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

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

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

1. Introduction

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

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

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

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

2. Literature review

2.1. Foreign intermediary relationship quality

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

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

Managerial commitment to exporting emerges as the most frequently cited management characteristic to influence export performance. Meyer and colleagues (2004) define commitment as the binding of an individual to a course of action specified within the term of that commitment and is referred to as an attitude of attachment and intention to continue a relationship (Bloemer et al, 2013). Researchers consider commitment from two different perspectives: attitudinal and behavioral (Stump et al., 1999). Commitment is a strategic factor that can orientate the allocation of resources within the organization. From the attitudinal perspective, export commitment can be defined as managers’ willingness to dedicate financial, managerial and human resources to the export activity (Donthu & Kim, 1993) in order to build a long-term relationship (Saleh et al., 2014). On the other hand, from the behavioral perspective, export
commitment implies the resources (financial, managerial and human) the firm currently dedicates to foreign trade operations (Cavusgil & Zou, 1994) to achieve the results expected by its managers.

Allen and Meyer (1990) distinguish three different components of commitment; affective, calculative (continuance) and normative commitment. In an exporting context, affective commitment can be conceptualized as the exporting organization’s desire to build and maintain relationships with foreign customers. Calculative commitment is the degree to which an exporting organization experiences a need to build and maintain relationship with foreign customers because of the significant perceived switching costs associated with leaving those relationships. Finally, normative commitment is reflected in the morale obligation to stay in relationships (Bloemer et al., 2013). Commitment is an indication of a long term undertaking to fulfill the requirements or partners goals of the relationship (Leonidou et al., 2002). While commitments by both parties in a joint effort can provide the foundation for development of useful relational norms and practices, inappropriate commitments may lead to opportunism and weaknesses in the relationship.

A firm’s export commitment can be shown in many different ways, but the most effective indicator can be given as the degree of a firm’s export commitment like its intention in adapting to the wants, needs and expectations of its foreign intermediaries (Beamish et al., 1993). Clearly, importers play a critical role in developing successful export ventures. Exporting organizations can develop intangible resources and unique competences to build intermediary performance in maintaining their export performance.

2.2. Export performance

While inter-organizational studies in export settings have attracted the interest of academics and practitioners for several decades, studies exploring effects of relational factors on export performance has been limited. In this field, the main focus has been on relationship between partners in the same country and relationship marketing in overseas or cross-boundary transactions has long been ignored. This may be due to the fact that firms involving in international business come across with difficulties that a local firm is less likely to confront such as cultural differences and environmental risks. The complex nature of international business, therefore, increases importance of relational aspects on export success and it necessitates bringing various dimensions into such an evaluative analysis.

Export performance is one of the least understood areas in international business (Leonidou, at al, 2002) since there exist numerous factors effecting it. In the previous study, conceptualizations have been based on various contexts. One of them is the environmental context (e.g., Matanda and Freeman, 2009), other approach widely used is resource based view (e.g., Saleh et al, 2014) and more recently networking structures describing formation of international partnerships or transactions (e.g., Cavusgil and Zou, 1994) and lastly relational or behavioral perspective used as antecedents of export performance (e.g., Chu and Fung, 2006). There is no uniform definition of export performance and it is therefore no surprise that there is a lack of agreement on the conceptualization and operationalization of the construct (Sousa et al., 2008) and that, until now, research about this topic has predominantly focused mainly on export financial outcomes.

Environmental factors are a set of variable given substantial importance in describing effects on export performance. For instance Matanda nad Freeman (2009) investigated perceived environmental uncertainty on export performance improvement. Within an environmental context, they analysed perceptions of volatility, uncertainty, turbulence and competitive intensity on export performance improvement. They included commitment, cooperation and power dimensions of inter-organizational relationships as mediator on the relationship. In a similar vein, in their study, Stoian and Rialp (2010) discuss effects of managerial, organizational and environmental determinants on export performance. They involved technological intensity, information availability, demand shortage and receipt of unsolicited foreign orders as indicators of environmental effects in their model.

