

THE INFLUENCE OF RELATIONSHIP MARKETING COMPONENTS ON EXPORT PERFORMANCE: A COMPARISON OF TRANSITIONAL VS. ESTABLISHED MARKETS

Vpliv sestavin trženja na podlagi odnosov na izvozno uspešnost podjetij: primerjava razvitih trgov in trga v tranziciji

Introduction

Most export performance research has focused on firms' marketing strategies and market environment factors (Styles and Ambler 2000; Aaby and Slater 1989; Katsikeas et al. 2000; Diamantopoulos 1999; Shoham et al. 2003). However, the international aspects of relationships between actors in international markets, such as exporters and their buyers (e.g. distributors), have been under-researched. Only a few studies have integrated relationship marketing theory with export performance or the internationalisation process (e.g., Leonidou and Kaleka 1998; Leonidou 2004). Hence, we explore the specifics of the international/export context of relationship marketing and its components in business-to-business (B2B) markets.

Research Background

In Slovenia, as a transitional and emerging market in Central and Eastern Europe, most of the internationalisation processes of its firms are evolutionary (Jaklič and Svetličič 2005). In the internationalisation process seen in the last two decades, SMEs (small and medium sized enterprises) have been typical examples of step-by-step international growth. However, some firms are born global, mostly global niche players in specific segments of manufacturing industries and services. Further, some internationally growing firms skip over stages as presented in the Uppsala model (Johanson and Vahlne 1997) and achieve fast growth. Operating in a very small local economy, firms cannot neglect global business trends which influence their international development. Such firms confirm Vahlne and Nordstrom's (1993) as well as Bjorkman and Forsgren's (2000) findings that the Uppsala model does not apply to all firms that operate globally in global industries (e.g. value chain suppliers). Regardless of their mode of international growth and development, most of the exports and added value of Slovenian firms are created in international B2B markets, where business relationships and their components are important performance drivers. Hence, we focus on the impact of relationships and their components on the export performance of Slovenian international firms.

Authors (Bilkey and Tesar 1977; Johannson and Vahlne 1977; Shoham et al. 2003; Leonidou, Katsikeas and Samiee 2002; Lages and Montgomery 2004) have explored the variables influencing export performance, including the environment (market attractiveness and psychic distance), firm characteristics (e.g., export commitment, quality, resources, size, international experience, and knowledge/information), and marketing strategy (e.g., Cavusgil and Zou 1994;

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Abstract

UDC: 339.54

We present an updated Styles-Ambler model (2000), which explores the impact of relational variables on export performance. The model was initially tested in the UK and Australia. We extended previous research by testing the upgraded model in Slovenia. Most relationship components (e.g., cooperation, market knowledge, commitment, trust) influence export performance positively. However, some interesting differences arise when the results of the UK and Australian samples are compared to those of Slovenia.

Keywords: relationship components, export performance, Styles-Ambler model

Izvleček

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V članku avtorji predstavljajo Styles-Amblerjev model (2000), ki obravnava sestavine trženja na podlagi odnosov in njihov vpliv na izvozno uspešnost mednarodno delujočih podjetij. Model je bil originalno preverjen na trgu Velike Britanije in Avstralije. Pričujoči članek model nadgrajuje in ga preverja na slovenskem trgu na vzorcu mednarodno delujočih podjetij. Rezultati raziskave kažejo, da večina sestavin trženja na podlagi odnosov (sodelovanje, poznavanje trga, zaupanje, zavezanost) pozitivno vpliva na izvozno uspešnost. Kljub temu pa se v primerjavi z izbranimi razvitimi trgi z vidika slovenskega trga kot tranzicijskega primera kažejo nekatere zanimive različnosti.

Ključne besede: sestavine trženja na podlagi odnosov, izvozna uspešnost, Styles-Amblerjev model

JEL: L14, M3

Shoham 1998; Katsikeas et al. 1996; Ortega 2005; Toften 2005). Contributions assessing exporting from a relational paradigm perspective are rarer. A literature review shows that relationship research has focused mostly on buyer-seller relationships in domestic markets (e.g., Morgan and Hunt 1994). Only in the late 1990s were relationship concepts incorporated into research in an international, predominantly export context (Lee 1998; Leonidu and Kaleka 1998) with export performance being a dependent variable (e.g., Styles and Ambler 1994, 2000). Leonidou (2002) concluded that export management is a process of managing relationships with foreign customers and parties operating inside or outside the company's supply chain. A balanced portfolio of relationships is an important goal in export markets (Leonidou and Kaleka, 1998), a concept first introduced by Hakanson (1982) and Ford (1980).

