables as well.

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<sup>9</sup> Awarded the 'best paper' in Australia New Zealand International Business Academy (ANZIBA) 2005 Conference



**6.2.8 Knowledge and Experience and Importer Commitment:** The relationship between importer knowledge and experience and importer commitment to an import supplier received significant positive support in both models. The estimated coefficient path manifested  $\beta$  value .256 and .255, t-value 4.38 and 4.35 with p value  $\leq .001$  in the proposed and the modified model. Accordingly, hypothesis 8 is supported with statistically significant results in both models. These results are analogous with the theoretical assertion that knowledge gained through experience from business activities in a specific overseas market (through dealing with an importer/distributor) is the primary means of increasing commitment to the foreign market (Johanson and Vahlne, 1990) and the importer/distributor in the market. On the other side of the dyad, the importer's knowledge and experience of dealing with the import supplier (exporter) builds up confidence and makes the importer/distributor committed to the import supplier. This approves the expectation that the knowledge and experience in international business is not only helping and fostering outward operations but also is a recognised input for inward activities of the firm (Karlsen *et al.*, 2003) which has strong influence on importer commitment. This knowledge and experience building from involving import activities further helps outward activities and may make the importer and exporter committed in the relationship. This is so far new empirical evidence in the literature.

While there is no extant empirical support in the literature, this finding validates the vast majority of the conceptual arguments. This signifies that the knowledge and experience in international buying process should be a help for buyers to maintain a strong relationship with overseas suppliers (Min and Galle, 1991). Furthermore, importers' increased knowledge and experience about international markets assist better product purchases through judging demand and supply which increases benefits in the buyer-seller relationship (Homburg *et al.*, 2002). This result is also harmonious with Karlsen *et al.*'s (2003) assertion that the internationalisation process includes activities that are inwardly oriented and provide opportunity for gathering knowledge about the international market from actors' interactions. Such knowledge is an impetus for extending business which leads to increased commitment to the supply market.

Moreover, it is compatible with the theoretical proposition that knowledge gained through experience from business activities in a specific overseas market is the

primary means of increasing commitment not only to the foreign market (Johanson and Vahlne, 1990) in general but also to the buyer-seller relationship in that market(s). Since a buyer in the relationship is an importer in the context of this research, increased experience benefits importer commitment to the seller (exporter). The present finding further indicates that within the domain of importing from a specific supply source, the level of experiential knowledge in terms of a specific foreign supply market increases the ability of an importer to cope with the problems of importing (Katsikeas and Dalgic, 1995). It may also be inferred from this finding that knowledge and experience from the importer-supplier relationship creates an outlook empowering importers not only to seek source opportunities, but also to respond effectively to their import supplier (Katsikeas, 1998). Moreover, the present finding is also complementary to the argument of Chetty and Eriksson (2002) on the positive impact of suppliers' knowledge and experience on their commitment to the buyer.

**6.2.9 Communication and Importer Trust:** The path coefficient for hypothesis 9 is also significant (estimated  $\beta$  value .274 and .240, t-value 4.18 and 3.29 in the proposed and modified models respectively with  $p \leq .001$ ) in both models. Therefore, hypothesis 9 is supported which suggests that communication between importer and supplier has a strong positive impact on importer trust. This validates the theoretical perspective (Williamson, 1975) that communication is one of the prerequisite stimuli for building trust in an importer-supplier relationship. This yields support to a number of commitment studies where communication was reported to influence trust as a mediating role (Coote *et al.*, 2003; Morgan and Hunt, 1994; Selnes, 1998; Zineldin and Jonsson, 2000) in empirical models. All of these past findings are based on developed country data and accordingly the present developing country context is important to further validate these extant findings for generalisation. This result is also congenial and provides support to Aulakh *et al.*'s (1996) findings in terms of communication of information in cross-border market partnerships which tends to increase trust in their relationship. The result signifies that communications assist in resolving controversy and arraying perceptions and expectations towards fostering trust in the relationship. The present finding and overall extant evidences are harmonious in terms of the effect of communication on trust and further implies that

more communication of information in the importer-supplier relationship leads to greater trust.

**6.2.10 Communication and Importer Commitment:** The direct path between communication and importer commitment to an import supplier is validated. The estimated standardised  $\beta$  value .139 and .147 (t-value 2.32 and 2.39 with  $p \leq .05$ ) in the original and modified models, respectively, reveal strong support to hypothesis 10. This finding is harmonious with a vast majority of the previous commitment studies and extend support to their findings (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim and Frazier, 1997; Saleh *et al.*, 2005; Zineldin and Jonsson, 2000). However, it refutes the finding of Moore (1998) where no significant relationship was found between communication and the buyer's relationship commitment. The result also supports the argument that collaborative communication is the root of success in the dealer-manufacturer relationship to increase commitment, satisfaction, and coordination (Mohr and Nevin, 1990; Mohr *et al.*, 1996). This means communication is one of the significant factors in the buyer-seller, dealer-manufacturer, and also importer-import supplier relationship. Therefore, the present finding in terms of positive effect of communication on commitment increased generalisability from a different seldom context in the literature.

From the rational choice paradigm focus in organisational behaviour (OB) literature, Liang and Parkhe (1997) explained the fundamentally different approach in the information process for the organisational buyers in the domestic (choice) and international (search) vendor selection decision. In the domestic market, "information processing load is more likely to be within the cognitive capacity of purchasing managers" whereas in the international market, "information processing load has a higher probability of exceeding the bound of human rationality" (p. 510). This is why international buyers/importers try to handle information based on their best judgment to communicate well and to develop enduring relationships with their supplier. The theoretical perspective of the transaction cost approach (Williamson, 1985; 1975) on governing exchange elaborates and explains communication impactedness in involving transacting parties (Mohr and Sohi, 1995). As bounded rationality implies, with limited information, people may have partial competencies to process and communicate the information and this adversely affects commitment. The idea of

effective, efficient and frequent communication of information underlying the importer-supplier relationship is valid as communication is a prerequisite for developing and maintaining commitment (Anderson and Weitz, 1992). This supportive evidence along with the present result again confirm that the higher degree of communication in the importer-supplier relationship enhances importer commitment by facilitating exchange of relevant information between transacting parties in the importer-supplier relationship.

**6.2.11 Trust and Importer Commitment:** The direct path coefficient between trust and commitment to an import supplier reveals significant support to hypothesis 11 (standardised estimated  $\beta$  value .130 and .132, t-value 2.13 and 2.16 with  $p \leq .05$  in both models). This acknowledges that the trustworthiness between importer and supplier has a significant direct positive impact on importer commitment in the importer-supplier relationship. This result supports and validates the huge majority of the extant commitment studies in the present context. As discussed in section 2.2.6 and shown in Table 2.3, the study upholds support to 12 of the commitment studies where trust was examined as an independent variable of commitment and positive significant results were found. However, this finding refutes the controversial non-significant effect of trust on commitment reported in Moore (1998) and Siguaw *et al.*'s (1998) studies. The finding strongly recommends that a high degree of trust in the buyer-seller relationship is positively related to the importers' high degree of commitment. This result also supports the theoretical assertion extracted from the "principal" and "agent" (Williamson, 1975) concept used in assessing behavioural patterns related to trust in the buyer-seller relationship (Morgan and Hunt, 1994). Moreover, the result of this study also approves Hosmer's (1995) argument that the economic transaction is one of the specialised patterns of interpersonal behaviour of trust which is related to confidence in the party, belief, reliability and has a strong impact on the degree of commitment. Thus, this result and discussion implies that 'trust' as a construct explains the causal relationship of importer commitment and supplier trust, which suggests that supplier trustworthiness to their importer is an influential factor of importer commitment for increased long-term business benefit.

## 6.3 Additional Paths in the Modified Proposed Model

As suggested in the modification indices of SEM output, three additional path links were incorporated in the proposed model (Figure 5.3) for the purpose of attaining statistical adequacy. These additional paths also contribute to the more extended mediated model with indirect effect of communication, cultural similarity and supplier's competencies on commitment through opportunism and trust. However, while a competing model was proposed in Chapter 3 (section 3.3) to examine the mediating role of trust in the commitment building process, these new paths seem to extend the model by identifying the impact of communication, cultural similarity and supplier's competencies on supplier opportunism in the importer-supplier relationship. As theoretical justifications of the incorporated paths have already been highlighted in section 5.3.3, interpretation and implications of the results are discussed in the next three subsections.

**6.3.1 Communication and Supplier's Opportunism:** The path between communication and supplier's opportunism in the modified model is strongly significant with estimated standardised  $\beta$  value  $-.496$  ( $t$ -value  $-3.82$ ,  $p \leq .001$ ). This negative significant result is congruous with the theoretical argument of bounded rationality of the transaction cost approach (Williamson, 1985). Bounded rationality not only signifies humans' limited judgment capability but also encourages people to act rationally based on their level of competencies in handling transactions in an imperfect communication situation that inspires a self-interest seeking opportunistic attitude. Researchers also argued that in an uncertain environment people tend to simplify their information processing which helps to make less risky choices for source selection (Kahneman and Tversky, 1982; Liang and Parkhe, 1997). This implies that the high degree of information processing and more contiguous communication based on best cognitive judgment may reduce risk as well as opportunistic impulse of the supplier. This may indicate that the better the communication between transacting parties, the lower the opportunism or vice-versa. The result for the additional path between communication and opportunism clearly indicates that when the importer communicates more competently and frequently, it tends to reduce the opportunistic attitude of the supplier. As emphasised in the literature (Mohr and Sohi, 1995; Wathne and Heide, 2000), communication

impactedness is potentially important to assess a partner's behaviour e.g. opportunistic attitude of a foreign supplier. This in turn intimates that a higher degree of communication is likely to be an impetus to discourage the suppliers' opportunistic attitude in the importer-supplier relationship.

**6.3.2 Cultural Similarity and Supplier's Opportunism:** The SEM output for the additional path between cultural similarity and opportunism is also significant (estimated  $\beta$  value  $-.416$  with  $t$ -value  $-3.19$ ,  $p \leq .001$ ). This result specifies that the more proximal culture of an importer to the import supplier tends to reduce supplier opportunism in their importer-supplier relationship. As O'Grady (1996) contends, entering a culturally close market reduces the level of ambiguity in the new market and in the buyer-seller relationship as well. The level of ambiguity as well as uncertainty exacerbates the problems that arise due to bounded rationality and opportunism (Aubert and Weber, 2001; Williamson, 1985). This reverse directional argument advocates that cultural similarity plays a facilitating role in the importer-supplier relationship to discourage the supplier from behaving opportunistically. This is congruous with Johnson *et al.*'s (1996a) findings in the IJV relationship context where shared decision making by partners helps to neutralise cultural differences in opportunistic inclinations. They argue that while cross-cultural interactions are recurrently replete with misinterpretation of communication and foster opportunistic tendencies, cultural similarity controls and diminishes opportunism in the relationship. This argument is valid with the present derived evidence in the importer-supplier relationship context.

**6.3.3 Supplier's Competencies and Supplier's Opportunism:** As theorised in section 5.3.3, the additional path between supplier's competencies and supplier opportunism evidenced a significant negative association (estimated  $\beta$  value  $-.462$  and  $t$ -value  $-3.42$  with  $p \leq .001$ ). This result is congruent with the resource-based approach of the firm (Barney, 1991) where suppliers' resources and capabilities create a difference from one supplier to another with disproportional unique offers of the products that attract the importers toward seeking competitive advantage from the supply market. Under these circumstances the supplier should be interested in satisfying their importer while at the same time reducing their opportunistic inclination in order to maintain the relationship as well as long-term benefit from the

relationship. More precisely, from the transaction cost perspective (Williamson, 1985), the opportunistic tendency of the supplier may diminish the importer's interest in continuing the relationship and negatively affect their perceived relative advantage. In other words, the inference in turn indicates that the high degree of relative competitive advantage from the source may reduce suppliers' opportunistic propensity in the importer-supplier relationship.

Though there is no direct empirical evidence to support this relationship in a buyer-supplier context, this lends support to some of the relevant studies in other contexts. Since supplier opportunism is perceived as a risk (Moore, 1998), Karayanni (2003) argues that relative advantage of direct internet shopping is affected by internet shoppers' perceived risk due to the opportunistic propensity of the supplier. This suggests that when vendor's/supplier's relative advantage of their capabilities and resources is considered by the buyer/importer as resource competencies in the buying relationship, the suppliers' opportunistic behaviour can demolish the chance of any continuing relationship. Therefore, it implies that opportunistic supplier's competencies are not perceived as competitive advantage by importers. As a result, this finding suggests that the higher degree of supplier's competencies for an importer tends to deflate supplier opportunism in their importer-supplier relationship.

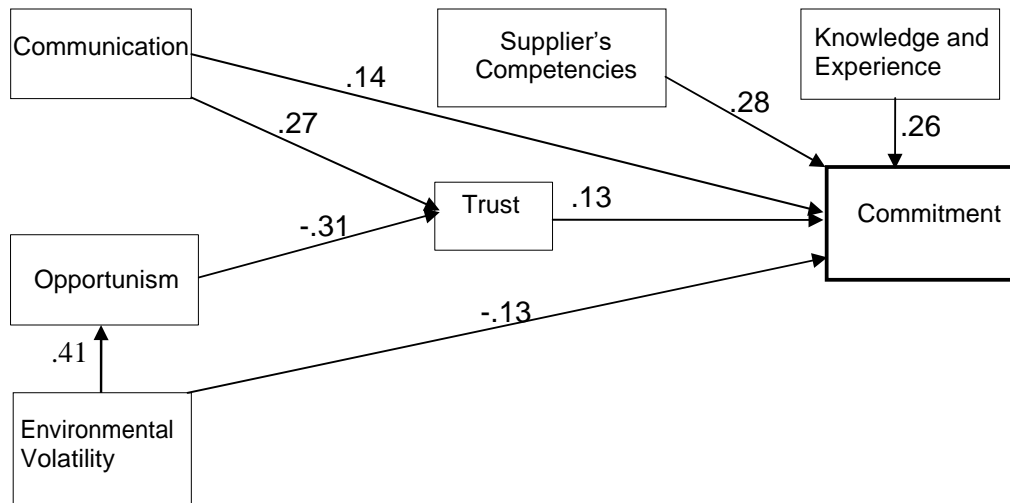
This discussion on the additional three significant paths' coefficients proves that these are theoretically justified.

## 6.4 Summary

This chapter reports on the results of the modified proposed model with multiple path relationships that was tested using SEM. Accordingly, all hypothesised links were examined and reported. Eight out of eleven hypotheses in the proposed model were found to be significant and three were found to be non-significant. However, upon inclusion of the three paths, ten out of fourteen hypotheses of the modified (reported) model were found to be significant; three were found to be non-significant whereas one revealed mixed support. Commitment as the ultimate dependent variable is influenced directly by communication, trust, supplier's competencies, knowledge and experience, and environmental volatility. In addition, among the three interrelated hypothesised links in the original proposed model, communication  $\leftrightarrow$  trust  $\leftrightarrow$

commitment and opportunism  $\leftrightarrow$  trust  $\leftrightarrow$  commitment emerged as significant. However, direct impact of cultural similarity, opportunism and TSI on commitment, and the proposed interrelationship environmental volatility  $\leftrightarrow$  opportunism  $\leftrightarrow$  commitment was found to be non-significant. In summary, the following direct and interrelated path relationships in the proposed model were found to be significant:

**Figure 6.1**  
**Significant Paths in the Proposed Model**



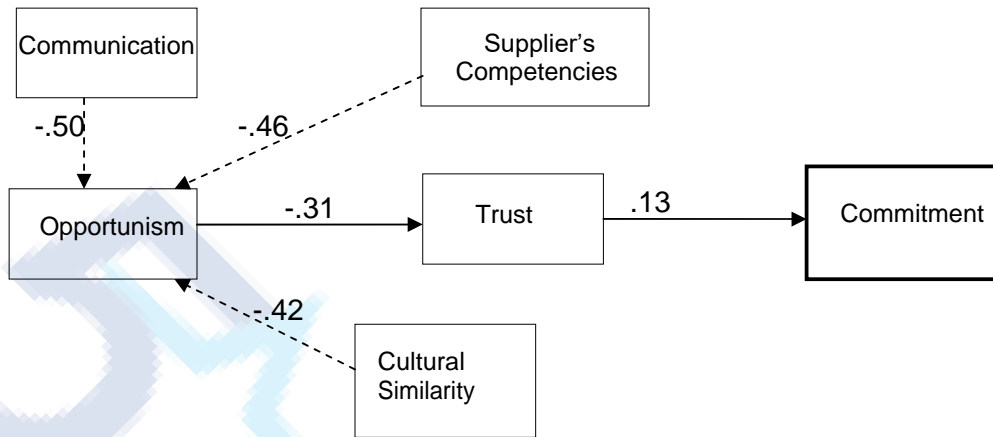
As discussed earlier, one interrelated path, environmental volatility  $\leftrightarrow$  opportunism is non-significant in the modified model upon inclusion of three additional paths. The following additional interrelated paths are found to be significant in the modified model as well:

- CUL  $\leftrightarrow$  OP  $\leftrightarrow$  TR  $\leftrightarrow$  CMT
- CM  $\leftrightarrow$  OP  $\leftrightarrow$  TR  $\leftrightarrow$  CMT
- SC  $\leftrightarrow$  OP  $\leftrightarrow$  TR  $\leftrightarrow$  CMT

OR,  
Graphically



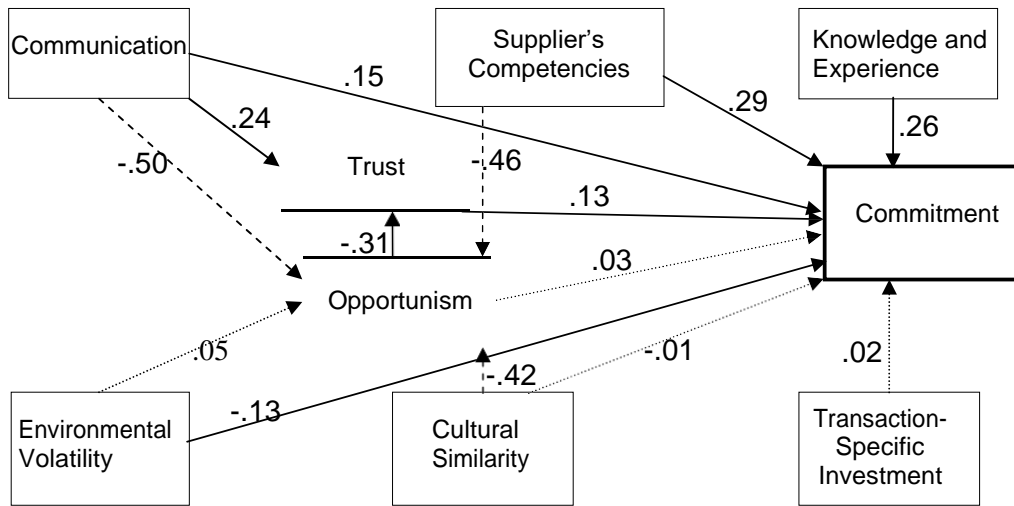
**Figure 6.2**  
**Significant Additional Paths in the Modified Model**



— Proposed paths, Additional paths

From the above path links it is clear that supplier opportunism and importer trust on the supplier are two mediating variables in the model that mediate the effect of communication, cultural similarity and supplier's competencies on commitment in the reported modified model. In terms of additional path links, the drivers of opportunism are cultural similarity, communication, and supplier's competencies where trust is a mediating factor of supplier opportunism toward importer commitment. Accordingly, the final model for importer commitment to import supplier is:

**Figure 6.3**  
**Final Tested Model with Standardised  $\beta$**



Index for Path Directions:

— Significant original paths, -----Significant additional paths, ..... Non-significant original paths

The significant findings of the model can be represented in the following three equations:

$$(i) \text{TRUST} = *COM + *OPPONSM + e$$

$$(ii) \text{OPPONSM} = *COM + *SC + *CULSIM + e$$

$$(iii) \text{COMMIT} = *TR + *KNWEX + *SC + *COM + *ENVOL + e$$

where \* indicates an estimated parameter and  $e$  indicates disturbance terms.

In the mediating process, opportunism has a significant indirect effect on commitment. Also, in this process, supplier's competencies, cultural similarity, and communication have significant indirect effects on trust.

It is important to note that based on the competing model tested against the proposed model in Chapter 5, a qualitative model was investigated to verify the quantitative findings. The richer qualitative information collected from the importers are analysed, discussed and contrasted against the findings of the quantitative model in Chapter 7. Findings are then summarised and concluded in Chapter 8.

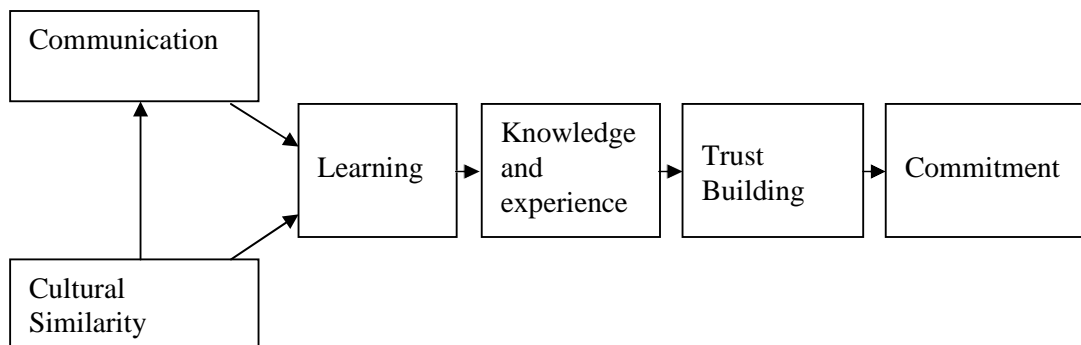
# Chapter 7

## Findings and Discussions of Qualitative Data

### 7. Introduction

This chapter brings Chapter 3 (section 3.2) and Chapter 4 (section 4.1) together into a coherent discussion on the perception of the importers' trust and commitment building process. As discussed in Chapter 3 (section 3.2), there are different schools of thought in the literature on this process. Therefore, the main research question for the qualitative part of this study was how cultural similarity, communication, learning and knowledge-experience facilitate the trust and commitment building process. It is important to note that while the conceptual model (Figure 3.2) attempted to validate a significant part of the proposed competing model (Figure 3.3) through qualitative information, the results of the competing model have not been discussed in this thesis because the proposed model fits better and explains more variance of importer commitment than the competing model. The modified competing model (Appendix – 7 C and Appendix – 8) explains 46% ( $R^2=.46$ ) of the variance and has some supplementary support to the explanation of unfolding insight in terms of the knowledge generating, trust and commitment building process. However for reference purposes, the qualitative proposed model is shown in Figure 7.1 (as proposed in Figure 3.2).

**Figure 7.1: A Conceptual Framework for Trust and Commitment Building Process**



To answer the research question posited earlier, this chapter strives to provide an insight and in-depth understanding of the trust and commitment building process (as Figure 7.1). To achieve this objective, 12 interviews were conducted which are discussed and interpreted in this chapter with cross-case analysis.

Accordingly, the goals of this chapter are to:

- Discuss the method of collecting qualitative data (Section 7.1, 7.2 and 7.3)
- Provide an in-depth interview profile along with case and code identity to explore major supplier relationships, key informant and firm size (Section 7.4)
- Focus briefly on each depth-interviewed case individually to uncover and gain insight into what lies behind the trust and commitment building process (Section 7.5)
- Explore findings of the qualitative data through cross-case analysis focusing on common evidence in the context of each factor in the proposed framework (Section 7.6)
- Summarise the major findings of qualitative information and verify whether the proposed underpinned theoretical argument is valid or the extent to which it is not (Section 7.7 and 7.8).

## 7.1 Qualitative Data Collection and Sample

The commonly used method of data collection for the quantitative information is a mail survey. For qualitative research, a technique which is more intrusive and less structured than a quantitative technique allows the interviewer to gain insight into the topic area (Jarratt, 1996). A non-directive interview, which creates a relaxed, empathic relationship between interviewer and interviewee, reduces bias in response, and the semi-structured interview allows the interviewer to uncover a specific list of hidden issues of research interest (Malhotra, 1993). This additionally enables exploration of the research phenomena of interest (Mathews, 2000) and uncovers underlying motives or attitudes toward sensitive issues (Malhotra, 2002). Therefore, for this study, a smaller sub-sample of participants was drawn for semi-structured in-depth interviews.

For qualitative interviews, purposive sampling is a nonprobability sampling technique where cases were selected on the basis of judgment of the researcher that conforms to certain criteria of the respondents (Cooper and Schindler, 2001). In addition, the power of purposive sampling lies in selecting information rich cases that manifest the phenomena of interest intensely toward facilitating more insight into the theoretical construct underlined in the proposed study (Patton, 1990).

As this research looks at the impact of cultural similarity and communication in the trust and commitment building process, importing firm(s) involved with import from countries with similar and dissimilar cultures were considered as a major criterion of selecting a sample to facilitate comparability. Therefore, two important criteria for selecting the purposive sample were: a) at least two years importing relationship with an import supplier and b) importing firms are involved with importing from countries with similar and dissimilar cultures (equal numbers of firms of these two categories). In addition, an endeavour was made through telephone contact (in Dhaka the capital city and in Chittagong the business capital) to ensure all types or categories (shown in Table 7.1) of importers in Bangladesh were in the sample representation. This process enabled variability of sample representation in order to validate theoretical arguments proposed in this study.

**Table 7.1**  
**Types of Respondents, Their Code Number and Characteristics**

<b>Respondent Type/Category</b>	<b>Code Number</b>	<b>Characteristics</b>
Only commercial importer	IS <sub>1</sub>	An individual firm which is involved only in commercial importing and distributing within Bangladesh.
Only industrial importer	IS <sub>2</sub>	An individual firm which is involved only in industrial importing and distributing industrial goods within Bangladesh.
Commercial and industrial importer	IS <sub>3</sub>	The importing firm/firms engaged with both commercial and industrial importing and distributing those goods within Bangladesh.
Importer cum manufacturer	IS <sub>4</sub>	Those who are engaged with importing activities to facilitate manufacturing goods for local market or for further industrial use.
Importer cum exporter	IS <sub>5</sub>	Those who are involved with importing raw material and accessories and making complete products toward exporting.

Source: Developed for this research and adopted from Mathews (2000).

Samples were drawn for a single in-depth interview with the owner/CEO or a senior manager involved in import decision making to satisfy the complementary data requirement of the proposed qualitative study (Kuzel, 1992).

## **7.2 Protocol for Qualitative Interview**

There are many qualitative data collection techniques such as interviews, oral history, focus group interviews, Delphi group interviews, observation approaches (Luna-Reyes and Andersen, 2003). Among these, in particular, this study used in-depth interviews and followed a set research protocol (Appendix 6). This protocol was developed with the help of allied academic scholars and utilised as a guideline to obtain rich data from the relevant sources (Carter, 1999) where questions related to the issue of research lead to a series of follow-up questions. The protocol was pre-tested through conducting and recording two interviews in Brisbane with importers of Bangladeshi and Indian origin. These interviews were reviewed by the academic scholars, and the protocol was revised for better flow on the basis of feedback and suggestions. Since the qualitative data were collected from qualified importers/managers, who were fluent in English, translation of the interview protocol was not required.

