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## Relational governance mechanisms in export activities: Their determinants and consequences☆

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### ABSTRACT

Taking the relational paradigm, the channel theory and the contingency approach as an orientation, this study's aim is to analyze the determinants and the consequences of the relational governance mechanisms between exporters and their foreign distributors. Specifically, this work explicitly validates the interrelationships between the exporter's dependence on its foreign distributor, the exporter's international capabilities, the foreign market environment, relational norms and export performance. The results show that relational norms have a positive impact on an exporter's result and that the greater an exporter's dependence on its distributors, on its international competences and on the volatility of the foreign markets, the more the exporter needs to maintain a relation with its foreign distributors based on information exchange, flexibility and cooperation.

The data scrutiny uses structural equation modeling (SEM) through PLS as the statistical instrument. The sample comprises 212 Spanish exporting firms.

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### 1. Introduction

Due to the majority of exporters not developing vertically integrated systems of international distribution (e.g., foreign subsidiaries and overseas sales offices), their entry into international markets takes place through foreign distributors. In this sense, the international marketing literature recognizes the fundamental role which foreign distributors play in the success of exporters, as well as the need to define the mechanisms which govern the relation between them (Zhang, Cavusgil, & Roath, 2003). However, most works in the export area center on the principles of two predominant approaches – structure–conduct–performance (Cavusgil & Zou, 1994) and the resource-based view (RBV) of the firm (Morgan, Kaleka, & Katsikeas, 2004) – to explain the exporter's result, ignoring the premises of the relational paradigm (Styles, Patterson, & Ahmed, 2008). Although prior research has provided evidence of the importance of exporter–distributor relationships (Leonidou, Katsikeas, & Hadjimarcou, 2002; Styles & Ambler, 2000),

until now no export performance model has empirically tested the critical tenets of relational exchange theory which is the basis of this perspective. Assuming and aiming to contribute to overcoming this research gap, this study has two main objectives. First, to know the determinants of the mechanisms of relational governance–cooperation, information exchange and flexibility – between exporters and their foreign distributors from both an internal perspective – foreign distributor dependence and the exporter's international capabilities – and an external viewpoint – the foreign market environment. Second, to analyze the influence of relational governance mechanisms on the exporter's results, considering that qualitative indicators – the achievement of aims – and quantitative indicators – the growth of export sales – make up this factor.

The relationship literature extensively notes that the mutuality of the motivations is of paramount importance for superior relationship performance. For instance, one party (e.g., exporter) in this dyadic relationship may have a very strong motivation toward a long-term relationship. Nevertheless, unless the other party in the dyad (e.g., importer–distributor) reciprocates with the very same motivation, that inter-organizational relationship inevitably comes to an end. The resource-based view and the relational paradigm may explain this argument and these sustainable relationships. The resource-based view means the coordinated action between different functions in the distribution chain in order to reduce uncertainty, and manage both dependence and interdependence in intra- and interfirm relationships (Dhanaraj & Beamish, 2003). The relational marketing literature notes that relational norms prescribe or guide behaviors and expectations (Nummela, Saarenketo, & Puumalainen, 2004). A possible description of relational norms is learning behavior from expectations and shared values. In accordance with resource dependency theory and the relational marketing perspective, participation allows

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members of firms to manage the uncertainty of interdependence and provides behavioral guidance for individuals to work together for the benefit of the entire distribution chain (Porter, 2008).

This study offers four major findings. Firstly, associated with the principles of the relational paradigm, the creating and maintaining of exporter–foreign distributor relations whose basis is information exchange, flexibility and cooperation directly and positively influence the exporter's result. Secondly, in line with channel theory, the greater the exporter's dependence on its foreign distributors, the more its need to set up relational norms. Thirdly, the exporter's international capabilities help to create an appropriate relational atmosphere with its foreign distributors. Finally, according to the contingency approach, the volatility of foreign markets positively influences the need of the exporter and its international distributors to exchange information, to be flexible and to cooperate.

This paper has six sections. Following this introduction, the second section lays out the conceptual model and hypotheses. The third section expounds the research methodology, gives details of the sample and the data analysis tools for the empirical analysis. The fourth section presents the results and the fifth deals with the study's main conclusions and contributions. Finally, the sixth and final part discusses the study's main limitations and future lines of research.

## 2. Conceptual model and hypotheses

This work is part of the confluence of several theories and research lines. First, the relational paradigm considers that the mechanisms which govern the relation – relational norms – between exporters and their foreign distributors are direct antecedents of export performance (EP) (Griffith & Zhao, 2015). Second, in line with channel theory, this study establishes that the conditioning of relational norms is by the level of the exporter's dependence on its foreign distributors and by the exporter's international capabilities (Bello, Chelariu, & Zhang, 2003). Thirdly, stemming from the contingent approach a presumption exists that the external environment plays a key role in the export activities (Navarro-García, Arenas-Gaitán, & Rondán-Cataluña, 2014), influencing the exporter–foreign distributor relation.