Accordingly, relationship variables should be viewed vis-à-vis their influence on export performance and firm internationalisation. Styles and Ambler's (2000) model analyzed this influence with a commitment to two key drivers: the market (country) and the relationship with the distributor. Their results supported the importance of relational variables for export performance in the UK and Australia. Hence, our main research explored if these variables also influence export performance in the emerging market of Slovenia, where firms exhibit a strong export orientation. We concur with Jansson's argument (2007; p.11) that "the emerging country markets are defined as growing markets, which are being transformed from a pre-market economy stage to the market stage of the mature Western capitalistic economy, by way of integrated and successful structural reforms of companies, markets and societies." Slovenia, a growing economy from the CEE region that has progressed through several stages of emergence and transition, joined the EU in 2004.

Notably, the models and concepts developed in mature Western markets might not be easily transferred to emerging or transition markets. However, the model used here is one of the few models that address the impacts of relationships on export performance and internationalisation. In addition, the S-A model was substantiated empirically in two markets at different stages of growth and development – the UK and Australia. Finally, the model was originally tested on the early stages of SMEs' export ventures, which are comparable to Slovenian firms.

Relational Variables and Firm Internationalisation in the S-A Model

In the original S-A model, *market knowledge*, *experiential data collection*, *objective data collection*, *market commitment*, *relationship intensity*, *trust* and *relationship commitment* were used as relationship constructs and developed eclectically based on relationship marketing, distribution channel and export performance literature (Figure 1). The authors proposed that the selected relationship constructs influence international business performan-

ce directly or indirectly. We used the same constructs and hypothesized relationships of the S-A model and explain them in the following sections (Figures 1-2).

Market knowledge

Internationalisation theory and contributions on export performance show that *knowledge about markets* drives performance. The Uppsala school (Johanson and Vahlne 1977; see also Blankenburg and Eriksson 2000; Hadley and Wilson, 2000) found *experiential knowledge* to be part of market knowledge and an important determinant of performance, usually based on personal interactions. Johanson and Vahlne (1977) argued that firms begin the exporting process by forming relationships that will deliver 'experiential knowledge' about markets which is gained through personal interactions in the local market, and then commit the resources aligned with such experiential knowledge (Styles and Ambler 2000). Others (Madsen 1989; Amine and Cavusgil 1986; Styles and Ambler, 1994) documented a positive association between personal contacts (i.e., buyer-seller relationships) and export performance. Zahra et al. (2000) and Bloomstermo et al. (2004) confirmed the importance of experiential knowledge as a driver of firms' resource commitments and, therefore, *commitment* to the markets and internationalisation. Lately, *network experiential knowledge* (Bloomstermo et al., 2004) has been explored as a driver of firms' internationalisation, especially in the long run (Zaheer 2002). As such, market knowledge consists of objective and experiential knowledge. The latter includes network experiential knowledge, which is especially important in emerging markets (Jansson 2007), supported by social (personal) relations (e.g., the relationships between buyers and suppliers).

Objective and experiential knowledge

Objective and experiential knowledge affects firms' internationalisation and it is interesting to explore to what extent they influence market knowledge creation and its development *and* export performance. The former is related to the theory of the firm (Penrose 1966; Styles and Ambler 2000), according to which different types of knowledge are important for international growth (Nonaka and Takeuchi, 1995; Choi and Eriksson 2001). In internationalisation, experiential knowledge prevails, especially in its early stages. We believe that objective and experiential knowledge directly influences market knowledge about target markets. As in the original model, we used Nonaka and Takeuchi's (1995) definition, where objective (explicit) knowledge is a formal mode of knowledge and tacit (implicit) knowledge derives from subjective personal experience.