A semi-structured questionnaire along with a tape recorder was used as basic instruments for qualitative data collection. The instrument covered derived constructs on the process of building importer trust and commitment. The questionnaire was additionally trialled to allow the respondents to tell stories regarding constructs linked to the commitment building process, to seek examples, and often unearth issues that were explored counter-intuitively. This technique was also followed for clarification of terms/variables, elaboration on topic, and collection of respondent's own words of usage which was not supported or covered by quantitative questionnaires (Luna-Reyes and Andersen, 2003). The variables, for example cultural similarity, communication, knowledge and experience, and trust were taped in the questionnaire to capture a broad view of these variables with respect to commitment to an import supplier. Thus, this describes the phenomena under investigation in this study.

### **7.3 Qualitative Data Analysis**

As it was argued, the grounding of theory in data is a significant factor toward achieving the more general aim of supporting claims with credible evidence. This also represents a particular link between data and theoretical statements. As such, this study has strived to use this paradigm where qualitative data were collected to test theoretical arguments/links and analysis which follows the constant comparative method (Glaser and Strauss, 1967). Although each interviewed firm/person was termed as a unit of respondent or a single case, cross-case analysis allowed for comparison and contrast between cases (Patton, 1990).

In case analysis, Perry (1998) suggests to report on a descriptive evaluation of each source of information and this could be considered as descriptive analysis. The analysis, however, for this study explores patterns of cultural similarity toward facilitating communication and learning, communication toward learning and the knowledge generation process, and the trust and commitment building process. Further, this facilitates the mechanisms and dynamics of formulated hypotheses in a quantitative framework toward comparing proposed links by seeking more specific information in a qualitative approach. The analytical approach presents the causal story and respondents' comments on the determinants (Luna-Reyes and Andersen, 2003). This also incorporates triangulation through integrating qualitative and

quantitative findings (Amaratunga and Baldry, 2001) and then fulfils some of the dimensions of research expectations.

As highlighted earlier, there is no single standard approach to analysing qualitative information; however, this study used cross case analysis. For ease of analysing field data via cross-case analysis (Patton, 1990), data was coded into categories to facilitate comparison among/between cases toward exploring properties of each category (Douglas, 2003). The coded transcript and its side margin were used to write/note major themes of interview. The integration of categories and their properties with respect to different constructs were grouped together enabling comparison, discussion and interpretation of the phenomena (Patton, 1990; Seale, 1999). The five major categories/types of respondents were coded (as shown in Table 7.1, IS<sub>1</sub> to IS<sub>5</sub>) based on the import character of importing firms and the code numbers are used in the description and interpretation of the qualitative data analysis section. For case identification in the analysis process, cases are coded as C1 to C12. These two code numbers have been used to facilitate cross-case and cross-category analysis. The profile of the cases and their categories are discussed in the section to follow.

## **7.4 Qualitative Depth Interview Profile**

As emphasised in section 7.1, based on the criteria of selecting knowledgeable key informants for in-depth interview, rigorous attempts were made to select respondents in each category. As a result, twelve importing firms (six from each city) were identified from industrial and commercial importing categories. More specifically, out of twelve respondents, at least two from each category code were ensured. A key decision-maker in each firm was deemed eligible and agreed to participate in the in-depth interviews. Among those, eleven interviews were recorded. One respondent was reluctant for the interview to be recorded and that preference was noted and written into the protocol sheet. Each of the in-depth interviews took around 45 minutes. Using the Australian Bureau of Statistics (e.g., Office of Small Business, 1999) business classification code, the interviewed firms were classified as one micro, two small, four medium and five large firms. The firm and respondent profiles of key respondents are summarised in Table 7.2.



**Table 7.2**  
**Interviewed Cases, Firm Sizes, Major Supplier Relationships, and Holding Job Positions of the Key Informants**

<b>Firms</b>	<b>Firm Sizes</b>	<b>Major Supplier Relationship</b>	<b>Holding Job Position of the Key Informants</b>
Case 1 (C1)	Small	14 years	MD
Case 2 (C2)	Medium	7 years	MD
Case 3 (C3)	Micro	10 years	CEO
Case 4 (C4)	Large	30 years	Chairman
Case 5 (C5)	Large	7 years	MD
Case 6 (C6)	Medium	5 years	MD
Case 7 (C7)	Small	15 years	GM
Case 8 (C8)	Large	16 years	Manager
Case 9 (C9)	Large	15 years	Corp. Consultant
Case 10 (C10)	Medium	12 years	Com. Manager
Case 11 (C11)	Medium	10 years	Manager
Case 12 (C12)	Large	11 years	MD

In order to ensure the richness of qualitative data, the table 7.2 also reports the duration of importer-supplier relationship, firms' sizes, and job position of key informants. For clarity of classification, cases are categorised according to their category classification code in Table 7.3.

**Table 7.3**  
**Categorisation of Cases**

<b>Category Code</b>	<b>Category Description</b>	<b>Case Identification Code</b>
IS <sub>1</sub>	Only commercial importer	C1, C2, C3
IS <sub>2</sub>	Only industrial importer	C4, C5
IS <sub>3</sub>	Commercial and industrial importer	C6, C7
IS <sub>4</sub>	Importer cum manufacturer	C8, C9
IS <sub>5</sub>	Importer cum exporter	C10, C11, C12

Each case is briefly discussed in the following section to provide an overview of background information, affiliation, capabilities and the firm's involvement in importing.

## 7.5 Brief Case Background and Discussion

As summarised in Table 7.3, the interviewed Cases 1, 2 and 3 (C1, C2, C3 respectively) are affiliated with the Code IS<sub>1</sub> where these firms are involved only in commercial importing and distributing of their products within Bangladesh. However, there are some deviations among these cases in terms of their importing character and nature of importing items. Case 1 is engaged with importing technical products from a culturally dissimilar market and has maintained a major supplier relationship for about fourteen years. Case 2 has been importing from both culturally similar and dissimilar markets and distributing their products within Bangladesh. Similar to the previous case, C2 has also been engaged with importing technical products from their major supplier for about seven years from a culturally similar market. Case 3 imports products that are not culturally sensitive and are imported from a culturally dissimilar market. While this firm is involved with importing commercial consumer goods, the product is seasonal and is consumed in high volumes. This firm has also been involved in a relationship with its major supplier for ten years.

Cases 4 and 5 belong to Code IS<sub>2</sub> where firms are involved only in industrial importing and distributing industrial goods in local market. Case 4 is much more experienced in importing and has maintained a relationship with the major supplier from a culturally similar market for about 30 years. This importer was awarded Businessman of the Year in 2004. Case 5 has been importing from a culturally dissimilar market and has maintained its relationship with the major supplier for about seven years. The key respondent was in charge of a unit in a big firm with 22 business lines. The respondent graduated in business studies abroad and has been in the family business for years. This interview revealed evidence to confute theoretical expectations in terms of influence of trust on commitment.

The in-depth interview findings from Cases 6 and 7 (which belong to Code IS<sub>3</sub> defined as commercial and industrial importers) validate theoretical arguments and show some additional insights into the trust and commitment building process. The interviewed firm in Case 6 has been involved with importing both commercial and industrial products from both similar and cross-cultural markets and it has maintained a relationship with a major supplier from a culturally similar market for about five

years. However, Case 7 has been importing from a culturally dissimilar market and distributing those goods within Bangladesh. It has been maintaining a relationship with the major supplier for about 15 years. The key informant was the general manager of this firm who has been working in the firm since its inception and was acting managing director at the time of interview. The firm has many suppliers from around the world from similar and dissimilar cultures but the major supplier is from a dissimilar culture.

The interviewed Cases 8 and 9 belong to Code IS<sub>4</sub> and are involved with importing materials for manufacturing goods for the local consumer market. The major supplier of Case 8 is from a culturally similar market with about 16 years relationship. Though the firm has maintained a long-term relationship with the supplier, it also turns to another supply source in other seasons to ensure better quality on the basis of mutual understanding.<sup>10</sup> The key informant of Case 9 was a university professor working with this firm as corporate consultant over the years. The firm has maintained a major supplier relationship for about fifteen years with a supplier from a culturally dissimilar market. While it is importing from a culturally dissimilar market and the importing item is culturally sensitive, the firm has a very close reading and observation of those issues. Such an industrial importer considers local cultural sensitivity very closely in the context of importing and distributing its manufactured goods, but cultural dissimilarity with the supplier has no consequence on their relationship.

Cases 10, 11 and 12 (which belong to code IS<sub>5</sub>) are involved with importing raw materials and accessories and making complete products for exporting. Case 10 has been maintaining a relationship with the major supplier for about twelve years. C10 is importing the goods and supplies from a culturally similar market which forms part of 100% exportable products. Therefore, C10 is not concerned with any impact of culture that might be considered in the proposed theoretical model. Findings of this interview are contradictory as well as inconsistent with other findings in terms of cultural issues. Case 11 imports from a dissimilar cultural market and has been maintaining a relationship with the major supplier for about ten years. Findings

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<sup>10</sup> The major supplier of the firm is from India and supplies high quality creamy milk during the winter season but the firm is looking at other better supply sources for the other seasons as well because the Indian supplier can not maintain regular quality supply in other seasons.

pertinent to the issues of cultural similarity, communication and learning seem quite similar to Case 10. Case 12 is also similar to the previous case in terms of its nature and involvement in international business. The relationship with the major supplier is about eleven years old and this supplier comes from a culturally similar market. Findings of this interview mostly conform to the theoretical arguments except for some variation on the impact of trust on commitment. At first, this firm selected a culturally similar market (India) to learn and to gather knowledge about the product, quality, price, technical aspects of production and delivery, and now it is doing business with foreign importers and suppliers around the world.

The above brief background for each interviewed case indicates some variations in the sample representations in the study. The cross-case analysis for each construct of the conceptual model strives to integrate the findings of the in-depth interviews in the following section.

## **7.6 Findings of Qualitative In-Depth Interviews**

This section integrates the findings and cross-case views of the interviewed cases based on quotations of key informants on the points they stressed and affirmed. The integrated cross-case analysis for each construct in the conceptual model provides a strong basis for understanding the key issues involved. Although the main focus of this qualitative study is to explore the trust and commitment building process, this process has been developed by some interrelated factors. Therefore, influential factors and their magnitude of influences are discussed first in the following sub-sections based on cross case analysis with the aid of developed matrices before concluding on the trust and commitment relationship.

### **7.6.1 Cultural Similarity**

Cultural similarity was identified as being a significant driver of communication and of the learning and knowledge building process in enhancing trust and commitment in the importer-supplier relationship. Moreover, some of the respondents (for example C2 and C8) emphasised that business culture and socio culture are different. Business cultures in international business in terms of contract, agreement, business custom, and bargaining are almost similar across cultures but social cultures in terms of food

habits, negotiation style, religion, ethics, customs, living style, body language, entertainment and family and business tradition vary greatly, and these differences are significant factors in the importer- supplier relationship. As C8 expressed:

*Yes, I do agree. As I understand, socio-culture has a significant support in our import supply from a similar market because similar pattern of consumption, custom, buying habits help to use same advertisement and other marketing promotion in general, so that cultural similarity with our major supplier helps to build a booming market.*

This background statement of socio-cultural issues explores some important aspects in terms of effect of cultural similarity on overall import and local market development. The interviewed cases, however, revealed a complex situation where some of the findings validated the theoretical projections and some of them challenged the impact of cultural similarity on communication and learning.

**Cultural Similarity and Communication:** The matrix in Figure 7.2 illustrates the level of effects of cultural similarity on communication. More specifically, while box-1 indicates the numbers of cases where respondents perceived the direct effect of cultural similarity on communication, cases in box-3 indicate no direct effect of cultural similarity but there are some reverse effects: for example, frequent communication may provide some impetus towards overcoming the cultural barriers and gaps. Cases in box-4 indicate culture has no impact on communication.

**Figure 7.2: Cultural Similarity – Communication Matrix**

Cultural Similarity	Communication	
	1. Direct positive effect C2, C4, C6, C8, C9, C12	2. Moderate effect
	3. Reverse effect C1, C5, C7	4. No effect C3, C10, C11

Source: Developed for this study

As theorised in Chapter 3 (section 3.2), cultural similarity between the importer and supplier reduces the level of uncertainty and makes it easier for firms to communicate freely and learn from each other quickly (Kogut and Singh, 1988). As presented in the

above matrix, the six cases in box-1 appear to validate the theoretical expectation (Swift, 1999; Williamson, 1985).

In particular, looking at the effect of cultural similarity on communication in box-1 (Figure 7.2), it was revealed that a culturally similar market enforces and facilitates the exchange of information. Information can be conveyed explicitly through close interpersonal communication methods such as either direct or indirect conversation through a personal visit or over the telephone. Focusing on these, C12, for example, highly stressed that:

*Doing business with a supplier from culturally similar market seems transaction within domestic market because there is no variation in exchanging views and communicating easily using common oral and body language.*

Supporting this, the statement from C8 explicitly emphasised that:

*Yes, culture and communication are interlinked because it is easy to communicate through using similar language and we can understand their language Hindi also. So that understanding and interpreting situation and resolving any issue is a big support from cultural context.*

This statement highlighted a very close proximal market (for example, an Indian supply market) where the importer can understand the supplier's language (Hindi) and this common communication media helps to maximise business benefit through mutual understanding. These illustrations seem congruous with Swift's (1999) argument of cultural closeness and affinity as a contributory factor of common language facilitating proximal communication.

Furthermore, the views in terms of the positive effect of cultural similarity on communication should also be noted here. It was found that some of the importers are importing culturally non-sensitive industrial items from culturally similar markets but they found that cultural similarity is a facilitating tool in the import supply relationship even where the product is not required to be adopted culturally. As C2 is importing culturally non-sensitive product from a similar culture, it was perceived that:

*In culturally similar market similar communication medium plays a significant role which helps to visualise as domestic market. We both*

*understand each other clearly, we can talk and express things without any hesitation, we can exchange gifts between each other as our cultural tradition in different occasions.*

However, in terms of importing a culturally sensitive item from a different culture, the importing firm comprehended that culture has a significant impact on communication, and that cultural differences are adjustable as this is desired for long-term business success. On highlighting these aspects, C9 noted:

*Say for example; it is practical that we are involved in a relationship with a major supplier that is from a dissimilar culture. In that case we had to know each other's culture and other aspect of cultural dealings related to communication. At one stage, we had to adjust and remove all cultural barriers that have taken long time to learn and know the culture----- we realised that it could have been better and helpful if our major supplier were from culturally similar market.*

This means cultural similarity is a significant factor facilitating easy communication in the importer-supplier relationship.

On the other hand, continuous communication may help remove cultural barriers but it takes time for inexperienced firms. Accordingly, three cases in box-3 focused on the reverse effects of communication on cultural similarity which can be interpreted to support the theoretical grounding in other ways. In these cases it was perceived that more frequent communication helped to reduce and overcome cultural obstructions between importer and supplier. While Case 5 and 7 mildly disagreed about any impact of cultural similarity on communication and argued that cultural issues did not affect their communication - rather, frequent contact and communication helped to diminish cultural differences - Case 1 perceived that communication was a tool that certainly assisted in dealing with cultural matters in a different culture as well. Focusing on these assertions, C5 for example expressed the view that:

*To reduce ambiguity and uncertainty and to ease or overcome communication barrier in a different culture toward ensuring the business benefit we're using bilingual person who is taking all responsibilities and negotiating the problems when arise. In whatever way, these would have not been matters if the supplier was from similar culture or could use a common language.*

Similarly, C7 stated that:

*We feel culture might be a support to ease communication in using similar language to express the actual view in mind. For example, our major supplier is from different culture, China, so we had to overcome the cultural matters through communication. Now our major supplier is using bilingual employees to resolve the communication barriers.*

The use of a bilingual staff member means using a proficient communicator who plays a role to minimise language barriers. These quotes in fact support the argument that language and cultural differences affect communication which in turn indicates that cultural similarity facilitates communication because communication is affected in a dissimilar cultural context.

Further, as C1 experienced the effect of communication on cultural practices in a different culture to a significant degree, the high degree of communication enabled the firm to understand the different culture and to reduce the cultural gap. On these points, the key respondent in C1 elaborated that:

*I was trying hard to match and adjust with my supplier and he also tried hard to overcome cultural barriers through communication and visit and revisit because our social culture is different. For example; we tried to know each others' food habits, family traditions, business traditions, life style. Finally we adjusted relevant cultural issues at least in our personal level because that helps to learn about each other and helps to maximise business benefit as well as work together.*

This is an indication that direct face-to-face and indirect frequent communication over the telephone between importer and supplier assists in reducing socio-cultural obstructions and dissimilarities in the relationship. The communication during visits also significantly helps to observe the cultural practices in the supplier firm, supplier's personal life and overall supply market. This not only helps firms to know each other but also helps them adapt to cultural issues to maintain a successful business relationship. This is also an example of acculturation between parties from different cultures.

In contrast, the three cases in box-4 stated that cultural similarity neither has any effect on communication nor is it a factor in the importer-supplier relationship. However, cases in box 4 focused on the nature of importing products which may have cultural sensitivity or proximity in terms of their use or consumption, this study only



emphasised the perceived impact of cultural similarity on communication in terms of the importer-supplier relationship. It is important to note that two (C10 and C11) of the three cases in box 4 import raw materials for manufacturing garments and export all products as finished goods, so that these products have no thrust in the local market and the firms are not required to consider the cultural context. While the other firm (C3) is engaged in commercial importing from a different culture, the key informant of this firm perceived no cultural similarity impact on communication. For example, a statement supporting the null effect of cultural similarity on communication can be illustrated by C3 as follows:

*----- specifically social cultural similarity in terms of habit, custom, food and living style, ethics have no impact on communication as well as importer supplier relationship – as I understand in my import context.*

Supporting this, C10 stated that:

*----- we also think that culture is not a factor in communication or learning relationship while we are importing from a culturally similar market and exporting all of those to culturally dissimilar markets.*

These quotations indicate that the firms are competent enough to communicate matters proximally with both importers and exporters from culturally similar and dissimilar countries around the world. They import and export simultaneously, and maintain their relationships from both perspectives. This clearly hints that cultural similarity as a proximal factor of communication is neither generally considered nor always conceded by all importers.

Further, as discussed above, in terms of the effect of cultural similarity on communication, it is revealed that 50% of the key informants of the importing firms perceived that cultural similarity as a factor has a significant impact on their communication. It seems a more culturally similar market means better communication that helps the importer-supplier relationship building process. This result lends support to the result of the competing model (Appendix-8) where it was revealed that cultural similarity significantly influences importer communication with the supplier (estimated standardised  $\beta$  value .49, t-value 5.07 with  $p \leq .001$ ). However, 25% of cases acknowledged that cultural differences can be reduced by more frequent and efficient communication. These cases in fact recognise that the communication barriers in dealing with suppliers in dissimilar cultures can be overcome through the

use of bilingual employees and through face-to-face contact and frequent communication. The remaining 25% of the key respondents indicated that cultural similarity in the import supply relationship has no effect on communication.

**Cultural Similarity and Learning, Knowledge and Experience:** The case classification matrix in Figure 7.3 illustrates the effects of cultural similarity on learning and knowledge generating process. Similar to the previous matrix, boxes-1, 2, 3 and 4 specify the respective cases' level of perception on the effect of cultural similarity on learning, knowledge and experience. The theoretical argument suggests that firms initially target culturally similar markets which facilitates learning processes to gain knowledge and experience in not only outward operations of the firm (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977) but also for inward operations in their importer-supplier relationship (Karlsen *et al.*, 2003). In practice, the key informants were divided into three groups where some of them agreed and validated the theoretical expostulation explicitly, others perceived the effects as moderate, and some of them did not realise any such impact.

**Figure 7.3: Cultural Similarity – Learning, Knowledge and Experience Matrix**

Cultural Similarity	Learning, Knowledge and Experience	
	1. Direct C2, C4, C6, C12	2. Moderate C1, C5, C7, C9
	3. Reverse	4. No effect C3, C8, C10, C11

Source: Developed for this study

As revealed and illustrated in Figure 7.3 (box-1), four cases (C2, C4, C6 and C12) representing different categories of importers (Code IS<sub>1</sub>, IS<sub>2</sub>, IS<sub>3</sub> and IS<sub>5</sub>) perceived direct implications of cultural similarity on the learning, knowledge and experience gathering process.<sup>11</sup> In particular, C12 supported the theoretical arguments on the

<sup>11</sup> It should be noted that while learning, knowledge and experience were used in the proposed conceptual model separately and also in the protocol, respondents were reluctant to differentiate these terms and focused on a very close single term non-discriminately. Therefore, learning and knowledge and experience are explained and discussed as one converged construct of analysis in this thesis.

effect of cultural similarity on the learning and knowledge building process. The key informant of this case stated that:

*When I started my business, first I selected an Indian firm as a potential supplier because the market is culturally similar and we knew their cultural and business practices that helped a lot to gather ideas and knowledge about product, quality judgment, manufacturing process, packaging, shipment procedure etc.*

He added:

*My supplier showed me and taught me everything in his factory and since that time I am his buyer and exporting their goods all over the world just as finished/complete goods.*

This interview revealed that doing business with a culturally similar market assists in understanding the supplier's unexpressed expectations and preferences like official decorum, courtesy, and greetings through regular visits. Common language-based communication also makes contact, discussion, explanation and interpretation of all business issues easier. The above illustrations also clearly hint that learning, knowledge and experience gathering is based on intention and tacit knowledge is experiential which is generated through learning by doing, by direct and indirect interactions and observation as well as practices proximally from culturally similar markets. These lend support to the theoretical arguments of the learning and knowledge building process in the importer-supplier relationship (Boyce, 2001; Spender, 1992).

Similarly, the informant in Case 2 presented the argument that:

*As mentioned earlier, yes, cultural similarity definitely facilitates to know and understand each other easily. It is possible to explain any matter easily proximally. I can understand my supplier's behaviour and he can understand not only my behaviour as an importer but also can guess of our local market.*

The informant further stressed that:

*I can understand my supplier's body language, eye contact, attitudes and his production, source, raw materials, management system also, as a result it helps a lot in our relationship.*

C4 stated that:

*Similar culture has an additional facility to use similar language to communicate well freely, everything can be learnt quickly without any further need for interpretation. We can guess supply market as local market environment. However, specifically learning depends on intention what you want to learn.*

This clearly suggests that cultural similarity plays a facilitating role to the learning and building knowledge and gathering experience, proximally, and allows the firms to move freely toward gaining reciprocal business benefits.

Furthermore, as shown in box-2 of Figure 7.3, four cases (C1, C5, C7 and C9) from four different categories of importers (Code IS<sub>1</sub>, IS<sub>2</sub>, IS<sub>3</sub> and IS<sub>4</sub>) spoke of the moderate impacts of cultural similarity on the knowledge and experience gathering process. This means that these importers perceived that cultural similarity has no direct influence on the learning and knowledge building process in the importer-supplier relationship but this may be a supportive stimulus in this process to assess and strengthen the relationship. For example; C5 expressed that:

*----- cultural issues can not be ignored because this can play a facilitating role in communication and might be helpful for knowledge building.*

This is an indication that cultural similarity facilitates communication which assists parties to learn and build knowledge in the importer-supplier relationship. Identically, C7 highlighted that cultural similarity might be a support in easing the learning and knowledge building process in the import supply relationship although their major supplier is from a different culture. The key informant of this case expressed that:

*Cultural similarity in importer supplier relationship might be a helping tool to learn and gather knowledge about supply market and suppliers cultural issues easily because almost all cultural aspects are identical in a similar market. But using different language (English in our major supplier relationship) we had to learn their practices, negotiation style, supply capacity, products. However, through visit we have gathered their business habits, customs, food habits which helped us to know our major supplier's socio and business cultural issues.*

This means that in terms of cultural similarity it would be easier for a firm to learn and gather the knowledge from a similar culture but doing business with a different

culture is also possible through learning and gathering knowledge about that culture. These cases conceded that cultural similarity between importer and supplier may be instrumental to learning and gathering experience but cultural obstructions can be overcome through a continuing relationship.

On the other hand, the four cases in box-4 of Figure 7.3 (C3, C8, C10, C11) from three different categories (IS<sub>1</sub>, IS<sub>4</sub> and IS<sub>5</sub>) hold a decisive view regarding no effect of cultural similarity on learning, gathering knowledge and experience in an importer-supplier relationship. This nullification is defended by mode of business involvement where importing firms are not considering any cultural proximity or adaptability towards facilitating their learning and knowledge gathering. For example, C3 has been importing solely from a dissimilar culture and gathered practical business knowledge initially from other professional business organisations as an employee, C8 is involved with multi-modal business and employs qualified experienced professionals in each and every division of the company, and C10 and C11 are involved in 100% back-to-back import and export involving qualified professionals also. C3 distinctly stressed a position which disapproves the theoretical approach. He said:

*In my case, I am well aware of business management, cultural issues and characteristics, so that I am not facing any problem with that; and culture is not a tool for me to learn and knowledge building in this process at all in my business involvement.*

Analogously, C10 stated that:

*--- we also think that culture is not a factor in communication or learning relationship while we are importing from a culturally similar market and exporting all of those to the cross cultural markets.*

These statements clearly hint that cultural similarity is neither a factor nor thought-through by such importers as an assisting tool for building knowledge and gathering experiences in the present import supply context.

Finally it is revealed that, overall, 33.33% of the key informants emphasised cultural similarity as a helping tool and 33.33% saw it as a moderate tool in the learning and knowledge building process through easy interactions in similar culture and business practices. In the culturally similar environment, the importer and supplier can interpret terms and conditions proximally without any hesitation and learn about each

other personally and institutionally. This learning and knowledge building is an impetus to extending and doing business in cross-cultural markets as well (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). This result imparts support for the result of the modified competing model (Appendix - 8) where it was revealed that cultural similarity between importer and supplier is a significant predictor of importer knowledge and experience (estimated standardised  $\beta$  value .19, t-value 2.23 with  $p \leq .05$ ). Nevertheless, 33.33% of the key informants abrogated the theoretical arguments in this respect. As these firms are involved with supply from both culturally similar and dissimilar markets, they have highly trained qualified business professionals and their imported products have no impact in the local consumer market. Therefore, this further indicates that while the theoretical assertions are fully or partially validated by the majority of the cases, the null effects are also driven by the nature of products (which was not the focus of this study) and knowledge competency of some of the very experienced importers. The alter category of importers might have learned from their experience of dealing with other cross-cultural interactions toward further wider involvement of inward and outward activities (Karlsen *et al.*, 2003). Therefore, this suggests that the Bangladeshi importers are not only seeking a proximal market but are also importing from a dissimilar culture which has strong international business knowledge and operates with experienced business professionals.

**Cultural Similarity and Trust:** It is important to note that while the proposed conceptual model did not predict a direct effect of cultural similarity on trust, the in-depth interview revealed an additional insight into this effect. The matrix in Figure 7.4 illustrates the level of effects of cultural similarity on trust as expressed by the key respondents.

