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SECTION 3

General Issues in Management

The Antecedents and Consequences of Relationship Quality According to Stages of the Relationship between Exporters and Importers

Tulin Ural

Abstract

This study aims to explore the dynamics of relationship quality based on conceptual nature. The study is narrative review. It explains the antecedents and consequences of relationship quality in international setting. Three antecedent groups improving relationship quality are defined as the situational, emotional and relational dimensions. Additionally, three type performances are determined separately: Importer-focused outcomes, exporter-focused outcomes and dyadic outcomes. Each antecedent of relationship quality has the different weight from exploration stage to decline stage. Finally, implications for researchers and practitioners are presented.

Key words: Relationship quality, export performance, stages of relationship.

JEL Classification: M31.

1. Introduction

Today's competitive business environment has made it imperative for firms to continuously look for effective ways to compete. For competing effectively in this type of environment, exporters should develop good and sustainable relationships with importers. A major assumption of relationship marketing is that building committed customer relationships results in customer’s/partner’s satisfaction, loyalty, positive word of mouth, cooperation, and better seller’s financial performance such as profitability, growth sales, etc. Good relationships are not only creating value but also are difficult to duplicate. Grönroos (1990) suggests a relationship definition of marketing: “Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises”. Establishing good relationships creates importer loyalty. Due to intensive competition in marketplace, exporters or marketing managers require attend to importer retention and how or why of continuing to repurchase. It’s far less expensive to retain a customer than acquire a new one. Therefore, when marketing expenses are allocated more on retaining customers under the relationship marketing strategy, this is likely to make marketing more efficient (Sheth and Parvatiyar, 1995). Forrell (1992) has developed the argument of how customer satisfaction is related to market share and profitability. He notes that customer satisfaction is a future-oriented indicator of the profits of a company. Customer satisfaction can be seen as an important complement to traditional measures of performance such as market share, sales and profit.

In recent years, most of firms in both developed and developing countries have been paying attention to the issue of sustainable export performance. This interest is shared among economic and fiscal policy makers, as well as among executives in companies which rely on export business for their survival. Although it is widely recognized that many factors underpin export performance, one major issue in the success of export marketing strategies is to develop collaborative relationships between exporter and importer (Rosson and Ford, 1980; Heide and John, 1988). The sustaining of a relationship between parties depends on the various factors and, understanding these factors leads to exporter’s success over the long-term. Strong relationships between exporter and

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importer are less easily attacked by competitors, and less easily undermined by economic and environmental change, than is exporting based solely on product and price competition. In this mind, especially developing countries are able to take advantage of this strategy, because of their weak economic position against developed countries in international setting.

Understanding the factors that impact buyer-seller relationships is particularly important when the partners are from different countries. The challenge to executives in searching for improving the exporting performance lies in: understanding the real priorities of importer and the implications for building the profitable buyer-seller relationships. Piercy and et al. (2005) stated that relationship factors were highly important for exporters in the search for sustained export growth. Many studies researching the main reason why businesses lose loyalty of their customers refer to that “businesses simply do not pay sufficient attention to their relationships with customers” (Gummesson, 2004). Therefore, it seems logical to suggest that the most sustainable levels of customer loyalty are achieved through the development and maintenance of high-quality relationships with customers.

Relational governance is a phenomenon related to the initiation, termination and maintenance of relationship between a set of parties (Burca et al., 2004). Researchers have adopted different theoretical frameworks in order to explain relationship governance, including transaction cost theory, social exchange theory and resource-dependence theory. Relational exchange theory which is the part of social exchange theory emphasizes the importance of building personnel trust relationships and developing social norms. Long-term, trusting and mutually beneficial relationships with customers lead to more profit for exporters. When marketing expenses are allocated more on retaining customers under the relationship marketing strategy, this is likely to make marketing more efficient (Sheth and Parvatiyar, 1995). The relationships are fundamentally grounded in social interactions (Cova and Salle, 2000) that eventually exploit organizational interdependency and design to achieve strategic or market objectives. Relational governance both facilitates and augments learning between cross-border organizations. It is seen to instrumentally counter the dangers associated with the importer’s potential opportunistic behavior. Relational governance contributes to organizational flexibility in foreign markets and promotes satisfactory relationships outcomes which underlies the firm’s desire to continue the relationship supporting the development of global strategy. Certain relational governance mechanism can provide alternative pathways to traditional mechanism of dealing with importer opportunism, such as forward integration and increasing marketing commitment via sales subsidiaries or manufacturing.

Exporters need to take a long-term view and build personal contacts with local nationals (Ford, 1984). Building cooperative relationships between buyers and suppliers in the international context is more challenging than in domestic setting. In the international relationship building process, cultural differences must be addressed (Hakansson and Wootz, 1979). There are several studies that deal with importers perceptions of exporters, capabilities based on the country of origin (e.g. Glynn and Jacobs, 1993; Seshadri et al., 1996), and the multi-attribute perceptual gap between importers and exporters (Katsikeas and Al-Khalifa, 1993). The studies can be thought of as mostly focusing on the exploratory stage of the relationship building process. At the later stages of expansion and commitment, international interaction is heavily influenced by cultural exchange. Adaptations need to be made not only to product capabilities or organizational practices, but also to attitudes and values. At the strategic level, exporter’s strategies will be changed according to the stage in the life cycle of the relationship.

Relationship quality is thought as the essence of relationship marketing. “According to Ford (1980) quality of relationships between buyers and sellers bind members to each other in such a way that they are able to reap benefits beyond the mere exchange of goods. This leads to long-term and more stable relationships in which both members mutually benefit” (Burca et al., 2004). Relationship quality is critical to achieve positive results in exporting (Solberg, 2006a). Huntley (2006) found that “when the quality of relationship is high, customers are more willing to recommend the seller’s offerings to colleagues and they purchased more from the seller. The mediating role of relationship quality on actual sales and recommendation intention is further demonstrated when
considering the strategic fit of organizations. Goal congruity at the organizational level clearly drives relational quality and positive customer outcomes (Solberg, 2006a).