When developing hypotheses, Styles and Ambler (2000) used the term *experiential and objective data collection* (and not knowledge). We used the same terminology and defined data collection as a process of obtaining and gathering information which leads to knowledge creation and development (Menon and Varadarajan, 1992). Objective and experiential data collection is even more important in the

early stages of international development due to incomplete information, lack of experience and, consequently, low levels of market knowledge. For that reason, each step in international growth represents a new experience for the firm and new objective or experiential knowledge creation (Eriksson et al. 1997).

Based on these arguments and the original model, we developed the following hypotheses:

There is a positive relationship between:

H1: experiential data collection and firms' market knowledge;

H2: experiential and objective data collection; and

H3: objective data collection and firms' market knowledge.

Commitment, trust, long-term orientation and cooperation (intensity of relationships)

The original S-A model (Figure 1) incorporates two commitment dimensions – *market commitment* (commitment to international markets) and *relationship commitment* (commitment to suppliers). *Market commitment* is based on knowledge of international markets, influenced by experiential and objective data collection (experiential and objective knowledge). *Relationship commitment* encompasses the intensity of relationships with suppliers or distributors and trust. Relationship intensity (named cooperation in our model) was defined in the channel literature (Anderson and Weitz 1989, 1992; Anderson and Narus 1984) and social exchange theory as the mutual goal achievement between a buyer and seller or distributor (Hunt and Morgan 1994; Anderson and Narus 2004; Young and Wilkinson 1997). Styles and Ambler (2000, p. 266) referred to Morgan and Hunt's conceptualization (1994) of the *trust – commitment relationship*: 'the more trust in the relationship, the greater will be the long-term commitment to the relationship.' Morgan and Hunt (1994, p. 23) defined relationship commitment as 'an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it.' The committed party believes the relationship is worth pursuing to ensure that it endures indefinitely. It refers to the willingness of exchange partners to make short-term sacrifices for the long-term stability of the relationship (Anderson and Weitz 1992, p. 19; Joshi and Stump 1999, p. 339). A *long-term orientation* assumes that the relationship is stable and will last long enough for the parties to realize long-term benefits. If parties do not expect long-term benefits, they would be less committed to the relationship. As such, a long-term orientation is a consequence of trust and relationship commitment.

Rosson and Ford (1982, p. 70) studied manufacturer-overseas distributor relations and found that the most successful ones are those where the parties are prepared to adapt their roles and routines and display commitment to developing the business. Investigating the buyer-supplier

relationship, Miyamoto and Rexha (2004, p. 317) conclude that customers commit only to suppliers they trust, making customer trust a prerequisite of customer relationship commitment. Yet, customer trust is only granted to suppliers who can prove themselves as sustainable partners for productive joint-value creation.

International markets with different cultures are riskier than domestic markets partially because of the incomplete information about them. Hence, *trust* plays a critical role (Batt 2004). Trusting individuals are willing to share their ideas and information, clarify goals and problems, and approach relationships with a problem-solving orientation (Morgan and Hunt 1994), especially in international markets. Therefore, as in the S-A model, we applied a behavioural view of trust (Moorman et al. 1993; Ganesan 1994).

Export performance

In line with the S-A model (Figure 1), the dependent variable was *business performance* as conceptualized by Cavusgil and Zou's export performance construct (1994). A key research issue when measuring performance is the balance between 'hard' (e.g. sales, profits) versus 'soft' (e.g. self-perception) measures. We used the EXPERF scale (Zou et al. 1998, Figure 2), which consists of three components – financial, strategic and export performance satisfaction, making export performance a strategic outcome of exporting. This approach differs from that of the S-A model and enables better comparability of firms producing different products (Zou et al. 1988; Shoham et al. 2005).