**Figure 7.4: Cultural Similarity – Trust Matrix**

Cultural Similarity	Trust	
	1. Direct positive effect C4, C6	2. Moderate
	3. Reverse	4. No effect

Source: Developed for this study

By the way of discussing how cultural similarity plays a role in building trust and commitment, respondents of Case 4 and Case 6 emphasised the direct implication of cultural similarity on trust in the importer-supplier relationship. For example, C4 was very open in describing the issue briefly, as follows:

*In doing business in culturally similar market there is no question about money because we trust them and they trust us for our long relationship – just place the order – production starts, but doing business in different culture – first confirm their payment – then production will be started – this is my experience.*

Accordingly, C6 elaborated that:

*----- similar business culture also helps to do business with trust because all business customs are clear to each other.*

These statements supported Conway and Swift's (2000) assessment of cultural closeness or affinity as the determinant of trust depending on the cultural values and attitudes. The indirect impact, however, conceded by some of the key informants, is that cultural similarity assists in both communication and learning and knowledge building toward enforcing trust. The above analyses and interpretation affirmed that cultural similarity has both a direct and indirect effect on trust.

### **7.6.2 Communication**

Communication was conceptualised as being a significant influential factor in the learning and knowledge building process which generates trust towards building commitment in the importer-supplier relationship. More significantly, while importing firms are utilizing a variety of media of communications (for example, direct visit as face-to-face contact, phone, fax, mail, and e-mail/internet) to communicate information with their major supplier, the specific use of media depends on the nature of the message being transmitted (Larson and Kulchitsky, 2000). Documentary statements, payment terms, shipment schedules, settling prices, product lists and offers are transmitted through written documents either using e-mail or fax. In terms of effectiveness of communication, some of the cases stressed face-to-face communication because it allows for a variety of cues including immediate feedback, body language, facial expression and personal focus (Cannon and Homburg, 2001). Moreover, some of the cases reported the use of mobile phone Short Message Service

(SMS) text message whereby the mobile phone functioned as a kind of '24 hour a day' office.

In terms of communication content, importers highlight the business changes, benefits, terms and conditions, and negotiations as regular matters for communication. However, more specifically, almost all importing firms stressed delivery options, price, quality, quantity, timely shipment, payment terms and conditions as matters raised in their regular frequent communication. In addition, if any problem arises they use the telephone and mobile phone to talk or send an SMS text message, or they organise a visit to resolve the issue. For example, on being asked, C6 agrees that:

*More specifically, we have been emphasizing on timely shipment and payment terms in our regular frequent communication and if any problem arises we talk to the supplier through telephone or we visit their place promptly to resolve the issue.*

Further, C3 specified that:

*We are communicating lots of information through email, for example; price, possibilities, changes, product availability, projection of harvesting, projection of production, delivering order, shipment schedules. But for immediate action we use SMS as 24 hours mobile office – this is a significant tool in updating news around the business world.*

Most importantly, it is also revealed and noted that most of the key informants stressed timely shipment as part of their regular communication content with their major supplier. Beyond this, the other relevant aspects of communication may be specified by initial contact or by the banks as corporate authority in this process. However, these may vary from product to product or from contract to contract. It is also revealed that most of the importing firms use the internet frequently; however, when resolving any urgent issue, they use the telephone and fax, and SMS as a mobile office for immediate action.

All interviewed firms use internet/e-mail frequently on a regular basis. Direct communication helps firms to solve complex issues and problems in an effort to maintain continuity in the business relationship. More importantly, the interviews revealed some additional insights along with validating the theoretical underpinnings



in the context of the impact of communication on the learning and knowledge building process.

Stressing the importance of communication, it was clearly revealed that communication is one of the most important factors in maintaining the relationship. Inefficient communication can be a problem, and communication competency can resolve any problem in the relationship. In this regard, for example, C1 highlighted that:

*Look, communication is the root of all success in business, especially in international business. Communication is the heart of any business. In either way, learning, knowledge building, gathering experience, trust building or commitment building all are incited by communication.*

Similarly C2 emphasised and said,

*Communication is our business heart, without this business can not be possible to run. Every day we're contacting and discussing the current issues, pricing, road map, quality, next product, supply chain, future business and also on going trend in international market.*

C11 also stated that:

*The business world is becoming smaller through communication. Internet also helps to know the market, supply sources, product, buyer and seller, price, production, demand and supply everything.*

These illustrations and statements clearly connote the significance of communication in international business as well as the importer-supplier relationship.

**Communication and Learning, Knowledge and Experience:** The developed matrix in Figure 7.5 explores the nature of effects of communication on the learning and knowledge building process in the importer-supplier relationship. More precisely, it is found in Figure 7.5 that all cases in box-1 (Matrix 7.2) validate and lend support to the theoretical argument in terms of the effect of communication on the learning and knowledge building process. However, there is no perceptual evidence of possible other direction, interactions or effects in any of the boxes in the matrix.

**Figure 7.5: Communication - Learning, Knowledge and Experience Matrix**

Communication	Learning, Knowledge and Experience	
	1. Direct C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12	2. Moderate
	3. Reverse	4. No effect

Source: Developed for this study

Towards exploring the effects, for example, the respondent of C2 briefly stated that:

*Yes, I do agree, communication is the main tool in general to learn and gather knowledge of international business through broadly either written communication or verbal communication.*

More apparently C3 stated that:

*Yes, we reciprocate our knowledge through communication and we learn a lot of things about our business, product, market and also overall business management of the world.*

Further, C7 expressed that:

*Yea, I do believe that communication is one of the main factors in international business e.g. import and export business that helps to know the supplier, his capability, sincerity. However, in broad aspect, internet and web pages are the significant communication media to learn and generate knowledge of international business.*

More specifically, he further expressed that:

*Our learning about our major supplier relationship is multidirectional through bilateral contact and communication.*

Added to these, C12 briefly highlighted that communication is a significant tool in international business which is linking all other perceptual and practical aspects. As the key informant of this case he recalled that:

*At the very beginning of my business involvement, through simultaneous written and telephone communication and direct visits to my major*

*supplier, I have gathered and enforced my knowledge bank and build confidence from beginning to current stage of my business.*

Again focusing on the learning and knowledge gathering process through communication from a cross-cultural market, C6 elaborated that:

*We never talk to our Chinese supplier through telephone, because we can't understand their English accent, but we're communicating with them through written communication and through direct visit to negotiate and resolve our business issues. This helps to know each other in terms of business capabilities, strengths, personality, possibility of business, business practices. They also visit us occasionally. This process enhances sharing views and ideas and also helps to learn and gather experience.*

This suggests that the knowledge gathering process is not a culturally proximal matter only - rather, it is a matter of communication and understanding and also depends on the interests of the transacting parties.

Sentiments of the other cases in terms of the impact of communication on knowledge and experience are also synonymous with the assertions discussed so far. This confirms that the communication process advances through interacting channels with different types of communication media towards facilitating knowledge in the relationship (Boyce, 2001; 2003). Supporting this argument, a statement from C9 may be highlighted:

*----- however, communication has a direct effect on learning, in each and every interaction of communication in any channel has something to learn. For example; when we talk about product and price, we are focusing and comparing other market situation, fluctuation, quality variations, and why these happen, so that these are the things that assist to learn and experience the business and relationship as well.*

Overall, the above discussion clearly indicates that communication has a significant impact on the knowledge gathering process which additionally furnishes support to the result of the competing model (Appendix - 8) as complementary (estimated standardised  $\beta$  value .21, t-value 2.66 and  $p \leq .01$ ). Furthermore, as some of the cases (for example C3 and C10) highlighted, the direct communication either through visits or using SMS provides the richest immediate feedback (Larson and Kulchitsky, 2000) where frequently used communication also helps to solve complex issues in the relationship (Mohr and Nevin, 1990). The immediate feedback also includes body

language, facial expression and personal focus which assist in the learning and knowledge gathering process and problem solving issues. This further specifies that while effectiveness of communication media may vary from firm to firm, all communication mechanisms enhance the knowledge and experience gathering process in the importer-supplier relationship. Therefore, the communication processes as well as frequency of communication and exchange facilitate the learning and cognitive aspects of the inter-firm relationship as well as the importer-supplier relationship in the present context.

**Communication and Trust:** The qualitative in-depth interviews extracted an additional insight in connection with the direct effect of communication on trust while it was overlooked in the proposed model. This impact is theoretically validated in the quantitative part of this thesis as well. Four cases (C4, C6, C7 and C9) from different categories of importers (as shown in box-1 of Figure 7.6 below) provided significant evidence of this impact.

**Figure 7.6: Communication – Trust Matrix**

Communication	Trust	
	1. Direct C4, C6, C7, C9	2. Moderate
	3. Reverse	4. No effect

Source: Developed for this study

While these cases are also in Figure 7.5, box-1 to reveal the effect of communication on learning, knowledge and experience, this regrouping of cases in Figure 7.6, box-1 denotes that communication has both direct and indirect implications in building the importer-supplier relationship. These cases then validate the conceptual assertion that the frequent and high quality relevant, timely and reliable communication facilitates learning and knowledge building toward generating trust (Boyce, 2001; 2003). Supporting the impact of communication on trust argument, for example, C6 stated that:

*More communication – more understanding – more trust. If they [supplier] reply in ten minutes to our SMS we feel satisfied and our trust increases.*

Emphasizing and supporting this reasoning, C7 considered that:

*Communication is the root of success in our import business. This helps to make a transaction initially which followed a series of transactions to build trust because this process includes confidence, trustworthiness, mannerism, truthfulness, sincerity and final shape is commitment.*

Further, reflecting on the oral communication effect on trust, C4 stated that:

*Other than any exceptional situation, our frequent oral communication includes business issues, price, delivery option, production, possibilities; and unbelievably it seems oral agreement that is final. This is why my major supplier trusts me and I trust him in all respects.*

This suggests that oral communication is playing a strong role in the learning and knowledge building process and further it strengthens their trust as well. This discussion suggests that communication in the importer-supplier relationship is not only a significant driver of the learning and knowledge building process but also an important consequential factor of trust building. No other cases expressed any strong conviction with regard to this argument but at the same time none suggested any disagreement to this. Either way, this finding is in line with the result of the modified proposed model (Chapter 6, Table 6.1) where communication is found to have a significant impact on trust ( $\beta$  value .24, t-value 3.29 and  $p \leq .001$ ) as well.

**Communication and Commitment:** In terms of communication as a driver of commitment, only two cases (C5 and C12) in Figure 7.7, box-1 appear to agree that communication has both direct and indirect effects on commitment while this direction was overlooked in the qualitative conceptual model.

**Figure 7.7: Communication – Commitment Matrix**

Communication	Commitment	
	5. Direct C5, C12	6. Moderate
	11. Reverse	12. No effect

Source: Developed for this study

To explore this direct impact, C5 for example stated that:

*Ok, as I understand, again communication, yes, it is the main tool for both facilitating learning and knowledge gathering in importer supplier relationship and also helps to build commitment.*

This means communication has both direct and indirect implications on commitment where trust is not mediating this process. Similarly, as stated by the respondent of C12:

*--- whatever you say in business relationship, communication is the main thing either in developing knowledge or developing commitment that is most significant and important in import supply relationship.*

These statements affirmed that communication has an additional impetus to not only enhance the knowledge gathering process but also assist in increasing commitment in the import supply relationship. Nevertheless, this finding is congruous with the modified proposed model's result (Table 6.1) where communication is found to have a significant influence on commitment ( $\beta$  value .15, t-value 2.39 and  $p \leq .05$ ).

In sum, more remarkably, it should be noted that the impact of communication on learning and knowledge building corroborated the theoretical contention and additionally connotes its impact on trust and commitment as well. This is only because of the different perceptions of the key informants in this process. However, as some of the cases were found to have recognised its direct effects on trust as well as on commitment, they perceived that trust or commitment may strengthen the relationship through the process to maximize long-term relative advantage in the relationship.

### **7.6.3 Learning, Knowledge and Experience**

The business history literature dwells on the learning and knowledge building process towards enhancing trust in transacting parties (Boyce, 2001) and further implies commitment in the importer-supplier relationship. Contemplating this assertion, the present study strived to explore how importing firms of a developing country are gaining their knowledge and to what extent this process helps to build trust as well as commitment. It is contended that knowledge and experience is a single close term and that each is an output of learning (Etemad and Lee, 2003). The key informants of

interviewed firms however perceived and interpreted these terms as one integral concept. Therefore, these synonymous interlinked terms are used in this thesis as a single converged factor towards simplifying the discussion and to delve into the unfolding knowledge development process and its impacts as perceived by the key informants.

Focusing on the learning and knowledge gathering process in the importer supplier relationship, C1 for example explained that:

*..... I have learned the detailed product knowledge such as quality, capacity, and handling procedure, technical attributes of the products from my supplier through direct and indirect contact and visiting his business place.*

Further C2 elaborated that:

*I got support from my supplier at the early stage of my business initiative who helped me to gather the product knowledge. .... he gave me all relevant ideas and taught me technical things of the products. He also came to see my business capabilities in our country. Through the way, I have learnt a lot from our relationship.*

Respondent of C9 focused,

*In our business dealing with supplier, we are talking, settling, and overcoming lots of unexpected matters like handling volatile market situation, price fluctuation, payment delay due to sudden strike through our intellectuality. This way we are learning and gathering knowledge from the relationship.*

It has emerged from the illustrations above that the learning and knowledge gathering process is enhanced by communicating directly with the supplier. It was also revealed that importers' learning and knowledge content includes product, quality specification, market demand, technical attributes of the product, handling procedure, competitive environment, bargaining and negotiation, and business terms and rules. It is clear that some learning and knowledge gathering techniques are generated from the long-term business interactions. For example, C10 explained that:

*In each and every transaction there may be something to know and new idea may generate for example; negotiation process helps to buy any quality on discount basis and problems solving efficiency is a technical matter in committed relationship that equalise the cost and benefit toward maximising long-term relationship.*

This indicates that learning and knowledge building is an interacting process towards building commitment in the importer/supplier relationship. Furthermore, it can be asserted from the in-depth interviews that experiential knowledge can be learned through personal experience while tacit knowledge is experiential which also develops through learning (Spender, 1992). Supporting this, for example, C6 specifies that:

*----- yes, as I understand, tacit knowledge is experiential based on both learning-by-doing and face-to-face direct interactions.*

The perceived interactions and effects of knowledge and experience on trust and commitment are discussed in the following subsections.

**Learning and Knowledge and Trust:** In box-1 of the matrix in Figure 7.8 it is shown that five cases (C1, C4, C6, C7 and C11) support the direct impact of importers' learning and knowledge on trust but there is no other possible dimension suggested in the interviews.

**Figure 7.8: Learning, Knowledge and Experience – Trust Matrix**

Learning, Knowledge and Experience	Trust	
	1. Direct C1, C4, C6, C7, C11	2. Moderate
	3. Reverse	4. No effect

Source: Developed for this study

As conceptualised, these five cases in box-1 from different types of import categories clearly indicated that learning and knowledge is a factor that enhances trust in the importer-supplier relationship. Corroborating the grounded theoretical coherency, it was the view of C1, for example, that:

*----- these learning and overall knowledge are the supportive streams and invisible matter that obviously help to build confidence and trust to the supplier but it takes long time.*



This clearly suggests that knowledge and experience as a multidimensional invisible asset helps in building confidence and generating trust as well. More clearly, C7 stated that:

*Learning and knowledge whatever you say, this is also a helping tool to build trust because knowledge as intellectual property enabled me to judge the supplier's honesty, sincerity, prompt action and his intelligence also.*

This means that knowledge is an intellectual property to assess the supplier trustworthiness in their importer-supplier relationship. Further, C11 expressed that:

*As I mentioned earlier, outside the academic knowledge, I have gathered my experience about ----- these are the impetus, means these knowledge assisted me to evaluate the suppliers product, response, transaction, trustworthiness, sincerity, and assessing their word of mouth and practices.*

This is an indication that knowledge is a significant factor for evaluating trust in the importer-supplier relationship. However, the aforementioned cases are expressed unanimously and lend support to the theoretical reasoning from a different context. This suggests that the learning and knowledge competencies of transacting parties are instilling their trust (Boyce, 2001) specifically instilling importer trust to an import supplier in the present context. This result is suggestive of the result of the competing model ( $\beta$  value .24, t-value 4.03 and  $p \leq .001$ ) where it was revealed that a higher degree of importer knowledge and experience leads to a highly significant influence on importer trust of the supplier.

**Learning and Knowledge and Commitment:** Similar to the previous matrix, in box-1 of Figure 7.9, six cases indicate that learning and knowledge has also a direct effect on importer commitment. One case (C5) (in box-2) suggests a moderate effect of importers' knowledge on commitment. This case (C5) indicated that knowledge sometimes may be a factor in assessing commitment in the importer-supplier relationship which implies a supportive indication on the proposed influence. This focus on direct influences of learning and knowledge on importer commitment lends support to the theoretical argument.

**Figure 7.9: Learning, Knowledge and Experience – Commitment Matrix**

Learning, Knowledge and Experience	Commitment	
	1. Direct C2, C3, C8, C9, C10, C12	2. Moderate C5
	3. Reverse	4. No effect

Source: Developed for this study

For example, C2 said that:

*----- this process helps to build commitment and ultimately trust to continue the business relationship.*

Further, focusing on the knowledge acquisition process and its outcome, C3 explained that:

*I can give you a clear example in this connection. My major supplier precisely updates me with all relevant product and market information and ideas including harvesting and competitive price ----- . I have gathered and still gathering all relevant knowledge from him, really I am committed to him and I find him a very cooperative, credible and committed supplier also.*

The interviews clearly indicated that learning and experiencing practical business is multidirectional in the importer-supplier relationship, which ultimately increases both parties' commitment to each other.

Further, with regard to knowledge as an invisible asset and its long-term effect, C9 explained that:

*If you have intellectual capability and a very good relationship with your major supplier that is enough for maximising wealth because knowledge is your invisible assets or property whatever that helps to be a committed businessman and also helps to make committed supplier which can also establish a high level of trust.*

This means that knowledge as an intellectual property in the importer-supplier relationship enhances transacting parties' mutual commitment and further commitment might be a stimulus for establishing trust. Similarly, C10 stated that:

*Yes, it is one of the hypothetical relative aspects in importer supplier relationship, but might be an impulsion to be committed or not, however I think our assessment and current knowledge helps us to be committed to our major supplier. On the other hand, as you indicate, trust in the relationship is a behavioural aspect may be assessed differently on the basis of transaction.*

This statement clearly suggests that an importer's knowledge enables the firm to evaluate the supplier and to be a committed importer as well. Validating the above argument with a slightly varying assessment of the ultimate effect, C12 stated that:

*Knowledge and learning has no scale to measure, but as a business professional I think there should have some basic ideas what I have gathered from many different sources to start and continue import and export business. On the other way, as you indicate, yes, knowledge can help to assess both parties' commitment and also supplier's trust.*

This suggests that knowledge has dual power to influence and assess importer-exporter commitment and evaluate supplier's trust in the importer-supplier relationship. This is a supplementary finding of this analysis in terms of the impact of knowledge on trust and commitment. This is because of different perceptions of the key informants in the proposed links and processes. However, this finding (Figure 7.9) in terms of the impact of knowledge and experience on importer commitment is integral to the result of quantitative analysis of the competing model (Appendix-8).

Apart from the illustration and brief discussions, it is revealed that most of the key informants specified the learning and knowledge content along with trust aspects and further commitment as a long-term relationship. It can also be inferred that knowledge competency of the importer might be a stimulus to assess importer commitment primarily and further their supplier trust in the relationship.

#### **7.6.4 Trust and Commitment**

In the process of explaining and fostering trust and commitment, the two most important behavioural aspects in international business, the in-depth interviews disclosed some practical perceptual relevant information that is important to note as part of the supportive stream of this analysis. For example, the key informants elaborated how the major supplier relationship is developed and maintained, the clear idea of trust and commitment in practice, how trust and commitment are developed

and finally how they sequentially affect each other. Accordingly, towards exploring and articulating these aspects in the importer-supplier relationship, some representative sample illustrations are used in the following sections.

**Developing Relationship:** In the relationship development process, a lot of effort along with a long history of continuation was considered to be important. For example, C2 described:

*We have turned our trading initially from very small to currently with a large volume, we followed them day after day, not only a single transaction but also side by side their vision, mission, capacity, goal, long-term intension in the business and more specifically we have been impressed with their quality, capacity, price which are very compatible in our local market. Once we realised that they also watched and assessed us and our local market, our capabilities, efforts to continue the relationship and gradually relationship has been developed over the time.*

Supporting this process of developing relationship, C5 further added that:

*The importer and supplier relationship is a long-term matter that depends on commitment and trust specifically first you have to develop your level of commitment then trust will be established and as a result of this business will run through over the period – just on your word.*

Similarly, C3 illustrated that:

*Our relationship with major supplier is very good because it has been developed on the basis of our regular long-term business dealings, now we know each other, we know about ability, feasibility, capacity, stability that's why relationship develops such a way and this is very well. This is on the basis of integrity, on the basis of continuation and this is also a reciprocal issue from both sides. I mean this is commitment that is law or you can say word of law in business.*

These comments suggest that relationship development between importer and major supplier is a matter of long-term continuous but gradual efforts. This process further develops commitment and trust as relationship output and ties up the importer and supplier in a strong successful enduring relationship. For example, C1 stated that:

*Our present relationship is family relationship because we're very occasionally attending the family programs e.g. kids birthday or any other family function and not only that we're very often to exchange the gifts and presents in our festivals. These ultimately tied us in a body which is more than commitment.*

This hints that a long-term committed relationship may enhance their long-term business success.

Turning to maintaining the relationship, it is considered that once a relationship is developed with the major supplier, a continuous effort is also needed to maintain it. For example, C7 commented that:

*Our relationship is tested because once we faced a severe problem due to misunderstanding from both sides and we minimised that in cutting price and sharing loses from both sides, this is an incitement as well as approval for maintaining long-term relationship.*

This means the importer and supplier both have proved their tendencies to sacrifice to maintain relationships for long-term business success.

In the context of ultimate dependent factors in the proposed framework, respondents are divided. The perceptual opinion apparently explored interacting as well as reverse effects of trust on commitment in the importer-supplier relationship. Therefore, based on the arguments and illustrations of the key informants, the interactions and effects of trust on commitment and, conversely, the effects of commitment on trust are discussed in the section to follow.

**Trust as a Driver of Commitment:** As shown in Figure 7.10 (box-1), it emerges that five cases (C1, C4, C6, C7, and C11) from different categories of importing firms asserted and affirmed trust as a factor in stimulating and developing commitment.

**Figure 7.10: Trust - Commitment Matrix**

Trust	Commitment	
	1. Direct C1, C4, C6, C7, and C11	2. Moderate
	3. Reverse C2, C3, C5, C8, C9, C10, and C12	4. No effect

Source: Developed for this study

In this process, however, more categorically, the respondent of C1 claimed that these two factors are inter-dependent. Further, in the final stage of long discussion with the

key informants, it emerged that trust develops over time, and commitment is the outcome of trust which helps both the importer and supplier work together smoothly. On being asked, the key informant of C1 expressed the view that:

*Once I have verified the quality of my purchased products in front of my supplier in his business place, in Singapore, he asked me “don’t you trust me?” Actually I was checking products quality (length) but as a matter of fact it was a case of his trustworthiness (written and practical). The relationship is now turned to word of mouth which you can say commitment, just if I place the order from any place either using mobile SMS or by phone he starts processing without any letter of credit or any other written document – this is our level of commitment.*

The key respondent of C4 similarly stated that:

*If trust is established then commitment will work automatically for long. In building trust – you have to remove selfish attitude from your mind and if you want to develop committed relationship you have to be trusted. For example; I can brief you that once in my critical moment my supplier supplied me more than 82 million Taka’s (1.6m AUD) goods on credit just on the basis of trust and I comply my commitment accordingly.*

This is one of the solid examples of how trust is working and how commitment is established in international business as well as in the importer-supplier relationship.

The respondent of C11 noted that:

*--- although supplier trust plays a significant role in building our commitment to them, it has taken long time to develop through verification and observation on their trustworthiness.*

As the cases in Figure 7.10 (box-1) indicate, trust is an important factor in developing importer commitment in the importer-supplier relationship. This lends support to the vast majority of the conceptual and empirical evidence in the literature (for example, Coote *et al.*, 2003; Zineldin and Jonsson, 2000). This finding is also congruous with the results of the proposed (Table 6.1) and competing models (Appendix - 8).

**Commitment as an Influential factor of Trust:** Contrary to the underpinning theoretical assertions, seven cases shown in Figure 7.10 (C2, C3, C5, C8, C9, C10, and C12) from different import categories (as box 3) indicated that commitment is a driving tool in the importer-supplier relationship to establish trust (with reverse effect).

Supporting and exploring this direction and effects, for example, C2 stated that:

*Simply I should say, instant communication, proper document, experience and 100% sincerity are root of achieving high level of commitment, which needs a long-time and over the period commitment build up in our relationship and now we trust them in any manner of our business dealing.*

This connotes that commitment is developing in a gradual process and playing a strong role in establishing trust in the importer-supplier relationship. The respondent in C2 further emphasised that:

*Once commitment is build up, trust will automatically be increased, and if the supplier is committed to you, you can trust them also.*

Similarly, C3 expressed a focus on commitment first and provided strong arguments:

*Although commitment and trust both are complementary words in business relationship where commitment is useful thing that tie up the buyer and seller by their works but afterwards doing some business trust build up – as it is a long process.*

He further emphasised that:

*Commitment is influencing trust, but trust never ever influences commitment – this is my observation and perception on our major relationship.*

Further, he contended:

*Through the information and knowledge I have proceeded to do business and since then I find him a committed business professional and he also deemed me as a committed importer and this is why high level of commitment helps to establish trust in our relationship – now we are doing business on the basis of just word of mouth.*

Accordingly, C10 stated that:

*--- yea, if we maintain our commitment accordingly from both sides then trust increases, it is not a matter of one day transaction, it is matter of long-term interaction after a series of transaction and fulfilling the commitment, then trust has developed and now it is a matter of order to implement nothing else to wait.*

The key informant of C12 said that:

*As I understand commitment is the measure of relationship which is tested in each and every transaction and trust may be at the matured level of relationship that establishes gradually with maintaining long-term commitment.*

This means commitment is a long-term perspective in the buyer-seller relationship which helps to evaluate and build trust in the relationship. As this case involves a 100% export oriented firm engaged in both importing raw materials and exporting garments, the most delicate aspect of this case is to maintain dual commitment i.e. commitment to the supplier and commitment to their foreign buyer. Therefore, they are very much concerned with their supplier commitment to them because it has an effect on their commitment to the foreign buyer. In this regard, the key informant stated:

*I think commitment is a reciprocal but indivisible matter in international business because that should be considered and matched from both sides. For example; they expect accordingly prompt response in terms of payment that is our commitment to fulfil and our expectations from the supplier are quality, rate and timely shipment that is their commitment to fulfil. However, trust is basically business commitment, and if you perform your commitment then trust will automatically be established.*

Similarly, the respondent of Case 11 particularly made mention that:

*As we are involved in both import and export, we are maintaining dual commitment. Our major supplier's commitment is to maintain price, quality, timely shipment and our commitment to them is to disburse the payment promptly. Further, our additional commitment is to shipment of the garments to our foreign buyer which is totally dependent on our major supplier's commitment.*

These are the important insights in terms of maintaining dual commitment. These however are perfect cases, where the firms realise the magnitude of commitment in international business. Towards achieving the ultimate goal of business success, here commitment is a vital subservient factor for the firms because they are compelled to satisfy both the suppliers and their international buyers.

In sum, the above discussion based on key informants' comments provides rich information on the effect of trust on commitment and, conversely, on the effect of commitment on trust. As 58% of the respondents perceived that the ultimate dependent factor is trust in the relationship. The conclusion on the process of building trust and commitment in the importer supplier relationship is drawn in the following section after synthesising the cross case analysis.