The quality of relationship determines the probability of continued exchange between buyers and sellers (Crossby et al., 1990). The potential conflict between the trading partners is thought to be more acute than domestic market, as cultural distance and ensuing misunderstandings make trading relations more complicated.

The marketing literature has shifted more and more from traditional-transaction based exchanges to relationship-building processes (Grönroos, 1991; Sheth and Parvatiyar, 1995). “It particularly emphasizes that both parties accept the importance of establishing and maintaining long-run relationships and exporters want to focus on the similarity rather than the diversity, of exporting tasks” (Leonidou et al., 2006). The acquisition experiential knowledge of foreign markets/operations and the increasing commitment of organizational resources improve the relationship quality. According to relational paradigm, the exporter initiates, develops and sustains business relationship with importer. Such relationships reflect various constructs such as communication, information sharing, long-term oriented and satisfaction (Lages et al., 2004). Additionally, relationship quality involves inducing feelings and emotional states through customer-employee interactions (Kim and Cha, 2002).

There is a widespread consensus among marketing researchers and practitioners on the dynamic nature of business relationships. Scholar repeatedly argued that buyer-seller relationships experience different stages characterized by distinct behaviors, process or strategic orientations (Dwyer, Schurr and Oh, 1987). It appears reasonable to assume that the degree of relationship quality varies as a relationship moves through its life cycle. Most of previous studies have examined relationships at a single point in time. Few studies have assessed the changing nature of key variables during the life cycle of business relationships (Jap and Ganesan, 2000).

Relationship quality leads to explore, maintain or terminate a relationship. If exporter doesn’t anticipate an importer’s need, this may result in deterioration of the relationship. Relationship quality motivates the importer to sustain the relationship with its exporter. On the other hand, relationship quality may decrease exporter’s relationship costs. It’s increasingly important that exporters have strong relationships with their importers to stay ahead of competition. There are many advantages for exporters that enter into productive relationships with their importers such as lower risk, more cooperation, increased knowledge, and information sharing (Ellram, 1995). According to the study of Bonnemaiazon et al. (2007) about the future of relationship marketing in 2015, “a consumer will increasingly resist firm’s attempts to ‘create’ a relationship and become increasingly powerful parties in relationships that they will want to shape. Business will learn to incorporate this shift in the relationship’s balance of power by involving customers in the value creation process. A consumer’s experience, alone and part of community, will become a key aspect of relationship approaches. It will be necessary to collect relevant data by using approaches taken from social sciences. Business will have to work on this highly emotional aspect without being intrusive and without wanting to over-manage or exert too much control”.

This study aims to explain the antecedents affecting relationship quality between exporter and importer and consequences influenced by relationship quality. Further, we try to synthesize them with the domain of international marketing literature so as to enhance the current understanding of the construct of exporter-importer relationship quality. In this process, this study addresses issues which have been mainly researched within a domestic marketing and successful factors of buyer-seller relationship domain and tries to combine them with developments in international marketing literature and relationship quality. Additionally, it aims to explain the changing nature of key dimensions pertaining to relationship quality over the life cycle of exporter-importer relationships, since “both the inhibiting forces and parameters of relationship quality may change significantly at different stages of relationship development” (Leonidou et al., 2006).

The study is different from previous studies on two points: (1) degree of relationship quality is explained according to stages of exporter-importer relationship over time, as thus we have applied
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the dynamic perspective to relationships, (2) although literature of relationship marketing has rapidly expanded, there is remarkably little attention paid to the issue of relationship quality in an international setting. This study has focused on the exporter-importer relationships, in the international ground.

2. Literature Review

According to the work of International (Industrial) Marketing and Purchasing (IMP) Group, exporting does not only involve economic transactions, whereby goods are exchanged for money and/or other goods, but also complex behavioral interactions, involving exchanges of social, information and other intangibles (Hallen and Sandstrom, 1991). Because both exporter and importer recognize that they are mutually interdependent and, in order to increase efficiency in business transactions, they need to use each other’s expertise, knowledge, and resources (Cunningham, 1980). Some researches focus on behavioral parameters in the relationship between export manufactures and their importers (Katsikeas, 1992; Leonidou, 1989a, 1989b). According to their findings, high levels of cooperation decrease social distance and high levels of satisfaction increase the relationship quality. Other researches placed the emphasis on the association among behavioral construct in the exporter and importer working relationship (Rosson and Ford, 1980, 1982; Raven et al., 1993). For example, Raven found that exporters’ satisfaction was positively and significantly correlated with dependence and trust.

Kim and Cha (2002) empirically tested the cause-effect model of relationship quality in the hotel industry. They found that three factors affected relationship quality such as customer confidence, customer contact and communication.

Burca et al. (2004) stated that the dimensions of high-quality relationship were technical dimension, economic dimension and social dimension. The technical dimension of relationship is described as involving the technical issues related to the service and product (availability of technical information, speed of technical support, level of knowledge and experience of employees). The economic dimension is referred to how each actor perceives the economic issues related to their interactions with the other actor in the business relationship (effectiveness, efficiency and profitability). Social dimension of the relationship is described as the characteristics of the people involved in the human interaction between the two parties in the relationship (trust, professionalism, understanding, honesty and personalization of services). Woo and Ennew (2004) found that relationship quality was a higher-order construct of cooperation, adaptation, and atmosphere.

Egertt et al. (2005) referred to the moderating role of the relationship life cycle in the assessment of customer’s relationship value perception. Some researches focused on how the relationship atmosphere changes at different stages in the firm’s export development process. For example, Wortzel and Wortzel (1981) suggest five stages, through which exporting firms from less-developed countries could internationalize, with each successive stage characterized by increasing levels of control over marketing operations in overseas markets. Similarly, Ford et al. (1987) found that this control reduced only when exporters achieved satisfactory products, production and marketing strength at early export stages. Another study by Kaleka, Piercy, and Katsikeas (1997) also showed significant differences in the power that manufacturers exercised over their overseas buyers at different levels of export development. Finally, by the research conducted on Cypriot exporters, the researchers revealed that the more a firm involves in exporting, its relationship with foreign customers is likely to be characterized by the greater resource and personnel commitment, more communication sufficiency, higher levels of trust, and stronger feelings of satisfaction with both economic and social performance. A channel member will continue to invest in a relationship as long as the rewards of the relationship exceed the cost of the relationship (Leonidou and Kaleka, 1998).

