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ABSTRACT

This thesis seeks to obtain a greater understanding of the development and management of business relationships in a high-risk and uncertain market. It is suggested that the existing literature on business relationship development has been mainly developed from a basis of conceptual works. Empirical works are still limited and were mainly based on deductive - quantitative approaches. The contribution of this study lies in the use of a different perspective, which emerged from inductive logic of theory development.

A range of literature is reviewed to search for understandings of business relationship development. It is suggested that current theory mainly explains business relationship development in stable markets, which offers a rather deterministic view. Understanding was not obtained on how an unstable market environment could affect business relationships although the literature suggested that the environment might have an effect on the development. Therefore, this study aims to provide a richer understanding of the underlying process that triggers the development.

The experience of six British manufacturing companies exporting to a high-risk and uncertain market (Indonesia) was explored in order to develop understandings and explanations of the phenomena observed. The literature did not dictate the process of the theory development, which led to an investigation of greater depth from a different perspective (learning orientation) to obtain understanding of the development of business relationships.

The main contribution of the thesis is that the findings suggested that business relationship development was influenced by intangible firm elements, namely: learning orientation, market orientation and risk behaviour. The orientations triggered development of business relationship elements, such as: trust, commitment and satisfaction. High level of intangible firm elements led to stable business relationships since the elements, particularly learning orientation, stimulates exporters to commit to a relationship, to trust partners and promote mutual satisfaction. In contrast, to some extent, low levels of intangible firm elements led to unstable business relationships since exporters could not maintain commitment, trust or satisfaction in the relationships. The study contributes to the understanding that experiential and continuous learning processes facilitate knowledge building and create understanding of the market and that customers stimulate the development of business relationships. In order to cope with environmental uncertainty, exporters need to learn to build knowledge, which can be used to create a sustainable impact on a company's operation in the market. The current study contributes to theory by suggesting that exporters who lack learning orientation are not only less able to cultivate stable working business relationships but also less able to provide ongoing supports that directly aids their customers/partners in winning and keeping their business in an uncertain market.

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Sulhaini Saadi

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CONTENTS

LIST OF TABLES

LIST OF FIGURES

BUSINESS RELATIONSHIP DEVELOPMENT OF BRITISH EXPORTERS IN THE INDONESIAN MARKET

SAADI. S. Ph.D. 2007

Chapter 1: An Introduction to the Thesis

1.1 Introduction

This thesis explores the development of business relationships between British companies and Indonesian partners since 1997, when Indonesia became a volatile and high-risk market. In this research, the author examines the management and development of such relationships through the study of a number of case studies, in order to gain insights into the relevant issues. Existing literature highlights relationship development and management practice in stable countries ignoring the complexity of business carried out in a turbulent environment. Therefore, the research findings add to our understanding of business relationship development in a high-risk and uncertain market where situational or external factors may influence individual relationships.

The aim of this chapter is to establish the objectives of the study, to introduce the context of the study and to discuss the rationale behind the choice of research subject, including the reasons for the author's motivation. Finally, the research journey and the contents of each chapter will be briefly outlined.

This thesis is organized into eight chapters. These explore how the companies studied developed and managed their business relationships in a market that experienced dramatic change, causing increased risk and uncertainty within the business environment. This thesis also explores how the companies managed the risks they faced while managing their business relationship. Additionally, it explores how the risk management policy applied may explain and relate to the development of business relationships.

The literature review suggests weaknesses in business relationship development areas, providing potential research subject matter. The weaknesses relate to the development and management of business relationships in high-risk and uncertain markets. Therefore, these are the issues that required further investigations. The topics investigated in this research have not been widely discussed in the current literature and the exploration of such issues will enrich our knowledge of the complexity of doing business in a turbulent environment. The aims of this thesis are:

a. To obtain a greater depth of understanding of business relationship development and management in a high-risk and uncertain market, which the existing literature cannot adequately explain.

b. To take a different research approach to the investigation of business relationship development and management. The existing literature is based on studies where theory testing is the dominant approach; this study aims to generate theory in order to enrich our understanding of business relationship development and management.

This study has a central research query, namely:
How do British exporters develop and manage business relationships in a high-risk and uncertain market?

This thesis will contribute to the knowledge by the attainment of the above aims and by answering the research query given above.

The topic of this study is particularly important to the author as she was affected by the significant setback in the Indonesian economy. In early 1998, the author was a student at the Copenhagen Business School writing a thesis titled: "Export behaviour of Danish firms in the Indonesian market". As an Indonesian, the author wanted to know the export development process of Danish firms towards the market. The author noticed that one of the exporters lasted only one year in the market: they started exporting to Indonesia just before the Asian financial crisis began in 1997 but were unable to continue the business in the following year as their Indonesian partner moved to Singapore because of civil unrest. The unrest spread throughout Indonesia, particularly in the larger cities and caused fear amongst the population and destruction of Indonesian Chinese properties. The author realised that external conflict caused the termination of the business; both sides did not expect it, but also could not have avoided it.

On completion of her study, the author returned to Indonesia in 1998 with mixed feelings. Unemployment increased rapidly and uncontrollably and a number of factories and various business sectors collapsed. Exchange rates reached their lowest point ever in Indonesian economic history; the prices of imported products became less and less affordable. The standard of living for many Indonesians worsened and some cases were unimaginable. Meanwhile, the Indonesian government could do little without foreign aid. Political changes contributed to the unpredictable business environment.

The author was deeply affected, and to some extent she believed this strengthened her intention to find out how such uncertainty could influence the development of business relationships between foreign suppliers and Indonesian importers. While the situation in Indonesia encouraged the author to conduct this study, there was still a need to identify the subject of the research. This was particularly important for the author to focus on, and specify the literature in order to obtain an understanding of where the study would contribute. In the following section, the author will address where this study contributes to knowledge development.

1.2. Previous Studies on exporting

The review of previous studies on exporting is to guide the author in the identification of the subject of the research, and inform the author of suitable literature to be explored. This section will look at the viewpoint underlined by the previous studies. The studies suggest the adoption of the relational perspective on exporting studies; this perspective is also labelled as the relational paradigm by various authors (the terms are used interchangeably in the discussion below). The studies will be reviewed in order to examine the development of these views.

A study of Styles and Ambler (1994) marked a recommendation for the use of an alternative framework for further research. The term *relational paradigm* was introduced as an alternative framework with which to view export marketing. Styles and Ambler (1994) carried out a survey of 127 successful exporters who had won the 1992 Queen's Award for Export Achievement; they applied the relational paradigm in their attempt to replicate Michell's original work (1979) that revealed valuable lessons from the export practice of very successful UK companies. Based on the survey, they found that *"...the relational paradigm was a valid approach to investigate and explain export marketing performance..."* (p. 40). This suggests that the paradigm is applicable for understanding exporting phenomena, since the paradigm might provide explanations of why exporters could achieve success in foreign markets. Styles and Ambler (1994) indeed found that successful exporters were primarily dependent on well-developed and managed business relationships with importers. The marketing process in the export markets became a managerial activity for the improvement of relationships in order to obtain profitability. Managerial tasks might be directed to nurture the exporter-importer relationships, to solve relational problems and to maintain positive and close working relationships with the local intermediaries and/or customers in order to enhance the chances of success. Put simply, the better the relationship that had been developed and managed, the greater the likelihood of success for the exporters in the foreign market.

The marketing of the successful exporters was formed by sequential decisions of export marketing management and relationship development (Styles and Ambler, 1994). The firms' decision to export was followed by decisions on the choice of market, and then followed by the appointment of a local representative. Product decisions were usually made after the selection of a local partner while decisions on the other mix of marketing elements, (i.e. price, place, and promotion) took place at the final stage as a consequence of ongoing interactions with the partners (Styles and Ambler, 1994). The firms were able to make decisions on the elements of the marketing mix as a result of interaction with local partners. Accordingly, the most valued information was gathered via interactions with partners and export performance largely depended on how the relationships were managed (Styles and Ambler, 1994). This indicates the role of relationships in exporting. Relationship-building activities come first, before the decisions on marketing mix elements. In other words, the marketing mix strategy could only be developed after iterative interaction had taken place in the relationship. Nevertheless, the extant literature leans towards the marketing mix strategy. This does not provide a complete understanding of the dynamic nature of exporting. Indeed, the relational paradigm provides an understanding of how export could be expanded through relationship development.

Correspondingly, Piercy et al (1997) examined the role of buyer-seller relationships in export performance, studying 322 US exporters and their British importers. Their finding was that the improvement of export performance required more attention to relationship building and relationship management, and that this created competitive advantage in export markets. Relationship development and management could be key success factors since the implementation of these strategies might improve export performance in the export market. This supports the arguments of Styles and Ambler given above.

The studies detailed above have encouraged further research into alternative perspectives, such as the relational perspective. According to Leonidou and Kaleka (1998), the relational perspective is an alternative to *the neoclassical microeconomic paradigm* (p. 373). This dominates exporting research but it is regarded by those authors as monolithic and incomplete as it does not account for the behavioural complexities of relationships between exporters and importers.

De Wulf (2006) explain that neoclassical microeconomic paradigm stresses profit maximizing by controlling marketing mix elements but it ignores human behaviour and its assumption of rational behaviour is unrealistic. The theory narrowly focuses on transactional exchange situations only and therefore fails to explain relational exchange which may be more complex. Under the dominant paradigm, it seems that studies on exporting have paid more attention to the optimal use of marketing mix elements (Styles and Ambler, 1994) and the relationship between the exporter and importer is seen as short term and transactional rather than collaborative (Piercy et al., 1997). A focus on the use of marketing mix strategy in exporting research does not give a full understanding of the complexity of international marketing activities. In this paradigm, exporters are seen as the only parties who actively initiate the interaction and manipulation of elements of the marketing mix; meanwhile, importers are treated as passive in the interaction. Indeed, in international markets, it is not only the exporters, but also the importers that may be actively selecting, establishing and maintaining business relationships (Lye and Hamilton, 2001; Leonidou, 2003, Leounidou et al., 2006). Both sides are actively seeking suitable partners with whom they may reach a regular and profitable long-term collaboration. This means that relying on the neoclassical microeconomic paradigm is not enough; an exporter should have the capability to collaborate with foreign partners. Consequently, the interaction between the two sides may become complex as it includes the cost of investment in relationship development, and might thus entail the chance of loss (Blois, 1998). Also, the complexity of interaction increases because both sides have differences in terms of language and/or national and organisational culture (Batonda and Perry, 2003; Ha et al., 2004). The exporters have to collaborate with foreign partners who exist and operate in different market environments, which can shape the way they interact with other partners (Leonidou, 2003). This suggests that the relational paradigm leads to a better understanding of the complexity of interactions between exporters and its foreign customers.

In contrast to the neoclassical microeconomic paradigm, Leonidou and Kaleka (1998) proposed three reasons for the adoption of the relational paradigm in exporting. Firstly, the relational paradigm has revealed that an exporter has a portfolio of multi-episodic relationships with import customers; secondly, it has uncovered the dynamics of the atmosphere underlying marketing activities in foreign markets; and thirdly, it has revealed the export behaviour that underlies export success. An exporter might have a number of international business relationships on which their export success depends and high expectations of repeat orders from their foreign buyers. Thus, the development of the relationship will become a critical factor in international markets. Leonidou and Kaleka (1998) carried out a relational analysis of export through an investigation into the differences in buyer-seller relationships according to a firm's level of export involvement. The study was built on the premise that the essence of export marketing lays in the exchange relationships between sellers and buyers. The integration of knowledge on relationship marketing and export marketing generated a deeper understanding of the challenges faced by exporters in highly competitive and turbulent markets. According to the authors, this indicated that ideas from relationship marketing could actually be transferred to export marketing. Their findings suggested that export development was closely linked with: greater resources and personnel commitment; more communication sufficiency; higher levels of co-operation and interdependence; and higher levels of trust and satisfaction (Leonidou and Kaleka, 1998). This suggests that export development depends on the development and maintenance of the business relationship. To be more specific, a successful business relationship might result in export expansion into new markets, meaning that successful exporter-importer relationships would go hand-in-hand with a firm's expansion into overseas markets. From successful relationships, an exporter might obtain regular and high export values, meaning that the relationships were beneficial to its business as a whole, which may then encourage the exporters to maintain their relationships.

The idea of adopting a *"relational paradigm"* has also been reiterated by Leonidou (2003, p. 130). His conceptual work on exporting research trends highlighted the usefulness of the paradigm, which was believed to offer a more insightful and complete understanding of exporting. He attempted to demonstrate that the essence of export business is the company's relationships with its overseas customers. He viewed business relationships as the framework within which exporter and importers interact and coordinate their activities and exchange resources, then developed his argument by linking the export development process with the business relationship development process. Export involvement was seen in conjunction with the growth of relationships with foreign customers. Export pre-engagement is associated with exploring the possibility of forming international business relationships; export initiation is related to the initiation of such relationships; and export development indicates the atmosphere of the relationships. Finally, the upholding of exports is actually the maintenance of the company interest in an export operation through positive reinforcement developed from the satisfactory performance of the business relationships.

Leonidou (2003) concluded that export management should be considered a process of relationship management (p. 138). Hence, exporting should be regarded as a chain of relationship development stages: establishing, developing and sustaining relationships in international markets. This suggests that export market expansion depends on the development of relationships, a view also emphasised by Styles and Ambler (1994), Piercy et al (1997) and Leonidou and Kaleka (1998). This underlines the importance of studying exporting phenomena with regard to developing the extant knowledge in the field of relationship management, as the relational paradigm may offer a more insightful understanding of exporters' behaviour (Leonidou, 2003). It could be argued that export development depends on how relationships are developed, and export management depends on how relationships are managed. However, the application of the relational paradigm requires the analysis of relationship development and management. This has been labelled as relationship marketing (Gronroos, 1997b) suggesting that the relational paradigm refers to relationship marketing theory to provide understanding of business relationship development and management.

In his earlier study, Leonidou (1989) investigated 34 Cypriot exporters and 21 United Kingdom importers using a qualitative research approach in order to gain insights into the behavioural side of export activity. He indicated that relationship management was an essential part of a firm's export behaviour and that progression in terms of exports should be seen in terms of the relationship stage (i.e. initiation and development) of a single relationship with an overseas customer and then the creation of a portfolio of such relationships (p. 22). This, again, indicated that export management could be regarded as relationship management of the exporters' relationships with foreign buyers. Similarly, based on a study of a sample of 201 US exporting manufacturers, Leonidou et al (2002) stressed that exporting should be viewed as "...*a bundle of* *business relationships…*". The authors compared problematic and harmonious foreign customer relationships and found that high levels of dependence, trust, understanding, commitment, communication, and cooperation distinguished harmonious relationships, but these harmonious relationships were notable for their lower levels of distance, uncertainty, and conflict between the parties. Hence, from a relational paradigm, they argued that exporters should appreciate that the building of effective international business relationships requires trust, commitment and cooperation whilst reducing distance, conflict and uncertainty. This indicates that relationship development requires development of the relationship elements. More recently, Leonidou et al (2006) investigated the role of elements that obstructed the export development process of 151 US manufacturers. From this study, it was suggested that the way the relationships are handled could determine either success or failure in overseas markets. They therefore suggested that future research should focus on the link between relationship quality and export performance.

