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Manufacturer - Overseas Distributor
Relationships and Export Performance:
An Empirical Study

Submitted by Philip J. Rosson
for the degree of Ph.D.
of the University of Bath

1982

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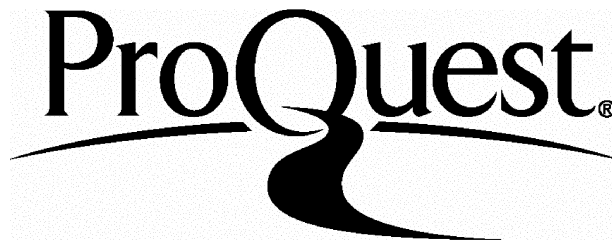
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SUMMARY

The exporting arrangement which makes use of overseas distributors is examined in this dissertation. This method of foreign market entry and operation is widely employed, being of particular significance to smaller-sized manufacturers, and those relatively new to international marketing. However, although much in evidence, concerns are expressed about performance levels which are achieved under such arrangements. This question of performance is the central issue explored in this research.

In the first part of the thesis, the argument is made that a strong link exists between the performance level attained and the very nature of the manufacturer - overseas distributor relationship. In other words, if a particular kind of relationship is developed, export success is more likely to occur. Such a finding would be of obvious interest to firms involved in trading arrangements of this kind.

The second part of the thesis follows logically from the first. Here, factors that help to shape the manufacturer - overseas distributor relationship itself are considered. It is asserted that the characteristics of such relationships are themselves associated with three firm and environment-related factors. Thus, (1) the stake the two companies have in the relationship, (2) their international trading experience, and (3) the uncertainty that surrounds the transaction process, are each held to shape the manufacturer - overseas relationship.

The study is based on data collected in 42 companies - 21 Canadian manufacturers and their 21 U.K. distributors. The research findings largely corroborate the thesis advanced, and provide useful empirical evidence about this important exporting arrangement.

CHAPTER 1
NATURE AND SCOPE OF
THE STUDY

1.1 INTRODUCTION

A widely employed international trading arrangement is examined in this dissertation. For ease of reference, and in view of the business organizations involved, this is termed the "manufacturer - overseas distributor" arrangement. This is an attractive arrangement for the manufacturer or distributor interested in expanding its operations internationally.

By appointing an "overseas distributor," the manufacturer gains relatively easy entry and low-cost representation in a foreign market of interest. As the manufacturer's foreign associate, the distributor gains a new and imported product line to add to those already carried. Hopefully, this new line of products will do well in the foreign market, so that both manufacturer and distributor earn satisfactory returns. Success, however, is by no means certain, because a product's penetration of a foreign market is affected by many factors.

The argument made here is that the very relationship the manufacturer and overseas distributor develop is a key factor affecting success. Other important factors are recognised, for example, product quality and price competitiveness, but it is held that these will count for little unless the underlying

nature of the manufacturer - overseas distributor (M-D) relationship exhibits certain characteristics. This matter is expanded upon later.

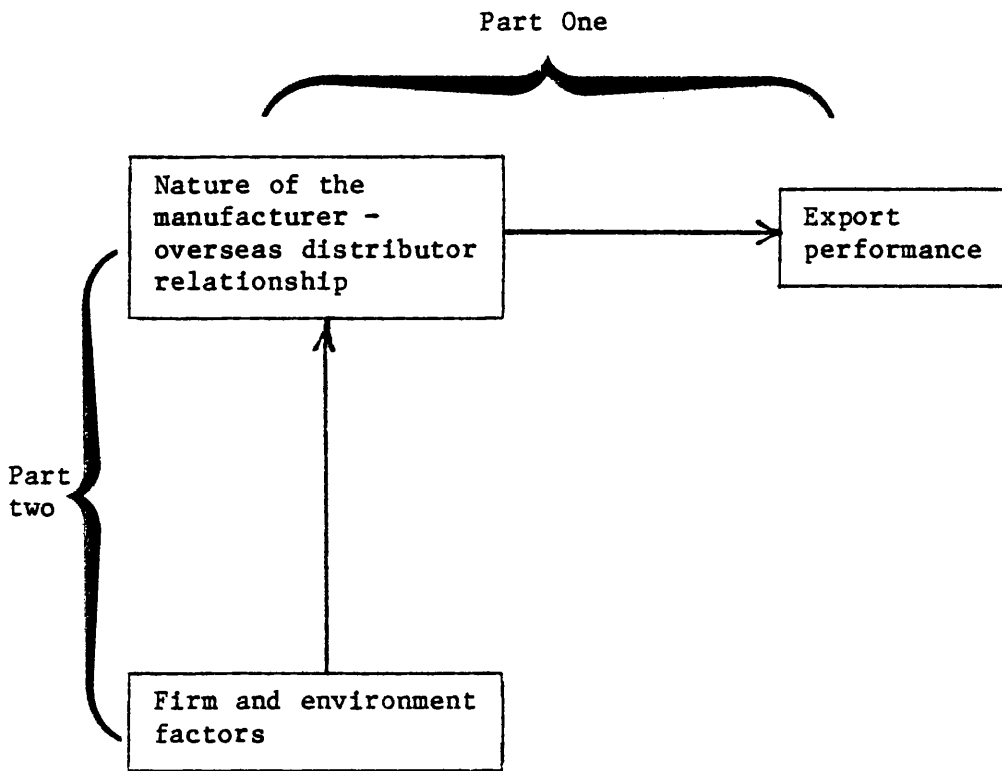
If it can be demonstrated that a link exists between the nature of the M-D relationship and foreign market success, a logical next question is: what factors shape the M-D relationship? This is the direction taken in the second part of the research, where it is held that various firm and environment-related factors affect the relationship. Again this argument is developed later.

This introduction establishes the general scope of the research undertaken, which is shown diagrammatically in Figure 1-1. As can be seen, the thesis advanced concerning the M-D trading arrangement is in two parts. It is argued that (1) foreign market success (or export performance) is in part explained by the nature of the M-D relationship, and that (2) the M-D relationship is itself shaped by certain firm and environment-related factors. This is an important and deserving field for study, as is now explained.

1.2 JUSTIFICATION FOR THE STUDY

A number of reasons point to the merit of a study of the M-D international trading arrangement. To begin with, this is a significant form of trading activity. According to one source, "the majority of export sales in the free world today are conducted through independent distributors" (Business International no date, p.1). Thus, overseas distributors are a

Figure 1-1
THE RESEARCH THESIS
IN BRIEF



crucial fact of life for many manufacturers operating in the international marketplace. Yet despite this situation, the writer has been unable to find any thorough study of this trading arrangement. This apparent deficiency in the literature provides a first and general reason for the current study.

While all sizes of manufacturing firm use overseas distributors, this trading arrangement is especially important for smaller manufacturers, and for those that are relatively new to international business. This point is developed further shortly, but these companies seldom have the necessary scale of operations, resources, or confidence to operate more directly in foreign markets; as a result, they are frequently drawn to the overseas distributor alternative (Duguid and Jacques 1971; Tookey 1975). It is clear then, that many smaller and inexperienced companies are first exposed to international trading through the M-D arrangement. The more information these firms have about the arrangement in question, the stronger the likelihood that they will graduate to become something more than "fledgling" exporters. This is the second reason for the study.

A frequent observation made in the present literature is that high performance is difficult to achieve under the M-D arrangement (Beeth 1972; Fayerweather 1970; Horton 1977). Given this view, and in light of the widespread use of this trading arrangement, a detailed examination of the question of performance level seemed timely. This is the third reason for the study.

Having outlined and justified the research study, the M-D international trading arrangement - one method of entering and operating in foreign markets - is now set in context.

1.3 FOREIGN MARKET ENTRY METHODS

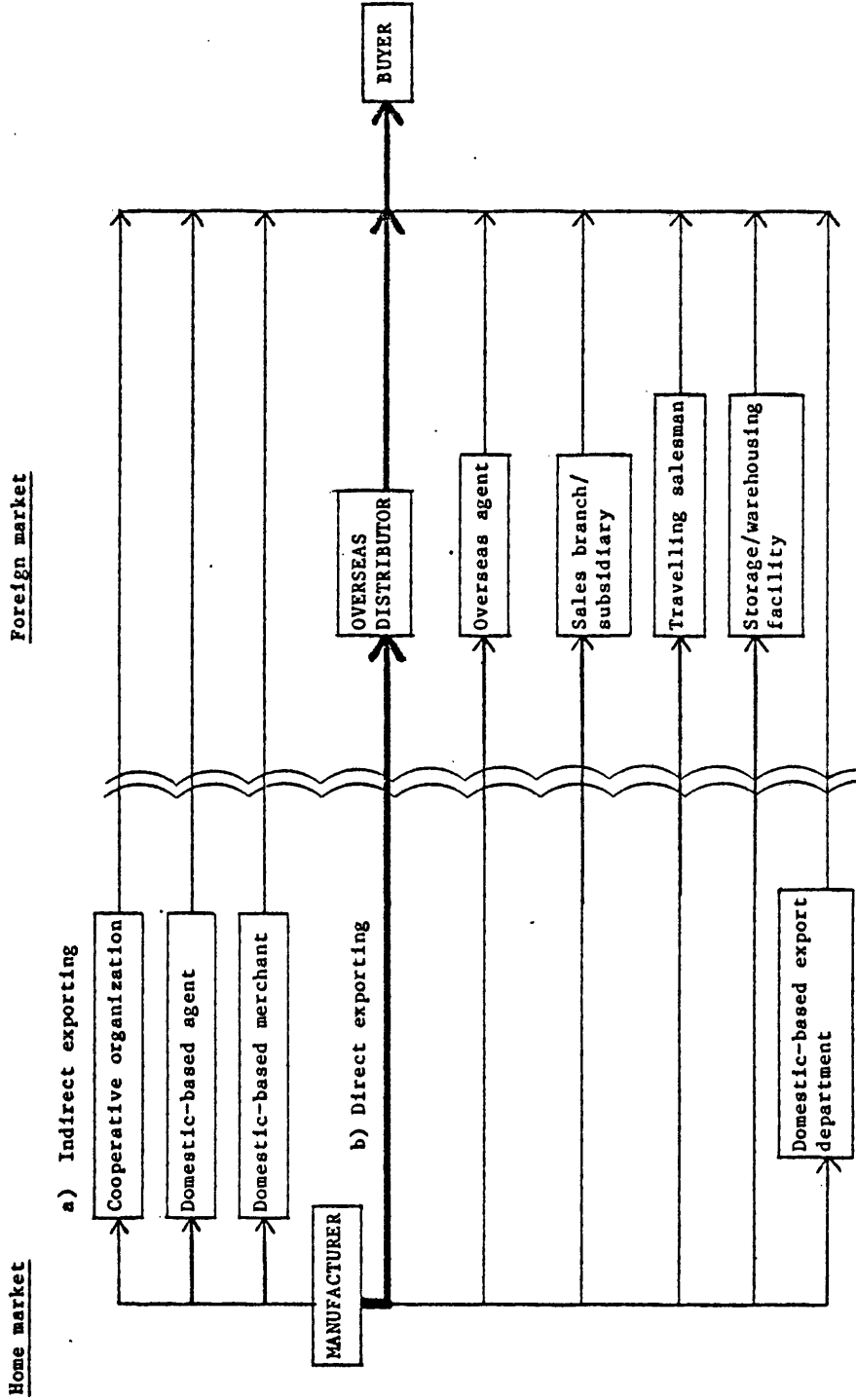
The manufacturing company that is planning to develop business overseas has to choose between three basic modes of foreign market entry and operation. These are: exporting (home production and overseas selling), joint-venturing (joining with foreign companies in some way), and foreign direct investment (overseas production and selling) (Kotler 1980, p.670). Each method has associated advantages and disadvantages, and the circumstances that face the individual firm will dictate which is chosen. However, exporting is the mode chosen by many firms. Two main reasons recommend this course. First, a relatively small initial investment will enable an exporting operation to be started. Second, export business can be developed in an incremental fashion. Thus, the manufacturer is able to gradually build its knowledge of and commitment to international marketing. This contrasts with other foreign market entry modes which require either sizeable financial investment (foreign direct investment), or a commitment to a foreign partner and market for an agreed-to period (joint-venturing). Most manufacturers are unable or unwilling to "go overseas" along these lines.

Once a firm has made the decision in favour of exporting, attention turns to the organization of this activity. Here a large number of possibilities exist (see Figure 1-2 for a simplified view). One variation is for marketing to be handled by a manufacturer-owned sales branch or subsidiary, located in the foreign market. This arrangement allows the manufacturer to retain tight control over foreign marketing operations, and works well for some companies. For others, however, it is simply not feasible. These firms have insufficient foreign sales or managerial resources to support such an operation. As a result, a large number of manufacturers turn to less-direct (and also less-costly) forms of foreign market representation. The independent overseas distributor is the choice of many of these companies (Tookey, Lea and McDougall 1967).

1.4 EXPORTING THROUGH AN OVERSEAS DISTRIBUTOR

This exporting arrangement offers a number of benefits in addition to its relatively low cost. One is speed; rapid market entry can often be achieved once the manufacturer and overseas distributor have agreed to work with one another. But the main advantage of the overseas distributor arrangement is that it provides the manufacturer with a readymade foreign marketing organization. An established distributor will provide: sales contacts, stocking facilities, promotional know-how, after-sales service, and market information (Business International 1970).

Figure 1-2
EXPORT ORGANIZATION



Note The exporting arrangement examined is shown in bold script

Source: Adapted from Miracle and Albaum (1970, p.319)

These are substantial benefits, but certain drawbacks of the M-D arrangement should also be recognised. For example, the exporter is dependent on the skills and goodwill of the distributor, and these may fail to live up to expectations. Then, because the distributor is responsible for selling activities, the manufacturer has no real control over the level of selling effort, or over the way in which its products are presented in the foreign market in question. In each of these two cases, the manufacturer's problem is compounded further because the distributor is overseas. In other words, the fact that the two companies are geographically and culturally removed from each other means that considerable room exists for mistakes and misunderstanding.

Given these drawbacks, it is clear that some degree of compromise is involved when a manufacturer decides to export through an overseas distributor. In view of the popularity of this trading arrangement, it appears that many manufacturers are prepared to trade off some loss of autonomy and control in return for convenient foreign market access. This situation is reflected in the following premise: the use of an overseas distributor creates certain complications and difficulties for the manufacturer, even though there are considerable advantages to exporting in this way. This statement provides the departure point for the study reported here.

Most manufacturers will opt to deal with these associated complications and difficulties, for left unattended, they will

probably have an adverse effect on export performance. The question then arises - how might the manufacturer best proceed? One approach would be for the exporter simply to deal with individual problems as these surface. In this way, complaints about distributor product servicing might beget a training programme, or a series of misunderstandings result in a manufacturer overseas visit. However, rather than responding to single problems, a more systematic approach is advocated here. The difficulties associated with the use of overseas distributors, it is argued, are best overcome when the manufacturer develops an overall plan to guide its dealings with the other company. This plan could be termed one for "relationship management," because it establishes from the outset how the manufacturer has chosen to deal with the problems this trading arrangement brings.

Three prior steps seem necessary before such a plan can be properly developed. The manufacturer would do well to

- (1) recognize the drawbacks of exporting in this manner,
- (2) appreciate how these drawbacks can affect export performance,
- and (3) understand what remedial actions can be taken.

Having taken these steps, the manufacturer is in a position to develop a plan of action. This will incorporate company views about how the relationship with the distributor should be shaped, so that better export performance might result.

This systematic or planned approach is fine in principle, but a number of practical problems confront the manufacturer.

The first of these is that the international business and marketing literature provides little guidance to the manufacturer about the sort of relationship to aim for. As a result the manufacturer that wants to develop a relationship management plan is forced to rely on intuition, or on the anecdotes and exhortations to action that appear in the bulk of the writings in this field.

A second problem stems from the fact that two parties are involved in the M-D relationship. The discussion to this point has implied that the manufacturer has a free rein in making and implementing decisions, when this is seldom the case. Rather than being passive and malleable, an active and goal-directed distributor organization is likely to be encountered. For this reason, most trading relationships will be shaped by manufacturer and distributor actions.

The M-D relationship may also be shaped by certain external or environmental factors. For example, in an industry experiencing rapid change, say electronics, technology advances might make it imprudent for the overseas distributor to align itself too closely with any one manufacturer. An excess of loyalty might leave the distributor with an outmoded product line that is hard to sell. In this situation, as well as others, the trading relationship may be shaped more by industry conditions than by the actions of the two firms involved. Since environmental factors are beyond the control of the manufacturer, these may well frustrate its plans for relationship management.

Accordingly, environmental influences are a third problem for the manufacturer to face up to. Once again the literature provides little help to the manufacturer on this matter.

The discussion suggests that the manufacturer faces a real dilemma in its relationship management efforts. Any attempt in this direction is plagued by a lack of evidence regarding (1) the kind of M-D relationship it should aim for, and (2) the influence that participating firm and environmental factors play in shaping the M-D relationship. This dissertation focuses on these two issues. It is hoped that the results obtained help to offset the current deficiency in the literature. The research thesis is described in detail in the next section.

1.5 THE RESEARCH THESIS

The two-part research thesis was presented very generally in Figure 1-1, and requires more detailed development. Before this can take place, however, the term "M-D relationship" needs to be defined, for this occupies a central place in the research. Five major characteristics, it is claimed, define the nature of the M-D relationship. These are listed below, together with a question indicating in a rough way how each characteristic is assessed.

1. Formalization

How explicit is the agreement of the two companies to work together?

2. Standardization

How flexible are the roles and business routines?

3. Reciprocity

To what extent is decision-making a joint process?

4. Intensity

How much contact and resource exchange exists?

5. Conflict

How much disagreement is there?

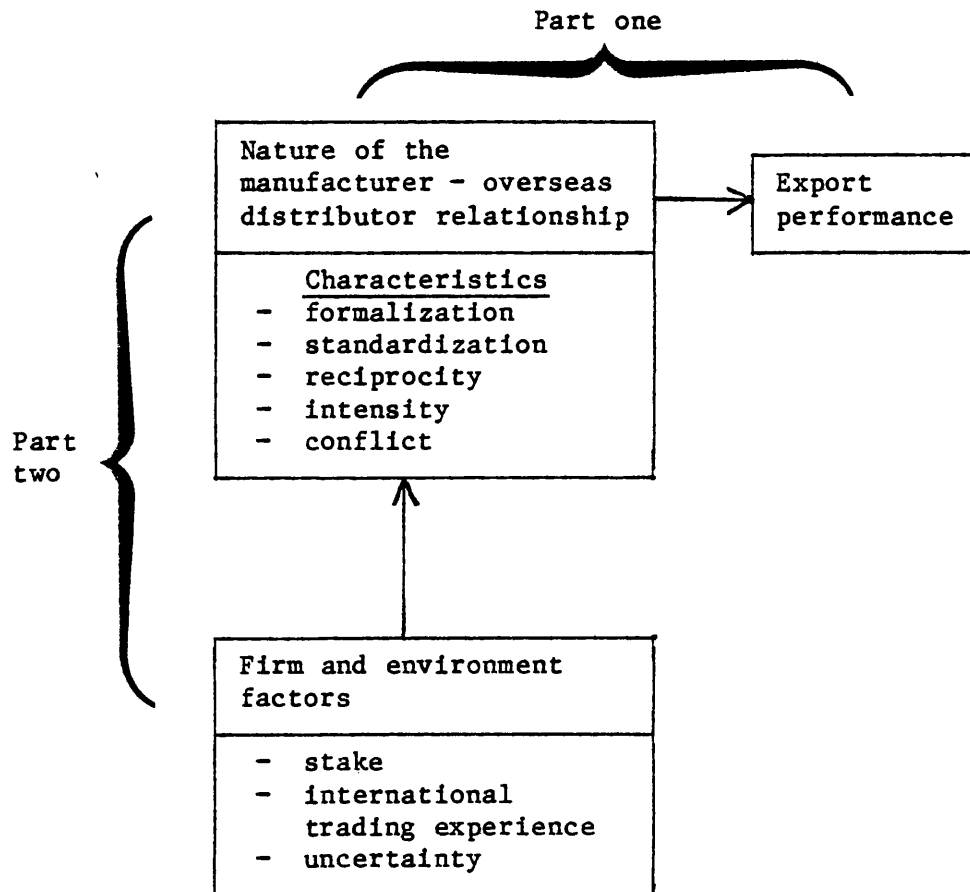
Thinking about M-D relationships in this way allows for a concise yet full discussion. The five relationship characteristics under study are incorporated in the research thesis diagram shown in Figure 1-3.

With a clearer idea of the meaning of the term "M-D relationship," attention now turns to the detailed hypotheses that were formulated for test purposes. These are as follows:

H1: High export performance is more likely to occur
when the M-D relationship is:
more standardized, reciprocal, and intense
less conflictful

Thus, success in exporting is considered more probable when roles and routines are relatively fixed, decision-making joint, contact and resource exchange high, and frequency of disagreement is low. (No specific argument is made about formalization). The logic for the hypothesis is provided in Chapter 3.

Figure 1-3
THE RESEARCH THESIS



If this hypothesis is supported by the research findings, some prescriptions can be made about the kind of relationship the manufacturer should aim for. But this treats the manufacturer as the sole shaping force, when the important role that can be played by characteristics of the distributor and factors which are external to the relationship have already been described. This question of multiple-influence is addressed in the second part of the thesis, which is now discussed.

Three factors that are believed to be important in shaping the M-D relationship are examined. Two of these concern the firms involved, while the third is environmental. These are shown in Figure 1-3. The firm-related factors are: the stake and the international trading experience of the two firms. Stake refers to the investment the two companies have made in the relationship, whereas experience reflects the knowledge of international trading matters they have acquired. The environmental factor is dealt with below.

Since the central matter under investigation is still the M-D relationship, the same five descriptive characteristics are employed in the hypotheses that follow. The hypothesis regarding stake is:

- H2: When the level of stake is high, the M-D relationship is:
more formalized, standardized, reciprocal, and
intense
less conflictful

Collectively, these characteristics reflect a concern on the part of the two companies for a secure relationship, for it represents an important investment. As a result, it is anticipated that high-stake relationships will have relatively explicit work agreements, fixed roles and routines, joint decision-making, high contact and resource exchange, and less frequent disagreement.

The second firm-related hypothesis is:

H3: When the level of international experience is high,
the M-D relationship is:
more standardized and reciprocal
less formalized and conflictful

Certain accommodations are expected to be made in the relationship when there is evidence of greater international experience. Once again, it is envisaged that roles and routines will be relatively fixed, decision-making joint, and disagreement less frequent in these relationships, but less explicit agreements are viewed as likely. (No specific hypothesis is made about intensity.) The logic for this hypothesis, as well as others, is presented in Chapter 3.

The third factor regarded as likely to shape the M-D relationship is an environmental one. This factor is labelled "uncertainty;" reflecting the lack of predictability surrounding the transaction process of the manufacturer and distributor. The specific way in which uncertainty is seen as affecting the relationship is highlighted below.

H4: When the level of uncertainty surrounding the transaction process is high, the M-D relationship is:
more reciprocal, intense, and conflictful
less formalized and standardized

A variety of responses are expected within the M-D relationship when uncertainty is more prevalent. Relatively more joint decision-making is anticipated, as is contact and resource exchange, and disagreement frequency. On the other hand, less explicitness and rigidity in agreements, roles, and routines is viewed as likely. These propositions are strongly suggested by the work of previous researchers in other fields.

Three hypotheses (H2 - H4) have been presented which enable the linkages between the M-D relationship and stake, experience, and uncertainty to be tested. The results of this testing process will allow for a fuller understanding of the dynamic of the important trading relationship under study. In essence, the two-part research thesis amounts to an explanation chain, for it is argued that (1) various firm and environmental factors shape the nature of the M-D relationship, and that (2) the nature of this relationship helps to explain export performance. A need exists for a thorough study in this area, as has already been explained.

1.6 THE RESEARCH SETTING

The two-part thesis was tested by examining the trading relationships of 21 Canadian exporters and their 21 U.K. distributors. A study of Canadian exporting activity recommended itself in view of the residence of the researcher, the possibility of research funding, and the fact that Canadian manufacturers need to improve their export performance.

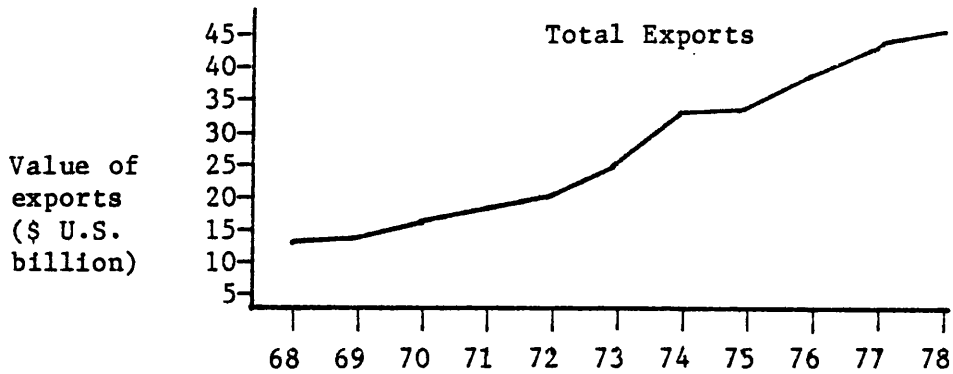
This last point can be illustrated by various statistics. Canada is a large-scale exporting nation, but one whose performance has not kept pace with world trade expansion. The growth in the value of Canada's exports between 1968 and 1978 is shown in Figure 1-4a. By 1978 - the time at which the study was undertaken - exports stood at \$44 billion (U.S.) or 25 percent of Gross National Product. This growth seems impressive, but Canada's actual share of exports declined through this eleven year period. Figure 1-4b shows that Canada's share of the exports of developed market economies fell from 6.3 to 5.0 percent, and its share of world exports declined from 4.4 to 3.4 percent between 1968 and 1978 respectively.

With the choice of Canadian export manufacturers made, it was decided to study trading relationships with U.K. distributors. The role played by the U.K. market as a destination for Canadian exports recommended this choice. Again, certain statistics illustrate this point. The U.K. is Canada's third largest export market, surpassed only by the U.S. and Japan. Table 1-1 shows the relative importance of these three

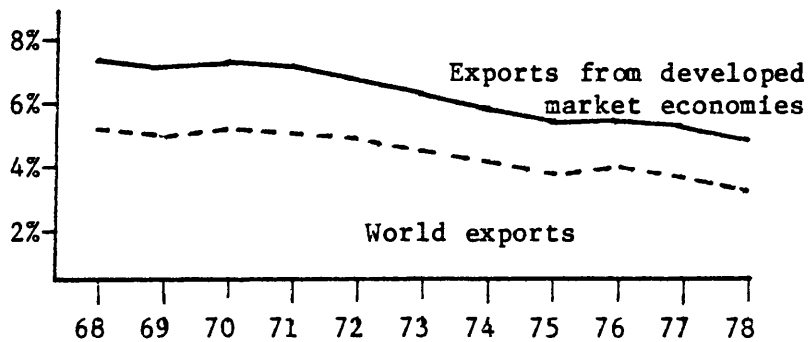
Figure 1-4

CANADIAN EXPORT PERFORMANCE, 1968-1978

a) Growth in value of total exports



b) Canadian share of exports



Source: United Nations, Yearbook of International Trade Statistics - Volume 1 Trade by country, New York: Department of International Economic and Social Affairs, Statistics Office, United Nations.

1968-1971 data
1972-1973 data
1974-1978 data

1970-1971 Yearbook, p. xxviii
1979 Yearbook, p. 30
1979 Yearbook, p. 21

markets over the 1968-1978 period. By 1978, these markets accounted for the following share of Canadian exports: U.S. (70.3%); Japan (5.8%); and U.K. (3.8%). While the U.K. was clearly a relatively less important market for Canadian exports in the late 1970s than previously, export sales to the U.K. were still considerable - amounting to \$1.7 billion (U.S.) in 1978.

In view of the apparent need for Canadian exporters to find ways to improve their performance, and given the continued importance of the U.K. market, Canadian - U.K. trading relationships were chosen as the setting in which to test the thesis advanced. One final factor was important. It was resolved that the export transactions examined should be those involving manufactured goods, since (1) somewhat more than half of the value of Canadian exports to the U.K. result from sales of inedible fabricated materials and end products, and (2) this is an export sector where Canadian firms are alleged to be generally weak (Carmichael 1978).

1.7 ORGANIZATION OF THE DISSERTATION

The dissertation is organized as shown in Figure 1-5. Following the explanation in this chapter of the nature and scope of the study, Chapter 2 is concerned with existing knowledge about the M-D trading arrangement. Here the relevant literature is identified and discussed, and some exploratory fieldwork described. This leads, in Chapter 3, to the development of the hypotheses to be empirically tested. The methods used in the

Table 1-1

THE RELATIVE IMPORTANCE OF THE U.S.
 JAPANESE, AND U.K. MARKETS FOR CANADIAN EXPORTS
 1968-1978

Year	Share of Canadian exports (%)		
	U.S.	Japan	U.K.
1968	67.9	4.5	9.0
1969	71.2	4.2	7.5
1970	65.4	4.7	8.9
1971	68.3	4.4	7.6
1972	69.9	4.8	6.6
1973	67.9	7.1	6.3
1974	66.5	6.9	5.9
1975	65.7	6.5	5.4
1976	67.8	6.3	4.9
1977	69.4	5.7	4.2
1978	70.3	5.8	3.8

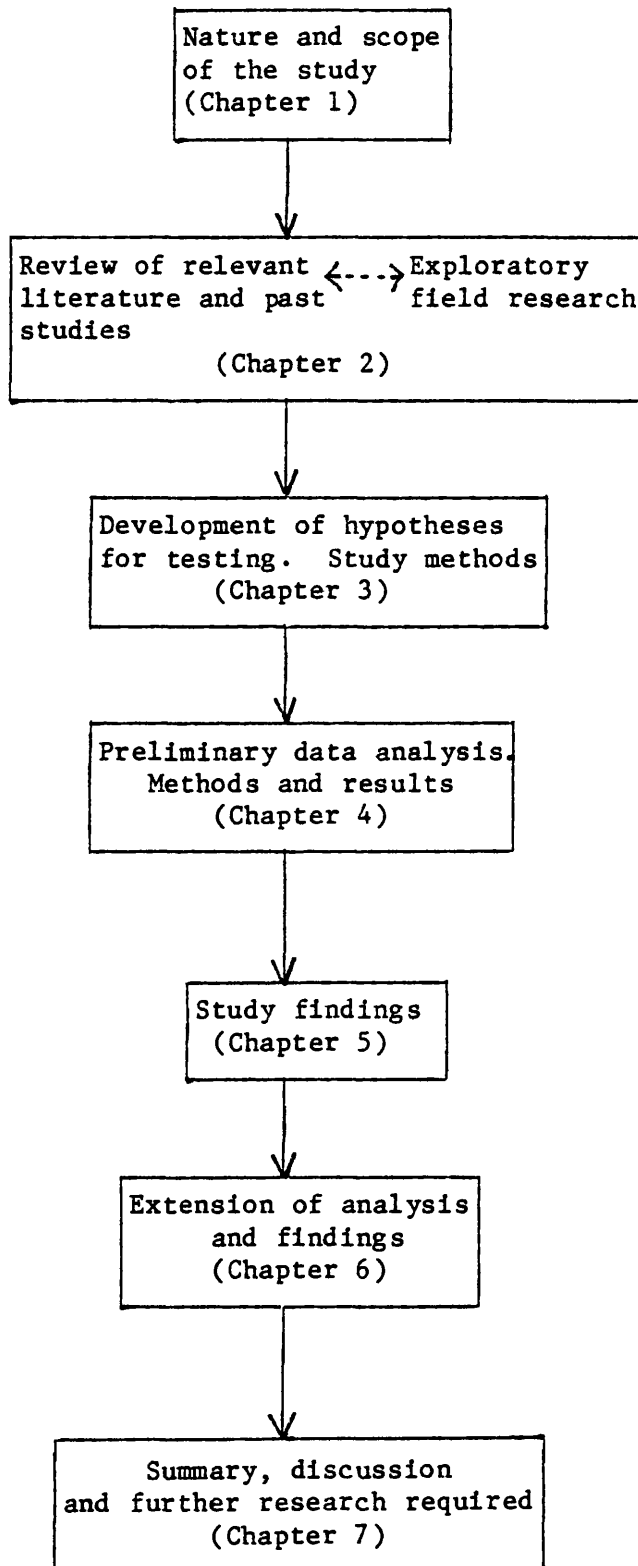
Source: United Nations, Yearbook of International Trade Statistics - Volume 1 Trade by country, New York: Department of International Economic and Social Affairs, Statistics Office, United Nations.

1968-1971 data	1970-1971 Yearbook, p. 99
1972-1973 data	1977 Yearbook, p. 226.
1974-1978 data	1979 Yearbook, p. 328.

study are also discussed. In Chapter 4, certain preliminary analysis is described, and a number of characteristics of the sample companies presented. The study findings are set out and discussed in Chapter 5, and then extended through further analysis in Chapter 6. Finally, the results are summarized and reviewed in Chapter 7.

Figure 1-5

ORGANIZATION OF THE DISSERTATION



Chapter 2

LITERATURE REVIEW AND PRELIMINARY
FIELDWORK

2.1 INTRODUCTION

Although the export manufacturer-overseas distributor (M-D) method of international business operation has been relatively neglected in empirical studies, a diverse literature exists for the researcher to draw from. Four bodies of relevant literature are identified and reviewed in this chapter. These are the writings on (1) international business and marketing, (2) institutional economics, (3) marketing channels, and (4) interorganizational relations. Each of these bodies of literature contain information pertinent to the current study. Rather than reviewing each body of writing separately, the literature review is organized around the two part thesis which was stated in the previous chapter. In this way, the theme of the research remains clear.

Following this review of the literature, preliminary fieldwork is described. Firm interviews were undertaken so that the views expressed in the literature could be assessed at first-hand. In addition, it was envisaged that interviews with managers involved in these relationships would aid the development of a more complete understanding of M-D relations. Finally, fieldwork information was expected to assist in designing the research instruments to be used in the study proper.

Prior to the literature review or to the description of preliminary fieldwork, the term "distributor" is expanded upon. This is necessary so that the remaining discussion is clear, for it is the confusing practice of many writers to use the terms "distributor" and "agent" synonymously.

2.2 OVERSEAS DISTRIBUTORS AND AGENTS

Although the terms "distributor" and "agent" are used interchangeably by many writers on international business, there are distinct differences between the two types of intermediary. The most basic difference is that an agent is a representative of the exporter, whereas a distributor is the exporter's customer. As a representative of the manufacturer, agents solicit sales but take no title to the goods being exchanged. In contrast, distributors do take title - buying and selling on their own account. Their revenues come from the difference between buying and selling prices, whereas agent revenues result from sales commissions paid by the exporter.

With these distinctions in mind, the functions performed by the overseas distributor are now discussed. In many ways, these are similar to those undertaken by merchant middlemen in general.

The merchant middleman provides time and place utility by purchasing and holding the goods at locations which are relatively convenient to customers; he provides credit service, takes the risk of price fluctuations, and provides varying degrees of sales services (Cateora and Hess 1975, p. 496)

Certain other practices must be set against these desirable middleman functions. "The merchant middleman selects his own

selling prices and may have little manufacturer loyalty because he handles large numbers of goods." According to the same writers:

Since he is likely to neglect merchandise with low margins or slow turnover in favour of more profitable items, it is unwise [for the manufacturer] to place full reliance on the merchant middleman's ability and willingness to promote and sell a product aggressively. (1975, p. 496)

As far as overseas distributors are concerned, some observers see the distributor agreement as placing these business relationships on a different footing from those with the general merchant middleman. The agreement between overseas distributor and exporter - usually embodying some element of sales exclusivity - is regarded as inducing a more formal and committed relationship than those described above. Thus, Miracle and Albaum write that "there is every reason to believe that they [overseas distributors] will put extra effort into promoting the sale of the manufacturer's products" (1970, p. 357). Whether this is so is explored later in this chapter.

2.3 LITERATURE REVIEW

The literature review is organized in five sections, and the ordering of these is now described. The first section looks at the extent to which exporters make use of distributors when they enter foreign markets, as this is reported in various studies. This is critical, for the current work is predicated on the importance of this trading method.

The second section turns to the first part of the thesis, which concerns the association between export performance and characteristics of the M-D relationship. Certain factors which are inherent to M-D relations and which affect performance levels are discussed. In the third section, remedies for performance problems are outlined. The literature contains advice to exporters on (1) what should be done, as well as indications of (2) what actually is done, and (3) what effect this has on performance. The link between performance and M-D relations begins to be suggested in these writings on international business and marketing, and institutional economics.

The link is more fully understood, however, following the review of two other fields of writing in the fourth section. A considerable number of empirical studies have been completed by researchers on relations among (1) public agencies, and (2) members of marketing channels. These writings provide a broader perspective on the nature of interorganizational relations, which is helpful in the M-D context. At this stage, five underlying dimensions of M-D relations are suggested for further study.

Attention then turns to the second part of the thesis advanced. This focuses on the association between certain firm and environment factors and characteristics of the M-D relationship. In the fifth review section, all four bodies of literature mentioned earlier are drawn upon. As a result, three firm and environment factors are suggested as important in shaping the relationship between manufacturer and overseas distributor. The five literature review sections now follow.

2.3.1 Usage of overseas distributors

A variety of studies are cited in this section. This enables the significance of the M-D exporting method to be established. In a number of instances, references to agent usage will be found. These study findings are included because examination shows that the agents were in fact distributors - evidence of the inaccurate terminology practice mentioned earlier. In a few other cases, joint findings were presented in the studies for agent and distributor usage. These findings are repeated here so as to provide additional information.

The widespread usage of independent distributors in overseas markets is indicated by a number of field studies conducted in various countries. In the U.K., several surveys point to the importance of this exporting method. Research on 54 textile firms by Tookey (1964), showed that 44 (85%) used agents overseas. Hunt, Froggatt and Hovell's (1967) investigation of export practices in various engineering trades revealed that both agents and distributor/ dealers were important, and that the type of distribution network found was determined by the size of firm, the nature of the product, and demand characteristics. In a cross-sectional study of 50 exporting firms, Tookey, Lea and McDougall (1967) found a variety of exporting methods used, but sales through agents were most frequently cited, i.e., by 48 firms (96%). Of the 227 mechanical engineering companies sampled in another study, 123 (62%) used agents that held stock on their own account (Mechanical Engineering EDC 1968), and 95 firms (42%)

placed most emphasis on this exporting method. Cunningham and Spigel's (1971) study of 48 export award-winning companies, found that 44 firms (92%) used agents overseas. In addition, usage was found to be correlated with size of firm, smaller firms using agents more. Finally, agents/distributors have also been found very important in the export sales of pharmaceutical companies (Chemicals EDC 1973).