In light of resource based view, internal organizational resources that are valuable and inimitable act as a source of competitive advantage. Relational resources of a firm among others are considered as a key factor for export performance (Morgan et al., 2006). Within this domain of study, quality of relationship with channel members will result in export company’s competency to develop and implement successful export marketing strategies. Another approach stemming from social exchange theory has been gaining attention in recent years. Interconnected actors and interdependence of ties shape the partnership success and the concept of networks is regarded as a strategic resource as indicated in resource based view and relationship management approaches (Lages et al., 2008).
As can be seen, export performance is likely to be assessed from different perspectives. Complementary theoretical approaches address multidimensional aspect of export performance construct. In relational perspective, export intermediary, as a key actor obviously will play an important role in export performance. In essence, intermediary capabilities in such areas as knowledge and experience, marketing skills and relationships and cooperation will all contribute to export performance(Theingi and Purchase, 2011). Through relational exchange theory, intermediary relationship quality in export settings will contribute to export performance in terms of export intensity, export profitability and export sales growth (Sousa et al., 2008).

Some researchers have focused on classification of export performance improvement measures. A group of researchers made attempts to group export performance improvement measures into profitability, volume, growth and perceptual indicators such as perceived firm success and reputation. Other researchers classified export performance improvement measures and antecedents into economic and non-economic measures (Styles et al., 2008). In a similar vein, according to Bloemer et al.’s study (2013), export performance can be be divided into financial and non financial performance. While financial export performance is structured as export sales intensity, export profit intensity and export sales growth, non financial indicators of export performance includes goal achievement, satisfaction and perceived success.

In line with most prior research in the area (e.g., Lages & Montgomery, 2004), in this study, export performance is treated as a dependent variable. According to Sousa and Bradley (2008) export performance is often conceptualised as a dependent variable as meeting expectations on such factors as export intensity, export profitability, export sales growth and how competitors rate firm’s export performance as the drivers of success in export markets. Similarly, in this study, we used a construct of financial outcomes to measure export performance. The research model of the study is given below.

![Research model](image_url)

**Hypothesis Development**

Intermediary relationship quality consisting of three dimensions which are named as cooperation, trust and commitment have been proposed to have positive effects an export performance. Export performance is defined as the extent to which the intermediary achieves the previously set objectives and export goals assigned to it in the market by the exporter—that is, whether the intermediary performs satisfactorily from the exporter’s point of view.

Higher levels of cooperation are thought to have a positive effect on performance in international business relationships involving buyers and sellers (Skarmeas et al., 2008). The exporter is likely to improve its performance in foreign markets by working together or cooperating for their predetermined target with its intermediary (Weber, 2000). Cooperation has critical role for an exporter to take steps to ensure the quality of relationship through which export performance is achieved. Accordingly, we propose: H1: In the relationship between the exporter firm and its foreign intermediary, cooperation has a positive effect on intermediary export performance.

The quality of the foreign intermediary relationship has the potential to determine the extent to which the intermediary expands substantial efforts on achieving the desired results. For this reason, the exporter– intermediary relationship is potentially critical. As support provided to the intermediary by the exporter increases, performance of the export venture tends to improve (Cavusgil & Zou, et al 1998). In another study, Chang and colleagues(2012) defined relationship quality in terms of trust, commitment(social
capital aspect), information exchange and frequency of contract. They found commitment as the most powerful factor of relationship quality affecting performance. This result indicates that foreign subsidiaries should adapt themselves in the relationships with sellers and develop commitment to the relationship. In their study, Leonidou and colleagues (2013) found a positive effect of relationship quality factors namely cooperation, communication, trust and commitment on relationship performance of buyers and sellers. In a relationship, commitment between exporter and foreign intermediary can enhance export performance. Thus, we propose: H2: In the relationship between the exporter firm and its foreign intermediaries, intermediary commitment has a positive effect on export performance.