A study by Pressey and Tzokas (2004) on the perceptions of 212 UK export managers from a broad range of industrial sectors extended the growing debate on relationship issues in export marketing. Their study deviated from previous studies in this area by adopting relational measures to quantify export efficacy rather than the more traditional measures of sales volume or export growth. The authors showed that although relational measures tend to be subjective in nature, they serve to highlight the reliance of many exporters on relational strategies. Interestingly, the authors called for more attention to be paid to the varied nature of relational variables upon export relationships as well as the assessment of an exporter's capacity for developing relationships.

In summation, previous studies on exporting have emphasised the importance of adopting the relational perspective for further research. The perspective was contrasted with the neoclassical microeconomic paradigm on exporting studies. It was believed that the adoption of a relational perspective will lead to better understanding of exporting phenomena. The studies have also indicated that business relationship development and relationship management should be taken into account in exporting research. This suggests that in order to provide new insights into the relationship between exporters and importers, studies of exporting require a different perspective, such as the relational perspective, which may then guide the researcher to examine the dynamic nature of the relationship from a different angle in order to provide a more complete understanding of exporting. The relational perspective is thought to provide a different point of view on exporting, and it might allow a fresh look at the phenomena. Thus, this section justifies the subject of the research and identifies the literature to be explored. It also indicates where the study will contribute to knowledge. This study will adopt the relational paradigm in investigating British exporters. The author will look at the development of *relationship marketing theory* to find out its strengths and weaknesses.

As the term paradigm and perspective have been used interchangeably in the literature, it is necessary first to establish the meaning of a paradigm. A paradigm is a set of linked assumptions that provides a conceptual and philosophical framework for an organised study and it sets out the criteria for the appropriate methodologies, instruments and methods of data collection (Deshpande, 1983). Further, a paradigm labels the basic assumptions of a researcher's purpose, the character of the examined object and the suitable methodology for examining (Scherer, 2005). Paradigms have been argued to be *incommensurable* (Kuhn, 1962) as they cannot be measured on a common scale and cannot therefore be reconciled with each other. Thus each paradigm is the antithesis of other paradigms and out of touch with other positions (Holland, 1999). This argument suggests the incompatibility of two or more paradigms and thus a paradigm cannot be compared or criticised from the stand point of another (Johnson and Duberley, 2000). The discussion above seems to criticise and compare the two paradigms, thus they are not paradigms. It is now necessary to find out about perspective, which may be more appropriate.

Burrell and Morgan (1978) pointed out that each paradigm generates *theories* and *perspectives* which are in fundamental opposition to those generated in other paradigms (p. viii); however the term paradigm has been popularly used to refer to *schools of thought* or *perspectives* (Holland, 1999). This may suggest that the term paradigm and perspective cannot be used interchangeably as they are different. The discussion above provided an example of how the term paradigm has been inappropriately and interchangeably used with the term perspective. Neo-classical microeconomic paradigm and relational paradigm stated above should be articulated as perspectives. Hence, the author will use the term *relational perspective* rather than relational paradigm in the rest of the thesis.

1.3. Relationship Marketing

Since this study investigates relationship development and management phenomena, it fits into the relationship marketing area. It is concerned with the development of business relationships that require engaged relationship building activities from both parties (Sharma et al., 1999). The term of relationship marketing (RM) emerged as a new perspective in marketing in 1983 (Petrof, 1997; Gronroos, 1997b; Sheth and Parvatiyar, 2000; Gummesson, 2002; Eiriz and Wilson, 2006), but its development can be traced back to the 1960s from the University of Uppsala's studies (Blois, 1996; Gronroos, 1997b). Nonetheless, the emergence of RM was pointed out by Sheth and Parvatiyar (1995) as a reincarnation of the marketing practices of the pre-industrial era in which producers and consumers interacted directly with each other and developed emotional and structural bonds in their economic behaviour (p. 403). The study of RM is a growing field where numerous authors have presented various definitions of the term in their effort to explain the concept. The concept of RM has not only become a popular expression both in the academic and the business press but has also been characterised as a major directional change in marketing theory that fundamentally reshapes the field (Petrof, 1997). Relationship marketing is regarded as having implications for all aspects of marketing management and the concept has been defined from divergent points of view, such as: marketing philosophy (Gronroos, 1992; Palmer, 1995; Takala and Uutsitalo, 1996); "resources base view" (Morgan and Hunt, 1999); marketing strategy (Morgan and Hunt, 1994; Sheth and Parvatiyar, 2000) and value creation process (Gronroos, 1997a). These authors have conceptualised RM from different viewpoints yet there is no agreed definition of the term (Blois, 1998; Eiriz and Wilson, 2006).

However, a number of authors have seen weaknesses in the development of the literature on relationship marketing. Lindgreen (2001) quoted the statements of Collins and Cooper et al. explaining the weaknesses; Collins (1999) states that the history of relationship marketing has been characterized by rhetoric rather than publications of empirical evidence in support of the shift of the perspective. Cooper et al (1997) also found that, as yet, there has not been a consistent theoretical development in the field of relationship marketing.

Further, Lindgreen (2001) argued that even though the concept of relationship marketing was coined more than fifteen years ago, it remains ambiguous and this is why more research is needed. He gives an example of a relationship between buyer and seller, which is increasingly common but still not known in full. He also argued on the development of relationship marketing theory:

> ***"Relationship marketing is contemporary and pre-paradigmatic. There is no consensus as to what it constitutes and no accepted principles and/or constructs have yet been established. Overall, all of this makes it difficult, if not impossible, to begin with a theory or a set of hypotheses as in deductivism" (Lindgreen, 2001, p. 78).***

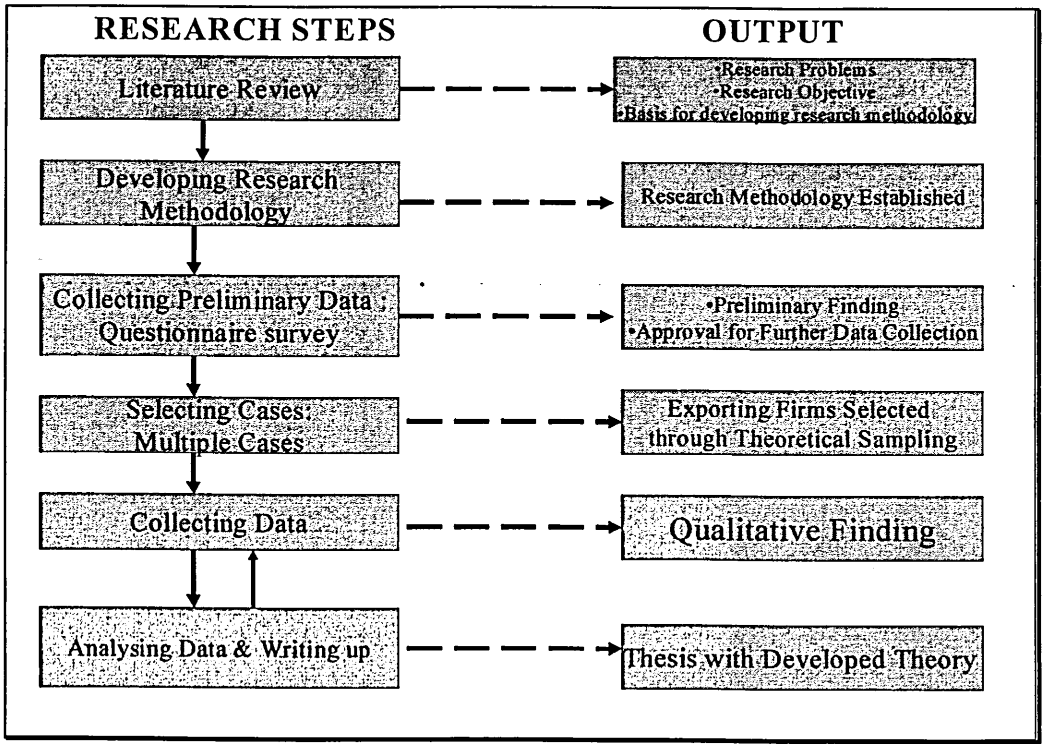
This indicates that research within the relationship marketing area should aim at the development of theory in order to support its growth. Lindgreen suggests that using a deductive approach by means of theory testing might encounter difficulties since the area has not been well established and explored. Lindgreen also refers relationship marketing as a pre-paradigmatic, however as suggested in the previous discussion, it should be articulated as a perspective. This is an example of how term paradigm is used to refer to perspective. Interestingly, his statement suggests that the perspective requires theory generation to stimulate its development. A wide range of issues can emerge and need to be investigated in order to generate more theories to enrich our understanding of relationship marketing. Simply, it has been recommended that further research should concentrate on theory building as opposed to theory testing as it may provide greater understanding of the relationship marketing practices. Adopting inductive logic allows a greater insight into complex variables that affect relationship marketing practice by highlighting the experiences of staff and companies. Consequently in the analysis and development of theoretical explanations given in this thesis, any terms used (e.g. trust, commitment, satisfaction, cooperation, adaptation, communication) will be in the context of relationship marketing theory.

In short, the discussion here outlines a research approach involving inductive logic, meaning that the study will contribute to the development of the relationship marketing literature through theory generation. Having identified the subject of the research and a research approach, the research journey is now introduced.

1.4. The Research Journey

Research is not simple, fast work. Indeed, it involves a careful literature review seeking the gaps in current knowledge, followed by the study and selection of the most suitable research methods in order to produce a scientific investigation that builds confidence in the findings. As a consequence, this study proceeded in a scientifically developed process through a number of stages, where each stage had different outcomes. The outcomes then aided the work of the next stage. The process is iterative; the researcher looked back to earlier stages as required. Therefore, it was thought to be useful to develop this research process to investigate British exporters' business relationship in Indonesia. The following picture describes the simplified research process. The iterative process can be seen at two later stages in which the researcher repeats the collection and analysis of data until theoretical saturation is reached.

Figure 1.1: The Research Journey



In the first step, the literature review uncovered previous research, theories and views proposed by other authors regarding the phenomena of interest. This step enabled the identification of weaknesses in the current development of theory that led to the research objectives and questions. Then, the objectives guided subsequent research methodology leading to highly integrated methods in order to answer the research problems proposed. Since the research objective was to explore business relationships in a high-risk and uncertain market, the selected methods were aimed at building theory using inductive logic. The development of the RM literature called for the use of this approach, as it was used less in previous studies. Accordingly, the use of qualitative methods and a multiple case study design were suggested in the literature review. This study combines the frameworks built by Eisenhardt (1989) and Thomson (2006) as the strategy for data analysis. Once the research methodology was established, it dictated the rest of the journey: it determined how the study engaged with data and theory; how data was collected; the specification of the sample organisations to be explored and how they were approached.

1.5. The Context of the Study

The study aims to explore business relationship development and management in the context of a high-risk and uncertain market. The discussion below explores the context in which the study is focused.

Country risk is the result of political, social and economics factors, which are usually highly correlated. Thus, a country is perceived as high risk if instability occurs due to the effects of an individual or all the factors simultaneously (Oetzel et al., 2001).

The economic crisis mixed with radical political changes and social problems have affected business activities in Indonesia. The country ascribed was listed in the International Country Risks Guide (edited by Sealy) as a moderate risk nation ranking 106 out of 140 countries in year 2000 based on a composite risks rating including evaluation of quantitative indicators of political, economic and financial risks (cf. Prideaux et al., 2003). In the equivalent period in 2001, Indonesia ranked at 131 showing the country had moved from moderate risk into the very high-risk category (Sealy, 2002). This suggests that the country had become a volatile market, where both export and import activities had declined significantly and Indonesia's new political system was bringing further political complications (Indrawati, 2002). Exporting to the country entailed higher uncertainty and risks compared to previous years and business relationships may be affected by the situation. It was, therefore, reasonable to take the country as the context of the study.

Among the ASEAN countries, Indonesia has shown the worst economic performance since the economic crises began in 1997 (Warr, 2000 and Indrawati, 2002). Since 1997, Indonesia has experienced a number of major shocks resulting in a serious crisis. The major problems in the country are now detailed:

The Asian financial crisis

The Indonesian economy was one of the fastest developing countries in South East Asia until 1997 when the Asian financial crisis hit the country. Indonesia's economic growth rates significantly decreased from an average of 8 percent, prior to the crisis to only 0.6 percent for the period of 1997-2002 due to a negative growth in 1998 (UK Trade and Investment, 2004).

Political turmoil and social tension have been much deeper than elsewhere in the region; after the financial crisis hit the region, particularly during 1997-98, practically everything went wrong at once throughout the country. Fiscal policy was too slow to respond the financial crisis (Hill, 1999); the Indonesian crisis revealed weaknesses in the banking system that in turn created distress and crisis in banking. Djiwandono (1999) pointed out that the banking crisis exposed weaknesses in the national economy due to crony capitalism and corruption, which led to an economics crisis. He also said that the economic crisis revealed structural weaknesses in the social and political system, which pushed Indonesia into a total crisis.

Political uncertainty

The collapse of the Suharto regime led to tensions and calls for greater autonomy and independence in some regions (UK Trade and Investment, 2004). Suharto's regime fell after 32 years in power, and since then, Indonesia experienced various changes in the political system. There have been three different presidents in seven years - two of these were only in power for a single year. New political systems have been introduced which caused political turbulence; in 1999, Indonesia ran its first democratic general election; in 2004, Indonesia introduced another new political system where the general election was split into representative and presidential elections. Increasing political uncertainty has had an impact on macro economic improvement. Suffering from a relatively long and difficult political transition, Indonesia's economic recovery has been a slow, fragile and unpredictable process (Seally, 2003). The changes have created greater uncertainty and foreigners were advised to stay away from the country by governments of many countries (Prideaux et al., 2003). Corruption and other systemic weaknesses weighed the country down. Domestic interests often took advantage of the non-transparency of the legal and judicial systems to undermine regulations or law enforcement, particularly to the detriment of foreign parties (Seally, 2003).

After having an undemocratic system for more than 50 years, which on the surface appeared to be very stable, especially through the late 1980's and early 1990's, the changes brought new challenges and unpredictable situations. Indrawati (2002) explained that a new president applied a new economic development strategy that did not stick to the current macro and fiscal policy. This generated uncertainty with regard to regulations. Other new policies affected national strategic industries and state owned companies, increasing the turnover of key management personnel and bringing instability to the business.