On the basis of these arguments and the original model, we hypothesized that:

There is a positive relationship between:

H4: firms' market knowledge and their market commitment;

H5: firms' market commitment and export performance;

H6: experiential data collection by a supplier (exporter) and the intensity of its relationship (cooperation) with its buyer;

H7: suppliers' (exporters') market commitment and the intensity of the relationship (cooperation) they have with their buyers;

H8: the intensity of relationship (cooperation) and trust;

H9: trust and exporters' long-term commitment to the relationship with their buyers;

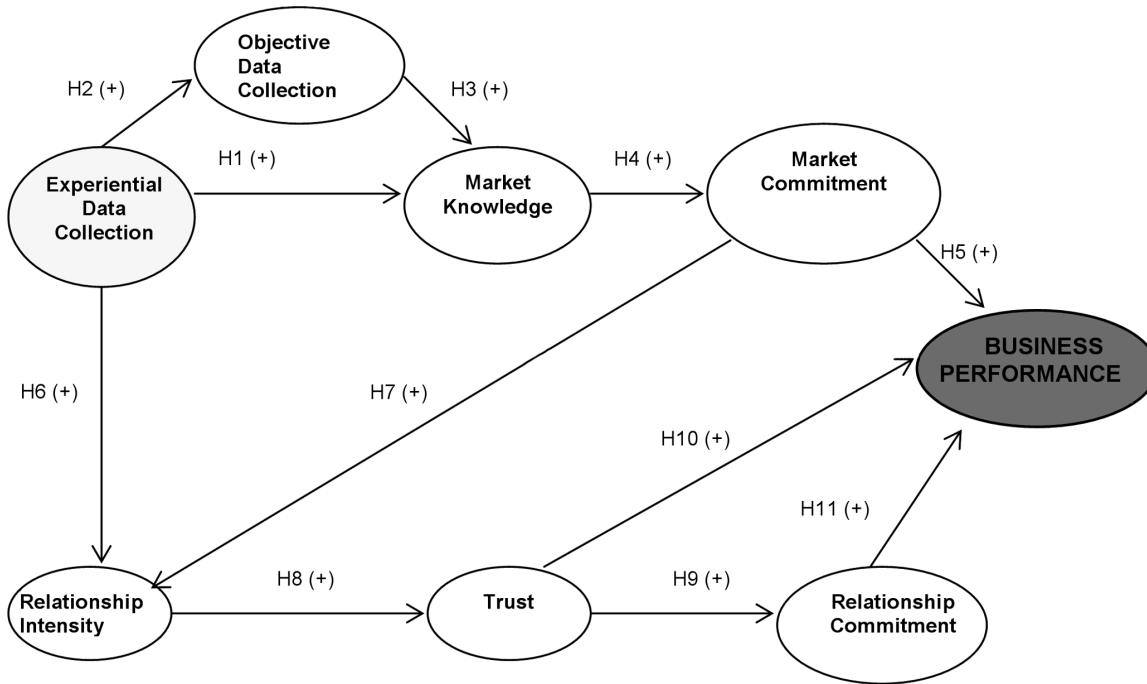
H10: trust and the export performance of an export venture; and

H11: suppliers' long-term commitment to the relationship with their buyer and the export performance of an export venture.

The hypotheses are presented in Figures 1 (the original S-A model) and 2 (our adapted S-A model).