Trust also is central role to successful channel relationships in international business especially between foreign intermediaries. Investment in direct relationship is an important factor in building and sustaining commitment and trust in international partnerships. Trust leads to the formation of commitment in the channel. Increasing trust can facilitate rising levels of commitment (Chu and Fang, 2006). This implies that the more firms trust each other in a partnership, the more committed they will be to the relationship (Ulaga & Eggert, 2006). In another study, Nevins and Money (2008) found that trust was positively related with performance where performance was measured with financial, strategic and satisfaction instruments. Therefore, we propose that H3: In the relationship between the exporter firm and its foreign intermediaries, intermediary trust has a positive effect on export performance.

This model includes the following hypotheses:

H1 Foreign intermediary cooperation have a positive effect on export performance.
H2 Foreign intermediary commitment has a positive effect on export performance.
H3 Foreign intermediary trust has a positive effect on export performance.

Method
In this study, we undertook a research process. Initially, we reviewed the relevant literature, particularly regarding foreign intermediary relationship quality including cooperation, trust, commitment and their effects on export performance. Second, we interviewed a survey-based study on the managers of exporter firms which had foreign intermediary relationship. The hypotheses were assessed via a field study of exporting firms based in Turkey. We developed a questionnaire by examining the relevant literature. The constructs of trust, commitment and cooperation were adapted from Theingi, Sharon Purchase (2011), and export performance was adapted from David B. Kuhlmeier and Gary Knight (2010). It was pretested in personal meetings with export managers at targeted firms. It was then targeted to export managers, or the manager who are most involved in export operations, at a total sample of sixteen exporting manufacturing firms that include home appliance and textile industries in Istanbul-Turkey. To ensure the international orientation of responses, respondents were instructed to complete the survey in reference to the foreign intermediary the firm uses in their most exporting foreign market. Given this method, study findings should entail a significant degree of external validity and generalize to firms operating internationally via exporting. The procedure resulted in the return of 104 usable questionnaires, a response rate of approximately 90%.

In order to test the proposed hypotheses, one hundred and four employees working at export departments of sixteen companies operating in Turkey were surveyed. The organizations are big sized companies operating in textile and home appliance industries and they are involved in exporting operations at significant levels. The questionnaire form was composed of two main parts. The first part was designed to measure intermediary relationship quality and export performance. The second part includes questions regarding number of countries exports are made, number of employees working in export departments, export figures of companies and lastly export regions of participating companies. All participants in the survey are working at export departments representing different regional areas.

In the survey, the statements in the questionnaire were rated on a 7 point Likert scale (completely disagree–completely agree). Since our unit of analysis was the firm, participants were explicitly instructed to answer the questions from the perspective of the organization, not their own individual perspective. Trust was measured using four items. An example item is "The relationship with our primary intermediary is characterised by high level of trust". Cooperation was measured by using five items. An example item is "Our primary intermediary cooperates in determining performance goals". Commitment was measured by using five item scale. An example item is "we are willing to dedicate whatever people and resources it takes to grow sales for primary intermediary". Export performance was measured with a four item scale. An example item is about the degree of export sales growth.

Analysis and Findings
We used SPSS software for the evaluation of the data. Factor analysis, correlation, reliability tests, the means of variables and regression analyses were utilised to analyse the relationships between variables of the proposed research model. Statistical analysis
was based on the 104 questionnaires. Cronbach’s alpha was used to assess reliability of scales. In the analysis, we found alpha values ranging from 0.590 to 0.760 for the scales.

Nunally suggested that Cronbach’s alpha value of 0.70 is considered to be adequate for internal consistency of reliability. However, for scales applied under uncertainty, Nunally suggested that an alpha value of 0.6 is acceptable. As referred in the literature alpha value of 0.50 or higher should be considered sufficient in exploratory research (Gupta and Somers, 1996). On the basis of these observations we decided the alpha value of 0.590 was acceptable.

Mean values of all variables have been very close to each other ranging between 5.29 (for export performance) and 5.89 (for commitment) out of seven. As seen in the correlation table, commitment and export performance was correlated at 0.01 significance level.