Ethnic and religious unrest

The collapse of the economy induced a higher rate of unemployment. Whilst rioters in Jakarta targeted Chinese communities and their businesses, ethnic unrest also occurred in Kalimantan between the native Dayaks and immigrant Madurese. Violence in some provinces increased and brought risks of breaking unity. This was prominent in Aceh, Papua and Mollucas. In these provinces, separatist movements have been active for several decades but their action were more intense after 1997, when violence increased in Aceh and there was continuing sectarian unrest in Mallucas. Separatist tensions continue in Papua, Riau and Mallucas (UK Trade and Investment, 2004). This civil unrest has contributed to a more complex and risky situation in the business market.

The independence of East Timor has probably been an inspiration to separatists (Sealy, 2003). The Indonesian government is still confronted by simultaneous Christian separatist's movement in Mollucas. The Christian Maluku Sovereignty Front (FKM) has been fanning the fires of separatism for years whilst also fuelling tensions between Christian and Muslims. A similar conflict also continues in Poso - central Celebes. There is great insecurity within the central government over the strength of national unity even as the government works hard to retain control of the area whilst securing economic recovery and political stability.

Terrorist attack

The overall situation is likely to go from bad to worse after the October 12th bomb attacks in Bali. The terrorist attack created renewed uncertainty as it revealed the country's vulnerability to international terrorism and increased risks. Indonesia was again reminded of the threat posed by international terrorism in early August 2004 by a suicide bomb blast at the Marriot Hotel in Jakarta. The Foreign and Commonwealth Office believes that terrorists in Indonesia continue to plan further attacks on Westerners and their interests (Foreign and Commonwealth Office, 2004); foreign business interests will remain vulnerable to terrorist attack as Islamic radicalism rises.

This has lead to increased insecurity with particular regard to developing business interests in the country.

Natural Disaster

A number of natural disasters have occurred since 1997, which hindered the process of recovery from the Asian financial crisis. The disasters also affected other countries in the region: smoke haze is an "annual" problem resulting from forest burning in Sumatra and Borneo. Singapore and Malaysia were affected as the air was polluted by smoke from the Indonesian forest (Prideaux, 2003).

With the exception of Borneo, the Indonesian islands are very vulnerable to both volcanic and tectonic earthquakes. In December 2004, a big earthquake caused a tsunami, which hit Indonesia and other Asian countries, such as Malaysia, Thailand, Sri Lanka, India and the Maldives. The disaster was given much attention worldwide, but as the giant wave hit Aceh province, it added to the chaotic peace process in the province.

A complicated situation exists in the country, which has caused great uncertainty and a risky market for foreign business. The table below describes the level of risk in the market over medium and long-term periods.

Table 1.1: The Country Risks

Type of risk	**Rank**	**Period**	**Source**
Political risk	High/increase	Medium and long term	Research and Markets, 2004
Investment risk	Sharply increase	Medium and long term	Research and Markets, 2004
Social risk	Increase (high)	Medium and long term	Research and Markets, 2004
Social risk	High	Medium	Seally (PRS group), 2003
Payment delays	Moderate	Medium	Seally (PRS group), 2003
Investment risks	Moderate to high	Medium	Seally (PRS group), 2003

The table above suggests that the situation in Indonesia created a business environment with increased risk. The country is predicted to remain volatile for the long-term:

carrying out business in the country will still entail political, social, investment and even payment risks. The crisis in the country is likely to continue, at least for the near future, as fundamental weaknesses still hamper the recovery process. Ongoing multifaceted adverse events have contributed to a picture of a nation in crisis, particularly for foreigners who then keep a distance away from the country (Prideaux et al., 2003). In this situation, traders have difficulty in predicting future economic activity in the country as a result of a highly uncertain situation. Indrawati (2002) suggested that export flows were subject to disruption by various events that may occur in the destination country. Consequences can be mild and short-term or terrible and cause fundamental changes. In recent years, Indonesia has experienced some major disruptions that have affected the business environment and created large-scale instability and unpredictability. Indrawati (2002) also believed that trade flows will continue to decline or stay down due to the poor business conditions and higher risks. Thus, the business climate may still not be conducive, pushing foreign traders out from the market or ensuring that they wait some time until full recovery has been achieved. Environmental uncertainty exists in the market as decision makers do not feel confident that they understand what the major events and trends are, or they feel unable to accurately assign probabilities to the likelihood that particular changes will occur (Ashill and Jobber, 2001). In this thesis, high-risk and uncertainty terms have been used to describe the market since companies have incomplete knowledge of their future business in the country because they face greater risks and uncertainty now. Risk is defined as a form of incomplete knowledge where the future can be predicted through the laws of chance and probabilities of future occurrences can be constructed. In contrast, uncertainty is the variability of future outcomes where probability distribution cannot be constructed (Pender, 2001). When operating in a highly uncertain market, a firm can be exposed to a higher degree of instability, which causes the decision-making process to become more difficult compared to exporting or operating in a more stable market. Uncertainty in the market may mean that companies do not have prior knowledge of replicability, and future occurrences defy categorisation (Pender, 2001).

The Indonesian market is increasingly risky and uncertain and the market is predicted to remain risky for the long-term. Therefore, this study will focus on the market in order to obtain understanding of business relationship development in a high-risk and uncertain market.

1.6. Structure of the Thesis

In this chapter the author provided the readers with an introduction to the research questions, the objectives and context of the study as well as the author's motivation to carry out the study. This chapter identified the subject of the research where the contribution of the study will be aimed and the research approach to achieve the objectives of the study. An overview of the thesis now follows:

Chapter 2: Discussion on the Extant Literature

In this chapter, the literature on relationship marketing will be reviewed in order to integrate the current understanding regarding relationship development and management. The conceptualization of business relationship development and management and the methods of previous studies are reviewed. Relationship elements and the factors influencing the development of business relationships are identified.

Weaknesses in the current literature regarding business relationship development and management are identified. Current literature is criticised on the basis that it provides limited understanding as to how business relationships develop and are managed in high-risk and uncertain markets and does not fully explore the influence of external factors. The literature largely provides a deterministic view of how relationships are developed and managed depending on how the relationship elements develop, but explanations of the underlying process within organisations are still limited. Further research offering a fresh look at how business relationships develop in an unstable market is required.

A review of the literature allows the identification of research problems. Research objectives are pursued using a research methodology that had been used in previous studies. This allows the best approach to be identified for the investigation of business relationship development and management. The quantitative methods of previous studies are rejected in favour of a different approach that allows full exploration of the phenomena. This leads to an enriched understanding of how business relationship are developed and managed in a high-risk and uncertain environment.

Chapter 3: Research Methodology

This chapter examines the paradigmatic stance of the study followed by a discussion on research methodology to search for the most appropriate approaches to achieve the objectives of the study. In this chapter, the issue of trustworthiness is also discussed. This chapter justifies the choice of methods that allow the generation of theory in order to obtain a deeper understanding of relationship development and management. The choice dictated how the investigation was carried out; how data was generated; how data analysis was conducted to select sample firms; how the research themes were identified and how the existing literature was used in the analysis.

Chapter 4: Introduction to the Six Companies Understudy

During preliminary data collection, approval for further data collection from selected companies was given. The selected companies are introduced in this chapter. They are ranging from small to big companies manufacturing different products and serving different types of industry in the market. Nevertheless, since the author of the thesis provided the companies with a confidentiality letter, the names of the companies have been changed throughout the thesis.

The selected companies are various in terms of experience and perception. It is expected that the variations bring advantages to enable a richer understanding of business relationship development in a high-risk and uncertain market. This study examines the companies to ensure diversity of practice and context. This increases the richness of the theory induced from the results. The companies' experience is explored in greater detail showing the emergence of various relationship elements in each case.

Chapter 5: Business Relationship Development

Chapter 4 suggested the need to explore the development of relationship elements; hence the main focus of Chapter 5 is to identify the variability and similarity in the development of the elements in order to identify categories in terms of business relationship development. Trust, commitment and satisfaction are the main elements examined leading to the establishment of four categories of business relationship development.

Chapter 6: Exploring critical issues in the context of a high-risk and uncertain market

In this chapter, a number of critical issues are explored in order to establish the implications of business relationship development and management in a high-risk and uncertain market. The exploration is to find explanations of why relationship elements developed in different ways. The discussion in this chapter contributes to further investigation of the development of business relationships and leads to an examination of learning orientation in order to understand business relationship development in a high-risk and uncertain market.

Chapter 7: Learning Orientation

The exploration in Chapter 6 established critical implications of learning upon business relationships. In this chapter, further exploration is elucidated, where learning orientation is explored in order to find out how the orientation influences the development of business relationships in a high-risk and uncertain market. Further, market/customer orientation and risk behaviour are also explored suggesting the interrelation with the learning orientation and their influence upon the development of business relationships. This chapter maps the four business relationship development categories according to learning orientation, market orientation and risk behaviour of the companies being studied.

Chapter 8: Conclusion and Recommendations

This final chapter develops theoretical explanations so that the main conclusion of the analysis answers the research questions. In this chapter, the interpretation of how relationships develop according to the firms' intangible elements, especially their learning orientation is given. Further, the contribution of the study to knowledge is clarified showing how learning orientation related to the development of business relationships. Previous studies on the phenomena are highlighted and compared to this study. Recommendations are given for further study with the main objective being to enrich our understanding of business relationship development. Last but not least, a personal reflection is presented in this chapter.

1.7. Summary

In this first chapter, the main objective was to establish the aims of the study, the research questions and the subject of the study. An introduction to the subject of the study was made, highlighting a call for studies on relational perspectives on exporting research. Meanwhile, the relationship marketing literature calls for theory generation for further research, and this outlined the choice of research methodology, the literature to be reviewed and the contribution of the study. The research process undertaken in the study is outlined and the thesis structure is highlighted.

The aim of this thesis is to contribute to the body of knowledge that seeks an explanation on how business relationships develop in a high-risk and uncertain market, and to gain insights into the underlying process within the firms that develop and manage their relationships. The contribution will be pursued by employing a research method, which leads to theory building, then, the next chapter will review the literature relating to business relationship development and management.

Chapter 2: Discussion on the Extant Literature

2.1 Introduction

The objective of this chapter is to explore the literature on which this thesis builds. The aim of this thesis is to obtain a greater depth of understanding of business relationship development and management in a high-risk and uncertain market, so it is necessary to explore the literature that was built on conceptual and empirical works.

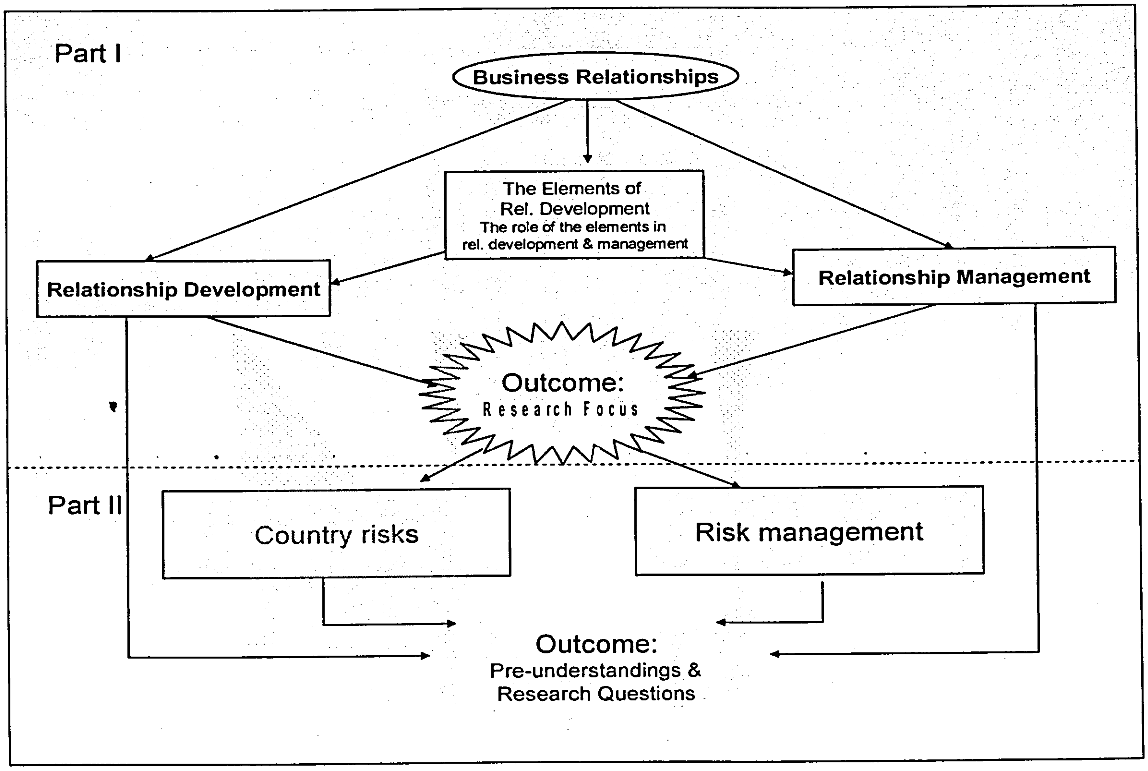
This chapter enables the author to identify the research questions and objectives whilst obtaining understandings from previous theories of business relationship development and management. Hence, it sets out to develop an understanding based on the literature and identify its weaknesses leading to the identification of research questions and the most appropriate research approach in order to achieve the objectives of the study.

The second aim of this thesis is to take a different approach to exploring business relationship development and management. This chapter then aims to evaluate previous studies to understand the research approaches applied, and how this research can contribute to the body of knowledge.

This chapter is divided into two main parts. First, a review of previous studies of business relationship development and management aims to identify what is already known and what is still unexplored. This chapter, therefore, will lead the author to identify the weaknesses and develop the research questions and objectives. In chapter 1, it was argued that a better understanding of exporting can be developed by adopting a relational perspective. Consequently, in this chapter the author discusses the literature on the elements of relationship development and management. Nonetheless, understanding of what constitutes a business relationship will be considered first.

The second part of this chapter explores what factors foster country risk. This part is actually aimed at obtaining pre-understandings (Gummesson, 2002) of possible risks faced by exporters and how they manage these risks. This part is particularly important, as this study focuses on a high-risk country where exporters are exposed to unpredictable changes and uncertainty. In addition, this section reviews both financial and strategic risk management that could be applied by exporters. The figure below describes how this chapter is organised and the outcomes of the discussion.