Studies undertaken in other countries also point to the extensive usage of distributors in exporting. In research on four significant Swedish exporting companies, Johanson and Wiedersheim-Paul (1975), found that agents were frequently used as the first step in the internationalization process of the firm. Two American studies provide relevant information. McMahon, Stonehill, Schary and Taylor's (1968) research on Oregon firms, revealed that 16 of 35 general manufacturing companies (46%), used distributors overseas. In their study on overseas market entry strategies, Goodnow and Hansz (1972) found that entry method varied with the "environment" of the market in question. Despite such variation, agents/distributors were reported as being used relatively widely by the 225 U.S. firms sampled. Finally, in a recent Canadian survey of 254 companies, 64 (25%) were found to use foreign agents as the means of operating overseas (Crookell and Graham 1979). Each of these studies points to the significance of overseas distributors in many manufacturers' export marketing operations.

Although it is clear that the M-D international trading method is widely practiced, as far as the exporter is concerned

it is not without difficulties. Despite the view of Miracle and Albaum (1970) that overseas distributors should be committed to the manufacturer's cause, performance level problems concern many writers. The literature review now considers factors that, from the manufacturer's viewpoint, cause performance to be affected when distributors are used in overseas markets.

2.3.2 Factors affecting export performance

Three factors that affect the performance of the exporter are identified and discussed in this section. These are: the separate ownership of the manufacturer and overseas distributor, their geographic and cultural separation, and the fact that the two firms are bound by different rules of law. The separate ownership factor is one likely to affect performance in any manufacturer-distributor arrangement, be it within the domestic market or one involving international trade. The other two factors, however, are peculiar to international trading arrangements.

a) The separate ownership of the two companies

The fact that the overseas distributor is a separately-owned firm presents certain advantages and disadvantages to the export manufacturer. Although concerned with the latter here, the benefits are substantial and should be stated. Specifically, the use of an overseas distributor brings:

...immediate new assets to the exporting company. It adds local market know-how, knowledge, contacts, etc., with almost no expenditure of funds...it permits the stocking and sale of a company's product in a new market at negligible cost. (Business International 1970, p. ii)

These are real benefits that lead many manufacturers to choose this particular form of exporting. Once the choice is made, however, it is probable that certain drawbacks of the method will occupy the mind of the manufacturer more than the advantages. These drawbacks are now discussed.

Lack of Control

The M-D exporting method is a relatively low-cost one for the manufacturer, but some control of overseas marketing is lost when this method is selected. Control is reduced because the manufacturer depends upon a separately-owned company to do its marketing overseas. As a result, distributor actions may be of one kind, while manufacturer expectations are of another. The provision of market information is a good illustration of this point. Manufacturers require accurate and timely market information if their overseas marketing is to be effective. Yet while requiring information, manufacturers often find that distributors are unwilling to collect or divulge information of this kind (Horton 1977, p. 72). Although the exporter would clearly like to change this practice, this may be difficult to achieve, because it has no absolute control over the actions of the distributor. Performance levels can suffer as a result.

Divided Loyalties

Most distributors represent more than one manufacturer, and the number of product lines carried is often substantial. This

means that there are many demands on the distributor's time, and Stuart argues that since the distributor is unable to do the best job for everybody, "he concentrates (1) where he makes the most money and (2) where he has the least aggravation or the greatest personal pull" (1965, p. 87). It is clear that high performance is difficult in this situation, particularly when the distributor concentrates on another manufacturer's product line.

Unclear future intentions

The belief of the distributor, in some cases, that the M-D arrangement is only a transitory one, is another factor affecting export performance. This thinking results from the idea that manufacturers use different entry and operating methods as they pass through various stages of international business involvement. Specifically, the view is expressed that manufacturers become established in international business by way of low-cost, low-risk methods (e.g., exporting), and progress towards more sophisticated, higher-cost and higher-risk methods (e.g., foreign direct investment). This thesis is widely held (Keegan 1980; Robinson 1973), and is supported in a number of empirical studies (Johanson and Wiedersheim-Paul 1975; Tookey, Lea and McDougall 1967).

If such a progression is planned by the exporter, then the distributor's concern is understandable. In this situation, no long-term distributor gains can be visualized as resulting from high levels of sales, since such a state is likely to herald the

direct entry of the manufacturer (Duguid and Jacques 1971). The possibility of direct manufacturer involvement leads at least one writer to claim that "most distributors are interested in short-term sales and profit, and are less concerned with long-term projections and pan-European growth plans" (Horton 1977, p. 72). The implication of this potential mis-match in objectives and attitudes in the dyad is clear - performance may well be impaired.

High performance is made difficult under the M-D exporting arrangement because distributor marketing efforts are seldom of the kind, or at the level, the exporter would ideally prefer. But not only are efforts less than optimal, attitudes often are as well. This leads to consideration of the next factor.

Seller-buyer atmosphere

The M-D exporting method brings two companies together to mutually exploit a business opportunity, but the companies interact as seller and buyer. In this situation, if selfish instincts predominate, and information is not shared ("opportunism" and "information impactedness" respectively - Williamson 1975), then little carryover of obligation or involvement is probable. Where the trading atmosphere is of this kind, performance levels may well be affected.

b) Geographic and cultural separation

The factors discussed above affect performance levels in home and overseas markets, but those identified in the next two sections relate specifically to international marketing.

Companies involved in international trade necessarily face the problem of doing business over long distances, and in what are sometimes alien cultures. Indeed these international business factors often shape the approach of firms towards overseas markets. Several studies have shown that firms begin exporting by cultivating markets close to home and then extending further afield (Sinai 1970; State of Minnesota 1975; Tesar 1975). In this way, the geographic and cultural separations or "psychic distance" (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977) between the exporter and the export market are reduced. Even when separations are reduced by the exporter in this way, certain factors still remain which affect performance. These are now outlined.

Negative perceptions of foreigners

Since values, perceptions, beliefs and other cognitions influence people's behaviour, the overseas distributor's "foreignness" may well lead to difficulties. For example, Abdel-Malek's (1974) research demonstrated that exporters' perceptions of intermediaries vary considerably. Canadian export manufacturers were found to regard intermediaries in Africa, Asia, and Latin American as less easy to communicate with, less prompt, less aggressive, less dependable, and less competent than Canadian intermediaries. The contrasts were less pronounced when Western European and Canadian intermediaries were compared, but generally the latter were evaluated more favourably. It is easy

to see how behaviour could be shaped by negative perceptions of this kind, and how the behaviour might make high performance levels hard to attain.

Communication problems

Potential difficulties in communicating with foreign intermediaries are raised above, but this point deserves separate attention. A number of writers are concerned with this matter.

Almaney (1974) observes:

People in different societies communicate differently. And the way they communicate is governed by their cultural systems. These systems determine people's choice of words, their meanings for the words, their purposes for communicating and their modes of non-verbal communication. (p. 23)

These differences may well mean that effective communication between company individuals is more absent than present. In this situation, optimal decisions cannot be made, for the decision-makers operate under the condition that Williamson (1975) calls "bounded rationality."

One way in which cultural and value differences might lead to communications problems and poor performance is suggested below:

Secretiveness is one of the prominent characteristics of the independent trader in any society...the... merchant...is thoroughly involved with a philosophy quite at odds with the concept of transmitting information to producers. It is rank heresy by his standards, for example, to tell a manufacturer how much inventory he has, one of the key pieces of information that can help the producer... (Fayerweather 1970, pp. 71-72)

Good communications between manufacturer and overseas distributor are obviously crucial if success is to be

experienced, but the very separation of the two parties makes this no easy matter.

Physical distribution strains

Another problem area concerns the physical distribution of the products being traded. Because of the long distance over which much international business is conducted, export distribution tends to be more complex than that conducted in the home market. Accordingly, greater difficulties are often experienced. Examples include: damage, pilferage and delay due to intermodal movements; product deterioration resulting from extended shipping times and climatic changes; delays due to documentation requirements not being met (Tookey 1971, pp. 14-17). Each of these problem areas tend to strain the trading relationship, again affecting performance.

Three problem areas have been identified in this section resulting from the geographical and cultural separation of the exporter and its overseas distributor. To a large extent these are problems encountered generally in international business. For example, the intercultural communications question is one no less relevant to multinational corporations (where headquarters must deal with subsidiaries—see Brandt and Hulbert 1977), than to the exporter who must deal with his overseas distributor. Furthermore, international distribution is an almost universal activity for companies involved in world markets. What is distinctive about these problems, however, is that they are more

severe in the M-D relationship. This severity stems first from the fact that the dyad members are rather loosely connected, that is the parties are independent of each other as discussed above. Such independence makes it less easy for controls to be established to deal with the problems, and without these, performance-related problems may recur through time. A second reason for the severity of these "geocultural" factors in M-D dyads, results from the fact that this type of marketing method is frequently used early in the manufacturer's international operations. When this is so, the manufacturer may have little or no prior experience to draw from. Thus, geocultural separations may create severe problems in M-D relationships.

c) The companies are bound by different rules of law

Since the exporter and overseas distributor operate in two separate countries, different bodies of law govern their various activities. Although legal matters are not emphasized in this research, two legal factors that touch on performance levels are highlighted. The first of these concerns restrictions on vertical trading arrangements, and the second, the dismissal of distributors.

It was argued above that when a manufacturer chooses to operate through an overseas distributor, it should recognize that some control over foreign marketing is foregone. Laws in foreign countries also restrict the control of the manufacturer. For example, in the European Economic Community (EEC), price fixing, and exclusive distribution agreements involving absolute

territoriality are prohibited under Article 85(1) of the Antitrust legislation (Nathan 1979). These restrictions both potentially affect performance. Price is clearly an important element in the manufacturer's marketing programme, yet the law indicates that the overseas selling price is the decision of the distributor. The exclusive distribution restriction means that the exporter cannot prevent a distributor in one EEC country from re-exporting its products to customers in another EEC country, even though the manufacturer has a second distributor there (Newes 1971, p. 73). These restrictions on manufacturers operating in EEC countries make "orderly" marketing potentially difficult to achieve. (Legal restrictions that apply in a cross-section of other countries are reviewed in McMillan and Paulden (1974).)

If performance is at a level lower than that considered tolerable, manufacturer thoughts may turn to replacing the existing distributor with another, or alternately, to using a different method to penetrate the foreign market. When this is so, the difficulty of dismissing overseas distributors is another factor to be considered.

Difficulty of dismissing the overseas distributor

The general nature of the legal problem is indicated when Stuart writes:

In Europe...each country has laws which seem to protect the distributor or agent much more than the manufacturer. The local organization has greater protection under the law than does the foreign company, almost without regard for what the [distributor or agent] agreement says. (1965, p. 87)

This view of unequal protection is voiced by others and appears to be a real problem where distributor dismissal is concerned. While many would argue that dismissal is warranted where sales performance is poor, apparently such an action is not easily consummated. According to Bickers, "this [poor performance] is extremely difficult to prove and is a plea which receives markedly little sympathy anywhere" (1971, p. 53). If this is so, then the manufacturer that is coupled with a poorly performing distributor may be unable to improve export performance for some time.

d) Review

When the exporter uses an overseas distributor to penetrate a foreign market, three factors potentially affect performance. These are: the separate ownership of the two companies, their geographic and cultural separation, and the fact that the companies are bound by different rules of law.

While these factors seem to militate against high performance, the extensive use of overseas distributors by exporters suggests that remedies to these problems have been found. In the next section, manufacturer management of M-D relations are outlined. Thus, the review moves on from the matter of performance problems, to that of relationship management.

2.3.3 Managing manufacturer - overseas distributor relations so as to enhance performance levels

Two kinds of literature are reviewed in this section, for both prescriptive and empirical writings are found. The question that the prescriptive writers seek to answer is, "What should be

done to enhance performance?", whereas the empirical studies question, "What is actually done and with what effect?" The organization of the material that follows, repeats that found above - the prescriptive and empirical literature is reviewed for each of the three factors that affect performance.

a) The separate ownership of the two companies

Prescriptive writings

Numerous writings exist concerning the lack of control of the exporter, and the divided loyalties of overseas distributors under the M-D arrangement. It is claimed the best way for the exporter to overcome the divided loyalty of the distributor is through providing effective business and marketing support programmes. The most important factor to be considered here, is that:

Motivation and incentive techniques that can be so helpful to attracting, holding, and stimulating employees [e.g., in an overseas sales office] do not work with distributors. They work for money. Intangible benefits usually leave them cold. (Business International 1970, p. 2)

The most effective way to secure loyalty from the distributor is to work closely with him and to demonstrate how much money can be made from selling the manufacturer's line. This response is well described by Terpstra, when he states:

The problem [dealing with independent intermediaries] then becomes one of getting cooperation rather than maintaining control...manufacturers have developed different techniques and approaches for encouraging cooperation from members of the channel. Some of these are attractive margins, exclusive territories, a valuable franchise, advertising support and cooperative advertising, financing, sales force or service training, business advisory service, market research assistance, and missionary selling. (1972, p. 321)

In a similar vein, other writers recommend management in exporting companies to coax the best possible performance from the distributor, through a judicious combination of training and inducements to maintain loyalty.

Turning to the question of lack of control, most writers claim that some control can be achieved, if it is coupled with support programmes like those outlined above. Personal visits, reports, and sales quotas are three frequently cited means for the manufacturer to achieve greater control. Personal visits provide the opportunity for observation and discussion of the progress that the distributor is making with the manufacturer's products.

Various kinds of reports are recommended, including: sales call reports, monthly and quarterly/six-monthly reports on sales, inventory, after-sales service, and competitive activities. Weller suggests that the manufacturer demand an analytical approach to the market from the distributor "since for much of the time the agent is not merely a pedlar, but effectively a local manager" (1971, p. 124). There are limits, however, to the amount of time a distributor can be expected to put into this kind of activity. Moreover:

Distributors often do not like to do this [send call reports], preferring to maintain a buffer between the manufacturers and the distributors' customers (even keeping their identity secret), under the philosophy that the manufacturer is a bit more dependent on the distributor for his marketing efforts. (Business International 1970, p. 25)

A final method for achieving some control over foreign operations is the sales quota. The quota system is usually linked to some form of incentive, so that above-quota sales are

rewarded in some special way, e.g., by a larger discount, or perhaps, an overseas vacation. Should quotas prove impossible, setting sales targets with the assistance of the distributor is another alternative.

As to the issue of unclear future intentions, the prevailing view is that such uncertainty should be reduced as far as is possible. The logical time for this to happen is during initial exchanges between the companies (Claudy 1971, p. 132). Pre-agreement discussions should include statements of the exporter's expectations and plans for the market in question. A frank statement of intent gives the overseas distributor a clearer view of what the future holds, and an opportunity to look elsewhere if the arrangement does not seem promising. Where suspicions of direct entry by the manufacturer are aroused, frankness would seem the best move again on the part of the exporter. If suspicions are harboured by the distributor, these could adversely affect the marketing activities for the exporter's product line. The best recommendation that can be made to the exporter then, is that information exchange should be as open as possible.

In the literature consulted, no explicit guidelines were found regarding the way in which manufacturers should deal with the problem of seller-buyer atmosphere. It seems likely, however, that the various writers in the field expect a better atmosphere to develop from repeated interaction between the two firms, and the development of mutually rewarding business. Thus, any practice that draws the two companies closer together,

and improves their joint profits, should reduce seller-buyer conflict. Personal visits and support programmes are examples of initiatives here.

Empirical writings

Several U.K. studies suggest exporters could do much more to overcome the problems stemming from separate ownership, for motivation and control of overseas distributors appears at best haphazard. One extensive study found that although manufacturers set targets for their own employees, only 30 percent did so for agents and that this was a tacit admission of the lack of influence the exporter had over the agent (I.T.I. Research 1975, p. 37). Hunt, Froggatt and Hovell found that "Once a distributor has been accepted as satisfactory by a firm it is common practice to give him a large amount of autonomy....," and that this is based on the belief that "the best response from agents is likely to be achieved when they are not too closely tied by rigid procedures laid down by the producing firm in the U.K...." (1967, p.23). Another study showed that a vicious cycle of events took place for some British companies: "Because the export departments were undermanned, visits to agents were infrequent and performance fell. Therefore, more agents were hired, who were visited less frequently, and so on" (Business Europe 1967, cited in Terpstra 1972, p. 324).

These results are interesting when juxtaposed with a survey of American manufacturers' practices. Here the impression given is that the sampled companies made extensive use of training,

support, and control methods. Perhaps, however, these were particularly progressive exporters, for it is noted: "Many firms have done next to nothing to improve distributor performance..." (Business International 1970, p. 1).

The empirical evidence points to export management behaviour which is at variance from that advocated in the literature. In particular, U.K. studies show that methods to overcome the problems resulting from divided loyalties and lack of control are used sparingly, even among very substantial export manufacturing companies. Much also remains to be done in the U.S. to better counter the problem of separate ownership, and the effect that this has on performance levels for the exporter.

b) Geographic and cultural separation

Prescriptive writings

The exporter's performance level was seen earlier to be affected by a number of geocultural elements. Ways to reduce these problems are advocated by a number of writers. The best way for the exporter to find out the true ability of the overseas distributor (and by implication, to dispel any negative perceptions that exist), is to pay frequent visits to the foreign market. In fact, personal visits are stressed as a way whereby companies can generally be drawn more closely together. "However frequent and satisfactory written communications may be, it is always possible to learn something new by personally talking things over" (Bickers 1971, p. 60). The exporter is encouraged to develop a programme of personal visits, involving a variety of

senior personnel. In this way, marketing, technical, parts and other managers may visit the distributor overseas, thereby fostering better interfirm communications. Visits by the distributor's senior personnel, in addition to the principal, also help in this process.

Aside from personal visits, the exporter and distributor should make use of other communication modes to transact their business. Whether correspondence, telex messages, or telephone calls are dominant, performance is enhanced by good, clear, unambiguous communication on the part of the exporter. Furthermore "head office should make sure its letters are sympathetic, tolerant and easy for a foreigner to understand" (Bickers 1971, p. 59). Another writer is forceful on the matter of communications:

An agent should always be made to feel he is one of the family, that his work is appreciated, and that his interests are bound up with those of the company. In other words, the very best public relations should be practised on overseas agents, because this is the way to ensure one gets the most out of them.
(Deschampsneufs 1967, p. 76)

The same writer goes on to suggest ways to achieve such a state, including: being kept in the picture, being sent advance (and often confidential) information, having one contact person in charge of maintaining communications, and not overburdening the distributor with paperwork if he is to be an efficient salesman. Other means for maintaining effective communications exist: house magazines which are circulated to distributors and customers overseas, and setting and observing target dates by

which replies should be dispatched to distributor enquiries and/or orders.

Needless to say, the same communications programme can be put to good effect in lessening the strains experienced in physical distribution of the exporter's products overseas.

Empirical writings

The question of personal visits has been well researched and consistent findings are apparent. These show that the frequency of visiting overseas markets is positively correlated with export performance. Two studies are worth noting specifically.

In a study of 227 U.K. mechanical engineering companies, large-scale exporters (firms where exports were one-half of total sales or more) visited markets three times as often as smaller exporting companies. For director visits, the same comparison showed that twice as many visits were made by the large-scale exporters (Mechanical Engineering EDC 1968, p. 50). A second U.K. study of 112 companies, whose combined exports accounted for 25 percent of total U.K. manufactured goods exports, found that personal visits were made more frequently to key (high sales) markets than others.

According to the researchers, visit frequency and sales level are more than correlated; they assert that increased visitation creates trade (I.T.I. Research 1975, p. 36). Other studies present similar findings (Cunningham and Spigel 1971; McDougall and Stening 1975; Political and Economic Planning 1964; Tookey 1964).

Aside from personal visits, limited evidence exists on the extent to which other communications methods are used. In one American study it was found that "most companies emphasize the importance of replying promptly [to distributor enquiries]; one company tries to respond to cables within 24 hours and letters within five days" (Business International 1970, p. 6). Training visits are another practice recommended in the literature. An American survey found that distributor visits to the U.S. were used by manufacturers, the feeling being "that seeing the plant and the home offices makes him [the distributor] feel more a part of the organization" (Business International no date, p. 5).

c) The companies are bound by different rules of law

Prescriptive writings

Two legal matters touching on performance levels were raised earlier. One of these - vertical trading arrangement restrictions - is not treated in this section, for it is clear that these are rules for the exporter to observe, even though these restrictions may affect performance. The second matter concerned the difficulty of dismissing overseas distributors. Writings on this matter are highlighted below.

The problems involved in dismissing a poorly performing overseas distributor are held to be best tackled through careful initial selection, and by strong distributor agreements. Although the selection process may well be helpful in reducing future problems, provision should be made for the possibility of

subsequent poor performance. Exporters are recommended in most texts to enter into an agreement with their distributor, and to make this as strong as possible (Bickers 1971; MacDonald 1959; Stuart 1965). The theory here is that by entering into an agreement each party commits itself to the other, and that adequate performance should follow from the commitments made.

However, this may not necessarily follow, so the problem of termination needs to be separately considered. A short-term agreement is the best way for the exporter to protect itself against a poorly performing distributor. This is a particularly good tactic early in the relationship when the manufacturer has little information concerning the distributor's actual ability. In the event of poor performance, the remedy for the manufacturer is the simple one of non-renewal at the agreement's expiry. Short-term agreements, however, may not always be acceptable. In this case, "it is advisable clearly to specify the events on the happening of which the contract shall cease and determine with or without notice or other act by either of the parties" (International Chamber of Commerce 1960).

Empirical writings

In this section the writings of several lawyers that practice in this field are reviewed. These provide some indication of the actions taken by manufacturers to deal with the problem of distributor dismissal for poor performance.

If the experience of these lawyers is representative, it appears that many manufacturers do enter into formal, written

agreements. Claudy cautions, however, that the initial export business is sometimes best conducted on a spot basis, for this allows the manufacturer time to evaluate the distributor. Once business begins to grow "...it is highly desirable to spell out in a written document all of the ramifications of the relationship..." (1971, p. 132). It is usual for these agreements to contain many separate clauses, but of most concern to the present discussion, are those concerning the termination of the relationship.

Exporters have found that termination problems are best tackled by exploration and thought when the agreement is being drawn up. Each of the following methods reduce dismissal problems for the exporter. First, the use of fixed term agreements. Second, making the renewal of contract contingent upon some act, such as written notice, and not tacit consent. Both of these practices prevent the exporter from becoming "ensnared" in contracts that might be construed as being of indefinite duration (Jones 1972, pp. 113-114). Third, the agreement should specify what is "just cause" for dismissal. Just cause varies, apparently, across countries and trades. Fourth, although not so often practised by exporters, the inclusion of some agreed-upon standard of distributor performance also helps alleviate dismissal problems (Claudy 1971, p. 131).

One of the key steps in overcoming this problem of dismissal, is recognizing that the law varies from one country to the next, even within regional groupings such as the EEC. This means that the custom of some manufacturers, namely, having one

standard, printed distributor agreement for all markets, is ill-advised. Anderson and Espinosa summarize effective practice in this area:

Any...distributorship agreement should be carefully thought out and explicit in its terms of compensation and conditions of operation. Termination, renewal, and dispute clauses should be crafted to assure continuing control by the ... exporter and compatibility with local law with respect to the enforceability of arbitration or other dispute settlement clause. (1978, p. 182)

d) Review

Following the identification of three main factors that affect performance when the exporter uses an overseas distributor, various remedies to enhance performance have been outlined. Two sets of literature were reviewed. Most of the writing in this field is prescriptive - managers in manufacturing concerns are encouraged to take certain actions which will ease difficulties in M-D relations, and enhance performance. While many of these actions have a common-sense value, little guidance is provided on their usage or effectiveness, for the empirical literature in this field is small in size and restricted in coverage.

The literature review completed to this point is summarized in Figure 2-2. A strong impression is conveyed of factors that affect performance. Some ways of resolving this problem are suggested in the international business and marketing literature, for various exporter actions are recommended, and some are seen to be used. The failing of the current literature however, is that it provides an incomplete view of the M-D exporting

Figure 2-1

REMEDIES FOR PERFORMANCE PROBLEMS

Export performance is affected by/ which brings -	Remedy lies in (prescription)	Empirical evidence of use/effectiveness of remedy
1. Separate ownership/ - lack of control - divided loyalties - unclear future intentions - seller-buyer atmosphere	- careful use of visits, reports, quotas - offering beneficial support programmes - frank discussion at start of, or during relationship - repeated interaction (and profitable business that results)	- some/none - some/none - some/none - none/none
2. Geographic and cultural separation/ - negative perception of foreigners - communication problems - physical distribution strains	- personal visits - well managed communications programme	- yes/yes - some/none
3. Different rules of law/ - difficulty of dismissal	- strong agreement	- some/none

arrangement. Difficulties associated with this trading form, and remedies to overcome the difficulties are described, but the treatment is piecemeal. What is required is a more complete or systemic view of the M-D relationship. This is made possible by reviewing writings on relations among (1) public agencies, and (2) members of marketing channels.

2.3.4 The nature of relationships among organizations

Studies of public agency and marketing channel networks provide insight for the present research. Public agency networks are made up of relatively loosely-bound organizations, and one of the chief research concerns has been to determine exactly how these units interact or relate with one another. Marrett (1971) proposes four dimensions that underlie these organizational relationships - formalization, intensity, reciprocity, and standardization. Formalization is the extent to which a transaction between two organizations is given official recognition by the parties involved. Intensity is the size of the resource investment in the transaction and the frequency of interorganizational contact. Reciprocity is the degree to which there is balance in resources exchanged and the extent to which terms of the transaction are mutually reached. Standardization relates to the fixedness of the units of exchange and the procedures used in a transaction.

These dimensions have been empirically tested in recent studies (Aldrich 1976; Schmidt and Kochan 1977), where the researchers felt it necessary to include conflict as an

additional dimension for investigation. Generally, these five dimensions were considered to adequately characterize relationships among public agencies.

Marketing channel networks are somewhat different from those of public agencies. Most marketing channels are composed of firms that are functionally interdependent and involved in regular exchange with one another. In contrast, public agency relations are often less involving, for these organizations are seldom very dependent upon others. Despite these differences, research into public agency and marketing channel networks show some close parallels. In particular, Marrett's (1971) work has been adopted by a number of channel researchers.

Reve (1978) has embraced this work most of all. He argues that channel relationships can be analyzed in terms of their structure and process. Structure refers to arrangements that define the role relationships among the members. Process, on the other hand, refers to the actual flows of activities, resources, and information between channel members. Three structural dimensions are identified: scope of channel interaction is defined as the number of different issues or tasks upon which the channel relationship is based. The centralization of channel decision-making refers to the power that one channel member has to make and implement decisions that affect other members. Finally, formalization of channel interaction reflects the extent to which channel activities are governed by rules, policies, and procedures. The two process dimensions are intensity of channel interaction; this refers to the level of activity and resource

investments each organization has made in the relationship with the other organization, and variability of channel interaction, which reflects the fluctuations in activity levels, and as such indicates the permanence of the relationship.

The work of Marrett (1971) and Reve (1978) suggests that certain common dimensions underlie relationships among organizations. The following comparison illustrates this well:

	<u>Marrett (1971)</u>	<u>Reve (1978)</u>
Dimensions:	Formalization	- Formalization of channel interaction
	Intensity	- Intensity of channel interaction
	Reciprocity	- Centralization of channel decision-making
	Standardization	- Variability of channel interaction
		- (Scope of channel interaction)

Neither Marrett (1971) nor Reve (1978) include conflict as a relationship dimension. However, most other public agency and marketing channel researchers consider conflict to be part of the fabric of relations among organizations (see for example: Aldrich 1976; Guetzkow 1966; Lusch 1975; March and Simon 1958; Pearson and Monoky 1976; Schmidt and Kochan 1977).

The literature suggests strongly that five underlying dimensions can be used to describe the relations among organizations. These are: formalization, standardization, reciprocity, intensity, and conflict. Whether the interorganizational network is composed of two or more public

agencies, or a single manufacturer and overseas distributor, their relationships can be analyzed in the same way. Earlier discussion reinforces this viewpoint. For example, distributor agreements bear particularly on the matter of formalization and standardization. The extent to which the exporter is able to shape the relationship through influencing decision-making, involves questions about reciprocity in the relationship. Intensity is a matter that has been discussed in connection with communications and support programmes. Finally, conflict is likely to be present in the dealings of the separately-owned exporter and distributor companies.

The above five dimensions are used in this study of M-D relationships. This approach offers a certain economy, for rather than thinking about the many separate ways in which manufacturer and overseas distributor interact with each other, five interaction categories are utilised. Further, such economy does not come at the cost of completeness; prior research points to the all-encompassing nature of the five dimensions in question.

The literature review to this point is summarized in Figure 2-2. The five relationship dimensions of interest are shown on the left. Export performance, it is argued, can be enhanced through various measures taken to modify the M-D relationship. Ways in which modification can take place are indicated in the centre of the diagram.

Figure 2-2

MANUFACTURER-OVERSEAS DISTRIBUTOR RELATIONSHIP
DIMENSIONS, THEIR MODIFICATION, AND
EXPORT PERFORMANCE

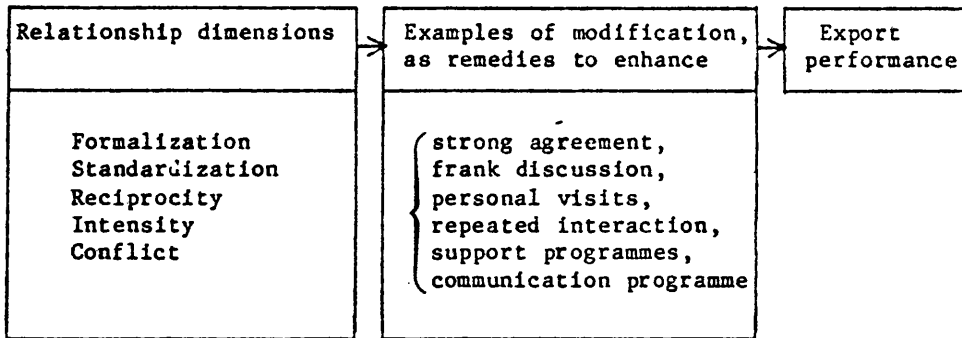


Figure 2-2 extends the content of Figure 2-1, inasmuch as it begins to chart the connection between the various dimensions of the M-D relationship, and export performance. These connections are charted more fully in Chapter 3. The literature review relevant to the first part of the thesis is now complete.

2.3.5 Firm and environment factors affecting manufacturer-overseas distributor relations

Five dimensions (or characteristics) have been held to underlie relations between manufacturers and their overseas distributors. The second part of the thesis examined in this work concerns the shaping of these relationship characteristics, and this is the matter considered in the final section of the literature review.

The discussion to this point has focused on how the exporter might shape the relationship with the overseas distributor, but it has already been recognized that the distributor can often shape the relationship as well. The distributor may shape relations either by initiating change of its own, or through its response to change the manufacturer would like to implement. In short, the exchange process between the parties is a dynamic and political one, for two separately-owned, active, and goal-directed firms are involved.

This discussion leads to the consideration of two firm-related factors that are regarded as affecting the M-D relationship - the stake and international trading experience of the exporter and overseas distributor. A third factor that is

viewed as potentially shaping the relationship is the environmental uncertainty that surrounds the exchange process.

These three factors are now discussed.

a) The stake of the manufacturer and overseas distributor

Stake reflects the importance of the relationship to each party, i.e., it indicates what each company has already invested and what would be lost if the relationship failed. A number of writings suggest the importance of considering "stake". In the marketing channels literature, a link between stake and channel relationships was suggested in Rosenberg's (1969) study of channels for a consumer durable product. While conflict was present in these channels, the magnitude of conflict between the various channel levels was low. Rosenberg partially attributes this finding to the "high stake" nature of the channel in question; the organizations cooperating so as to prevent conflict from unduly disrupting the system as a whole. In a second study, Roering, Slusher and Schooler (1975) found that high stake dyads, i.e., those expecting future interaction together, reached more equitable bargaining outcomes than others.

In the international business and marketing literature, several references to stake are found. Terpstra (1972) notes that the interests of the exporter and distributor may not always coincide, especially if the exporter's products represent only a small portion of the distributor's total business, i.e., where low stake exists. A variety of M-D relationships were found in a Business International survey in the U.S. - "some are of the most

tenuous or lackadaisical sort, while others - where there is a substantial and profitable business relationship - are very close indeed" (1970, p. 3). The report goes on to assert that the degree of importance of the exporter to the distributor determines the leverage the former has over the latter. Finally, research on U.K. exporters showed that few of these were able to control their distributors because "they have not succeeded in bringing him sufficiently under their influence and their product is rarely of sufficient importance to him" (I.T.I. Research 1974, p. 33). These studies suggest how stake and various characteristics of the M-D relationship are associated with each other.

So far stake has been described generally, but it is clear that different conditions of stake will be found in various dyads. In some dyads, stake will be symmetrical, implying that manufacturer and distributor would be relatively similarly affected by the termination of the relationship. In other dyads, stake will be asymmetrical. In this unbalanced condition, one party stands to suffer much more by termination than the other.

To the extent that stake indicates one company's dependence on another, stake is a partial measure of the other company's power over it (Emerson 1962). The argument made here then, is that a link exists between stake, dependence, and the potential for the exercise of power.

b) The international trading experience of the manufacturer and overseas distributor

Experience indicates the store of knowledge gained from past and current observation and contacts. Both corporate and

personal experience is stressed, for as manufacturer and distributor interact with one another, boundary-spanning managers are involved as well as the organizations themselves. The relationship between dyad members, then, is seen as being affected by both organizational and individual experience of international trading. In view of this distinction, each kind of experience is reviewed separately below.

At the organizational level, Van de Ven implies that experience is important in the development of relations when he writes "inter-agency networks are...likely to emerge incrementally and grow with small, successful previous encounters at coordination" (1976, p. 33). It appears that firms internationalize in much the same way (Bilkey and Tesar 1977; Simmonds and Smith 1968; Wiedersheim-Paul, Olson and Welch 1978). On this matter, Cavusgil and Nevin write:

...managements approach international marketing decisions in stages. A number of successive stages are identified along the internationalization continuum. The incremental nature of the decision-making process may reflect a cautious attitude on the part of the management. The other explanation is, of course, the greater need for information and "experiential knowledge" in international marketing. Consequently managements become especially sensitive to risks involved. Commitments are made gradually, as more information and experience are acquired along the way. (1980, p. 13)

As knowledge of overseas markets and marketing deepens, relations with trading partners might be expected to reflect such greater experience. For example, manufacturers that have sizeable overseas distributor networks might standardize their procedures for dealing with distributors because experience has

shown that a particular approach is most satisfactory. This practice may contrast with that of a less experienced manufacturer which bargains terms with each distributor individually.

The distinction between corporate and personal experience was made earlier. Another valid distinction is that between external and internal experience, or respectively, experience which is unrelated to a particular M-D relationship, and that which results from the M-D relationship. So far the discussion has centred on corporate-external experience, since the experience gained is unrelated to the particular M-D relationship in question. Corporate-internal experience is now turned to, and a good case can again be made for a link to intercompany relations. A parallel is drawn on this question when Van de Ven makes the following statement regarding public-agency relations: "The greater the perceived effectiveness of network relationships at time 0, the greater the dependence, awareness, and concensus among the agencies at t + 1, over time periods 0, 1,2 ...n (1976, p. 332, emphasis in original). Further practical examples of the experience-relationship link are found in international business writings. An implicit reference to the link is made in one work when length of relationship is claimed to be an important determinant of dyadic "closeness" (Business International 1970, p. 23). The link is more explicitly made by various other writers who are of the view that time should be accompanied by a certain relaxation in the exchange atmosphere. Horton (1977) for example, goes so far as to warn that

over-control by the manufacturer can lead to difficulties in a mature relationship.

Next, the experience of boundary-spanning managers is considered. While in theory it is easy to distinguish between corporate and personal experience, in reality the two kinds of experience are sometimes fused. Consider, for example, the owner and chief executive officer of a manufacturing organization who personally runs the company's export business. In this setting, corporate and personal experience may be almost identical, except insofar as others in the exporting company, for example the controller or shipper, develop knowledge concerning international trading matters. In other settings, however, the distinction between corporate and personal knowledge is sharper. For example, as international trade becomes a "normal" activity for a company, primary responsibility is often delegated to middle management. In this way, an export or group product manager may be the key contact person in the manufacturing firm, aided by other specialist managers, e.g., sales, service. In this situation, the distinction between corporate and personal (key contact) experience is much clearer than in the previous setting. Personal experience is now discussed, the external/internal dichotomy being used once more.

An individual's international business knowledge is one component of the personal-external experience brought to the M-D relationship. Suppose that there are two Canadian firms conducting trade in the Middle East, and that in one firm the key

contact has lived and worked in that area of the world, whereas the other firm's contact person has never lived outside Ontario. It seems quite likely, given these circumstances, that different kinds of relationship may develop between the two Canadian firms and their Middle East distributors. A second component of external experience is the individual's training and general knowledge. A relevant example here concerns technical training. In the same way that overseas living and work experience might shape channel relations in the example provided above, an engineering training, or its absence, might lead to contrasting relationships in M-D dyads where very technical products are transacted.

Both the technical products and Middle East market examples illustrate the concept of "psychic distance," which is defined as "the sum of factors preventing the flow of information from and to the market" (Johanson and Vahlne 1977, p. 24). To the extent that the contact person in the exporting firm has experience of the Middle East or engineering matters, psychic distance is reduced, with a probable effect on channel relations.

Personal-internal experience is also likely to shape channel relations. The familiarity and trust that result from repeated business (and social) interaction, is well illustrated by the following passage concerning public agency relations:

Personal and business acquaintances between organizational coordinators become fused in the context of mobilizing inter-agency coordination. Boundary-spanning activity is often acted out during social, political, and recreational engagements (such as coffee breaks and luncheons). The greater the length of time and degree of intimacy in the personal relationships

between organizational boundary spanners, the more similar their attitudes, values, and goals; the greater their mutual trust of one another; and as a result, the greater their predisposition to help one another out by committing their organizations to an interorganizational relationship. (Van de Ven 1976, p. 31)

There is little further that needs to be added on the matter of personal-internal experience. The position occupied by key contacts in the M-D dyad is a critical one, for each contact stands between his own organization and the representative of their dyadic partner. In view of this fact, it is likely that the mutual experience of the key contacts will shape the interorganizational relationship itself.

An association between experience and the nature of the M-D relationship has been proposed in this section. Four elements of experience were described: corporate-external, corporate-internal, personal-external, and personal-internal, and support found in writings of various kinds for the association in question.

c) The environmental uncertainty facing the manufacturer and overseas distributor

Various writings suggest "uncertainty" (or the extent to which business processes and outcomes are unpredictable) as a factor affecting M-D relations. The major corpus of research is found in the organizational theory field, although Williamson (1975) and two marketing writers broach the matter of uncertainty in relation to channel transactions.