Figure 1: The original Styles – Ambler Model

Social Learning and Commitment



Distributor Relationship

Figure 2: Adaptation of the Styles – Ambler Model

Relational Variables / Supplier (Exporter) - Buyer Relationship

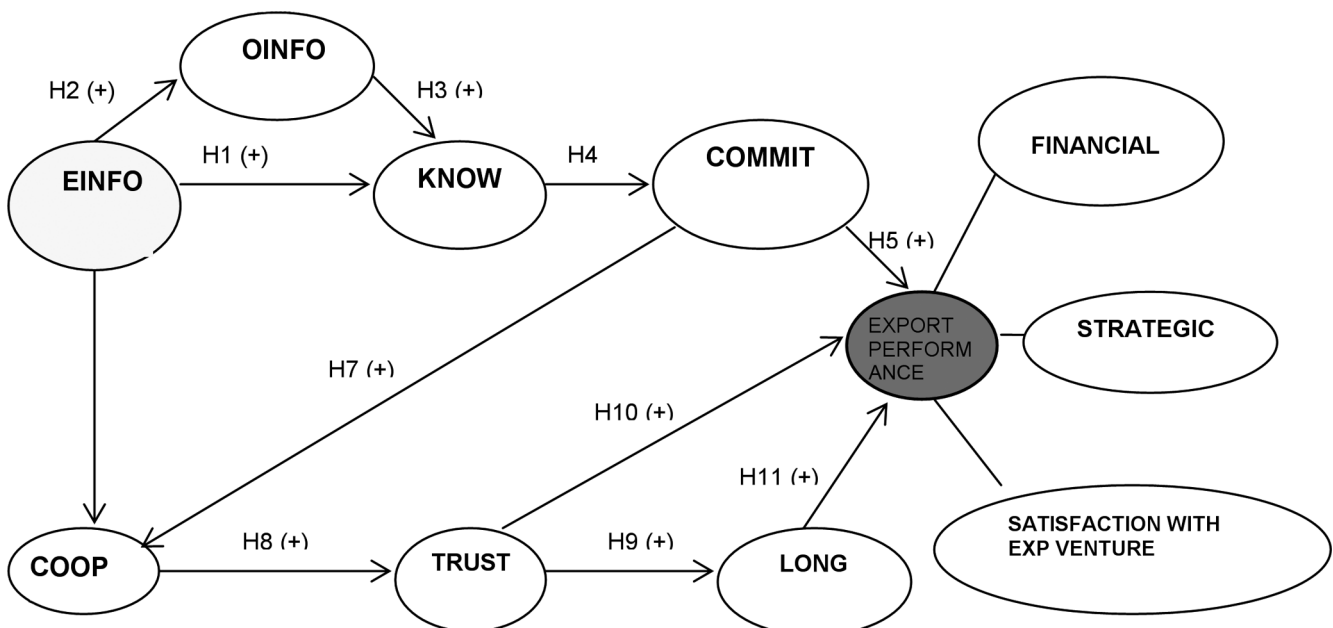


Table 1: Variable Measurement

Variable	Mean	Std. Dev.	α
ξ_1: Experiential Data Collection			0.73
X ₁ : EINFO_1 Personal visits to the buyer	6.55	1.07	
X ₂ : EINFO_2 Exchange of information	6.19	1.09	
X ₃ : EINFO_3 General visits to the market	4.70	1.48	
X ₄ : EINFO_4 Business trips; getting knowledge about the export market	6.00	1.34	
η_1: Objective Data Collection			0.83
Y ₁ : OINFO_1 General data about markets/research	4.29	1.39	
Y ₂ : OINFO_2 Marketing research orders	3.89	1.63	
Y ₃ : OINFO_3 Consultancy	3.59	1.61	
Y ₄ : OINFO_4 Information/data gained through state institutions (embassies etc.)	3.38	1.58	
η_2: Market Knowledge			0.87
Y ₅ : KNOW_1 Business norms and habits	5.80	1.15	
Y ₆ : KNOW_2 Social values	5.46	1.17	
Y ₇ : KNOW_3 Lifestyle	5.39	1.22	
Y ₈ : KNOW_4 Buyer	5.91	1.10	
η_3: Market Commitment			0.85
Y ₉ : COMMIT_1 Extent of resource allocation in marketing/exporting of most important product	5.29	1.31	
Y ₁₀ : COMMIT_2 Management commitment to market most important product	5.98	1.18	
Y ₁₁ : COMMIT_3 Extent of formal planning for most important product	5.93	1.23	
Y ₁₂ : COMMIT_4 Extent of resources allocation in exporting/int. marketing in general	5.36	1.23	
η_4: Relationship Intensity			0.87
Y ₁₃ : COOP_1 Marketing strategy development	4.65	1.59	
Y ₁₄ : COOP_2 Gathering market data	4.92	1.48	
Y ₁₅ : COOP_3 Product development	5.44	1.54	
Y ₁₆ : COOP_4 Advertising Development	3.66	1.79	
Y ₁₇ : COOP_5 Price policy/setting	5.18	1.50	
Y ₁₈ : COOP_6 Designing sales promotions	4.26	1.86	
Y ₁₉ : COOP_7 Shipping and transportation	4.96	1.58	
Y ₂₀ : COOP_8 Managing buyer stock levels	4.19	1.80	
η_5: Trust			0.88
Y ₂₁ : TRUST_1 Complete trust	5.02	1.31	
Y ₂₂ : TRUST_2 Attitude towards mutual benefits	4.88	1.42	
Y ₂₃ : TRUST_3 Level of trust according to past and present experience in relationship with the buyer	5.56	1.09	
η_6: Relationship Commitment (to the buyer)			
Y ₂₄ : LONG_1 Very committed to the buyer	5.75	1.31	
Y ₂₅ : LONG_2 Our firm intends to maintain indefinitely	6.26	1.08	
Y ₂₆ : LONG_3 Deserves our maximum effort to maintain relationship	6.17	1.25	
η_7: Export Performance (EXPERF) of evaluated product/product group (static and dynamic measures)			0.94
Y ₂₇ : EXPERF_1 Has been very profitable	4.82	1.50	
Y ₂₈ : EXPERF_2 Has generated a high volume of sales	5.08	1.61	
Y ₂₉ : EXPERF_3 Has achieved rapid growth	4.52	1.68	
Y ₂₉ : EXPERF_7 The performance of this product/product group has been very satisfactory.	5.03	1.44	
Y ₃₀ : EXPERF_8 This product/product group has been very successful.	5.01	1.47	
Y ₃₁ : EXPERF_9 This product/product group has fully met our expectations.	4.92	1.53	
How satisfied are you with the:			
T: Y ₃₂ : EXPERF10 Export sales of this product or product group	5.00	1.16	
Y ₃₃ : EXPERF11 Export profit margin on this product/product group.	4.51	1.43	
How would you evaluate the five-year change in the:			
Y ₃₄ : EXPERF12 Export sales of this product/product group	5.10	1.35	
Y ₃₅ : EXPERF13 Export profit margin on this product or product group	4.36	1.35	
How satisfied are you with the five-year change in the:			
Y ₃₆ : EXPERF14 Export sales of this product or product group	4.94	1.22	
T Y ₃₇ : EXPERF15 Export profit margin on this product/product group.	4.42	1.37	