### 2.1. Export performance

Export performance (EP) is essential for decision making in the international arena (Madsen, 1998). Cavusgil and Zou (1994) define EP as the degree to which the firm completes its purposes by exporting its product-brands to external markets. EP comprises economic or operational facets (profit, sales, etc.) and strategic aspects (its international positioning, an increased market share from exporting, the achievement of objectives, etc.) through the planning and implementation of the firm's export marketing strategy. Three basic aspects of EP emerge from the literature review (Rose & Shoham, 2002; Sousa, 2004): (1) EP is a multidimensional concept that includes quantitative measures (sales, profitability, growth, etc.) and qualitative measures (perceived success, satisfaction, the achievement of objectives, etc.); (2) the evaluation of EP should not be at a point in time (short term) but over a given time horizon (Lages & Montgomery, 2004); (3) assessment measures must reflect the management's perceptions of performance (e.g., management satisfaction with EP) (Lages, Jap, & Griffith, 2008). This study takes into account the above three aspects (1) the work conceives two dimensions of EP: a quantitative dimension, (growth of export sales) and one that is qualitative (management satisfaction); (2) the evaluation of EP is over a period of time (the last three years); (3) the work takes into account the management's perceptions (management satisfaction) with various measures linked to the firm's success in foreign markets (its reputation and image, international expansion, market share, etc.).

### 2.2. Relational norms in export activities

Differences in the language, in the political and legal environment, in business practices, in consumers' tastes and preferences, etc., characterize international markets. One of the ways of avoiding the psychic distance which negatively affects EP is to achieve a set of norms that is the basis of the relations between exporters and their foreign distributors and governs the relation between them (Dong-Jin & Jang, 1998). This work considers three kinds of relational norms: a) information exchange, b) flexibility and c) cooperation.

Information exchange refers to the expectations of behavior of the members in the relation in order to continuously share essential information for the development of their respective activities (Heide & John, 1992). This bilateral communication facilitates decision making and increases the trust between the parties in the relation, enabling the setting up of priorities, aspirations and aims. The efficient exchanging of information makes interorganizational understanding easier. This situation allows the creation of an appropriate framework for the development of exchange relations (Kim, 2007).

A definition of flexibility is the willingness and capacity that both parties show to adapt to changes in the existing circumstances (Heide & John, 1992). These adjustments are important for two reasons. Firstly, for an exporter and its foreign distributors to foresee all the contingencies which may arise in the agreements that they make is materially impossible (Collins & Hitt, 2006). Flexibility is necessary to adapt the relation in accordance with the circumstances. Secondly, because volatility and high uncertainty are characteristics linked per se to international markets, and past responses are probably not valid in the face of new circumstances. This fact requires the parties to adapt to new scenarios (Aulakh, Kotabe, & Sahay, 1996).

Cooperation refers to the importance attributed to the exchange relation by each member of the dyad (Dant & Schul, 1992). The greater the importance of this dimension, the greater is the interest of each party in maintaining long-lasting relations and in attaining mutual benefits, hence avoiding the development of opportunistic behaviors in the channel (Heide & John, 1992). Cooperation guarantees the maintaining of each member in the relation as well as this relation's continuity over time (Dong-Jin & Jang, 1998). This governance mechanism involves continuous exchanges between the parties in the relation (Kaufmann & Stern, 1988). The more the exporters and the foreign distributors recognize that the current and future exchanges can provide mutual benefits, the greater their trust and wish to cooperate in the distribution channel (Liu, Li, Tao, & Wang, 2008).

Relational norms – information exchange, flexibility and cooperation – can improve the EP for diverse reasons (Dong-Jin & Jang, 1998). Firstly, they reduce uncertainty in decision making, moderating the environment's influence in the relation between exporters and foreign distributors. Secondly, they avoid possible opportunistic behaviors of the foreign distributors, thus reducing the transaction costs. Finally, they enable the exporter to take advantage of new business opportunities, in this way improving the organization and planning of its export activity (Styles & Ambler, 2000).

The following hypothesis is in line with these ideas.

**H1.** Relational norms have a positive effect on export performance.

### 2.3. Exporter's dependence on foreign distributors

The definition of dependence is, generally speaking, a firm's need to maintain a relation with another company in order to attain its specific aims (Frazier, 1983). In the international arena, the nexus of interdependence characterize the relations between exporters and foreign intermediaries (Anderson & Narus, 1990). The exporter depends on the intermediary to position its products in foreign

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