A large number of organizational theorists have investigated the organization-environment interface, following early studies

by Burns and Stalker (1961) and Lawrence and Lorsch (1967). Almost all of the work concerns the impact of environment on single organizations. As a result of research in various settings, the following propositions are widely accepted - in simple, static, certain environments, bureaucratic structures are appropriate; while in complex, dynamic, uncertain environments, more organic, flexible forms with numerous environmental sensors are needed (Starbuck 1976). Thus, the link between environmental uncertainty and intraorganizational structure and process is well researched.

The impact of environment on interorganizational structure and process is less well documented. Yet such an association appears likely, and a number of studies provide some perspective on this question. Hirsch (1972) found support for this view in his study of "cultural industry systems." Demand uncertainty appeared to be a major factor explaining the structure and process of interorganizational relations in book, record, and film industries. Because demand was uncertain, loosely coupled innovation-production-distribution structures were found to characterize all three industries. The process of interaction was also shaped somewhat by demand uncertainty, goal conflicts being more evident in the speculative (uncertain) segments of these industries.

Williamson (1975) also views environmental uncertainty as an important consideration. He argues that internal exchange arrangements, i.e., within a vertically-integrated firm, permit a

coordinated response to uncertainty. In contrast, where exchange takes place through the market, uncertainty usually creates disequilibrium and inefficiency, because no directing force is present. Thus, Williamson indicates a clear connection between uncertainty and firm relationships under market exchange arrangements. The M-D exporting channel is one example of such an arrangement.

Two researchers in the marketing channels field have written on the connection between environmental uncertainty and channel relations. Etgar is of the opinion that:

Distributive channels ... must respond to their environments in order to survive and to allow their members to achieve their goals. One therefore can expect that significant relationships also should be found between the characteristics of a channel's environment and the modes used for channel administration. (1977, p. 69)

In a study of eight consumer goods channels in the U.S., Etgar found that distribution channel leaders tend to emerge when channels face threatening environments. One environmental component considered was demand uncertainty. In Ford's (1978) study, contrasting relationships were found in two channels of varying recency and growth rates. The older and more stable (certain) channel system was found to exhibit established norms of conduct, and a largely legitimized power structure. In the more recently formed and growing (less certain) channel system, norms of behaviour were less well developed, and while power was exercised, it was also resisted.

d) Review

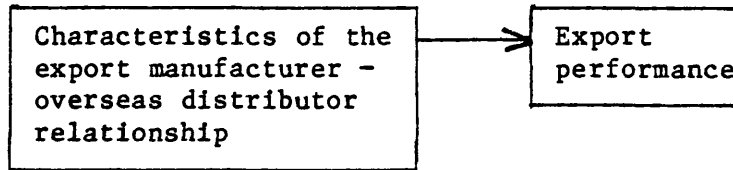
Three firm and environment factors have been suggested as affecting the nature of manufacturer - overseas distributor relations, and the literature in this area reviewed. This section brings the description of writings relevant to the second part of the thesis to a conclusion. A summary of the issues raised is provided in Figure 2-3. The next stage in the research process involved preliminary fieldwork.

2.4 PRELIMINARY FIELDWORK

Before the exact hypotheses to be tested in the research were formulated, preliminary fieldwork was undertaken. It was felt that the views expressed in the literature should be checked with those of managers in firms that were actively involved in M-D relationships. Two benefits were anticipated from taking this step. First, the accuracy and completeness of the views expressed in the literature could be assessed. Second, personal interviews would provide information regarding the language used by managers to describe the M-D exporting method, and the relationships of the companies involved. Since the study was to involve the collection of first-hand data from Canadian and U.K. companies, it was considered important to couch the questions in the terminology used by managers in this field (Harre and Secord 1972).

Figure 2-3
THE THESIS AND LITERATURE REVIEW

Thesis -
Part One



Issues

1. Why is high performance difficult to attain under the M-D exporting arrangement?

Three factors affect performance:

- the separate ownership of the two companies
- their geographic and cultural separation
- the companies are bound by different rules of law

2. What can be done by the exporter?

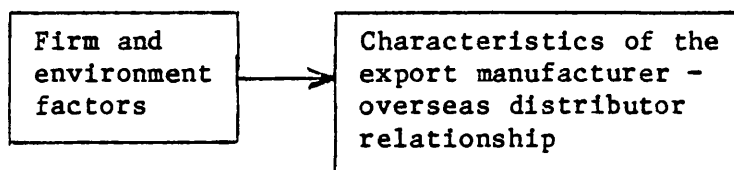
Exporters are urged to take certain performance enhancing actions. The extent to which these actions are taken, and the effectiveness of the actions is not well researched.

3. Can these exporter actions be seen in a broader light?

Research on relations among other kinds of organizations suggest that five dimensions underlie the manufacturer-overseas distributor relationship:

- formalization
- standardization
- reciprocity
- intensity
- conflict

Thesis -
Part two



Issues

1. What factors shape the nature of the manufacturer - overseas distributor relationship?

In addition to the exporter (see 2 above), distributor actions, and environment factors shape the relationship.

This leads to consideration of:

- Firm factors - stake in the relationship
- international trading experience
- Environmental uncertainty

A convenience sample of U.K. companies was chosen for preliminary fieldwork. Since the study was to concern exports of manufactured products, firms exporting and importing these products were sought. Two directories were used to locate suitable companies - British Exporters (1976), and the Directory of British Importers (1975). Interviews were sought with companies of different sizes, transacting a range of product types. Initial contact was made by telephone, when the aims of the study were explained, directory details checked, and an interview arranged. In all, six manufacturers and five distributors were interviewed. In addition, a commercial officer at the Canadian High Commission in London was interviewed. This person was responsible for helping Canadian manufacturers of technical products to establish distributorships in the U.K., and for the resolution of disputes between these parties.

The persons interviewed were encouraged to discuss their experience of the M-D exporting arrangement. A discussion guide was developed to assist this process. This consisted of some 21 items that had been culled from the exporting literature, including: (1) matters related to either manufacturer or distributor, (2) forms of interaction between the two companies, and (3) factors external to the relationship (see Appendix A1 for details).

In each case the interview was tape recorded and later transcribed. The transcriptions contained a large number of statements on various facets of M-D relations. These were grouped together on an issue basis, and a count made of the

frequency each issue was mentioned. These issues were in turn grouped under two headings, characteristics of manufacturer/distributor, and relations between manufacturer and distributor. The results of this process are found in Table 2-1. Overall, 25 M-D relationship issues were mentioned in 272 statements. The fact that most of the discussion guide items were viewed as realistic issues by respondents, indicated that the writings reviewed provide a largely accurate portrayal of M-D relationships. The agenda items were, however, supplemented by several other issues regarded as important by the respondents. In this way, the interviews provided a more complete understanding of the nature of these relationships.

2.5 SUMMARY

Two activities have been described in this chapter. First, four bodies of literature were reviewed as these relate to the two-part thesis advanced. The M-D method of exporting finds treatment in the international business and marketing literature, although the method suffers from empirical neglect. This shortcoming is somewhat overcome by consideration of studies in the fields of interorganizational relations, marketing channels, and institutional economics. Collectively, the literature reviews indicate that the two part thesis is worthy of further investigation.

Second, preliminary fieldwork in a sample of firms largely corroborated views expressed in the surveyed literature about the M-D exporting arrangement. This enabled the final study to be undertaken with a greater sense of confidence.

Table 2-1

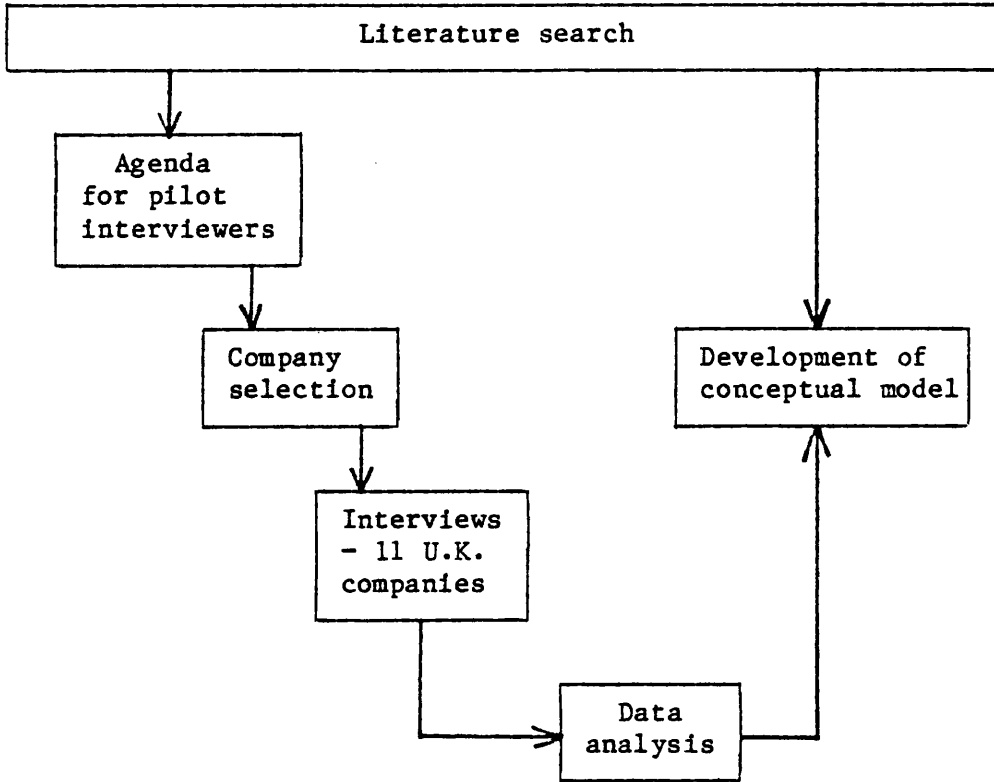
VIEWS REGARDING THE MANUFACTURER - OVERSEAS DISTRIBUTOR
METHOD OF EXPORTING FROM PRELIMINARY FIELDWORK

Views regarding	Frequency of mention in preliminary fieldwork
Characteristics of manufacturer/distributor	
Manufacturer's export policies	15
Size of manufacturer	
Other manufacturer characteristics	
Distributor characteristics	9
	<u>24</u>
Relations between manufacturer and distributor	
History of relationship	42
Pricing/margins	28
Sales efforts, abilities	23
Market data	22
Overseas visits	17
Termination - threats and process	15
Competing products, product commitment	15
Plans of manufacturer for direct entry	11
Resolving problems	11
Inventories	10
Distributor agreement	10
Personal relationships	10
Advertising	9
Training	6
Control	5
Distributor meetings	5
Credit policy	4
Servicing	2
Complaints handling	2
Physical supply	1
Other manufacturer services	0
	<u>248</u>

The activities undertaken at this early stage in the research are depicted in Figure 2-4. Work undertaken to this point made possible the development of a model of M-D relationships for research testing, and this is described in the following chapter.

Figure 2-4

EARLY RESEARCH ACTIVITIES



Chapter 3

THE RESEARCH HYPOTHESES AND METHODOLOGY

3.1 INTRODUCTION

In the first part of this chapter a conceptual model of export manufacturer - overseas distributor (M-D) relations is proposed. This results from consideration of the existing literature as well as information gathered in preliminary fieldwork. Hypotheses regarding the association of the model variables are stated and explained in the second part of the chapter. Finally, the methods employed in the study are described.

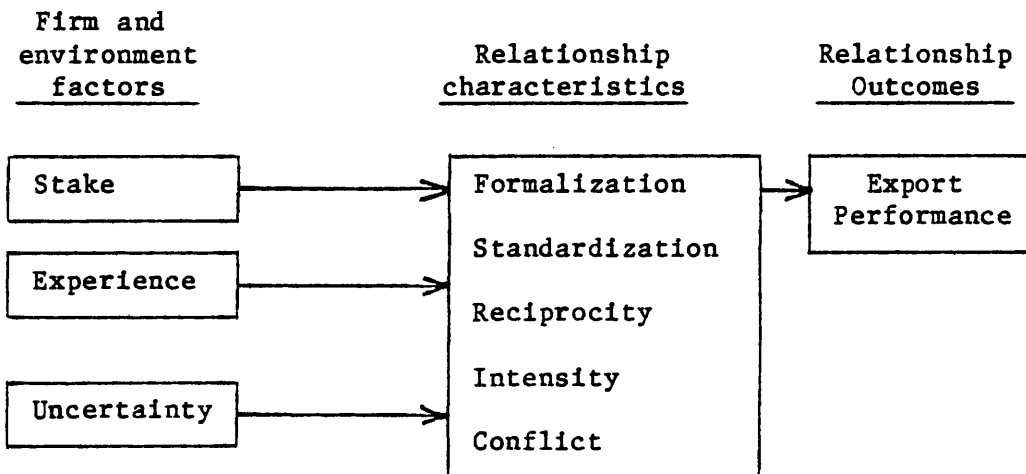
3.2 THE CONCEPTUAL MODEL

The proposed conceptual model of M-D relations has three main components and includes nine variables. These - as shown in Figure 3-1 - are: firm and environment factors - stake, experience, and uncertainty; relationship characteristics - formalization, standardization, reciprocity, intensity, and conflict; relationship outcomes - export performance. Given the central position of the relationship characteristics in the model, the five variables in question are now defined and justified further.

Formalization is defined as the extent to which the relationship is agreed upon and made explicit. M-D dyads come into being when

Figure 3-1

A CONCEPTUAL MODEL OF EXPORT MANUFACTURER-OVERSEAS
DISTRIBUTOR RELATIONSHIPS IN EXPORT
MARKETING CHANNELS



two organizations agree to work one another. Such an agreement, however, may vary with regard to its formality and explicitness. For example, some agreements involve verbal undertakings about basic principles whereas others are composed of numerous, lengthy, written legal clauses. This point is reflected in the operationalization of this variable, which is discussed along with others later in this chapter.

Standardization reflects the extent to which the established roles and trading routines are adhered to. Concerted and sustained transactions in the M-D dyad require that the role of each party be understood, and that routines be established which permit efficient operations. From time to time, however, roles and routines may need modification. This may be externally-induced, e.g., strikes at a port of entry or departure leading to revised shipping routines, or internally-induced, e.g., poor distributor product servicing leading to the manufacturer taking over the servicing role.

Reciprocity is defined as the extent to which the manufacturer and distributor are both involved in decision-making, despite the traditional domains of each party. The formation of a M-D relationship implies that a certain division of labour will permeate the members' activities. After all, the logic for involvement is the partial dependence of each party on the other. In this situation, one member will typically be more

responsible for some decisions than others. For example, product design decisions tend to be the prerogative of the manufacturer, while deployment of the sales force in the overseas market is usually that of the distributor. In other words, each party has a specific area of responsibility.

While each party has a domain of action, decision-making sometimes involves both parties. Certain decisions, e.g., shipping and delivery scheduling, may require joint-efforts. A similar joint involvement may be experienced when the party with major responsibility for a decision area, accepts helpful advice from the other. For example, the distributor may have a perspective on the market which allows him to make very useful comments regarding the manufacturer's new product programme. If both dyad members are involved in decision-making, and if the involvement is of a constructive and selfless kind, the decision-making can be termed reciprocal. Involvement may be less balanced, however, for decision-making provides an arena for power to be exercised. Non-reciprocal relations are held to exist when one member of the dyad exercises its power (or acts selfishly) in decision-making. The term "power" is now discussed further.

Several conceptualizations of power are found in the literature. Those of Dahl (1964), and Emerson (1962), have been widely adopted in marketing channels studies. Dahl defines power as the ability of one individual or group to prompt another unit to do what it would otherwise not have done. Emerson's

definition is similar, for he regards power as measured by the amount of resistance on the part of one unit that can be potentially overcome by another. Numerous researchers have studied power and its exercise in marketing channels, often adopting a "decision variable" approach. Thus, El-Ansary and Stern define the power of a channel member as "his ability to control the decision variables in the marketing strategy of another in a given channel" (1972, p. 47). Wilkinson regards power as "the ability of a firm to affect another's decision-making and/or overt behaviour" (1975, p. 14). Lusch conceptualizes power as the ability of a channel member (i), as perceived by channel member (j), to control the decision variables of (j)" (1975, p. 65). The concern with studying power in marketing channels is evidenced in these and other studies, and it is further apparent that decision-making is an appropriate locus for its examination. Non-reciprocal decision-making provides evidence of the exercise of power in M-D relationships.

Intensity is the level of contact and resource exchange between the parties. This variable needs little justification, for the literature review shows it to be an important relationship factor. In general terms, interfirm contacts are important if business is to be conducted efficiently. More specifically, contacts of various kinds, e.g., personal visits, telex, are argued to be an important method for overcoming the problems associated with separation, and field studies confirm this

viewpoint. The level of resource exchange, e.g., training, inventory levels, has a less clear effect, although numerous writers are of the opinion that support efforts like these are necessary and help to improve export performance.

Conflict describes the level of tension and disagreement between the two parties. The question of conflict in M-D relations has already been raised. Stern and Reve believe that "because of the mutual dependencies which exist in channels, it is likely that conflict, in some form, will always be present" (1980, p. 58). The presence of dyadic conflict, however, does not mean that there is an absence of cooperation. Although conflict and cooperation are interrelated, they are distinguishable from each other. For example, strong cooperative sentiments may characterize a given relationship, but there may also be tension and disagreement concerning certain aspects of the exchange process. Nonetheless, while cooperation and conflict may co-exist in a relationship, high levels of conflict certainly threaten cooperation and, hence, performance. A number of studies have found performance to be negatively associated with conflict level (Brown and Frazier 1978; Lusch 1976; Pearson and Monoky 1976). In view of these results, export success is less probable if conflict is not kept within tolerable limits.

The remaining variables in the model require no elaboration here. The three firm and environment factors were defined and justified in Chapter 2. The inclusion of "export performance" as the relationship outcomes variable is natural in view of much of

the prior discussion. Performance is defined as: the accomplishments - real and perceived, that have resulted from the M-D relationship. With the nine model variables made explicit, the research hypotheses are now formally stated.

3.3 THE RESEARCH HYPOTHESES

Four hypotheses were formulated for testing. These are stated and explained in the following sections.

3.3.1 Relationship characteristics and export performance

The hypothesis regarding the first part of the thesis is shown in Table 3-1. The hypothesis is that:

H1: High export performance is more likely to occur when the M-D relationship is:
more standardized, reciprocal, and intense
less conflictful.

No specific hypothesis is made concerning formalization and performance. For the most part, the hypothesis is straightforward and follows from previous discussion. Thus, "closeness" in terms of decision-making (reciprocity) and contact (contact intensity), is considered a condition that enables higher performance. So too, is "supportiveness" (or resource intensity). In view of a number of findings in marketing channel studies, high levels of conflict are held to be harmful. Accordingly, conflict and performance are regarded as negatively associated. Finally, while the association between

Table 3-1

DIRECTION OF HYPOTHESIZED ASSOCIATION BETWEEN
RELATIONSHIP CHARACTERISTICS AND EXPORT PERFORMANCE

Variables	Export performance
Relationship characteristics:	
Formalization	?
Standardization	+
Reciprocity	+
Intensity - contact	+
- resources	+
Conflict	-

Note

? No direction hypothesized

formalization and performance is regarded as unclear, standardization is argued as having a positive association. This follows from the idea that a clear view of dyadic roles and routines is a prerequisite for high performance. If responsibilities shift around within the dyad, and if business processes are in a state of flux, high performance is considered unlikely.

3.3.2 Stake and relationship characteristics

The first of the hypotheses regarding the second part of the thesis concerns stake. As seen in Table 3-2, two conditions of stake are considered - joint stake, and one-party stake. Joint stake reflects what the two parties have invested in the relationship, and by implication what would be lost should the relationship come to an end. One-party stake, however, suggests the investment that either the manufacturer or the overseas distributor has in the relationship.

The hypothesis is:

H2: When the level of joint stake is high, the M-D relationship is:
more formalized, standardized, reciprocal, and intense
less conflictful.

The reasoning for these associations is straightforward. When both dyad members have much at stake in a relationship, it is argued that they will attempt to protect the relationship. "Protection" includes: a more explicit agreement concerning the

Table 3-2

DIRECTION OF HYPOTHESIZED ASSOCIATION BETWEEN
STAKE AND RELATIONSHIP CHARACTERISTICS

Variables	Stake	
	Joint	One-party (i.e., M or D)
Relationship characteristics:		
Formalization	+	+
Standardization	+	+
Reciprocity	+	-
Intensity - contact	+	+
- resources	+	+
Conflict	-	-

nature of the relationship (formalization); greater adherence to agreed-upon roles and routines (standardization); more joint decision-making (reciprocity); more contact and resource exchange (intensity); and less tension and disagreement (conflict).

With one exception, similar characteristics are hypothesized when one-party stake is high. Thus, while the same kind of overall relationship is anticipated, less reciprocity is expected when one-party stake is high. Recalling the link previously suggested between stake, dependence, and power potential, when one-party stake is high, so too is dependence, and the exercise of power in decision-making is foreseen; thus, reciprocity is hypothesized to be less.

3.3.3 Experience and relationship characteristics

Although a distinction was made earlier between corporate and personal experience, the impact of both kinds of experience on the M-D relationship is viewed to be the same. The hypothesis here is shown in Table 3-3. This is:

H3: When the level of international trading experience is high, the M-D relationship is:
more standardized and reciprocal
less formalized and conflictful.

No specific hypothesis is made concerning intensity. These associations are explained as follows.

Experience can be seen to impact on M-D relationships in varying ways. Thus, experience is expected to bring with it recognition that legal distributor agreements do not prevent dyadic problems. In view of this, informal agreements are more

Table 3-3

DIRECTION OF HYPOTHESIZED ASSOCIATION BETWEEN
EXPERIENCE AND RELATIONSHIP CHARACTERISTICS

Variables	Experience	
	Corporate	Personal
Relationship characteristics:		
Formalization	-	-
Standardization	+	+
Reciprocity	+	+
Intensity - contact	?	?
- resources	?	?
Conflict	-	-

Note

? no direction hypothesized

often anticipated in these dyadic situations. In addition, less conflict is expected in high experience dyads, simply because corporations and individuals are more knowledgeable and/or have been dealing with each other for longer periods. The same consequences of experience, i.e., knowledge and familiarity, are expected to lead to more joint-decision making (reciprocity). On the question of standardization, it is anticipated that experience is associated with relatively strong ideas of roles and routines in international business, and that as a result the established ways would be adhered to more than in dyads with less experience. Finally, the direction of association between experience and intensity is uncertain. On the one hand it can be argued that experience should bring an appreciation of the benefits of intense relations. Yet on the other hand, more experience (particularly within the dyad) might be viewed as reducing the real need for frequent contact and resource exchange. In view of this uncertainty, no direction of association is hypothesized for intensity.

3.3.4 Uncertainty and relationship characteristics

The final hypothesis is set out in Table 3-4. This is:

H4: When the level of uncertainty surrounding the transaction process is high, the M-D relationship is:
more reciprocal, intense, and conflictful
less formalized and standardized.

This hypothesis flows directly from the discussion of empirical research findings in Chapter 2. Intra- and inter-organizational

Table 3-4

DIRECTION OF HYPOTHESIZED ASSOCIATION BETWEEN
UNCERTAINTY AND RELATIONSHIP CHARACTERISTICS

Variables	Uncertainty
Relationship characteristics:	
Formalization	-
Standardization	-
Reciprocity	+
Intensity - contact	+
- resources	+
Conflict	+

responses to uncertainty were seen to involve organic, fluid, interactive structures and processes. These findings explain the association of four of the relationship characteristics with uncertainty - formalization, standardization, reciprocity, and intensity. Conflict is the final characteristic for comment. In view of findings by Hirsch (1972) and Ford (1978), conflict is hypothesized to be greater the more the uncertainty facing the interacting firms.

3.4 RESEARCH METHODOLOGY

Having described the hypotheses to be tested in the research, attention now turns to practical matters of methodology. In this section a variety of matters are described, including: the design of the research instruments, sampling, and interviewing.

3.4.1 Designing the research instruments

The decision to use personally administered questionnaires was taken for a number of reasons. First, it was necessary to guide and in some cases prompt the respondent through complex issues. Second, some coaxing of respondents was anticipated if answers to confidential questions were to be forthcoming, e.g., sales information, assessments of business partners. Third, a considerable amount of information was to be collected. Personal administration of a long questionnaire was regarded as preferable to mailing the same instrument. Finally, preliminary fieldwork

showed that managers were both willing and very interested to discuss their exporting and/or importing experience.

With the decision in favour of personal interviewing taken, a set of instruments was designed so that the wide range of topics of interest might be covered adequately, and so that responses could be subjected to reasonably sophisticated statistical analysis. The final questionnaires are seen at Appendix A2 and A3. The structure of the manufacturer and distributor questionnaire is exactly the same, namely:

1. Background information
2. Exporting/importing history
3. Distributor agreement
4. Making decisions
5. Disagreements
6. Contacts
7. Sales efforts
8. Market and industry characteristics
9. Export sales performance and future plans

In addition to the personally administered questionnaires, a self-completion questionnaire was designed to be left with each manufacturer and distributor representative interviewed. These are found at Appendix A4 and A5 respectively.

Various changes were made in arriving at these final instruments. Three changes were notable. First, preliminary fieldwork pointed to some indifference on the part of managers regarding the details of distributor agreements. In view of this, a long section dealing with specific agreement clauses in

an early version of the instrument was reduced. The final questionnaire, as a result, placed less stress on the legal framework of the relationship, and more emphasis on the actual relationship. The indifference of managers towards legal issues is consistent with limited evidence that suggests businessmen only depend upon the law as a last resort (Macaulay 1963). Second, the self-completion questionnaire resulted from a desire to keep the duration of the face-to-face interview within tolerable limits. Since the items in question dealt almost exclusively with the personal history and experience of the contact person, no difficulty was envisaged by this move. Third, two sections on "making decisions" and "disagreements" were moved forward in the questionnaire. This was motivated by a desire to capture accurate responses in these judgemental areas, and the thought that interviewee fatigue could be a factor towards the end of the interview.

The finalised questionnaires are mostly the result of fresh initiative. Certain items, however, were incorporated which had been developed by other researchers. These were: Lorsch and Allen's (1973, p. 235) uncertainty question, i.e., Question M and D 8.6; Pearson and Monoky's (1976) conflict and cooperation descriptors, i.e., M and D 5.7; and contact and experience questions from the International Marketing and Purchasing Project (Cunningham 1980), i.e., M and D 6 to 13.

Prior to the final fieldwork, trial interviews were conducted in two manufacturing companies in order to test the

questionnaire in a realistic field setting. The firms were typical of those making up the study sample, and the interviews were conducted satisfactorily. No problems were apparent, although one or two questions were reordered to improve the question flow.

3.4.2 Operationalization of the model variables

The model variables were operationalized in a variety of ways. The use of multiple measures for each variable seemed a prudent move in view of the lack of empirical work in this field. The measures which are discussed in the remainder of the dissertation are listed in Table 3-5, where a measure reference, label, and description are found. An account of scoring procedures for each of these measures is detailed in Appendix A6. Certain of the measures for which data was collected are not reported here, because the level or range of interviewee response was inadequate, or meaningful answers were not obtained.

3.4.3 The Canadian sample of manufacturers

The 1978 Canadian Trade Index was used as the sampling frame from which the manufacturers were drawn. Since no listing of Canadian companies exporting to the U.K. was found, this proved to be the most satisfactory approach. A listing of potential sample members was built up by considering four separate criteria. First, the company should be located in the province of Ontario. This criterion had its origin in budgetary

Table 3-5

OPERATIONALIZATION OF THE MODEL VARIABLES

Measure Reference	Label	Description
<u>Stake</u>		
SK1	time to replace D/M	the length of time it would take to replace D/M and get back to the present position
SK2	importance of D/M	the perceived importance of D/M to U.K. operations
SK3	% of M's total sales through D	the percentage of M's total sales that are accounted for by sales through D
SK4	% of D's total sales through M	the percentage of D's total sales that are accounted for by sales of M's products
SK5	% of M's exports through D	the percentage of M's export sales that are accounted for by sales through D .
SK6	% of D's imports through M	the percentage of D's import sales that are accounted for by sales of M's products
SK7	importance of business to M/D	the extent to which the U.K. sales of M's products are of more or less importance to M or to D.
<u>Experience - corporate</u>		
CE1	no. of overseas contacts	the number of overseas agents and distributors, and manufacturers, that M and D deal with respectively
CE2	years of international trading	the number of years that M has exported and D has imported
CE3	years of U.K./Canada trading	the number of years that M has exported to the U.K., and D has imported from Canada
CE4	years M-D relationship established	the number of years that M and D have been established trading partners

Table 3-5 (Cont'd)

Measure Reference	Label	Description
CE5	relationship contact level	the management level at which the responsibility for contact between M and D is located.
<u>Experience - personal</u>		
PE1	contact age	the age of the persons responsible for contact between M and D
PE2	years of personal contact	the number of years that the individuals responsible have been in contact with each another
PE3	work experience overseas	whether the contact individuals have lived and worked overseas
PE4	days overseas	the number of days spent travelling overseas on business annually
PE5	overseas trading experience	the extent of overseas trading experience of the contact individuals
PE6	schooling	the extent of the contact individual's formal education
PE7	company experience	the number of years the contact individuals have spent in other positions in their present companies
<u>Uncertainty</u>		
U1	profit objectives reached	the extent to which M/D have attained their profit objectives over the last 5 years
U2	new product activity	the number of new products launched in the last 2 years
U3	U.K. competition	the number of competitors faced by M's products in the U.K. market
U4	R & D expenditures	the level of research and development spending by M

Table 3-5 (Cont'd)

Measure Reference	Label	Description
U5	industry change	the change in their industry as perceived by the contact individuals
<u>Formalization</u>		
F1	agreement formality	the formality of the agreement between M and D
<u>Standardization</u>		
SD1	stability of roles and routines	the extent to which the roles of M/D and trading routines established are fixed or have changed
<u>Reciprocity</u>		
PR1	decision-making in the dyad	the extent to which decision-making is a joint affair
RP2	spot decision-making	the extent to which D can make spot decisions on M's behalf
<u>Intensity - contact</u>		
CI1	no. of letters	the number of letters exchanged by M and D annually
CI2	no. of phone calls	the number of phone calls made to each other by M and D annually
CI3	no. of visits	the number of visits made to each other by M and D over a two year period
CI4	no. of telex messages	the number of telex messages exchanged by M and D annually
CI5	no. of company linkages	the number of linkages between functional area groups in M and D
CI6	other contact frequency	the frequency with which the contact individuals interact with persons in M/D other than the primary contact

Table 3-5 (Cont'd)

Measure Reference	Label	Description
<u>Intensity - resource</u>		
RI1	support materials	the extent to which M provides support materials to D
RI2	use of M's logo	the extent to which D uses M's logo in U.K. selling operations
RI3	stock carried	the level of M's stock carried by D in the U.K.
RI4	training	whether M provides training to D's personnel
RI5	effort expended	the amount of effort expended by M and D in comparison to other relationships they are engaged in
<u>Conflict</u>		
C1	conflict of objectives	the extent to which M and D disagree on matters of business objectives
C2	conflict frequency	the frequency with which M and D disagree
C3	decision area conflict	the extent to which M and D disagree in a variety of decision areas
C4	conflict descriptor score	the extent to which the relationship is characterized by certain conflict descriptors
C5	comparative conflict in relationships	the extent to which there is more or less disagreement between M and D, compared to other similar relationships they are involved in
C6	resolution frequency	the frequency with which disagreements are resolved
<u>Performance</u>		
P1	trend in sales	the extent to which the sales of M's products are growing or declining in the U.K.

Table 3-5 (Cont'd)

Measure Reference	Label	Description
P2	U.K. sales	the level of sales of M's products in the U.K.
P3	sales satisfaction	the extent to which M and D are satisfied with current sales levels
P4	cooperation	the perceived cooperation that exists in the relationship between M and D
P5	overall satisfaction	the extent to which M and D are satisfied with the relationship in overall terms
P6	future plans	the extent to which the plans of M and D involve closer, continued, or less involvement with each other

considerations. In order to keep the fieldwork costs within a tight budget, a clustered sample of manufacturers was necessary. This criterion is not considered restrictive since Ontario is the manufacturing "heartland" of Canada.

Second, the number of employees should be greater than 25.

By following this decision rule, very small companies were excluded from the sample. Few manufacturers of this size were considered likely to be regularly involved in exporting their products overseas. Third, the company should process or manufacture products destined for intermediate markets. A number of factors suggested this criterion.

1. The need for strong and cooperative M-D relationships is arguably more salient in intermediate markets than consumer markets. Given the higher level of selling, servicing, and support activities required, relationships in intermediate goods trading are particularly demanding and worthy of study.
2. Since distributors of intermediate goods were perceived to be a more homogeneous group than those of Canadian consumer goods (e.g., food brokers, retail buying offices, general importers), more accurate dyadic comparisons could be drawn in what was to be a smallish final sample.
3. This sectoral emphasis was consistent with Canada's international trade priorities. Results from the study, then, could shed light in an area of importance and interest.

Fourth, the manufacturer should indicate that it had a "U.K. representative" or "representatives throughout the world."

This final criterion was the only practical way to locate companies that might be exporting through distributors in the U.K., given that a definitive source of this information was not available.

Through applying these four criteria, 105 companies were listed as possible companies for interviewing. Each company was sent an individually typed letter explaining the purpose of the study (Appendix A7). In all cases the letter was addressed to "The Export Manager." In the absence of a specific name or knowledge of the level at which responsibility for exporting lay, this seemed the most appropriate approach. The letter was accompanied by a form reply which clarified whether: the firm exported to the U.K., a distributor was used in the U.K., and, the firm was prepared to take part in the study. In addition, details of U.K. sales level, length of U.K. exporting history, and a description of export products were solicited. A reply-paid envelope was included in all cases. As a result of mailed returns and telephone calls to those not initially replying, contact was made with 91 of the firms in question. Of these, 26 met the inclusion criteria and agreed to be interviewed. Details of the initial 105 company sample are shown in Table 3-6.

An interview schedule was planned and field interviews took place between the 2nd and 19th of May, 1978. As a result of the fieldwork, 19 interviews produced usable data for analysis.

Table 3-6

CANADIAN FIELDWORK: CONTACTS SOUGHT
AND MADE, INTERVIEWS CONDUCTED

Companies selected from <u>1978 Canadian Trade Index</u> as meeting sample inclusion criteria		105
No contact made	14	
Contact made:		
- no exports made to U.K.	28	
- distributor not used in U.K.	20	
- companies trading in U.K. but through associated organization	11	
- unwilling to cooperate	6	
- agreed to be interviewed	26	91 105

Companies agreeing to an interview		26
- suitable interview arrangements could not be made	5	
- interviews conducted	21	26

Interviews conducted		21
- usable data obtained	19	
- nonusable data (i.e., use of agent U.K.-1; use of associated company in U.K.-1)	2	21

3.4.4 Interviews with manufacturers

Interviewing was a relatively straightforward process. In each company, preliminary contact had identified the person that dealt with the U.K. distributor on a continuing basis, and this was the person with whom the interview was conducted. The early part of the interview was invariably taken up by further explanation of the study and its aims, and in assurances of confidentiality being made. At this stage the respondent was also asked whether there were any objections to a tape recording being made of the proceedings. In all cases a recording was allowed.

The interview then ensued with the researcher keeping the discussion of topics and questions as far as possible to the order in which these appeared in the questionnaire. Some deviation from this order was experienced in a few cases. The average length of the interview was about one and three quarter hours, with a range from one to five hours. At the end of each interview, the respondent was left a self-completion questionnaire to be tackled and returned at his leisure. In some cases, the respondent chose to complete this questionnaire on the spot, rather than having to deal with it later.

3.4.5 U.K. fieldwork

Planning for the U.K. fieldwork began upon completion of interviewing in Canada. Each of the manufacturers had identified their contact person in the U.K. distributor's organization. The

19 persons in question were sent an individually typed letter explaining the study, and indicating that the Canadian manufacturer had already consented to and taken part in an interview (Appendix A8). A form reply was enclosed with the letter so that the distributor could indicate agreement to being interviewed, and the dates which would be most suitable. A reply-paid envelope was again used.

All 19 distributors agreed to take part in the study. This meant that no Canadian data was lost due to non-cooperation in the U.K. An interview schedule was tentatively planned and then finalised upon the researcher's arrival in the U.K. Interviews were conducted between the 4th and 29th of August 1978. The average interview in the U.K. lasted about one and a half hours, with a range from one hour to three and a half hours.

The U.K. interviewing process was exactly the same as the Canadian one. Two respondents preferred that the interview not be recorded. In the case of D 9, the respondent had just returned from a visit to the manufacturer and explained that the whole relationship was "sub judice." As a result, no tape recording of the interview was permitted. In the second case (D 7), no reason was given for the refusal, but the respondent was firmly against the idea of a recording being made. In both of these interviews, more detailed annotations of the questionnaire were made. Self-completion questionnaires were left with respondents at the end of each interview, or completed on-the-spot. In one case (D 14) the self-completed questionnaire was not returned despite two follow-up attempts by mail.

In all, 21 distributors were interviewed in the U.K. The extra two companies resulted from an attempt to expand the sample size. These companies were located with the assistance of the London office of the Business Development Branch of the Ontario Ministry of Industry and Tourism. Access was allowed to a card filing system, which enabled the selection of a number of U.K. distributors that were trading with Canadian manufacturers which met the sample inclusion criteria. A large number of companies had to be drawn in order to find two additional companies due to the poor quality of the record system. Telephone contact was made with the two companies. Once again, the study's purpose was explained and an interview sought. Aside from this difference in initial approach, the interviews were conducted in exactly the same manner as those for other distributors.

3.4.6 Further Canadian fieldwork

The increased size of the distributor sample required that interviews be held with the two additional manufacturers in Canada. These interviews could not be completed until the 18th and 19th of April, 1979. The interviews were handled in precisely the same way that the earlier interviews had been.