3. Conceptual Model

Theory development into the governance of buyer-seller relationships has built extensively on well-established contributions from the economic, social and behavioral sciences. Governance, as
defined by Heide (1994), is a multidimensional phenomenon, encompassing the initiation, termination and ongoing relationship maintenance between set parties. Researchers have adopted different theoretical frameworks in order to explain relationship governance, including transaction cost theory, social exchange theory and resource-dependence theory (Robicheaux and Coleman, 1994). These frameworks have all contributed to the modeling of buyer-supplier relationships both in their identification and the underlying dimensions of relationships. Especially social exchange theory is often used as a foundation for understanding factors that influence relationship quality (Hewett and Bearden, 2001). One central idea underlying relationship marketing is that the objective of marketers is to achieve mutual long-term benefits for the parties involved.

Relationship quality between exporter and importer turns out to be the most powerful influence over the attainment of differentiation-based advantages (Ling-yee and Ogunmokun, 2001). This result provides support to Piercy et al.’s (1998) observation that customer relationship skills is strongly correlated with a differentiation-based advantage.

Relationship quality is an important determinant to success of relationship between buyer and seller. Five major relationship quality approaches have been identified in the literature from a several disciplines (Hunley, 2006):

The User-based Approach drawing from economics, marketing, and operations management suggests “ideal points” or attributes that provide the greatest satisfaction. An example of this perspective is “Quality consists of the capacity to satisfy wants……” (Hunley, 2006). This theme deals with characteristics of the product offered, namely an economic dimension of relationship quality.

The Value-based Approach from operations management considers cost, prices, and performance where quality results from performance at an acceptable price. These factors can be thought as dimensions of relationship quality.

Service quality approach has been explained as the functional or process-related dimension. The functional dimension relates to how the service provider functions (Grönroos, 1991).

International Marketing and Purchasing (IMP) group’s interaction approach has suggested the concept of atmosphere that embodies elements such as power balance, closeness, conflicts and degree of cooperation that individuals shape and react to.

Time dimension is suggested in the fundamental notion of relationship. The concept of interactions over time (Dwyer et al., 1987) or longitudinal nature of relationships is integral to the notion of “relationship” quality.

Relationship quality is defined from the buyer’s perspective as “the degree to which buyers are satisfied over time with the overall relationship as manifested in product quality, service quality, and price paid for value received and the degree to which the relationship functions as a partnership” (Hunley, 2006). In a study of insurance service industry, Crosby et al. (1990, p. 70) adopt an explicitly people-based approach and define relationship quality as when “the customer is able to rely on the salesperson’s integrity and has confidence in the salesperson’s future performance because the level of past performance has been consistently satisfactory”. In the context of business purchasing, Smith (1998, p. 78) provides another definition of relationship quality as “an overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on a history of successful or unsuccessful encounters or events”. Johnson (1999, p. 6) simply describes relationship quality as “the overall depth and climate of the interfirm relationship”.

However, Woo and Ennew (2004) stated that these various definitions pointed to a lack of consensus about the precise definition of relationship quality and also tended to suggest that the nature of the construct might be rather context-specific. They suggested IMP (International/Industrial Marketing and Purchasing Group) interaction model which provides a well established and rigorous conceptualization of relational exchange within a business to business context. Because our study focuses on the exporter-importer relationships, we accept that IMP (International/Industrial Marketing and Purchasing Group) interaction model approach and Time dimension approach are more suitable.
There is, however, general agreement that relationship quality is multi-dimensional. For example, Crosby et al. (1990) suggest that relationship quality consists of at least two dimensions: trust in the salesperson and satisfaction with the salesperson. Hennig-Thurau et al. (2002) regard customer satisfaction and customer commitment as two key determinants of relationship quality, whereas Hewett et al. (2002) consider the features of trust and commitment as factors affecting buyer-seller relationships. Other studies have attempted to extend the two dimensional structure of relationship quality by including more dimensions. For example, Kumar et al. (1995a) define relationship quality as being manifest in several distinct, though related constructs, including conflict, trust, commitment, willingness to invest in the relationship, and expectation of continuity. Eventually, relationship quality is generally recognized as a higher-order construct. However, there is a lack of consensus about the number and nature of first-order constructs which comprise.

In most of prior studies, the relationship quality concept has been centered only on the relational processes of the relationship (Hunley, 2006). The relevant domain of the relationship quality construct should be extended to include the situational and emotional components. This provides the clear understanding of the link between relationship marketing and performance. One of the objectives of this paper is to combine the major constructs of relationship quality to establish the larger framework. The situational and emotion roots can be added on relational dimension during identification of relationship quality dimensions. Greater understanding of these structures provides to sustain quality in relationships. While relational antecedents and consequences have dominated in development of relationship quality conceptualizations, the situational and emotional roots of these relationships have been largely ignored in this conceptualization.

3.1. Antecedents of Relationship Quality

Based on above approach, the relationship quality can be thought as sum of three dimensions: situational, emotional and relational dimension (Fig. 1). Each of dimensions has not only success factors improving relationship quality but also negative factors decreasing it.

![Fig. 1. Dimensions of Relationship Quality](image)

3.1.1. Situational dimension

Relationship quality depends on the nature of organizations involved. This dimension has been determined based on current literature, as adaptation ability, structural drivers, dependence situation and technical ability.

Adaptation ability

When buyers and suppliers establish and develop long-term relationships with each other and where the volume of business in such relationships accounts for a considerable share of the supplier’s sales and/or the customer needs, there is a reason to expect that significant partner-specific adaptation occurs (Heide and John, 1988). This adaptation process is important for parties due to a number of reasons: it can represent considerable investments realized by one or both parties; it may have the critical importance for the conduct of business; the investments frequently can not be
transferred to other buyer-supplier relationships; the adaptation may have significant consequences for the long-term competitiveness of firms; adaptation may enhance the competencies and attractiveness of a particular supplier/customer (Hakansson, 1982). Eventually, the higher adaptation leads to the higher relationship quality.