Research Design

The research was conducted at the Faculty of Economics of the University of Ljubljana in November 2006. The same questionnaire used in previous studies (after a back-translation process) was sent online (using a specially designed web site) to Slovenian exporting B2B firms. The questionnaire related to the main suppliers and buyers in the most important product/market combination (whereas Styles and Ambler focused on the relationship with distributors in an export venture).

In the first stage of the research, 15 Slovenian B2B exporters (managing or export directors) were interviewed to verify the constructs and understanding of the questionnaire, which was then changed to reflect their comments. Phase 2 included e-mailing the link to the questionnaire to 2,000 Slovenian firms, selected on the basis of two criteria: five years' experience in foreign markets and more than EUR 40,000 worth of exports in the last five years. This sample is comparable to that used in previous research. Phase 3 of the research included a reminder e-mail that was sent three weeks after the first, introductory e-mail.

225 Slovenian exporters, mostly typical SMEs, returned complete questionnaires (11.3%). As in previous samples, they were heavily dependent on revenues from international markets (67% of total sales, on average). This relatively low response rate could be due to the survey method. The online approach is not yet widely used in research on Slovenian exporters. In addition, the e-mail addresses may have been sent to departments other than those responsible for the international facets of operation. While the response rate was relatively low, we believe the results would hold for similar Slovenian firms since most are export dependent and developing in their internationalisation.

Table 3: Lisrel Parameters for SEM

	Proposed Effect	Path Coefficient	Observed t-value	Result H	R ²
EINFO ⇒ OINFO	+	0.65	8.32	+	0.44
					0.17
OINFO ⇒ KNOW	+	0.02	0.11	ns	
EINFO ⇒ KNOW	+	0.44	3.31	+	
					0.21
KNOW ⇒ COMMIT	+	0.45	6.40	+	
EINFO ⇒ COOP	+	0.45	5.74	+	
COMIT ⇒ COOP	+	0.21	2.96	+	
					0.16
COOP ⇒ TRUST	+	0.41	5.23	+	
					0.35
TRUST ⇒ LONG	+	0.60	8.74	+	
					0.24
LONG ⇒ EXPERF	+	0.02	0.19	ns	
COMIT ⇒ EXPERF	+	0.28	3.92	+	
TRUST ⇒ EXPERF	+	0.38	3.98	+	