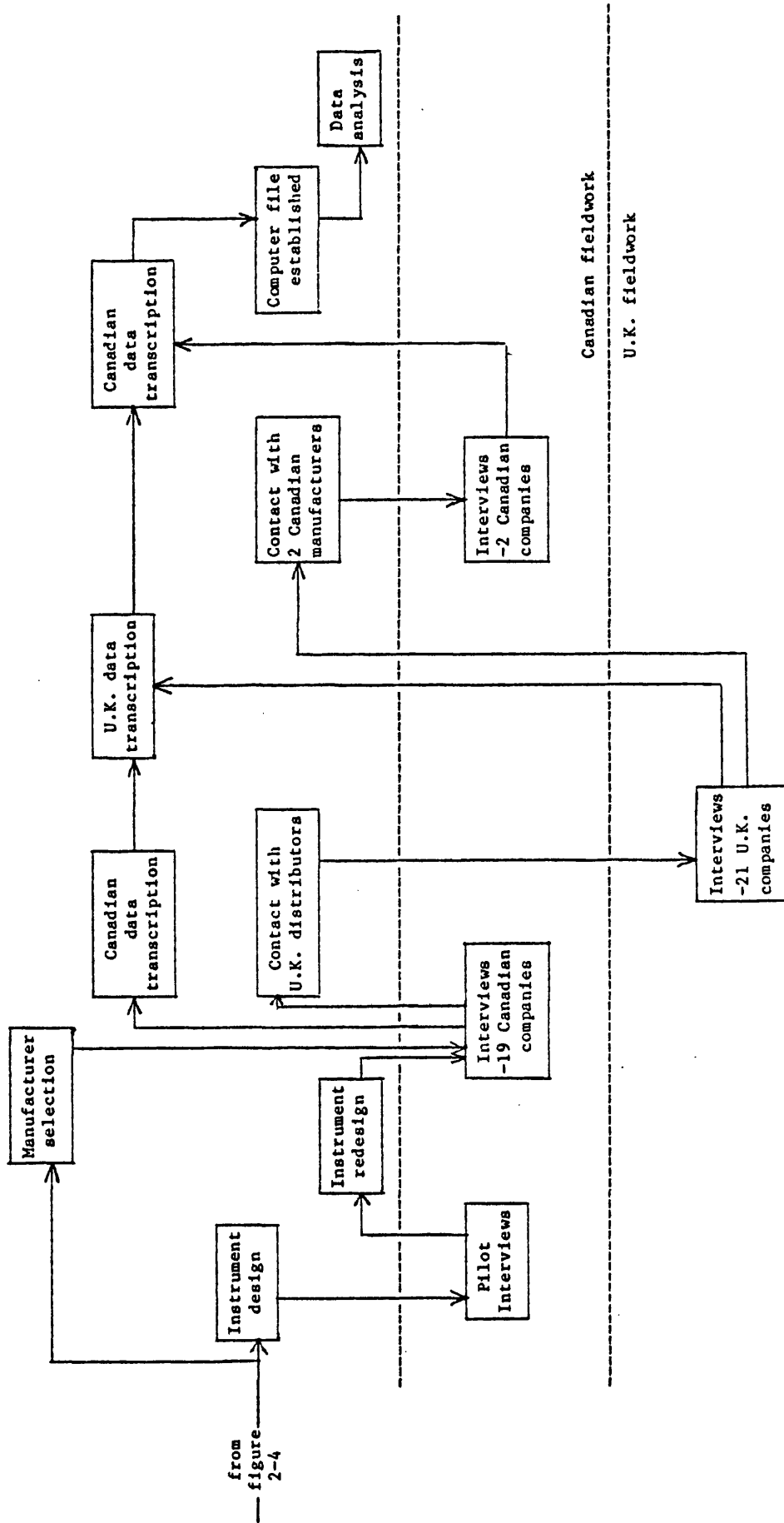
In the first round of interviewing in the summer of 1978, an attempt had been made to minimize the time lag between the Canadian and U.K. fieldwork. This followed from the desire to "capture" the relationships at essentially the same point in time, thus minimizing time contamination of the data. The nine

month lag between August 1978 and April 1979 for the two additional interviews (M 20 and 21), however, was regarded as a potential problem. This was overcome as follows. As part of the initial contact the respondent was asked whether - in their opinion - the relationship with their distributor had changed since August 1978. In each case the answer was in the negative. This enabled these later interviews to be conducted with the conviction that time effects were again minimal. With 42 interviews yielding usable data, the next stage involved data analysis. This is described in the following chapter.

3.5 SUMMARY

In this chapter, a conceptual model of manufacturer - overseas distributor relations was presented and four hypotheses stated for empirical testing. In addition, the methodology used in the fieldwork was described. The activities described are shown sequentially in Figure 3-2.

Figure 3-2
RESEARCH METHODS



Chapter 4

PRELIMINARY DATA ANALYSIS

4.1 INTRODUCTION

This chapter serves two main purposes. One purpose is that of describing how the information collected in the fieldwork was prepared for analysis. The second purpose of the chapter is to describe the firms making up the sample, and their responses in certain areas. The chapter is divided into four parts. In the first of these, coding of the raw data is briefly discussed. Second, various key characteristics of the sample companies are presented. Third, the procedures whereby the study data was reduced to more manageable proportions are described. Finally, the range of dyadic response to certain questions is detailed and commented on.

4.2 CODING OF DATA

Complete transcriptions were made of the 42 tape recorded interviews by the researcher. These transcriptions proved to be a much more complete source of information than the questionnaires, and formed the basis for the coding of responses. The exceptions to this were: (1) for the two distributors which had refused tape recordings, and (2) for the self-completed questionnaire items. Here the questionnaires were the data source.

The unit of analysis in this study is the manufacturer - overseas distributor (M-D) relationship, and in order to reflect the views and experience of both companies, the majority of

measures used result from summing manufacturer and distributor responses. In a few cases, however, the measures were specific to one member of the relationship, and here single responses are used. These measures are as follows:

Stake	SK3	<u>% of M's total sales through D</u>
	SK4	<u>% of D's total sales through M</u>
	SK5	<u>% of M's exports through D</u>
	SK6	<u>% of D's imports through M</u>
Uncertainty	U4	<u>R&D expenditures</u>
Intensity-resources	RI1	<u>support materials</u>
	RI2	<u>use of M's logo</u>
	RI3	<u>stock carried</u>
	RI4	<u>training</u>

A detailed account of these measures (as well as the others) is found in Appendix A6. In summary, the data file comprised 21 sets of information - one for each M-D dyad.

4.3 CHARACTERISTICS OF THE SAMPLE COMPANIES

Certain key characteristics of the 42 sample companies are presented in Table 4-1. This shows the cross-sectional nature of the sample. Although the products were all being traded in intermediate markets, a considerable range is evident. At one extreme is found materials subjected to fairly basic processing, e.g., crushed minerals and tanned leather, whereas at the other extreme lie rather complex pieces of electrical and electronic equipment, e.g., communications equipment and signalling devices. Between these extremes fabricated products are evident, e.g., vending machines and road machinery.

Table 4-1

KEY CHARACTERISTICS OF THE SAMPLE COMPANIES

Dyad	Product sold in U.K.		Total sales ^a (\$mill)	No. of employees	Ownership	Years trading with U.K./Canada	U.K. sales (\$'000)
1	Baggage handling system components	M	19	308	U.S.	19	350
		D	10	400	U.K.	15	
2	Polyurethane wear material	M	3	85	Can.	5	82
		D	4	135	U.K.	1	
3	Oil fired water heaters	M	4	71	Can.	20	30
		D	< 1	10	U.K.	20	
4	Precision instruments	M	2	88	Can.	10	165
		D	1	15	U.K.	13	
5	Chemicals	M	10	66	Can.	12	235
		D	3	5	U.K.	2	
6	Automobile collision repair equipment	M	3	45	Can.	5	48
		D	1	9	U.K.	5	
7	Road machinery	M	60	925	Can.	6	300
		D	158	1409	U.K.	9	
8	Electronic communications equipment	M	3	105	Can.	3	675
		D	3	35	U.K.	3	
9	Minerals	M	60	900	Can.	20	525
		D	132	182	U.K.	22	
10	Room air conditioners	M	52	930	Can.	5	1540
		D	2	18	U.K.	4	
11	Vending machines	M	10	176	Can.	17	1075
		D	2	8	U.K.	17	
12	Oil burner ignition transformer	M	10	266	Can.	25	245
		D	12	62	U.K.	20	
13	Aircraft components	M	30	668	U.S.	17	6
		D	8	85	U.K.	n.a.	
14	Electrical signaling devices	M	22	339	U.S.	15	50
		D	1	24	U.K.	1	
15	Cabinet hardware	M	15	334	U.S.	12	295
		D	2	35	U.K.	15	
16	Teleprinters	M	20	900	Can.	2	456
		D	3	44	U.K.	2	
17	Furnaces	M	2	30	U.S.	15	400
		D	2	12	U.K.	12	
18	Control valves	M	3	28	U.S.	13	1355
		D	6	75	U.K.	16	
19	Sole leather	M	n.a.	550	Can.	50	385
		D	10	135	U.K.	4	
20	Printed circuit boards	M	4	108	Can.	3	138
		D	< 1	10	U.K.	3	
21	Handsaws	M	13	220	Sweden	40	675
		D	13	150	U.K.	30	

Note

n.a. not available

^aAt £1 = \$2.20

Contrasts are presented again when the sample members' exporting and importing experience is considered:

<u>Experience</u>	<u>Range</u>	<u>Mean</u>
Manufacturers	2 - 50 years	15 years
Distributors	1 - 30 years	11 years

A range of experience is suggested, with manufacturers somewhat more experienced, on average, than overseas distributors.

A wide variation in the dyads' level of current U.K. annual sales exists in the sample. Here the range in the U.K. sales was from \$6,000 to \$1,540,000, with a mean of \$430,000 (at £1=\$2.20). From this brief discussion it is clear that the sample showed diversity as to products, experience, and sales level. Given this variability, it was anticipated that interesting relationships would result from subsequent data analysis.

A number of other characteristics deserve some mention. Various sizes of firm find representation in the sample, as shown below:

Company size

a) Total sales (£1 = \$2.20)

	<u>Range</u>	<u>Mean</u>
Manufacturers	\$2 - 60 million	\$17.3 million
Distributors	\$1 - 158 million	\$17.8 million (<u>but</u> \$4.5 million when largest two companies excluded)

b) Number of employees

	<u>Range</u>	<u>Mean</u>
Manufacturers	28 - 930 employees	350 employees
Distributors	5 - 1409 employees	136 employees (<u>but</u> 72 when two largest companies excluded)

The manufacturers in the sample are larger organizations than the distributors. When the distorting effect of two large and atypical distributors is removed, manufacturers' sales are four times, and work forces five times greater than those of distributors.

Ownership information was collected from the companies interviewed. Of the manufacturers, 14 companies (66%) were Canadian-owned, 6 companies (29%) were subsidiaries of U.S. corporations, and 1 company (5%) was Swedish-owned. All distributors were U.K.-owned companies.

Finally, information on the customer served by the overseas distributor provides some idea of the U.K. marketing channels in question. In 15 cases (71%), the distributor primarily sold in a direct fashion, to users and installers of the product, or to original equipment manufacturers that would incorporate the product in some larger unit. In the remaining cases for which data was obtained, sales were less direct, being to a wholesaler (3 cases) or to an agent (1 case).

4.4 DATA REDUCTION

4.4.1 Methods

It has already been noted that multiple measures were used for almost all model variables. While the use of more than one measure of each variable seemed desirable, it was anticipated that considerable overlap would exist between the measures

considered. For example, six measures of conflict were listed earlier, and firm responses to these might well be expected to be similar. If this is so, then considerable redundancy would be built into later analysis if all six measures were retained. A more sensible approach would be to retain only those measures of conflict which are distinctive. Data reduction methods allow this goal to be realised. They also enable the researcher to work with a smaller, more manageable data set.

One widely-used method of data reduction is factor analysis. This technique, "enables the researcher to simplify and summarize a large data matrix into a much smaller one without appreciable loss of information" (Sheth and Tigert 1977, p. 135). Although no very large data matrices were experienced in this study, a six variable matrix (like that for the conflict measures) yields 15 separate coefficients for examination. Factor analysis, then, allows the researcher to reduce the correlation matrix to a smaller set of relationships.

In order to factor analyze a set of data, a number of procedural questions need to be resolved. A detailed discussion of these questions and their resolution in this study is presented in Appendix A9. Principal components analysis was used since the objective was to summarize most of the information in a few factors. The factors were extracted orthogonally: this means that each factor is independent of others (or distinctive). The following model variables were factor analyzed: stake, experience, uncertainty, contact intensity, and performance. The SPSS FACTOR routine was used (Nie et al. 1975).

Data reduction of the remaining variable measures was aided by correlation analysis. (In the case of formalization and standardization, however, no data reduction was required, since only one measure was employed for each variable). Correlation analysis involves: "measuring the closeness of the relationship between two or more variables; it considers the joint variation of two measures..." (Churchill 1979, p. 504). The analysis of the variable measures proceeded in a bivariate fashion, i.e., the association between each pair of measures was examined for the variable under consideration.

Product moment correlation coefficients were computed and the strength of the association measured through the SPSS PEARSON CORR programme (Nie et al. 1975). A one-tailed test of significance was used in each case due to explicit expectations about the direction of association. The object of the correlation and factor analysis was to produce a smaller but representative set of measures. In this way the diversity of response would be retained, yet within a smaller data set.

As a result of the data reduction process, the following measures were retained for analysis and discussion:

Firm and environment factors:

<u>Stake</u>	SK1	time to replace D/M
	SK3	% of M's total sales through D
	SK4	% of D's total sales through M
<u>Experience</u>		
- corporate	CE1	no. of overseas contacts
	CE4	length of M-D association
- personal	PE2	years of personal association
	PE5	overseas trading experience

Uncertainty

U2 new product activity
 U3 U.K. competition
 U5 industry change

Relationship characteristics:

Formalization
Standardization

F1 agreement type
 SD1 stability of roles and routines

Reciprocity
Intensity

RP3 current decision-making

- contact

CI1 no. of letters
 CI3 no. of visits
 CI6 other contact frequency

- resources

RI1 support materials
 RI3 stock carried
 RI5 effort expended

Conflict

C2 conflict frequency

Relationship outcomes:

Export performance

P2 U.K. sales
 P6 future plans

The logic for retaining these variable measures is described below, taking each variable in turn. Detailed statistical tables that support the retention decisions made, are found as Appendices, and are referred to as necessary.

4.4.2 Stake

Three factors were found to underlie the data collected on manufacturer and overseas distributor stake in their relationships. These are shown below, together with the measures loading significantly on each factor. This is a simple representation - the detailed statistics are found in Appendix A10 and A11.

Measures	Factor 1	Factor 2	Factor 3
SK1 time to replace D/M			.884
SK2 importance of D/M		.586	.686
SK3 % of M's total sales through D		.928	
SK4 % of D's total sales through M	.944		
SK5 % of M's exports through D		.823	
SK6 % of D's imports through M	.921		
SK7 importance of business to M/D	.741		

It is clear that Factor 1 is concerned with the overseas distributor's stake in the relationship, whereas Factor 2 and Factor 3 relate to the manufacturer's stake, and the general level of stake in the relationship respectively. In view of these results, three measures of stake were retained for subsequent analysis. These were SK4, SK3, and SK1, since these were the best representative (or "surrogate") measures, loading most highly on Factors 1, 2, and 3, respectively.

4.4.3 Experience

Two factors were found to summarize the data on corporate experience. Again, the factors and significant measure loadings are shown below. (See Appendix A12 and A13 for detailed findings).

Measures	Factor 1	Factor 2
CE1 no. of overseas contacts		.868
CE2 years of international trading	.773	.608
CE3 years of U.K./Canada trading	.947	
CE4 years M-D relationship established	.960	
CE5 relationship contact level		.749

The two factors reflect the distinction that was made in Chapter 2 between internal and external experience. Factor 1 seems to relate to the experience of the manufacturer and overseas distributor within their relationship, for CE4 loads most highly here. (The fact that CE3 loads highly too, is explained by many relationships being the first experience of Canadian/U.K. trading for both firms, i.e., the responses to CE3 and CE4 were often the same). Factor 2 is interpreted as more concerned with external experience, for it reflects the scale of international trading of the two dyad members - CE1 and CE5 are most relevant in this connection. Following the earlier practice, CE4 and CE1 are chosen as "surrogates" for Factors 1 and 2 respectively.

Measures	Factor 1	Factor 2
PE1 contact age	.840	
PE2 years of personal contact	.926	
PE3 work experience overseas		.594
PE4 days overseas		.739
PE5 overseas trading experience	.664	.694
PE6 schooling		-.538
PE7 company experience		.726

Two factors are apparent for personal experience. The factors extracted and shown above, again reflect both internal and external dimensions of experience. (Appendix A14 and A15 present the detailed statistics).

Factor 1 mostly reflects the personal experience of the contacts within the M-D relationship (PE2). Contact age is also highly correlated with this factor. In contrast, the measures that load on Factor 2, suggest that this factor is best regarded as one concerning experience which is unrelated to the M-D relationship studied. In this case, the "surrogate" measures chosen were PE2 and PE5. The former was the highest loading measure on Factor 1, whereas the latter was judged to be the best measure of external, personal experience.

4.4.4 Uncertainty

Three underlying factors were found for the uncertainty data. The results of factor analysis are shown below, and found in more detail in Appendix A16 and A17.

Measures	Factor 1	Factor 2	Factor 3
U1 profit objectives reached	-.797		
U2 new product activity		.921	
U3 U.K. competition			.786
U4 R&D expenditure		.500	-.662
U5 industry change	.926		

Factor 1 is interpreted to represent the overall uncertainty that confronted the dyads studied, for industry change loads most

highly, and profit objectives are not reached. Factor 2 reflects the uncertainty regarding customer needs, for new product activity and R&D expenditures load on this factor. Finally, Factor 3 appears to reflect competitive uncertainty. The convention of selecting the highest loading measure on each factor was used, leading to the retention of U5, U2 and U3.

4.4.5 Formalization, Standardization and Reciprocity

No data reduction or selection was involved for the variables "formalization" or "standardization," as was noted earlier. Two reciprocity measures were considered at this stage, and the strong intercorrelation of these ($r=.443$, $p < .05$, see Appendix A18) suggested that one measure of reciprocity would suffice. Decision-making in the dyad (RPI) was chosen as the best representative measure.

4.4.6 Intensity

The contact intensity data were summarized by three factors, as shown below and detailed in Appendix A19 and A20.

Measures	Factor 1	Factor 2	Factor 3
CI1 no. of letters		.927	
CI2 no. of phone calls			.710
CI3 no. of visits			.896
CI4 no. of telex messages		.876	
CI5 no. of company linkages	.886		
CI6 other contact frequency	.903		

The factors summarize the data quite clearly. Factor 1 relates to the linkages between the members of the M-D dyad. Factor 2 concerns written contacts, while Factor 3 reflects contacts of a personal and verbal kind. The three highest loading measures, i.e., CI6, CI1, and CI3 were chosen to represent Factors 1, 2, and 3 respectively.

Factor analysis of the resource intensity data produced no interpretable solution. This is hardly surprising in view of the uncorrelated nature of the five measures in question (see Appendix A21 and A22). Three measures were chosen for retention. One of these reflects resources provided by the manufacturer, i.e., support materials (RI1), while another is concerned with resources provided by the distributor, i.e., stock carried (RI3). Finally, the third measure is suggestive of the overall level of resource expenditure by the dyad members, i.e., effort expended (RI5).

4.4.7 Conflict

The conflict data proved to be very highly intercorrelated. As Appendix A23 shows, all fifteen coefficients for the six conflict measures were significantly correlated, with 13 significant beyond the $p < .01$ level. This suggested that conflict could be represented by one measure. Conflict frequency (C2) was chosen, as this was one of the two most highly correlated measures, and since, furthermore, it captured the essence of the variable in question.

4.4.8 Export Performance

Two factors were found to underlie the export performance data, as shown below, (and detailed in Appendix A24 and A25).

Measures	Factor 1	Factor 2
P1 trend in sales	.624	.635
P2 U.K. sales		.972
P3 sales satisfaction	.840	
P4 cooperation	.871	
P5 overall satisfaction	.864	
P6 future plans	.897	

Factor 1 mostly reflects the current satisfaction of the dyad members with the relationship, while Factor 2 concerns U.K. sales performance. The measures retained for further analysis were P6 and P2, the measures loading most highly on Factor 1 and 2 respectively.

4.5 DYADIC RESPONSES ON THE RETAINED VARIABLE MEASURES

The methods which led to the retention of 22 variable measures were described in the preceding section. These measures are the ones used to test the study hypotheses in Chapter 5. Before this, however, dyadic responses on these measures are presented. This enables the reader to develop a clear impression of the range of response on the measures in question.

4.5.1 Stake

The time to replace (SK1) measure produced a wide range of response, as seen below:

Response	Number of dyads
would not replace	3
less than 6 months	3
6-11 months	4
12-23 months	3
24 or more months	6

Clearly, the general level of stake of the 21 dyads studied varied considerably. In 6 of the dyads, however, members felt that it would take two years or more to replace their existing business partner.

When the stake of individual dyad members is considered, contrasting results emerge. Generally, U.K. distributors had more at stake in the relationships studied than did Canadian manufacturers. The % of M's total sales through D (SK3) and % of D's total sales through M (SK4) responses bear this point out.

Response	Number of manufacturers	Number of distributors
2% of total sales or less	12	4
3-5%	4	3
6-10%	1	3
11-20%	2	4
21% of total sales or more	1	5
mean response	6.1%	21.1%

The relatively greater stake (and dependence) of the U.K. distributor on the relationship studied is a point brought up again in the next chapter.

4.5.2 Experience

Taking the two corporate experience measures first, a wide range of response was evident. The number of overseas contacts

(CE1), shows the sum once again of both manufacturer and distributor contacts.

Response	Number of dyads
M and D have 20 or less contacts	5
21-40 contacts	6
41-60 contacts	6
61 or more contacts	2

The length of association of manufacturer and distributor also ranged widely, as the years M-D relationship established (CE4) responses indicate.

Response	Number of dyads
1 year or less	1
2 or 3 years	5
4 or 5 years	3
6-10 years	3
11-20 years	3
21 years or more	5

Two personal experience measures show considerable variation. Responses to the years of personal contact (PE2) measure, indicate that some contact personnel had been dealing with each other over a fairly long period, whereas others were much newer relationships.

Response	Number of dyads
1 or less year of contact	4
2 or 3 years	5
4 or 5 years	3
6-10 years	3
11 or more years	4

The overseas trading experience (PES) measure is less easy to present simply. However, an example is illustrative. Suppose that the key contact in the manufacturer's organization had 5 years experience dealing with distributors in each of 5 countries. Suppose also that the distributor's key contact had dealt with suppliers in 5 countries for 5 years. The score for this dyad would be 50, i.e., dyadic experience = { [5 countries X 5 years for manufacturer] + [5 countries X 5 years for distributor] }. Viewed in this context, the range of scores (or responses) for overseas trading experience was from 25 to 737, with a mean of about 140.

4.5.3 Uncertainty

Both manufacturer and distributor new product activity (U2) was assessed. For manufacturers, this activity involved the development of their own new products, whereas, distributors were adding products to their line which were supplied by existing and/or new manufacturer contacts. In most dyads, manufacturer and distributor were relatively active in their attempts to match product portfolios to the uncertainty of market needs.

Response	Number of dyads
2 or less products added in last 2 years	5
3-9 products added	11
10 or more products added in last 2 years	3

Most of the dyads studied faced relatively little competition in the U.K. market, implying that competitive uncertainty was not great. The U.K. competition (U3) responses were as follows:

Response	Number of dyads
3 or less competitors	5
4 or 5 competitors	4
6-10 competitors	2
11 or more competitors	3

Finally, responses on the industry change (U5) measure provide a general idea of the uncertainty facing the 21 dyads in question. Although a good deal of change was reported in certain areas by the firms interviewed, when their responses are averaged over the seven areas considered, most industry environments are not found to be changing too dramatically.

Response	Number of dyads
Industry is very stable	1
Somewhat stable	13
Neither stable nor unstable	7

4.5.4 Formalization, Standardization and Reciprocity

The dyads varied in the extent to which the relationship was formalized. The agreement formality (F1) measure shows the relatively even distribution of responses over the three formalization levels.

Response	Number of dyads
Verbal agreement	6
Appointment letter	8
Legal contract	7

A similar spread of response is evident on the stability of roles and routines (SD1) measure of standardization.

Response	Number of dyads
Roles and routines are fixed	7
Some change	8
Roles and routines are changing	6

Apparently, the 21 dyads vary in the extent to which business responsibilities and processes are changed by the partners to the relationship.

Turning to reciprocity, the results on the decision-making in the dyad (RP1) measure again show considerable variability. The scores reported below are a little less informative than others presented previously. This is due to the differing nature of the measures employed. Most of the other results presented are couched in terms of an absolute, e.g., the length of time the two companies have dealt with each other. In contrast, the reciprocity scores indicate how joint decision-making was in one dyad relative to others. Bearing this point in mind, the range in scores was from 1 (more dominated decision-making) to 112 (more joint decision-making), with a mean of 82. The scores resulted from data manipulation which is explained in Appendix A6, but difficult to summarize simply here.

4.5.5 Contact Intensity

A range of contact patterns were found to characterize the 21 dyads studied. Regarding written communications, a wide variation is seen in the number of letters (CI1) exchanged by manufacturer and distributor.

Response	Number of dyads
less than 20 letters exchanged annually, i.e., less than fortnightly	6
20-59 letters	5
60 or more letters exchanged annually, i.e., more than weekly	5

Visit frequencies also varied considerably. Here the intensity is measured on a two-yearly basis, since some firms did not visit their partner each year. The number of visits (CI3) responses are shown below.

Response	Number of dyads
less than 4 visits in two years, i.e., less frequent than annual visits	4
4-7 visits	8
8 or more visits in two years, i.e., 2 visits annually or more	8

The third measure of contact intensity is other contact frequency (CI6). This shows the extent to which the two firms are interconnected, for the measure reflects each contact person's dealings with managers in the other firm (aside from his opposite number), and the frequency of interaction. An example makes the scores reported below more clear. Suppose that the

respondent in M and D dealt with two managers in the other firm (aside from each other). Furthermore, one of these managers is contacted often (scored 3), whereas the other is contacted rather infrequently (scored 1). The score for this dyad would be 8,

i.e., other contact frequency = { [(1 manager X frequency of 3) + (1 manager X frequency of 1) for manufacturer] + [(1 manager X frequency of 3) + (1 manager X frequency of 1) for distributor]}.

In this light the variation of scores was from 0 to 16, with a mean of about 8.

4.5.6 Resource Intensity

Manufacturer resource intensity, measured in terms of support materials (RI1) supplied to the overseas distributor, proved not to be very great. The majority of manufacturers supplied their partners with 1 or 2 types of support materials, e.g., brochures, art work, product manuals.

Response	Number of manufacturers
No support materials supplied	2
1 type of support material	7
2 types	9
3 types	2

The range in reported stock levels (RI3) was wide, suggesting that distributor resource intensity varied substantially. The responses were as follows.

Response	Number of distributors
\$20,000 or less of M's stock held	8
\$21,000 - \$200,000	6
\$201,000 or more of M's stock held	6

Finally, the general level of resource intensity in the dyad was measured by the effort expended (RI5) by the two members of the dyad. Again a range of response is evidenced.

Response	Number of dyads
much less effort than other relationships	2
somewhat less effort	3
neither less nor more effort	4
somewhat more effort than other relationships	4

4.5.7 Conflict

Generally, the level of conflict reported by the 21 dyads was not high. Nonetheless, a wide range of response is shown on the conflict frequency (C2) measure below.

Response	Number of dyads
Conflict never/very seldom experienced	7
Seldom	8
Neither seldom nor often	2
Often	2

In relative terms, these responses imply that some dyads experience considerably more tension and disagreement than others.

4.5.8 Export Performance

On this final variable, responses varied on the two measures retained. Regarding U.K. sales (P2), a wide range of performance is seen below.

Response	Number of dyads
\$50,000 sales or less	4
\$51,000 - \$200,000 sales	3
\$201,000 - \$500,000 sales	8
\$501,000 or more sales	6

The second measure of performance is future plans (P6). This reflects the dyad members' satisfaction with current performance. The responses exhibit contrasting levels of satisfaction, with the majority of dyads planning either to continue in the same fashion, or to become closer to their existing business partner.

Response	Number of dyads
Replace present partner	2
Continue with present arrangement	11
Get closer to present partner	8

4.6 SUMMARY

Preliminary data analysis has been described in this chapter. This enables the reader to develop a clear impression of the coding and data reduction procedures employed. In addition, the cross-sectional nature of the sample has been pointed to, and the variation in response on the retained variable measures presented. The study findings are revealed in the next chapter.

Chapter 5

STUDY FINDINGS

5.1 INTRODUCTION

The univariate analysis in the previous chapter showed the range of response on each variable measure of interest. In this chapter, the analysis is bivariate, for the association of the variable measures is reported. Thus, the discussion moves on to the thesis proper.

The study findings are presented in four sections. First, the association between certain export manufacturer - overseas distributor (M-D) relationship characteristics and export performance is assessed. This amounts to a test of hypothesis one and the first part of the thesis. Sections two to four, are concerned with the remaining hypotheses and the second part of the thesis. Here, the association between three firm and environment factors (i.e., the stake and experience of the parties, and the uncertainty surrounding the exchange process), and M-D relationship characteristics are examined.

The hypotheses are tested through correlation analysis. Product moment correlation coefficients were computed using the SPSS PEARSON CORR routine (Nie et al. 1975). For the most part, one-tailed tests of significance were employed, since specific directional hypotheses had been made. In other cases, however, uncertainty regarding the direction of association led to two-tailed testing.

Before the results are presented, one further matter should be explained. Because of the variable measure selection method used, consistent patterns of variable association should not be expected across the various measures. This follows from the retention of measures of each variable that were distinctive, that is, relatively uncorrelated. With this point in mind, the study findings are now presented and discussed.

5.2 RELATIONSHIP CHARACTERISTICS AND EXPORT PERFORMANCE

5.2.1 Findings

Study findings on the association of relationship characteristics and export performance are presented in Table 5-1. In general, a good measure of support was found for the study hypothesis. Since the two measures of performance yielded similar results, they are discussed jointly below.

Both of the standardization coefficients are statistically significant, making these the strongest findings. The direction of association with performance was negative, which was the opposite of that hypothesized. Apparently, export performance levels are higher where dyadic roles and routines have been adapted over time. This is interesting, for the hypothesis was based on the notion that performance would be better where roles and routines were firmly understood and relatively unchanging.

The next strongest results are those for conflict and reciprocity. Here there were no surprises, for as hypothesized,

Table 5-1
CORRELATION OF RELATIONSHIP CHARACTERISTICS AND EXPORT
PERFORMANCE

Variables	Export performance	
	P2 U.K. sales (higher U.K. sales are scored positively)	P6 future plans (plans for a closer relation- ship are scored positively)
<u>Relationship characteristics:</u>		
	<u>Correlation coefficients</u>	
<u>Formalization (a)</u>		
F1 agreement formality (formal agreements are scored positively)	.120	.099
<u>Standardization</u>		
SD1 stability of roles and routines (stable roles and routines are scored positively)	-.313*	-.434**
<u>Reciprocity</u>		
RP3 decision-making in the dyad (joint decision-making is scored positively)	.183	.309*
<u>Intensity - contact</u>		
CI1 no. of letters	.472**	.138
CI3 no. of visits	.226	-.215
CI6 other contact frequency (more frequent contacts are scored positively)	.236	.163
<u>- resources</u>		
RI1 support materials	-.151	.181
RI3 stock carried	.629***	.143
RI5 effort expended (more resource exchange is scored positively)	.183	.384*
<u>Conflict</u>		
C2 conflict frequency (more frequent conflict is scored positively)	-.188	-.652***

Note

(a) Coefficients subjected to two-tailed testing, all others
one-tailed testing.

*** p < .01

** p < .05

* p < .10

performance was greater when conflict was less frequent and when decision-making was relatively joint.

The remaining results are rather weaker. Intensity proved to be positively associated with export performance, as was hypothesized. Thus, under contact intensity, the frequency of letter exchange, personal visits, and contacts with others, tended to be greater when performance was higher. These results affirm the importance of "closeness" in reducing the distance between manufacturer and overseas distributor in leading to enhanced performance levels.

Similarly, high export performance is associated with greater resource intensity. In particular, levels of stockholding, and effort were higher in the more successful dyads. In this way, "supportiveness" is seen to be a factor enabling high performance. It should be noted, however, that only three of the twelve intensity coefficients proved to be statistically significant.

Finally, on the question of formalization - where no directional association was hypothesized - the evidence points (albeit weakly), to more formal relations in high performance dyads.

5.2.2 Discussion

The study findings suggest quite strongly that export performance is associated with certain M-D relationship characteristics. M-D dyads with better performance records

appear to be those where the two parties are prepared to adapt their roles and routines (or are non-standardized), tend to share decision-making more (were reciprocal), and exhibit lower levels of inter-company tension and disagreement ("conflict"). The reciprocity and conflict results are consistent with those found in various domestic marketing channel field studies (see, for example, Hunt and Nevin 1974; Pearson and Monoky 1976). There is some indication that contact and resource intensity is greater in high performance M-D dyads as well.

The question of causality can be raised here - does the intensity of contact and resource exchange lead to high performance, or does high performance necessitate increased intensity? Some will support the latter view, arguing, for example, that higher sales bring the need for more frequent letter writing. This may be true, but letter exchange is not likely to be solely a function of performance level. Letters are written for a number of reasons. Some are related directly to sales transactions, but others are written to encourage further effort, or to inform another firm of plans and developments. In this way, the frequency of letter exchange is seen to lead to and result from higher sales. This same argument can be made for the other measures of intensity, e.g., personal visits. The argument cannot be validated, however, for correlation analysis merely tests for association. All that can be stated here is that intensity and performance appear to be positively associated.

The final relationship characteristic studied - "formalization" - presented no clear picture. In this

connection, it is interesting to note that while most exporting writers place great emphasis on establishing formal distributor agreements (MacDonald 1959; Deschampsneufs 1967; Bickers 1971), and 15 of the dyads studied had written agreements of some kind, the majority of executives interviewed saw little real value in such a document. Perhaps the finding for formalization is consistent with those of the four other relationship characteristics, for taken together, the results suggest that the interaction process between manufacturer and overseas distributor is more closely linked to success than the initial structuring of the relationship.

Given that certain relational characteristics are seen to be associated with high performance, it is important to review the factors that help to shape interfirm relations. These are discussed in the following three sections.

5.3 STAKE AND RELATIONSHIP CHARACTERISTICS

5.3.1 Findings

The detailed findings on the association of stake and M-D relationship characteristics are presented in Table 5-2. The reader will recall that two types of stake measure were used. One of these reflects the extent of joint-stake in the relationship (SKI), whereas the other indicates the stake either of the manufacturer (SK3) or the distributor (SK4). Inspection of Table 5-2 shows that relatively few statistically significant

Table 5-2
CORRELATION OF STAKE AND RELATIONSHIP
CHARACTERISTICS (a)

Variables	Stake		
	SK1	SK3	SK4
	time to replace D/M (longer replacement time is scored positively)	% of M's total sales through D (higher % is scored positively)	% of D's total sales through M
Relationship characteristics:			
		<u>Correlation coefficients</u>	
<u>Formalization</u>			
F1 agreement formality (formal agreements are scored positively)	.365*	-.114	.207
<u>Standardization</u>			
SD1 stability of roles and routines (stable roles and routines are scored positively)	.100	-.161	-.000
<u>Reciprocity</u>			
RP3 decision-making in the dyad (joint decision-making is scored positively)	.072	-.114	-.442**
<u>Intensity - contact</u>			
CI1 no. of letters	.233	.526**	.374*
CI3 no. of visits	.508***	.108	.182
CI6 other contact frequency (more frequent contacts are scored positively)	.604***	-.141	.306
<u>- resources</u>			
RI1 support materials	.425**	-.055	.048
RI3 stock carried	.390*	.133	.341*
RI5 effort expended (more resource exchange is scored positively)	.468*	.177	.052
<u>Conflict</u>			
C2 conflict frequency (more frequent conflict is scored positively)	.076	-.246	.239

Note

(a) All coefficients subjected to one-tailed testing

*** p < .01

** p < .05

* p < .10

findings emerged from the analysis. Despite this, some interesting phenomena are suggested by the data.

It was hypothesized in Chapter 3 that high stake relationships would exhibit "protectionist" characteristics. In other words, dyad members will attempt to protect relationships in which they have made a high investment. To some extent, support is found for this view. The intensity findings provide the most consistent pattern of support, for by and large, the frequency of contact and scale of resource exchange increased with the level of stake in the relationships studied. Although the findings are strongest for joint-stake, there is some suggestion that they apply in the one-party stake situation as well.

The remaining results provide little support for the notion of "protection" developed earlier. One exception is formalization. There is some evidence suggesting that parties to high stake relationships are more prone to use a legal-type agreement than others. This finding was as hypothesized, but caution is urged here, for the coefficients are weak and vary regarding direction of association. The standardization and conflict results were disappointing, for none of the coefficients are statistically significant, and once again, the directional signs are mixed. In view of this, the view advanced that high stake relationships are characterized by more standardization of roles and routines, and less tension and disagreement, cannot be supported.

The final relationship characteristic to be considered is reciprocity. The "protectionist" argument was held to embrace this characteristic as well as those already discussed. However, in this case, it was anticipated that different results would be found. Specifically, when there existed a high level of joint-stake in the relationship, it was expected that decision-making would be relatively more joint. Here, the companies' dependence on the relationship would be reasonably balanced, and shared decision-making was envisaged. The relevant coefficient (SK1) is indeed positive, but non-significant. Thus, this particular hypothesis is not supported in this study.

When one-party stake is high, it was hypothesized that less reciprocity would exist, for the high stake and dependence of one party would make possible decision-dominance by the other. Some support is evident for this view. Table 5-2 shows that the coefficients for the two measures of one-party stake (SK3, SK4) are negative, the latter being statistically significant. These results point to dominated decision-making. Further analysis shows which partner tends to dominate. The data in Table 5-3 indicate that when the distributor is in the high stake position (SK4), the manufacturer's will tends to prevail more. In the reverse case, the distributor is seen to dominate, but not nearly so strongly (SK3). These results are probably explained by the fact that overall, manufacturers were less dependent in these 21 dyads than were distributors. As indicated in Chapter 4, the mean level of stake for manufacturers was 6 percent of total

Table 5-3
CORRELATION OF STAKE AND
DOMINANCE IN DECISION-MAKING

Measures	Stake	
	SK3 % of M's total sales through D	SK4 % of D's total sales through M
	(higher %s are scored positively)	
<u>Dominance</u>	<u>Correlation coefficients</u>	
DMI (a) current decision-making dominated by M or D (the more M dominates the more positive the coefficient)	-.092	.417**

Note

** p<.05, one-tailed test

(a) DMI is computed from the raw data from Questions M4.1-10, and D4.1-10. The scores on each 10 decision areas are summed and averaged for each dyad.

sales, whereas that for distributors was 21 percent. Thus, it would seem that high-stake distributors were more susceptible to influence than their manufacturer counterparts.

5.3.2 Discussion

The notion that "protective" characteristics are found in high stake M-D relationships receives only partial support in this study. High stake dyads tend to be more intense and formal than where stake is lower. But, perhaps the most interesting finding in this section is that regarding reciprocity. When manufacturers have the potential to dominate the relationship (because the distributor is highly dependent on the business being transacted), they seem to exercise this potential. Undoubtedly the manufacturer sees gains from such influence, but they could be short-term gains at best, for high performance dyads were seen earlier to exhibit joint (rather than dominated) decision-making. The same point can be made regarding distributor domination as well, although it was seen that this is less pronounced.