<table>
<thead>
<tr>
<th>S.D</th>
<th>MEAN</th>
<th>(776)</th>
<th>(705)</th>
<th>(590)</th>
<th>(694)</th>
</tr>
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<tbody>
<tr>
<td>1.COPQ</td>
<td>.89073</td>
<td>5.3582</td>
<td>(.776)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.TQ</td>
<td>.76171</td>
<td>5.6538</td>
<td>.187</td>
<td>(.705)</td>
<td></td>
</tr>
<tr>
<td>3.COMQ</td>
<td>.64308</td>
<td>5.8918</td>
<td>-140</td>
<td>-.005</td>
<td>(.590)</td>
</tr>
<tr>
<td>4.EXP PER</td>
<td>.71060</td>
<td>5.2981</td>
<td>.093</td>
<td>.113</td>
<td>.407(**)</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level SD = Standard Deviation () = Cronbach’s alpha
COPQ: Cooperation Quality, TQ: Trust Quality, COMQ: Commitment Quality, EXP PER: Performance

Regression analysis was held in order to test the hypothesis. For the hypothesis stating that cooperation is positively related to export performance, there existed no significant support in the analysis. Hence, this hypothesis was not accepted. For the hypothesis stating that commitment is positively related with export performance, statistically significant support was obtained. Therefore, this hypothesis is accepted. Lastly, the relationship between trust and export performance is analysed. In the analysis there was no significant relationship between the variables.

<table>
<thead>
<tr>
<th>INDEPENDENT VAR</th>
<th>DEPENDENT VAR</th>
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<tbody>
<tr>
<td>COPQ</td>
<td>.136</td>
</tr>
<tr>
<td>TQ</td>
<td>.090</td>
</tr>
<tr>
<td>COMQ</td>
<td>.427**</td>
</tr>
</tbody>
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Table columns contain standardized beta coefficients. “bold” values are significant. (**p<0.01, *p<0.05)
DW: Durbin Watson value. COPQ: Cooperation Quality, TQ: Trust Quality, COMQ: Commitment Quality, EXP PER: Performance. Test results are summarized in Table 1 and Table 2.

Discussion and Conclusion
This study has made an attempt to investigate the effects of relationship built with foreign intermediary on export performance of exporting firms. The importance of successful relationship management with intermediaries has recently received a great deal of attention by international marketing scholars (e.g., Theinigi and Purchase, 2011). The present study makes an evaluation on the effectiveness of marketing coordination efforts built with foreign customers-intermediaries by using behavioral relationship perspective. In the analysis, defining marketing goals jointly, continuity of sales development, marketing sustainability with competitive products, and continuity of coordination for market share development were among the items used to measure the intermediary relationship quality as consistently appear in the existing related literature (e.g., Kuhlmeier and Knight, 2010). The proposed model was tested on a sample of Turkish export companies working in consumer durable goods and textile sectors. To test the hypotheses, scales already existing in the previous research were used. Cronbach alpha values of measurement scales have been found to be above 70 percent with one exception only demonstrating acceptable levels. Results of regression analyses indicated that although commitment quality with foreign subsidiary significantly and positively effects export performance which is consistent with the literature, there existed no statistically significant effect of trust and cooperation on export performance. This
might be due to the nature of the firms in the sample that average age of the companies in the sample is more than 30 years and these companies have been got involved in export activities for decades. Therefore, commitment might have become more important than trust and cooperation since they might have already built trust and cooperation with their intermediaries. Obviously, firms give higher consideration to retaining and maintaining relationship with customers especially in times of economic stagnation and uncertainty. Clearly, commitment has been viewed as the base for keeping up export sales and retaining relations with customers which is more advantageous than loosing them. Another interpretation for the finding that trust and cooperation weren’t found to be related to export performance might be because longer terms of engagement with intermediaries might result in already existing trust and cooperation between parties for future engagement.