## 7.7 Overall Synthesis of Cases

The major findings of the cross case analysis are synthesised in this section (in Table 7.4) by combining the emergent qualitative reasoning and by using symbolic identification of cases and codes in summary form. The direct and indirect flow and interactions evidenced how conceptual inferences are developing in practice in the importer-supplier relationship. The in-depth interviews have partially supported most of the theoretical reasoning and discovered some hidden information in the importer-supplier relationship which contrasted with some of the proposed arguments.

In terms of the cultural similarity effect on communication in the importer supplier relationship, the major findings in 50% of cases (cases 2, 4, 6, 8, 9 and 12) representing all categories appear to suggest that culture is a supportive factor for not only easing communication but also for directly influencing it. However, three cases (cases 1, 5 and 7) show a mediating counter-effect of communication that helps the firms to understand each other. These cases suggest that more frequent direct and indirect communication can help to reduce cultural barriers to maintain long-term relationships. By contrast, three cases (cases 3, 10 and 11) suggested a complete variation of the effect of cultural similarity on communication and demonstrate that cultural similarity is neither a factor towards facilitating communication nor a major factor in the import supply relationship. The inference from these cases indicate that they are experienced enough to efficiently communicate business issues in different cultures.

The major findings of 67% cases (cases 1, 2, 4, 5, 6, 7, 9 and 12) representing all categories of importers indicate that cultural similarity is a facilitating tool for learning as well as knowledge-experience gathering from a culturally proximal market/supplier. In contrast to these cases, as argued by the respondent of Case 3, 8, 10 and 11, cultural similarity is found not to be a significant issue in international business as an assisting tool of learning and knowledge gathering from a culturally similar market's supplier. However, the respondent of Case 4 and 6 perceived an additional direction in terms of the direct impact of cultural similarity on the importer trust in addition to its indirect effect.

**Table 7.4**  
**Summary Report of Cross-Case Analysis based on Codes**

Variables and Emerged Paths			Code IS <sub>1</sub>	Code IS <sub>2</sub>	Code IS <sub>3</sub>	Code IS <sub>4</sub>	Code IS <sub>5</sub>	Comments
CULSIM	– €	COMUN	C1	C5	C7			Not Expected
CULSIM	€	COMUN	C2	C4	C6	C8, C9	C12	Expected
CULSIM	€	LEKNEX	C1, C2	C4, C5	C6, C7	C9	C12	Expected
CULSIM	€	TRUST		C4	C6			Not Expected
COMUN	€	LEKNEX	C1, C2, C3	C4, C5	C6, C7	C8, C9	C10, C11, C12	Expected
COMUN	€	TRUST		C4	C6, C7	C9		Not Expected
COMUN	€	COMMIT		C5			C12	Not Expected
LEKNEX	€	TRUST	C1	C4	C6, C7		C11	Expected
LEKNEX	€	COMMIT	C2, C3	C5		C8, C9	C10, C12	Not Expected
TRUST	€	COMMIT	C1	C4	C6, C7		C11	Expected
COMMIT	€	TRUST	C2, C3	C5		C8, C9	C10, C12	Not Expected

Legend: CULSIM = Cultural Similarity, COMMUN = Communication, LEKNEX = Learning and Knowledge and Experience, TRUST = Trust, and COMMIT = Commitment

The theoretical assertion on the effect of importer-supplier communication on the learning and knowledge-experience gathering process revealed unanimous complementary support as well as endorsement from all cases. Added to these, four cases (cases 4, 6, 7 and 9) perceived that while communication has an indirect effect through knowledge and experience, it has a direct effect on trust. Similarly, two cases (cases 5 and 12) suggest that communication has a direct effect on importer commitment in addition to an indirect effect as expected.

In terms of the effect of learning and knowledge-experience, respondents are divided into two groups. As it was expected, five cases (42% cases 1, 4, 6, 7 and 11) approved the theoretical reasoning and suggested that learning and knowledge building process has a direct influence on increasing trust to build long-term commitment in the major supplier relationship. In contrast, seven cases (58% cases 2, 3, 5, 8, 9, 10 and 12) suggested a variation of the effect of knowledge on commitment and the ultimate effect on trust. To these informants, trust is the outcome of commitment, and commitment is developing through the proximal communication between parties that facilitates learning, knowledge building and maintaining the relationship with the major supplier. As these cases explicitly suggest, commitment plays a strong mediating role through knowledge and experience in building trust in the continuing relationship. In this respect, it should be noted that the major findings of Case 8 appear to reveal an exceptional finding in terms of commitment to the supplier when it asserted that they are reluctant to continue with a single source because of seasonal quality variation of the importing items. This is congenial with the Mirjam *et al.*'s (2006) argument which suggests that perceived quality of the products are the insurance in the active relationship frame even when the supplier is untrustworthy. Notwithstanding, the firm maintains commitment and a long-term relationship with the major supplier on the basis of mutual understanding. Similarly, Case 9, 10 and 12 lend support to the ultimate effect and suggests that communication helps firms to learn and gather experience toward developing commitment, confidence, and, ultimately, trust.

Overall, it is revealed from the above discussion that the knowledge and experience gathering process in the importer and supplier relationship is mostly (67%) facilitated by cultural similarity. However, as it was expected and emphasised, this process is

supported completely (100%) by communication between the importer and supplier in both similar and dissimilar cultures. These lend support to the O'Grady's (1996) argument that entering culturally similar close markets reduces the level of uncertainty in that market and make it easier for firms to communicate proximally, freely and to learn quickly from each other (Kogut and Singh, 1988). In addition, most of the cases focus on the learning and knowledge development process by direct and indirect interaction, formal and informal training and development of professional ethos which support the arguments drawn from the business history literature (Boyce, 2001). Moreover, beyond expectation, the commitment building process is mostly (67%) enhanced by the knowledge and experience of the importer where it is developed partially (42%) by the trust of the supplier. The following section summarises the cross-case analysis and presents a revised framework based on qualitative depth interview findings.

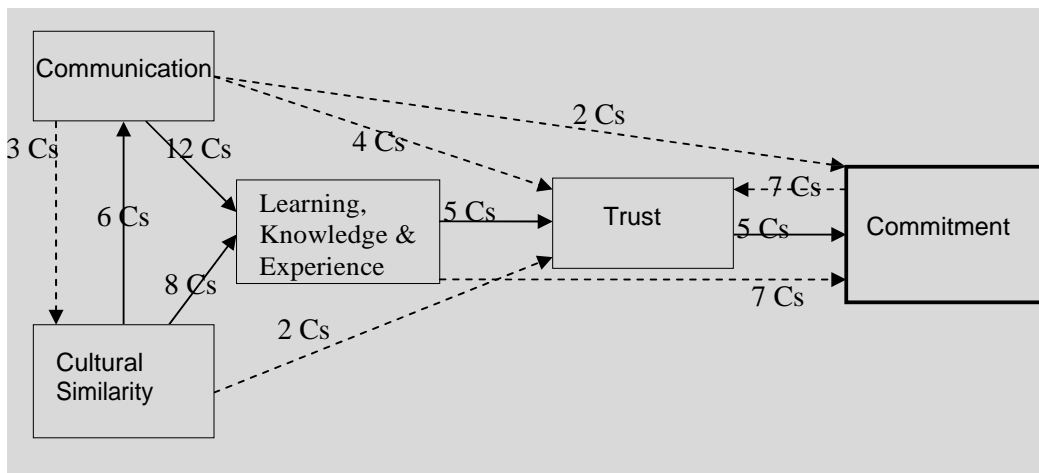
## **7.8 Overall Summary of the Case Analyses**

The major findings are integrated in Table 7.4 by combining emerged qualitative reasoning and by using symbolic identification of cases and codes in summary form. The direct and indirect flow and interactions evidenced in Figure 7.11 show how conceptual inferences are developed in practice in the importer-supplier relationship. As the perceptions of the key informants indicated, there is no unanimous support for the theoretical arguments in the proposed trust and commitment building process. For example, the summarised cross-case analysis reveals that three cases (C1, C5, and C7) even suggested that cultural similarity is reversely influenced by communication towards reducing cultural impediment. These firms are importing from cross-cultural markets and are experienced enough in abating cultural obstructions through greater communication. This means that effective and frequent communication in the importer-supplier relationship reduces cultural barriers and strengthens the relationships in dissimilar cultures through cultural understanding.

Apart from these findings, it is found that cultural similarity is a direct and indirect (through knowledge and experience) influential factor in the process of building trust as well. Referring to the impact of communication on learning and knowledge building, the findings are consistent across cases to support the theoretical reasoning.

However, the direct effects of communication on trust and on commitment are also perceived, and the effects of learning and knowledge are diverted into two directions: trust and commitment, which partly deviate from the proposed model. Furthermore, in the final stage of this framework, respondents are divided into two groups in terms of the cause and effect of trust and commitment. While five cases support the proposed trust commitment relationship, respondents of seven cases argued for the reverse relationship. The overall results and revealed path directions are shown in the following derived qualitative model, Figure 7.11.

**Figure 7.11: Derived Qualitative Model Based on In-depth Data: Trust and Commitment Building Process**



Path legend: —→ Predicted paths ----→ Derived new paths directions, and Cs indicates how many numbers of cases support the paths.

It can be concluded from the above discussion that cultural similarity facilitates communication, the learning and knowledge building process, and also trust. Similarly, communication enhances the learning and knowledge generation process toward facilitating trust and commitment directly and indirectly. Importers' knowledge and experience ultimately influences their trust and commitment to an import supplier. Finally, the qualitative findings revealed that trust and commitment are interrelated factors that interact with each other and are perceived differently by different key informants. For example, C1 noted that:

*At early stage of our relationship, I have tested my supplier's trustworthiness on the basis of reliability of the product, sincerity and his promise, now I am committed to him, for example; once I have verified the length of my*

*purchased product in front of my supplier, he asked me do you not trust me? I replied ... um...no not that actually I should have clear idea about the product.*

However, the respondent of C3 has a different perception and said:

*Although commitment and trust are complementary words in business relationship, I think commitment is a useful thing that ties up the buyer and seller in the long-term relationship by doing some works together then trust is build up.*

The perplexing perception on the causation of trust and commitment indicated that there is an obvious alternative where commitment leads to building trust (Choi, 2004; Zineldin and Jonsson, 2000). Therefore, it is revealed and approved that the qualitative model is partially reinforced and complements the result of the modified competing model (Appendix - 8) where all (except one) theoretical arguments appear valid and reliable.

# **Chapter 8**

## **Summary and Implications**

### **8. Introduction**

This thesis has involved an empirical investigation of the phenomena of importer commitment and its instigator factors in a developing country context. This encapsulates theoretical reasoning from three basic economic theories in a new research setting. The central research question underpinning this thesis was: What are the antecedents of an importer's commitment to an import supplier and how do they influence the importer commitment? The basic objective of this research was to develop a conceptual framework showing the possible impact of antecedents of importer commitment to an import supplier for empirical testing. To address this research question and to achieve the research objective, a comprehensive review of potential theories and theoretical literature was conducted and all relevant directions towards identifying the predictors of importer commitment were consolidated in Chapter 2. Merging the review streams in Chapter 3, a quantitative research model was developed and a qualitative model was proposed for better insight into the trust and commitment building process. Further, a competing quantitative model was also developed to verify the mediating effect of trust in the commitment building process. As this research has endeavoured to investigate causal phenomena, both quantitative and qualitative research approaches have been integrated in Chapter 4. The quantitative models were tested and compared in Chapter 5 with collected primary data, and the results discussed in Chapter 6. In addition, the findings and discussion of the qualitative investigation were also presented in Chapter 7. The findings are summarised in this present chapter in an endeavour to address the theoretical and practical implications as well as contributions of the study. The chapter concludes with a discussion of the limitations of the study and future research directions.

## 8.1 Summary of the Report

It is often viewed that commitment is a central issue in establishing, developing and maintaining a successful importer-supplier relationship (Skarmeas *et al.*, 2002). Commitment in the international buyer-seller relationship plays a significant role in continuing the relationship as well as maximising comparative business advantage for both parties. However, in regard to the importer as the central counterpart in the international business dyad, understanding their commitment to the import/supplier relationship is important but has been overlooked by scholars in specific contexts (Liang and Parkhe, 1997). It was also revealed that there are some driving factors behind commitment which could be contemplated in a model to verify the contentions.

To narrow the research question, three basic theories were utilised, namely, internationalisation process theory, transaction cost theory and resource-based theory of the firm. Further, an extensive review of the literature was conducted to specify the antecedents of importer commitment to an import supplier in many different contexts including those specific to a developing country context.

The possible antecedents were identified as cultural similarity, knowledge and experience, the supplier's competencies, communication, trust, opportunism, environmental volatility, and transaction-specific investment. A research model was developed to validate the proposed effects of these antecedents of importer commitment relationship with suppliers. Some interrelationships between these factors and the mediating role of some of the factors were also proposed in the model for empirical testing. An additional attempt was made to inquire into the discord of divergent views of the trust and commitment building process in the importer-supplier relationship. Accordingly, a conceptual qualitative model was developed incorporating the five most relevant factors to validate the model with richer in-depth interview data. As discussed in Chapter 3 (section 3.3), a quantitative competing model was also developed with the same antecedents to verify the contention of the mediating role of trust in the importer-supplier commitment relationship. The proposed competing model interconnected four additional paths to demonstrate the mediating role of trust on importer commitment.



To achieve the research objective, methodological appropriateness was an important consideration to test the proposed models. Therefore, as an empirical setting, primary data were collected from a cross-section of importing firms in a developing country context. The two step mail-outs and follow-up phone calls yielded 232 usable responses (38.67% response rate) from two basic categories of importers (commercial and industrial) in Bangladesh.

The proposed and competing models were tested using AMOS and the proposed model with some modification was found to be better than the competing model in terms of parsimonious model fit and explanatory power. The fit indices of the modified proposed model show very good model fit (CMIN=1.493, IFI=.938, TLI=.931, CFI=.937, and RMSEA=.046). The result of this model was discussed in Chapter 6. Among the hypothesised paths in the modified proposed model, ten paths (including three new) were found to be significant and theoretically justified. In brief, the results of the modified proposed model output indicated that the supplier's competencies, knowledge and experience, communication, and trust are the positive predictors of importer commitment to the import supplier (supporting H<sub>6</sub>, H<sub>8</sub>, H<sub>10</sub>, and H<sub>11</sub> respectively). Moreover, as predicted, environmental volatility was negatively associated with the importer commitment (supports H<sub>5</sub>). By contrast, the study did not find any support for the posited positive impact of cultural similarity and transaction-specific investment on importer commitment, and the negative direct impact of supplier opportunism on importer commitment (H<sub>1</sub>, H<sub>7</sub> and H<sub>3</sub>). The non-significant impact of cultural similarity and supplier opportunism on importer commitment was due mainly to co-sharing of variances with other IVs in the complex model. However, it is revealed that supplier opportunism has a significant indirect effect on importer commitment. The other proposed and additional interrelated hypotheses are also significant (supporting H<sub>4</sub>, H<sub>9</sub>, H<sub>12</sub>, H<sub>13</sub> and H<sub>14</sub> respectively) except the impact of environmental volatility on supplier opportunism (H<sub>2</sub>).

Furthermore, to explore the trust and commitment building process in more detail, twelve in-depth interviews were conducted with key informants from a sample of industrial and commercial importers in Bangladesh. The model was verified and interpreted with cross-case analyses in Chapter 7. The analyses revealed a perplexing situation where some of the findings affirmed the theoretical assertions, some of them

disconfirmed them, and new directions were revealed in some cases. Specifically, while the effect of communication on the knowledge and experience gathering process was unanimously supported, the effect of cultural similarity on communication was only partially supported. Some respondents even indicated a reverse influence of communication where communication was claimed to reduce cultural barriers between parties. Findings also revealed that cultural similarity has both direct and indirect effects on trust. In terms of additional insights, communication for example was found to instigate the knowledge gathering process as well as directly influence both importer trust and commitment. In terms of the effect of learning and knowledge, while some of the respondents agreed on its direct impact on trust, others emphasised its impact on commitment. Similarly, respondents were divided into two groups in terms of the ultimate cause and effect relationship between trust and commitment (that is which affects which). While the majority of the respondents (seven) strongly agreed on trust as the ultimate outcome of the committed relationship, five respondents agreed on the proposed trust → commitment relationship. It should be noted that though results of the competing model were not discussed in this thesis due to its relatively weak fit to the data and lower explanatory power compared to the original model, the reported qualitative findings on the trust and commitment building process are in fact supportive of that model.

## 8.2 Theoretical and Managerial Implications

The findings of the study as reported in Chapters 6 and 7 and summarised in the previous section have several theoretical and managerial implications.

**Implications for the Literature:** In essence, theoretical developments describing the underpinned arguments in the literature have provided impetus for investigating the antecedents of commitment in an international context. By combining the theoretical approach from extant theories, a new theoretical model has been tested. The result suggests that contemplated enmeshed determinants are no doubt important to enhance commitment (Goodman and Dion, 2001), specifically importer commitment in the present context. From a developing country perspective, this study makes an absolute contribution to the literature. The results and analysis further imply that all of the identified antecedents extended the directions of use of three basic theories in a new research setting. Theoretical assertions on cultural similarity between importer and

supplier did not work in a theoretical manner in one way as a predictor of importer commitment but it has emerged with more robust evidence in other way into the effect on knowledge (Hussler, 2004) and communication (Conway and Swift, 2000). In this regard, the practitioners may gain an additional insight as well as direction in the academic body of knowledge which is rooted in the internationalisation process theory. Similarly, importers' knowledge and experience as a predictor of commitment signifies that knowledge and experience in the internationalisation process is a distinctive stimulus not only for outward operations but also for inward activities of the firm (Karlsen *et al.*, 2003). The vast majority of the conceptual arguments for these theoretical arguments achieved empirical validation through this study, which should be of interest to academic practitioners.

Supplier's competencies is a valid attestation of the theoretical argument of Masella and Rangone (2000) which lends support to the resource-based theory of the firm (Barney, 1991; Wernerfelt, 1984). They argued that suppliers' resources and capabilities are attractions assessed by the importer to seek competitive advantage from the supply source. This research clearly found that the importers' high degree of relative advantage derived from the supplier's resource competencies that significantly influence their commitment in the relationship. In fact this predictor is one of the strongest factors in the model. Its unique effect is of modest strength, even after controls for the other variables. Therefore, future researchers can use this finding in generalizing the resource-based theory of the firm in the importer-supplier relationship context.

While transaction cost theory suggests how factors such as trust, communication, opportunism, environmental volatility and asset specificity are likely to influence importer commitment, the theoretical underpinnings of the factors authenticated the assertions in this connection directly or indirectly. More precisely, the result for trust implies that relational governance in the contracting parties' (i.e. importer and exporter) relationship depends on the scale of supplier trustworthiness measured continuously by importers to continue the committed relationship (Morgan and Hunt, 1994). This is a significant factor in the importer-supplier relationship driven by other factors such as communication (Coote *et al.*, 2003; Zineldin and Jonsson, 2000) and opportunism (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000). While

communication has a positive impact on trust, supplier opportunism is a significant negative factor of it. The negative result indicates that a more trustworthy importer-supplier relationship is expedient to a better safeguard against the suppliers' opportunistic state of behaviour (Geyskens *et al.*, 1996). However, trust is a significant positive predictor of importer commitment in all circumstances. This further implies that trust is a vital perceptual factor in the relationship measurement process assessed by importers.

By contrast, transaction-specific investment as rooted in the transaction cost approach implies that this is more a contextual factor than a generalized factor to measure its impact on importer commitment. The theoretical connotation could be examined in only the industrial importer context where idiosyncratic as well as non-redeployable investment is rational (Doney and Cannon, 1997) and has a significant impact on industrial importers' commitment. An *ad hoc* analysis suggests that researchers may take this concern into account in any similar direction of research.

As in the quantitative approach, the two basic theoretical assertions have been synthesized in the qualitative part to explore and validate the trust and commitment building process and complement findings of the quantitative analysis with richer insights. This attempt reveals a dilemma whereby opinion of the key respondents vindicated some of the theoretical arguments in terms of the effects of cultural similarity on communication, and learning and knowledge building as well as the effect of communication on learning and the knowledge generating process. Also, some of the evidence is not conclusive. More obviously, cultural similarity as perceived by most of the key respondents is a valid factor facilitating communication and, further, the learning and knowledge building process. Regardless, some of them disagreed with this flow in the importer-supplier relationship. Focusing on this process, some of the elucidations add insight and show that cultural similarity is a facilitating tool to increase trust (2 cases support this direct impact) and communication (6 cases support this impact) as well as learning and knowledge (8 cases support this indirect impact) that has both a direct and an indirect impact on trust and commitment. The findings on ultimate effects are also incongruous with the theoretical attestation. Since trust and commitment have been used and addressed in the literature as distinctive different factors, the inconsistent qualitative findings

suggest that international business researchers address this issue in a variety of ways in different contexts. However, these two constructs were measured separately in the literature using two separate sets of items. This study followed that trend which was validated by CFA analysis and clearly demonstrates these two are separate though strongly correlated ( $r = .53$ ).

**Managerial Implications:** The managerial implications largely emerged from both qualitative and quantitative findings in terms of what factors are significant in importer commitment to continue the relationships and how to maximise the business advantage. In terms of the quantitative findings, the SEM output negate the direct and indirect effect of cultural similarity on importer commitment although these two are moderately correlated ( $r = .42$ ). Based on the SEM findings, the null quantification of cultural similarity and commitment implies that diversified importing efforts by importing firms are not limiting them within a cultural proximal market while they are exploring their business horizons around the world. In that case, they may need to concentrate more on overall economic benefit of the firm from similar and dissimilar supply sources. Aside from this, the qualitative insight implies that though some of the importers' initial relationship with suppliers from culturally similar market assists in proximal communication to gather knowledge and experience, many of them are expanding further outward operations in culturally dissimilar markets. Therefore, importers' import and export behaviour supports the Uppsala model of incremental internationalisation through gradual knowledge and experience gathering from a culturally similar market toward fostering wider outward operations of the firm to culturally dissimilar markets. Further, the causal relationship between importer knowledge – experience and commitment indicates that knowledge – experience is a significant tool in the importer-exporter dyad. This indicates that it is an integral part of the importers' capabilities; and that the import manager should gather more diversified technical and non-technical international business knowledge because it is the root of overall export success.

It is important to note that managers involved in importing should recognise that the behavioural and perceptual antecedents of commitment are crucial in the process of developing sustainable high levels of commitment (Goodman and Dion, 2001) to an import supplier. More indicatively, results suggest that the import managers should

consider that as a central premise of the international business relationship, trust plays a significant role, where opportunistic inclination affects trust in the relationship (Morgan and Hunt, 1994). This implies that opportunistic tendency of the supplier is very likely to diminish at the higher level of relationship (Andaleeb, 1996). Trust mediates the communication that establishes commitment and is an insurance against the opportunistic behaviour of the supplier. Supplementary to this, as the qualitative findings partially support, trust mediates knowledge - experience which is driven by cultural similarity with a high degree of communication towards building importer commitment. Admittedly, this implies that management of an effective importer-supplier relationship requires core attention to building and managing a trustworthy relationship. Identically, the negative significant effect of communication on supplier opportunism suggests that effective and frequent communication between parties helps reduce suppliers' opportunistic attitude. Therefore, both parties in the dyad should emphasise communication to avoid any adverse effect of misunderstanding of opportunistic inclination to continue the relationship. Correspondingly, the in-depth insight of the qualitative analysis conclusively revealed that the import managers' frequent direct and indirect communication is a significant factor of success in international business. This helps to gather knowledge and experience and also influences importer trust and commitment in their supplier relationship. This further suggests that to achieve business goals, importers should acquire the latest communication tools and techniques, and adopt effective cross-cultural communication skills to build a tie-up relationship with their supplier.

The findings also suggest that supplier's competencies based on suppliers' resources and capabilities is a strong predictor of importer commitment. The suppliers' offered resources and capabilities differentiate themselves in the supply market which captivate the importer's intention to gain competitive advantage not only from the supply source but also in the target market through the suppliers' distinctive capabilities. The committed relationship based on competitive competency is also conducive to the supplier because it is an assurance of the buyer market and a pledge of the relationship. Therefore, the supplier's competencies can assist both the importer and supplier to ensure a stable market share in both buyer and supplier markets. In this way, an import manager may ensure higher returns from competitive supply sources. The continuous committed relationship with an import supplier who can offer

competitive products and services should be more economical than finding a new supplier every time (Andaleeb, 1996).

While the impact of transaction-specific investment on importer commitment is not consistent with the theoretical expectation of this study, a supplementary analysis (based on industrial importers data) revealed that only industrial importers' transaction-specific investment is a significant factor for their committed relationship. Results clearly suggest that the industrial importers' idiosyncratic investment is a safeguard for the committed long-term relationship between the importer and supplier. This further may imply that the import supplier can encourage industrial importers to invest in such assets and facilities by providing export market support through reciprocal buying and forward integration into manufacturing facilities. Import managers and the LDC governments should explore this aspect in international business and attract potential foreign investors to investment either in a joint venture, subsidiary, or franchising agreement. As further support, a study of international joint ventures (IJV) in Bangladesh revealed that most export-oriented IJVs in Bangladesh are highly successful where local partners provide valuable patronage in managing the local workforce and other business links (Ali, 1996; Sim and Ali, 1998).

### **8.3 Overall Contributions**

The study made contributions in international business research in a numbers of ways. Most significantly, in the statistical ground, the developed theoretical model/framework under a new empirical research setting drawn from extant theories satisfies all conditions with a desired level of fit to the data. This confirms the contributions in all respects. However, examination of the core findings comes across with detailed conditions coherently and distinctively.

Fundamentally, from the theoretical perspective, the current study has used three basic economic theories and their causal arguments as a basic framework to gain a better understanding of an importer's commitment and its instigators. As discussed earlier, factors such as communication, opportunism, trust, asset specificity, and environmental volatility were found to have extended their analytical horizon in explaining importer commitment building from the approach of transaction cost economics. As this theoretical coherence was used to explore these variables in the

buyer-supplier relationship studies, this study explicitly extends the use of this theory in the import side of the export-import dyad. Further, while internationalisation process theory has been used in exploring and fostering firms' export activities, this study extends its arguments in investigating importer commitment in terms of cultural similarity, and knowledge and experience. Again, for the first time, this study has revealed apparent approval for the variable of supplier's competencies as a valid enmeshed contributory determinant of importer commitment in the proposed model which was rooted with the resource-based view of the firm. Hence, this research contributes to an understanding of the nature of generalisability of the theories by extending their tenets into an additional area – the import side of the internationalisation dyad.

The review of the literature (as summarised in Appendix 2) appears to indicate inconsistencies, and lack of consensus among researchers on the possible antecedents of commitment. Although a large number of variables (in total 69) have been considered by researchers in buyer-seller commitment studies, most of those (54) appeared idiosyncratic and *ad hoc*, without integration into a comprehensive framework. Therefore, this study contributes to the literature by validating some of those explanatory variables in a comprehensive model. Further, some of the variables were also found to have causal rationale and were incorporated in the present theoretical model toward empirical examination from a different perspective to the import supply context. Accordingly, these are the new solid contributions to the body of knowledge.