This discussion of reciprocity leads to consideration of the conflict results. Although conflict proved not to be significantly associated with stake, some intriguing possibilities are apparent. Table 5-2 shows that when the distributor is dependent, conflict tends to be high. Speculation could link conflict and reciprocity to explain these findings.

Thus, the more frequent conflict when distributors are in a high stake position may be linked to decision dominance by the manufacturer. This is less the case when the manufacturer is dependent, possibly because distributors are less potent dominators. Whatever the case, high performance dyads tend to be those with less, rather than more frequent conflict. Again, this suggests the pitfalls of relationships characterized by dominated decision-making, and tension and disagreement.

5.4 EXPERIENCE AND RELATIONSHIP CHARACTERISTICS

5.4.1 Findings

The complete set of results of the analysis is seen in Table 5-4. The association between corporate and personal international trading experience, and M-D relationship characteristics were hypothesized to be the same. The results show some similar patterns of association, but the contrasts are more numerous. The results are described below, beginning with the similarities.

The most notable finding is that conflict is less frequent in more experienced dyads. This holds true for all four measures of experience - which reflect the corporate/personal, and external/ internal to relationship, dimensions. These results lend support to the hypothesis in question. The results are also somewhat patterned regarding formalization and standardization. As far as the former is concerned, experience tends to be

Table 5-4
CORRELATION OF EXPERIENCE AND RELATIONSHIP
CHARACTERISTICS

Variables	Corporate experience		Personal experience	
	CE1	CE4	PE2	PE5
no. of overseas contacts (more contacts are scored positively)		length of M-D association (longer associations are scored positively)	years of individual association (more experience is scored positively)	overseas trading experience

Relationship characteristics:

	Correlation coefficients			
<u>Formalization</u>				
F1 agreement formality (formal agreements are scored positively)	.077	-.091	-.483**	-.473**
<u>Standardization</u>				
SD1 stability of roles and routines (stable roles and routines are scored positively)	.043	-.024	-.435**	-.270
<u>Reciprocity</u>				
RP3 decision-making in the dyad (joint decision-making is scored positively)	.230	.397**	.161	-.057
<u>Intensity - contact (a)</u>				
C11 no. of letters	.095	-.060	-.241	.278
C13 no. of visits	.305	-.253	-.516**	.007
C16 other contact frequency (more frequent contacts are scored positively)	.311	-.037	-.470**	-.487*

Table 5-4 (Cont'd)
CORRELATION OF EXPERIENCE AND RELATIONSHIP
CHARACTERISTICS

Variables	Corporate experience		Personal experience	
	CE1	CE4	PE2	PE5
	no. of overseas contacts (more contacts are scored positively)	length of M-D association (longer associations are scored positively)	years of individual association (more experience is scored positively)	overseas trading experience (more experience is scored positively)
- resources (a)				
R11 support materials	.410*	-.492**	-.484**	-.366
R13 stock carried	.590***	-.010	-.111	-.039
R15 effort expended (more resource exchange is scored positively)	-.284	.357	-.244	.043
Conflict				
C2 conflict frequency (more frequent conflict is score positively)	-.076	-.308	-.350*	-.506**

Note:

(a) Coefficients subjected to two-tailed testing, all others one-tailed testing

*** p < .01

** p < .05

* p < .10

associated with less formal relations. Again this supports the stated hypothesis. The standardization results, however, are the opposite of those anticipated. Experience was expected to go hand-in-hand with rather fixed ideas about company roles and business routines, but the results point to more fluidity. Finally, the reciprocity results are largely as hypothesized; it seems that greater experience brings with it more joint decision-making.

Whereas the intensity variable showed consistent results when stake was considered, this was not the case with experience. Since quite different results are evident, the treatment proceeds from here on an individual measure basis. If there is any pattern to the intensity results it is that as the internal experience increases, intensity decreases. Thus, the frequency of contact and level of resource exchange is lower when the two companies (CE4), or two contact personnel (PE2) have more experience of dealing with each other. This may be due to familiarity on the part of the firms or contacts and/or relative stability in the level of interfirm transactions in what are more mature relationships.

The intensity results for the corporate-external measure of experience (CE1), are distinctly different from those just presented. As the scale of international trading increases, so too does the intensity of contact and resource exchange. These findings can be explained in terms of organizational capabilities. The argument here would be that as companies

become more international in their orientation, i.e., the number of overseas contacts increases, their international activities become better funded. In this situation, funds are available for contact and resource exchange which may not be the case so much in companies newer to exporting. Thus, relations may be more intense because of the availability of funds, rather than a particular need existing for the visits and/or materials. In some ways, this can be seen as the institutionalization of a relationship. The formalization and standardization coefficients also point towards this state of affairs, for as the scale of international trading increases, so too does the level of formality, standardization, and intensity in relations between manufacturer and overseas distributor. However, this argument must be seen as speculative given the size of the coefficients concerned.

The second measure of external experience, i.e., the overseas trading experience of the key contacts, shows mixed and confusing results on intensity. In view of this, the measure is discussed no further.

5.4.2 Discussion

Contrasting results are presented regarding the international trading experience of manufacturer and distributor. Perhaps most significant are the results when experience within the relationship is considered (i.e., CE4, PE2). Results here point to a certain "loosening" of, or

"withdrawl" from the relationship, for not only are relations less intense, but less formalized and standardized too. The lower level of contact frequency and resource exchange may well be a concern here, for high performance was found to be associated with more, rather than less intense relations. It is clear that once intensity is reduced, new opportunities may be overlooked, for as companies become more remote from each other, there is little chance that potentially rewarding avenues of business will be identified, or followed up on. Thus, while the "loosening" might be an expected feature of mature relationships, it may close off growth opportunities.

A different set of results is apparent when external-corporate experience is viewed. Here increased experience is seen to bring with it what was termed "institutionalized" relations. This might simply be viewed as a response to larger scale international trading operations. Thus, as operations become greater, programmes and procedures are established to deal efficiently with the business at hand.

5.5 UNCERTAINTY AND RELATIONSHIP CHARACTERISTICS

5.5.1 Findings

The full results are set out in Table 5-5. As has been the case so far, some similar findings are evident for uncertainty, while others contrast. The most consistent set of results is that for conflict. As hypothesized, conflict frequency was

Table 5-5
CORRELATION OF UNCERTAINTY AND RELATIONSHIP
CHARACTERISTICS (a)

Variables	Uncertainty		
	U2 new product activity (more activity is scored positively)	U3 U.K. competition (more competition is scored positively)	U5 industry change (more change is scored positively)
Relationship characteristics:			
	<u>Correlation coefficients</u>		
<u>Formalization</u>			
F1 agreement formality (formal agreements are scored positively)	-.337*	.158	.354*
<u>Standardization</u>			
SD1 stability of roles and routines (stable roles and routines are scored positively)	.339*	-.196	.567***
<u>Reciprocity</u>			
RP3 decision-making in the dyad (joint decision-making is scored positively)	.128	-.085	-.400**
<u>Intensity - contact</u>			
CI1 no. of letters	-.190	.337	-.182
CI3 no. of visits	.454**	-.050	.510***
CI6 other contact frequency (more frequent contacts are scored positively)	-.035	.498**	.052
<u>- resources</u>			
RI1 support materials	-.083	.025	.278
RI3 stock carried	-.215	.190	-.159
RI5 effort expended (more resource exchange is scored positively)	-.327	-.149	-.452*
<u>Conflict</u>			
C2 conflict frequency (more frequent conflict is score positively)	.361*	.522**	.509***

Note

(a) All coefficients subjected to one-tailed testing

*** p<.01

** p<.05

* p<.10

higher within dyads facing greater uncertainty. This finding is an important one, as all three coefficients proved to be statistically significant.

Other variable associations with uncertainty are less consistent. The results for standardization are the most substantive. Fairly strong support was found for a positive and significant association with uncertainty. This was the opposite result to that expected, and is interesting when viewed alongside two others. Table 5-5 shows that the association of formalization and uncertainty was mixed. If, however, "industry change" (U5) is taken to be the most representative measure of uncertainty, an interesting picture emerges. Now formalization is seen to be positively, and reciprocity negatively associated with uncertainty.

Collectively, the findings for standardization, formalization, and reciprocity, do not suggest the looser, more adaptive and open structures and procedures which the literature states is the most appropriate organizational response to environmental uncertainty. This point is referred to again in the next section.

The remaining results concern relationship intensity. Most of the contact intensity coefficients point toward a positive association with uncertainty. This finding is most evident for "personal visits" (CI3). Apparently dyads operating in more uncertain environments make more use of personal visits than those in more stable situations. Some evidence of a more complex

web of inter-company contacts (CI6) is also seen for dyads facing more uncertain conditions. These findings support the hypothesis stated earlier.

For the most part, resource intensity appears negatively associated with uncertainty. Thus, when dyads face more uncertainty, they expend less effort on the relationship, and the distributor carries less stock of the manufacturer's product. These findings were the opposite of those expected. These findings are surprising, for the logic of the hypothesis was that in more uncertain environments, companies would be thrown together more and work harder at supporting one another's activities.

5.5.2 Discussion

A good number of the uncertainty findings were surprising. In particular, those regarding formalization, standardization and reciprocity require further discussion. Dyads facing the most uncertainty were found to have more formal agreements, adhere more to established roles and routines, and exhibit less joint decision-making. Other empirical studies suggest that these are inappropriate responses to uncertainty. That this is so is reinforced by previously reported findings from this study. In an earlier section of this chapter, high performance was seen to be associated with relationship characteristics almost the opposite of those found among high uncertainty dyads. For firms involved in exchange processes that are surrounded by

uncertainty, some action may be called for. Better performance might be enjoyed if there is more willingness to adapt roles and routines and to make decision-making a more reciprocal affair.

Two further areas where high uncertainty dyads could devote attention, are resource intensity and conflict. Although it is understood that conditions of high uncertainty might deter investment in support activities, high performance was seen to be characterized by relatively intense exchange of this kind. Conflict was also greater in high uncertainty dyads. Once again, this is not a characteristic of high performance relationships. More frequent tension and disagreement may, however, be a "cross" that high uncertainty relationships have to bear. Perhaps the frequency of conflict can be reduced, but the very uncertainty these dyads face may well place a greater strain upon the relationships in question.

5.6 THE CONCEPTUAL MODEL OF MANUFACTURER - OVERSEAS DISTRIBUTOR RELATIONSHIPS AND EXPORT PERFORMANCE: A SUMMARY

A large number of empirical findings have been presented and an attempt at summarization is made here. The discussion begins by viewing the adequacy of the conceptual model developed in Chapter 3. Then the major findings are restated regarding the two-part thesis. Finally, since analysis of the study data is extended in Chapter 6, this is explained in the final section.

Some idea of the adequacy of the conceptual model is provided by the data in Table 5-6. The first indicator shows how many of the stated directional hypotheses were borne out by the

Table 5-6
ADEQUACY OF THE CONCEPTUAL MODEL

Association between:	Adequacy indicated by:			
	1. Direction of association hypothesized correctly		2. Statistically significant (a) correlation coefficients	
	no.	%	no.	%
Relationship characteristics- export performance (b)	14/18	77	7/20	35
Stake - relationship characteristics	23/30	77	10/30	33
Experience - relationship characteristics (b)	11/16	69	13/40	33
Uncertainty - relationship characteristics	14/30	47	12/30	40

Note

(a) Defined as significant at the $p < .10$ level

(b) Directional hypotheses not made in all cases

results. On average, 66 percent of the directional hypotheses were supported (i.e., for 62/94 of the correlation coefficients). The second indicator gives some impression of the strength of variable association. In this case the average was 35 percent (i.e., 42/120 of the coefficients). This second indicator may suggest that the association of the model variables was weak. Here a point made earlier should be recalled. This point concerned the way in which variable measures were selected for further analysis. It should be remembered that measures were chosen that were relatively "distinctive", or dissimilar. If these measures are distinctive, then it would be unrealistic to expect the measures all to be correlated with another variable. Thus, the process of measure retention reduced the likelihood of a high percentage of statistically significant results. The 36 percent indicator should be seen in this light. Overall, then, the model appears a fairly adequate conceptualization of manufacturer - overseas distributor relationships.

The findings of this study have been presented in detail, and the more important results have been discussed. Before moving on to the next stage of analysis, however, some restatement of the results seems in order. This is organized around the two-part thesis.

The first part of the thesis held that certain relationship characteristics are associated with export performance, and some support is evident for this view. Export performance was found to be higher when the relationship has less standardized, more reciprocal, more intense, and when conflict was less. Aside from standardization, these were results that were all anticipated.

The second part of the the thesis concerned firm and environment factors associated with the relationship characteristics of interest. Again, some support was found for the thesis. The three firm and environment factors are treated in turn. Generally, relationships where there is more at stake were found to be more formalized and intense. When distributors had more invested in the M-D relationship, manufacturers tended to dominate decision-making, and conflict was greater. Distributors were not found to dominate dependent manufacturers to the same extent.

The experience findings fell into two categories. First, and most important, more experience within the relationship was seen to be associated with a "loosening" of relations. Thus, these dyads exhibited less formalization and standardization, more reciprocity, and less intensity and conflict. Second, when experience was measured in terms of external international trading activities, more intensity was found. This was explained as resulting from an "institutionalization" of relations.

Finally, some surprising findings were evident for uncertainty. Generally, dyads facing more uncertainty, were found to have more standardization, less reciprocity, more contact intensity, less resource intensity, and more conflict than others. The contact intensity and conflict results were expected, whereas the remainder were not.

Throughout the discussion sections above, export performance questions have been stressed, for this is a major concern in this work. As a result, those interested in the functioning of M-D

relationships are offered considerable insight by the results presented to this point. More analysis is felt necessary, however, for the results presented so far give only a partial view of M-D relationships, and factors affecting their level of performance. This partial view results from two drawbacks with the analysis undertaken to this point. First, the analysis is static in its orientation. The ideas about M-D relations were examined through analysis of data collected at one point in time. It is as though a "snapshot" had been taken of the 21 dyadic relationships in the summer of 1978. The obvious drawback of this approach is that the dynamic nature of such relationships is not considered. Needless to say, time and the passage of events both affect established interorganizational relations.

The second drawback centres on the bivariate nature of the analysis. So far, M-D relationships have been examined by considering only two variables at a time. Useful results have been obtained through this procedure, but the study of interorganizational relations might more realistically be handled through multivariate analysis.

These two limitations are compensated for by the analysis described in Chapter 6, where the dynamic and multivariate nature of M-D relationships are more fully accounted for.

5.7 SUMMARY

The conceptual model of manufacturer - overseas distributor relationships has been examined in this chapter. The study findings offer encouraging support for the hypothesized association of the model variables. However, in view of two limitations described above, this analysis is extended in the next chapter.

Chapter 6
MANUFACTURER - OVERSEAS DISTRIBUTOR
RELATIONSHIPS AND EXPORT PERFORMANCE
FROM A DYNAMIC VIEW

6.1 INTRODUCTION

The link between the manufacturer - overseas distributor (M-D) relationship and export performance is examined afresh in this chapter. An attempt is made to supplement the static analysis of Chapter 5, by considering the dynamic nature of these relationships. This matter of change would best be studied through the use of longitudinal research methods. Thus, by collecting data at two or more points in time, developments in the relationship could be suitably tracked. Longitudinal methods, however, place increased demands upon research time and budgets, and these factors ruled out their use in this study. In light of this situation, and given the desire to examine change, an alternative approach was necessary. It was decided that by comparing relationships that had reached different states of development, inferences might be drawn about movement between states, i.e., relationship dynamics.

The chapter is organized in three sections. In the first, the development of M-D relations is described, and five "states" of relationship development are proposed. The viability of this five "state" model is tested on the 21 study dyads, and results discussed in the second section. Third, having categorized the 21 dyads into five states of development in testing, six dyads are selected for detailed case analysis. This permits the relationship - performance linkage to be explored further.

6.2 THE DEVELOPMENT OF MANUFACTURER - OVERSEAS DISTRIBUTOR RELATIONSHIPS

It is a truism to note that M-D relationships (like all others) have a beginning, a middle, and ultimately an end. The beginning point occurs when the two parties come together because they perceive benefit from joint association. At the other extreme, the relationship is likely to end when benefit no longer accrues. Between these two points in time, however, extends a middle period during which the success of the relationship is shaped and enjoyed. Yet contrasting middle periods are in evidence, for some M-D relationships are short-lived, whereas others last many years. It is this middle period that is singled out for particular investigation, for much stands to be gained from a better knowledge of relationship dynamics here.

Writings are found in the marketing and international business literature that address the question of company interdependence and relationship development, but these are small in number. Nicosia and Wind write, "we cannot report much research on interorganizational processes [in marketing]. But we can assert the existence of certain fundamental problems and the urgent need to conceptualize them so as to guide future research" (1977, p. 114). Furthermore, the writings are mostly of limited applicability to the current issue (see for example: Bonoma and Zaltman 1978; Hakanson and Wootz 1975; Webster 1979).

In the most useful study, Ford (1980) proposes a model of buyer-seller relationship development in industrial markets. In this growth model, five stages of development are advanced:

pre-development, early, development, long term, and final stages. As relations move from one stage to the next, it is held that the very characteristics of the association change. For example, the argument is made that uncertainty reduces, and commitment grows as buyer-seller relations develop.

A related but varying approach is taken here to that of Ford's. The model is different for three reasons. First, the dyadic relationships studied are different. In this study it is intermediate market behaviour that is analyzed, whereas Ford is concerned with that in end-use markets. Second, the relationship development process described by Ford, although not specified, would seem most applicable to dyads which are involved in the exchange of relatively complex, high-risk products. This contrasts with the products of a more standardized "stock and sell" nature that are the focus of this investigation. In view of these differences, as to markets and products, it seemed sensible to propose a model concerning relationship development specific to M-D export marketing channels.

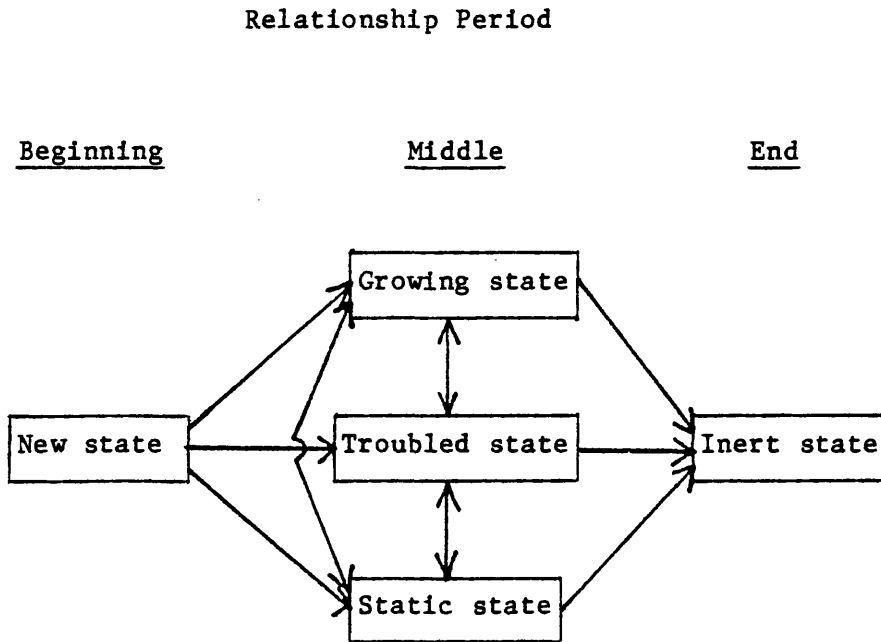
A final, third reason, reinforced this decision. Despite Ford's caveat that "relationships can fail to develop or regress..." (1980), stage models tend to imply an orderly and progressive pattern of development. Little or no provision is made for fluctuating fortunes in these models, and this was considered overly-restrictive in the context of this study. Although differences in the two models are evident, in spirit the approaches are very similar. Each seeks to explain how relationships develop in marketing dyads, and what the

discernible characteristics of these relationships are at various levels of development.

The modeling approach used here considers relationships as having reached one of five "states" of development. The only assumption made regarding progression is that dyads move from being "new" towards being "inert." Between this beginning point and end point, three middle period relationship state possibilities exist. These are labelled: "growing," "troubled," and "static." Within the middle period any sequence of states might be experienced. The "growing" state might be followed by "troubled," to be followed by a "growing" state again. In this way, the model accommodates fluctuations in the relationship.

The model is shown diagrammatically in Figure 6-1. The labels for the five states are mainly self-explanatory, but a brief description is in order. The new relationship state applies to those dyads where an agreement to work together has been made, but where there is little history of interaction and/or transactions. The growing state may describe relatively new or well established dyads, for it simply indicates that reasonable sales growth is being achieved. The troubled state may also be one in which sales growth is being experienced, but where the members perceive problems in the relationship, e.g., a lack of support on the part of one company. Alternately, the troubled nature of the relationship may mostly be due to sales inadequacies. Relationships may also be in a static state. Here sales might show little variation from year to year because of lack of additional potential and/or an unwillingness to invest

Figure 6-1
THE RELATIONSHIP DEVELOPMENT STATES MODEL



further in marketing effort. Finally, the inert state characterizes those relationships where there is little or no interaction or transaction of goods. These relationships can scarcely be justified, except that a trading revival might come about under different market conditions or member attitudes. Termination may be considered, or the association may persist because there is no real will to end it.

The five relationship states have a heavy performance emphasis. This is justified, for these are purposive relationships. In other words, there are real benefits expected by both manufacturer and distributor from their association, and any shortfall from expectations will normally be reviewed and remedial action considered. The dynamic of the relations will, thus, sharply reflect the extent to which the association currently meets the expectations of the dyad members. In addition, the relationship will also reflect the degree to which members anticipate their expectations being met by the association in the future. It is argued, then, that current and expected performance are salient determinants of relationship state. Time plays some role in the determination of development state too. In one case - the new state - it is time that distinguishes the state from others rather than any question of performance, for by definition, a new relationship has scarcely had an opportunity to perform.

The descriptive power of this model of relationship development was tested using the 21 dyads in the study sample. The procedure used is described below, along with the results.

6.3 VIABILITY OF THE RELATIONSHIP DEVELOPMENT STATES MODEL

6.3.1 Testing the model

The model was tested in a straightforward manner. The principle adopted was that if the 21 sample dyads could be accommodated within the five categories (or "development states"), then the model would be regarded as having good descriptive power.

The procedure was as follows. Current performance, expected performance, and length of association have been argued to be key determinants of development state. Three questionnaire items provided meaningful data of this kind to enable dyad categorization to take place. These were (1) "sales trend over last three years" (Question M 9.1, D 9.1); (2) "plans for future in U.K./with M's products" (M 9.10, D 9.9); (3) "length of association with D/M" (M 2.6, D 2.6).

These three items provided data that was used in the categorization process, but these were not equally weighted. For example, the "growing" and "static" state memberships were based on sales trend information. The "troubled" state members were categorized either because their sales were in decline, or because future plans were very uncertain (even though sales growth had been experienced). The two dyads in the "inert" category were so categorized after inspection of both sales trend and future plans. Finally, "new" state membership resulted from considering the length of M-D association.

The categorization of dyads by development state is shown in tabular and diagrammatic form, in Table 6-1 and Figure 6-2 respectively. Since it was possible to realistically categorize the dyads in this way, the descriptive model appears to offer some merit.

6.2.3 Discussion of results

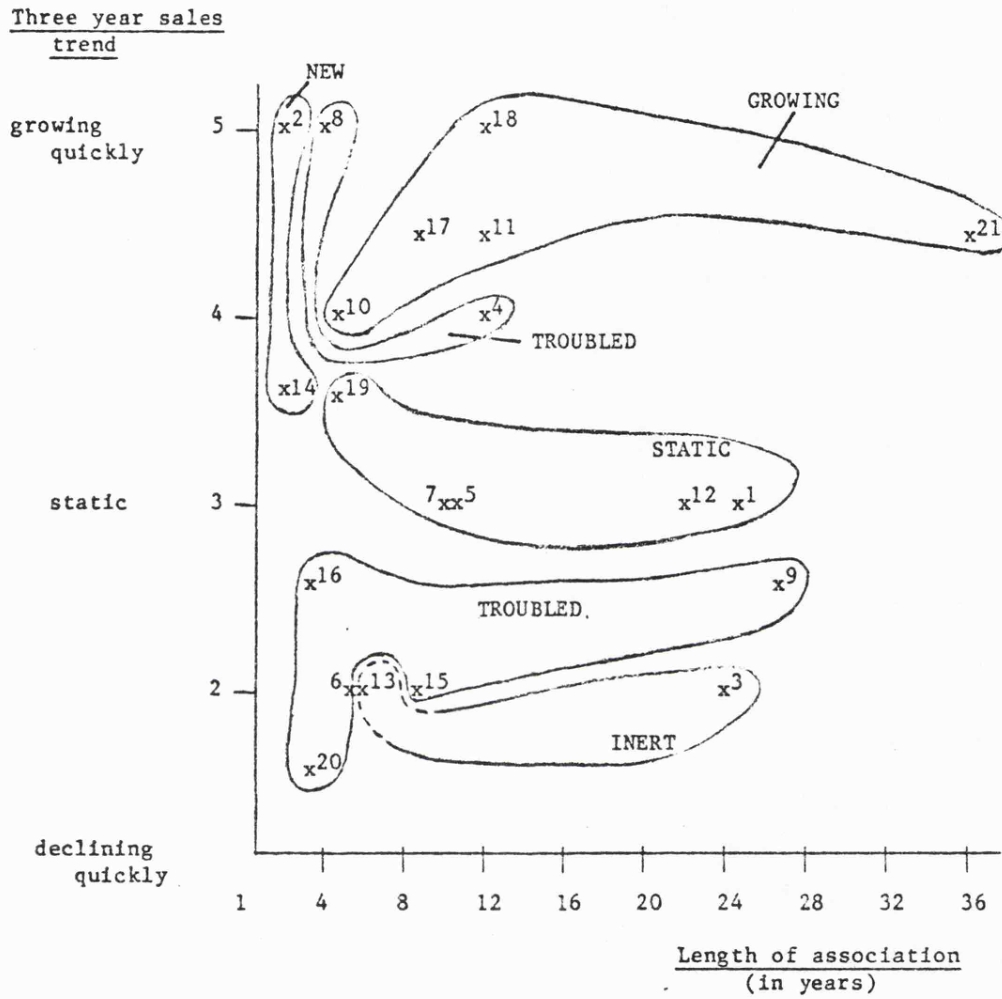
The general support found for the model has been mentioned and warrants no additional discussion here. Two sets of findings from the categorization of dyads are worthy of review, however, and these form the body of this section.

The first set of findings result from viewing the distribution of dyads across development states. The distribution is shown in Table 6-1. Note firstly, the balanced distribution of dyads across the three middle period development states. In itself, this finding suggests that growth is no easy matter in export markets. This is emphasized by the small number (5 or 23%) of dyads categorized as "growing." The smallness of this group may seem surprising but can be explained in two ways. One of these is that M-D relationships are intrinsically difficult to manage, and success can be an elusive goal. Another possible explanation relates to the stages of international business involvement thesis which has already been referred to (see, for example Robinson 1973). This holds that exporting tends to be the method first used by firms engaging in international business. Success in exporting, however, is followed by more direct involvement overseas involving sales/distribution and

Table 6-1
 CATEGORIZATION OF DYADS BY DEVELOPMENT STATE

Development State		Number of Dyads
"New"	Dyads 2, 14	2
"Growing"	Dyads 10, 11, 17, 18, 21	5
"Troubled"	a) growing sales Dyads 4, 8	2
	b) declining sales Dyads 6, 9, 15, 16, 20	5
"Static"	Dyads 1, 5, 7, 12, 19	5
"Inert"	Dyads 3, 13	2
		<u>21</u>

Figure 6-2
 CATEGORIZATION OF DYADS BY DEVELOPMENT STATE



Note
 Read as follows: Dyads 10, 11, 17, 18 and 21 are categorized as growing.

sometimes production. If this argument holds true, then it would seem unreasonable to expect a high proportion of very successful M-D relationships to be found in a sample such as this one.

While relatively few successful dyads are found in the sample, the second point to note is that few failures exist either. Of nine dyads whose performance gave reason for concern, i.e., seven "troubled" and two "inert," in only two cases was active thought being given to termination of the relationship. Again, perhaps it is unreasonable to expect many outright failures to be found in the sample, for given the purposive nature of the relationships, chronic failure would lead to fairly prompt termination.

The second set of findings concerns the distribution of dyads by development state and length of association (Table 6-2). This analysis brings a time dimension to the consideration of relationship development. Naturally, both new relationships fall into the under two years category, but it is in the two to five years category that an important finding is seen. Four of the six relationships (or 67%) in this category are troubled. This contrasts markedly with proportions in other length of relationship ranges. It seems that if relationships have a tendency for trouble, then the trouble will show up relatively early on in the association. This finding seems reasonable enough, for by the end of four years, enough time should have elapsed to permit evaluation of one dyad member by the other. Equally, it may be two years before companies are able to

Table 6-2
DEVELOPMENT STATE GROUPS AND LENGTH
OF DYADIC ASSOCIATION

Length of relationship	New	Growing	Troubled	Static	Inert
Less than 2 years	2				
≥ 2 years < 5 years		1	4	1	
≥ 5 years < 10 years		2	1	1	1
≥ 10 years < 20 years		1	1	1	
20 years or more		1	1	2	1

differentiate between what might be regarded as "teething" problems, and those which are more substantial. The seemingly high incidence of "trouble" in the two to five year association period is an interesting finding, but caution is urged here in view of the small sample size involved. The other point to make regarding the "troubled" state is that some dyads experience this state relatively late on in the association period. In summary, it seems that there is always the possibility of the dyad entering the "troubled" state, although there is a greater likelihood of the state in the first two to five years.

Turning to the growing and static states, it is evident that dyads may experience these states at almost any time. Sales may become static soon after the relationship is established. Then again, sales growth may begin or persist long into an established association. Time is clearly not an important determinant of performance, for many other factors more potently effect sales, e.g., selling efforts by D, M's prices, U.K. competition.

Finally, both relationships in the inert state are somewhat older in years than other dyads. This might be expected given the residual nature of these relationships.

In summary, this portion of the analysis has shown that there is support for the five relationship development "states" model. After the sample dyads were categorized by development state, relatively few very successful or chronically failing relationships were found. Rather, the sample appeared to contain a mixture of more moderate relationships, some doing well, some static, and some in difficulty. A number of reasons were

advanced to explain this phenomenon. The categorization of dyads to states provided some interesting findings regarding time. For example, many of the "troubled" relationships were relatively newly-established. However, the potential for trouble is not only the prerogative of more newly-formed associations. It was also found that "growing" and "static" states can be experienced at almost any time in the history of the relationship. All in all, while the relationship development process would ideally be orderly and progressive over time, the study findings suggest this is quite unlikely.

For the manager involved in an M-D relationship, a question that might naturally occur next, is: How can I ensure that our relationship is a growing one? Again, this study provides no certain answers to this type of question. It does, however, point to factors correlated with growth, or trouble, or static performance. In fact, this is the issue taken up in the next section.

6.4 MANUFACTURER - OVERSEAS DISTRIBUTOR RELATIONSHIP CHARACTERISTICS AND DEVELOPMENT STATE

As indicated above, the purpose of this section is to re-examine the link between the M-D relationship and its performance. This is undertaken for, like Ford (1980), it is believed that dyads that are in different states of relationship development will exhibit contrasting types of relationship. Thus, a link is proposed here between the development state of a dyadic relationship and levels of formalization, standardization, reciprocity, intensity, and conflict. The analysis which follows

supplements the earlier material. The current analysis is different from that in Chapter 5 in two senses. First, by considering dyads in various development states, performance is viewed in a dynamic way. Second, by describing the relationships in broad terms, the analysis can be regarded as multivariate.

It is worth restating that the association between the M-D relationship and its performance is a topic of some importance. Apart from any theoretical benefit, it is apparent that much could be gained managerially from a better understanding of this link. Causality cannot be demonstrated here, but evidence of a strong correlation between certain relationship characteristics and successful performance may indicate directions for change. Thus, the move to more intense relations might well help sales growth. The potential for "static" or "troubled" state dyads is quite evident.

In this section, case studies of six of the study dyads are presented. Again, it is the middle-period development states that are emphasized - two relationships from each state being selected for treatment. The case studies describe the past, present, and future as seen by the dyad members involved. The discussion begins by considering two "growing" state dyads, followed by those in "troubled" and "static" categories. Each case study begins with a general statement about the relationship, followed by a description of the perceptions of the manufacturer and distributor regarding the association. At the end of each development state section an attempt is made to review the findings. Here, the identifiable characteristics of

M-D relationships in each particular development state are summarized. In these sections, two new terms are introduced which seem particularly descriptive of some of the relationships found. These are: "commitment" and "adaptation". The connection between these terms and the relationship characteristics considered to date is discussed in the final part of the chapter.

6.4.1 "Growing" state dyads

Of the five dyads in this category - Dyads 10, 11, 17, 18 and 21 - two are examined here. Dyad 10 is fairly recently formed and has shown brisk sales growth. Dyad 11 is longer-established, has experienced considerable difficulties, but is showing evidence of new success.

a) Dyad 10

Manufacturer (M) 10 is an independent producer of commercial and residential air-conditioning equipment. It has substantial sales in the North American market achieved through private-label production. The firm was drawn into overseas marketing when a temporary U.S. import surcharge made the company realize its vulnerability in that market. Exports to other markets began in 1973, and by 1978 it was selling in a large number of countries through 60 distributors. The U.K. market was entered in 1973, even though its moderate climate rules out huge potential. Sales have been handled since that time by the present distributor (D). D10 is part of an old-established group which diversified widely in the 1970s. The company is involved with refrigeration

products and represents three overseas principals. D sells M's products through a network of 70 dealers who are qualified to design and instal air conditioning systems.

M's perceptions

At the time of the interview in 1978, M was very happy with its relationship with D. The Export Director stated, "business has grown well, and they are just good people." Initially, M had searched for a distributor in the U.K. which was well-financed, and whose management showed a preparedness to work on an exclusive basis with M's products. No formal legal agreement was signed with D, although a letter of appointment was drawn up. The association between M and D has proceeded in a manner satisfactory to M, due in large part to sales having grown 15 times between 1973 and 1977.

While a number of problems have been experienced, disagreements are neither frequent nor serious. Perhaps most problematic was the development of a special air conditioning unit for the U.K. market. This event was a departure from M's normal practice of selling standardized products around the world. The units in question were built at the request of D to meet a specific need in the U.K. market, but unfortunately one component of the product was poorly constructed. M took the malfunctioning component back and paid the return shipping costs. Subsequently M was pleasantly surprised when D offered to share in the costs of the debacle by absorbing the inward shipping costs. M agreed to replace the defective components and

reship these to D for ultimate sale. M pointed to this example of how cooperativeness can help to build a solid relationship. Other problems that have been experienced but resolved, concern ordering procedures and spare part stock-levels. In each case, D's carelessness has created a number of small problems for M.

M finds that D is doing a good promotional and selling job with its products. M provides promotional help to D, in the way of product literature and photographs, and helps with exhibition costs when international customers are in attendance. In addition, and despite the problems with previous "special" products for the U.K., D is again requesting a new unit tailored for its market. Initially M felt there was insufficient volume to justify such an action, but as volume has grown, M has found the proposal more feasible. The product request shows M that D has initiative and is aggressive.

In summary, M finds his U.K. sales have grown quickly due to D's strong sales efforts and also because of two hot summers in the U.K. (a not insignificant factor). In initial discussions between the two companies, M told D that it was seeking a partner for the "long haul." This resulted from the serious desire of M to achieve good penetration in the U.K. market over a period of years. This is being achieved. In view of the sales success and the good relationship that has been developed, M sees no reason why he would have to replace D. In fact, M plans to cement the relationship, and will continue to visit D frequently to ensure continued success.

D's perceptions

Like M, D is very happy with the relationship that has developed between the two companies. A number of bad experiences with previous overseas principals meant that D was somewhat cautious in its early dealings with M. This also meant that D sought some formal declaration of intentions. D preferred an agreement because it was unsure of M, both as a company and as to its intentions. M, however, was not particularly interested in entering into a written agreement but did finally agree to this. D feels that M's initial disinterest in an agreement was explained by a desire for flexibility, for the company was new both to exporting and marketing its own brand.

D finds that it has little influence on product, pricing, and delivery decisions, since the volume sold to the U.K. is such a small portion of M's overall output. This is not a complaint but simply a reality that D has to face. The problems experienced as a result of the poorly constructed "special" product were noted earlier. D offered some assistance to M, since D felt partly implicated due to the "special" nature of their product request. The whole incident resulted in 18 months confusion for D. Furthermore, there has been a delay in the shipment of the reconstructed component. This delay has meant that D has carried a good quantity of unfinished stock of M's products, thus adding to its costs. As well, demand had fallen away somewhat in 1978 due to a poorer summer, further adding to the inventory burden. M has recognized this state and helped by providing 3 months of extra credit on the stock involved. In

addition to the faulty product problem, D is of the opinion that one or two other technical matters should have been resolved more quickly than M managed.

On the matter of prices, D finds these satisfactory. Some problems were faced when exchange rates moved against sterling, but M helped D with a temporary subsidy. To D's mind, this reaffirmed M's commitment to a long-term relationship, and contrasted starkly with the lack of help offered by another of D's overseas principals. By the summer of 1978, sterling had strengthened against the Canadian dollar, and D had no complaint with M's prices.

Delivery has not been a problem area for D. If caught short of stock, D is able to draw products off M, since M manufactures for inventory. This is just as well, for D states that the U.K. market is very competitive with price and delivery most critical. While there is no formal reporting system established, sales forecasts are required so that M can schedule production. D senses that M finds some of their forecasts cautious, but points again to the restricted nature of demand in the U.K., compared to North American and tropical markets. Contacts between the two companies are frequent, M's Export Director visiting D about four times annually.

Other areas of inter-company relations are satisfactory to D. Generally, D finds M's products to be of excellent quality, for little warranty repair work is necessary. Promotional assistance is also valued. If there is one vulnerable point for D, it is that the customer is not very aware of D as a company.

This stems from the fact that it is M's brand that is being stressed in selling operations through its dealers. Here D must depend upon the avowed intention of M to develop a long-run relationship, and the trust that has been built in the five year association.

D's plans for the future involve them in moving away from a strictly distributing function. While never being able to compete in the volume air conditioning field, D feels it could establish a medium-sized packaged system to complement M's line. Manufacturing and selling this type of line in Europe is a company objective, and D hopes to convince M that extending its territory to cover Europe would be a good idea. D believes that they could develop M's trade in Europe in the same way that they have in the U.K. In the summer of 1978, D was very happy with the association because "we can discuss problems and come to a mutually acceptable decision." Sales were showing a good upward trend, and D looked forward to continued growth through partnership with M.

b) Dyad 11

M11 is a producer of vending machines and dishwashing equipment. Manufacture of its own brand of machinery began in 1949, and the first overseas market to be entered was the U.K. in 1961. A distributorship was established and sales developed in a satisfactory manner. In 1968 the distributorship changed hands when a principal of the original distributing company broke away to start his own enterprise. By 1976 a financial crisis in this second distributorship precipitated a complete reorganization in

which M played a major role. By 1978, M exported vending machines to continental Europe, the U.S.A., three other countries, and to the U.K. Dll is the organization that, while dating back to 1968, was reconstituted in 1976. It exclusively handles the products of M, and sells these through about 30 sub-distributors in the U.K. and Eire.