Figure 2.1: The Structure of Chapter Two

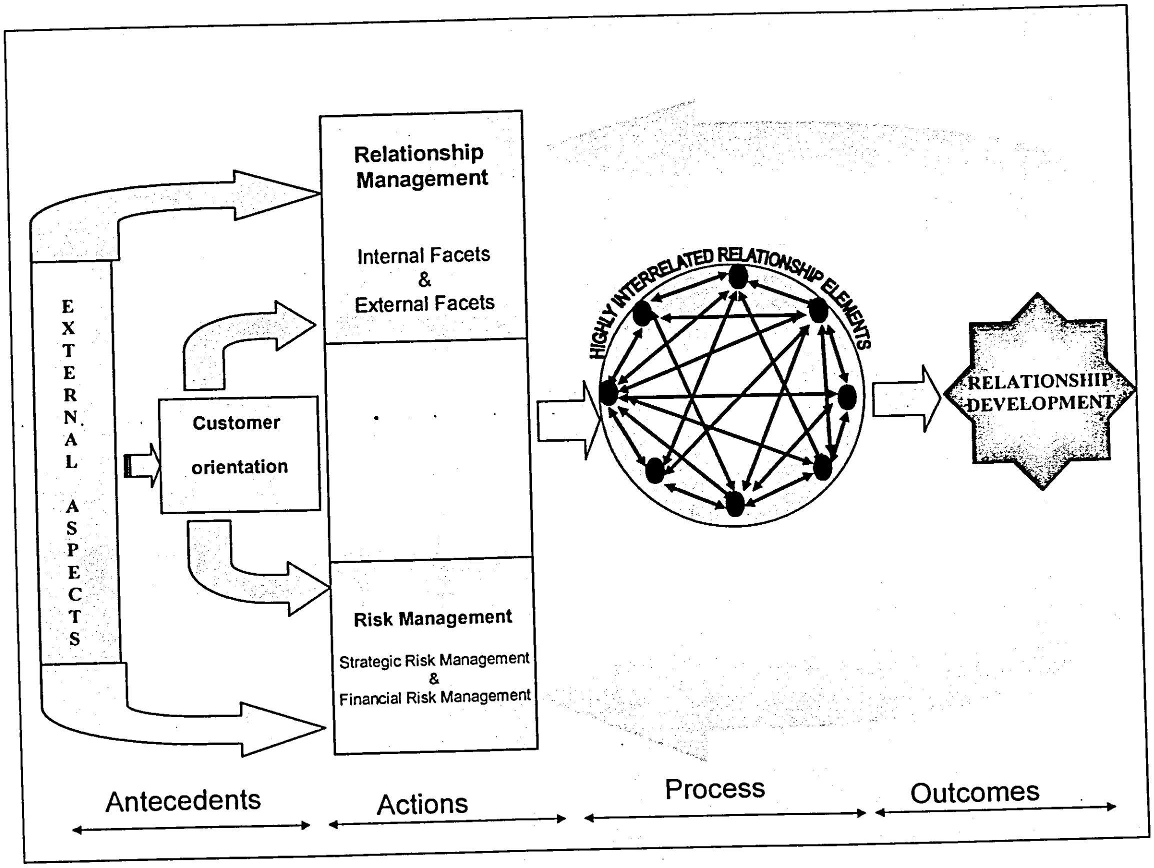


2.2. Part I: Business Relationship Development and Management

The aim of this part is to integrate the relevant literature in order to develop a pre-understanding of the research subject (Gummesson, 2002), which then dictates the research methodological choice and informs the core research issues. To accomplish this objective, this part is organised into five sections.

It was argued in Chapter 1 that it is important to adopt the relational perspective for further research into business relationship development and relationship management in exporting. Therefore, this study will take a relational perspective in investigating British exporters. For this purpose, the author integrates information from the literature, which contributes to the author's understanding of how relationships are developed and managed. The figure below integrates these understandings, and consequently, the following sections will look at the relevant literature on how relationships are developed and managed. They will describe relationship development and management where the effects of the environment are concerned.

Figure 2.2: The Integrated Understanding



Doing business in a high-risk and uncertain country such as Indonesia, an exporter may face various risks that come from natural, political, social and economic problems. The exporter may be more concerned with one or more particular aspects of the market, which may then motivate its management to take specific actions to respond to the risks (Wilson, 1995). The exporter may also encounter more impediments to the establishment and maintenance of business relationships in a high-risk market than in a stable and low-risk market. Nevertheless, none of the extant literature provides an explanation of this issue. The following discussions will examine how the extant literature has provided the understanding described in the figure above. However, an understanding of what constitutes a business relationship shall be obtained first. Following this, a section will identify the elements of relationship development cited in previous studies.

2.2.1. Business Relationships

International Marketing and Purchasing (IMP) studies suggest that a business relationship can be seen as a framework within which subsequent interactions take place (Holm et al., 1996). It is mutually oriented interaction between two reciprocally committed parties (Hakansson and Snehota, 1995) where the focus is not on service encounters: the encounter is seen as an element in an ongoing sequence of episodes between both parties. Thus, a business relationship can be described as a string of episodes. Marketing and customer satisfaction have to be analysed both on an episode level and on a relationship level (Hakansson, 1982; Storbacka et al., 1994). A relationship consists of a series of episodes, exchanges or transactions, past experience or learning from previous episodes and some interrelated expectations about the future (Hedaa, 1990).

Hakansson and Snehota (1995) claimed that every business relationship has a profile in term of activity links, resource ties and actors bonds. The function of the relationship can be characterized with respect to the three essential components (Anderson et al., 1994). Activity links regard technical, administrative, commercial and other activities of a company that can be connected in different ways to those of another company as a relationship develops. Resources ties connect various resource elements such as technological, material, knowledge resources and other intangibles of two companies. Resource-ties result from how the relationship has developed in itself a resource for a company. Finally, actor-bonds connect actors and influence how the two actors perceive each other and form their identities in relation to each other. Bonds become established in interactions and reflect the interaction process.

The dynamics of interaction within a business relationship have been studied extensively by the International Marketing and Purchasing (IMP) group of researchers, who proposed *"the interaction approach"*. Hakansson (1982) described the essential features of the approach, which focuses on exchange episodes over time embedded in the framework of a relationship in which the actors adapt to one another to produce mutually beneficial outcomes. The character of interaction between actors is seen to be shaped by environmental forces outside the actors' control and also by a more proximate atmosphere, entails elements such as: power balance, expectations, degree of cooperation and so on that the actors both shape and react to (Krapfel et al., 1991).

The interaction approach emphasises this distinction between individual episodes in a relationship (i.e. the placing or delivering of particular order) and the longer-term aspects of the relationship which affect and are affected by each episode. Hakansson (1982) explained that each episode involves exchanges between two parties, namely: product or service, information, financial and social exchanges. The routine of these exchange episodes over a period of time builds up inter-organisational contact patterns and role relations. Information exchange patterns can interlock both parties to a greater or lesser extent and therefore they are important aspects in analysing a business relationship. Nonetheless, as Hakansson (1982) suggested that in a business relationship it is possible that information and social exchanges between two parties continue for a considerable time without an exchange of product or money. Hence, two firms can be said to have a business relationship without product or service and thus financial exchanges (for a considerable time) as long as they still communicate and have social bonds.

Now there is an understanding of what constitutes a business relationship, in the following section there is a discussion of the elements of business relationship development.

2.2.2. The Elements of Relationship Development

Research on elements of relationship development has been related to identifying, defining and measuring elements that are either successful predictors or useful measures of relationship performance (Parvatiyar and Sheth, 2000). Earlier, Wilson (1995) indicated the need to improve the definition and measurement of these elements. Conversely, Gummesson (2002) recently argued that relationship elements are somewhat overlapping and do not readily lend themselves to clear-cut definitions. Therefore, it is reasonable to say that they are highly interrelated and the relationships among them are very complex. For this reason, this study does not intend to develop definitions and measurement of the elements. Instead, it will explore the complexity of the relationships in order to understand how these elements affect the development of business relationships.

The relationship between two elements, for example between trust and commitment, has been conceptualised as unidirectional, where one element influences the other but the reverse does not occur suggesting the elements have a simple-causal relationship. The causal relationship between trust and commitment remains ambiguous, as the relationship has been conceptualised in different ways. Morgan and Hunt (1994), Cullen et al (2000), and Goodman and Dion (2001) viewed trust as a determinant of a firm's commitment. On the contrary, Selnes (1998) and Geyskens et al (1998) described commitment as a determinant of trust.

On the contrary, Weitz and Jap (1995) described how a relationship develops incrementally where relationship elements are interrelated. A small investment in the relationship by one party increases trust of other party. With greater trust, the other party makes a larger investment, which in turn increases the trust of the first party. A similar trend was also found by Brennan and Turnbull (1999). They used a multiple-case study approach with 13 buyer-sellers relationships and 36 semi-structured interviews in the United Kingdom in order to examine the motivations and decision-making processes underlying adaptive behaviour in the relationships. They found that the levels of trust and commitment affect adaptive behaviour and that adaptation, in turn, feed back into increased trust and commitment. This expresses close connections among those elements, featuring iterative processes. For this reason, it may be argued that each of these elements will affect and be affected by others featuring complex, interwoven and numerous relationships.

In order to obtain the necessary understanding of the major elements of relationship development, the author reviewed the extant literature. She found a number of emerging elements, which are listed in the following table. They were generally proposed to be the major elements of relationship development, and thus they were applied in the design of the questionnaire for this research investigation. Consequently, they were only used as a starting point (Eisenhardt, 1989) to allow the author to gather pre-understanding of the interesting cases, which will be discussed in Chapter 4.

Table 2.1: Major Elements of Business Relationship Development

No	Elements	Conceptual and Empirical Studies
1	Trust	Dwyer et al (1987), Anderson and Weitz (1989), Hallen et al (1991), Morgan and Hunt (1994), Weitz and Jap (1995), Wilson (1995), Andaleeb, (1996), Gronroos (1997b), Lewin and Johnston (1997), Cann (1998), Blois (1998), Selnes (1998), Geyskens et al (1998), Leonidou and Kaleka (1998), Brennan and Turnbull (1999), Conway and Swift (2000), Cullen et al (2000), Kothandaraman and Wilson (2000), Morgan (2000), Ruyter et al (2001), Leonidou et al (2002), Griffith (2002), Walter and Ritter (2003), Leonidou et al (2006).
2.	Commitment	Ford (1980), Dwyer et al (1987), Anderson and Weitz (1989), Hallen et al (1991), Morgan and Hunt (1994), Weitz and Jap (1995), Wilson (1995), Andaleeb, (1996), Takala and Uusitalo (1996), Gronroos (1997b), Lewin and Johnston (1997), Cann (1998), Blois (1998), Selnes (1998), Geyskens et al (1998), Leonidou and Kaleka (1998), Brennan and Turnbull (1999), Conway and Swift (2000), Cullen et al (2000), Kothandaraman and Wilson (2000), Morgan (2000), Ruyter et al (2001), Leonidou et al (2002), Griffith (2002), Telefsen (2002), Phan et al (2002), Walter and Ritter (2003), Leonidou et al (2006).
3.	Communication	Dwyer et al (1987), Anderson and Weitz (1989), Morgan and Hunt (1994), Weitz and Jap (1995), Biong and Selnes (1995), Lewin and Johnston (1997), Cann (1998), Cann (1998), Smith (1998), Selnes (1998), Leonidou and Kaleka (1998), Geyskens et al (1998), Conway and Swift (2000), Andersen (2001), Leonidou et al (2002), Griffith (2002).
4.	Satisfaction	Ford (1980), Rosson (1982), Dwyer et al (1987), Ford and Moore (1991), Wilson (1995), Andaleeb (1996), Selnes (1998), Leonidou and Kaleka (1998), Cann (1998), Conway and Swift (2000), Griffith (2002).
5.	Cooperation	Morgan and Hunt (1994), Wilson (1995), Lewin and Johnston (1997), Smith (1998), Leonidou and Kaleka (1998), Ruyter et al (2001), Leonidou et al (2002), Leonidou et al (2006).
6.	Adaptation	Ford (1980), Hallen et al (1991), Wilson (1995), Cann (1998), Leonidou and Kaleka (1998), Brennan and Turnbull (1999), Walter and Ritter (2003).

Based on the table above, it seems that trust and commitment are cited as the main elements of relationship development. The next section will examine how they influence the development of business relationships. As was seen above, these elements are interrelated and influence each other, which in turn determine relationship development. This review informed the author that the relationship elements are not static, but they change, that they are highly interrelated within the process of relationship development. This process is shown in figure 2.2 as a circle of interrelated bullets.

Some of the authors reviewed, however, found that the elements described in Table 2.1 have different roles in business relationship development. Their function is either as key mediators, antecedents or outcomes. This can be seen in various models of relationship development, which will be the focus of the next section of this chapter. These models basically explain the behaviour of companies engage in business relationships. The models describe the behavioural intention of companies developing business relationships: they may activate elements to gain outcomes such as relationship continuity, customer loyalty, and a better sales performance. Here, the author of the thesis uses the term 'model' to refer to the theoretical corpus of relationship development (Sheth and Parvatiyar, 2000).

2.2.3. Relationship Development

The purpose of this section is to discuss previous studies into how relationships are developed or how relationships work, as highlighted by the models. Nevertheless, the author of this thesis has found that various authors have described relationship development in three main streams, which focus on the three roles of relationship elements, integrative (stages) and states models. A number of authors have proposed that a relationship develops as a consequence of the elements discussed above having different roles and relationships to each other. Also, a relationship develops in a number of stages or states as the elements fluctuate. This section will be divided into three, to discuss these streams in turn, and the author will thus gain an understanding of how a relationship develops as the elements develop and how they influence each other according to the extant literature. Consequently, the following discussion explores how relationships develop where each element has different roles. Then, discussion of relationship development in stages and states will follow respectively.

2.2.3. a. Three roles of the relationship elements.

Relationship elements have different roles in relationship development. A number of studies focused on the issue and provided some necessary understandings to the author of the thesis, who has listed the previous studies in the table below.

Table 2.2: The Roles of Elements in Relationship Development

Author	Empirical Research	Key Mediators	Antecedents	Outcomes
Morgan and Hunt (1994)	Quantitative/survey research with 129 samples (conducted in USA)	• Commitment • Trust	• Communication • Relationship termination cost • Relationship benefit • Shared Values • Opportunistic behaviour	• Cooperation • Propensity to leave • Acquiescence • Functional conflict • Uncertainty
Selnes (1998)	Quantitative research with a sample of 210 customers of one supplier (conducted in Norway)	• Trust • Satisfaction	• Communication • Commitment • Competence • Conflict handling	• Relationship enhancement • Continuity
Geyskens et al (1998)	Quantitative research with 154 sample firms (Conducted mainly in USA (75%) and four European Countries)	• Trust	• Environmental uncertainty • Own dependence • Partner's coercive power use • Communication • Economic outcomes	• Satisfaction • Long-term orientation
Ruyter et al (2001)	Quantitative research with 491 participants (conducted in the Netherlands)	• Commitment • Trust	• Offer Characteristics • Relationship Characteristics • Market Characteristics	• Loyalty Intention
Ha et al (2004)	Quantitative research with 198 importers (conducted in Korea)	• Dependence	• Cooperation	• Satisfaction • Trust • Commitment

The theoretical corpus informed the author of the thesis that a relationship may face risks originating from the environment. Business relationships are actually characterised by high uncertainty, which means that such relationships entail risks of termination that bring costs. This will push the firms to commit to the relationship (Morgan and Hunt, 1994). However, the authors did not explain why business relationships are characterised by great uncertainty. Selnes (1998) explained that business relationships are highly uncertain due to unpredictable market demands or other changes in the market environment. Yet, Selnes (1998) did not explain how environmental uncertainty may cause uncertainty in the relationship.