Intrinsically, as most of the extant commitment studies investigated commercial distributors' perceptions, this has contributed to the literature by examining both commercial importers (distributor) and industrial importers (industrial user) in terms of comparing and contrasting commitment relationships to their suppliers specifically in the transaction-specific investment context.

Most significantly, the qualitative interview data contribute to an understanding of the development of trust and commitment which is enhanced by knowledge and experience, and sometimes facilitated by proximal communication in a similar cultural setting. However, while the data contribute to validating the conceptual underpinning, it is only partial as well as reverse directional in some connections.



Most of the qualitative findings are complementary to quantitative findings (Granitz, 2003), and they validate and supplement the results of the competing model as set out in Appendices 7-D and 8, which has not been discussed in this thesis.

Moreover, the study has also contributed to methodology by developing and validating some of the new reliable and valid construct measures in such academic practices. In particular, while cultural similarity was measured by using the cultural index in past studies (e.g., Swift, 1999), this study developed a construct measure using item scales covering style of greeting/address, business practice, legal formalities, standard of ethics, and the use of contracts and agreements in business to capture involved managers' perceptions of similarity on a 7-point Likert scale. The item scales were drawn from related literature and refined through the nomological channel for its reliability and validity as discussed in Chapters 4 and 5. Moreover, measures such as supplier's competencies as well as knowledge and experience were only tested for alpha reliability (Shahadat, 2003) and regression analysis (e.g., Celly and Frazier, 1996) in past studies in the different context. This study adopted these measures after a comprehensive pre-testing and rigorous reliability and validity tests to achieve the nomological validity of the measures. The other construct measures in the proposed model are also contributory findings which are well-regulated and fit well to the data and the theory. Finally, through model specification and the measurement model in the Structural Equation Modelling (SEM) technique, it was affirmed that these factors are valid and reliable (Schumacker and Lomax, 1996) and explain theoretical reasoning constructively in the proposed commitment model.

Arguably, importing is the neglected counterpart of the two-sided coin of the international exchange process (Karlsen *et al.*, 2003; Liang and Parkhe, 1997). A systematic search of scholarly contributions reveals so far only one study (Skarmas *et al.*, 2002) that investigated the drivers of importer commitment behavior from an international vantage point. Consequently, the present study has contributed to an endeavor to minimize this striking imbalance in the investigation of internationalisation of business.

The study strived to fill the contextual gap in the extant literature. As summarised in Appendix 1, the theoretical development and empirical testing of the theories in this field has been based only on the developed country context. Nevertheless,

understanding the import behaviour of firms from less developed and developing countries is equally important for clear comprehension of the phenomena for academics, managers and policy makers. Therefore, from an exclusively analytical point of view, the study has contributed to the literature by incorporating developing country data in the wider empirical generalisations of the findings. These contributions are briefly summarized in Table 8.1.

**Table 8.1**  
**Contributions of the Study**

<b>A. Theoretical Contribution</b>		
<b>To</b>	<b>Use of the Variables</b>	<b>Comments</b>
Internationalisation Process	Cultural Similarity, Knowledge and Experience	Extending the use of internationalisation process theory in examining the importer commitment to an import supplier of import-export dyad. According to the knowledge of the researcher, this is done for the first time.
Transaction Cost Economics	Trust, Communication, Opportunism, Transaction-Specific Investment, Environmental Volatility	These are integral variables of transaction cost theory. The use of these variables within the theoretical background in its application to the importer commitment behaviour of import-export dyad is solid documentation for the new theoretical paradigm.
Resource-Based Theory of the Firm	Supplier's Competencies	The concept of supplier's competencies within the resource-based theory of the firm is used for investigating importer commitment of import-export dyad. The use of this concept in this fashion is the first time so far.
<b>B. Contribution to the Body of Knowledge: Quantitative</b>		
<b>Relationships between</b>		<b>Comments</b>
Trust and Importer Commitment; Communication and Commitment; Environmental Volatility and Commitment; Communication and Trust; and Opportunism and Trust		This validates the extant findings from different research setting to a new international business context toward generalisation.
Supplier's Competencies and Commitment; Knowledge and Experience and Commitment		The study provides fresh empirical affirmation in the literature from a new context of investigation.
<b>C. Contributions to the Body of Knowledge: Qualitative</b>		
<b>Relationships between</b>		<b>Comments</b>
Communication and Learning, Knowledge and Experience; Cultural Similarity and Communication; Cultural Similarity and Learning, Knowledge and Experience; Learning, Knowledge and Experience and Trust		So far, these are the fresh contributions from the qualitative findings validated by the result of modified competing model which has not been discussed in this thesis (Appendix 9). However, significant (+) impact of communication on knowledge and experience revealed unanimous support from all cases.

<b>D. Methodological Contributions</b>	
<b>Construct Measure</b>	<b>Comments</b>
Cultural Similarity, Supplier's Competencies, and Knowledge and Experience	New construct measures were developed for these variables and validates in CFA which are reliable as well as converged into the respective construct.
Commitment, Trust, Communication, Opportunism, Environmental Volatility, and Transaction-Specific Investment	This validates these constructs through operationalising in a new context and achieved their generalisability.
<b>E. The Additional Paths Directions: Quantitative</b>	
Communication and Opportunism; Cultural Similarity and Opportunism; Supplier's Competencies and Opportunism	The empirical evidences of the study are theoretical justified, that could be verified in any further research contexts.
<b>The Additional Paths Directions: Qualitative</b>	
Communication and Cultural Similarity; Cultural Similarity and Trust; and Commitment and Trust	As emerged, some of the qualitative findings suggest that these directions are meaningful as well as realistic/discreet and could be included in a model to test.
<b>F. Contextual Contributions</b>	
Developing Country Data	The study contributed to the literature by incorporating a developing country perspective with theoretically valid recognition as well as apprehension. As this was largely overlooked in international business literature, this lends support to the vast developed country based extant scholarly activities.
<b>Additional Insights</b>	
Cultural Similarity, Communication, Knowledge Generating Process, Relationship Development in Practice	These insights provide fresh realistic slant of underpinned concepts with their different directions articulated by the importers as they perceived from their long experience.

## 8.4 Limitations

This study examined the specific importer commitment to an import supplier. Despite the potency, the findings of this study have to be thought-through with some caution as such an empirical attempt is rare and unique in the present research setting. However, in international business research, the wide range of the field and various exogenous factors may inherently affect the results. This also warrants future research attention as to how these can be incorporated and considered in a conceptual model. In addition, this study has investigated a limited subset from a large group of behavioural and contextual aspects of importing firms. Therefore, problems arise in what should be included and what should be excluded. With these concerns in mind, the following important issues in any attempt of generalisation of the findings would need to be verified carefully:

- The findings rely on respondents' self-reported cross-sectional data, rather than longitudinal data. This may not reflect changing situations and the series of relationship phenomena between importer and supplier over time. The cross-sectional data may be affected by the respondent's predisposition of any events that have happened in the past or by the mental position at the period of filling in the questionnaire.
- The data have been collected from a single country, Bangladesh. This facilitated data collection and controlling diversity but also limited the generalisability of the findings.
- The data have been collected only from importers of products rather than services. This might not explore the total picture of importer commitment in all respects, because products and services are the indicators of business performances and both may play a strong role in the buyer-seller relationship. However, both of the categories could be equally important in terms of evaluating commitment relationship between importers and their supplier.
- The data have been collected with respect to the importer's most significant supplier which might not reflect commitment to others.

While acknowledging such limitations, this research exhibits an effective comprehension of importer commitment. Accordingly, the study authenticates the developed framework. This also highlights how importers should strive to build their relationships in an international setting.

## 8.5 Future Research Directions

As this thesis research contemplated a developing country context as an overlooked area in the extant academic research, this provides some insights and directions for international business academics for future research as well. More specifically, as this research strived to take some new challenges using extant as well as some new construct measures with quantifying quantitative and qualitative data, this provides a solid foundation for many research avenues and hence several suggestions are made for further research.

First, from the contextual aspects, this research envisaged a demanding context with theoretical assertions and validates most of the findings from the developed to developing country context. However, some of the findings are not only challenging new evidence but also tentative unless verified in any follow-up studies. Therefore, a research avenue is open for further validation in different country contexts. It can also be noted that as this research explores only a developing country's perspectives, any similar developing country context like India, Pakistan or any other (emerging market context) cross country comparative study could be worthwhile to validate the findings. Further, as this study is a more extended approach of Skarmeas *et al.*'s study (2002), replicating in any developed country might provide a more comprehensive research setting for generalising the present findings.

Second, the study of importer-exporter commitment relationship could be more comprehensive when both perspectives are incorporated in the study. Therefore, in any future research direction it may be appealing to compare and contrast the findings. In addition to this, longitudinal data might be more authentic to validate the findings.

Third, as the cultural similarity issue has been emphasised in the extant literature, this research developed a measure for cultural similarity for the first time. This could be included in any future research model by specifically drawing a sample categorising importers from culturally similar markets and dissimilar markets to compare and contrast the findings. This might be interesting from the theoretical perspectives of the internationalisation process.

Fourth, commercial and industrial importers in general were included in this study to examine the antecedents of importer commitment. However, more indicatively it was found that some of the findings were affected due to plugging the generalised approach of randomly incorporated sample from two basic categories of importers. Therefore, a separate analysis of commercial and industrial importers' commitment could be a more robust approach in any future research direction. In other words, a comparative study with a large sample from these two groups may be a constructive approach in any future research framework.

Fifth, as both products and services are equally important to assess business performances of the firms, this study only focuses on importers' perspectives in terms of products rather than services. Therefore, any future study could be grappling with both of these two aspects to encapsulate the overall picture of importer commitment. This might be appealing to compare whether there is any difference in the perception of importer commitment on the basis of importing products and services. This is likely to be a more robust understanding of importer commitment.

Sixth, while this study only emphasised the importers' perception with respect to the most significant supplier, this certainly overlooked the reflection of commitment to others. Therefore, any future research direction could be important to incorporate other regular or casual suppliers' behavioural aspects to compare and contrast the findings. This is important because there may be a significant difference between the major supplier and other suppliers.

Finally, and more precisely, the study has developed some of the construct measures and all of those are found to be reliable and valid in the present context but these are tentative unless verified and refined in a new research context. In particular, using the cultural similarity measurement was a new challenge because all extant studies have so far used the cultural index, so that this represents a significant attempt to verify and refine this measure. Further, measurement of the supplier's competencies, and knowledge and experience also represent new research directions and these were found to be reliable and valid in the present context. Any similar research direction should include these measures to test further reliability and validity.

## 8.6 Conclusion

To answer the basic research question and to achieve the research objective, this study developed a basic conceptual model, a competing model and a framework for conceptual insight. Based on sound reasoning of modification indices in SEM analysis, both (the proposed and competing) models were tested as modified models and compared with the overall measurement model to identify the better fitted model. This identified the modified proposed model as parsimonious and comparatively better with explanatory power as well as fitting the data and the theory. In this model it was found that trust, communication, knowledge and experience, environmental volatility, and supplier's competencies are the significant antecedents of importer commitment. Evidently, the mediating role of trust in the model was established. While the effect of supplier opportunism on importer commitment dismissed the theoretical expectation, its direct impact on trust and indirect effect on commitment are significant as expected. By contrast, transaction-specific investment was found to be an insignificant factor for the overall sample but it is found as a significant factor in determining industrial importer commitment.

In addition, the qualitative findings are consistent which stimulate richer unfolding information in the process of developing trust and commitment. The quantification of qualitative data revealed mostly harmonious findings with quantitative analyses while adding some distinctive insights in terms of cultural similarity, trust and commitment. In this analysis, cultural similarity is evident with some support for communication and gathering knowledge and experience toward building trust and further commitment which is congruous with the findings of the competing model (Appendix-8). The overall findings of this study extended the use of three basic theories: internationalisation process theory, transaction cost theory and resource based theory of the firm in a new context by using these as theoretical bases of the tested variables. Further, this thesis signifies the usefulness of these theories in the understanding of 'importer commitment' as a remarkable endeavour in international business theory.

While noting the contributions of this study, in conclusion, it is worthwhile to draw attention to a recent article by Johanson and Vahlne (2006), the pioneers of internationalisation process (IP) theory. Over the last 25 years the process of



internationalisation has been widely regarded in research, but now they are changing their earlier focus “*from market commitment to relationship commitment*” (p. 166). In addition to this, they affirmed that internationalisation is not only exploring outward operations of the firm, but it should also consider inward activities of the firm i.e., importing. In this connection, a few lines from the mentioned article are worth quoting to show how they affirmed that the original IP approach on exporting is changing towards a focus on importing as a counterpart to internationalisation, “*The original version focused on the focal firm only. Later we realised that a similar process went on also at the other end of the relationships constituting the world business*” (p. 168, Emphasis added). These quotations seem to provide a tacit approval to this study acknowledging the gap in literature (IP theory) which framed the original foundation of this study three and half years ago. This constitutes an impressive recognition of the contribution in an interesting research setting that this study makes towards the IP approach. It is in this context that the contribution of this study can be examined and analysed.

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## Appendix – 1

### Studies Examining Commitment in Importing

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of Analysis
<b>Studies Examining Distributor's Commitment and Its Antecedents</b>						
Abdul-Muhmin (2002)	DV-Buyer's relationship commitment		4 items on a 5-point scale	Saudi Arabia	Personal interview 123	Industrial buyer's and supplier's relationship commitment
	IV-Buyer's relationship satisfaction with supplier	+	4 items on a 5-point scale			
	IV-Products aspects of suppliers' marketing program	+	3 items on a 5-point scale			
	IV-Pricing aspects of suppliers' marketing program	+	3 items on a 5-point scale			
	IV-Logistics aspects of suppliers' marketing program	No sig. rel.	2 items on a 5-point scale			
Anderson & Weitz (1992)	DV-Buyer's relationship satisfaction with supplier		4 items on a 5-point scale	USA	Mail survey 378 RR 58.71%	Distributor's and manufacturer's commitment relationship at branch office level
	IV-Products aspects of suppliers' marketing program	+	3 items on a 5-point scale			
	IV-Pricing aspects of suppliers' marketing program	+	3 items on a 5-point scale			
	IV-Logistics aspects of suppliers' marketing program	No sig. rel.	2 item on a 5-point scale			
	DV-Distributor's commitment to the relationship		10 items on a 7-point scale			
	IV-Distributor's idiosyncratic investment	+	11 items on a 7-point scale			
	IV-Distributor's perception of the manufacturers commitment	+	10 items on a 7-point scale			
	IV-Distributor's exclusive dealing in the manufacturers product class	No sig. rel.	2 items on a 7-point scale			
	IV-Distributor's perception of the level of communication	+	6 items on 7-point scale			
	IV-Distributors perception of manufacturer's reputation for fairness	+	3 items on 7-point scale			
	DV-Manufacturer's commitment to the relationship		10 items on a 7-point scale			
	IV-Manufacture's perception of the distributor's commitment	+	10 items on a 7-point scale			
	IV-Manufacturer's idiosyncratic investment	+	11 items on a 7-point scale			
	IV-Manufacturer's perception of the level of communication	+	6 items on a 7-point scale			
	IV-Manufacturer's perception of distributor's reputation for fairness	No sig. rel.	3 items on 7-point scale			
	IV-Manufacturer grants territorial exclusivity to distributor	–	2 items on 7-point scale			
	DV-Distributor's perception of the manufacturers commitment		10 items on a 7-point scale			
	IV-Manufacturer's commitment	+	10 items on a 7-point scale			
	IV-Distributor's perception of the level of idiosyncratic investment made by a manufacturer	+	5 items on a 7-point scale			
	IV-Perceived territorial exclusivity	–	5 items on a 7-point scale			
	IV-Distributor's perception of the level of conflict	–	6 items on a 7-point scale			
	IV-Manufacturer engages in direct selling	–	1 question			

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of Analysis
Andaleeb (1996)	DV-Buyer's commitment IV-Buyer's trust in a supplier IV-Buyer's dependence on a supplier IV-Trust under conditions of buyer dependence on a supplier  DV-Buyer's satisfaction IV- Buyer's trust in a supplier IV-Trust under conditions of buyer dependence on a supplier	 + + +   + No sig. rel.	4 items on a 5-point scale 2 items on a 5-point scale 4 items on a 5-point scale 4 items on a 5-point scale  3 items on a 5-point scale 2 items on a 5-point scale 4 item on a 5-point scale	USA	Personal interview 72	Distributor- supplier relationship
Bennett & Gabriel (2001)	DV-Buyer's commitment IV-Trust  DV-Supplier closeness IV-Customer's perception of the reputation IV-Trust  DV-Relationship specific investment IV-Trust	 +   + +	3 items on a 7-point scale 6 item on a 7-point scale  5 items on a 7-point scale 9 items on a 7-point scale 6 items on a 7-point scale  3 items on a 7-point scale 6 item on a 7-point scale	UK	Mail survey 144 RR 32%	Relationship between Shipper's customers and seaports
Coote et al. (2003)	DV-Buyer's Commitment IV-Buyer's trust in supplier  DV-Buyer's trust IV-Communication IV-Conflict IV-Similarity	 +  + - No sig. rel.	5 items on a 5-point scale 5 items on a 5-point scale  5 items on a 5-point scale 4 items on a 5-point scale 4 items on a 5-point scale 4 items on a 5-point scale	China	Mail survey 152 RR 15% (app.)	Industrial buyer-seller relationship

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of Analysis
Geyskens, Steenkamp, Scheer and Kumar (1996)	DV-Dealer's commitment (affective and calculative) IV-Interdependence IV-Trust (for affective positive, and for calculative negative) IV-Interdependence asymmetry	+ Mixed Mixed	6 items on a 7-point scale 6 items on a 7-point scale 5 items on a 7-point scale Calculated as the absolute value of the difference between supplier and dealer dependence	USA and Netherlands	Mail survey US 453 Dutch 289 RR 28% & 19%	Automobile dealer's commitment to their supplier
Goodman & Dion (2001)	DV-Distributor's commitment IV-Use of coercive power by the supplier IV-Use of noncoercive power by the supplier IV-Distributor trust IV-Continuity IV-Communication IV-Distributor dependence on supplier IV-Idiosyncratic investment IV-Product salability IV-Ease of sale	- + + No sig. rel. + + + + + +	7 items on a 7-point scale 2 items on a 7-point scale 4 items on a 7-point scale 6 items on a 7-point scale 1 item on a 7-point scale 4 items on a 7-point scale 4 items on a 7-point scale 6 items on a 7-point scale 8 items on a 7-point scale 2 items on a 7-point scale	UK	Mail survey 213 RR 31.9%	High-tech distributor- manufacturer (supplier) commitment relationship
Holm et al. (1996)	DV-Relationship commitment IV-Relationship understanding IV-Business network connection IV-Relationship profitability	+ + +	2 items on a 5-point scale 3 items on a 5-point scale 4 items on a 5-point scale 1 item on a 5-point scale	IMP project in Europe <sup>1</sup> 2	Personal interview 136	Supplier-buyer dyadic business relationship
Johnson et al. (2001)	DV-Buyer's commitment to salesperson (supplier) IV-Perceived equity with salesperson IV-Satisfaction with salesperson (supplier)  DV-Satisfaction with salesperson (supplier) IV-Perceived equity with salesperson (supplier)	+ +  +	3 items on a 7-point scale 3 items on a 7-point scale 3 items on a 7-point scale  3 items on a 7-point scale 3 items on a 7-point scale	USA	Mail survey 844 RR 28%	Customer- supplier relationship

<sup>12</sup>Suppliers based in Germany, France and Sweden. The European based research project IMP stands for Industrial Marketing and Purchasing.

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Resp. & R. Rate	Unit of Analysis
Kim (2001)	DV-Distributor's commitment to a supplier		4 items on a 7-point scale	USA	Mail survey Distributor 286 Supplier 98	Industrial distributor- supplier dyadic relationship
	IV-Customer volatility	No sig. rel	5 items on a 7-point scale			
	IV-Customer heterogeneity	No sig. rel	5 items on a 7-point scale			
	IV-Customer munificence	No sig. rel	4 items on a 7-point scale			
	IV-Trustworthiness	+	4 items on a 7-point scale			
	IV-Specialized investment	+	4 items on a 7-point scale			
	IV-Distributor dependence on supplier	+	5 items on a 7-point scale			
	DV-Supplier's commitment to a distributor		4 items on a 7-point scale			
	IV-Customer volatility	-	5 items on a 7-point scale			
	IV-Customer heterogeneity	-	5 items on a 7-point scale			
	IV-Customer munificence	+	4 items on a 7-point scale			
	IV-Trustworthiness	No sig. rel	4 items on a 7-point scale			
	IV-Specialized investment	+	2 items on a 7-point scale			
	IV-Supplier dependence on distributor	+	5 items on a 7-point scale			
Kim & Oh (2002)	DV-Distributor's commitmentrelationship		4 items on a 7-point scale	USA and Japan	Mail survey 253 (USA) RR 25.3% 140 (Japan) 33.33%	Distributor commitment relationships in channel (industrial distributor and their supplier)
	IV-Bilateral communication	+	4 items on a 7-point scale			
	IV-Distributor's specializedinvestment	+	4 items on a 7-point scale			
	IV-Supplier trustworthiness	+	4 items on a 7-point scale			
	IV-Interdependence in a distribution channel	+	4 items on a 7-point scale			
	IV-Supplier control	+	6 items on a 7-point scale			
	IV-Long-term orientation	+	4 items on a 7-point scale			
	IV-Distributor dependence deficit	No sig. rel.	4 items on a 7-point scale			
	IV-Distributor dependence advantage	No sig. rel.	4 items on a 7-point scale			
	DV-Supplier control		6 items on a 7-point scale			
Kim & Frazier (1997)	IV- Distributor's commitment relationship	+	4 items on a 7-point scale	USA	Mail survey 276 RR 29.21%	Distributor- commitment relationship with supplier
	DV-Distributor's commitment		9 items on a 7-point scale			
	IV-Distributor's specialized investment	+	4 items on a 7-point scale			
	IV-Distributor's dependence on supplier	+	4 items on a 7-point scale			
	IV-Supplier trustworthiness	+	4 items on a 7-point scale			
	IV-Supplier role performance	+	9 items on a 7-point scale			
	IV-Distributor's motivational investment	+	3 items on a 7-point scale			
	IV-Communication	+	3 items on a 7-point scale			
	IV-Manifest conflict (related inversely to continuance com.)	Mixed support	4 items on a 7-point scale			



Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method, Respondent & Response Rate	Unit of Analysis
Kumar et al. (1995b)	DV-Dealer (distributor's) commitment	+	9 items on a 7-point scale	USA and Nether lands	Mail survey 417 and 289 RR 19.86%	Perceived interdependenc e on dealer attitudes
	IV-Interdependence in channel relationship	–	6 item on a 7-point scale			
	IV-Interdependence asymmetry	–	6 items on a 7-point scale			
Kwon & Suh (2004)	DV-Trust	–	10 items on a 7-point scale	USA	Internet survey 171 RR 9.5	Supply chain relationship with partner
	IV-Interdependence in channel relationship	–	6 items on a 7-point scale			
	IV-Interdependence asymmetry	+	6 items on a 7-point scale			
	DV-Conflict	–	4 items on a 5-point scale			
	IV-Interdependence in channel relationship	+	6 item on a 7-point scale			
	IV-Interdependence asymmetry	–	6 items on a 7-point scale			
	DV-Commitment in supply chain relationship	+	3 items on a 7-point scale			
	IV -Trust	+	10 items on a 7-point scale			
	DV-Trust	–	10 items on a 7-point scale			
	IV-Respondent firm's asset specificity	–	3 items on a 7-point scale			
Miyamoto & Rexha (2004)	IV-Partner's asset specificity	+	3 items on a 7-point scale	Japan	Mail survey 118 RR 16.1%	Buyer- supplier cooperative long-term relationship
	IV-Behavioral uncertainty	+	2 items on a 7-point scale			
	IV-Information sharing	+	2 items on a 7-point scale			
	IV-Perceived satisfaction	+	3 items on a 7-point scale			
	IV-Partner's reputation	+	3 items on a 7-point scale			
	IV-Perceived conflict	–	2 items on a 7-point scale			
	DV-Relationship commitment	+	3 items on a 7-point scale			
	IV-Supplier relationship-specific investments	+	3 items on a 7-point scale			
	IV-Relationship-specific interaction competence	+	4 items on a 7-point scale			
	DV-Relationship-specific interaction competence	+	4 items on a 7-point scale			
	IV-Supplier relationship-specific investments	+	3 items on a 7-point scale			
	DV-Customer/buyer relationship satisfaction	+	3 items on a 7-point scale			
	IV- Relationship-specific interaction competence	+	4 items on a 7-point scale			
	DV-Customer's/buyer's trust (Contractual, competence and goodwill)	+	3 items on a 7-point scale			
	IV- Customer/buyer relationship satisfaction	+	3 items on a 7-point scale			

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of Analysis
Moore (1998)	DV-Buyer's relationship commitment IV-Third party's (supplier's) equity in a logistics alliance IV-Buyer's relationship benefits IV-Third party's (supplier's) information exchange/communication IV-Third party's (supplier's) relationship commitment IV-Buyer's relationship conflict IV-Buyer's trust in the third party (supplier) IV-Buyer's relationship effectiveness IV-Third party (supplier's) opportunism  DV-Buyer's relationship effectiveness IV-Third party's (supplier's) equity IV-Buyer's relationship benefits IV-Buyer's relationship conflict IV-Buyer's trust in the third party (supplier) IV-Third party (supplier's) opportunism  DV-Buyer's risk of third party (supplier) opportunism IV-Third party's (supplier's) equity IV-Third party's (supplier's) relationship commitment IV-Buyer's trust in the third party (supplier)  DV- Buyer's relationship conflict IV-Third party's (supplier's) equity IV-Buyer's relationship benefits IV-Third party's (supplier's) information exchange  DV- Buyer's trust in the third party (supplier) IV-Third party's (supplier's) equity IV-Third party's (supplier's) information exchange/communication IV-Third party's (supplier's) relationship commitment IV-Buyer's relationship conflict	No sig. rel No sig. rel No sig. rel + – No sig. rel. No sig. rel No sig. rel  No sig. rel No sig. rel – + –  – No sig. rel. –  – – – –  + No sig. rel No sig. rel No sig. rel	Questionnaire items for the constructs were adopted from previous research	USA	Mail survey 339 RR 29%	Buying firm's commitment relationship in logistics alliances with supplier (third party)

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of analysis
Mohr et al. (1996)	DV-Dealer commitment IV-Collaborative communication	+	3 items on a 5-point scale 18 items on a 5-point scale	USA	Mail survey 125 RR 25%	Relationship between a computer dealer and one of its manufacturers products or related equipments
	DV-Dealer satisfaction IV-Collaborative communication	+	6 items on a 5-point scale 18 items on a 5-point scale			
	DV-Dealer coordination IV-Collaborative communication (Under market based relationships and under low levels of manufacturer control)	+	3 items on a 5-point scale 18 items on a 5-point scale			
Morgan & Hunt (1994)	DV-Distributor's commitment relationship		7 items on a 7-point scale	USA	Mail survey 204 RR 14.6%	Retailer's commitment relationship with supplier
	IV-Distributor trust	+	7 items on a 7-point scale			
	IV-Shared values	+	5 items on a 7-point scale			
	IV-Relationship termination costs	+	5 items on a 7-point scale			
	IV-Cooperation	+	5 items on a 7-point scale			
	IV-Relationship benefits	+	4 items on a 7-point scale			
	IV-Acquiescence	+	1 items on a 7-point scale			
	IV-Propensity to leave	-	3 items on a 7-point scale			
	DV-Distributor trust		7 items on a 7-point scale			
	IV-Shared value	+	5 items on a 7-point scale			
	IV-Communication	+	4 items on a 7-point scale			
	IV-Opportunistic behavior	-	3 items on a 7-point scale			
	IV-Cooperation	+	5 items on a 7-point scale			
	IV-Functional conflict	+	2 items on a 7-point scale			
	IV-Uncertainty	-	10 items on a 7-point scale			