M's perceptions

In 1978 M was very happy with the turnaround that D had managed in the U.K., for the situation just two years before had been very serious. Before describing the events that led to the crisis, M's approach to export markets is discussed. Like many other Canadian companies manufacturing specialized equipment, in order to be successful M requires more volume than the domestic market offers. Rather than moving into the logical U.S. market, M decided to head first for Europe. The reasoning for this was sound: M felt that at this time its products were not sophisticated enough to be successful in the U.S., whereas they were advanced compared to European machines. M's approach in export markets is to appoint distributors that, in effect, become the marketing department for M in each overseas market. This involves distributors in total responsibility for marketing, sales and distribution. Thus, M views its own responsibilities as being those of design and production. In this situation the interdependence of M and its overseas distributors is quite apparent. M enters into agreements with its distributors, but does this to establish an atmosphere of commitment on both sides

rather than in an effort to legally protect its own interests. Under the exporting arrangement described above, M is prepared to offer the maximum technical assistance to its distributors. One mark of this is visible in the considerable product modification that is undertaken to meet varying market conditions.

M clearly has a well-formulated approach to exporting. Superimposed upon the clear ideas about functional responsibilities is a strong commitment on M's part to work closely with the distributor to develop the market. Indeed, sometimes the close method of operation and the friendliness that results, has made it difficult to take tough business decisions. This was the case with the second distributor in the U.K. The events leading to the crisis situation in 1976 are now highlighted.

By the early 1970's M's position in the U.K. market had been quite well established. Then M allowed marketing control to slip into the hands of the distributor, who proved unable to handle it. M claims four fundamental mistakes were made by this company. First, the distributor took on a product from M that was unsuited to the U.K. market, and built up a substantial inventory that it was unable to move. A great deal of money became tied up in this useless stock, but this was not immediately apparent. Second, the distributor took on another line from M unrelated to the primary one. The new product really required a separate marketing organization that did not exist. Effort and working capital had to be spread across both lines. Third, the market area covered was expanded, with the

same result - the organization was stretched too thinly across a number of fronts. Fourth, the distributor decided to start adding options to the equipment that was its major product line. This further diminished the efforts going into marketing, and inventory again built up as a result. M awakened to these problems slowly as accounts were not settled by the distributor. Finally M put itself in a position to insist that changes were made. This was done through personal guarantees backed by certain collateral and assets. A change in management at the distributor was requested and M had a large input during the restructuring process.

The lesson learned in this instance by M was that even though the distributor might be made responsible for marketing, control cannot be allowed to totally slip away. This does not mean that local initiative is not entertained, but that it should be allowed only when it makes good sense. As the interviewee at M put it, " ... going in with an ill-conceived plan and simply reacting to local terms, conditions, and poor advice can lead to failure, and leave you holding a rather unpleasant bag."

A turnaround has been achieved since 1976. M is satisfied with the rate of progress but desires a larger share of the U.K. market. Strong controls are exerted through the stipulation that D carry no competing lines and complete weekly reports showing inventory, orders, and shipments. The value of controls has painfully been learned. Further penetration of the U.K. market is anticipated through the restructured D organization, and as a

result of more careful matching of existing and new products to market requirements in the U.K.

D's perceptions

The view of the relationship reported by the interviewee at D is almost wholly concerned with the two year period after 1976, as this date is when he joined the company as Managing Director. D found the operations in complete disarray and has had to virtually relaunch the brand in the U.K. market. This was accomplished through heavy promotion - in trade magazines, exhibitions, and product-related literature; training and concerted support for sub-distributors; and a new line of machines. The previous management of D had done practically no promotional work so that M's name was scarcely known in the industry. Furthermore, the sub-distributors that sell, install, and service the machinery had received little support or guidance.

Two sets of decisions led to a new line of products. First, cabinet redesign was along the lines of the machines being produced by M for continental Europe. Previous to this, the U.K. cabinets were those sold in North America, which the new management of D found old-fashioned in appearance. Second, the range of products imported was reduced from a very unwieldy listing covering three catalogue pages, to one of six basic machines. With the resulting product changes, and with a different approach to the market, sales have grown quickly again after a very poor period leading up to 1976. In fact, D claims

market share has doubled between 1976 and 1978 to around 10 percent.

The relaunch success has led to the building of a stronger sub-distributor network. Some of these firms almost exclusively sell M's equipment now, whereas before they carried more than the one line. Sub-distributors have been won from other competing networks. Better reporting systems have also been established by D. In addition to reports required by M, D has initiated a monthly market report which provides a longer-term view of competitive and market developments. This provides - among other things - some lead-time for M's "tailored" production process. In addition, D prepares an annual budget which he takes to Canada each autumn, and which enables initial production decisions to be made.

Some bargaining takes place between M and D, and "amicable" disagreements are not uncommon. The bargaining is mainly about prices - M and D setting what each consider to be their minimum selling and maximum purchase prices respectively. A compromise is always reached. Disagreements have been experienced in the quality control, product testing, and product design areas. M is sometimes upset by comments made on quality control reports which it receives by mail. D's feeling is that M finds it hard to accept these criticisms when the U.K. is such a small part of M's overall operation. However, D claims that quality control is sometimes lax, and that strict health regulations and strong competition in the U.K. make these slip-ups potentially damaging. As a consequence, D now tests every machine

before delivery, a practice that M previously did not approve of. Some design modifications have been suggested by D to enable it to sell an innovative product in the U.K. Initial responses by M were negative but D has been able to show the merit of the changes.

D works closely with M - much information is exchanged, contacts are frequent, and personal visits a regular occurrence. M is a closely held firm, and D finds them very friendly to deal with. The close, "family" nature of the current relationship is indicated by three recent developments. First, as part of the relaunch of the brand, D produced a number of items in matching livery to build the image of M in the U.K., e.g., ties, cuff-links, diaries, sales aids. The items have become so popular that they have been adopted in Canada, and D ships certain items that cannot be sourced in Canada. Second, M is now financing the visits of high performance U.K. sub-distributors to the Canadian plant and North American vending convention. Third, M's distributors in various locations actively help each other when they run into problems. Thus, D has been offering advice to the newly appointed Australian distributor. A community of interests is evidenced by these activities.

D assesses the current position favourably, for in his view the corner has now been turned, and there is a certain impatience to progress further. Key priorities of D are the move to new premises which will allow for more efficient operations, and further sales training of sub-distributors. Overall, D plans to

go on improving its marketing of a very sound piece of Canadian equipment.

c) Review

The key characteristics discernible in Dyads 10 and 11 are those termed "commitment," and "adaptation." The presence of these characteristics is shown by the following attitudes and activities:

1. The search by M10 for a distributor that was interested in the "long haul" rather than quick profits.
2. The key role played by M11 in the reorganization of D11 after recognizing the latter's financial crisis.
3. The readiness of M10 and M11 to modify their products to better suit U.K. needs and preferences, and in response to requests by their distributors.
4. The intensity of contact and resource exchange between the dyad members, e.g., visits, reports, support materials, promotional activities.
5. The fact that bargaining behavior is not of the "zero-sum" kind. Thus, workable and mutually satisfactory solutions were found to the defective component debacle in Dyad 10, and price negotiations in the case of Dyad 11.

Concrete evidence of a commitment to exporting/importing and to development of a good M-D relationship is presented in these two case studies. Coupled with such a commitment is the preparedness of both dyad members to make adaptations to their internal operations, so as to improve the trading potential of

the M-D association. With these comments in mind, the discussion now turns to analysis of two cases representative of the "troubled" development state.

6.4.2 "Troubled" state dyads

Seven dyads were categorized in this state - Dyads 4, 6, 8, 9, 15, 16, and 20. Two of these dyads are examined here. Dyad 4 is one that has growing sales but interorganizational problems. Dyad 6 is more recent than Dyad 4, has declining sales, and is threatened by imminent termination.

a) Dyad 4

M4 is a small producer of precision scientific instruments, which it sells in a large number of overseas markets, as well as in North America. The company appointed D4 its distributor in the U.K. after using another for a number of years. D4 is a long-established electronic instrument importer, which represents some 15 overseas manufacturers, and forms part of a small family-owned group of companies.

D's perceptions

The discussion begins by examining D's assessment of the nature of the relationship, and changes that have taken place over the 11 years of association. By 1978, what had been a close and rewarding association, had turned into one fraught with difficulty for D. One particular event had precipitated this state of affairs. In late 1977, two executives that D almost exclusively dealt with were killed in an aeroplane accident. The

President and Vice-President of Marketing had been the international "ambassadors" of the company. In addition to being business associates of D, they had become close personal friends. The tragic accident created a management succession crisis in M, and this meant that international operations were somewhat ignored. Although M had an Export Sales Manager, this person had only been with the company for a few months and was effectively still in training. In the aftermath of the accident, D finds that there is a void in M's international activities that is not being effectively filled. Although the Export Sales Manager is capable of doing a good job, he is denied the authority to make what are important and necessary decisions.

While the loss of the two top executives precipitated the situation D finds itself in, problems had been developing for a number of years. To some extent, these difficulties result from D's view of his role as distributor. Specifically, D prefers to work closely and personally with those principals represented. This means offering advice on their approach to the market, which includes new product development and product modification for the U.K. This role-concept was accepted by M initially, but as M's organization has grown, and with the advent of new personnel, advice and communications of this kind appear to have brought resentment.

In general, D finds M relatively unsophisticated in its international dealings and levels the following criticisms at M:

1. Poor quality, inaccurate and outdated product literature

2. Lack of appreciation of the buying process in the U.K.
3. Slow and inaccurate response to communications
4. Failure to appreciate that D has to inspect products before delivery due to liability under Health and Safety at Work legislation
5. Failure to inform of delivery delays
6. Shortsighted damaged delivery policies
7. Failure to hold prices and offer value-for-money products
8. Acute sensitivity to service and quality control criticisms

While D feels that it can help M by offering constructive comments on various aspects of M's operations, these comments are increasingly viewed with scorn. The situation is best illustrated by developments in one of the product lines carried by D.

M transferred the technology from a successful application area to a new measurement field and expected D to carry the new line. D did not want to do this since customers for the new line were not at all similar to those already cultivated, and the back-up service required for the new line was entirely different from that already provided for the existing line. Although another representative was recommended by D to M, and the line was shifted for a while, D reluctantly accepted it back after that change failed. D does not want to sell the line as it feels unable to do the job well. Furthermore, this operation drains profits and harms D's reputation in its more traditional field.

Yet while D would like to drop the new product line, he worries that M might want distributors to carry its entire product line in each market. This example illustrates one criticism of D's, namely that innovation at M is too much "laboratory-led", without adequate consideration of commercial matters.

In summary, D has strong personal and sentimental feelings for M as a company, but finds that as each year passes the cost of handling M's products grows, while the quality of M's premium-priced instruments and service declines. Comments made by D which are intended to be of help result in hurt feelings at M. Problems are increasingly ignored and the cost of putting these things right absorbed by D. These costs cannot be absorbed forever, so that D may well have to look at other principals as potential replacements for M. Ideally, however, D would like to drop the new product line and rebuild the "bridges" that used to exist. D would like to return to the intimate and helpful relationship that once existed, but senses that M wants to operate in a more formal and distant "buy and sell" manner.

M's perceptions

The interviewee was the Export Sales Manager (ESM) who had been appointed several months before the aeroplane accident. To some extent the perception D has of the relationship is corroborated by ESM. This is interesting in view of the long listing of M's failings cited by D. However, the agreement is not wholly surprising - ESM is very critical of his own organization. After just three months ESM had sensed a distinct

lack of any formal business planning or strategy development within M. This had been admitted by his superior, the late Vice President of Marketing.

The early years in the company's history had involved commercializing research pioneered in a government agency's laboratory, and selling the resulting products in world markets. The company has been successful in that overseas sales accounted for 40 percent of total sales in 1978. However, the structure and activities that supported these sales were not beyond reproach. ESM pointed to a number of problem areas. First, although a large number of distributors and agents had been established overseas, the Vice President had a cavalier attitude to many of these representatives, feeling them unworthy of visits or communications. Despite demeaning their abilities and performance in this manner, these representatives were not replaced. Second, administrative procedures were ill-developed for dealing with export activities: book-keeping, records, and communications systems were poor. Third, the company had no up-to-date product literature or sales tools for overseas representatives. In short, emphasis in the overseas operations had been placed on gaining exposure and sales, but an adequate structure was not developed to manage the growing international business effectively. The independent assessments of the relationship by D and ESM show many parallels, lending credence to many of D's criticisms.

Having been concerned mostly with the past thus far, the current and future views of ESM are now presented. The first

point to be made is that ESM finds D the best of M's representatives, and goes further claiming that D has been the "father" of M's overseas operations. In view of D's continued importance to M, ESM's recency, and M's lack of administrative control of its international business, it is perhaps unsurprising that ESM found himself in a position of some humility in his dealings with D in 1978. ESM was very conscious of the need for caution until M's position was stronger. In this connection ESM was attempting to develop policy and strategy, but finding progress slow within his organization.

Like D, ESM is anxious to rebuild the old bridges. Two quick visits were made to the U.K. after the accident to help the relationship over that difficult time. However, ESM suffers because he is a marketing person in an organization that has a scientific/engineering outlook. In this situation he is truly "exposed." Within the firm, ESM had heard negative comments about overseas distributors, both regarding the way they operate and the margins they enjoy. ESM has argued that M's margins on the products it distributes are in many cases higher than those enjoyed by their own overseas distributors. This revelation came as a surprise to some in M - the comparison being one that had never occurred to them. Again this information lends credibility to a number of D's comments concerning M.

ESM's overall assessment of his own company is that a reasonable level of profit had been earned in the past, mostly because demand for its products was price inelastic. However, he sensed a certain price resistance in 1978, for although the

instruments are the "Rolls Royce" of the trade, better value alternatives existed at somewhat lower levels of precision. Since much of the buying is by government or quasi-governmental organizations, and given budget cutbacks in many countries, this premium quality/price strategy may leave M vulnerable. M's business can be defined then, as being in the high precision, low sales volume, narrow market segment of the instruments business. Its business development plan involves transferring the traditional (and D claims outdated) technology to new application areas. ESM understands D's wish to give up the new product line and sees that this may be repeated in other countries. This will be a continuing problem as M develops new applications for its base technology, because the new markets may not all be best served through the existing distributor. This brings a fresh administrative problem for ESM (and M) to solve.

As to the relationship with D, ESM plans to search for another distributor to handle the new product line. ESM wants to help D because he recognizes that it would be very hard to replace him. Hopes for M lie with finding another distributor for the new product line, launching new products which offer fresh sales potential within D's existing customer base, and generally improving its performance and servicing of D.

b) Dyad 6

M6 is a small but quickly growing manufacturer of auto collision repair equipment selling in 30 countries around the world. The U.S. and overseas markets account for about 40 percent and 25 percent of sales respectively. D6 was appointed

U.K. distributor five years prior to 1978. This firm is a very small-scale distributor of a number of product lines used in the auto body repair market, about 60 percent of its sales resulting from imported products. Both companies are owned by their respective chief executives.

M's perceptions

M's U.K. sales had been in decline for three years, and because executives felt the blame lay at the door of its distributor, a replacement was being sought in the summer of 1978. M's management felt quite strongly that the sales slump was due to D's marketing practices. Low selling prices and minimal promotion were seen as areas of weakness. Comparisons showed that lower prices were being charged for M's products in the U.K. than in Canada, even though the U.K. price had to cover the extra costs of moving the equipment across the Atlantic. Because U.K. prices were too low, the argument went, D was able to do very little promotional work in the U.K. market. Thus, pricing and promotion were seen to be at the root of the U.K. sales problem. M regarded the U.K. as presenting significant untapped potential for its products, using North American market information to arrive at this judgement. Interestingly, D had quite different views about market potential, pricing and promotion.

These problems have led M to seek an alternate method for penetrating the U.K. market. M has no formal agreement with D, having simply authorized D in a letter to be its distributor in

the U.K. "as long as sales are satisfactory." M has been open about this search for a replacement. At the time of the interview, M was negotiating a joint-venture arrangement with a larger firm than D. M is anxious for better sales in the U.K., and feels that a joint-venture with a larger company will allow them to be more competitive, as well as providing scope to develop and cover the market further.

D's perceptions

D readily admits that U.K. sales are disappointing. However, in D's view this is largely of M's own making. Two criticisms are levelled at M's approach to the U.K. market:

1. M does not fully appreciate the differences between the North American and European markets for collision repair equipment, i.e., that different automobile construction methods mean that different repair equipment is required
2. M's pricing structure is wrong for Europe and especially so for the U.K.

Thus, D explains the U.K. sales slump in terms of unrealistic price levels set by M, and its equipment, which is somewhat inappropriate for the European market. Why then, did sales blossom in the first two years of the association? D explains the two successful years as follows. First, the products were new and of interest. Second, and more importantly, the expertise of D's organization made sales possible. Much promotional work was carried out by D's technically qualified

staff, who visited garages in a truck equipped to demonstrate the vehicle straightening capabilities of M's product. These proved to be effective promotional visits. On the other hand, such promotional efforts were also costly. Over time D found it more and more difficult to finance the visits because its profit margin was sharply eroded. This was a particularly acute problem in 1977 when sterling weakened against the Canadian dollar. During this period, D's business with M was scarcely profitable; the higher purchase price moving perilously close to the "sensible" selling price it sought to maintain so as to remain competitive. M offered a small price reduction for part of this period, so that D's business might not suffer too dramatically.

The relationship between D and M had been very helpful in the early days. D's credit was extended from 30 to 90 days, allowing him to improve his cash flows. Promotional assistance was offered, both for exhibition costs and through the provision of product literature. Similarly, D had helped M by discussing changes that were taking place in automobile repairs in Europe. This not only helped M to think about special European equipment, but offered potential to M in North America as construction methods there moved towards those of Europe. D does not dispute the quality of M's equipment, in fact he claims it is the best available. What is criticized, however, is a price level three to four times those of more basic products. D sees no other business arrangement offering M the possibility of better business in the U.K.

As to the future, D's proprietor was offered a job with the firm that M is in negotiation with, but this was refused. D felt that this new company recognized they needed D's expertise to make the arrangement with M work. At the time of the interview with D, the exchange rate had moved back considerably (from £1=\$1.80 to £1=\$2.20), bringing some fresh hope to D. The company planned to promote M's products again at the 1978 Motor Show, but still felt prices were really too high. Finally, D was of the opinion (wrongly as events actually transpired) that the Canadian dollar would move back to around the £1=\$2.00 level. Thus, in the summer of 1978, D carried a diversified product line because it did not look to M's products for much in the way of future profits.

c) Review

The two case studies examined above present more contrasts than those under "growing" and "static" states of development. This is natural since the "troubled" state category is composed of two sub-categories, i.e., those dyads with growing sales - Dyad 4, and those whose sales are in decline - Dyad 6. In Dyad 6, both M and D tend to blame each other for the current situation, but in Dyad 4 there is more agreement about the problems faced. Finally, Dyad 4 has moved into its current development state after a number of successful and happy trading years, while Dyad 6 had barely two years of successful collaboration before troubles set in. Despite such contrasts, some parallels can be drawn between the two dyads. From the

perspective of the distributors, current problems in the relationship have developed because:

1. The respective Ms are selling premium-priced, but more importantly, poor value-for-money products.
2. Ms have a poor record on the innovation front, and are slow to respond to product suggestions made by Ds.
3. Ms neither understand the buying process in the U.K. for their products, nor do they appreciate sales and service requirements and costs.
4. Collectively these points lead to dissatisfaction with current profits by D4 and D6.

More contrasting viewpoints are found regarding the manufacturers. M6 is much more discontent and is actively negotiating new representation in the U.K. market, for the performance of D6 is considered very unsatisfactory. Poor sales in the U.K. are solely attributed to D6 - its small-scale, and its method of operation - M6 not feeling at all implicated in the 1975 to 1978 sales decline. In the case of M4, the aeroplane accident has served to exacerbate existing tensions and problems in dyadic dealings. In this dyad there seems more agreement about the problems and their origin, but resolution appears far-off in time.

In summary, the key characteristic of "troubled" dyads is simply that they are troubled. In terms of the descriptors "commitment" and "adaptation," both Ms are committed to the U.K. market. However, they show less commitment to the D method of representation or current representative employed, than Ms in the

"growing" state. In addition, while committed to the market, such commitment appears not to extend to the level that specific adaptations are made by M so as to better develop the trade in question. Thus, there is less sense of "oneness" in these dyads, the relationships are marked by tension or outright conflict.

6.4.3 "Static" state dyads

Five dyads were categorized as being in a static state - Dyads 1, 5, 7, 12, and 19. Once again two of these relationships are detailed below.

a) Dyad 12

M12 is a good-sized manufacturer of heating, lighting, and power supply equipment, that sells in 15 European markets as well as in North America. The company acts in an autonomous fashion, although it has been part of a Canadian conglomerate for 10 years. The product that is the company's staple export item is a component used by heating equipment manufacturers. M12 has been dealing through D12 in the U.K. for some 20 years, since initial market entry. D12 is both a distributor and manufacturer of heating and air-conditioning equipment. The distributive arm of the business predominates and the firm represents about 15 overseas principals. The company sells mostly to original equipment manufacturers (OEMs).

M's perceptions

From M's perspective the relationship has reached a mature stage in its development. Initially, a good deal of assistance

was provided to D, particularly technical advice about the incorporation of the component supplied into OEM equipment. Such advice was made possible through personal visits and through shipments of problem equipment to and from Canada. D's promotional efforts were helped through the provision of product literature and photographs. These activities have tapered off in recent years, the established nature of the trade not requiring such undertakings. M describes the situation as one where, "the same things are expected but we don't have to work so hard at it." M's fortunes in the U.K. have suffered in recent years due to two factors. First, there has been a trend to gas heating as North Sea gas became abundant and cheap to supply. Second, miniaturized components have been developed to meet the trend towards more compact heating systems. M has been caught out by both trends, for its skills are based on oil heating equipment, and traditionally it had built components for larger North American heating systems. M did respond to the downsizing trend in Europe but withdrew from the field following technical difficulties with its product. As a result of the trends outlined, in 1978 M enjoyed a healthy but static market share of the limited product field in which it competed.

Although the development of a miniaturized "European" component showed some evidence of a commitment to export markets, M basically saw exports as a way of spreading overheads across a larger production volume. Small changes are made to meet varying European voltage differences, but essentially the product is standardized. M could be described as an unaggressive exporter.

Given the U.K. market environment, and M's exporting philosophy, the company is happy with its current sales performance. Indeed, M speculates that business might grow again if oil-fired heating became popular with oil production in the North Sea fields. However, the reality in 1978 is that for 10 years sales have largely been of a replacement nature. M describes the relationship as a cordial one. Problems, when experienced, tend to be procedural rather than over policy issues. In M's view delivery and credit are the two most frequently discussed topics. Some difficulties have been experienced by M in meshing home and overseas production to fit the delivery requirements of individual markets. In addition, M finds credit periods in Europe - usually 90 days - excessive compared to North America, where 30 days is the norm. These are irritations for M. Overall, the company feels there is nothing either dyad member can do to boost sales in the U.K.

D's perceptions

There is much agreement between M and D concerning their relationship. Its development level is recognized by D, who also uses the term "mature" to characterize its present state. Much less involvement by M in U.K. operations is pointed to, as is the reduced amount of information exchanged as the years have gone by. D claims that once M was certain their partner could do a good job of selling the components, they were given a fairly free hand. After some 20 years of trading, D has a good idea how M functions as an organization, but visits are made annually to

Canada to keep contacts alive. (These visits are not reciprocated, for M had not visited the U.K. for three years).

The closeness that has come from the extended contact of the key individuals in each organization, also allows D to make certain commitments for M, e.g., delivery, price guarantees. This is a necessity for D since the it is essentially D's product (rather than M's brand), that is purchased by OEMs. Generally D is happy with its relations with M, although several problem areas were mentioned. D finds delivery to be a problem. While M claims being able to give 10 days delivery door-to-door, D argues that 12 weeks lead-time has to be allowed. Further, D finds that it needs to worry M to get its shipments made. D is also of the opinion that as the market for M's products has declined, it has been expected to play more of a role in buffering production and delivery delays by carrying more inventory.

The problems areas, however, are seen as minor frustrations in what is generally a cooperative relationship. D can do no more than provide normal marketing support for M's product. Although not a mainstay in its operations, M's product does complement others D carries, thus "rounding" out the line. D plans to go on reminding M of the potential for a new miniaturized component. If M will not develop the product, D feels it will try to source from another principal. In fact, over the last few years, it has expanded the number of overseas principals it represents quickly, so a move of this kind ought to be accomplished without difficulty.

b) Dyad 19

M19 is a long-established leather tannery that was taken over by a Canadian multinational in the 1940s. The company produces a variety of different leathers for the shoe, garment, upholstery, and specialty trades. Exports have been made to the U.K. for about 50 years through various selling arrangements. In the past, export emphasis was on upper leather for the shoe industry, but competitive conditions have made this difficult in recent years. In 1974, the firm was approached by D with regard to its sole leather. After a few initial sales, D was appointed as exclusive U.K. distributor. D19 is a good-sized organization that primarily refinishes leather purchased from various supply sources. The contact with M resulted from the recruitment of a new manager by the firm. This person knew of M from his previous position and has developed a distributing part to D's operations. This function began with M and in 1978 encompassed three other overseas principals.

M's perceptions

Third World nations have flooded leather markets around the world in recent years, and like tanners in many developed nations, M had felt the "pinch" of increased competition. The development of sole leather markets, initiated by D, has enabled M to find profits in a less competitive area. Over a period of four years, a good amount of business has been developed by D for M. As well as buying for resale, some of D's purchases go for further processing in its own production plants. M has little

knowledge of how and where the leather is utilized, choosing to leave the development of its U.K. business to D. This is occasioned by D's greater knowledge of the trade. From M's standpoint, the association has been very successful. Aside from problems that relate to the natural and inconsistent properties of the hides in question, few difficulties are seen. M attributes its success completely to D's abilities, stating that the company would be hard-pressed to maintain the trade without D. M's plans for the future involve trying to sell in more overseas markets through D. Meanwhile, the key contact within M planned to retire within a year, and a new executive was being groomed to replace him.

D's perceptions

Like its supplier, D is content with the business that has developed between 1974 and 1978. However, in contrast, D would like to develop the business more aggressively, finding M conservative both in attitude and towards trade suggestions put to them in the past. This theme will be developed, but first the early experiences of D are outlined.

D finds that M offers good quality, well priced leather but notes some difficulties caused by the tanning method used in North America. This different tanning process means that M's leather does not conform to U.K. industry standards. As a result, selling M's product is more difficult than were these standards met. D finds M inflexible on this count and claims that large potential exists if processing changes were to be

made. The inflexibility is regarded as resulting from two company-related factors. First, the company is somewhat insulated from the harsh realities of competition because a good portion of its output is consumed by other subsidiaries of M's parent. As well as, and perhaps because of this insulated state, D senses a lack of dynamism in M's management. Although D finds the management team charming, little sense of urgency or concern for business deadlines seems to exist. An example of this is found in the slowness of M in preparing export documentation.

Aside from these difficulties, D assesses the relationship as the most important it has. Like M, D points to certain difficulties which result from the inconsistencies of the product - both parties claim the leather industry is "a trade of compromise." Leather demand is also fashion-led, and sales are volatile as a result. However, overall D sees large potential for M's leather. With a changed approach to marketing and more preparedness to cultivate overseas business, D estimates that it could triple M's distributed sales, and double its own consumption of M's leather.

c) Review

Like "troubled" dyads, "static" dyads show less commitment than those which are "growing." In the two case studies examined, manufacturers seem less committed than their distributors. This indifference is mirrored in the following key characteristics of "static" state relationships:

1. Ms have large (and "captive" - Dyad 19) home markets for their products. Thus, exports represent a small percentage of total sales.
2. There is either a reluctance to (Dyad 19), or failure in (Dyad 12) the adaptation of products to U.K. market requirements.
3. A lack of export-mindedness is evidenced in both Ms.
4. Along with the static sales situation and relative indifference of Ms towards exporting, nagging problems are identified by Ds relating to: responses to enquiries, delivery delays, poor documentation.
5. Not surprisingly, neither D12 nor D19 are completely enamoured of their relationships, although neither is actively searching for a replacement for their current Canadian principal.

The lack of commitment on the part of the manufacturers considered, means that product and activity adaptations are not made. The reason is self-evident: if a company is not sufficiently convinced of the need for, or potential of, exporting, it follows that adaptation will seldom be considered seriously.

6.4.4 Discussion

The case study analysis reported above suggests quite marked relationship differences depending on the development state considered. Very briefly, "growing" state dyads were seen to exhibit commitment and adaptability, whereas this was much less

so in "troubled" state relationships. This distinction is in keeping with the findings of other export studies (see for example: Cunningham and Spigel 1971; Keegan 1969; Tookey 1964). As might be expected, "troubled" state dyads show more evidence of conflict than "growing" state dyads.

"Static" state relationships present other contrasts. Generally speaking, dyads in this development state are less involved with each other. One explanation for this state of affairs is that sales could be difficult to expand further. Alternately, it may be that the interfirm relationship has matured sufficiently to make intense relations superfluous. This contrasts with the "troubled" state dyads, where data suggest that the lack of involvement might itself have produced the present difficulties. Finally, when the relationship is "static," conflict is latent rather than overt.

Three terms have been used to describe the middle period relationship development states. These are commitment, adaptation and conflict. Conflict has been used previously in the analysis, but commitment and adaptation are new variables. Commitment is used to encompass the characteristics - formalization and intensity, i.e., commitment is demonstrated by establishing formalized relations which are intense in their dealings. Similarly, adaptation is used to subsume the two variables of standardization and reciprocity. Thus, the more adaptation that takes place in the relationship, the less standardization and the more decision-making reciprocity there will be. The proposed connection between these variables is set

out in Table 6-3. The new variables are introduced as a shorthand, but principally to relate them to those used elsewhere in the literature. Conflict is a related but separate variable as Table 6-3 suggests.

The well-known exporting concepts of commitment and adaptation are seen to be related to the relationship characteristics examined in this study. Their appearance at this stage is explained by the dynamic emphasis of this chapter. Commitment and adaptation can only be demonstrated over time, whereas characteristics like formalization and contact intensity are phenomena of a more static nature.

Table 6-3

PROPOSED ASSOCIATION OF RELATIONSHIP
CHARACTERISTICS, COMMITMENT AND ADAPTATION

	Commitment	Adaptation
Relationship characteristics:		
Formalization	+	
Standardization		-
Reciprocity		+
Intensity - contact	+	
- resource	+	
Conflict	-	-

6.6 SUMMARY

The objective of this chapter was to extend the static analysis previously presented, so that a more realistic, dynamic view of M-D relationships would result. This was accommodated through the development of a model to describe change in M-D relations. Five relationship development states were proposed, and support found for these from the study data. The link between the M-D relationship and export performance was examined through analysis of six case study dyads. High performance dyads were found to be characterised by "commitment" and "adaptability". In the next and final chapter, results from both static and dynamic analysis are drawn together.

Chapter 7
STUDY FINDINGS, IMPLICATIONS AND
FUTURE RESEARCH

7.1 INTRODUCTION

In this final chapter, an attempt is made to draw together the threads of previous discussion. The first section is concerned with this objective, and this forms the bulk of the chapter. Here the study findings are summarized and their implications described. Second, the research study is contrasted with previous work in this field, and certain recommendations made regarding future research. Finally, some concluding comments are made about the manufacturer - overseas distributor (M-D) method of international trading.

7.2 STUDY RESULTS AND IMPLICATIONS

It was claimed earlier that the overseas distributor provides a convenient method of foreign market entry, but that certain drawbacks make it difficult for the adopting manufacturer to achieve high levels of export performance. The remedy for this situation, it has been argued, lies in the manufacturer establishing the "right" kind of relationship with the distributor. This research has investigated M-D relationships and sought to examine why some exporters are more successful than others in using this trading method. The usefulness of such an approach should be clear - if successful M-D relationships can be shown to possess certain characteristics, these provide a model for other exporters to aim for.

These points explain the main thrust of the study undertaken, and lead to the thesis advanced and tested. This had two linked parts. The first concerned the connection between the M-D relationship and export performance. This was generally stated as follows: high export performance is more likely to occur when the M-D relationship has certain characteristics.

As well as being interested in how the M-D relationship affects export performance, factors that shape the M-D relationship itself were also investigated. The second part of the thesis addressed this matter. Generally stated, this was: that certain firm and environment factors affect the nature of the M-D relationship.

The two part thesis amounts to an explanation chain, for it is implied that firm and environment factors shape the M-D relationship, which in turn helps to explain export performance. The study results are now reviewed and their implications discussed.

7.2.1 Manufacturer - overseas distributor relations and export performance

a) Study results

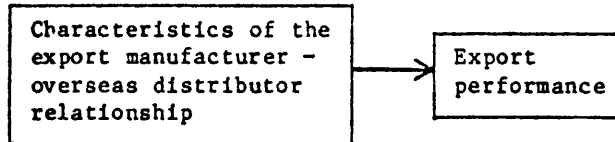
The connection between the M-D relationship and performance was studied from two angles. In Chapter 5, the static model results were presented; these were extended by the dynamic discussion in Chapter 6. The detailed sets of findings from these two chapters are not restated here, rather an attempt is made to discuss the broad pattern of results. The most important

point to be made is that encouragingly consistent findings are evident. Both static and dynamic analysis point to export performance being associated with similar kinds of relationship characteristics. These findings are set out in summary form in Figure 7-1. The static analysis findings are described first, followed by those from the extended analysis.

The static analysis shows that higher export performance is found when the manufacturer and overseas distributor go beyond just verbally agreeing to work together. As well, the role of each company and the business routines they establish are not so rigidly adhered to in the more successful relationships; rather they are modified in the light of changing circumstances. Decision-making tends to be more joint in these dyads too, both members playing a helpful part in the formulation and operationalization of marketing policy. High performance tends to be found when companies are in more frequent contact with each other, and when they exchange more resources. Finally, it is hardly surprising to find that higher export performance goes hand-in-hand with lower levels of inter-company conflict.

The dynamic analysis showed that commitment and adaptability were important characteristics found in successful M-D relationships. Through various behaviours, "growing" state manufacturers (in the case studies) showed that their interests in the foreign market and in the overseas distributor were serious. For example, personal contact and visits were frequent, and support schemes well developed. Furthermore, these manufacturers were also prepared to adapt their ways, e.g.,

Figure 7-1

STUDY RESULTS: THESIS -
PART ONE1. Thesis2. Resultsa) Static analysis
(Chapter 5)

<ul style="list-style-type: none"> - <u>more</u> formalization - <u>less</u> standardization - <u>more</u> reciprocity - <u>more</u> intensity - <u>less</u> conflict 	}	associated with	<ul style="list-style-type: none"> - greater U.K. sales - future plans which involve closer relations
--	---	--------------------	---

b) Dynamic analysis
(Chapter 6)

<ul style="list-style-type: none"> - <u>more</u> commitment - <u>more</u> adaptation - <u>less</u> conflict 	}	associated with	<ul style="list-style-type: none"> - "growing" relationship development state
--	---	--------------------	--

products, business methods, if this was required to compete more effectively in the market in question. These actions not only reassured the distributor about the exporter's intentions, but also induced some loyalty to the manufacturer and its programmes.

These relational characteristics were found among the more successful M-D dyads. The results are consistent across the static and dynamic analyses, if the previously-argued (see Table 6-3) connection between the variables is accepted. It appears that when certain characteristics are present in the M-D relationship, export performance is higher.

b) Implications of the results

Causality has not been tested in this study, so the temptation of discussing cause and effect must be resisted. Nonetheless, the results described above, and the relevant literature, do suggest that certain relational characteristics help to enhance export performance. This is an important matter, for it has been seen that export success is not easy to achieve under the M-D trading method. The manufacturer that wants to ensure success then, would do well to carefully consider these results. A move towards the type of relationship suggested might well lead to improved performance. Three situations drawn from the dynamic analysis in Chapter 6 illustrate this point.

First, consider the fact that a large number of dyads experienced trouble in the two to five years of association period (see Figure 6-1). This indicates that there is a requirement for delicate management of the relationship during this time. Since the potential for trouble appears high, the

exporter would do well to develop the "success characteristics" noted above. Thus, the manufacturer would be advised to reaffirm its commitment to the distributor and the market. Such actions could include improving the frequency and/or quality of contacts. They might also include the sharing of information about plans and strategies. Both of these initiatives demonstrate a commitment on the part of the manufacturer.

Second, a number of "static" state dyads were found in the study sample. Although market conditions may sometimes preclude sales gains, it may be lethargy or familiarity that explains the lack of growth rather than the absence of true potential. If this is the case, contact and resource intensity may have reduced over time, and this may well have contributed to the disappointing sales performance. Again, more intense relations may help turn performance around.

A third situation illustrates the way in which the M-D relationship can help export performance. The reader will recall from Chapter 6 that exchange rate fluctuations affected the recent trading of the 21 sample dyads. In the period preceding this study, sterling weakened against the Canadian dollar. This put pressure on U.K. distributors to revise the price of their Canadian imports upwards. This, in turn, made these products relatively less competitive. Currency fluctuations of this kind were, of course, beyond the control of the firms in the sample. Yet, the dyads made different responses to the changed conditions the fluctuations brought. These contrasting responses showed up in the earlier case studies. Predictably, in "growing" state

dyads, the response was usually based upon consideration of the long-term, joint welfare of the two companies. In other less successful dyads, the reverse was true. Here, the manufacturer took a shorter-term view, and more selfish responses usually resulted.

These three examples show how adjustments can be made by the exporter so as to increase the likelihood of successful export performance. The M-D relationship is strongly linked to success in exporting.

7.2.2 Firm and environment factors and manufacturer-overseas distributor relations

Having shown that the level of export performance is closely associated with certain relational characteristics, attention now turns to the second part of the thesis. Here it was argued that the characteristics discussed above are themselves linked to certain firm and environment factors. The implication of the findings here, is that firm and environment factors might help or impede any change the manufacturer wishes to make in its relationship with the distributor. Because the detailed results are presented in Chapter 5, the broad pattern of findings is emphasized here. Three factors were considered: stake, experience, and uncertainty.

a) Stake

Study results

The link between stake and the M-D relationship was argued to involve "protection". Thus, firms that have made a large

investment in a relationship will protect it by taking certain actions to "shape" it, e.g., drawing up a legal agreement, assigning specific roles to each party and devising standard business routines. The evidence for such a link is discussed below.