Further understanding was obtained from the work of Geyskens et al (1998). These authors found that in situations of high environmental uncertainty, a party might want to remain flexible and develop relatively temporary relationships with multiple channel partners and consequently exhibited lower trust. Trust was inversely related to environmental uncertainty and partner's coercive power use. Finally, environmental uncertainty had a negative effect on trust, a non-significant effect on long-term orientation and a positive effect on satisfaction. Their findings demonstrated the effect of environmental uncertainty on relationship continuity and development of relationship elements, but they did not indicate why the environment might become uncertain. Accordingly, Ruyter et al (2001) argued that the nature of supplier-customer relationships in the high-technology market was considerably influenced by market characteristics. Therefore, the level of uncertainty of business relationships was related to the market characteristics or the nature of supplier-customer relationships. This also meant that the high level of uncertainty in the market involving costs and risks in switching suppliers would influence the choice behaviour of customers.

Similar to the findings of Selnes (1998), Ruyter et al (2001) focused on the high technology market, which was characterised by limited numbers of suppliers and thus a higher degree of dependence, high switching costs and risks. They believed that the nature of supplier-customer relationships in the high-technology market was considerably influenced by market characteristics. Therefore, the level of uncertainty within business relationships was related to market characteristics, meaning that the high level of uncertainty in the market would entail costs and risks of switching. In relation to market characteristics, high market uncertainty was seen as a result of competition only. It neglected other factors that might influence the market condition, which might be determined by changes in government policy, politics and economic factors (Calverly, 1990).

In contrast to these studies carried out in stable Western countries, the study of Ha et al (2004) carried out in Korea addressed the impact of cultural distance on exporter-importer relationships. However, they found that cultural distance between Korean importers and their partners did not affect their business relationships. They argued that the result was a reflection of increased globalisation, international business contacts, travelling of executives and overseas education by Koreans. These reduced cultural distance and Korean executives could therefore understand their partner's action or behaviour.

Among the five models discussed above, trust and commitment were the most widely cited as the key mediating elements of relationship development. The author also found an understanding that environmental uncertainty was indicated in the models to have an effect on the development of relationships. However, analysis of what factors caused the uncertainty was still limited and how they influenced business relationships was similarly underdeveloped. In terms of the research approach, it seems that all the models were based on quantitative research suggesting the method as the dominant approach while the use of qualitative research approach was not widely applied. This calls for the use of qualitative research in further studies in order to balance the use of the research methods to explore the subjects from a different perspective that contributes to better and deeper understandings.

In summation, those models above contributed to understandings the role of relationship elements in explaining relationship development and the fact that external aspects of the relationship could influence the development. The models grouped relationship elements into three categories, namely antecedents, key mediators and outcomes. However, the models pointed out that each element might fall into different roles, and thus the boundaries among the groups are blurred. Yet, the models seemed to combine relationship elements and external aspects of relationships, such as environmental uncertainty, market characteristics and offer characteristics as the antecedents of relationship development. However, there was agreement that all external aspects of relationships were antecedents but not key mediating elements or outcomes of relationship development. Therefore, it can be argued that external aspects of relationship are the antecedents of management policy, which in turn influence the fluctuation of the relationship elements, and that each element is highly inter-related with other elements. Thus, the author included the environment aspects in figure 2.2. as antecedents of management policy.

2.2.3.b. Integrative (stages) models

Besides the models discussed above, there are also integrated models generated from a combination of relationship development and relationship elements that explain how relationships are developed (Wilson, 1995). The integrative model of relationship development has been perceived to represent the step-wise manner in which relationships develop through a number of stages; hence, the integrative model is also called the stages model. At every stage, one or several relationship elements actively affect the outcome consideration while others have latent influences (Wilson, 1995). Consequently, fluctuation of the elements determines the development or movement from one stage to another. Several integrative models have recently emerged, as can be seen on the table below.

Table 2.3: The Stage Models of Relationship Development

Authors/Researchers	**Stages of Development**	**Elements**
Ford (1980)	1. Pre-relationship 2. Early stage 3. Development stage 4. Long term stage 5. Final stage	• Experience • Distance/uncertainty • Commitment • Adaptation
Dwyer et al (1987)	1. Awareness 2. Exploration 3. Expansion 4. Commitment 5. Dissolution	• Trust • Commitment • Interdependencies • Communication
Wilson (1995)	1. Partner selection 2. Defining purpose 3. Setting relationship boundaries 4. Creating relationship value 5. Relationship maintenance	• Cooperation • Satisfaction • Trust • Adaptation • Social bonds • Structural bonds • Comparison level of alternatives • Mutual goals • Power dependence • Commitment Investment

Table 2.3. continued

Authors/Researchers	**Stages of Development**	**Elements**
Cann (1998)	1. Set goals 2. Define strategy 3. Determine culture 4. Determine congruence of strategy and culture 5. Adjust culture to emphasize customer oriented strategy 6. Implement marketing strategy 7. Bond socially with customer 8. Add value to the relationship	• Strategy • Culture • Trust • Commitment • Social Bond • Communication • Adaptation
Conway and Swift (2000)	1. Pre-contact 2. Initial interaction 3. Development 4. Mature Relationship	• Commitment • Trust • Customer orientation/empathy • Experience/satisfaction • Communication • Psychic distance
Pillai and Sharma (2003)	1. Initial Phase 2. Maturing of Relationships 3. Mature Relationships	• Trust • Commitment
Heffernan (2004)	1. Pre-relationship stage 2. Early Interaction stage 3. Relationship Growth stage 4. Partnership stage 5. Relationship End stage	• Trust

In his article, Ford (1980) provided examples of how relationships developed between UK manufacturers and German distributors or between UK manufacturers and French buyers in each stage of the development. He believed that the development of buyer-seller relationships could be seen as *a process* in terms of the increasing experience of the companies, the reduction in their uncertainty and the distance between them, the growth of both actual and perceived commitment, and their formal and informal adaptations to each other and the investment and saving involved. Ford's model highlighted the role of commitment, experience and adaptation, and the influence of the fluctuation in relationship uncertainty and the distances between the parties. Nevertheless, the model did not look into how high risk might affect the development of the relationship. Still, Ford argued that the final stage could only be found in long-established, stable markets over long periods of time. This suggests that relationships in a volatile market might not arrive at the last stage or accomplish all stages from the pre-relationship stage to *the final stage* in the continuum.

In contrast to Ford's view above, Dwyer et al (1987) described two companies in a business relationship as being like a married couple, with analogous benefits and costs. Unlike the previous model, this model tried to look at different elements of relationship development. It revealed the role of interdependencies, trust and communication. Also, Dwyer et al (1987) acknowledged the lack of research interest in relationship termination. Although they described business relationships using the marriage metaphor, they added a further possible stage into their model of relationship development (dissolution where the relationship was no longer profitable). Unfortunately, they did not provide an explanation for why certain business relationship may cease to be profitable and need to be dissolved.

The relationship development models proposed by the authors discussed above did not integrate the existing knowledge about the variables that produced a successful relationship (Wilson, 1995). For this reason, Wilson (1995) created a model that integrated the variables with the stages of relationship development. He developed his model based on the work of Dwyer et al (1987) and Borys and Jemison (1989) by integrating the elements cited by those authors. He also paid attention to the environmental changes that might force both parties to activate particular elements as they received a great deal of managers' time and energy. However, he suggested that these changes in the environment were only related to changes in market competition. Environmental changes caused by other factors, such as changes in government regulations, exchange rates or political situations, have not yet been revealed. Nevertheless, Wilson's model has contributed to the author's understanding that management activate particular elements in response to environmental changes. This reiterates what was argued earlier regarding external aspects as the antecedents of management actions.

Meanwhile, Cann (1998) argued that the selling organisation should determine its marketing goals and strategy, analyse its current culture, establish congruence between the strategy and the culture and if necessary activate a customer service-oriented culture. Cann's model might actually be divided into two broad stages, i.e. pre-contact and relationship building stages. Stages one to five could fall into the pre-contact phase because the seller should develop its goal, strategy and culture, which were internal matters to the sellers. Then, stages six to eight might fall into the relationship building stage where the seller has experienced actual contact with the buyer. Finally, the most important issue that emerged in this model was that of customer service-oriented culture. Cann emphasised the importance of service-oriented culture, in which a customer service mentality was well established throughout the organisation. This idea marked the relationship's development from a marketing philosophy perspective. This philosophy emphasised the importance of market and customer orientations. This meant that a firm must base all its activities on the needs and wants of customers in selected target markets (Takala and Uusitalo, 1996). This model provides an understanding that a customer orientation culture should be established prior to implementing a relationship-building strategy and before the relationship-building process begins. Next, customer orientation will encourage firms to devote their efforts to developing and maintaining their relationships. Therefore, it can be argued that customer orientation is the antecedent of management action; thus, in figure 2.2, customer orientation is placed next to the external aspects and before the management actions.

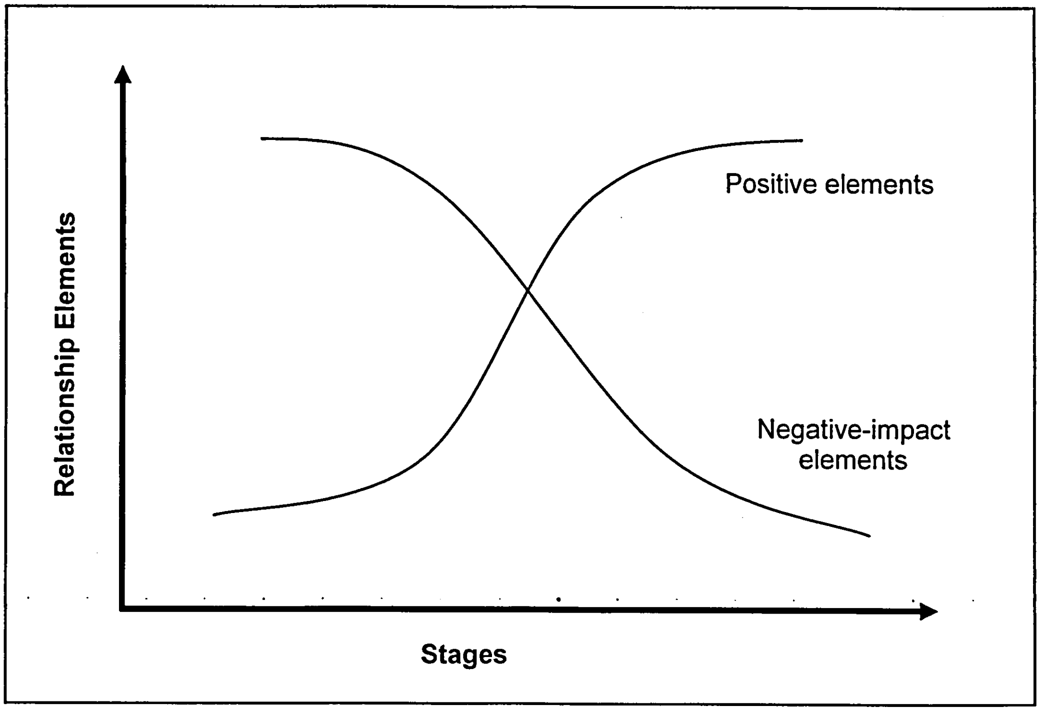
Similar to Ford's model (1980), Conway and Swift (2000) focused on the importance of psychic distance, which was argued to have a positive relationship with the financial and psychological investment that was generally required to develop a successful relationship marketing strategy: the higher the level of psychic distance, the greater the effort required. At the different stages of relationship development, different variables of psychic distance assumed relatively greater levels of importance, which was likely to have implications for the implementation of a relationship marketing strategy. Conclusively, they highlighted the role of psychic distance in relationship development and they distinguished psychic distance and relationship components/elements. Those components marked different stages of the relationship development depending on their role and influence at each stage. There was a possibility of failure, especially in the second stage, when contact was begun. However, Conway and Swift did not explain how relationships might fail and whether failure was a necessary means of termination. Yet, this model indicated that relationship development was the result of psychic distance, the fluctuation of relationship elements and the degree to which those elements influenced management efforts to develop the relationship.

A three-phase model of business relationship development was proposed by Pillai and Sharma (2003). In their model, trust and commitment were viewed to have influences on relational orientation and thus the length of business relationships. In the first phase, they expected that trust and, therefore, relational orientation develops over time. Here, the length of time accumulates in the relationship was regarded as an investment that enhances trust. Trust development is time dependent and hence trust is low in this early phase and thus there is a low level of relational orientation. As the relationship moves to the next stage, then commitment to the relationship will increase. Again, length of time represents an investment that both parties made in the relationship and enhances their relational orientation. Prediction of partner behaviour increases as the relationship grows older and moves to the mature relationship phase. In this model, the authors suggested that the development of relationship depends on the development of trust and commitment, which in turn depend on the time spent in the relationship. The longer the time is invested in the relationship, the higher level of trust and commitment in the relationship. However, this is a rather simplistic view of relationship development since trust and commitment may not grow regardless the length of time spent in the relationship. Moreover, the external environment may also influence the development of trust and commitment, and thus the relationships.

Finally, based on the work of Ford (1980), Dwyer et al. (1987) and Wilson (1995), Heffernan (2004) built a five stage model of relationship development, where he believed that trust is the dominant element that differentiates each stage. He argued that trust creation is seen as most critical to develop at the initial stages. Consequently, he examined trust development at the first three stages of the relationship development through an empirical study. However, his model considered trust as the only relationship element influencing relationship development in the first three stages while in the later stages trust creation as well other relationship elements are still unclear. He also failed to explain the underlying process of how trust developed and created.

In short, the stage models described relationship elements as fluctuating and shaping relationship development. Consequently, relationship development is the outcome of the fluctuation process. The following figure describes the understanding obtained from the discussion above.

Figure 2.3: Relationship Elements Fluctuation



The figure above shows that the more advance the stage, the higher the degree of positive relationship elements, whereas relationship elements with negative impacts decrease as the relationship moves into further stages[1]. This suggests that increasing positive elements; such as commitment, trust and cooperation, a relationship will move to a higher stage. The increasing of these elements is parallel with the decreasing of elements with negative impact; such as distance, uncertainty and conflict. Meanwhile in a lower stage, commitment, trust and cooperation will be low but distance, uncertainty and conflict will be higher.