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Coun try	Method Number of Respondent & R/R	Unit of analysis	
Rodríguez and Wilson (2002)	DV-Partner’s commitment	+	3 items on a 7-point scale	USA and Mexico	Mail survey 84 RR 28%	Commitment between partners in international strategic alliances	
	IV-Trust		3 items on a 7-point scale				
	DV-Trust	+	3 items on a 7-point scale				
	IV-Structural bonding		2 items on a 7-point scale				
	IV-Social bonding	+	3 items on a 7-point scale				
Ruyter et al. (2001)	DV-Distributor’s affective commitment	+	3 items on a 5-point scale	Netherl ands	Mail survey 491 RR 34%	Customer (distributor)- supplier relationship in high- technology market	
	IV-Trust		3 items on a 5-point scale				
	IV-Relationship characteristics	+	10 item on a 5-point scale				
	IV-Market characteristics	+	12 item on a 5-point scale				
	DV-Distributor’s calculative commitment	–	3 items on a 5-point scale				
	IV-Trust		5 items on a 5-point scale				
	IV-Market characteristics	+	12 item on a 5-point scale				
	DV-Trust	+	3items on a 5-point scale				
	IV-Offer characteristics		15 items on a 5-point scale				
	IV-Relationship characteristics	+	10 item on a 5-point scale				
Sharma and Patterson (2000)	DV-Relationship commitment	+	5 items on a 5-point scale	Austr alia	Mail survey 201 RR 23%	Clients commitment relationship to the financial service supplier firm	
	IV-Trust		7 items on a 5-point scale				
	IV-Service satisfaction	+	7 item on a 5-point scale				
	IV-Satisfaction under conditions of low switching cost	+	6 item on a 5-point scale				
	IV-Trust under conditions of high switching cost	+	6 item on a 5-point scale				
	IV-Satisfaction under conditions of high alternative attractiveness	+	5 items on a 5-point scale				
	IV-Trust under conditions of low alternative attractiveness	+	5 items on a 5-point scale				
	IV-Satisfaction under high experience condition	+	4 item on a 5-point scale				
	IV-Trust under low experience condition	+	4 item on a 5-point scale				
Skarmas et al. (2002)	DV-Importer’s (distributor’s) commitment	+	12 items on a 7-point scale	USA	Mail survey 216 RR 22%	Importing distributor’s commitment relationship with exporting manufacturer	
	IV-Transaction specific investment		4 items on a 7-point scale				
	IV-Opportunism	–	5 item on a 7-point scale				
	IV-Environmental volatility	No sig. rel.	4 item on a 7-point scale				
	IV-Exporter’s cultural sensitivity	+	4 item on a 7-point scale				
	DV-Exporter’s opportunism	–	4 item on a 7-point scale				
	IV-Cultural sensitivity		5 item on a 7-point scale				
	IV-Environmental volatility	+					

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Coun try	Method, Respondent & Response Rate	Unit of analysis
Siguaw et al. (1998)	DV-Distributor's commitment to the relationship	No sig. rel	5 items on a 7-point scale	USA	Mail survey 179 RR 14.59%	Channel relationship between distributor and supplier
	IV-Distributor's trust		12 items on a 7-point scale			
	IV-Distributor's perception of cooperative norms		6 items on a 7-point scale			
	IV-Supplier's market orientation	No sig. rel.	19 items on a 7-point scale			
	IV-Distributor's market orientation		20 items on a 7-point scale			
	DV-Distributor's market orientation	+	6 items on a 7-point scale			
	IV-Supplier's market orientation		19 items on a 7-point scale			
	DV-Distributor's trust	No sig. rel.	12 items on a 7-point scale			
Walter & Ritter (2003)	IV-Supplier's market orientation		19 items on a 7-point scale	Germ an	Personal interview 247	Supplier firm's relationship with customer respect to value creation
	IV-Distributor's market orientation		20 items on a 7-point scale			
	DV-Distributor's perception in the cooperative norms	No sig. rel.	6 items on a 7-point scale			
	IV-Supplier's market orientation		19 items on a 7-point scale			
	IV-Distributor's trust		12 items on a 7-point scale			
	IV-Distributor's market orientation		20 items on a 7-point scale			
	DV-Customer commitment	+	4 items on a 7-point scale			
	IV-Trust		5 items on a 7-point scale			
Wetzels et al. (1998)	IV-Customer specific adaptations of the supplier	+	11 items on a 7-point scale	Nethe rlands	Mail survey 572 RR 28.8%	Industrial customer- manufacturer relationship
	DV-Customer trust	+	5 items on a 7-point scale			
	IV-Customer specific adaptations of the supplier		11 items on a 7-point scale			
	DV-Buyer's commitment (Affective and Calculative)	+	4 items on a 9-point scale			
	IV-Satisfaction		1 item on a 9-point scale			
	IV-Technical quality (Support for affective com. not for calculative)	Mixed support	21 items on a 9-point scale			
	IV-Functional quality	No sig. rel.	21 items on a 9-point scale			
	IV-Trust benevolence (support for affective com. not for calculative)	Mixed support	5 items on a 9-point scale			
	IV-Trust honesty	+	5 items on a 9-point scale			
	IV-Customer dependence on sup. (Support for Cal. com. Not for affect. com)	Mixed support	3 items on a 9-point scale			
	DV-Satisfaction	+	1 item on a 9-point scale			
	IV-Technical quality		21 items on a 9-point scale			
	IV-Functional quality	+	21 items on a 9-point scale			

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Coun try	Method Number of Respondent & Response Rate	Unit of analysis
Zineldin & Jonsson (2000)	DV-Distributor (dealer) commitment		7 items on a 7-point scale	Swed en	Mail survey 114 RR 26.45%	Dealer-supplier relationship
	IV-Distributor's trust in supplier	+	8 items on a 7-point scale			
	IV-Opportunistic behavior	+	7 items on a 7-point scale			
	IV-Communication of information	+	6 items on a 7-point scale			
	IV-Adaptation	+	5 items on a 7-point scale			
	IV-Relationship bond	+	5 items on a 7-point scale			
	IV-Relationship termination costs	+	12 items on a 7-point scale			
	IV-Shared values	+	5 items on a 7-point scale			
	IV-Satisfaction	+	3 items on a 7-point scale			
	IV-Cooperation	+	4 items on a 7-point scale			
	DV-Distributor's trust in supplier		8 items on a 7-point scale			
	IV-Adaptation	+	5 items on a 7-point scale			
	IV-Shared values	+	5 items on a 7-point scale			
	IV-Communication of information	+	6 items on a 7-point scale			
	IV-Opportunistic behavior	+	7 items on a 7-point scale			
	IV-Satisfaction	+	3 items on a 7-point scale			
	IV-Cooperation	+	4 items on a 7-point scale			

(Correlation and pairwise T-tests show the above relationships)

**NB:** Total direct independent variables tested in the commitment studies 69

Positive relationship found for 44 variables in each individual studies

No significant relationship found for 13 variables in each individual studies

Negative relationship found for 03 variables in each individual studies

Mixed relationship found for 09 variables in different studies (e.g. the relationship may be positive or negative/no significant in different context within one study e.g. mixed)

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Respondent & Response Rate	Unit of analysis
<b>Studies Examining Commitment as an Explanatory Variable (IV)<sup>13</sup></b>						
Anderson & Weitz (1992)	DV-Manufacture's perception of the distributor's commitment		10 items on a 7-point scale	USA	Mail survey 378 RR 58.71%	Distributor's and manufacturer's commitment relationship at branch office level
	IV-Distributor's commitment	+	10 items on a 7-point scale			
	IV-Manufacturer's perception of the level of idiosyncratic investment made by a distributor	+	5 items on a 7-point scale			
	IV- Perceived exclusivity	+	5 items on a 7-point scale			
	IV- Manufacturer's perception of the level of conflict	-	6 items on a 7-point scale			
Baker et al. (1999)	DV-Suppliers' perception of reseller market orientation		9 items on a 7-point scale	USA	Mail survey 380 RR 33.7%	Supplier- reseller relationship
	IV-Commitment to the resellers	+	5 items on a 7-point scale			
	IV-Trust	+	12 items on a 7-point scale			
	IV-Cooperation	+	6 items on a 7-point scale			
	IV-Satisfaction	+	3 items on a 7-point scale			
Chetty & Eriksson (2002)	DV-Customer is bridgehead to supplier		2 items on a 5-point scale	IMP project in Europe <sup>1</sup>	Personal interview 147	Specific foreign customer- supplier relationship (supplier's perspective)
	IV-Mutual relationship commitment	+	2 items on a 5-point scale			
Holm et al. (1996)	DV-Relationship profitability		1 item on a 5-point scale	IMP project in Europe <sup>1</sup>	Personal interview 136	Supplier-buyer dyadic business relationship
	IV-Relationship understanding	+	3 items on a 5-point scale			
	IV-Relationship commitment	+	2 items on a 5-point scale			
Holm et al. (1999)	DV-Mutual dependence		2 items on a 5-point scale	IMP project Europe <sup>1</sup>	Personal interview 115	Buyer-supplier business relationship
	IV-Mutual commitment	+	2 items on a 5-point scale			

<sup>2</sup> Some of the studies (Anderson & Weitz, 1992; Chetty & Eriksson, 2002; Holm et al., 1996; Holm et al., 1999; Johnson et al., 2001; Miyamoto & Rexha, 2004; Ruyter et al., 2001; Siguaw et al., 1998; Skarmas et al., 2002; Walter & Ritter, 2003; Wetzels et al., 1998) appeared twice in the table because these studies examined commitment as both DV and IV

<sup>1</sup>Suppliers based in Germany, France and Sweden. The European based research project IMP stands for Industrial Marketing and Purchasing.

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Countr y	Method Number of Respondent & Response Rate	Unit of analysis
Johnson et al. (2001)	DV-Perception of available alternative suppliers IV-Commitment to salesperson (supplier) IV-Benefits necessary to switch  DV-Defection intentions IV-Perception of available alternative suppliers IV-Satisfaction with salesperson IV-Commitment to salesperson (supplier)  DV-Benefits necessary to switch IV-Commitment to salesperson (supplier)	– –  + No sig. rel. –  +	3 items on a 7-point scale 3 items on a 7-point scale 1 item on a 7-point scale  4 items on a 7-point scale 3 items on a 7-point scale 3 items on a 7-point scale 3 items on a 7-point scale  1 item on a 7-point scale 3 items on a 7-point scale	USA	Mail survey 844 RR 28%	Customer-supplier relationship
Miyamoto & Rexha (2004)	DV-Customer's/buyer's trust (contractual and goodwill) IV-Relationship commitment	+	3 items on a 7-point scale 3 items on a 7-point scale	Japan	Mail survey 118 RR 16.1%	Buyer-supplier cooperative long-term relationship
Ruyter et al. (2001)	DV-Intention to stay IV-Trust IV-Distributor's affective commitment IV-Distributor's calculative commitment	+ + +	3 item on a 5-point scale 3 items on a 5-point scale 3 items on a 5-point scale 3 item on a 5-point scale	Netherl ands	Mail survey 491 RR 34%	Customer (distributor)-supplier relationship in high-technology market
Siguaw et al. (1998)	DV-Satisfaction with financial performance IV-Distributor's commitment to the relationship IV-Distributors trust IV-Distributor's perception of cooperative norms IV-Distributor's market orientation	+ + – No sig. rel	7 items on a 7-point scale 5 items on a 7-point scale 12 items on a 7-point scale 6 items on a 7-point scale 20 items on a 7-point scale	USA	Mail survey 179 RR 14.59%	Channel relationship between distributor and supplier



Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of analysis
Selnes (1998)	DV-Satisfaction		1 item on a 10-point scale	Norway	Mail survey 177 RR 44%	Buyer-supplier relationship
	IV-Buyer's commitment	+	4 items on a 10-point scale			
	IV-Communication	+	4 item on a 10-point scale			
	IV-Conflict handling	+	3 items on a 10-point scale			
	DV-Buyer's trust		1 item on a 10-point scale			
	IV-Satisfaction	+	1 item on a 10-point scale			
	IV-Communication	+	4 items on a 10-point scale			
	IV-Competence	No sig. rel	4 items on a 10-point scale			
Skarmeas et al. (2002)	DV-Continuity	+	1 item on a 10-point scale	USA	Mail survey 216 RR22%	Importing distributor's commitment relationship with exporting manufacturer's
	IV-Satisfaction		1 item on a 10-point scale			
	DV-Enhancement	+	1 item on a 10-point scale			
	IV-Buyer's trust		1 item on a 10-point scale			
	DV-Relationship performance		4 items on a 7-point scale			
	IV-Importer's commitment	+	12 items on a 7-point scale			
Walter & Ritter (2003)	DV-Direct/indirect value creation		21 items on a 7-point scale	Germany	Personal interview 247	Supplier firm's relationship with customer respect to value creation
	IV-Customer commitment	+	4 items on a 7-point scale			
	IV-Customer trust	+	5 items on a 7-point scale			
	IV- Customer specific adaptations of the supplier	+	11 items on a 7-point scale			
Wetzels et al. (1998)	DV-Intention to stay		3 items on a 9-point scale	Netherlands	Mail survey 572 RR 28.8%	Industrial customer- manufacturer relationship
	IV-Commitment (affective and calculative)	+	4 items on a 9-point scale			
	IV-Satisfaction	No sig. rel.	1 item on a 9-point scale			

Author (s)	DV=Dependent Variable IV=Independent Variable	Relationship with DV	Measurement	Country	Method Number of Respondent & Response Rate	Unit of analysis
<b>Other Studies Examining Commitment as Dependent Variable (DV)</b>						
Chetty & Eriksson (2002)	DV-Mutual relationship commitment (through experiential knowledge)	+	2 items on a 5-point scale	IMP project in Europe <sup>1</sup>	Personal interview 147	Specific foreign customer- supplier relationship (supplier's perspective)
	IV-Business network connections	–	4 items on a 5-point scale			
	IV-Supplier profitability (supplier's value creation)	–	1 item on a 5-point scale			
	DV- Supplier profitability (supplier's value creation)		1 item on a 5-point scale			
	IV- Customer as a bridgehead	+	2 items on a 5-point scale			
Holm et al. (1999)	DV-Mutual commitment		2 items on a 5-point scale	IMP project Europe <sup>1</sup>	Personal interview 115	Buyer-supplier business relationship
	IV-Business network connections	+	4 items on a 5-point scale			
	DV-Relationship value chain		2 items on a 5-point scale			
	IV-Mutual dependence	+	2 items on a 5-point scale			
Gundlach, Achrol & Mentzer (1995)	DV-Long-term commitment intention		4 items on a 7-point scale	USA	Longitudinal observation of 130 under experimental Condition.	Channel dyad
	IV-Credibility of exchange participants commitment input	+	5 items on a 7-point scale			
	IV-Opportunism	–	10 items on a 7-point scale			
	IV-Relational social norms of governance	+	5 items on a 7-point scale			
Gilliland and Bello (2002)	DV-Manufacturer's loyalty commitment to the distributor		4 items on a 5-point scale	USA	Mail survey 314 RR 12.57%	Industrial distributor and manufacturer (supplier) relationship
	IV-Use of social enforcement mechanism	+	4 items on a 5-point scale			
	IV-Use of contractual enforcement mechanism	No sig. rel.	3 item on a 5-point scale			
	IV-Manufacturer's perception of the distributor's pledge of investment	+	3 items on a 5-point scale			
	IV-Manufacturer's trust in the distributor	+	4 items on a 7-point scale			
	DV-Manufacturer's calculative commitment to the distributor		3 items on a 7-point scale			
	IV-Use of social enforcement mechanism	–	4 items on a 7-point scale			
	IV-Use of contractual enforcement mechanism	+	3 items on a 7-point scale			
	IV-Manufacturer's relative dependence	+	6 items on a 7-point scale			
	IV-Manufacturer's pledge of exclusivity to distributor	+	1 items on a 7-point scale			
	IV-Manufacturer's pledge of investments to distributor	+	3 items on a 7-point scale			

NB: Data collection method followed in 32 commitment studies and its percentage

Mail survey – 24 studies which is 75 % of total studies

Personal interview – 6 studies which is 19 % (app.) of total studies

Observation – 1 study which is 3 % (app.) of total studies

Internet Survey – 1 study which is 3 % (app.) of total studies

## Appendix – 2

### Frequency of Variables Used in Examining Commitment in Different Studies

Variable	Studies	Frequency
<b>Commitment as a Dependent Variable (DV)</b>		
DV-Distributor's commitment (Distributor-supplier/dealer-supplier/buyer-seller relationship/customer-supplier/importer-supplier commitment relationship)	Abdul-Muhmin (2002); Anderson & Weitz (1992); Andaleeb (1996); Bennett and Gabriel (2001); Coote et al. (2003); Geyskens et al. (1996); Goodman & Dion (2001); Holm et al. (1996); Johnson et al. (2001); Kim (2001); Kim & Oh (2002); Kim & Frazier (1997); Kumar et al. (1995); Kwon & Suh (2004); Miyamoto & Rexha (2004); Mohr et al. (1996); Morgan & Hunt (1994); Moore (1998); Rodríguez & Wilson (2002); Ruyter et al. (2001); Sharma & Patterson (2000); Siguaw et al. (1998); Skarmeas et al. (2002); Walter & Ritter (2003); Wetzels et al. (1998); Zineldin & Jonsson (2000)	26
<b>Studies Examining Commitment as an Explanatory Variable (IV)</b>		
IV-Commitment to the resellers (supplier)	Baker et al. (1999)	1
IV-Buyer's commitment to the supplier	Selnes (1998)	1
<b>Other Studies Examining Commitment as Dependent Variable (DV)</b>		
DV-Mutual relationship commitment	Chetty & Eriksson (2002); Holm et al. (1999)	2
DV-Long-term commitment Intention	Gundlach et al. (1995)	1
DV-Manufacturer's (loyalty and calculative) commitment to the distributor	Gilliland and Bello (2002)	1
<b>Total Studies Examining Distributor's commitment either as Dependent Variable or Independent Variable</b>		<b>32</b>
<b>Explanatory Variables (IV) of Distributor 's Commitment</b>		
IV-Distributor's Trust	Andaleeb (1996); Bennett and Gabriel (2001); Coote et al. (2003); Geyskens et al. (1996); Goodman & Dion (2001); Kwon & Suh (2004); <b>Moore (1998)</b> ; Morgan & Hunt (1994); Rodríguez & Wilson (2002); Ruyter et al. (2001); Sharma & Patterson (2000); <b>Siguaw et al. (1998)</b> ; Walter & Ritter (2003); Wetzels et al. (1998); Zineldin & Jonsson (2000)	15 (+12) <b>(2 no. sig)</b> (1mixed, Geyskens et al.)
IV-Communication (including collaborative communication)	Anderson & Weitz (1992); Goodman & Dion (2001); Kim & Frazier (1997); Mohr et al. (1996); <b>Moore (1998)</b> ; Zineldin & Jonsson (2000)	6 (+5) <b>(1 no sig.)</b>
IV-Distributor's idiosyncratic investment (Specific investment)	Anderson & Weitz (1992); Goodman & Dion (2001); Kim (2001); Kim & Oh (2002); Kim & Frazier (1997); Skarmeas et al. (2002)	6 (all +)

Variable	Studies	Frequency
IV-Opportunistic behavior	<b>Moore (1998)</b> ; Skarmeas et al. (2002) -; Zineldin & Jonsson (2000) +	3 (+1,-1, <b>1no</b> )
IV-Supplier trustworthiness	Kim (2001); Kim & Oh (2002); Kim & Frazier (1997)	3 (all +)
IV-Distributor dependence on supplier	Goodman & Dion (2001); Kim (2001); Kim & Frazier (1997)	3 (all +)
IV-Satisfaction with supplier	Abdul-Muhmin (2002); Johnson et al. (2001); Sharma and Patterson (2000)	3 (all +)
IV-Interdependence in a distribution channel	Geyskens et al. (1996); Kim & Oh (2002); Kumar et al. (1995)	3 (all +)
IV-Cooperation	Morgan & Hunt (1994); Zineldin & Jonsson (2000)	2 (both +)
IV-Shared values	Morgan & Hunt (1994); Zineldin & Jonsson (2000)	2 (both +)
IV-Relationship termination costs	Morgan & Hunt (1994); Zineldin & Jonsson (2000)	2 (both +)
IV-Buyer/customer dependence on supplier	Andaleeb (1996); <b>Wetzels et al. (1998)</b>	2 (+1,1 <b>mixed</b> )
IV-Interdependence asymmetry	Geyskens et al. (1996); <b>Kumar et al. (1995)</b>	2 (-1, 1 <b>mixed</b> )
IV-Relationship benefits	<b>Moore (1998)</b> ; Morgan & Hunt (1994)	2 (+1, <b>1 no</b> )
IV-Satisfaction	Wetzels et al. (1998); Zineldin & Jonsson (2000)	2 (both +)
IV-Products aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1 (+)
IV-Pricing aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1(+)
IV-Logistics aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1(no)
IV-Distributor's perception of the manufacturers commitment	Anderson & Weitz (1992)	1(+)
IV-Distributor's exclusive dealing in the manufacturers product	Anderson & Weitz (1992)	1(no)
IV-Distributors perception of manufacturer's reputation	Anderson & Weitz (1992)	1(+)
IV-Relationship understanding	Holm et al. (1996)	1(+)
IV-Business network connection	Holm et al. (1996)	1(+)
IV-Relationship profitability	Holm et al. (1996)	1(+)
IV-Perceived equity with salesperson	Johnson et al. (2001)	1(+)
IV-Customer volatility	Kim (2001)	1(no)
IV-Customer munificence	Kim (2001)	1(no)
IV-Customer heterogeneity	Kim (2001)	1(no)
IV-Bilateral communication	Kim & Oh (2002)	1(+)

Note: The Positive, Negative and Non-significant relationships are shown in frequency column. The boldfaced studies found mixed or no significant results.

<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
IV-Supplier control	Kim & Oh (2002)	1(+)
IV-Long-term orientation	Kim & Oh (2002)	1(+)
IV-Distributor dependence deficit	Kim & Oh (2002)	1(no)
IV-Distributor dependence advantage	Kim & Oh (2002)	1(no)
IV-Manifest conflict	Kim & Frazier (1997)	1(mixed)
IV-Supplier role performance	Kim & Frazier (1997)	1(+)
IV-Distributor motivational investment	Kim & Frazier (1997)	1(+)
IV-Trust under conditions of buyer dependence on a supplier	Andaleeb (1996)	1(+)
IV-Supplier relationship-specific investments	Miyamoto & Rexha (2004)	1(+)
IV-Relationship-specific interaction competence	Miyamoto & Rexha (2004)	1(+)
IV-Acquiescence	Morgan & Hunt (1994)	1(+)
IV-Propensity to leave	Morgan & Hunt (1994)	1(-)
IV-Use of coercive power by the supplier	Goodman & Dion (2001)	1(-)
IV-Use of noncoercive power by the supplier	Goodman & Dion (2001)	1(+)
IV-Continuity	Goodman & Dion (2001)	1(no)
IV-Product salability	Goodman & Dion (2001)	1(+)
IV-Ease of sale	Goodman & Dion (2001)	1(+)
IV-Third party's (supplier's) equity	Moore (1998)	1(no)
IV-Third party's (supplier's) relationship commitment	Moore (1998)	1(+)
IV-Buyer's relationship conflict	Moore (1998)	1(-)
IV-Buyer's relationship effectiveness	Moore (1998)	1(no)
IV-Relationship characteristics	Ruyter et al. (2001)	1(+)
IV-Market characteristics	Ruyter et al. (2001)	1(+)
IV-Satisfaction under conditions of low switching cost	Sharma and Patterson (2000)	1(+)
IV-Trust under conditions of high switching cost	Sharma and Patterson (2000)	1(+)
IV-Satisfaction under conditions of high alternative attractiveness	Sharma and Patterson (2000)	1(+)
IV-Trust under conditions of low alternative attractiveness	Sharma and Patterson (2000)	1(+)
IV-Satisfaction under high experience condition	Sharma and Patterson (2000)	1(+)

<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
IV-Trust under low experience condition	Sharma and Patterson (2000)	1(+)
IV-Perception of cooperative norms	Siguaw et al. (1998)	1(+)
IV-Supplier's market orientation	Siguaw et al. (1998)	1(+)
IV-Distributor's market orientation	Siguaw et al. (1998)	1(no)
IV-Environmental volatility	Skarmas et al. (2002)	1(no)
IV-Exporter's cultural sensitivity	Skarmas et al. (2002)	1(+)
IV-Technical quality (Support for affective com. not for calculative)	Wetzels et al. (1998)	1(mixed)
IV-Functional quality	Wetzels et al. (1998)	1(no)
IV-Trust benevolence (support for affective com. not for calculative)	Wetzels et al. (1998)	1(mixed)
IV-Adaptation	Zineldin & Jonsson (2000)	1(+)
IV-Relationship bond	Zineldin & Jonsson (2000)	1(+)
IV-Customer specific adaptations of the supplier	Walter & Ritter (2003)	1(+)
<b>Total (Positive 44, Negative 03, No significant relationships for 13 and Mixed relationships for 09 variables respect to all studies) 69 Variables</b>		
<b>Other Dependent Variables Examined in the Commitment Studies</b>		
DV-Distributor's/ buyer's trust	Coote et al. (2003); Kumar et al. (1995); Kwon & Suh (2004) Moore (1998); Morgan & Hunt (1994); Rodríguez & Wilson (2002); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Walter & Ritter (2003); Zineldin & Jonsson (2000)	11
DV-Buyer's satisfaction	Abdul-Muhmin (2002); Andaleeb (1996); Selnes (1998); Wetzels et al. (1998)	4
DV-Manufacturer's commitment/supplier's commitment	Anderson & Weitz (1992); Kim (2001)	2
DV-Satisfaction with salesperson (supplier/manufacture)	Johnson et al. (2001); Mohr et al. (1996)	2
DV-Conflict	Kumar et al. (1995); Moore (1998)	2
DV- Distributor's perception of the manufacturers commitment	Anderson & Weitz (1992)	1
DV-Manufacture's perception of the distributor's commitment	Anderson & Weitz (1992)	1
DV-Suppliers' perception of reseller market orientation	Baker et al. (1999)	1
DV-Dealer coordination	Mohr et al. (1996)	1
DV-Continuity	Selnes (1998)	1
DV-Enhancement	Selnes (1998)	1
DV-Distributor's market orientation	Siguaw et al. (1998)	1