Structural drivers

Structural drivers comprise power relations, distance and resource inadequacy. The more power in the hands of exporters provides the better ability to control and influence on importer. Distance refers to by different socio-cultural, political-legal, and techno-economic environments besides the higher geographic separation between sellers and buyers. Especially cultural distance influences relationship quality in international context. Lack of resources inhibits exporter from being flexible in responding to importer requests for change; altering export procedures and prior agreements which require incremental management time and effort, as well as financial resources (Bello et al., 2003).

Although structural drivers don’t directly affect the relationship quality, we consider these factors due to direct affects on control modes and in turn which control modes have direct effects on relationship quality. Control modes are to define as being unilateral and bilateral controls. The former refers to the process and outcomes controls according to agency theory. Process control may be described as the principle’s influence on the way in which distributors/subsidiaries carry out the marketing activities (advertising, sales calls, etc.). With outcome control, the firm is content with controlling the results of these activities (profit, sales volume, market share, etc.). Bilateral control is defined as clan control or trust which is a relationship based on shared values and norms between trading partners, whereby they can trust that the other partner always will act in the interest of both. A well-functioning relationship depends on mutual trust and respect (Morgan and Hunt, 1994). When the partners know what to expect from one another, and they do not fail to live up to their mutual expectations, the relationships will be prosper. Certain control measures are necessary to ascertain that the agent is meeting his obligations and is not behaving opportunistically. However, the control should not inhibit importer’s local marketing operations.

Dependence situation

The dependence of one party on another can be defined as the extent to which the first party relies on the relationship for the fulfillment of important needs (Rusbult and Van Lange, 1996). The level of perceived dependence of one partner on another is thought to be an important feature of the relationship (Anderson and Narus, 1990; Berry and Parasuraman, 1991). Dependence is based upon both motivational investment and availability of alternatives. Availability of alternatives is described as how easy the partner replaces. The ease of replace ability is based upon the role of performance of the partner and the level of efficiencies which the partner brings to the relationship. Motivational investment is the percentage of sales and profit associated with the relationship (Emerson, 1962). Interdependence refers to mutual dependency within the relationship. Kumar et al. (1995b) referred to interdependence as total and relative dependence. Total dependence is defined as the sum of dependence of the partners and relative dependence is defined as the difference in dependence levels. The level of total and relative dependence of firm affects the relationship quality (Mayer, 2002). Kumar et al., (1995b) found that total dependence has a positive impact on trust and commitment and a negative impact on conflict. The opposite effect is found with relative dependence. Relative dependence has a negative impact on trust and commitment, and increases conflict.

Technical ability

Exporter may encounter the several problems over the time such as, competitive prices, securing reliable representation, granting credit facilities, meeting product quality requirements, collecting payments from abroad, and delivering products on time (Leonidou, 2004). These problems may cause the firm’s withdrawal at the beginning of its export activity, delay its internationalization, or even be responsible for its failure at more advanced export stages (Leonidou and Katsikeas, 1996). Therefore the expertise of firm’s members is important due to meeting the customer’s technical needs. Meeting of customer technical needs is very important to sustain the relationships, because
it is the key source of satisfaction for the customer (Burca et al., 2004). Higher customer satisfaction leads to higher quality in the relationship. Parsons (2002) found that domain expertise was significant.

3.1.2. Emotional dimension

A lack of a positive personal chemistry is an often-cited reason for why business relationships either fail to develop and/or fail to be sustained over time. The idea that emotions play an important role in business relationships has been widely mentioned in the marketing literature. In B2B literature, interpersonal dynamics determine the fate of many buyer-seller activities (e.g. Coviello, Brodie and Munro, 2000; Geyskens and Steenkamp, 2000). A number of studies have highlighted the role played by emotions in marketing channel relationships (e.g. Geyskens, Steenkamp, and Kumar, 1998). Compared to one-off transactions, business relationships are contingent on recurrent personal interaction among individuals from both the buying and the selling organizations.

Emotions play a critical role in the initiation, the development and the sustenance of relationships over time. The existing literature is mostly interested in the role played by emotion only superficially, and only limited attempts have been made to conceptualize how emotions influence the development of buyer-seller relationships. It is noted that emotions may have a direct impact on the behavioral interaction (Andersen and Kumar, 2006). The emotions emerge in buyer-seller relationship at multiple levels, namely, the individual, the intergroup and interorganizational levels.

An emotion is a high intensity affective state that is a product of the actors’ ability or inability to attain their goals (Oatley, 1992). Actors experience positive emotions when they are able to attain their desired goals and they experience negative emotions when they are unable to achieve their desired goals. The impact of emotions is multifaceted. Emotions shape behavior and influence decision-making process (Carnevale and Isen, 1986); and condition the negotiating strategies used by actors (Greenhalgh and Chapman, 1998). Consequently, positive emotions can create higher relationship quality.

3.1.3. Relational dimension

Relational dimensions related to quality consist of the communication quality/information sharing, long-term orientation/commitment and satisfaction with the relationships based on Lages’s approach (2004).

Communication quality/information sharing

Anderson and Narus (1990, p. 44) define communication in the industrial context as being “the formal as well as informal sharing of meaningful and timely information between firms”. Relationship quality can be fostered by good communication such as, adequate communication procedures, absence of communication failures, early information about critical problems, information about tactical/strategic issues, and communication of performance expectation (Mohr and Nevin, 1990; Morgan and Hunt, 1994). Communication affects trust. Indeed, communication is the single most important factor leading to trust between the exporter and importer. Especially timely communication fosters trust (Moorman, Deshpande and Zaltman, 1993). Communication leads to understanding on any issue, sympathetic about problems, mutual understanding of rights/obligations, understanding conditions of operation, appreciation of relationship difficulties (Hallen and Sandstrom, 1991). Further, communication leads to build shared values. Shared values provide the partners to constitute common beliefs about what behaviors, goals and policies are important or unimportant, appropriate or inappropriate and right or wrong” (Morgan and Hunt, 1994).