In general, the integrative (stages) models described relationships as developing through a number of sequential stages, which are irreversible (Batonda and Perry, 2003). In the stages models, Batonda and Perry (2003) pointed out that the developmental character of the change process is conceptualised as a distinct step or period of developmental, growth or process because the models emphasis deterministic action from actors to commit resources to perform business activities. That is the change process describing a gradual development, taking place in a sequential manner and over long period of time.

[1] Leonidou et al (2002) distinguished two types of relationship elements. First, there are positive relationship elements such as trust, commitment, and cooperation. Meanwhile, relationship elements such as distance, uncertainty and conflict are regarded as elements with negative impact (p:108).

The authors argued that the models, however, have main differences among them in term of the number of the stages and the description of each stage as they were built on different criteria. The models stemmed from a narrow focus neglecting cultural dimensions in business relationship development, particularly in an international context. Based on empirical studies, the authors concluded that the relationship development process is not an orderly progression of phases over time but it is essentially an evolution of unpredictable states, which is complex, iterative and frequently non-linear due to the dynamic nature of human relationships and the nature of business and markets. This is what the stages models failed to explain, casting doubt on the adequacy of the stages model (Batonda and Perry, 2003, p. 1464). They argued that business relationships seldom go through a definite step-by-step development process and that stages models are generally silent on failure activities because all systems are assumed to progress successfully through all stages. Thus, by incorporating change processes of failed situations, we can obtain a more realistic view of the change process in relationship development. Batonda and Perry then proposed a state theory of relationship development. They maintained that the term of "state" conveys the idea that the condition at a point in time and the phase in the development process is neither necessarily orderly nor progressive over time.

Earlier, based on a literature review, Rao and Perry (2002) found three problems with the integrative (stage) models. First, the assumption that relationship development processes occur sequentially is undermined by the fact that relationships rarely go through the definite stages stated by the integrative (stage) models. Second, the models are not able to explain the complexity of inter-firm relationships, particularly at the boundaries between stages. Third, the models fail to address unsuccessful situations in the change process. Rao and Perry (2002), therefore, proposed that states theory appears to be an appropriate foundation for explaining relationship development. The development of the relationship is not necessarily an orderly progression of phases over time. Indeed, the phases through which a relationship moves depending on the circumstances or opportunities that the parties encounter. The models discussed below are examples of state models of relationship development.

2.2.3.c. The state models

Unlike the integrative models that showed a richer variation in terms of authors, stages and relationship elements, the state models seem to originate from the work of Ford and Rosson (1982). The table below lists these models.

Table 2.4: State Models of Relationship Development

Authors/Researchers	States of Development	Elements
Ford and Rosson (1982)	1. New 2. Growing 3. Troubled 4. Static 5. Inert	• Performance • Experience/time dimension • Uncertainty • Distance • Commitment • Adaptation
Rosson (1986)	1. New 2. Growing 3. Troubled 4. Static 5. Inert 6. Termination	• Performance • Experience • Time dimension • Uncertainty • Distance • Commitment • Adaptation
Moore (1991)	1. New 2. Growing 3. Troubled 4. Static 5. Declining	• Performance • Experience/time • Uncertainty • Satisfaction
Batonda and Perry (2003)	1. Searching 2. Starting 3. Development 4. Maintenance 5. Termination	• Commitment • Value creation • Conflict resolution • Trust

Earlier, Ford and Rosson (1982) developed a model of exporter-overseas distributor relationships by drawing upon writings in the field of inter-organisational relations and buyer-seller relationships in industrial marketing. Their model was then tested empirically through examining data on 21 pairs of companies, i.e. 21 Canadian exporters of industrial goods and their UK distributors. In general, the authors presented their model as offering insights into the manufacturers as the sellers and their distributors, who were considering becoming involved with overseas trading partners. The extent to which the other party would make commitments and adaptations was an important factor to explore at the establishment state of a relationship. In comparison to Ford's model (1980), this model took into account more factors that might affect the development of relationship. Also, this model highlighted that newly established relationships faced three different situations, namely "growing", "static" and "troubled", thus illustrating fluctuation in business relationship development. Nevertheless, this model described relationships in terms of time, with “new” meaning “less than 2 years old”. This means that we might assume that a 3-year-old relationship has moved into either a static or a troubled state although it had little experience of interaction or transaction.

Furthermore, Rosson (1986) added a new state to those proposed in the original model of Ford and Rosson, (1982) above. Rosson (1986) proposed “terminated” as the new state referring to a terminal state of development. He added the termination state when he analysed the changing nature of business relationships between Canadian manufacturers and British distributors over a seven-year period. He suggested that previous work in this field had been of the one-time, cross-sectional kind, which permitted no real understanding of business relationship development or of its causes or effects. Also, he argued that change was a critical variable for the researcher who wanted to obtain a better understanding of the exporting method.

The state model proposed by Rosson (1986) gave a useful insight into how the change in external and internal factors of relationships might shape the development of the relationships. In terms of external factors, environmental change was viewed as a result of change in exchange rates or the death of the market, where demand for the products exported dies. Unfortunately, the mechanism by which the companies respond to the change remained unclear, as did how relationship elements, such as experience, commitment, uncertainty and distance change because of changes external and internal to the relationship. Understanding this issue is necessary to add to our knowledge of how a relationship moves from one state to another as those elements are affected by external and internal factors. Also, this may reveal the behaviour of the companies involved in the relationship.

Finally, Moore's (1991) work was based on the model developed by Ford and Rosson (1982). It focused on relationships between UK manufacturers and their agents or distributors in West Germany. In his research, he added a further dimension to those used in the evaluation and categorisation of development states, as proposed by Ford and Rosson (1982).

As Moore used the model developed by Ford and Rosson (1982), there were still similarities and differences between the two models. First, the numbers of states remained five, but the final stage was different. Moore replaced the "inert" state with a "declining" state, which referred to declining sales in the longer term. Second, some variables that were assumed to influence the relationship development were the same, namely time, performance, experience and uncertainty, but Moore examined only four variables whereas Ford and Rosson (1982) highlighted seven. Finally, Moore's model described the "new relationship" state as being determined by the age of the relationship, that is, less than 2 years. This point of view is deterministic, ignoring the possibility that a firm could gain more experience by increasing the number of transactions or contacts regardless of the age of the relationship.

A five states model was proposed by Batonda and Perry (2003) as they were not satisfied with the stages models of relationship development. In contrast to the previous states models, their model suggested that any change from one state to next is not dependent on the number of years spent in the relationship. Their model described the change process as an evolution of unpredictable states in which firms move from one state to another in a random fashion, particularly between the starting point and the end point of relationship development. They argued that relationship development is much more complex and not evolving in the structured manner (as implied by stage theory models). This is due to, they argued, the dynamic nature of human interaction and the nature of business and the market in which the relationships are formed. Therefore, their model considered the influence of environment upon the development of business relationships.

All the state models, with the exception of the last model, seem to be deterministic in terms of two dimensions, namely the way that sales trends and experience (years) are used to distinguish each state. In contrast to the stage models that described relationships as developing via a linear route where a relationship moves to only one possible stage, the state models were based on empirical works. Integrative (stages) models were mainly based on conceptual works on business relationship development. The state models described relationship development in a more "realistic" way: they indicated that a relationship might fall into a declining or inert state just after experiencing a growing state or even straight from a new state. A new relationship might directly move to one of three different states before going into termination. They explain how a relationship might fall into a certain state depending on how the relationship has been managed during environmental change. When the environment is changing, firms will try to find ways to manage the relationship leading to a certain state of relationship development. In other words, the management actions result in relationship development. This is why, in figure 2.2, the author depicted arrows between management actions and relationship development.

Even though both the stage and state models seem to be deterministic, as seen above, the body of literature has contributed to the understanding of how a relationship develops as particular elements fluctuate or develop. Put simply, the more developed the elements, the more advanced the relationship becomes. The fluctuation is a consequence of management actions. However, it remains unclear why the elements fluctuate and interrelate. More precisely, there is a need to clarify why firms do and do not activate particular elements as they face changes in the environment. Furthermore, the development of a relationship may not be appropriate in all situations, since the development is determined by the degree of distance between parties involved. The greater the degree of distance, the harder it will be to push the process of relationship development (Conway and Swift, 2000).

Earlier, Achrol and Stern (1988) illustrated that market environment uncertainty directly affects the degree of decision-making in marketing channels. Also, Oliver (1990) identified that environmental uncertainty prompts organisations to establish and manage relationships in order to achieve stability, predictability and dependability in their relations with others. Hence, it may be argued that firms engage in different situations and experience different business relationship stages or states. For this reason, this research will not employ a specific model. In short, all the models can be grouped into three main streams, each of which has contributed to the author's knowledge about relationship development, as seen in the table below.

Table 2.5: Streams within the Business Relationship Development Literature

Streams	Basic understanding
Three roles of relationship elements	Each element has a different role in relationship development. External situations affect the elements.
Relationship development in stages	Relationship development proceeds in a number of stages (which form a straight line) depending on relationship elements and external situation, which may force the company to activate particular elements.
Relationship development in states	Relationship development proceeds in a number of states depending on relationship elements, which are influenced by external factors. However, the development is not a straight line; a relationship may fall into one of three possible states.

In general terms, the models above seem to agree that changes in the environment induces the development of relationships as firms take action by changing their policy as they respond to the environmental changes. The policy may only activate particular elements; however, as they are highly interrelated, the change in one element may affect another, and this process will determine the development of the relationship. Therefore, it can be argued that external factors are the antecedents of management action to manipulate relationship elements. This was also underlined by the International Marketing and Purchasing (IMP) group, which argued that relationships between firms are seen to be shaped by environmental forces (Krapfel et al., 1991).

As suggested earlier, relationship management is a critical issue in studying exporting and a firm may take management actions when responding to environmental change. Therefore, the following section will explore this issue.

2.2.4. Relationship Management

Once a business relationship has been established, the management of the relationship requires the involvement of both parties. The degree to which governance responsibilities are shared or managed independently depends on the perception of norms of governance processes among partners. It is affected by the nature of their relationship marketing program and the purpose for which they are engaging in the relationship (Sheth and Parvatiyar, 2000). Furthermore, relationship elements, such as communication and commitment, are implicitly indicated to have critical roles in managing relationships, and are expected to have a more sustaining impact on relationships. Overall, Sheth and Parvatiyar (2000) argued that the governance process helps in the maintenance, development and execution aspects of the business relationship. It also helps to strengthen relationships among relational partners, and if the process is satisfactorily implemented, it ensures the continuation and enhancement of relationships with customers. Nonetheless, Sheth and Parvatiyar (2000) did not show whether factors external to the relationship can lead a firm to choose a certain facet of relationship management and how the choice will have consequences for the relationship.

Earlier, Smith (1998) investigated relationship management using a mail survey on 220 male and 200 female members of the Purchasing Management Association of Canada. She suggested that there are five dimensions of relationship management, namely relationship investment, open communication, cooperation, functional conflict resolution and relationalism. Those facets of relationship management facilitate the interactions between buyer and supplier by removing any barriers created by risk and uncertainty. Trough these facets, the parties involved can signal commitment to the relationship. The findings indicated that open communication, relationship investment and cooperation are the facets of relationship management that stimulate relationship quality improvement. That means signalling commitment by performing the facets leading to cultivating and enhancing close working partnerships, together with a greater chance of success in trade transactions. Signalling commitment encourages the partners to work together toward mutual benefit. Signalling commitment by the suppliers creates a positive relationship atmosphere, as the buyers respond positively. However, the author did not provide an understanding of whether signalling commitment can be affected by environmental factors and then influence the relationship's atmosphere.

The works of Smith (1998) and Sheth and Parvatiyar (2000) looked into the role of relationship elements in relationship management but neglected the effect of environmental change (as if a relationship was isolated from its environment). This seems to be inconsistent with the understanding obtained from previous discussions. The effect of external factors on relationship management is the focus of this study. An understanding of the effect of the environment on relationships was given by the work of Leek et al (2002). They tried to generate an understanding of relationship management methods and explained the role of the elements and the effect of the environment on relationship management decisions. Leek et al (2002) found that UK companies tended to apply one or more methods in managing relationships. They found three methods, namely a formal documented system, personal judgement and group meetings. A combination of all the methods essentially allows a three-tier information gathering process to take place (p. 367). The methods are often applied simultaneously so that information can be obtained from various sources. However, the emphasis placed on the use of each method indicates the degree to which relationship management systems are used, and how this may be different between suppliers and buyers. Suppliers tend to have a greater amount of information to process, which is difficult to encompass in a formal documented system. Regarding personal judgement, Leek et al (2002) argued that it enables the person who manages the relationship to take into account two types of variable, namely subjective and contextual variables. The first type includes the relationship atmosphere, i.e. the degree of trust, commitment, the importance of the relationship and a number of other intangible factors. The second type takes into account company-level variables and business-environment variables. Company-level variables are related activities outside the norm of the relationship whilst business environment variables include those factors that affected business in general, such as inflation or exchange rates. This suggests that the business environment influences the decision-makers in terms of how they manage the relationships. This was also underlined by Wilson (1995), as discussed earlier in the context of stage relationship development models. In lieu of regular meetings, Leek et al (2002 and 2004) indicated that communication and information flow are vital to ensure that individuals in the company are working within the same framework when managing relationships. The authors took into account how the environment and the current state of relationship elements influence decision-makers. Unfortunately, how the decision affects further development of the relationship remains unexplained. This study aims to provide the explanation.

Relationship management allows a company to achieve customer orientation (Leek et al., 2002). This means meeting customer needs and providing greater customer satisfaction through the use of relationship management systems to gather relevant information and formulate a marketing strategy. This indicates that pursuing customer orientation requires the implementation of relationship management. Meanwhile, in relation to customer orientation, Cann (1998) offered an understanding that a customer orientation culture should be established prior to implementing relationship-building strategies and before the relationship building process begins. This might mean that a customer orientation culture should be developed before the implementation of relationship management. Hence, it can be argued that customer orientation is an antecedent of relationship management (see figure 2.2).

Finally, the discussion of relationship management has contributed to the author's understanding that how a relationship is managed depends on subjective variables (e.g. relationship elements) and contextual variables (e.g. the business environment). Yet, how relationship management may affect further development of the relationship elements shall be obtained from this study. Also, the issue of what management action a firm shall take, and how it may bring consequences for relationship development, remain unexplored in the studies.