<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
DV-Satisfaction with financial performance	Siguaw et al. (1998)	1
DV-Distributor's perception in the cooperative norms	Siguaw et al. (1998)	1
DV-Relationship performance	Skarmeas et al. (2002)	1
DV-Exporter's opportunism	Skarmeas et al. (2002)	1
DV-Supplier closeness	Bennett and Gabriel (2001)	1
DV-Relationship specific investment	Bennett and Gabriel (2001)	1
DV-Customer is bridgehead to supplier	Chetty & Eriksson (2002)	1
DV-Supplier profitability (supplier's value creation)	Chetty & Eriksson (2002)	1
DV-Relationship profitability	Holm et al. (1996)	1
DV-Relationship value creation	Holm et al. (1999)	1
DV-Mutual dependence	Holm et al. (1999)	1
DV-Perception of available alternative suppliers	Johnson et al. (2001)	1
DV-Defection intentions	Johnson et al. (2001)	1
DV-Benefits necessary to switch	Johnson et al. (2001)	1
DV-Supplier control	Kim & Oh (2002)	1
DV-Relationship-specific interaction competence	Miyamoto & Rexha (2004)	1
DV-Customer/buyer relationship satisfaction	Miyamoto & Rexha (2004)	1
DV-Customer's/buyer's trust (Contractual, competence and goodwill)	Miyamoto & Rexha (2004)	1
DV-Buyer's relationship effectiveness	Moore (1998)	1
DV-Buyer's risk of third party (supplier) opportunism	Moore (1998)	1
DV-Direct/indirect value creation	Walter & Ritter (2003)	1
DV-Intention to stay	Wetzels et al. (1998)	1
<b>Total</b>		<b>34</b>
<b>Commitment as an Explanatory Variable (IV)</b>		
IV-Distributor's commitment including two mutual commitment studies (dealer/buyer-seller, customer-supplier/importing distributor's commitment)	Anderson & Weitz (1992); Baker et al. (1999); Chetty & Eriksson (2002); Holm et al. (1999); Holm et al. (1996); Johnson et al. (2001); Miyamoto & Rexha (2004); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Skarmeas et al. (2002); Walter & Ritter (2003); Wetzels et al. (1998)	<b>13</b>
<b>Other Interrelated Independent Variables Examined in the Commitment Studies</b>		
IV-Trust	Andaleeb (1996); Baker et al. (1999); Bennett and Gabriel (2001); Kim (2001); Moore (1998); Ruyter et al. (2001); Selnes (1998); Siguaw et al. (1998); Walter & Ritter (2003)	9

<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
IV-Communication	Coote et al. (2003); Moore (1998); Morgan & Hunt (1994); Selnes (1998); Zineldin & Jonsson (2000)	5
IV-Opportunistic behavior	Gundlach et al. (1995); Moore (1998); Morgan & Hunt (1994); Zineldin & Jonsson (2000)	4
IV-Satisfaction	Baker et al. (1999); Selnes (1998); Wetzels et al. (1998), Kwon & Suh (2004)	4
IV-Conflict	Coote et al. (2003); Moore (1998), Kwon & Suh (2004)	3
IV-Cooperation	Baker et al. (1999); Morgan & Hunt (1994); Zineldin & Jonsson (2000)	3
IV-Shared Value	Morgan & Hunt (1994); Zineldin & Jonsson (2000)	2
IV-Business network connections	Chetty & Eriksson (2002); Holm et al. (1999)	2
IV-Uncertainty (Decision making/Behavioral)	Morgan & Hunt (1994), Kwon & Suh (2004)	2
IV-Distributor's perception of the level of idiosyncratic investment made by a manufacturer/Supplier	Anderson & Weitz (1992), Kwon & Suh (2004)	2
IV-Buyer/Manufacturer's perception of the level of distributor's idiosyncratic investment	Anderson & Weitz (1992), Kwon & Suh (2004)	2
IV-Customer's perception of the reputation/Partners reputation	Bennett and Gabriel (2001), Kwon & Suh (2004)	2
IV-Products aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1
IV-Pricing aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1
IV-Logistics aspects of suppliers' marketing program	Abdul-Muhmin (2002)	1
IV-Manufacturer's commitment	Anderson & Weitz (1992)	1
IV-Functional conflict	Morgan & Hunt (1994)	1
IV-Relationship understanding	Holm et al. (1996)	1
IV-Trust under conditions of buyer dependence on a supplier	Andaleeb (1996)	1
IV-Perceived territorial exclusivity	Anderson & Weitz (1992)	1
IV-Distributor's perception of the level of conflict	Anderson & Weitz (1992)	1
IV-Manufacturer engages in direct selling	Anderson & Weitz (1992)	1
IV- Manufacturer's perception of the level of conflict	Anderson & Weitz (1992)	1
IV-Manufacturer's perception of the distributor's commitment	Anderson & Weitz (1992)	1
IV-Manufacturer's perception of the level of communication	Anderson & Weitz (1992)	1



<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
IV-Manufacturer's perception of the distributor's reputation	Anderson & Weitz (1992)	1
IV-Manufacturer grants territorial exclusivity to distributor	Anderson & Weitz (1992)	1
IV-Similarity (ethical and cultural)	Coote et al. (2003)	1
IV-Structural bonds	Rodríguez and Wilson (2002)	1
IV-Social bonds	Rodríguez and Wilson (2002)	1
IV-Adaptation	Zineldin & Jonsson (2000)	1
IV-Interdependence	Kumar et al. (1995)	1
IV-Benefits necessary to switch	Johnson et al. (2001)	1
IV-Perception of available alternative suppliers	Johnson et al. (2001)	1
IV-Satisfaction with salesperson	Johnson et al. (2001)	1
IV-Perceived equity with salesperson (supplier)	Johnson et al. (2001)	1
IV-Customer volatility	Kim (2001)	1
IV-Customer heterogeneity	Kim (2001)	1
IV-Customer munificence	Kim (2001)	1
IV-Specialized investment	Kim (2001)	1
IV-Dependence	Kim (2001)	1
IV-Supplier relationship-specific investment	Miyamoto & Rexha (2004)	1
IV-Relationship-specific interaction competence	Miyamoto & Rexha (2004)	1
IV-Customer's/buyer's relationship satisfaction	Miyamoto & Rexha (2004)	1
IV-Interdependence asymmetry	Kumar et al. (1995)	1
IV-Third party's (supplier) equity	Moore (1998)	1
IV-Buyer's relationship benefits	Moore (1998)	1
IV-Third party's relationship commitment	Moore (1998)	1
IV-Customer as bridgehead	Chetty & Eriksson (2002)	1
IV-Supplier profitability	Chetty & Eriksson (2002)	1
IV-Credibility of exchange participants commitment input	Gundlach et al. (1995)	1
IV-Relational social norms of Governance	Gundlach et al. (1995)	1
IV-Dealer satisfaction	Zineldin & Jonsson (2000)	1

<b>Variable</b>	<b>Studies</b>	<b>Frequency</b>
IV-Offer characteristics	Ruyter et al. (2001)	1
IV-Relationship characteristics	Ruyter et al. (2001)	1
IV-Competence	Selnes (1998)	1
IV-Conflict handling	Selnes (1998)	1
IV-Supplier market orientation	Siguaw et al. (1998)	1
IV-Distributors market orientation	Siguaw et al. (1998)	1
IV-Distributor's perception of cooperative norms	Siguaw et al. (1998)	1
IV-Technical quality	Wetzels et al. (1998)	1
IV-Functional quality	Wetzels et al. (1998)	1
IV-cultural sensitivity	Skarmeas et al. (2002)	1
IV-Environmental Volatility	Skarmeas et al. (2002)	1
IV-Use of social enforcement mechanism	Gilliland and Bello (2002)	1
IV-Use of contractual enforcement mechanism	Gilliland and Bello (2002)	1
IV-Manufacturer's perception of the distributor's pledge of investment	Gilliland and Bello (2002)	1
IV-Manufacturer's trust in the distributor	Gilliland and Bello (2002)	1
IV-Use of social enforcement mechanism	Gilliland and Bello (2002)	1
IV-Use of contractual enforcement mechanism	Gilliland and Bello (2002)	1
IV-Manufacturer's relative dependence	Gilliland and Bello (2002)	1
IV-Manufacturer's pledge of exclusivity to distributor	Gilliland and Bello (2002)	1
IV-Manufacturer's pledge of investments to distributor	Gilliland and Bello (2002)	1
IV-Mutual dependence	Holm et al. (1999)	1
IV-Customer specific adaptations of the supplier	Walter & Ritter (2003)	1
IV-Information sharing	Kwon & Suh (2004)	1
<b>Total</b>		<b>76</b>

### Appendix – 3

#### Brief Conceptual Definition, Operational Definition and Measurements

Construct	Conceptual definition	Operational definition	Summarised expected relationship between the variables		Domain of the measurement
DV: Commitment (COMMIT)	the extent to which an importer is dedicated to developing and maintaining a strong, close, and enduring relationship, and is willing to make short-term sacrifices to continue the relationship	Seven-item scale tapping pertinent facets of importer's perception of commitment including continuity, willingness, developing relationship and other behavioural and attitudinal aspects of commitment.	H <sub>1</sub> : CULS → COMMIT H <sub>2</sub> : KNWEXP → COMMIT H <sub>3</sub> : SC → COMMIT H <sub>5</sub> : COMMUN → COMMIT H <sub>6</sub> : OPPNSM → COMMIT H <sub>8</sub> : TR → COMMIT H <sub>9</sub> : TSI → COMMIT H <sub>10</sub> : ENVOL → COMMIT	+ + + + + - + + -	Devotion and responding Providing special aid to this supplier Expectation to increase purchase Expectation to continue relationship Develop and strengthen relationship Efforts and involvement for relationship Degree of satisfaction and cooperation
IV: Cultural similarity (CULS)	cultural similarity refers to the cultural closeness in respect to ethical, social, and legal aspects	This will be capturing the import manager's attitude to the extent of cultural similarity between the importer and their supplier. Five-item scale reflecting importers and suppliers' socio-business cultural similarity.	H <sub>1</sub> : CULS → COMMIT	+	Similarity between importer and supplier with respect to their style of greeting/address, business practice, legal formalities that influence business negotiations, standard of ethics, sharing gestures, and the uses of contracts and agreements in business
IV: Knowledge and experience (KNWEXP)	refers to an importer's distinction of "objects" through which they gain experience and play efficient role in importing	This measure describes importers' perception of their knowledge and experience to the extent to which generate commitment to a specific supplier. Five-item scale concerning knowledge compatibility, requirements, experience and technical ability of the importing firm.	H <sub>2</sub> : KNWEXP → COMMIT	+	This measure covers the importers' perception on their knowledge and experience respect to product markets, familiarity with market needs, over all experience with the market, understanding the suppliers preferred procedures and technical efficiency in evaluating product.
IV: Supplier' competencies (SC)	competitive competencies can exist only in relation to the market and other offerings in that market	Seven items reflecting importers' perception of the degree to which suppliers' resources and capabilities generate relative advantage in importing.	H <sub>3</sub> : SC → COMMIT	+	Supplier's relative competency of quality product, competitive price, knowledge, technical service, better warranty, knowledgeable sales people, payment terms, and delivery frequency.

Construct	Conceptual definition	Operational definition	Expected relationship between the variables summarised for ease of reference		Domain of the measurement
IV: Communication (COMMUN)	Communication is the partners exchange relationship obvious and unrestricted share of information as it's fulfil their deserve	Communication (five) items measure the extent to which importers in the supplier relationship actively exchange or communicate information that facilitates importing activities in a committed manner.	H <sub>4</sub> : COMMUN → TR H <sub>5</sub> : COMMUN → COMMIT	+ +	Informing about changes in business Exchanging information for both benefit Information about events and changes Informing new possibilities Information if any problems arise
IV: Opportunism (OPPNSM)	one party has an intention to break promises or try to seek interest and evasion of obligations or violating contract to others	The supplier's opportunism comprises five items for operationalisation as importer perception of supplier opportunistic behaviour during the period of exchange relationship and negotiations.	H <sub>6</sub> : OPPNSM → COMMIT H <sub>7</sub> : OPPNSM → TR	- -	Exaggeration of needs Breaches in formal/informal agreements Altering facts to get what they want Bargaining and negotiation style Benefit seeking from the relationship
IV: Trust (TR)	importer's belief that its needs will be fulfilled in the future by actions taken by the supplier	Trust tends to measure importer's perception of supplier attitude in honesty and truthfulness, reliability, openness, integrity, trustworthiness, and supervision with six -item statements.	H <sub>8</sub> : TR → COMMIT	+	Honesty, truthfulness, promises, reliability, openness, integrity and supervision
IV: Transaction-specific investment (TSI)	investments in durable assets that are highly specialized to the relationships are not easily redeployable	This measure describes importers' perception of their investment dedication, substantiality, use and dealing in supplier's product line. Six items scale statement will be used to measure this construct.	H <sub>9</sub> : TSI → COMMIT	+	Substantiality of investment Dedicated to this supplier's product line Investment in building suppliers business Investment substantiality Promoting suppliers product line
IV: Environmental volatility (ENVOL)	extent to which environmental changes surrounding the transactions	Environmental volatility measure capturing the importer's perception on predictability, variability of market share and trends, sales forecasting. This will be operationalised by five-items.	H <sub>11</sub> : ENVOL → OPPNSM H <sub>10</sub> : ENVOL → COMMIT	+ -	Environmental predictability Maintaining market shares Monitoring trends Sales forecasting Prediction of marketing action

**Appendix – 4**  
**Questionnaire for Quantitative Study**

**QUT Ref No 3370H**

**Strictly Confidential**

**Questionnaire Prepared for a PhD Research Project**



**Queensland University of Technology**  
**School of International Business**

**Your completion of this questionnaire is greatly appreciated.**  
**All information will be treated in strict confidence.**

Study Conducted By:

Md. Abu Saleh  
PhD Fellow

A return envelop has been enclosed for your convenience.

On completion, please return in the postage paid envelope included By:

.....

If your return envelope is lost, please send this survey to:

Md. Abu Saleh, 52/1, Sobuj Bugh, Post: Bashabo, Dhaka-1214

If you have any questions regarding this questionnaire or the study please contact:  
Phone: (02) 8861919, 0171616386 (Mobile) in Dhaka, 61-07-38644329, 61-07-38641560 in Australia.

Your completion of this questionnaire shall be taken to indicate your consent to participate in the study.

# A STUDY OF IMPORTERS' COMMITMENT TO AN IMPORT SUPPLIER

## Explanatory Notes:

### Coverage

The survey relates Bangladeshi importing firms those are engaged in importing consumer and industrial goods from a specific supplier for at least two years.

### Who should answer the questionnaire?

It would be greatly appreciated if the questionnaire is answered by the owner of sole trading organisation or the senior manager of the firm who is involved in import decision making process.

### The questions

The questions only require your perceptual opinion with respect to a specific (major supplier of a major product) supplier from whom your firm imports a specific item for at least two years. **Please keep your major supplier of a major product in your mind while you fill up this questionnaire** and read the questionnaire statements and circle the most appropriate number against each. There is no right or no wrong answer or no numeric information is required. It is your opinion that is most justifiable.

Some of the questions may appear similar, but your answer to each question will enable us to scientifically assess the response, and draw valid conclusions. Each scale item indicates:

1. Strongly disagree	2. Disagree	3. Slightly disagree	4. Neither agree Nor disagree	5. Slightly agree	6. Agree	7. Strongly agree
----------------------	-------------	----------------------	-------------------------------	-------------------	----------	-------------------

### Confidentiality and the use of data

Please be assured that your responses remain strictly confidential and that the collected data will only be used for aggregate analysis without identifying the name of your company or you as a respondent. Your participation is voluntary but we sincerely request you to participate for the success of the research.

If you have any concerns or complaints about the ethical conduct of this project, you should contact the Research Ethics Officer on (07) 3864 2340 or on email [ethicscontact@qut.edu.au](mailto:ethicscontact@qut.edu.au).

## Section A

Please provide the following general information about your firm

1. Are you importing basically for: (Please tick the appropriate box)

☐ Industrial/manufacturing use

☐ Resale as consumer goods

2. How long has your firm been in importing? \_\_\_\_\_ Years

3. How many products/items are you importing? \_\_\_\_\_

4. Does your firm export?

Yes ☐ No ☐ (If no, please go to section B)

(If yes, please answer the following questions)

5. Are your imported products used as inputs of your export items?

Yes ☐ No ☐

6. How long has your firm been in exporting? \_\_\_\_\_ Years

## Section B

Q 7. To what extent do you agree/disagree with the following statements? **“Please keep your major supplier of a major product in your mind while you fill up this questionnaire”** and circle the most appropriate number to indicate your best judgment. Each scale item indicates:

1.Strongly disagree	2. Disagree	3. Slightly disagree	4. Neither agree Nor disagree	5. Slightly agree	6. Agree	7.Strongly agree
---------------------	-------------	----------------------	-------------------------------	-------------------	----------	------------------

	Strongly disagree ----- Strongly agree						
It is my opinion that -----							
a. Our major supplier has generally been honest	1	2	3	4	5	6	7
b. Our major supplier is truthful	1	2	3	4	5	6	7
c. Promises made by our major supplier are reliable	1	2	3	4	5	6	7
d. Our major supplier is open in dealing business with us	1	2	3	4	5	6	7
e. Our major supplier has a high degree of integrity	1	2	3	4	5	6	7
f. Transactions with our major supplier do not need close supervision	1	2	3	4	5	6	7

Q 8. To what extent do you agree/disagree with the following statements? **“Please keep your major supplier of a major product in your mind while you fill up this questionnaire”** and circle the most appropriate number. Each scale item indicates:

<b>1.Strongly disagree</b>	<b>2. Disagree</b>	<b>3. Slightly disagree</b>	<b>4. Neither agree Nor disagree</b>	<b>5. Slightly agree</b>	<b>6. Agree</b>	<b>7. Strongly agree</b>
----------------------------	--------------------	-----------------------------	--------------------------------------	--------------------------	-----------------	--------------------------

I believe that -----	Strongly disagree ----- Strongly agree						
a. We keep our supplier informed about changes in our business	1	2	3	4	5	6	7
b. Our major supplier and our company exchange those information that may benefit both	1	2	3	4	5	6	7
c. This supplier and our company keep each other informed about events and changes in the market	1	2	3	4	5	6	7
d. Our major supplier frequently discusses and informs us about new possibilities for business development	1	2	3	4	5	6	7
e. Our major supplier informs us immediately if any problem arises	1	2	3	4	5	6	7

Q 9. To what extent do you agree/disagree with the following statements? Please circle the most appropriate number. Each scale item indicates:

I perceive that -----	Strongly disagree ----- Strongly agree						
a. The styles of our greeting/address/introductions are similar to those of our major supplier	1	2	3	4	5	6	7
b. Our business practices (such as keeping appointments and meeting on time) are similar to those of our major supplier	1	2	3	4	5	6	7
c. Our legal formalities that influence business negotiations are similar to those of our major supplier	1	2	3	4	5	6	7
d. Our standards of ethics and morals in business are similar to that of the supplier	1	2	3	4	5	6	7
e. The uses of contracts and agreements in our business are similar to those of our major supplier's business practice	1	2	3	4	5	6	7



Q 10. To what extent do you agree/disagree with the following statements? **“Please keep your major supplier of a major product in your mind while you fill up this questionnaire”** and circle the most appropriate number. Each scale item indicates:

1.Strongly disagree	2. Disagree	3. Slightly disagree	4. Neither agree Nor disagree	5. Slightly agree	6. Agree	7. Strongly agree
---------------------	-------------	----------------------	-------------------------------	-------------------	----------	-------------------

In my assessment -----	Strongly disagree	1	2	3	4	5	6	Strongly agree
a. Our major supplier has a better quality product than other suppliers	1	2	3	4	5	6	7	
b. Our major supplier offers better warranties than other competitive suppliers	1	2	3	4	5	6	7	
c. Our major supplier offers more competitive prices than other suppliers	1	2	3	4	5	6	7	
d. Our major supplier offers more extended payment terms than other suppliers	1	2	3	4	5	6	7	
e. Our major supplier has better knowledge of supply chain than other suppliers	1	2	3	4	5	6	7	
f. Our major supplier has more knowledgeable salespeople than other suppliers	1	2	3	4	5	6	7	
g. Our major supplier offers frequent and timely delivery services	1	2	3	4	5	6	7	

Q 11. To what extent do you agree/disagree with the following statements?

I believe that -----	Strongly disagree	1	2	3	4	5	6	Strongly agree
a. We have invested substantially in personnel dedicated to our major source of supply	1	2	3	4	5	6	7	
b. We have invested a great deal in building up our major supplier's business	1	2	3	4	5	6	7	
c. We have made substantial investments in facilities dedicated to our major supplier's product line	1	2	3	4	5	6	7	
d. If we switched to a competing source, we would lose a lot of the investment we have made in this supplier	1	2	3	4	5	6	7	
e. If we decided to stop working with our major supplier, we would be wasting a lot of knowledge regarding their method of operation	1	2	3	4	5	6	7	
f. We have made significant investments to display and promote our major supplier's product	1	2	3	4	5	6	7	

Q 12. To what extent do you agree/disagree with the following statements? **“Please keep your major supplier of a major product in your mind while you fill up this questionnaire”** and circle the most appropriate number. Each scale item indicates:

1. Strongly disagree	2. Disagree	3. Slightly disagree	4. Neither agree Nor disagree	5. Slightly agree	6. Agree	7. Strongly agree
----------------------------	-------------	-------------------------	-------------------------------------	----------------------	----------	-------------------------

It is my opinion that -----	Strongly disagree ----- Strongly agree						
a. Our major supplier exaggerates their needs in order to get what they desire	1	2	3	4	5	6	7
b. Our major supplier sometimes breaches formal or informal agreements for their own benefit	1	2	3	4	5	6	7
c. Our major supplier sometimes alters facts to get what they want	1	2	3	4	5	6	7
d. Good faith bargaining is not a hallmark of this supplier's negotiation style	1	2	3	4	5	6	7
e. Our major supplier has benefited from our relationship to our own detriment	1	2	3	4	5	6	7

In each statement of the following questions (Q 13 to Q 15), the items indicate negative to positive perception. For example; in the first statement of question 13 in respect to market environment: No 1 = highly unpredictable, No 2 = unpredictable, No 3 = slightly unpredictable, No 4 = indifferent, No 5 = slightly predictable, No 6 = predictable, and No 7 = highly predictable. Please circle the most appropriate number.

Q13. To what extent do you agree/disagree with the following statements?

I perceive that the extent to which -----							
a. The market environment relating to our major supplier's product is -----							
Unpredictable	1	2	3	4	5	6	7 Predictable
b. The market share of our major supplier's product is -----							
Volatile	1	2	3	4	5	6	7 Stable
c. Monitoring market trend for our major supplier's product is -----							
Difficult	1	2	3	4	5	6	7 Easy
d. In respect to our major supplier's product, our sales forecasts are likely to be ----							
Inaccurate	1	2	3	4	5	6	7 Accurate
e. The results of marketing actions in respect to our major supplier's product are ---							
Difficult to predict	1	2	3	4	5	6	7 Easily predictable

Q14. To what extent do you agree/disagree with the following statements?

I believe that -----									
a. We have ----- market knowledge about the product we buy from our major supplier									
Limited	1	2	3	4	5	6	7	Substantial	
b. Our familiarity with market needs for our major supplier's product is -----									
Limited	1	2	3	4	5	6	7	Substantial	
c. Our overall experience with the markets for our major supplier's product is -----									
Limited	1	2	3	4	5	6	7	Substantial	
d. Our knowledge about major supplier's preferred steps/procedures of buying is ---									
Limited	1	2	3	4	5	6	7	Substantial	
e. Our knowledge about the technical attributes of the product offered by our major supplier is -----									
Limited	1	2	3	4	5	6	7	Substantial	

Q15. To what extent do you agree/disagree with the following statements?

It is our/my opinion that the relationship with my major supplier -----									
a. We ----- more time to our major supplier when it needs help									
Do not devote	1	2	3	4	5	6	7	Devote	
b. We ----- quickly to our major supplier when it needs help									
Do not respond	1	2	3	4	5	6	7	Respond	
c. We ----- to increase our purchase from our major supplier in the future whatever product he/she can supply									
Do not expect	1	2	3	4	5	6	7	Expect	
d. We ----- to maintain/continue working with our major supplier for a long time									
Do not expect	1	2	3	4	5	6	7	Expect	
e. We ----- intentions to develop and strengthen this relationship over time									
Do not have	1	2	3	4	5	6	7	Have	
f. The relationship with our major supplier ----- maximum effort and involvement									
Do not requires	1	2	3	4	5	6	7	Requires	
g. We ----- very satisfied with the level of cooperation we get from our major supplier									
Do not feel	1	2	3	4	5	6	7	Feel	

16. Please provide the following information

- a. What percentage of your imports from this supplier has increased over the last two years? \_\_\_\_\_ %
- b. What percentage do you expect to increase from this supplier in the next financial year? \_\_\_\_\_ %
- c. Given the possibility of supplying other products, have you added any of those items in your import list from this supplier over the last two years?  
Yes \_\_\_\_\_ No \_\_\_\_\_ Not applicable \_\_\_\_\_
- d. If yes, please state how many items? \_\_\_\_\_
- e. Did you ever sacrifice the opportunity of buying this product from alternative source(s) at a lower price to maintain relationship with this supplier?  
Yes \_\_\_\_\_ No \_\_\_\_\_
- f. Have you ever considered increasing this supplier's business in Bangladesh in terms of being sole distributor, licensing or joint venture for local production?  
Yes \_\_\_\_\_ No \_\_\_\_\_

17. The following information relates to the import manager/owner of the importing firm who is most responsible with the import decision making process as well as a respondent of this questionnaire.

- (a) Sex (please tick): ☐ Male ☐ Female
- (b) Education (please tick): ☐ Masters ☐ Hons/Pass graduate  
☐ H.S.C ☐ Others (please Specify) -----
- (c) Age (approximately): \_\_\_\_\_ d) Year of experience: \_\_\_\_\_
- (e) Number of employees: \_\_\_\_\_

18. Please indicate your designation within your organization (please tick):

- ☐ Owner of the Firm ☐ Managing director
- ☐ Chief Executive ☐ General Manager
- ☐ Director ☐ Manager
- ☐ Commercial Officer/executive ☐ Others (please specify)-----

Comments: Please indicate if you have any concern or comments regarding importer-exporter/supplier relationship.

THANK YOU VERY MUCH FOR YOUR TIME & PARTICIPATION  
(A stamped envelop has been enclosed for returning the duly filled up questionnaire.  
Please send the document to the provided address.)