On the other hand, information asymmetry is a key concept in agency theory. In order to balance this asymmetry between the partners, information exchange is seen as critical. Information exchange is bilateral expectation that parties will provide information useful to the other partner. “This assurance enables transaction partners to cope better with the vulnerability related to environmental uncertainty and transferred control” (Zhang et al., 2003, p. 553). As such, we expect that information exchange foster relationship quality.
Knowledge which is about importer’s strategies can provide to the exporter the competitive advantage and superior performance. Indeed, many firms allocate substantial resources to knowledge development and management. For example, Toyota has created a knowledge-sharing network with suppliers to facilitate learning. Knowledge is believed to play a significant role in buyer-seller relationships. A firm’s “relational capability” is created based on knowledge. Relational capability involves learning the partners’ behaving ways, procedures and policies in interfirm management (Johnson et al., 2004). An organization’s learning orientation involves to be acquired the knowledge. The Uppsala Internationalization Model perspective refers to two different types of knowledge: (1) objective knowledge, which can be learned through formal training or market research, and (2) experiential knowledge, which can only be acquired through personal experience. Learning orientation achieves relational satisfaction and quality.

**Long-term orientation/Commitment**

Commitment is widely recognized as being a key determinant of high-quality relationships. Relationships are built gradually in the social exchange process through which the parties come to trust each other. As a consequence of interaction over time, commitment bonds of various kinds are formed by the parties (Hakansson and Johanson, 1992; Moorman et al., 1993). Commitment has been identified as the variable that distinguishes between relationships that break down and those that continue. Commitment implies importance of the relationship to the parties and desire to continue the relationship in the future (Burca et al., 2004).

Similarly, exporter commitment refers to the exporter’s desire to develop a stable relationship with the importer, willingness to make short-term sacrifices to maintain the relationship and, a confidence in the stability of the relationship (Anderson and Weitz, 1992; Morgan and Hunt, 1994). Commitment to a relationship goes beyond a simple, positive evaluation of the other party based on a consideration of the current benefits and costs associated with the relationship.

Committed partners are willing to make idiosyncratic investments in the relation. As thus, commitment indicates the willingness to invest in the relationship. Gundlach et al. (1995) argue that commitment is closely related to mutuality, loyalty and forsaking of alternatives. Some behaviors reflect commitment, for example; feeling of loyalty, preservation of a long-lasting relationship, investment of time in learning “ins and outs”, willingness to make the effort to function well, dedication of necessary people/resources (Morgan and Hunt, 1994; Gundlach et al., 1995). Morgan and Hunt (1994) reasoned that commitment encourages marketers to “(1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favor of expected long-term benefits of staying with existing partners, and (3) view that their partners will not act opportunistically” (p. 22).

**Satisfaction with relationships**

Satisfaction refers to the degree to which interactions between the buyer and seller meet their expectation for performance. Satisfaction with the relationships can be based on evaluations of the tangible product or non-product related attributes such as delivery, service, or communication (Wilson, 1995). Some of the indicators of satisfaction are the correctness of decision to work together, satisfactory working relationship, choosing to work together again, hoping for a long-lasting relationship, happy working relationship (Calantone and Gassenheimer, 1991; Kumar et al., 1992; and Andaleep, 1996).

**3.2. Consequences of Relationship Quality**

According to Hewett and Bearden (2001), strength of relationship between exporter and importer affects export performance. The higher relationship quality enhances performance. The study of Boze and Patton (1995), which was conducted on Colgate-Palmolive, found that cooperation between managers of two parts is the key to success for achieving the firm’s goal of superior performance. Additionally, international cooperative behaviors have been suggested to be the key to the success of global companies (Adler, 1991). Jap (1999) found that pattern of complementary
actions and activities of parties can lead to enhance performance in terms of profits resulting from
dyadic collaboration efforts.

Performance is seen of various forms in the literature. By providing parallelness with Palmatier’s
study (2006), we define separately three type performance: Importer-focused outcomes (expecta-
tion of continuity, word of mouth and importer loyalty), exporter-focused outcomes (exporter ob-
jective performance such as financial, strategic and satisfaction with performance) and dyadic out-
comes (cooperation).

**Importer-focused outcomes:** Importer loyalty is one of the most common outcomes used in the
existing literature, although it has been defined in different ways. It refers to continuity of repur-
chase. An expectation of continuity reflects the importer’s intention to maintain the relationship in
the future and captures the likelihood of continued purchases. Word of mouth captures the likeli-
hood that an importer refers an exporter positively to another potential customer and, therefore,
indicates both attitudinal and behavioral dimensions of loyalty. Building relationships with im-
porters would lead to importer advocacy, where word of mouth flourishes (Griffin, 1995). Beatty
et al. (1996) showed that word of mouth was the most powerful form of communication. Knutson
(1988) referred that satisfied consumers disseminated word-of-mouth advertising at no cost. The
value of a relationship is assumed to be rooted in the continuity of the relationship between the
exporter and importer. Choi and Chu (2001) suggested that satisfied customers showed a high pos-
sibility of relational continuity with the same seller.

**Exporter-focused outcomes:** The most important outcome of relationship quality is exporter-
one objective performance. It consists of financial performance (sales, profit, growth rate of sales share
etc.), strategic performance and satisfaction with performance. While some researchers have found
evidence for the influence of relational dimensions on exporter-objective outcomes (Doney and
Canon, 1997; Siguaw, Simpson and Baker, 1998), others have failed to find any significant effects
(Crosby, Evans and Cowles, 1990).

**Dyadic outcomes:** “Cooperation captures the level of coordinated and complementary actions be-
tween exchange partners in their efforts to achieve mutual goals. Cooperation promotes value crea-
tion beyond that which each party could achieve separately, but because one party often receives
its portion of the value earlier, the other party must have enough trust in the relationship to wait for
its future reciprocation” (Palmatier et al., 2006, p. 140). Roth and Night (1992) suggested that col-
laboration was the characteristic of effective relationships.