There is no conclusive agreement on how to manage relationships. Nevertheless, there is a common view that relationship elements, such as communication, have a critical role in managing relationships. Communication is highlighted in terms of internal communication in order to coordinate efforts within the organisation. Also, external communication with partners facilitates the flow of valuable information between the parties involved. Leek et al (2002 and 2004) seemed to focus on internal aspects of managing relationship, while Smith (1998) and Sheth and Parvatiyar (2000) had the opposite concern. Yet, their findings provided useful knowledge as they explained how a firm manages its relationships through implementing internal and external facets of relationship management. Earlier discussions indicated that the environment may induce management actions but in this discussion the author did not find an explanation of relationship management in terms of both internal and external facets and link it to their concern about certain situations in the environment. Also, none of the literature on relationship management focused on how to manage relationships in a high-risk market. The empirical research on relationship management tended to explore the issue in domestic markets, which were relatively stable, such as the UK and Canada. This reflects what was seen in the review of relationship development. Hence, it is a useful contribution to examine relationship management in the context of high-risk markets.

2.2.5. Summary of Part I:

The discussion of the existing literature contributed to the understanding of what constitute of business relationships and the role of relationship elements in explaining relationship development. There is an agreement that external aspects of a relationship are the antecedents but not the key mediating elements or the outcomes of relationship development. Also, the literature offers an understanding that management activates particular elements in response to environmental changes. Therefore, it is argued that external aspects of relationships are the antecedents of management policy, which in turn influences the fluctuation of relationship elements, and that each element is highly inter-related with others elements. A firm takes action by changing its management policy leading to fluctuation of the element-forming process of relationship development.

The integrative (stages) relationship development literature articulated above described the role of each element in relationship development in which the fluctuation of those elements show the movement of the relationship from one stage to another. The literature indicated relationship elements as fluctuating and shaping relationship development. The more advance the stage, the higher the degree of positive relationship elements, whereas relationship elements with negative impact will decrease as the relationship moves into further stages. Meanwhile, the state relationship development literature suggested that a relationship may fall into a declining or inert state just after experiencing a growing state, and from a new state, a relationship may move to one of three different states. It explained that a relationship may fall into a particular state depending on how the relationship is managed as the surrounded environment is changing.

The research discussed above focused on markets with a relatively stable business environment, such as the USA, the United Kingdom, Germany, Norway, the Netherlands and Canada. In other words, none of the research findings added to our understanding of the development of business relationships in a volatile market. The development of business relationships in such markets can be influenced by situational or external factors that may be unique to the individual relationship or the individual market situation. Therefore, the author will address this issue to obtain an understanding of how relationships develop in a volatile market. *This study focuses on business relationships in a high-risk and uncertain market.* It aims to contribute to the literature on relationship management and relationship development by providing evidence from a high-risk and uncertain market affected by an economic crisis in 1997.

In the discussion of relationship management, again the author found no possible explanation of how to manage relationships in a high-risk market. Once again, the empirical research on relationship management tended to restrict itself to exploring the issue in domestic markets. The author attempts to uncover relationship management in the context of a high-risk export market. Here, the author identified a research question: *how do British exporters develop and manage business relationships in a high-risk and uncertain market?*

Based on the review of the literature, some were based on conceptual works, which were not supported by empirical works. This is particularly true in the area of relationship development and management. Heffernan (2004) already pointed out that a number of studies proposed stage relationship development models that were predominantly conceptual. Similarly, according to Olsen and Ellram (1997), relationship management has been discussed in normative and more conceptual or theoretical terms. They also indicated the need for empirical research in relationship management: there has been limited research published on relationship management as the action in a relationship, as in the work of Ford and MacDowell (1999) and Leek et al (2002 and 2004).

In addition, the empirical works discussed in this chapter mainly utilised quantitative and hypo-deductive approaches. It is apparent that there is a greater tendency to use these approaches. This can be seen on the table below:

Table 2.6: Research Approaches in Business Relationship Research

Quantitative /Deductive	**Qualitative/Inductive**
Ford and Rosson ((1982), Rosson (1986); Anderson and Weitz (1989); Moore (1991); Morgan and Hunt (1994); Andaleeb (1996); Selnes (1998); Geyskens et al (1998); Leonidou et al (1998); Smith (1998); Cullen et al (2000); Ruyter et al(2001); Leonidou et al (2002); Leek et al (2002); Leek et al (2004); Walter and Ritter (2003) ; Hallen et al (2003). Ha et al (2004); Leonidou et al (2006).	Lewin and Johnston (1997); Brennan and Turnbull (1999); Andersen (2001); Griffith (2002); Phan et al (2002); Batonda and Perry (2003); Heffernan (2004).

The quantitative and deductive approaches have dominated research on relationship management and relationship development. That means theories on the issues have been developed using previous literature with empirical observation and relied on survey data. This suggests that much of the research tested the existing theory to explain the practice of today's business relationships. Hence, the author of this thesis will take a different research approach in order to take a fresh look at the nature of business relationship development and obtain a richer understanding of international business relationship practice. This is the objective of the study.

Other authors have also proposed the use of inductive and qualitative approaches in inter-firms relationship. Wilson and Vlosky (1997) stressed the importance of an inductive approach in their attempt to formulate an inductive model of business relationship activities using qualitative data from a case study. They argued that there is a solid base of deductively derived theoretical and empirical studies on business relationship development phenomena and they argued that an inductively derived model might offer new insights. They found that research on business relationship is predominantly based on deductive theory testing. Then, they emphasised the use of *case study* approach as it may result in a greater understanding of business relationships.

> ***"While a number of theoretical models have been developed and tested to describe buyer-seller relationships, few studies achieve the level of richness as allowed by case data." (Vlosky and Wilson, 1997).***

Lewin and Johnston (1997) also had similar views on the domination of the deductive approach in marketing research. They said that if we take a look at recent empirical works, it becomes clear that much of what has been done relies on survey data to explain the nature of today's buyer-seller relationships. Theories regarding business relationships have been developed using past literature and the insight of theories along with empirical observation and survey. Yet, it is disappointing that *qualitative research* has not widely been applied to examine the relationships between firms (Weitz and Jap, 1995). Accordingly, Gummesson (2002) emphasizes the need for empirical evidence, not just in the narrow sense of quantitative testing but in its original sense of *real-world cases*. Therefore, this study aims to use a different approach in order to generate theory on business relationship development and management.

Since the study focuses on a high-risk and uncertain market, the following section will focus on business risks in order to obtain a pre-understanding of what potential risks are faced by exporters and how they manage these risks.

2.3. Part II: Risk and Strategic Management

This discussion sets out to obtain the necessary understanding of the risks faced by an exporter in a particular country. Also, this part integrates the literature on risk management to see what actions are taken by firms to respond to particular risks. The author identified the research objectives and questions regarding business relationship development and management in a high-risk and uncertain market. As a consequence, this part aims to obtain a pre-understanding of all possible risks an exporter may encounter.

In Part I of this chapter, business risks were recognised, such as competition (Wilson, 1995; Ruyter et al., 2001) disappearing demand (Rosson, 1986), and financial risk such as exchange rate fluctuation (Rosson, 1986). This part, in turn, will identify and discuss other risks associated with country risk. The market risk or market uncertainty was implicitly stated as the result of competition in the model proposed by Ruyter et al (2001). The model indicated that a market characterised by a limited number of suppliers meaning a higher degree of customer dependence. This implicitly indicates that the level of competition among suppliers affects the degree of customer dependence and commitment. Limited numbers of suppliers means less competition in the market, but this leads to high degrees of dependence and intention to stay in the relationship.

Exporters' relationships with their distributors can change when exchange rate fluctuation is sufficient for the exporters to suspend exports to a particular country when their product becomes price uncompetitive. The change is due to foreign market demand disappearing, leading to relationship termination (Rosson, 1986). This suggests that any change in an export market may have an impact not only on export sales to the market but also on the exporter-importer relationship. The change in the market can have adverse consequences on the development of the relationship, or the parties may have to adjust their strategy in order to maintain the business and the relationship.

To avoid loss of focus, particularly in the early stage of the research process, it is important to look at the factors that foster country risks. Further, as this study will look at a high-risk country, it is therefore necessary to look at how exporters should manage such risks.

2.3.1. Country risk

Country risks are the unique risks faced by foreign companies when exporting to a specific country as compared to the alternative of exporting in other countries. In general terms, a country risk is defined as potential financial losses due to problems arising from macro-economic and/or political events in a country (Calverly, 1990). This includes cultural, social, business climate, financial, economic or political issues, which may affect business in the country. Major shifts in those factors, such as devaluation, political instability and civil unrest, create greater environmental uncertainty that makes future outcomes difficult to predict. Hence, country risk means unpredictable business performance due to uncertain future developments in factors that affect the whole country.

Nevertheless, the countrywide factors can be classified into three types that might reflect country risks. Oetzel et al (2001) argued that country risks are the result of three factors: "throughout the literature, it is generally agreed that country risk is the result of political, social and economics factors" (p. 129). The three factors are usually highly correlated, which means that it sometimes becomes difficult to determine which variable(s) are actually correlated with particular factors. For instance, social risk is sometimes an antecedent of political instability (Rugman and Hodgetts, 2002), even if it is categorised as one form of political risk and referred to as catastrophic political risk (Daniels et al., 2001). Changes in countrywide factors may create environmental uncertainty, resulting in unpredictable fluctuation in currency values and unanticipated, politically motivated environmental changes. The current situation in the Indonesian market seems to be caused by instability of the three factors (see Chapter 1). The instability has shaped a business climate in which imported products become price uncompetitive. This led to declining export sales to the market and interaction between exporters and local importers (see Chapter I). Therefore, the author looks at the three factors fostering country risks below.

According to Oetzel et al., (2001), the political risk factor can be divided into macro and micro risks. The first refers to anticipated and politically motivated environmental changes that might affect all industries or companies. The second refers to changes that affect selected industries or companies. Such risks could be caused by political instability, through the application of host government policies that constrain business operation. This type of risk has multiple dimensions, such as transfer, operational, ownership/control and general instability dimensions (Albaum et al. 2005). In regard to government policy, Calverly (1990) said that policy changes could directly lead to all risk problems for every company. Political conditions, events or decisions in a particular nation would affect the business environment in ways that lead companies to accept a lower profit or even a loss (Daniels et al., 2001). The changes could also upset expectations for the economy and lead to difficulty caused by economic uncertainty. This indicates that government policy might not always facilitate business growth in the country. Indeed, when a government changes its policy frequently, this might be counterproductive and create greater uncertainty. This might happen in Indonesia since the unstable government in the country means frequent changes of national leadership and the creation of new policies by each new president (see Chapter 1).

Economic risks are related to a given country's macro-economic policies. A sound monetary policy, low inflation and low unemployment rates contribute to lower country risk. However, when economic situations become unstable, country risks will increase (Oetzel et al., 2001). The economic condition can adversely affect companies' abilities to operate profitably, since a currency's purchasing power changes due to inflation or government control (Daniels et al., 2001). This means that a country with a weakening currency would become an unattractive export market, since the purchasing power will be falling and imported goods or services will become more expensive in the local currency. Declining demand for imported products is a greater possibility, leading to decreasing trade transactions and exporter-importer relationships becoming fragile.

In terms of social risk, Miller (1991) earlier indicated that it was generated by difficulties predicting collective action and the impact of such action when people are exposed to discrepancies between their own values and those embodied in the institutions impacting their lives. Social risk might occur in contexts characterised by social unrest, riots and/or terrorist movement. This suggests that the factors are interrelated, as instability in one factor may lead to instability in another, creating further chaos in a country's market. This is what has happened in Indonesia (see Chapter 1), increasing the risk of doing business in that market.

Country risk analysis is commonly used to identify potential sources of volatility and risk in a country's political, economic or social environment (Gregorio, 2005). It may be based on a composite risk rating that included evaluation on quantitative indicators of political, economic, and financial risk (Prideaux et al., 2003). The established measures of country risk have been largely ineffective and unreliable predictors of actual volatility (Gregorio, 2005). For example, a measurement of financial risks is unlikely to accurately represent economic, social, currency and political risks, therefore, country risk measures are unlikely to truly capture the nature of risk as conceived by practitioners (Gregorio, 2005, p. 214).

One measure of country risk is the stability of the country's currency. Instability in one or more countrywide factors can result in fluctuations in currency values. Major changes in a country's economic policies, political regime, terms of trade, attitude toward foreign direct investment and social stability are almost always reflected in a country's currency values (Oetzel et al., 2001). It seems that currency fluctuations are used as a surrogate for overall country risk, yet they are not perfect measures (Oetzel et al., 2001). Unexpected fluctuations in the exchange rate, however, are more pronounced in a high-risk country as a result of economic and political instability. This suggests that instability will affect business: each firm has to be aware of the risks and closely monitor any change in every single country's market. This means that they need to make sure that they continuously obtain information about the market, perhaps by relying on information provided by their local partners or other sources. Relying on customers/partners as the information source may require trust, communication and commitment to the relationship (Conway and Swift, 2000). An international company should be confident that its partners will provide reliable information. The company also has to show commitment to facilitate and ensure the communication process. To be more specific, monitoring a country risk might require development of a close business relationship in which trust, commitment, and open and frequent information exchange are well established. On the other hand, all risks might cause a severe decrease in trade transactions and infrequent social interactions between a foreign firm and its local partner, leading to a greater distance between them (Ford, 1980) in which close and extensive reciprocal information exchange cannot be maintained. The failure to manage risks may lead to business failure, and a business relationship may terminate due to a failure in managing the relationship. Unfortunately, the relationship management literature, as was discussed in part I of this chapter, does not give an explanation of how to manage business relationships when certain types of risk are encountered. Hence, this study will try to obtain the explanation.

Economic, political or government policies may create a business climate in terms of market opportunity, competition, market demand, import duty, foreign currency availability and currency volatility. This may influence foreign companies, including exporters operating in a risky country. Exporters may face all the risks above, especially risks related to market conditions, barriers to imports and delays or difficulties in receiving payment for goods (Oetzel et al., 2001). Unexpected fluctuation of the exchange rate may cause delays in receiving payment. Firms engaging in exporting face timing effects in relation to payments and receipts of foreign currencies leading to transaction exposure (Bradley and Moles, 2001). The exchange rate exposure to the exporters might be due to adjustments in export sales or organisational competitiveness following a currency depreciation or appreciation. Meanwhile, transaction exposure may affect exporters' cash flow, where income is received in a foreign currency (Benson and Faff, 2003). It seems that exporting firms are likely to be exposed to unpredictable changes in exchange rates, and thus have to implement policies to manage this risk. For exporting firms, home currency depreciation raises sales volume and increases profit margins, since it will lead to their product becoming more affordable to foreign customers. Conversely, an exporting firm may suffer from an appreciation of home currency, as their products may turn out to be price uncompetitive.