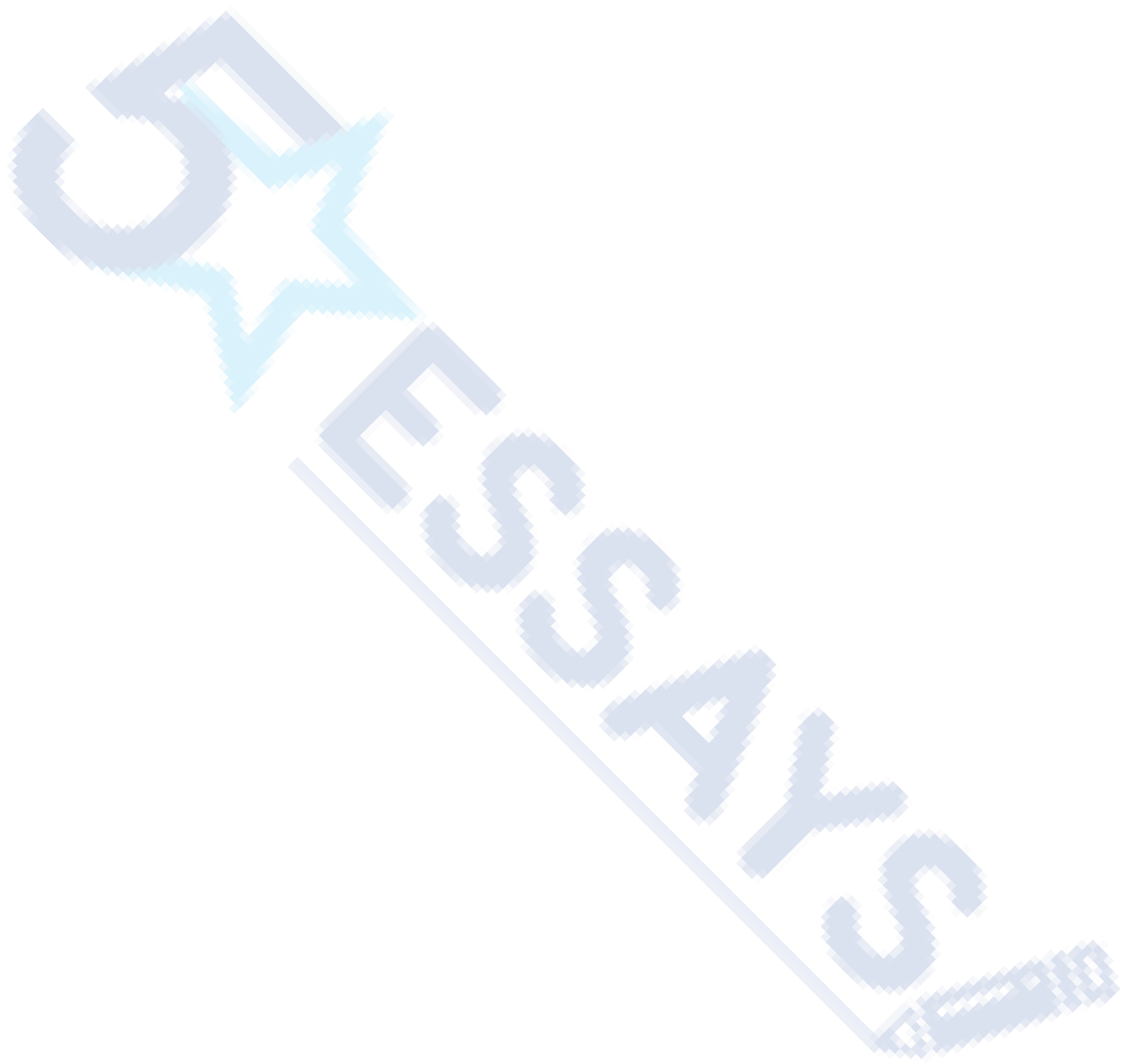


















## Appendix - 6

**QUT Ref No 3370H**

**Strictly Confidential**

### **Qualitative Interview Protocol**



**Queensland University of Technology  
School of International Business**

### **An Exploratory Study of Commitment to an Import Supplier**

<b>INTERVIEW PROTOCOL FOR QUALITATIVE INFORMATION</b>
---

Study Conducted By:

Md. Abu Saleh  
PhD Fellow

Code No:	
Location:	
District:	
Country:	
Participant's Designation	
Company Name	
Date of Interview	

Dear Sir/Madam,

This study aims to identify the antecedents of importer commitment and their (antecedents') influence on commitment to an import supplier. I am therefore seeking from you some important information with respect to your major supplier that will enable me to reach worthwhile conclusion. This interview should only take around an hour of your valuable time.

Some of the follow up questions may appear to be similar, but the answers to them will enable me to scientifically assess the responses, and draw valid conclusions.

I can assure you that the information you provide in this interview will be treated in strict confidence. This project has received ethical clearance from QUT. If you have any concerns about the ethical conduct of this project, please contact the Research Ethics Officer on (07) 3864 2340 or on email [ethicscontact@qut.edu.au](mailto:ethicscontact@qut.edu.au).

Your cooperation in this research project will be greatly appreciated.

Yours sincerely,

Md. Abu Saleh  
PhD Candidate  
School of International Business  
QUT, Brisbane, QLD 4001

## Working guide/manual of qualitative information

Q1: How many suppliers do you have currently?

--

Q2: How long have you been involve with your major supplier?


Q3: Can you please describe your relationship with your most important major supplier i.e. specific supplier?


Q4: How did the relationship develop or is developing over the time? (More directions may be required) OR

How has the relationship developed over time?


Q5: How committed are you to the import supplier relationship? (That is, how likely are you to continue importing from this supplier, i.e. your major supplier?) Why?


(If the answer is focusing on high or low levels of commitment then the following question will being asked.)

Q6: How did you reach this level of commitment (either high or low levels of commitment)? If it is higher, how long did it take to develop this level of commitment? If it is lower, could you please explain the reason for this level of commitment?


Q7: In your consideration, what are the specific factors that really matter in (improving or building) importer supplier commitment relationship? Please state.


Q8: How did you develop your level of trust with this supplier? What are the factors that affect building trust?


Q9: What are the contents of trust?


Q10: How distrusting situation may arise? Did you face any distrusting situation since date with this supplier? Why or why not?


Q11: Do you think cultural similarity, communication, learning and knowledge help to build trust? How? Explain please. The directions will be as follows.  
(Cultural similarity€Trust, Communication€Trust, Learning€Trust, Knowledge  
€ Trust)


Q12: How do you learn about suppliers' products, their market needs, buying process and technical attributes of the products?




Q13: What have you learned from the relationship with your major supplier? How? Explain please.


Q14: Do you think that cultural similarity and communication enhances learning process? How? Explain please. (Is there any additional factors that helps to learn?) The directions will be as: Cultural similarity € Communication, cultural similarity and communication € Learning


Q15: a. How frequently do you communicate with your major supplier? Why?


Q15: b. What are the channels you are using in communication?


Q16: Which communication channel is most useful for you? Why?


Q17: What sorts of thing do you communicate with your supplier? Or, What are the issues that you are exploring in your communication with this supplier?


Q18: What are the impacts of communication in your import supply relationship?  
Explain please.

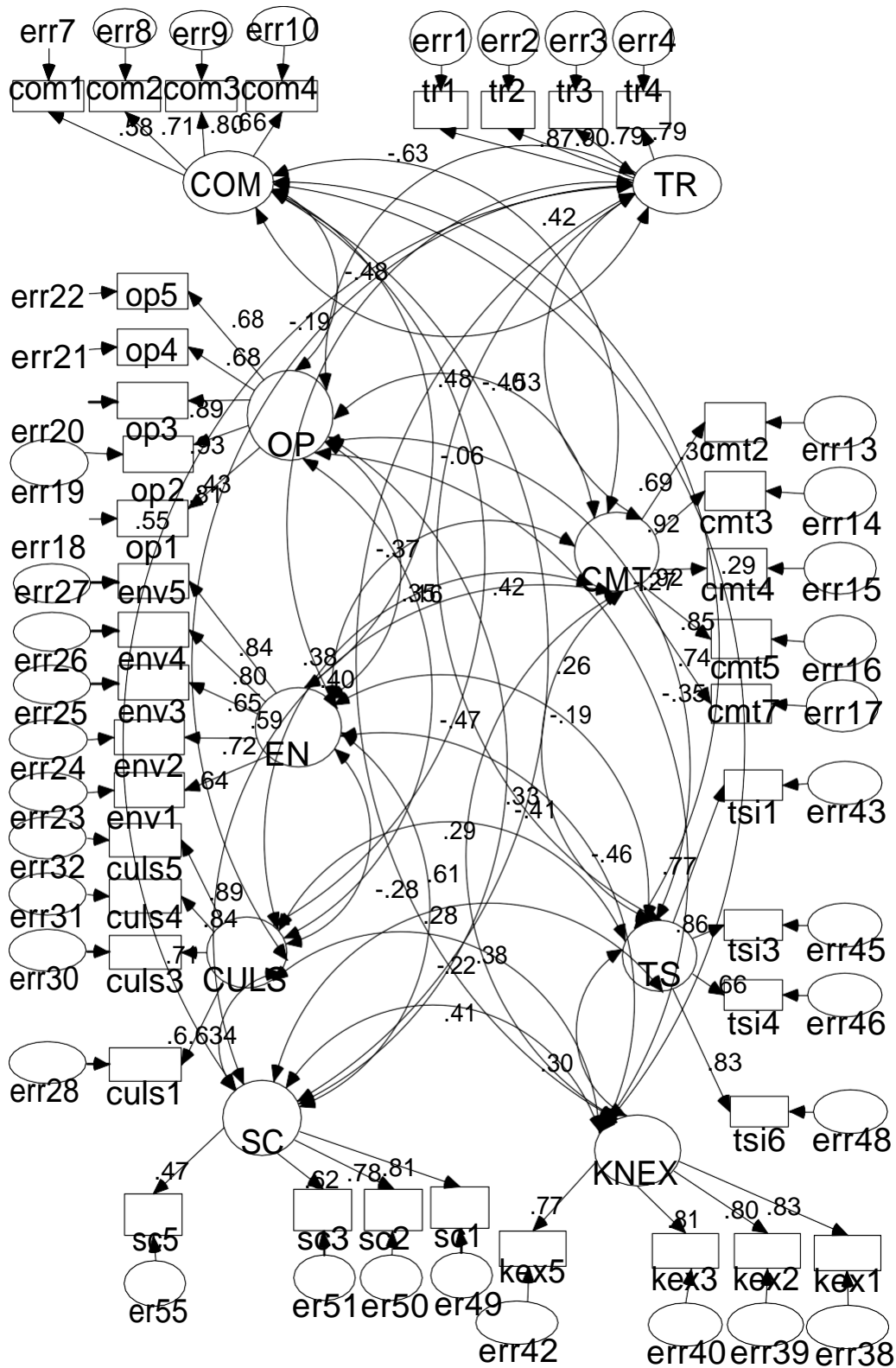

Q19: Do you think that culture is a factor in your import supply relationship? Why?  
Why not?


Q20: What benefits do you get when you import from a culturally similar (market)  
supplier? How? Explain please.

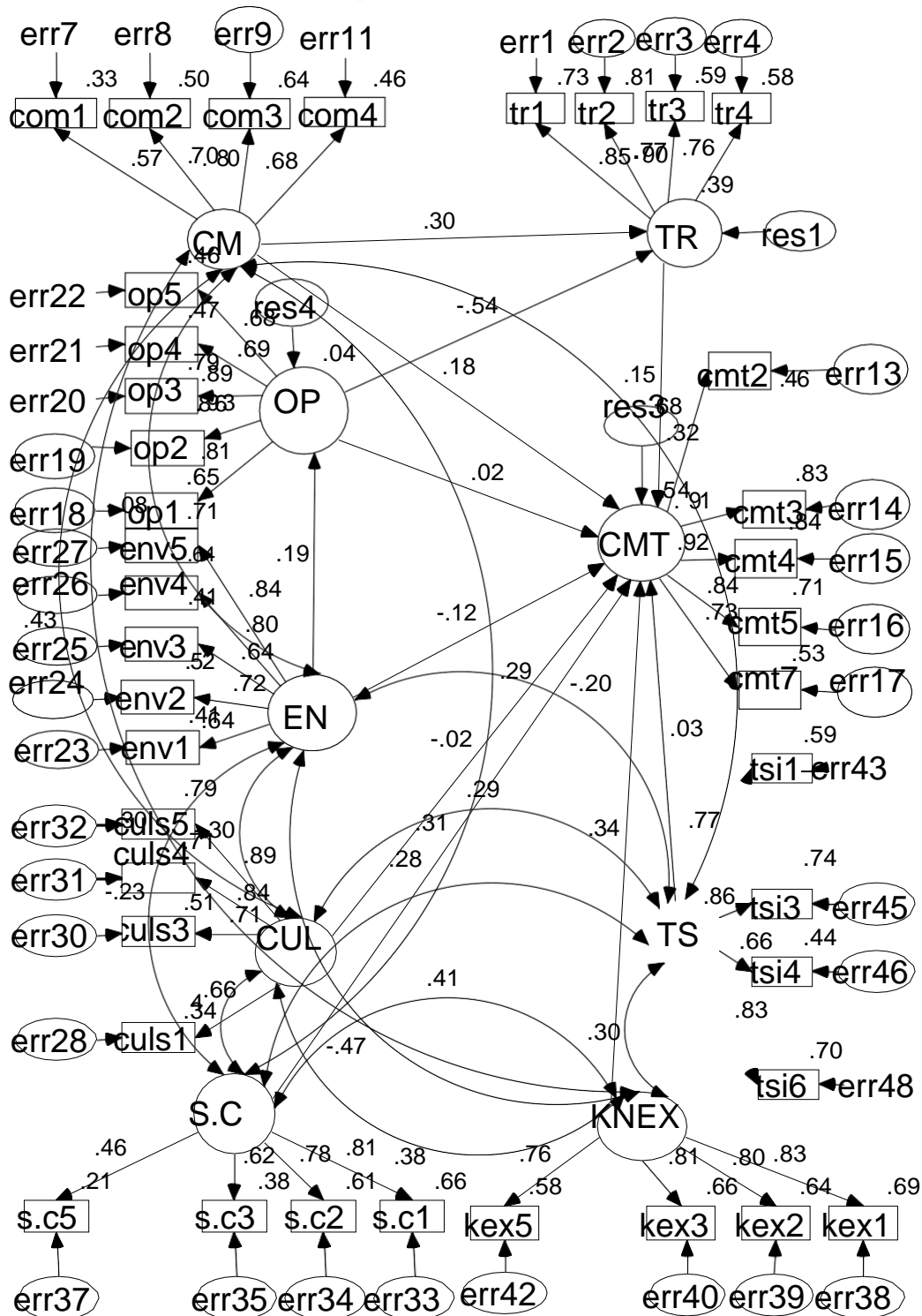

Q21: Is there any problem, if you are importing from a dissimilar culture (market)?  
Why? Explain please.


Q22: Do you have any other comments on your importer supplier relationship? Please  
state.

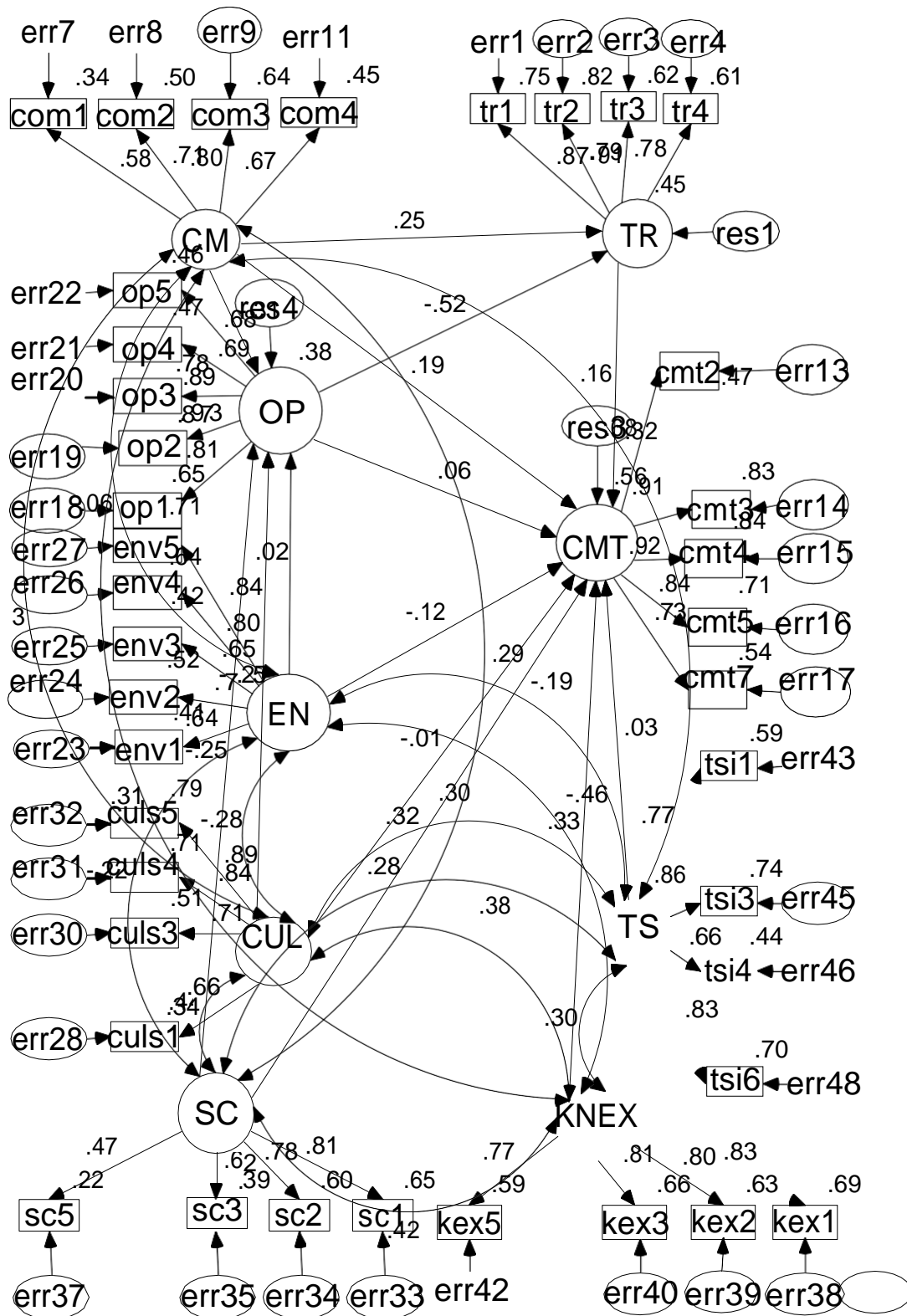

**Appendix – 7 A**  
**Overall Measurement Model (using retained 39 items on purification of all individual models)**



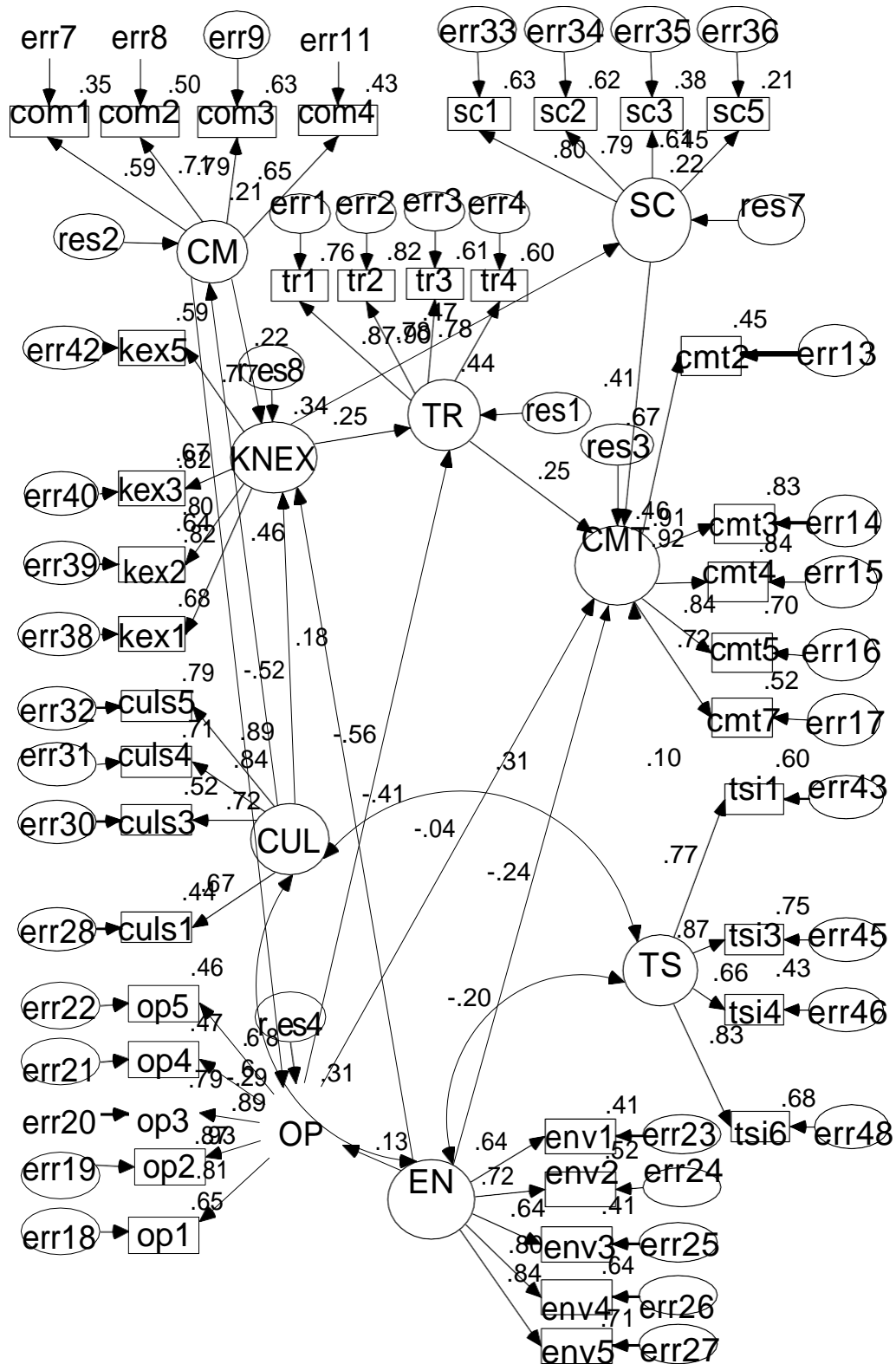
**Appendix – 7 B**  
**Proposed Structural Model**



**Appendix – 7 C**  
**Modified Proposed Structural Model (Reported in this Thesis)**



**Appendix – 7 D**  
**Modified Competing Model (Not reported in this Thesis)**



**Appendix – 8**  
**SEM Output for Hypothesised Relationships in the Competing Model**

Hypotheses	Paths	SEM Output: Proposed Competing Model				SEM Output: Modified Competing Model **				Results*
		Estimate (β)	S.E.	C.R. (t)	P	Estimate (β)	S.E.	C.R. (t)	P	
H <sub>1</sub> The greater the perceived cultural similarity between importer and the import supplier, the better the communication.	CUL → CM	.444	.093	4.75	***	.490	.097	5.07	***	Supported
H <sub>2</sub> The higher the cultural similarity, the greater the importer knowledge and experience in their relationship.	CUL → KNEX	.355	.087	4.08	***	.185	.083	2.23	.03	Supported
H <sub>3</sub> The more the communication in importer supplier relationship, the greater the knowledge and experience in their relationship.	CM → KNEX	.144	.084	1.73	.08	.212	.080	2.66	.01	Supported
H <sub>4</sub> The greater the importer's knowledge and experience in the relationship, the stronger will be the trust.	KNEX → TR	.234	.058	4.01	***	.236	.059	4.03	***	Supported
H <sub>5</sub> The greater the supplier's opportunism in their relationship, the lower will be the importer's trust.	OP → TR	-.332	.039	-8.49	***	-.331	.040	-8.34	***	Supported
H <sub>6</sub> The higher the importer's trust in the supplier, the greater will be the commitment to an import supplier.	TR → CMT	.222	.062	3.57	***	.201	.063	3.21	.001	Supported
H <sub>7</sub> The greater the importer's perceived relative competency of a specific supplier, the stronger the importer's commitment to the supplier.	SC → CMT	.336	.065	5.17	***	.367	.065	5.62	***	Supported
H <sub>8</sub> The greater the environmental volatility in international markets, the greater the overseas supplier's opportunism.	EN → OP	.390	.156	2.50	.01	.285	.140	2.04	.04	Supported
H <sub>9</sub> The greater the environmental volatility, the lower the importer's commitment to the supplier.	EN → CMT	-.232	.067	-3.44	***	-.238	.068	-3.51	***	Supported
H <sub>10</sub> The greater the transaction-specific investment by the importer, the higher the importer's commitment to the supplier.	TS → CMT	.050	.034	1.45	.15	.055	.033	1.69	.09	Mixed Support
H <sub>11</sub> The greater the supplier's opportunism in their relationship, the lower will be the importer's commitment.	OP → CMT	-.013	.034	-.373	.71	-.020	.035	-.582	.56	Not Supported
12 Relating new path: High degree of CM decreases the OP	CM → OP					-.829	.138	-6.00	***	Supported
13 Relating new path: High degree of EN affects KNEX	EN → KNEX					-.546	.099	-5.48	***	Supported
14 Relating new path: Higher the KNEX higher the SC	KNEX → SC					.399	.068	5.86	***	Supported

\* Results Supported at Significance Level:  $p \leq .001$ ,  $p \leq .01$ ,  $p \leq .05$ , and  $p \leq .10$

\*\* Based on suggested modifications in initial SEM analysis of proposed competing model, three paths were added including three covariances in the modified competing model.

**Appendix – 9 A**  
**Hierarchical Regression Model Summary – 1: Cultural Similarity**

Variables	Models					
	1	2	3	4	5	6
Constant	4.441	5.504	3.018	2.494	3.357	1.933
Cultural Similarity	.355***	.237***	.173**	.144*	.084	.056
Opportunism		-.294***	-.100	-.073	-.074	-.027
Trust			.384***	.352***	.322***	.205***
Communication				.145*	.177**	.184***
Env. Volatility					-.245***	-.213***
Supplier's Competencies						.318***
R <sup>2</sup> (F Value)	.13(33.21)	.20(28.40)	.30(31.73)	.31(25.55)	.37(26.09)	.44(29.31)

Dependent Variable: Commitment; Significance level \*\*\*P≤ .001, \*\*P≤ .01, \*P≤ .05

**Appendix – 9 B**  
**Hierarchical Regression Model Summary – 2: Environmental Volatility**

Variables	Models				
	1	2	3	4	5
Constant	2.281	5.269	7.852	8.939	9.947
Env. Volatility	.112 γ	.016	-.023	.004	-.014
Cultural Similarity		-.397***	-.315***	-.228***	-.170**
Supplier's Competencies			-.307***	-.273***	-.124*
Communication				-.251***	-.146**
Trust					-.392***
R <sup>2</sup> (F Value)	.013(2.91)	.161(21.97)	.246(24.74)	.299(24.20)	.398(29.85)

Dependent Variable: Opportunism; Significance level \*\*\*P≤ .001, \*\*P≤ .01, \*P≤ .05 and γ P≤ .10

**Appendix – 9 C**  
**Hierarchical Regression Model Summary – 3: Opportunism**

Variables	Models					
	1	2	3	4	5	6
Constant	6.745	3.659	2.895	3.636	3.357	1.933
Opportunism	-.389***	-.148*	-.107	-.092	-.074	-.027
Trust		.420***	.374***	.332***	.322***	.205***
Communication			.174**	.196***	.177**	.184***
Env. Volatility				-.262***	-.245***	-.213***
Cultural Similarity					.084	.056
Supplier's Competencies						.318***
R <sup>2</sup> (F Value)	.15(41.07)	.27(42.39)	.29(31.72)	.36(32.03)	.37(26.09)	.44(29.31)

Dependent Variable: Commitment; Significance level \*\*\* P≤ .001, \*\*P≤ .01 and \*P≤ .05