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The role of foreign intermediary relationship quality on export performance: A survey on Turkish firms

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Abstract

Foreign intermediary relationship has been one of the most important topics in the analysis of export performance. This study evaluates the effects of foreign intermediary relationship quality on export performance. Relying on literature related to the subject, effects of cooperation, trust and commitment on export performance have been analysed. Using survey data from 104 managers working in export organizations located in İstanbul, a conceptual model is tested in which cooperation, trust and commitment act as dimensions of intermediary relationship quality construct. By studying data obtained and using regression analysis, we found that commitment was positively related with export performance. This study contributes to understanding the role of intermediary relationship on export performance.

Keywords: *foreign intermediary, export performance, relationship quality, trust quality, cooperation.*

1. Introduction

The steadily increasing importance of export activity leads to the development of export performance measures. In the field of international marketing, export performance has received a great deal of attention. Export marketing research continues to appear at the core of international marketing study due to the benefits of exporting activity at both firm and public policy levels (Lages et al., 2008). Marketing performance theories developed with product focus rely mainly on cost structures but changing circumstances increasingly put more focus on relational aspects of marketing strategies modifying the role of customer or intermediaries of the firm. The development of harmonious exporter-importer relationships are rooted in mutual understanding and interpreting issues with similar values (Leonidou et al., 2013). Recent studies argue that factors associated with intermediary partnership successes are less related to formal set of arrangements but it is more dependent on processes that maintain good will between partners involved in the exchange (Silva et al., 2010).

The study of international relationships considers a behavioural dimension to maintain partnership and create satisfaction with the relationship (Silva et al., 2012). Relatively recent evaluation of the relationship-marketing paradigm consolidates the increasing importance given to managing, developing and maintaining relationships which in turn will effect export performance. Although relationship quality has long been a popular research field, relatively little attention has been paid to intermediary relationship quality by importing firms (Lages et al., 2005). The reasoning of relational perspective is that exporting does not only involve economic or business transactions, but also relationships between parties. To be successful, exporters and their customers need relation oriented competencies and export performance is likely to be affected by relationship quality characteristics such as trust and commitment (Bloemer et al., 2013). The proposition of negative association between relationship quality and export performance is investigated by the researchers as well. Research in international marketing channels, suggest a potential negative linkage between relationship quality and performance. This negative side of trust-based relationship focuses on such several points like (Obadia and Vida, 2011) avoiding negative information not to harm the relationship, not monitoring

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the distributor's activities, and a loss of creativity resulting from group think. As a result, distortion of the information exchanged between the parties will bring negative consequences on export performance.

This paper attempts to advance some insights by examining the factors that affect the success of exporting firms. More specifically, we examine the intermediary relationship with export performance in exporting firms. In fact, while some studies found a positive relationship between trust and performance, other studies found no significant direct association between these two variables (Silva et al., 2012). Such conflicting results may imply that trust may not improve outcomes under all conditions. The inclusion of moderating variables such as cultural similarities of partner firms to explain the linkage is suggested for further research. We also investigate the effects of cooperation and commitment on export performance. These factors are considered to be a critical construct in the export performance to influence partner relationships.

In the following, we summarize relevant literature and develop hypotheses within a conceptual model based on existing literature. We, then, explain our research method and test the hypotheses in a survey-based study. Finally, we report on empirical findings, providing discussion of managerial implications and suggestions for future research. It is our belief that these findings will contribute to the research of international exporters. Such insights will have implications for exporting firms specifically and, by association, for their foreign intermediaries.

2. Literature review

2.1. Foreign intermediary relationship quality

The focus of studies in the literature mostly is on discussing the matters on product, price, promotion and distribution strategies but the role of foreign intermediary relationship quality on export performance is ignored somehow. Relationship resources are a type of intangible assets that contribute to company performance (Hunt 2000). As the relationship between the buyer and seller grows, the exporter accumulates and make use of knowledge or other resources that intermediaries demand (Cuervo et al., 2007). By its nature, relationship quality often lacks the control that export firms maintain over their intermediaries. Therefore, exporters need to build and maintain high quality relationships with intermediaries. This kind of relational asset is among intangible assets like knowledge and superior strategies that support company performance (Hunt, 2000).

Interorganizational relations are mostly based on the creation of trust in the relationship between the partners and trust and commitment are the key elements of efficiency and effectiveness (Solberg and Nes, 2002). In international transactions, trust plays an important role to question if the partner is a viable business partner (Nevins and Money, 2008). Trust between buyers and sellers brings satisfaction with the relationship while lack of trust will lead to dissatisfaction. Trust is defined as "the mutual confidence that no party to an exchange will exploit another's vulnerabilities" (Parkhe, 1998; p.221). By this definition, it can be stated that effective relationship and growing trust can reduce tendency toward opportunism (Gundlach et al., 1995). Trust also can be defined as the belief that an organizational foreign intermediary will be honest, fair and reliable. Inter-organizational trust is considered as an important attribute which helps managers to develop more effective international partnerships in the future. A review of the literature discovered several concepts used as determinants of trust such as monitoring mechanisms, satisfaction with previous outcomes, shared values, adaptive behaviours, information sharing and communication (Silva et al., 2012). As determinants of relationship quality, trust between parties within a business context generates the belief that the other part is engaged in behaviour that is honest, sincere and fair. Commitment implies a long term orientation and is characterised with the fulfillment of the requirements of a relationship and cooperation looks for joint effort and collaborative actions of partners (Leonidou et al, 2013). In the relationship management, both trust and commitment are necessary to produce outcomes that promote efficiency and effectiveness.

Managerial commitment to exporting emerges as the most frequently cited management characteristic to influence export performance. Meyer and colleagues (2004) define commitment as the binding of an individual to a course of action specified within the term of that commitment and is referred to as an attitude of attachment and intention to continue a relationship (Bloemer et al, 2013). Researchers consider commitment from two different perspectives: attitudinal and behavioral (Stump et al., 1999). Commitment is a strategic factor that can orientate the allocation of resources within the organization. From the attitudinal perspective, export commitment can be defined as managers' willingness to dedicate financial, managerial and human resources to the export activity (Donthu & Kim, 1993) in order to build a long-term relationship (Saleh et al., 2014). On the other hand, from the behavioral perspective, export

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