In the analysis, descriptive statistics were also included in order to imply some focal points with regard to effective marketing efforts of export companies. Cooperation in sales development and activities for targeted markets have been given primary importance by the participant managers. Moreover, agreeing on market shares and attainment of sales goals and continuity of cooperation have been given importance by participant managers in the survey.

In the study, findings indicate that quality of relationship with foreign intermediaries has an impact on export performance as hypothesized in the research model. For the continuity of relationship, commitment effects export performance positively as consistent with literature. In the study, export performance was measured by use of financial dimensions. Quality of relationship between exporter firm and intermediary firm were measured with three dimensions namely trust, cooperation and commitment. In addition to these three dimensions, communication has been referred as the fourth dimension measuring relationship quality (e.g., Kuhlmeier and Knight, 2010). However, in this study we ignored communication since it might bring additional socio-cultural influences in the analysis. Another result in the analysis was that simple arithmetic means of scales have produced very close values approaching to each other (above five out of seven).

In the survey, we also investigated how well the companies are organizationally structured in terms of their export activities. One measure used in the survey was number of employees working in export department. Number of employees working in the export department has been found to be 21 employees and more in 26,9 per cent of firms in the sample. This value has been found to be between 15-21 employees for 24 per cent of the firms and 9-14 employees for 28,8 per cent of export firms respectively. In the analysis, information gathered for export regions revealed that 42,6 per cent of exports were made to EU countries, 34 per cent to Middle East countries, 9,3 per cent to North Africa and lastly, 7 per cent to USA respectively. When data is analysed as of number of countries exports are made 30,8 per cent of companies export to more than 40 countries; 33,7 per cent of companies to 31-40 countries and lastly, 27,9 per cent of companies to 21-30 countries. In the sample, 40 per cent of companies have export values between 100 million and one billion US dollars in the past three years. As seen in the descriptive analysis, export regions of companies include a variety of market segments which may bring difficulties and inconsistencies in testing hypotheses. To give an example, data on managers responsible for EU region and Middle East region might produce different results when analysed separately. However, number of subjects has been limited in the study in order to make separate analysis on regional basis. Eventually, since environmental market contexts of countries vary to some extent, variables effecting export performance will produce different explanatory levels of trust, cooperation and commitment in relationship management quality. Export performance will be effected by relationship quality with intermediaries within business contexts of markets. Different levels of trust, commitment and cooperation will be based on market characteristics, operational joint efforts and supportive relations with intermediaries.

**Limitations and Future Research Directions**

There were a several limitations in the study. First, sample size for the survey was limited and it was conducted on companies in two sectors only, home appliances and textile sectors. The model would be tested on other sectors with bigger sample sizes. Another factor influencing the findings of the analysis was the use of data obtained from different market regions. Probably, the data would produce more meaningful and significant results if the analysis were held by including the markets separately into analysis because cultural dimensions might be influential.

In the present study, findings reveal that casual relationship between intermediary relationship quality and export performance does not seem to be direct solely. Only commitment quality has been linked to export performance but no significant effect of trust and cooperation was obtained. Several possible mediators managerial climate, cultural similarity and dependence of the parties could explain the relationship quality effects on export performance as suggested in the previous literature (e.g., Obadia and Vida, 2011). This study focused on the financial aspect of exporter performance. Future research could investigate the linkages for different facets of export performance. Eventually, the study examined the effects on export performance but ignored importer’s perception.
of relationship quality. Although good relationships are reciprocal and an effective way in building performance, exporting firms still should evaluate how the foreign agents perform their distributive role. Making an evaluation from importers’ perspective could be useful in future research, since dyadic data from both parties would be stronger than the data collected solely from the perceptions of exporters.

The relationship quality includes behavioural dimensions and export performance is related to financial outcomes. Direct link between the variables was attempted to be measured via perceptions of regional managers of exporting firms. In examining the linkage between intermediary relationship quality and export performance, a several other variables such as marketing strategy, life cycle of product and cultural distance of countries would be introduced into analysis.

References