ns – not significant

Measurement and Results

The reliability and validity of the measures were assessed first (Table 1) through a confirmatory factor analysis (CFA) as in the test of the original model. The structural equation model produced mixed-fit statistics ($\chi^2 = 92.38$; $df = 17$; $p = 0.00$ [as expected, given the large sample], $NFI = 0.92$, $RMSEA = 0.13$), somewhat lower than in the original samples (Table 2). The analysis ($Exp\text{perf} = 0.28 * \text{Comit} + 0.38 * \text{Trust} + 0.018 * \text{Long}$, $R^2 = 0.24$) shows that the S-A-based model explains 24% of the variance in *export performance*, slightly less than in the original test of the S-A model (28%).

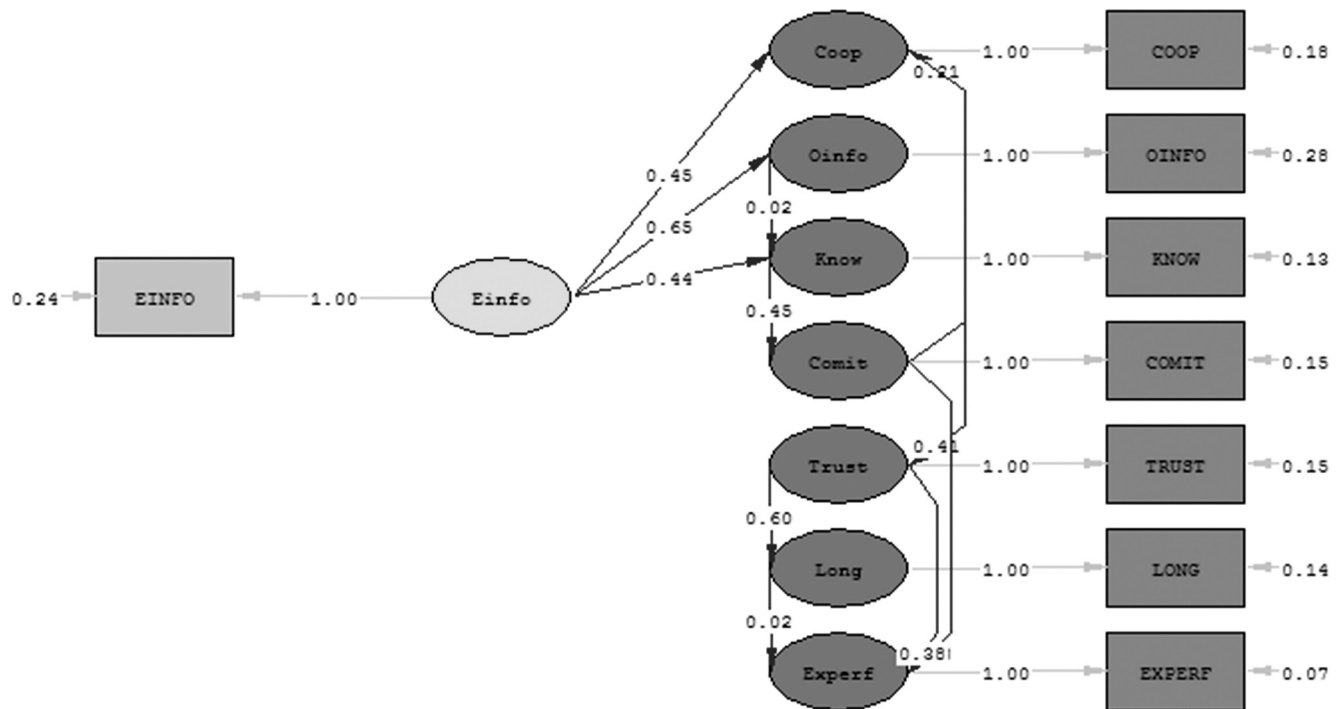
Table 2: Model Fit

χ^2	92,38 (df = 17; p = 0.00)
Normed chi-squared measure	5.43 (χ^2/df)
GFI	0.92
RMSEA	0.13

Following the theoretical conceptualization of the model and its constructs, we proposed direct and indirect impacts on performance. Due to the high levels of export orientation and dependency on the export performance of Slovenian firms, we also expected the export performance to depend on relational variables to a greater extent than in the original. However, the data do not support this expectation. The analysis revealed some differences in relations among constructs and levels of their impact between the original and Slovenian samples, as discussed below.