4. **Pioneer Factors of Relationship Quality Based on Stages of Relationships between Exporter and Importer**

Generally, an exchange occurs when two parties perceive value and agree to proceed with a transac-
tion that could be either a one-off occurrence or part of an ongoing relationship. This process requires
the initial contact between the parties, a process of discussion and negotiation on product, delivery
and pricing (plus other relevant factors), resolution of problems and, finally, agreement. During this
time, both parties usually modify their positions before a value-adding, mutually agreeable solution is
reached. The process of negotiation does require compromise by the prospective exchange partners
to establish a relationship. There is some evidence that exporter and importer marketing operation
relationships may vary significantly in effectiveness based on relational stages. The exporter-
importer relationships have relational life-cycle. As thus, the antecedents and consequences explain-
ning relationship quality mentioned prior sections are different from earlier stage to last stage.

Relationship stage refers to the major transitions in how parties regard each other (Dwyer, Schurr
and Of, 1987). Stages of relationship introduced by Ford and Rosson (1982) consist of five stages:
introductory, growth, mature, stagnation/inert and decline. Iacobucci and Zerrillo (1997) defined the
relationship life cycle stages by the strength and direction of growth of relationship. While relation-
ship is characterized by strong growth in the build-up stage, it hardly grows in the maturity
stage, and finally shrinks at the decline stage. Eggert et al. (2005) also defined the relationship
stages based on intention of expanding business with the supplier. A high intention to expand
business is indicative of a relationship in its growth stage. A low intention to expand business is an indicator for mature relationships. Finally, the intention to reduce purchasing volumes indicates declining business relationships. Alternatively, the relationships can be classified based on their age. Age, however, is not a valid measure for relationship stages. For example, some relationships may reach maturity after a few months while others are still at the growing stage after several years. In addition, relationships may experience a second growth or rejuvenation stage, when the supplier introduces new product or services (Elramm, 1991). Jap and Ganesan (2000) described four distinct stages of a relationship: exploration, buildup, maturity and decline. The exploration stage is a search and trial stage in which the potential obligations, benefits and burdens of continued exchange are considered. Uncertainty reduction and an assessment of the potential value of continued interactions are central goals at this stage (Jap and Ganesan, 2000). During the buildup stage, firms experience a continual increase in benefits and interdependence. Socialization processes transform transactions by infusing them with norms and values that enable the relationship to be perpetuated into the long run. The trust and joint satisfaction developed may lead to increased risk taking by both parties (Frazier, 1983). During the maturity stage, the parties have implicitly or explicitly made a pledge to continue the relationship on a regular basis. This stage is marked by a high level of tangible and intangible input to the relationship (Blau, 1964), and both firms are-receiving acceptable levels of satisfaction and benefits. At the decline stage, at least one party is experiencing dissatisfaction, contemplating relationship termination, exploring alternative relationships and beginning to communicate and intent to end the relationship. The parties are short term oriented in their dealings toward each other. Jap and Ganesan’s description is taken into consideration in this study because it is basic approach and relevant to the concept of this study.

The pioneer factors of relationship quality based on each of relationship stages in context of the exporter-importer relationship can be explained as in Table 1.

At the exploration stage, from perspective of situational dimension, Heide (1994) notes that relationship initiation entails an evaluation of potential exchange partners, initial negotiations about the potential relationship, and some adaptation if the collaboration goes forward. Therefore adaptation has not occurred at this stage yet.

There is evidence of differences power within international exchange relationships. An understanding of the level of compromise by each party and who has more power in the process of influencing change is critical to understanding the dynamics of the exchange process (Lye and Hamilton, 2000). Power is necessary in order for the exporter to carry out various measures that the importer has to accept, such as the reporting and monitoring routines introduced, or norms and values instituted by the exporter. Power has not occurred at this stage yet.

<table>
<thead>
<tr>
<th>Dimensions /Stages</th>
<th>Exploration</th>
<th>Development</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Situational</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptation ability</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>None</td>
</tr>
<tr>
<td>Structural drivers</td>
<td>Low power relations</td>
<td>High power relations</td>
<td>Low distance</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>High distance</td>
<td>Low distance</td>
<td>Sufficient resources</td>
<td>High dist.</td>
</tr>
<tr>
<td>Dependence situation</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>None</td>
</tr>
<tr>
<td>Technical ability</td>
<td>Low technical ability</td>
<td>High technical ability</td>
<td>High technical ability</td>
<td>None</td>
</tr>
<tr>
<td>2. Emotional</td>
<td></td>
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</tr>
<tr>
<td>Positive emotions</td>
<td>Positive</td>
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<td>emotions</td>
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</table>
Distance may be negatively associated with quality of the exporter-importer working relationship in this phase. For instance, “distance may interrupt the communication flow between the exchange parties, which is vital in keeping them adequately informed (Bello and Gilliland, 1997). It also makes the resources possessed less visible, as well as what is needed to be achieved from the relationship (Hallen and Sandstrom, 1991). Distance may increase the potential for misunderstandings between exporters and importers (Shoham et al., 1997). Distance may also have a negative impact on creating a desire for the relationship to be important enough to warrant the maximum effort, thus reducing commitment (Ford, 1980). Psychic distance reflects unknown challenges, such as differences in language, consumer behavior, cultural standards, legal framework or purchasing power. The main assumption is that firms are less likely to take up or continue business relations with countries that are perceived to be dissimilar (i.e. show a high psychic distance). Moreover, it is argued that a sense of cultural proximity and thus a lower psychic distance toward a foreign market will encourage business ventures with country (Hammoutene, 2004). Cultural distance correlates negatively with trust and commitment (Nes and Solberg, 2002). Although many findings related to cultural distance show contradiction, the closer the cultures between the exporter country and the importer country, the easier it is to build trust (Solberg, 2006a). At this stage, problems of distance have not been solved yet.