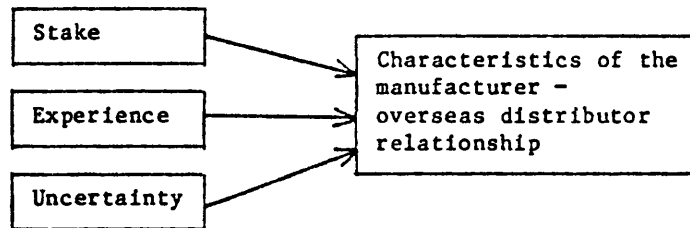
It will be recalled that stake was looked at from two standpoints. Joint stake reflects what the two parties have invested in the relationship, whereas one-party stake reveals what either the manufacturer or the overseas distributor would lose if the arrangement were to end. The study results are set out in Figure 7-2. As can be seen, the notion of "protection" in high stake relationships received only a modicum of support. The one consistent finding is that where there exists a high level of stake, so too is there more frequent inter-company contact and resource exchange. Two other findings were as expected. First, high joint stake was accompanied by more formal written agreements. Second, where one party had high stake in the relationship (and, hence, was highly dependent), the other party tended to dominate decision-making. The remaining results present no clear evidence of a link between stake and M-D relations.

Implications of the results

Various results are selected for comment in this "implications" section and two that follow later. Those chosen are viewed to have repercussions on export performance.

Figure 7-2
STUDY RESULTS: THESIS - PART TWO

1. Thesis



2. Results

a) Stake

- | | | |
|-------------------------------|-----------------|--|
| - high <u>joint stake</u> | associated with | } - <u>more</u> formalization
- <u>more</u> intensity |
| - high <u>one-party stake</u> | associated with | |
| | | } - <u>less</u> reciprocity
- <u>more</u> intensity |
| | | |

b) Experience

- | | | |
|--------------------------------------|-----------------|--|
| - greater <u>external experience</u> | associated with | } - <u>less</u> formalization
- <u>less</u> standardization
- <u>more</u> reciprocity
- <u>more</u> intensity
- <u>less</u> conflict |
| | | |
| - greater <u>internal experience</u> | associated with | |
| | | |
| | | } - <u>less</u> formalization
- <u>less</u> standardization
- <u>more</u> reciprocity
- <u>less</u> intensity
- <u>less</u> conflict |
| | | |
| | | |
| | | |

c) Uncertainty

- | | | |
|------------------------------|-----------------|---|
| - greater <u>uncertainty</u> | associated with | } - <u>more</u> standardization
- <u>less</u> reciprocity
- <u>more</u> contact
<u>intensity</u>
- <u>less</u> resource
<u>intensity</u>
- <u>more</u> conflict |
| | | |
| | | |
| | | |
| | | |
| | | |

Of the results described above, the most interesting is that regarding decision-making. Manufacturers dominated decision-making when they dealt with a highly dependent overseas distributor. (This was much less the case when the distributor had the potential to impose its will on the manufacturer). Perhaps the manufacturer sees gains resulting from overtly influencing decisions, but these could be short-term gains at best, for high export performance was earlier seen to be accompanied by more jointness in decision-making (or more reciprocity). Apart from this finding, high stake is seen to bring with it more intense and somewhat more formal relations. These results are consistent with those of high performance dyads.

b) Experience

Study results

Dyads with greater experience of international trading were expected to have different kinds of relations than those where less knowledge and familiarity existed. To a large extent this was so (see Figure 7-2). Although various types of experience were considered, with one exception, similar findings were in evidence.

Experience of overseas trading appears to shape M-D relations in several ways. Verbal undertakings are more likely to be found than written agreements. Trading experience around the world seems also to lead to more joint decision-making processes and less conflict between the parties. These results

were all anticipated. One that was not, showed these dyads to be more flexible about the role of each company and business routines. Here it was expected that experience would recommend clearly defined responsibilities and procedures. Apparently, this is not the case.

For the final relationship characteristic, contrasting results materialized. In dyads where there was more experience outside the current relationship, i.e., external experience, more intense relations were found. However, in dyads where the two firms had more experience of dealing with each other, i.e., internal experience, less intensity was apparent. A tentative explanation for these differing results was offered in Chapter 5.

Implications of the results

Two of the results described above contrast with those for high performance relationships. As such, they should give cause for concern if high performance is an important goal of the exporter in question. The two results are: first, as experience grows there is a tendency towards less formal relations. Second, and more important, the longer the two companies (or two key contact persons) have been associated with each other, the less intense the relationship. This last matter is particularly worthy of management attention, for once the "withdrawal" process has begun, it may be difficult to reverse. As firms become more remote from each other, there is little chance that potentially rewarding avenues of business will be identified and, hence, exploited. Thus, while some reduction in the intensity of

inter-firm relations might be expected in longer-standing or mature relationships, contacts should be maintained at some minimal level of frequency.

c) Uncertainty

Study results

It was expected that M-D relationships would vary depending on the level of uncertainty facing the two companies. The summarized results are set out, once again, in Figure 7-2, and these lend support to this view. However, several of the findings were the reverse of those anticipated.

Two findings were as expected. First, it was found that when the dyad members faced more uncertainty, they tended to be in more frequent contact with one another. Second, more frequent conflict was also a characteristic of dyads that faced greater uncertainty. These two results corroborate those of other researchers that have examined the impact of the environment on individual and connected organizations. This was not so for the remaining results. Here it was found that greater environmental uncertainty was accompanied by more standardized, less reciprocal, and less resource-intensive relations. These findings are now discussed.

Implications of the results

The organization - environment literature indicates that when an organization(s) faces a highly uncertain environment, success is more likely to be enjoyed if loose, adaptive, and open

structures and procedures are employed. Yet the study dyads in this very situation showed the opposite tendencies. These firms helped each other less, and were more inclined towards rigid and somewhat selfish relations. Because of these inappropriate responses, perhaps, these dyads performed less well than others in the sample.

Some clear policy implications are suggested by these results. As has been pointed out earlier, the manufacturer that can change the nature of its relationship may find that performance also changes. Again then, in the context of environmental uncertainty, the relational characteristics of high performance dyads bear close consideration. It must be recognized, however, that high uncertainty does create some problems that may be very difficult to overcome. For example, the stronger likelihood of tension and disagreement in this situation is all too apparent. Yet, as has been seen, frequent conflict is not a characteristic of high performance dyads. The evidence suggests that when business is transacted in a dyad that faces high uncertainty, skillful management is crucial to high export performance.

d) Review

Three firm and environment factors have been discussed in this section. To differing extents, each factor shapes the nature of the M-D relationship. As a result, the manufacturer that wishes to pursue high export performance must consider these matters. In some cases, the task of shaping the relationship is not impeded by these factors, whereas in others the reverse is

true. Whatever the case, these are additional matters for the exporter to deal with. If nothing else, these findings hint at the complex nature of intercompany relationships of this kind, and of their management. This point is returned to again.

7.2.3 Caveats concerning the study results

This study has sought to examine M-D relationships and export performance, and Canadian - U.K. trading arrangements were chosen as the setting for the research. Because the investigation was restricted to this one setting, the tendency to generalize from these results must be resisted. Other research along the same lines, or replications of this study must be conducted before the reliability of these results can be established.

Another point concerns the validity of the current results. Validity is considered from two angles. External validity refers to whether a bias is introduced that makes the firms studied systematically different from the population of firms of interest. In this connection, it is felt that the bias is low. Firms were selected in a random fashion, and - where satisfactory arrangements could be made - all that met the inclusion criteria were interviewed. Internal validity refers to bias that might exist with respect to the firms interviewed, rather than the population as a whole. Again, it is believed that bias was minimal. All firms were interviewed by the researcher, who also transcribed the tape recordings and coded the data sheets. In each case the interviewee was the person with the major

responsibility for dealing with its dyadic partner. In many cases, this was the owner or chief executive. In spite of the consistency of treatment, errors are everpresent in field studies. Hopefully, they have been kept to a minimum in this particular case.

7.2.4 Insight provided by the study results

This study is the first to empirically examine the overseas distributor trading method in any depth. Because it is the first of its kind, the results must be seen as suggestive rather than conclusive. Further research will enable the findings from the current study to be seen in a broader light. In the meantime, the results provide interesting and useful information for four types of reader. These are: 1) Canadian manufacturers selling, or planning to sell their intermediate products through distributors in the U.K. market; 2) U.K. import/distributors of these same products; 3) Canadian trade and industry officials interested in improving export performance; and 4) academics with interests in this field. These are now considered in turn.

For both manufacturer and overseas distributor, insight is provided about the nature of successful relationships. The results of the research show that success is more probable when certain characteristics are in evidence. Following on from this, it is important that the exporter display a commitment to the relationship and a preparedness to be adaptable. Furthermore, conflict must be kept to a tolerable level. These are goals for the exporter to strive for.

These goals may be realised in a number of ways. It has been argued that commitment can be demonstrated through the use of written agreements, and regular and frequent programmes of contact and resource exchange with the distributor. Adaptability is shown by a willingness to be flexible about products, procedures, and decision-making. If programmes of these kinds are established, conflict will probably be at a minimum. The manufacturer should also recognize that relationship management requires sustained effort on its part. Successful relationships do not come about on their own, rather they result from a series of initiatives taken over time, as experience grows, and with the advent of changed conditions. The case studies of "growing" relationships show what might be done in this regard, whereas the other case studies indicate how various manufacturers went astray. It is most important that the exporter give careful thought to these matters, for M-D relationships are complex and dynamic.

Exporting is such an important activity in most nations that government and industry organizations play an active role in its stimulation. Canada is no exception. Since officials of these organizations offer advice, and run educational programmes for Canada's manufacturers, these results should be of interest. Canada is anxious to improve its penetration of manufactured goods imports around the world, and these U.K.-based findings provide pertinent information.

For those with a more academic interest in the field covered by the research, insight is also provided. This is expanded on in the following section.

7.3 PAST, CURRENT, AND FUTURE RESEARCH

7.3.1 The current study in context

International marketing is a highly important economic activity, yet the literature scarcely reflects this fact. Although the literature is sizeable, the majority of contributions are of an anecdotal or impressionistic kind, and there is a noticeable absence of empirical studies. This situation has led Wind (1979, p. 11) to claim that international marketing has a "step-child" status in the marketing literature. The current study is one small step towards redressing this situation.

Popper metaphorically suggests that "theories are nets to catch what we call 'the world': to rationalize, to explain and to master it. We endeavour to make the mesh finer and finer" (1959, p. 59). Hopefully, this study provides material that helps the advance of theory in international marketing. A model of M-D relationships has been proposed in this study. Important descriptive variables were generated from reviews of various bodies of literature and from preliminary fieldwork. Then the links between these variables were tested through analysis of 21 sets of dyadic data. A good number of statistically significant findings were evident, and these lent a reasonable measure of support for the stated hypotheses. Overall, then, the model

seems a good "net" in which to catch the "world" of M-D exporting relationships.

By studying marketing channel behaviour internationally, the research also serves to extend the current marketing channels literature, which is almost exclusively based on research into domestic U.S. channels. Two other features of the research should be mentioned. First, the conceptual model developed in Chapter 3 is an explanation chain. Thus, as noted at the beginning of this chapter, it is implied that certain firm and environment factors shape the M-D relationship, and that this relationship in turn, helps to explain dyadic performance. While Hunt claims that "explanation chains abound in marketing" (1976, p. 53), relatively few have been examined in the fields covered in this study. Second, the research reported here had a dyadic emphasis. In other words, both manufacturer and overseas distributor views and experiences were reflected in the data that the analysis was based upon. Again, relatively few research studies have taken this approach in the past, but a number of marketing academics have argued that this situation should change (see, for example: Bonoma, Bagozzi and Zaltman 1978, p. 53).

7.3.2 Suggestions for future research

Inevitably, in the passage of a research project, thoughts turn to better methods of researching the problem area, and to extensions of the work in question. This is particularly the case when the topic being studied has received little empirical

attention. A number of suggestions for future research in this field are now made.

In future studies of a similar kind, the researcher would be well advised to include a narrower range of products in the company sample. At the outset of this study, it was believed that company product differences would not impact on channel relationships in a significant manner. Although all the products of the companies represented in the sample were those destined for intermediate markets, the range in cost, complexity, selling requirements, etc., may well have meant that somewhat different types of M-D dyads were examined. However, the fact that so many significant variable associations emerged in this situation, attests to the strength of many of the links examined.

If a desire to study changes and development in M-D relations looms large in future research, then longitudinal methods should be utilized. Multiple data-collection points would allow the researcher to be much more assertive about the magnitude and reasons for change in M-D relationships. As was pointed out in Chapter 6, however, methods of this kind are costly, involving several trips to at least two countries for data collection.

"Geocultural separation" was one factor identified in Chapter 2 as affecting export performance. To some extent, these were minimized in the present study, for while Ontario is quite geographically removed from the U.K., the effect of distance is reduced by modern transportation and communication linkages. Also, the cultural contrasts between Canada and the U.K., are not large. Following on from this, M-D relationships should probably

be studied in situations where the separation problems are more acute, e.g., Canada - Brazil. Again, however, such an approach requires a larger research budget and is likely more taxing for the researcher involved.

Finally, although it is felt that the most important variables are included in the model that has been tested, future research might well consider other firm and environment factors, relationship characteristics, and outcome variables. Scope also exists for different operationalization of the variables used here. In summary, the research agenda in this area of international marketing, as in others, is long and in need of urgent attention.

7.4 CONCLUDING COMMENTS

Numerous factors - controllable and uncontrollable - affect the success of any manufacturer in foreign markets, but Hirsch (1971) argues that marketing policies determine the level of export performance more than other controllable factors. When exporting takes place through an overseas distributor, the manufacturer's marketing policies are very much affected by the attitudes and activities of the distributor. At an operational level, the manufacturer's policies are transformed into marketing action by the distributor, through, for example, advertising, stocking, selling, and servicing. Distributors often play a role in policy formation too. Many provide advice on product line development and assessments of competitors' strategies in the overseas market. This can be an invaluable service to the

manufacturer. But before the operational and policy benefits can be enjoyed, the manufacturer has to work hard at the relationship it has with its distributor.

The potential that exists in a foreign market can only be truly exploited if certain drawbacks or "complications" of the overseas distributor method are overcome. This is no easy matter, as the study has shown. But the inherent difficulties of using overseas distributors can be overcome and high performance made possible. Horton, a practitioner, describes this process as follows:

A distributor is an independent. But if he is made aware of the opportunity being offered he will respond to your enthusiasm and your will to succeed ... As mutual respect grows and the commitment you both make becomes more significant, he will be more likely to follow your direction. Then the distributor's contribution becomes invaluable. He understands his nation's mentality, attitude, culture, prejudices - and language - better than any outsider. This combination makes a firm base for building business ... (1977, p. 74)

This quotation paraphrases very well much of what has gone before. The relationship between manufacturer and overseas distributor is both complex and dynamic. Yet the manufacturer must attempt to manage the relationship so as to achieve its foreign market penetration objectives. The study results show that high performance is feasible when an overseas distributor is used. Some of the difficulties and pitfalls of this exporting method are also demonstrated. Most importantly, however, the research identifies the kind of relationship the manufacturer should try to establish with its overseas distributor, so as to stand the best chance of foreign market success.

APPENDICES

Appendix A1

AGENDA OF ITEMS FOR PRELIMINARY FIELDWORK DISCUSSIONS

A sample of 20 writings were consulted to develop an agenda of items for discussion in preliminary fieldwork (Beeth 1973; Bickers 1971; Business International no date, 1970; Cateora and Hess 1975; Chemicals EDC 1973; Cunningham and Spigel 1971; Deschampsneufs 1967; Heck 1972; Hunt, Froggett and Hovell 1967; MacDonald 1959; McMillan and Paulden 1974; Mechanical Engineering EDC 1968; Miracle and Albaum 1970; Robinson 1973; Root 1966; Stuart 1965; Tookey 1964, 1975; Weller 1971.) The writings in question suggested the following items of concern in M-D relationships:

1. Providing market data, relaying information, setting targets, information for product modification
2. Credit policy, accounts receivable, currency problems
3. Manufacturers' export policies and intentions
4. Size of manufacturer, HQ organization, scale of operations
5. Other characteristics of manufacturer, e.g., foreign language skills, reputation in world trade, number of overseas selling methods used
6. Characteristics of distributor, e.g., sales ability, number of lines handled, financial stability, size, technical abilities
7. Overseas visits by manufacturer, communications with distributors
8. Servicing requirements, provision of technical information
9. Pricing and margins policy, price changes

10. Advertising and promotional activities
11. Physical supply of product
12. Inventories and parts supply
13. Plans of manufacturer for own sales branch
14. Training of distributor by manufacturer
15. Complaint handling by manufacturer, warranty and return goods policy
16. Control systems and performance appraisal
17. Agreement between manufacturer and distributor, e.g., exclusivity, legality
18. Other services provided by manufacturer, e.g., payment of society/club fees, recognition system
19. History of manufacturer-distributor relationship, e.g., length of association, extent of business involved
20. Demand and competitive levels in overseas market
21. Political factors, e.g., trading blocs and their membership, tariff levels, legal protection of the distributor.

Appendix A2
MANUFACTURER QUESTIONNAIRE

USING DISTRIBUTORS IN EXPORT MARKETS:
THE EXPERIENCE OF CANADIAN
MANUFACTURERS AND THEIR
U.K. DISTRIBUTORS

INTERVIEW GUIDE/MANUFACTURER

Manufacturer:

Company name _____
Address _____
Telephone () _____
Respondent's name _____
Position _____

Distributor:

Company name _____
Address _____
Telephone () _____
Contact Person's Name _____
Position _____

1 BACKGROUND INFORMATION

- 1.1 I'd like to begin by getting a better feel for the nature of your company and its business. Is your company part of a larger group?

(Circle) Yes / No

How is the group as a whole organized?
(Obtain organization chart or ask what this would roughly look like.)

- 1.2 How is your own company organized?
(Obtain organization chart or ask what this would roughly look like.)

- 1.3 About how many people are employed by your company? _____

1.4 What are the main industries that the group as a whole operates in?
 (Obtain brochures, annual reports etc.)

1.5 What are your company's main product lines?

What is the approximate share of the company's turnover accounted for
 by these product lines?

What are the main markets for these product lines?

Products	% of total company turnover	Main Markets	% of this product exported
1.		<hr/> <hr/>	
2.		<hr/> <hr/>	
3.		<hr/> <hr/>	
4.		<hr/> <hr/>	

1.6 If we took your TWO main product lines (from 1.5), who would be the main customers for these?
 (Describe customers regarding technology, size, concentration etc.)

Product _____

Customer _____

Product _____

Customer _____

1.7 Do you sell your products directly or indirectly to the customer in Canada?
 direct / indirect (specify)

U.S.A. direct / indirect (specify)

Other export markets direct / indirect (specify)

- Export house in Canada = EH
- Foreign buyer in Canada = FB
- Agent = A
- Distributor = D
- Canadian salesmen = CS
- Own sales subsidiaries = SS

1.	Market	Indirect Method					
		EH	FB	A	D	CS	SS
1.	_____	EH	FB	A	D	CS	SS
2.	_____	EH	FB	A	D	CS	SS
3.	_____	EH	FB	A	D	CS	SS
4.	_____	EH	FB	A	D	CS	SS
5.	_____	EH	FB	A	D	CS	SS
6.	_____	EH	FB	A	D	CS	SS

(If export sales methods vary)

Why do you use different export methods in these markets?

1.8 How many distributors do you use in export markets in total (including U.K.)?

_____ / uncertain

2 EXPORTING HISTORY

- 2.1 How long has your company been exporting? Date or Years
_____/uncertain
- 2.2 When did you begin to export to the U.K.? _____/uncertain
- 2.3 How long have you been using distributors in export markets? _____/uncertain
- 2.4 When did you first use a distributor in the U.K.? _____/uncertain
- 2.5 Have you continued to use a distributor in the U.K. from that time to the present? Yes / No / uncertain
- 2.6 How long have you used 'D' as your distributor in the U.K.? Date or Years
_____/uncertain

2.7 You say that 'D' has been your distributor for _____ years now. The next question I want to ask concerns your expectations of 'D' during their early days as your distributor. From talking with a number of exporting companies, it seems that manufacturers often have different ideas of what they want their distributor to do for them. On the one hand, some companies expect only sales of the distributor, while others almost expect their distributors to be like company sales offices, carrying adequate inventory, writing regular market reports, meeting annually set sales targets, and so on. Of course, there are also companies expecting something in between these extremes.

What did your company expect of 'D' in the early days?

uncertain

2.8 In the same way that manufacturers have different expectations of their distributors, it seems that distributors often vary in their expectations of their principals. Some simply expect orders to be shipped, while others expect much more back-up assistance from the principal.

What would you say 'D' expected of your company in the early days?

_____ uncertain

2.9 Over the period of your association with 'D' would you say that your company's expectations of 'D' have changed?

Yes / Somewhat / No / Uncertain

(If reply is yes or somewhat)

How have your expectations changed?

_____ uncertain

2.10 Similarly, would you say that 'D's' expectations of your company have changed over this period?

Yes / Somewhat / No / Uncertain

How?

_____ uncertain

3 DISTRIBUTOR AGREEMENT

3.1 Moving on to the arrangements between your company and 'D'--

Do you have a written distributor agreement with 'D'?

Yes / No

(if yes)

Could I have a copy of your agreement for information please?

(if no)

Is then, your agreement with 'D' a verbal one?

Yes / No

3.2 (If written)
What are your reasons for
having a written agreement
with 'D'?

(If verbal)
What are your reasons for having
a verbal agreement with 'D'?

3.3 Who would you say mostly set the terms of the agreement?

<u>Manufacturer</u>	<u>More Manufacturer than Distributor</u>	<u>Jointly</u>	<u>More Distributor than manufacturer</u>	<u>Distri- butor</u>	<u>Uncertain</u>
5	4	3	2	1	9

3.4 In overall terms were you satisfied with the terms of the agreement as they were struck?

<u>Satisfied</u>	<u>Indifferent *</u>	<u>Unsatisfied</u>	<u>Uncertain</u>		
5	4	3	2	1	9

* Knew wouldn't be very important.

3.5 If somebody were to know the terms of your agreement with 'D' (concerning procedures to follow, responsibilities etc.), would this give him an accurate picture of what happens between your company and 'D'?

Yes / Somewhat / No / Uncertain

(if not yes) Why is this so?

3.6 How important is the agreement to you in your company dealings with 'D'?

Very important

Neither

Very unimportant

5

4

3

2

1

4 MAKING DECISIONS

We've spoken about the agreement and its importance in everyday terms. I'd like to ask you how decisions of the following kind would be typically made between your company and 'D' (Show card)

- Manufacturer = 5
- More manufacturer than distributor = 4
- Jointly = 3
- More distributor than manufacturer = 2
- Distributor = 1
- Not applicable = 8
- Uncertain = 9

4.1 Making a price quote on a large order?

5 4 3 2 1 / 8 9

4.2 Extending the credit period for a U.K. customer?

5 4 3 2 1 / 8 9

4.3 'D' adding an extra salesman?

5 4 3 2 1 / 8 9

4.4 'D' increasing his gross margin?

5 4 3 2 1 / 8 9

4.5 Larger inventories to be held in the U.K.?

5 4 3 2 1 / 8 9

4.6 Modifying a product in the U.K. to better meet customer-needs?

5 4 3 2 1 / 8 9

4.7 Making a delivery promise to a long established customer pressing for early shipment?

5 4 3 2 1 / 8 9

4.8 A sales reorganization at 'D'?

5 4 3 2 1 / 8 9

4.9 Revising the sales quota for 'D' upwards because of booming demand?

5 4 3 2 1 / 8 9

4.10 A reduction of the principal's product line on offer in the U.K.

5 4 3 2 1 / 8 9

4.11 Are there other decision situations that you think illustrate how issues are handled by your company and 'D'?

1.

5 4 3 2 1 / 8 9

2.

5 4 3 2 1 / 8 9

3.

5 4 3 2 1 / 8 9

4.12 Suppose a critical issue arises that requires an on-the-spot decision in the U.K. but 'D' cannot reach you--would you stand behind the decision they make on your behalf?

Yes / No / Not applicable

(Probe)

/ Uncertain

5 DISAGREEMENTS

5.1 Working with others sometimes involves disagreements. Overall, how often would you say you disagree with 'D'?

<u>Very Often</u>		<u>Neither</u>		<u>Very Seldom</u>	<u>Uncertain</u>
5	4	3	2	1	9

5.2 When you do disagree, would you say that this is over

- objectives Yes / No / Uncertain

- how to achieve these objectives Yes / No / Uncertain

5.3 How often do you disagree with 'D' about the following activities, and could you give examples from your own business?

often = 5
seldom = 1
not applicable = 8
uncertain = 9

1. Exchanging information

5 4 3 2 1 / 8 9

2. Price levels

5 4 3 2 1 / 8 9

3. Advertising policy

5 4 3 2 1 / 8 9

4. Sales efforts

5 4 3 2 1 / 8 9

5. Inventory levels

5 4 3 2 1 / 8 9

6. Delivery schedules

5 4 3 2 1 / 8 9

7. Product servicing

5 4 3 2 1 / 8 9

8. Distributor margins

5 4 3 2 1 / 8 9

Other (specify)

9. _____

5 4 3 2 1 / 8 9

10. _____
 5 4 3 2 1 / 8 9

5.4 How are these disagreements usually resolved?

5.5 How often are these disagreements resolved to your satisfaction?

<u>Always</u>	<u>Very Often</u>		<u>Neither</u>		<u>Very Seldom</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

5.6 Comparing 'D' to other distributors that you deal with, would you say that you disagree more or less often with 'D'?

<u>More Often</u>		<u>Neither</u>		<u>Less Often</u>	<u>Uncertain</u>
5	4	3	2	1	9

5.7 To try to get a better feeling for your relationship with 'D', could I ask you to look at the terms on this card. Do you strongly agree that these terms describe your relationship with 'D', and could you give examples please? (Show card)

strongly agree = 5
 agree = 4
 uncertain = 3
 disagree = 2
 strongly disagree = 1

1. Support

5 4 3 2 1

2. Friction

5 4 3 2 1

3. Inconsistency

5 4 3 2 1

4. Closeness

5 4 3 2 1

5. Co-ordination

5 4 3 2 1

6. Resentment

5 4 3 2 1

7. Companionship

5 4 3 2 1

8. Dissension
5 4 3 2 1

9. Fairness
5 4 3 2 1

10. Unreasonable demands
5 4 3 2 1

11. Crossness
5 4 3 2 1

12. Trust
5 4 3 2 1

13. Broken promises
5 4 3 2 1

14. Assistance

5 4 3 2 1

15. Disputes

5 4 3 2 1

6 CONTACTS

6.1 It would be useful to have an idea of how much you are in contact with 'D'. Do you:

	Contacts per--				
	<u>No</u>	<u>Week</u>	<u>Month</u>	<u>Year</u>	<u>Uncertain</u>
1. Write reports to 'D'	N	---	---	---	U
2. Write letters to 'D'	N	---	---	---	U
3. Contact 'D' by telex	N	---	---	---	U
4. Telephone 'D'	N	---	---	---	U
5. Visit 'D' in the U.K.	N	---	---	---	U
6. Hold Distributor meetings/conferences	N	---	---	---	U
7. Distribute a company newsletter/journal overseas	N	---	---	---	U

6.2 Who else in your company has contact with 'D'?

Specific Function in own company	Specific Function in 'D'	Contact about	Usual contact Medium	Frequency of Contact

Prompt: Functions R&D, production, shipping, service, finance, export, sales, general management

Media reports, letters, documentation, telex, telephone, visits, meetings/conferences

6.3 Generally, do you feel that your company is in close enough contact with 'D'?

Yes / No / Uncertain

(If not yes)
Why do you feel this?

6.4 Do you feel that 'D' is in close enough contact with your company?

Yes / No / Uncertain

(If not yes)
Why do you feel this?

6.5 Overall, how extensive is the information exchange between your company and 'D'?

6.6 Given your needs, how adequate is the information exchanged?

7 SALES EFFORTS

7.1 When the distributorship with 'D' was first set up, did you provide training to 'D's staff?

Yes / No / Uncertain

How about refresher training, say up-dating product knowledge?

Yes / No / Uncertain

7.2 Do you feature the name and address of 'D' on your export letterhead?

Yes / No / Uncertain

7.3 How many people are employed in your company directly as a result of your exports through 'D' in the U.K.?

_____ / Uncertain

7.4 Some overseas distributors receive supplies and support of various kinds from their principals, e.g., product manuals, promotional materials... Do you supply 'D' with anything of this kind?

Yes / No / Uncertain

(If yes)

What are these materials and what would be the rough cost to you of supplying them?

 _____ Cost \$ _____

7.5 Compared to other distributors you have, how much effort do you feel that you expend on 'D's behalf?

<u>Much more</u>		<u>Neither</u>	<u>Much less</u>		<u>Uncertain</u>
5	4	3	2	1	9

Why is this so?

8 MARKET AND INDUSTRY CHARACTERISTICS

8.1 I'd like to find out a little more about the industry and market conditions facing your company. How would you describe the past trends and future potential in your industry?

Does the U.K. market present any differences from this general assessment?

Yes / No / Uncertain

8.2 Thinking about your company's business over the last 5 years or so, how often have you:

	<u>Always</u>	<u>Very Often</u>	<u>Neither</u>	<u>Very Seldom</u>	<u>Un-certain</u>		
1. Realised your sales objectives?	6	5	4	3	2	1	9
2. Realised your profit objectives?	6	5	4	3	2	1	9

8.3 How many competitors do you face in the Canadian market?

_____ / Uncertain

How many competitors do you face in the U.K. market?

_____ / Uncertain

- 8.4 Could you describe the competition in the U.K. market?
(e.g. level of competition, origin, elements--price, product quality, delivery)

- 8.5 How many new products have you launched in the last 2 years?

_____ / Uncertain

How much does your company typically spend on R & D?

R & D / Sales _____ % / Uncertain

- 8.6 It would be useful to know how much change you experience in your business.
Using the last 5 years as a point of reference, how much change do you feel
has occurred in:

	<u>Very Stable</u>		<u>Uncertain</u>		<u>Very Unstable</u>	
1. Buying patterns and customer requirements.	1	2	3	4	5	
2. Distributors' attitudes	1	2	3	4	5	
3. Industry pricing practices	1	2	3	4	5	
4. Competitors' strategies	1	2	3	4	5	
5. Technical developments	1	2	3	4	5	
6. Changes in production processes	1	2	3	4	5	
7. Government policies that affect your business	1	2	3	4	5	

9 EXPORT PERFORMANCE AND FUTURE PLANS

9.1 In the final few questions, I'd like to talk about your export performance. What has happened to your U.K. sales over the last 3 years?

<u>Growing Quickly</u>		<u>Neither</u>		<u>Declining Quickly</u>
5	4	3	2	1

9.2 What have been the most important factors affecting these sales?

9.3 What is your current level of sales through 'D' in the U.K.?

\$ _____

About what market share would that give you?

_____ %

9.4 What percentage of your -- total

_____ %

-- export

_____ %

sales is accounted for by sales through 'D'?

9.5 How satisfied are you with the current level of sales through 'D' in the U.K.?

<u>Extremely Satisfied</u>	<u>Very Satisfied</u>		<u>Neither</u>		<u>Very Dissatisfied</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.6 Supposing you had to replace 'D' for some reason, how long would it take to replace them, and get back to the position you currently have with 'D'?

_____ years / Uncertain

9.7 How important do you feel 'D' is to your business operations in the U.K.?

<u>Extremely Important</u>	<u>Very Important</u>		<u>Neither</u>		<u>Very Unimportant</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.8 How cooperative would you say your relationship with 'D' is?

<u>Extremely Cooperative</u>	<u>Very Important</u>	<u>Neither</u>	<u>Very Uncooperative</u>	<u>Uncertain</u>		
6	5	4	3	2	1	9

9.9 In overall terms, how satisfied are you with your relationship with 'D'?

<u>Extremely Satisfied</u>	<u>Very Satisfied</u>	<u>Neither</u>	<u>Very Dissatisfied</u>	<u>Uncertain</u>		
6	5	4	3	2	1	9

9.10 To end, could I ask you what your plans are for the U.K. market over the next few years?

(Probe)

	<u>Yes</u>	/	<u>Maybe</u>	/	<u>No</u>	/	<u>Uncertain</u>
1. Continue as present	Y		M		N		U
2. Forge stronger relationship with 'D'	Y		M		N		U
3. Continue to sell in U.K. but find new distributor	Y		M		N		U
4. Manufacture under licence	Y		M		N		U
5. Manufacture in U.K. and sell through own sales force	Y		M		N		U
6. Stop selling in U.K.	Y		M		N		U

THANK YOU FOR YOUR COOPERATION AND PATIENCE!

Appendix A3
OVERSEAS DISTRIBUTOR QUESTIONNAIRE

USING DISTRIBUTORS IN EXPORT MARKETS:
THE EXPERIENCE OF CANADIAN
MANUFACTURERS AND THEIR
U.K. DISTRIBUTORS

INTERVIEW GUIDE/DISTRIBUTOR

Distributor:

Company name _____
Address _____
Telephone () - _____
Respondent's name _____
Position _____

Manufacturer:

Company name _____
Contact person's name _____

1 BACKGROUND INFORMATION

- 1.1 I'd like to begin by getting a better feel for the nature of your company and its business. Is your company part of a larger group?

(Circle) Yes / No

How is the group as a whole organized?

(Obtain organization chart or ask what this would roughly look like.)

- 1.2 How is your own company organized?

(Obtain organization chart or ask what this would roughly look like.)

- 1.3 About how many people are employed by your company? _____

1.4 What are the main industries that the group as a whole operates in?
(Obtain brochures, annual reports etc.)

1.5 What are your company's main product lines?

Which manufacturers supply you with these products?

Which of these product lines are imported?

What is the approximate share of the company's turnover accounted for by these product lines?

Do you sell any of these products outside the U.K., and if so, in which markets?

Products/Manufacturers	Imports	% of total company turnover	Markets sold in
1.			
2.			
3.			
4.			

1.6 If we took your TWO main product lines (from 1.5), who would be the main customers for these?
 (Describe customers regarding technology, size, concentration etc.)

Product _____

Customer _____

Product _____

Customer _____

1.7 Do you sell your products directly or indirectly to the customer in the U.K.?
 direct / indirect (specify)

Export markets direct / indirect (specify)

- Export house in U.K. = EH
- Foreign buyer in U.K. = FB
- Agent = A
- Distributor = D
- U.K. salesmen = US
- Own sales subsidiaries = SS

<u>Market</u>	<u>Indirect Method</u>					
1. _____	EH	FB	A	D	US	SS
2. _____	EH	FB	A	D	US	SS
3. _____	EH	FB	A	D	US	SS
4. _____	EH	FB	A	D	US	SS
5. _____	EH	FB	A	D	US	SS
6. _____	EH	FB	A	D	US	SS

(If export sales methods vary)

Why do you use different export methods in these markets?

1.8 How many foreign principals do you represent in the U.K. market?

_____ / uncertain

2 IMPORTING HISTORY

- 2.1 How long has your company been importing? Date or Years
_____ / uncertain
- 2.2 When was your company first appointed as the U.K. distributor for an overseas manufacturer? _____ / uncertain
- 2.3 When did you begin to import from Canada? _____ / uncertain
- 2.4 Have you continued to import from Canada from that time to the present? Yes / No / uncertain
- 2.5 When was your company first appointed as the U.K. distributor by a Canadian manufacturer? Date or Years
_____ / uncertain
- 2.6 How long have you represented 'M' as their distributor in the U.K.? _____ / uncertain
- 2.7 You say that you have represented 'M' for _____ years now. The next question I want to ask concerns your expectations of 'M' during your early days as their distributor. From talking with a number of distributors, it seems that various companies have different ideas of what they want their principal to do for them. Some just expect orders to be shipped on time, while others expect much more in the way of back-up assistance from the principal, for example, technical help, promotional assistance, and so on.

What did your company expect of 'M' in the early days?

_____ uncertain

3 DISTRIBUTOR AGREEMENT

3.1 Moving on to the arrangements between your company and 'M'--

Do you have a written distributor agreement with 'M'?

Yes / No

(if yes)

Could I have a copy of your agreement for information please?

(if no)

Is then, your agreement with 'M' a verbal one?

Yes / No

3.2 (If written)

What are your reasons for having a written agreement with 'M'?

(If verbal)

What are your reasons for having a verbal agreement with 'M'?

3.3 Who would you say mostly set the terms of the agreement?

<u>Manufacturer</u>	<u>More Manufacturer than Distributor</u>	<u>Jointly</u>	<u>More Distributor than manufacturer</u>	<u>Distri- butor</u>	<u>Uncertain</u>
5	4	3	2	1	9

3.4 In overall terms were you satisfied with the terms of the agreement as they were struck?

<u>Satisfied</u>	<u>Indifferent *</u>	<u>Unsatisfied</u>	<u>Uncertain</u>
5	4	3	2
		1	9

* Knew wouldn't be very important.

3.5 If somebody were to know the terms of your agreement with 'M' (concerning procedures to follow, responsibilities etc.), would this give him an accurate picture of what happens between your company and 'M'?

Yes / Somewhat / No / Uncertain

(if not yes) Why is this so?

3.6 How important is the agreement to you in your company dealings with 'M'?

<u>Very important</u>		<u>Neither</u>		<u>Very unimportant</u>
5	4	3	2	1

4 MAKING DECISIONS

We've spoken about the agreement and its importance in everyday terms. I'd like to ask you how decisions of the following kind would be typically made between your company and 'M' (Show card)

- Manufacturer = 5
- More manufacturer than distributor = 4
- Jointly = 3
- More distributor than manufacturer = 2
- Distributor = 1
- Not applicable = 8
- Uncertain = 9

4.1 Making a price quote on a large order?

5 4 3 2 1 / 8 9

4.2 Extending the credit period for a U.K. customer?

5 4 3 2 1 / 8 9

4.3 'D' adding an extra salesman?

5 4 3 2 1 / 8 9

4.4 'D' increasing his gross margin?

5 4 3 2 1 / 8 9

4.5 Larger inventories to be held in the U.K.?

5 4 3 2 1 / 8 9

4.6 Modifying a product in the U.K. to better meet customer-needs?

5 4 3 2 1 / 8 9

4.7 Making a delivery promise to a long established customer pressing for early shipment?

5 4 3 2 1 / 8 9

4.8 A sales reorganization at 'D'?

5 4 3 2 1 / 8 9

4.9 Revising the sales quota for 'D' upwards because of booming demand?

5 4 3 2 1 / 8 9

4.10 A reduction of the principal's product line on offer in the U.K.

5 4 3 2 1 / 8 9

4.11 Are there other decision situations that you think illustrate how issues are handled by your company and 'M'?

1.

5 4 3 2 1 / 8 9

2.

5 4 3 2 1 / 8 9

3.