In comparison with the results of the original Australian and UK data sets, Slovenian firms differ in the following relationships (Table 3):

Figure 3: Path Diagram



- a) trust affected performance in Slovenia but not in the UK or Australia (H10);
- b) a positive relationship between objective data collection and firms' market knowledge was not confirmed (H3), as it was in the previous study; and
- c) a positive relationship between suppliers' long-term commitment to the relationship with their buyer and the export performance of an export venture was only confirmed in the UK (H11).

The Slovenian sample revealed stronger relationships than in the UK and Australia for the following constructs (Table 3; Styles and Ambler 2000, p. 272):

- a) experiential data collection ⇒ objective data collection;
- b) market knowledge ⇒ commitment;
- c) experiential data collection ⇒ cooperation (relationship intensity);
- d) cooperation ⇒ trust; and
- e) trust ⇒ relationship commitment.

Interestingly, the relationship between suppliers' long-term commitment to the relationship with their buyer and the export performance of an export venture, where we expected the relationship to be stronger than in the

original study due to the Slovenian level of export dependency and intensity, was not significant (H11). On the other hand, the impact of long-term orientation was substantiated indirectly through a stronger relationship among trust and relationship commitment, confirming Morgan and Hunt's (1994) trust-commitment conceptualization: 'long term orientation is a consequence of trust and relationship commitment.' The results might be due to the early stages of the development of Slovenian exporters. Such results might imply that a long-term orientation should be embedded into the development of complex international relationships early on.

The stronger trust - relationship commitment and cooperation - trust relationships are in line with Miyamoto and Rexha's (2004) finding that buyers only commit to suppliers they trust, making buyers' trust a prerequisite of relationship commitment. The weaker relationships in previous samples might indicate that trust plays a more crucial role in the early stages of internationalisation.

Another interesting result is that objective data collection and firms' market knowledge were not related (H3). Perhaps Slovenian exporters mostly need and trust experiential knowledge. Alternatively, they might lack the resources to create such knowledge.

In addition, the data confirmed that experiential data collection influences objective data collection (H2) and

cooperation (relationship intensity; H6), indicating that experiential knowledge prevails for Slovenian firms, as expected by the step-by-step international growth (Johanson and Vahlne, 1977) of the growing Slovenian economy (Jansson, 2007).

In sum, the *market* (commitment to international markets) and *relationship commitment* (commitment to suppliers) dimensions influence export performance to a greater extent due to certain constructs (trust, cooperation), whereas in market commitment the relation to experiential knowledge prevails.

Discussion and Implications

Using a model designed and tested in established markets raises a question about its transferability to a growing and transitional market like Slovenia. The model was shown to be valid since relationship variables also affected export performance in such a market. However, our results raise several questions.

First, which other variables affect export performance in developed vs. transitional markets? It would be interesting to assess if adding other relationship constructs/sub-components would enhance the extent to which export performance is explained. We used the same constructs for comparability purposes, but it would be interesting to enlarge the set of independent variables (also using additional RM scales such as commitment, trust and cooperation). Second, do respondents accurately perceive the importance of relationships in international business, or are they seen as naturally embedded in the export processes regardless of the development stage of the market or their firms' level of internationalisation?

Another discussion point is the time frame we used for equivalency with previous studies (five years - early stage). Given this frame and the use of SMEs, we expected a stronger influence on export performance. However, given the findings future research should consider using a longer time frame (e.g., ten years).

Finally, subjective perceptions were used to operationalise the variables. It would be interesting to assess if the relationships tested would change if objective inputs were incorporated (i.e., quantitative financial performance data for the dependent variable).

Notwithstanding these issues, the impact of relationship variables on export performance was documented. Slovenian managers should improve their objective and experiential market knowledge and, consequently, raise their relational and market commitment. They should strive to improve relationships, especially cooperation and trust, en-route to improved international performance rather than regard them as being already embedded in the process of internationalisation. Long-term commitment to relationships with buyers is important for international development at all stages and in all markets.

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