Lack of resources makes it harder for the exporter to invest in relation-building activities or assets, eventually leading to a more arms’-length relationship with its importer (Solberg, 2006a). At this stage, exporter has not allocated the resources to relation-building activities due to uncertainty in interaction. Dependence situation has not emerged yet at this stage. Partners have had the alternative ways for changing each others. Technical ability is likely to be weak because of insufficient knowledge about needs of importer.

Therefore, at this stage, structural drivers play important role in determining of relationships quality.

From perspective of emotional dimension, exporter needs strongly personal interaction. Although there may be uncertainty in the organization as whether or not it is best to proceed with the relationship, this uncertainty may not be universally shared. The boundary spanners are likely to be positively biased towards the formation of this relationship for a number of different reasons. First, the initiation of new relationships provides new possibilities for boundary spanners in term of recognition and achievement. Second, given that it is their job to initiate these relationships, an established relationship would bring them credit. It is also the case while the benefits for boundary spanners occur immediately and the potential costs are not immediately apparent. It is quite possible that the boundary spanner may have moved on to another position by the time that it becomes clear that the relationship is not working (Andersen and Kumar, 2006). At initial stage, personal may have positive emotions.

From perspective of relational dimension, Ford (1980) notes that at this stage the partners do not know each other very well and for this reason there is considerable uncertainty. While the partners...
may be aware of the risks involved, they may have little or no evidence of how to judge their partners’ commitment to the relationship. “As opposed to domestic business, international operations are characterized by higher levels of environmental uncertainty, due to limited knowledge regarding export mechanics, lack of information concerning overseas markets, and multiplicity of task environments within which the firm must operate. This appears more acute during the early stage of export engagement, but as the firm gains more experience abroad, and obtains more foreign market-related information, the level of uncertainty gradually diminishes, encouraging progression to more advanced export stages” (Leonidou et al., 2006, p. 579). On the other hand, inadequate exchange of information and poor understanding of the specific roles of the parties involved increase internal uncertainty (Leonidou et al., 2006) and, are more likely to decrease the relationship quality. Internal uncertainty is likely to be high during the early phase of the relationship-building process, when significant changes are introduced, or when the relationship deviates from its original expectations (Rosson and Ford, 1982). As the exporter gains more experience from its relationship with the importer, internal uncertainty levels are gradually reduced. Higher level of uncertainty may produce information asymmetries between exporters and importers. Consequently, the potential to behave opportunistically may increase (Klein, 1991). Furthermore, the high levels of uncertainty may cause the lessen ability to plan effectively for future condition, the reluctance to invest additional time and resources in the working relationship (Hedaa, 1993). High uncertainty may lead to problems in coordinating the activities (Hakansson and Snehota, 1995). Therefore, communication and information sharing, long-term orientation and commitment, and satisfaction with the relationship have not occurred yet. Relational norms are not effective in this phase, because they are not well developed (Jap and Ganesan, 2000). Relationship quality between exporter and importer has low level.

At the development stage, from perspective of situational dimension, adaptation ability occurred. At this stage, it can be expected that exporters adapt to the needs of specific important importers and that importers adapt to the capabilities of specific exporters (Hallen et al., 1991). Such adaptation frequently occurs by way of investing in transaction specific assets such as product/process technology and human resources (Hakansson, 1982). These acts are such as; to change in corporate objectives/strategies/policies, adjustment of procedures, changes in organizational structure, flexibility in responding to demands, and adjustment of type/quality of work (Hallen, Johanson, and Seyed-Mohammed, 1991).

Power plays an important role in reporting and monitoring of routines introduced. In this stage, with more knowledge, the exporter should be in a position to give advice and instructions to the importer thereby making process control relevant. Outcome control has significantly better effect on performance than the processes and clan control methods (Solberg, 2006b).

Distance is less effective due to gaining experience. The problem of insufficient resources is solved by specific investments. Dwyer et al. (1987) noted that the development stage is characterized by an increasing interdependence among the alliance partners. Technical needs of importer are met in this stage because exporter learns the requirements of importer. This is very important to satisfaction of the importer (Burca et al., 2004).

From perspective of emotional dimension, exporter needs less personal interaction relative to exploration stage. At this stage, generally positive emotions increase between two sides. However, sometimes, negative emotions such as anxiety, contempt, etc. emerge and this situation decreases the motivation to trust and prompts more distanced relationships among groups. These relationships may be characterized by “semi-distrust”. Such relationships are monitored carefully. In this situation trust based on faith may be replaced or reverted to a calculative trust form, which implies close monitoring (Andersen and Kumar, 2006).

From perspective of relational dimension, at the development stage, communication quality and information sharing increase. This situation leads to develop trust and increases risk taking among the partners. One consequence of this is the reduction of uncertainty and lessening of the distance between the partners. Commitment can be seen as indicator of the most advanced stage of relationship. Relational norms are particularly useful for safeguarding investment and facilitating export
commitment, because they motivate the exporter to behave in a way that would be beneficial to the relationship as a whole and thus preserve the relationship (Jap and Ganesan, 2000). Interdependence magnitude and asymmetry have strong positive effects on exporter commitment during the development of relationship. This may be because of the transitional nature of this phase, in which a shift occurs from transactional relationship to a more long-term, strategic relationship (Jap and Ganesan, 2000). Both parties will tend to solidify and extend the relationship. Also, investments in the relations may be considered as specific investments increasing the exporter’s dependency of the importer. The more the exporters invest in their relations with their importer, the more we will expect that importer satisfaction. Higher customer satisfaction leads to higher quality in the relationship.

Relationship quality receives top point in the end of development stage of the relationship over lifetime, because the positive situational, emotional and relational dimensions of firm exist at the same time at this stage.

At the maturity stage, from perspective of situational dimension, adaptation ability continues at regular basis and high level. Partners may need to adjust their strategies according to new changes. Power of the domain part continues. Clan control seems to yield better rewards than the two other control methods (Solberg, 2006b). After a period of adaptation, socialization and goal alignment, trust or clan control will take over as the most committed mode of control by the exporter. Problems of distance have been solved. The problems of insufficient resources aren’t lived. Interdependence between partners provides stronger strategic relationships. Technical needs of importer are met because exporter has obtained experience and expertise over time.