5 4 3 2 1 / 8 9

4.12 Suppose a critical issue arises that requires an on-the-spot decision in the U.K. but you cannot reach 'M'---would 'M' stand behind the decision you made on their behalf?

Yes / No / Not applicable / Uncertain

(Probe)

5 DISAGREEMENTS

5.1 Working with others sometimes involves disagreements. Overall, how often would you say you disagree with 'M'?

<u>Very Often</u>		<u>Neither</u>		<u>Very Seldom</u>	<u>Uncertain</u>
5	4	3	2	1	9

5.2 When you do disagree, would you say that this is over

- objectives Yes / No / Uncertain
- how to achieve these objectives Yes / No / Uncertain

5.3 How often do you disagree with 'M' about the following activities, and could you give examples from your own business?

often = 5
seldom = 1
not applicable = 8
uncertain = 9

1. Exchanging information

5 4 3 2 1 / 8 9

2. Price levels

5 4 3 2 1 / 8 9

3. Advertising policy

5 4 3 2 1 / 8 9

4. Sales efforts

5 4 3 2 1 / 8 9

5. Inventory levels

5 4 3 2 1 / 8 9

6. Delivery schedules

5 4 3 2 1 / 8 9

7. Product servicing

5 4 3 2 1 / 8 9

8. Distributor margins

5 4 3 2 1 / 8 9

Other (specify)

9. _____

5 4 3 2 1 / 8 9

10. _____
 5 4 3 2 1 / 8 9

5.4 How are these disagreements usually resolved?

5.5 How often are these disagreements resolved to your satisfaction?

<u>Always</u>	<u>Very Often</u>		<u>Neither</u>		<u>Very Seldom</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

5.6 Comparing 'M' to other principals that you deal with, would you say that you disagree more or less often with 'M'?

<u>More Often</u>		<u>Neither</u>		<u>Less Often</u>	<u>Uncertain</u>
5	4	3	2	1	9

5.7 To try to get a better feeling for your relationship with 'M', could I ask you to look at the terms on this card. Do you strongly agree that these terms describe your relationship with 'M', and could you give examples please? (Show card)

strongly agree = 5
 agree = 4
 uncertain = 3
 disagree = 2
 strongly disagree = 1

1. Support

5 4 3 2 1

2. Friction

5 4 3 2 1

3. Inconsistency

5 4 3 2 1

4. Closeness

5 4 3 2 1

5. Co-ordination

5 4 3 2 1

6. Resentment

5 4 3 2 1

7. Companionship

5 4 3 2 1

8. Dissension

5 4 3 2 1

9. Fairness

5 4 3 2 1

10. Unreasonable demands

5 4 3 2 1

11. Crossness

5 4 3 2 1

12. Trust

5 4 3 2 1

13. Broken promises

5 4 3 2 1

14. Assistance

5 4 3 2 1

15. Disputes

5 4 3 2 1

6 CONTACTS

6.1 It would be useful to have an idea of how much you are in contact with 'M'. Do you:

	Contacts per--				
	<u>No</u>	<u>Week</u>	<u>Month</u>	<u>Year</u>	<u>Uncertain</u>
1. Write reports to 'M'	N	---	---	---	U
2. Write letters to 'M'	N	---	---	---	U
3. Contact 'M' by telex	N	---	---	---	U
4. Telephone 'M'	N	---	---	---	U
5. Visit 'M' in Canada	N	---	---	---	U
6. Distribute a company newsletter/journal to 'M'	N	---	---	---	U

6.2 Who else in your company has contact with 'M'?

Specific Function in own company	Specific Function in 'M'	Contact about	Usual contact Medium	Frequency of Contact

Prompt: Functions R&D, production, shipping, service, finance, export, sales, general management

Media reports, letters, documentation, telex, telephone, visits, meetings/conferences

6.3 Generally, do you feel that your company is in close enough contact with 'M'?

Yes / No / Uncertain

(If not yes)
Why do you feel this?

6.4 Do you feel that 'M' is in close enough contact with your company?

Yes / No / Uncertain

(If not yes)
Why do you feel this?

6.5 Overall, how extensive is the information exchange between your company and 'M'?

6.6 Given your needs, how adequate is the information exchanged?

7 SALES EFFORTS

7.1 What is the value of the stock of 'M's' products that you usually carry?

£ _____ / uncertain

7.2 What use do you make of 'M's' logo and other symbols?

Do you feature 'M's' name on your company letterhead?

Yes / No / uncertain

7.3 How many people are employed in your company directly and solely as a result of your selling 'M's' products in the U.K.?

_____ / uncertain

7.4 Compared to other principals you represent, how much effort do you feel that you expend on 'M's' behalf?

<u>Much more</u>		<u>Neither</u>		<u>Much less</u>	<u>Uncertain</u>
5	4	3	2	1	9

Why is this so?

8 MARKET AND INDUSTRY CHARACTERISTICS

8.1 I'd like to find out a little more about the industry and market conditions facing your company. How would you describe the past trends and future potential in your industry?

8.2 Thinking about your company's business over the last 5 years or so, how often have you:

	<u>Always</u>	<u>Very Often</u>	<u>Neither</u>	<u>Very Seldom</u>	<u>Un-certain</u>
1. Realised your sales objectives?	6	5	4	3	2
2. Realised your profit objectives?	6	5	4	3	2

8.3 To get some feel for the size of your company, what was the level of total sales for your most recent year's trading?

£ _____ / uncertain / refused

What percentage of these sales come from imported products?

_____ % / uncertain / refused

8.4 How many competing product lines do you face when selling 'M's' product in the U.K. Market?

_____ / uncertain

- 8.5 Could you describe the competition in the U.K. market?
(e.g. level of competition, origin, elements--price, product quality, delivery)

- 8.6 How many new products have you introduced in the last 2 years?

_____ / Uncertain

- 8.7 It would be useful to know how much change you experience in your business. Using the last 5 years as a point of reference, how much change do you feel has occurred in:

	<u>Very Stable</u>		<u>Uncertain</u>		<u>Very Unstable</u>	
1. Buying patterns and customer requirements.	1	2	3	4	5	
2. Principals' attitudes	1	2	3	4	5	
3. Industry pricing practices	1	2	3	4	5	
4. Competitors' strategies	1	2	3	4	5	
5. Technical developments	1	2	3	4	5	
6. Changes in production processes	1	2	3	4	5	
7. Government policies that affect your business	1	2	3	4	5	

9 SALES PERFORMANCE AND FUTURE PLANS

9.1 In the final few questions, I'd like to talk about your sales of 'M's' products in the U.K. What has happened to these sales over the last 3 years?

<u>Growing Quickly</u>		<u>Neither</u>		<u>Declining Quickly</u>
5	4	3	2	1

Note: Be sure that the respondent is talking in unit terms or ensure financial terms are corrected for price inflation.

9.2 What have been the most important factors affecting these sales?

9.3 What is your current level of sales of 'M's' products in the U.K.?

About what market share would that give you?

9.4 How satisfied are you with the current level of sales of 'M's' product in the U.K.?

<u>Extremely Satisfied</u>	<u>Very Satisfied</u>		<u>Neither</u>		<u>Very Dissatisfied</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.5 Supposing you had to replace 'M' for some reason, how long would it take to replace them, and get back to the position you currently have with 'M'?

_____ years / uncertain

9.6 How important do you feel 'M' is to your U.K. business operations?

<u>Extremely Important</u>	<u>Very Important</u>		<u>Neither</u>		<u>Very Unimportant</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.7 How cooperative would you say your relationship with 'M' is?

<u>Extremely Cooperative</u>	<u>Very Cooperative</u>		<u>Neither</u>		<u>Very Uncooperative</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.8 In overall terms, how satisfied are you with your relationship with 'M'?

<u>Extremely Satisfied</u>	<u>Very Satisfied</u>		<u>Neither</u>		<u>Very Dissatisfied</u>	<u>Uncertain</u>
6	5	4	3	2	1	9

9.9 To end, could I ask you what your future plans are concerning 'M's' products?

(Probe)

	<u>Yes</u>	/	<u>Maybe</u>	/	<u>No</u>	/	<u>Uncertain</u>
1. Continue as present	Y	.	M	.	N	.	U
2. Forge stronger relationship with 'M'	Y	.	M	.	N	.	U
3. Continue to sell but find new principal	Y	.	M	.	N	.	U
4. Manufacture under licence	Y	.	M	.	N	.	U
5. Stop selling	Y	.	M	.	N	.	U

THANK YOU FOR YOUR COOPERATION AND PATIENCE!

Appendix A4
MANUFACTURER SELF-COMPLETION
QUESTIONNAIRE

Company:

QUESTIONS DEALING WITH THE EXPERIENCE OF THE CONTACT PERSON IN THE MANUFACTURER'S ORGANIZATION

I'd like to find out a little about the contact persons in both the principal's and the distributor's organizations since they clearly are important in the export operations. Would you please help me by answering the following questions?

1. Who is your main contact in the distributor's organization?

Mr./Mrs. _____

2. What is his/her position?

3. About how old would he/she be? _____ years / uncertain

4. How long have you been dealing with him/her? _____ years

5. Who else do you have contact with in the distributor's organization, and how frequent are these contacts?

(Please check the most appropriate contact frequency reponse)

Position or Function	Contact Frequency		
	Often	Sometimes	Seldom
1.			
2.			
3.			
4.			
5.			
6.			

6. Would you describe for me in a few words what your present job involves?

7. For how many years have you been in your present position?

_____ years

8. Have you held other positions in this company? Yes / No

(If yes) what kinds of positions and for how many years?

	No. of Years	Position
Last job		
Job before last		
etc.		

9. Have you worked in other companies? Yes / No

(If yes) what kinds of companies, positions, and for how long?

	No. of years	Company		Final position
		Size *	Industry	
Last company				
Company before last				
etc.				

* Company size: Small -- less than 50 employees
 Medium -- 50 - 500 employees
 Large -- more than 500 employees

10. Have you lived and worked abroad? Yes / No

(If yes)

Which countries have you lived and worked in, and for how many years?

<u>Country</u>	<u>Years</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____

11. Do you have experience of marketing to countries other than the U.K.?

Yes / No

(If yes)

Which countries do you have experience of and for how many years?

<u>Country</u>	<u>Years</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____

12. Do you travel abroad as part of your present job? Yes / No

(If yes)

Approximately how many days per year? _____

13. What is your knowledge of foreign languages?
(Please check the most appropriate language knowledge response)

Language	Knowledge			
	Good (can discuss complex tech- nical matters)	Limited (can read but not negotiate)	Very Limited (never use on job)	Nil
1.				
2.				
3.				
4.				
5.				
6.				

14. Please indicate your educational background below:
(circle appropriate response)

General education: 1. Finished grade school
2. Finished high school
3. Finished college
4. Finished graduate work

Commercial education (e.g. MBA, C.A.,.....):

Technical education (e.g. as part of degree programme, or professional qualification)

THANK YOU FOR YOUR COOPERATION!

Please return to: Prof. Philip Rosson, School of Business Administration,
Dalhousie University, Halifax, N.S.

Appendix A5
OVERSEAS DISTRIBUTOR SELF-COMPLETION
QUESTIONNAIRE

Company:

QUESTIONS DEALING WITH THE EXPERIENCE OF THE CONTACT PERSON IN THE DISTRIBUTOR'S ORGANIZATION

I'd like to find out a little about the contact persons in both the principal's and the distributor's organizations since they clearly are important in the export operations. Would you please help me by answering the following questions?

1. Who is your main contact in the principal's organization?

Mr./Mrs. _____

2. What is his/her position?

3. About how old would he/she be? _____ years / uncertain

4. How long have you been dealing with him/her? _____ years

5. Who else do you have contact with in the principal's organization, and how frequent are these contacts?

(Please check the most appropriate contact frequency reponse)

Position or Function	Contact Frequency		
	Often	Sometimes	Seldom
1.			
2.			
3.			
4.			
5.			
6.			

6. Would you describe for me in a few words what your present job involves?

7. For how many years have you been in your present position?

_____ years

8. Have you held other positions in this company? Yes / No

(If yes) what kinds of positions and for how many years?

	No. of Years	Position
Last job		
Job before last		
etc.		

9. Have you worked in other companies? Yes / No

(If yes) what kinds of companies, positions, and for how long?

	No. of years	Company		Final position
		Size *	Industry	
Last company				
Company before last				
etc.				

* Company size: Small -- less than 50 employees
 Medium -- 50 - 500 employees
 Large -- more than 500 employees

10. Have you lived and worked abroad? Yes / No

(If yes)

Which countries have you lived and worked in, and for how many years?

<u>Country</u>	<u>Years</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____

11. Do you have experience of importing from countries other than Canada?

Yes / No

(If yes)

Which countries do you have experience of and for how many years?

<u>Country</u>	<u>Years</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____

12. Do you travel abroad as part of your present job? Yes / No

(If yes)

Approximately how many days per year? _____

13. What is your knowledge of foreign languages?
(Please check the most appropriate language knowledge response)

Language	Knowledge			
	Good (can discuss complex tech- nical matters)	Limited (can read but not negotiate)	Very Limited (never use on job)	Nil
1.				
2.				
3.				
4.				
5.				
6.				

14. Please indicate your educational background below:
(circle appropriate response)

General education: 1. Finished secondary school
 2. Finished undergraduate degree/diploma
 3. Finished postgraduate degree/diploma

Commercial education (e.g. MBA, C.A.,.....):

Technical education (e.g. as part of degree programme, or professional qualification)

THANK YOU FOR YOUR COOPERATION!

Please return to: Prof. Philip Rosson, School of Business Administration,
Dalhousie University, Halifax, N.S.

Appendix A6
MODEL VARIABLES, MEASURES AND SCORING
PROCEDURES

Additional information on each of the variable measures considered is presented below. For each measure, scoring procedures are detailed. As well, the location of the measure in the relevant questionnaire is indicated. Measures shown asterisked (*) are those where responses were not summed. Datum here reflect the response of either manufacturer or overseas distributor. In all other cases the scores for the two companies were combined. Here, then, the response is that of the dyad, rather than one of the interacting firms.

Measure reference	Label	Scoring Procedure	Questionnaire reference
		<u>Stake</u>	
SK1	<u>time to replace D/M</u>	6-point scale, range (1) would not replace, to (6) could not replace	M9.6 D9.5
SK2	<u>importance of D/M</u>	6-point scale, range (1) very unimportant, to (6) extremely important	M9.7 D9.6
SK3	<u>% of M's total sales through D*</u>	$\frac{\text{U.K. sales}}{\text{total sales}} \times 100\%$	M9.3, M9.4
SK4	<u>% of D's total sales through M*</u>	$\frac{\text{M's sales}}{\text{total sales}} \times 100\%$	D8.3, D9.3
SK5	<u>% of M's exports through D*</u>	$\frac{\text{U.K. sales}}{\text{export sales}} \times 100\%$	M9.3, M9.4
SK6	<u>% of D's imports through M*</u>	$\frac{\text{M's sales}}{\text{import sales}} \times 100\%$	D8.3, D9.3

Measure reference	Label	Scoring Procedure	Questionnaire reference
SK7	<u>importance of business to M/D</u>	5-point scale, range (1) SK3 10% or more greater than SK4, to (5) SK4 10% or more greater than SK3	M9.3, M9.4 D8.3, D9.3
<u>Experience</u>			
CE1	<u>no. of overseas contracts</u>	number	M1.8 D1.8
CE2	<u>years of international trading</u>	years	M2.1 D2.1
CE3	<u>years of U.K./Canada trading</u>	years	M2.2 D2.3
CE4	<u>years M-D relationship established</u>	years	M2.6 D2.6
CE5	<u>relationship contact level</u>	2-point scale, range (1) owner or senior management, (2) middle management	M2 D2 (underlined references in self completion questionnaire)
<u>Experience - personal</u>			
PE1	<u>contact age</u>	age	M3 D3
PE2	<u>years of personal contact</u>	years	M4 D4
PE3	<u>work experience overseas</u>	2-point scale, range (1) no, (2) yes	M10 D10
PE4	<u>days overseas</u>	days	M12 D12
PE5	<u>overseas trading experience</u>	sum of years experience exporting/importing to various countries by M/D respectively	M11 D11

Measure reference	Label	Scoring Procedure	Questionnaire reference
PE6	<u>schooling</u>	for M, 4-point scale, range (1) grade school to (4) graduate work: for D, 3-point scale, range (1) secondary school, to (3) post-graduate	M14 D14
PE7	<u>company experience</u>	years	M8 D8
<u>Uncertainty</u>			
U1	<u>profit objectives reached</u>	6-point scale, range (1) very seldom, to (6) always	M8.2 D8.2
U2	<u>new product activity</u>	3-point scale, range (1) 2 or less, to (3) 10 or more	M8.5 D8.6
U3	<u>U.K. competition</u>	number	M8.3 D8.4
U4	<u>R&D expenditures*</u>	2-point scale, (1) less than 5% of sales, (2) 5% of sales or more	M8.5
U5	<u>industry change</u>	5-point scale, range (1) very stable, to (5) very unstable - index is the average score over 7 items	M8.6.1-7 D8.7.1-7
<u>Formalization</u>			
F1	<u>agreement formality</u>	3-point scale, range (1) verbal agreement, to (3) legal contract	M3.1 D3.1
<u>Standardization</u>			
SD1	<u>stability of roles and routines</u>	3-point scale, range (1) fixed, to (3) changing	M2.7,2.8 D2,7,2.8

Measure reference	Label	Scoring Procedure	Questionnaire reference
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Reciprocity

RP1	<u>decision-making</u>	5-point scale, range	M4.1-10
	<u>in the dyad</u>	(1) made by M, to (5) made by D - index scored as indicated below	D4.1-10

Most of the ten decision areas studied tended to be largely the domain of one of the dyad members. In order to devise a measure of reciprocity the raw data had to be transformed. The approach used compared each dyad's response to that of all dyads in each of the ten decision areas. Thus, dyads scoring close to the average were held to reflect relatively joint or reciprocal decision-making. In contrast, dyads whose scores were more extreme were regarded as displaying less reciprocity, i.e., one of the parties was exerting relatively more influence than the average in the decision area in question.

The measure for each dyad was calculated as follows:

- take first decision area (i.e., price quote)
 1. sum responses by dyad
 2. calculate mean for all dyads
 3. subtract mean from each dyad score and record difference for each dyad
- repeat process for remaining 9 decision areas
- sum 10 decision area difference scores for each dyad
- the resulting 21 dyad scores were interpreted as follows: low score - close to average decision-making, thus relatively reciprocal; high score positive or negative - more distant from average decision-making, thus, relatively less reciprocal.
- reverse the resulting scores and ignore directional signs: high-score - reciprocal decision-making, low score - less reciprocal (influenced) decision-making.

Measure reference	Label	Scoring Procedure	Questionnaire reference
RP2	<u>spot decision-making</u>	3-point scale, range (1) no, to (3) yes	M4.12 D4.12
<u>Intensity - contact</u>			
CI1	<u>no. of letters</u>	number	M6.1.2 D6.1.2
CI2	<u>no. of phonecalls</u>	number	M6.1.4 D6.1.4
CI3	<u>no. of visits</u>	number	M6.1.5 D6.1.5
CI4	<u>no. of telex messages</u>	number	M6.1.3 D6.1.3
CI5	<u>no. of company linkages</u>	number	M6.2 D6.2
CI6	<u>other contact frequency</u>	sum of other contacts X frequency of contact	M5 D5
<u>Intensity - resource</u>			
RI1	<u>support materials*</u>	sum of separate item types provided	M7.4
RI2	<u>use of M's logo*</u>	3-point scale, range (1) non-use, to (3) use on letterhead	D7.2
RI3	<u>stock carried*</u>	value of stock	D7.1
RI4	<u>training*</u>	2-point scale, (1) no, (2) yes	M7.1
RI5	<u>effort expended</u>	5-point scale, range (1) much less, to (5) much more	M7.5 D7.4
<u>Conflict</u>			
C1	<u>conflict over objectives</u>	3-point scale, range (1) no, to (3) yes	M5.2 D5.2
C2	<u>conflict frequency</u>	6-point scale, range (1) never, to (6) very often	M5.1 D5.2

Measure reference	Label	Scoring Procedure	Questionnaire reference
C3	<u>decision area conflict</u>	5-point scale, range (1) seldom, to (5) very often - index is the average score over eight items	M5.3.1-8 D5.3.1-8
C4	<u>conflict descriptor score</u>	3-point scale, range (1) no, to (3) yes - the following items were reverse scored: support, closeness, coordination, companionship, fairness, trust, assistance - index is the average score over twelve items	M5.7.1-12 D5.7.1-12
C5	<u>comparative conflict in relationship</u>	5-point scale, range (1) less often, to (5) more often	M5.6 D5.6
C6	<u>resolution frequency</u>	6-point scale, range (1) less often, to (6) always	M5.5 D5.5
<u>Performance</u>			
P1	<u>trend in sales</u>	5-point scale, range (1) declining quickly, to (5) growing quickly	M9.1 D9.1
P2	<u>U.K. sales</u>	sales	M9.3 D9.3
P3	<u>sales satisfaction</u>	6-point scale, range (1) very dissatisfied, to (6) extremely satisfied	M9.5 D9.4
P4	<u>cooperation</u>	6-point scale, range (1) very uncooperative, to (6) extremely cooperative	M9.8 D9.7
P5	<u>overall satisfaction</u>	6-point scale, range (1) very dissatisfied, to (6) extremely satisfied	M9.9 D9.8

Measure reference	Label	Scoring Procedure	Questionnaire reference
P6	<u>future plans</u>	4-point scale, range - for M (1) licence production in U.K., to (4) work closer with D - for D (1) replace M, to (4) work closer with M	M9.10 D9.9

Appendix A7
LETTER SENT TO, AND INFORMATION COLLECTED
FROM MANUFACTURERS



Centre for International Business Studies

School of Business Administration, Dalhousie University, Halifax, Nova Scotia

April 21, 1978

Dear Sir:

As you know, many Canadian companies make use of overseas distributors to sell their products in foreign markets. This type of export arrangement is the subject of one of the current research projects of this Centre. We plan to talk with a number of Canadian manufacturers about their experiences selling through distributors in the U.K. Market. From the information that is collected during these discussions, we hope to be able to develop specific Canadian materials which will be very useful in our exporting courses.

We understand that your company exports to the U.K., and that you use a stocking distributor in that market. Should this be so, we hope that we might enlist your support for the project. This would involve a single interview, lasting about an hour and a half, at a convenient time during May. Naturally, any information collected will be treated in a confidential fashion, and will be reported only in aggregate form.

For convenience we enclose a form letter for your reply. We hope you will be able to support the study. For those firms agreeing to do so, we will be in touch again shortly.

Sincerely,

Philip J. Rosson
Assistant Professor



Please return to:

Prof. Philip J. Rosson
 16 Murray Hill Drive
 Dartmouth, Nova Scotia
 B2Y 3A7

Exporting ProjectPlease Circle

1. We export to the U.K. Yes No
2. We use a distributor* in the U.K. Yes No
- (* by a distributor we refer to a company buying from the exporter and reselling at a profit)

3. We are willing to take part in the project. Yes No

Please complete

THANK YOU

4. Our export sales to the U.K. are about \$ _____ annually.

5. We have been exporting to the U.K. for about _____ years.

6. Our exports to the U.K. are mainly of the following products:

7. Name and position of person that should be contacted. This should be the manager that deals with the U.K. distributor on a continuing basis.

Name: _____

Position: _____

THANK YOU FOR YOUR HELP

Appendix A8
LETTER SENT TO, AND INFORMATION COLLECTED
FROM OVERSEAS DISTRIBUTORS



Centre for International Business Studies

School of Business Administration, Dalhousie University, Halifax, Nova Scotia

Our Centre is currently engaged in a research project with the School of Management at the University of Bath. The project concerns exports of Canadian goods to the U.K. Market, and specifically the use of distributors, like your own company, by Canadian manufacturers. We plan to discuss with a number of Canadian and British companies their experiences of this type of exporting arrangement.

Our intention in carrying out this research project is to develop a better practical understanding of what is involved in export arrangements of this type. The information collected will enable the teaching of exporting at both universities to be as realistically based as possible.

In May we talked with a number of companies in Canada and during August we intend to repeat this with their distributors in Britain. By interviewing both parties, we believe we will develop a fuller understanding - both sides of the "story" being preferable to one. We have already spoken to Mr. _____ of _____ about their export efforts in the U.K. He told us that you are his main contact in your own organization, and suggested we write to you. We hope that we can enlist your support for the project. This would involve a single interview, lasting about an hour and a half, at a time to be arranged in August. Naturally, any information collected will be treated in a confidential fashion, and will be reported only in aggregate form.

In order that we might start to sketch out an interview schedule, we enclose a reply form and a stamped addressed envelope. We will be in touch again once we hear from you. We hope that you will be able to support this project.

Yours sincerely,

Philip J. Rosson
Assistant Professor



A variation of an ancient mark representing commerce, illustrates the pivotal position of the Atlantic Region in Ocean Trade.

Please return to:

Professor Philip J. Rosson
Centre for International Business Studies
School of Business Administration
Dalhousie University
Halifax, Nova Scotia
Canada

Exporting Project

Please circle

1. We are willing to take part in the project. yes

no

THANK YOU

Please Complete

2. Are there any periods during August when you know that you will be unavailable for an interview?

THANK YOU FOR YOUR HELP

Appendix A9
PROCEDURES ADOPTED IN FACTOR ANALYSIS
OF MODEL VARIABLE MEASURES

At least four procedural matters have to be addressed before data can be factor analyzed. In this study, the procedural matters were resolved as described below. Firstly, the problem of which factoring model to employ was resolved in favour of principal components analysis. This model is used when the intention is "to summarize most of the original information (variance) in a minimum number of factors for prediction purposes" (Hair et al., p. 221). Since this was the intention here, principal components analysis was adopted. Second, the data reduction objective prompted the use of an orthogonal extraction procedure. In orthogonal solutions, the factors are extracted such that factor axes are maintained at 90 degrees, meaning that each factor is independent of others. Varimax was the orthogonal procedure used. This centres on simplifying the rows of a factor matrix; thus "it tends to produce some high loadings and some near-zero loadings on each factor" (Green and Tull 1978, p. 432).

Third, two criteria were used to decide how many factors to extract. An eigenvalue of one or more was the first of these criteria. This is a widely used decision rule among users of principal components, smaller eigenvalues reflecting generally insignificant factors. One exception to this general rule was made for the "uncertainty" factoring (Appendix A17), as a slight relaxation of this rule produced a more plausible solution. The

second criterion used focused on the explanation of a reasonable portion of total variance. Hair et al. (1979, p. 232) suggest 60 percent of total variance in the social sciences. Thus, the cutting point in the factor analysis conducted was set at this minimum level. Fourth, the interpretation of the factors extracted proceeded as follows. Since a factor loading represents the correlation between an original variable and its respective factor, an approach similar to correlation analysis significance testing was used. Thus, with a sample size of 21, a loading of $\pm .50$ would be significant at the five percent level. Since, in general, loadings of $\pm .50$ are considered very significant (Hair et al, 1979, p. 234), this convention was used.

Appendix A10
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF STAKE MEASURES

Measures	Mean	S.D.	SK1	SK2	SK3	SK4	SK5	SK6	SK7
SK1 time to replace D/M	7.11	3.00	1.000						
SK2 importance of D/M	8.20	2.14	.336*	1.000					
SK3 % of M's total sales through D	6.10	11.46	-.295	.422**	1.000				
SK4 % of D's total sales through M	21.22	27.48	.162	.200	.085	1.000			
SK5 % of M's exports through D	29.00	33.21	-.090	.424*	.620***	.050	1.000		
SK6 % of D's imports through M	30.25	30.58	.334	.106	.103	.867***	.266	1.000	
SK7 importance of business to M/D	3.72	1.13	.318	-.033	-.513**	.607***	-.138	.508**	1.000

Note
 *** p < .01, one-tailed
 ** p < .05
 * p < .10

Appendix A11
FACTOR ANALYSIS (a) OF STAKE MEASURES

Measures		Factor 1 ^(b) "Stake of D"	Factor 2 "Stake of M"	Factor 3 "General level of stake"	Communi- nality
SK1	time to replace D/M	.194	-.222	<u>.884</u>	.868
SK2	importance of D/M	.027	<u>.586</u>	<u>.686</u>	.815
SK3	% of M's total sales through D	-.052	<u>.928</u>	-.146	.886
SK4	% of D's total sales through M	<u>.944</u>	.108	.043	.906
SK5	% of M's exports through D	.114	<u>.823</u>	.061	.694
SK6	% of D's imports through M	<u>.921</u>	.176	.114	.893
SK7	importance of business to M/D	<u>.741</u>	-.435	.199	.778
	Eigenvalue	2.549	2.167	1.123	
	% of variance explained	36.4	31.0	16.0	
	Cumulative % of variance explained	36.4	67.4	83.4	

Note

(a) Principal components analysis with varimax rotation

(b) Measures loading > .50 are underlined

Appendix A12
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF CORPORATE EXPERIENCE MEASURES

Measures	Mean	S.D.	CE1	CE2	CE3	CE4	CE5
CE1 no. of overseas contacts	38.16	29.99	1.000				
CE2 years of inter-national trading	45.05	36.29	.688***	1.000			
CE3 years of Canada/UK trading	26.80	19.54	.023	.678	1.000		
CE4 years M-D relationship established	22.10	20.01	.095	.712***	.857***	1.000	
CE5 relationship contact level	2.48	.60	.332*	.287	-.023	-.074	1.000

Note

*** p < .01, one-tailed

* p < .10

Appendix A13
 FACTOR ANALYSIS (a) OF CORPORATE EXPERIENCE MEASURES

Measures	Factor 1 (b) "current M-D experience"	Factor 2 "scale of inter- national trading"	Communality
CE1 no. of overseas contacts	.148	<u>.868</u>	.776
CE2 years of international trading	<u>.773</u>	<u>.608</u>	.966
CE3 years of Canada/UK trading	<u>.947</u>	-.045	.899
CE4 years M-D relationship established	<u>.960</u>	-.020	.923
CE5 relationship contact level	-.111	<u>.749</u>	.574
Eigenvalue	2.660	1.477	
% of variance explained	53.2	29.5	
Cumulative % of variance explained	53.2	82.7	

Note

- (a) Principal components analysis with varimax rotation
 (b) Measures loading > .50 are underlined

Appendix A14
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF PERSONAL EXPERIENCE MEASURES

Measures	Mean	S.D.	PE1	PE2	PE3	PE4	PE5	PE6	PE7
PE1 contact age	87.90	13.19	1.000						
PE2 years of individual contact	12.10	12.66	.629***	1.000					
PE3 work experience overseas	2.63	.76	.001	-.081	1.000				
PE4 days overseas	78.06	47.89	-.020	-.172	.151	1.000			
PE5 overseas trading experience	139.71	198.75	.605***	.610***	.504**	.310	1.000		
PE6 schooling	2.44	.78	.268	.323	-.131	-.236	-.207	1.000	
PE7 company experience	9.17	9.77	.163	.463**	.259	.549***	.676***	-.065	1.000

Note

*** p < .01, one-tailed

** p < .05

* p < .10

Appendix A15
 FACTOR ANALYSIS (a) OF PERSONAL EXPERIENCE MEASURES

Measures		Factor 1 ^(b) "experience within M-D relationship"	Factor 2 "other international trading experience"	Communality
PE1	contact age	<u>.840</u>	.000	.705
PE2	years of individual contact	<u>.926</u>	-.004	.857
PE3	work experience overseas	.020	<u>.594</u>	.353
PE4	days overseas	-.121	<u>.739</u>	.561
PE5	overseas trading experience	<u>.664</u>	<u>.694</u>	.922
PE6	schooling	.447	<u>-.538</u>	.489
PE7	company experience	.427	<u>.726</u>	.710
Eigenvalue		2.759	1.839	
% of variance explained		39.4	26.3	
Cumulative % of variance explained		39.4	65.7	

Note

- (a) Principal components analysis with varimax rotation
 (b) Measures loading >.50 are underlined

Appendix A16
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF UNCERTAINTY MEASURES

Measures	Mean	S.D.	U1	U2	U3	U4	U5
U1 profit objectives reached	7.86	1.53	1.000				
U2 new product activity	3.90	.88	-.410***	1.000			
U3 U.K. competition	11.14	7.90	-.188	.243	1.000		
U4 R & D expenditures	1.50	.52	-.204	.266	-.071	1.000	
U5 industry change	4.66	1.11	-.444**	.511**	.263	.369*	1.000

Note

*** p < .01, one-tailed
 ** p < .05
 * p < .10

Appendix A17
FACTOR ANALYSIS (A) OF UNCERTAINTY MEASURES

Measures	Factor 1(b) "overall uncertainty"	Factor 2 "need uncertainty"	Factor 3 "competitive uncertainty"	Communality
U1 profit objectives reached	<u>-.797</u>	<u>-.321</u>	<u>.042</u>	.740
U2 new product activity	.108	<u>.921</u>	.089	.867
U3 U.K. competition	.275	.325	<u>.786</u>	.799
U4 R & D expenditures	.230	<u>.500</u>	<u>-.662</u>	.740
U5 industry change	<u>.926</u>	<u>-.032</u>	.135	.877
Eigenvalue	2.042	1.121	.860	
% of variance explained	40.8	22.4	17.2	
Cumulative % of variance explained	40.8	63.3	80.5	

Note

(a) Principal components analysis with varimax rotation

(b) Measures loading >.50 are underlined

Appendix A18
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF RECIPROCITY MEASURES

Measures	Mean	S.D.	RP1	RP2
RP1 decision-making in the dyad	86.00	23.83	1.000	
RP2 spot decision-making	3.18	.95	.443**	1.000

Note

** p < .05, one-tailed

Appendix A19
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF CONTACT INTENSITY MEASURES

Measures	Mean	S.D.	CI1	CI2	CI3	CI4	CI5	CI6
CI1 no. of letters	47.63	51.54	1.000					
CI2 no. of phone-calls	39.33	33.00	.363*	1.000				
CI3 no. of visits	6.67	4.15	.188	.366**	1.000			
CI4 no. of telex messages	222.50	208.09	.781***	.042	.039	1.000		
CI5 no. of company linkages	3.40	1.70	.225	-.236	.002	.503***	1.000	
CI6 other contact frequency	7.94	3.87	.325	-.080	.328*	.409**	.765***	1.000

Note
 *** p < .01, one-tailed
 ** p < .05
 * p < .10

Appendix A20
FACTOR ANALYSIS (a) OF CONTACT INTENSITY MEASURES

Measures	Factor 1(b) "contact linkages"	Factor 2 "written contacts"	Factor 3 "personal/ verbal contacts"	Communality
CI1 no. of letters	.098	<u>.927</u>	.219	.917
CI2 no. of phone calls	-.384	.346	<u>.710</u>	.772
CI3 no. of visits	.240	-.058	<u>.896</u>	.864
CI4 no. of telex messages	.354	<u>.876</u>	-.084	.900
CI5 no. of company linkages	<u>.886</u>	.238	-.153	.864
CI6 other contact frequency	<u>.903</u>	.182	.223	.898
Eigenvalue	2.566	1.569	1.079	
% of variance explained	42.8	26.2	18.0	
Cumulative % of variance explained	42.8	<u>68.9</u>	<u>86.9</u>	

Note

(a) Principal components analysis with varimax rotation

(b) Measures loading > .50 are underlined

Appendix A21
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION ^(a) OF RESOURCE INTENSITY MEASURES

Measures	Mean	S.D.	RI1	RI2	RI3	RI4	RI5
RI1 support materials	1.50	.89	1.000				
RI2 use of M's logo	1.86	.85	.209	1.000			
RI3 stock carried	137.95	175.84	.154	-.244	1.000		
RI4 training	1.63	.50	-.051	-.053	.062	1.000	
RI5 effort expended	5.85	1.91	-.344	-.083	-.276	-.312	1.000

Note

^(a) All correlation coefficients are non-significant

Appendix A22
 FACTOR ANALYSIS (a) OF RESOURCE INTENSITY MEASURES

Measures	Factor 1(b) "support by M"	Factor 2 "support by D"	Factor 3 "overall support"	Communality
RI1 support materials	<u>.859</u>	.053	-.107	.752
RI2 use of M's logo	.386	<u>.789</u>	-.022	.771
RI3 stock carried	.384	<u>-.784</u>	-.049	.764
RI4 training	-.075	-.010	<u>.941</u>	.891
RI5 effort expended	<u>-.642</u>	.132	<u>-.558</u>	.741
Eigenvalue	1.602	1.281	1.035	
% of variance explained	32.0	25.6	20.7	
Cumulative % of variance explained	32.0	57.7	78.4	

Note

(a) Principal components analysis with varimax rotation

(b) Measures loading > .50 are underlined

Appendix A23
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF CONFLICT MEASURES

Measures	Mean	S.D.	C1	C2	C3	C4	C5	C6
C1 conflict of objectives	2.55	1.00	1.000					
C2 conflict frequency	5.16	1.98	.644***	1.000				
C3 decision area conflict	3.97	1.30	.730***	.727***	1.000			
C4 conflict descriptor scale	2.69	.82	.716***	.659***	.746***	1.000		
C5 comparative conflict in relationship	5.64	2.31	.690***	.604***	.614**	.704***	1.000	
C6 resolution frequency	9.21	1.67	-.526**	-.652***	-.889***	-.771***	-.774***	1.000

Note

*** p < .01, one-tailed

** p < .05

Appendix A24
 MEAN, STANDARD DEVIATION AND
 INTERCORRELATION OF PERFORMANCE MEASURES

Measures	Mean	S.D.	P1	P2	P3	P4	P5	P6
P1 trend in sales	6.71	2.31	1.000					
P2 U.K. sales	860.00	855.21	.592***	1.000				
P3 sales satisfaction	6.45	2.33	.734***	.198	1.000			
P4 cooperation	8.65	1.66	.588***	.373**	.641***	1.000		
P5 overall satisfaction	8.52	1.94	.617***	.394	.661***	.907***	1.000	
P6 future plans	6.14	1.46	.593***	.197	.672***	.722***	.732***	1.000

Note

*** p < .01, one-tailed

** p < .05

Appendix A25
FACTOR ANALYSIS (a) OF PERFORMANCE MEASURES

Measures	Factor 1 ^(b) "current satisfaction"	Factor 2 "U.K. sales performance"	Communality
P1 trend in sales	<u>.624</u>	<u>.635</u>	.792
P2 U.K. sales	.099	<u>.972</u>	.955
P3 sales satisfaction	<u>.840</u>	.160	.732
P4 cooperation	<u>.871</u>	.261	.827
P5 overall satisfaction	<u>.864</u>	.294	.833
P6 future plans	<u>.897</u>	.071	.810
Eigenvalue	3.977	.972	
% of variance explained	66.3	16.2	
Cumulative % of variance explained	66.3	82.5	

Note

- (a) Principal components analysis with varimax rotation
(b) Measures loading > .50 are underlined

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