From perspective of emotional dimension, relationship quality continues by positive emotions at this stage.

From perspective of relational dimension, at the maturity stage, relationship quality continues but not increases. The parties reap the benefits of their transaction specific investments and coordination efforts. Less tangible assurances, such as relational norms, may not be as valuable in communication commitment at this stage relevant to other stages (Jap and Ganesan, 2000). Information sharing and communication quality, long-term orientation and satisfaction with the relationship are to high level.

At the decline stage, firm is characterized by the possibility of withdrawal or disengagement from the relationship (Dwyer et al., 1987). From perspective of situational dimension, exporter isn’t able to adaptation based on resources. Power relations, distance and lack of resources aren’t into consideration at this stage. Exporter or importer tends to look for other opportunities. Interdependence reduces at this stage. Although technical ability of exporters sustains, they begin to lose their motivation.

From perspective of emotional dimension, although the partners can withdraw from a relationship at any stage when the dissolution occurs, the negative emotions are intensive at this stage. The emotional consequences of termination are likely to be particularly severe. When expectation are high any violation of expectations may have severe consequences, especially so if the violations are attributed to the other partners’ intentionality. Highly intensive negative emotional states can cause a complete rupture of the relationship. Although firms may discontinue their relationships, they may try to re-establish the relationship. Negative emotions may tend to dissipate over time, as thus, this situation makes easier for the individuals to renegotiate the relationship. Informal interpersonal bonds play a major role in the re-activation of relationships and are therefore the prime drivers for the reestablishment of the relationships (Andersen and Kumar, 2006).

From perspective of relational dimension, the contracts carry legal penalties for opportunistic termination, and relational norms signal a willingness to manage the decline process constructively. Relational norms are particularly important during decline stage, because these norms act as emotional and procedural buffers that minimize the stresses associated with change at this stage (Jap and Ganesan, 2000). Two-way communication may be useful for managing decline process.
Eventually, export performance based on importer-focused outcomes (expectation of continuity, word of mouth and importer loyalty), exporter-focused outcomes (exporter objective performance) and dyadic outcomes (cooperation) is likely to increase at development and maturity stages and decrease at exploration and decline stages.

5. Results and Implications

Improving export performance is a national imperative and urgent need for many companies. However, matching export products, services and marketing strategies with importer’s needs in diverse export markets, where information is scarce, remains problematic. The higher export performance simply underlies the need for greater investment in building the type of exporter-importer relationships that will produce sustained export sales. Recognizing the relationship issues is important for planning effective export marketing strategies. One of the reasons why exporters lose the loyalty of their importers is that they simply do not care enough about their relationships with importers. The quality of the product and services has taken precedence over a focus on relationship quality. To grow and survive, an exporter must move to the more visionary approach of creating importer commitment and loyalty through creating and maintaining long-term, high quality customer relationships.

Exporter should determine relational marketing strategies according to their relational stage involved. The pioneers of each stage are different from pioneers of other stages.

There should be a regular, symmetrical, and uninterrupted flow of information between the two parties, which can be achieved through the execution of primary marketing research, obtaining useful data of secondary sources, performing systematic marketing intelligence, and acquiring knowledge from field experience. Such information is particularly critical during the initial stage of relationship due to the possession of limited experiential knowledge about the partner and the partner’s operating environment (Leonidou and et al., 2006). Two-way communication should be encouraged to maintain relationships. Exporter should learn what the importer needs are and how to respond to them. Exporter not only collects data about importer but also shares emotions and improves importer’s experience.

For satisfaction of importer, exporter should know about the importer preferences and try to understand the change of importer’s needs. Spanner boundaries resolve importer’s inquiry and complaints especially at the development and maturity stages even though these tasks may not be their direct responsibilities.

Managers need to reduce distance by taking several courses of action: (a) undertaking regular trips to the partner’s country in order to become more familiar with the foreign firm’s personnel and organization; (b) learning the language of the overseas partner through participation in classroom and/or interactive training; and (c) participation in cross-cultural training methods, such as cultural assimilation, sensitivity training, and role-playing (Czinkota and Ronkainen, 2003). All the above point the need to invest more time, effort, and resources in initiating, developing and sustaining sound working relationships with buying organizations in foreign markets. However, the relationship-building process is not the responsibility of the marketing department only, and should involve everybody in the exporting firm (Morris, Barnes, and Lynch, 1999). “There is a need, therefore, to establish cross-functional coordination under the supervision of a relationship manager with an overall responsibility to: explore the possibility of establishing new business relationships in overseas markets, monitor the quality of existing relationships, and examine which of them need to be nurtured, terminated, or put aside. The individual in this position should possess or acquire specialized skills and knowledge in relationship management, while she/he should, at the same time, maintain an international outlook, be sensitive to overseas cultures, and have the ability to speak foreign languages” (Leonidou et al., 2006, p. 584). Emerson (1972) suggests that a firm in a vulnerable position can either reduce its own dependence in the relationship or strive to increase its partner’s dependence.
Investing to understand the needs and expectations of importer will build a competitive resources-based advantage for the exporter that other suppliers will find difficult to imitate.

Once an exporter has acquired a satisfied importer, it possibly leads to an increased positive word of mouth. Therefore, it is a most important task of exporter to make importer satisfied and to create a higher level of the importer’s trust. Internal marketing can be used as an important tool to achieve this objective. It is important to keep in mind that not all importers are appropriate targets during the implementation process of relationship marketing, so that the 80/20 rule works out well here. That is approximately 80% of the total revenue of firm typically from 20% of the customer.

6. Limitations of Study and Suggestions for Future Researches

This study is a narrative review. Therefore, although it provides broad-based overview of the field through illustrative studies, it has many restrictions, as well. For example, all inferences from the current studies in the literature stand in need of justification by empirical researches. Future researches can be an analysis of each of arguments in the text based on different settings.

References