2.3.2 Risk and Uncertainty in Business Relationships

Exporters' perceived risk of dealing with particular markets partly depends on political, social, legal, economic and competitive variables. Perceived risk will be also influenced by the company's experience and knowledge, its culture and resources, by the structure and characteristic of the market and the global strategy of the company (Turnbull and Valla, 1987). Exporters may not solely face local market risk, but also risk associated with the local partner behaviour. On the other hand, foreign customers face not only the risk of exchange-rate fluctuation but also delivery delays or goods not conforming to specifications (Salle and Valla, 1982). Hakansson et al (1976) explained that customers face three types of uncertainty namely: need, market and transaction uncertainties. Need uncertainty is a function of difficulties in interpreting the exact nature of the needs for materials, machine, tools, service etc., in combination with the importance of the actual need. Market uncertainty is related to suppliers perceived by the buying firm as source alternatives (Hakansson et al., 1976, p. 29). Finally, transaction uncertainty refers to problems of getting the product (physically, legally, on time) from the seller to the buyer. Transaction uncertainty entails differences between the buyer and the seller; the differences may decrease during the interaction process, which can be seen as a learning process. Put simply, customers face uncertainty regarding the suppliers' ability to satisfy its requirements (Blois, 1996). Hence, sellers can address those uncertainties by helping customers define their problems and evaluate alternative solutions for them (Hedaa and Ritter, 2005).

In terms of the business relationship, Parkhe (1998) emphasised that uncertainty occurs when a firm feels uncertain about their partners' potential response to future events. The uncertainty causes risks emerging, as the future behaviour of the partners and the future outcome of present cooperation cannot be predicted due to the bounded rationality of the decision makers (Eriksson and Sharma, 2003). A partner might not be fully cooperative and committed toward mutual interest and expected outcomes from the relationship. In this circumstance, trust becomes important. The risk is relational risk that is driven from uncertainty as to whether partners are able to rely on trust (Ring and Van deVen, 1994). When exporters feel uncertain about their partners' future behaviour and exhibit low trust, they may adopt a policy to reduce the risk of their partners' unexpected behaviour.

Furthermore, Selnes (1998) proposed that perceived risk in a business relationship may be reduced by trust alone or in combination with a number of mechanisms: first, limit the scope of the investment and thus reduce the potential negative consequences; second, collect more information; third, contractual arrangements. However, there is a common problem due to the difficulty of defining the conditions of a contract when relevant future events are hard to foresee. Perceived risk occurs in the transaction and the risk is significantly affected by transaction complexity, which requires intensive interpersonal contacts to reduce the perceived risk. Also, perceived risks can be reduced by stressing a firm's reputation, experience and image of reliability and flexibility (Perrin and Valla, 1982). The demonstration of co-cooperativeness and willingness to help can be perceived by customers as a sufficient guarantee against risk. Meanwhile, a customer tends to show co-operative behaviour and rarely changes its suppliers as a mechanism to reduce risk since changing supplier entails high switching cost (Turnbull et al., 1996). Risk factors such as financial, psychological and social are switching barriers that may make it costly for a customer to switch to another supplier (Storbacka et al., 1994). Building stable business relationships reduces the risk.

An interesting understanding was contributed by the IMP group regarding uncertainty reduction in business relationship development. It can be seen as a process in terms of the reduction in uncertainty and distance between both parties (Ford, 1982). The uncertainty faced by the two companies concerns the possible costs and benefits of the relationship with the other party. The uncertainty is particularly great at the beginning of relationship development or when changes have been introduced, or where the relationship has deviated from the expectations of either company. Put simply, the business relationship development process is marked by a reduction in uncertainty when the two companies learn more about each other, the nature of the relationship and its potentialities (Ford and Rosson, 1982). Therefore, learning about the partner and the relationship takes place in the process of business relationship development. Furthermore, both parties in a relationship are active participants in the development of the relationship and can contribute to risk reduction strategies (Hedaa, 1990).

A large amount of human, financial and technical resources is normally required to maintain relationships with customers. However, since resources are usually limited, a supplier can only have a certain number of customer relationships requiring a high level of interaction and commitment. Cunningham and Homse (1982) emphasized that a supplier is unlikely to have the resources required to treat every customer equally, thus it implies customer grouping into market segments. Selling firms normally do not distribute their efforts to all customers in a uniform way: some important customers are given special treatment (Hakansson et al. 1976; Krapfel et al., 1991). Establishing close ties with increased dependence may be more costly than beneficial and entails strategic vulnerability (Krapfel et al., 1991). A company may deliberately minimize risk of dependency by developing a portfolio of clients/suppliers (Palmer, 1996), and handling multiple relationships (Ford, 1982).

Management of business relationships must take place with regard to companies' skills and the cost involved, as well as the allocation of its resources between different relationships according to the likely return (Ford, 1982). This requires a deep evaluation of individual relationships to analyse the current and projected benefits resulting from the relationship (Turnbull et al., 1996). Based on the assessment, companies have choices about which relationships they want to commit to further. Nevertheless, choice is perhaps the most difficult aspect in relationship portfolio management since the development of a closer relationship with a particular customer may involve a higher level of commitment, leading the supplier to accept a more distant relationship with others (Turnbull et al., 1996). The supplier faces choices in which they have to make an evaluation and realistic appraisal of the potential benefits of the commitment. Furthermore, Swaddling (1998) suggested that management of a customer relationship portfolio also means evaluating the relationships in term of risks. An exporter will need to evaluate each individual relationship in all of its export markets analysing all possible risks entailed. Such an evaluation might help the firm to make decisions on which relationships the firm should increase commitment and take risks.

In short, a number of possible risks can also be faced by exporters. The risks stem from the uncertainties and instabilities in economic, social and political situations in a particular export market. The uncertainties can also stimulate business relationship uncertainty and thus render the relationship more vulnerable to sudden and unpredictable change in the market. Business relationships entail risk and uncertainty, which might be reduced through building stable relationships. In turn, it is necessary to gain an understanding of how exporters can manage the risks. This issue becomes the focus of the following discussion.

2.3.3. Risk Management

In order to understand how exporters should manage risks, the following discussion will be divided into two topics, namely financial risk management and strategic risk management. Nevertheless, the extant literature on these issues mainly focuses on other kinds of international business, such as direct foreign investment or joint ventures, while exporting relationships has received little attention.

2.3.3.a. Financial Risk Management

Based on the discussion above, the author found that country risk might be reflected by exchange rate fluctuation. Hence financial risk management has to be discussed in order to gain a deeper understanding of how an exporter should manage the risk. In order to reduce financial risks, an exporter can adopt one or more techniques such as purchasing insurance, buying and selling financial instruments, e.g. hedging (Miller, 1991), currency choice (Anckar and Samiee, 2000) and payment methods (Albaum et al., 2005). It seems that an exporter may employ one or a combination of these techniques, depending on the availability of the choice. For instance, insurance and hedging instruments rarely exist to reduce risks even in the countries with the widest range of financial instruments (Miller, 1991). Private insurers limit their activities to relatively safe country markets only and leave the high-risk markets to the governments of the home countries. This usually provides exporters with such insurance against potential default on exports to risky destinations. This is regarded as the governments' promotion of strategic exports or their own political interests in risky export markets (Dewitt, 2001). It seems that export credit insurance is rarely available, and thus it is not always the best option available for the exporter.

Regarding business relationships, there is no explanation for how the use of insurance and hedging might influence the elements of relationship development such as trust and dependence. Also, the policies seem to be merely the exporters' decisions, or not to be based on negotiation with the buyers/importers. In contrast, the currency choice and payment method may reflect the relationship elements, and it may be a product of negotiation and the exporters' decision. This is uncovered in the following discussions.

Invoice currency choice entails exchange risk, but determines who will face the risk. Anckar and Samiee (2000), in a study of British exporters, found that an exporter might not be in a position to determine the currency in order to minimise foreign exchange exposure and obtain the highest possible margins. Exporters used their home currency, which was more stable and more convenient, as the firm's operation costs could be paid in its home currency. Yet, this choice might dissatisfy the customers. On the other hand, exporters should be concerned about competition in export target countries, and should make great efforts to attract and retain customers. In this sense, the currency used for invoicing becomes complicated, as the exporters might be forced to use the importers' or another currency to achieve customer satisfaction. This policy might bring risks to the exporter. Therefore, the currency choice is about shifting the risk from the exporter to the customers. There is a trade-off between pursuing customers' satisfaction and facing the risk of exchange rate fluctuation. According to Anckar and Samiee (2000), the choice was actually influenced by internal and external factors such as home currency, local market factors, channel dynamics (negotiation and bargaining position), offer characteristics and competition, which determined the degree of customer orientation of exporters, which correlated with risk behaviour. This indicates that the currency choice reflects a power imbalance and relative dependence in the relationship, since the choice might be based on mutual agreement or negotiation. A less powerful exporter might follow the customer's reference regarding the currency (Anckar and Samiee, 2000). This means that the exporter may be in the position to face a higher risk of exchange rate fluctuation. This also suggests that external aspects of relationships, such as competition, currency fluctuation and the local market situation, may affect an exporter's customer orientation, which then pushes the exporter to choose a particular currency. In addition, the external aspects and customer orientation influence the choice of financial risk management technique. Therefore, customer orientation and external aspects are regarded as antecedents in the integrated understandings.

The discussion above indicates that the currency choice would influence customer satisfaction and the possible risk faced by both parties in a business relationship. Now, the author will look at payment methods, which entails risk either to the exporter or to the buyer. The method of payment could be consignment, open account, time draft, sight draft, letter of credit (LC), sight LC and cash in advance (Albaum et al., 2005). The method of payment is likely to depend on the exporter's judgement of the trustworthiness of the buyer, and vice versa. The more the exporters and buyers trust each other, the more willing each will be to accept a particular method (Daniels et al., 2001; Albaum et al, 2005). That means that particular methods are appropriate only for the most trustworthy relationships. Therefore, it may be argued that these methods imply the trustworthiness of the exporter to the buyer. To be more specific, the methods indicate the exporters' willingness to take risks or to be vulnerable to possible negative behaviour on the part of the customers/partners. If the exporter is confident that the buyer will be willing and able to pay, the exporter may decide to use methods that are more convenient to the buyer, since these methods may be seen as less risky. In other words, exporters can regard the partners as trustworthy when the exporters are willing to take risks based on a positive expectation that the partner will pay in accordance with their agreement. Unfortunately, the current literature does not provide an understanding of how the increasing risk in an export market might push the exporters to change the method of payment, how the level of trust could encourage the exporters to change the payment method and how these might influence partners'/customers' satisfaction and trust, and thus the further development of the business relationship.

Ratnasingham (1999) indicates various types of risk that could exist as a result of low trading partners trust, and argues that high levels of trust could actually reduce the risks. Ratnasingham believes that trust is valuable because it allows people to dispense with detailed contracts and monitoring in various transactions. High trust results in lower cost, higher efficiency, minimum contracting and monitoring in transactions, which connotes a high level of risk taking, as trust is the mirror image of risk. A high trust situation thus suggests low perceived risk. Long-term trading partner relationships can only be sustained via positive trust. This implies that high trust is generated from long-term relationships; thus, it is not developed overnight. More importantly, the existing trust might in turn determine the risk management policy taken by the exporter, since external aspects such as market risks might push exporters to take management actions by modifying relationships and risk management techniques, which in turn will influence the development of the relationship elements, including trust. Yet, Ratnasingham does not explain whether trust is expected to remain high or fluctuate when market risk increases.

The review in this section contributed to the author's understanding that management policy regarding financial risk techniques affects, and is affected by, the relationship elements. These can reshape the development of the business relationship. Now the discussion will turn to strategic risk management.

2.3.3.b. Strategic Risk Management

An international company may choose the following generic strategies to reduce risks: avoidance, control, cooperation, imitation and flexibility (Miller 1991). A risk avoidance strategy will be taken when management considers the risk of operating in a given country to be unacceptable. For firms that are already active in a high-risk country, risk avoidance involves exiting by divestment of their assets to the market. This suggests that an exporter might stop operating in the country and thus terminate the relationship.

International companies may seek to control uncertain variables in the country where they operate. Control strategies may include political activities, gaining market power to control competition, control of consumers through advertising and promotions, and vertical and horizontal integration to control input and demand as well as competition. Control strategies that a firm can use in order to reduce the uncertainty include using personal government relations and contacts, using superior databases and using the right allies (Clarke and Varma, 1999). Nevertheless, Clarke and Varma (1999) pointed out those foreign companies who selected Suharto family members as their Indonesian partners to reduce political risk and increase return are now experiencing the opposite reality, as the dynasty has fallen (p. 417). This indicates that the strategic risk management might bring the opposite consequences to what a firm has predicted. This also shows that there are high political risks in Indonesia as the result of an unstable government and that the use of a single risk management policy might be not sufficient. Furthermore, cooperative strategies can take the form of long-term contractual arrangements with supplier or buyers. This may mean that a contract can reduce uncertainty, as it legally binds the partners into a stable and controllable relationship.

Imitation strategies may mean following the market leader's behaviour in terms of pricing and product strategies and product and process technology. Meanwhile, strategic flexibility can be regarded as the ability of a firm to adapt to substantial and fast-occurring changes in the country that have a meaningful impact on its performance. This strategy can be in the form of diversification of products or geographic market and operational flexibility in terms of input, workforce size and skill, plant and equipment or multinational production. This suggests that the strategy requires the exporter to be willing and able to carry out adaptations in lieu of the business relationship in order to maintain the business.

Clarke and Varma (1999, p. 414) argued that an integrated strategic risk management approach allows companies to consistently deliver superior performance while proactively managing risks. They also stressed that when operating in a highly uncertain environment, firms have to change or adapt how they manage risks. Thus, a firm needs to continually gather information on the environment. Management could use the input to evaluate, analyse and prioritise the dynamic risks they are facing, and implies that strategic risk management should begin by obtaining input on the external environment to understand the risks being faced. This facilitates the process of scanning for opportunities and threats in the environment. Based on the scanning process, a firm might require a modification of its risk management strategy. This indicates that the result of the scanning process will determine the strategic choice. Again, the environmental aspects could be regarded as antecedents of risk management, as was seen in figure 2.2.

Furthermore, companies' reaction to risky countries and risky situations can be seen in their behaviour towards risks. The behaviour of organisations or individuals towards risks can be assessed by looking at the choices they make. The behaviour can be categorised as risk-averse or risk-taking. A risk-averse person/organisation selects one of the less risky alternatives, whilst a risk-taker will select one of the more risky alternatives (MacCrimmon and Wehrung, 1986). This indicates that a risk-taking exporter might apply a more risky payment method and choose a less stable (weak) currency. A risk-averse exporter, on the contrary, may prefer to apply a more secure or less risky method of payment and receive the most stable (hard) currency.

MacCrimmon and Wehrung (1986) classified two types of behaviour that a risk averter will require but a risk taker will accept. A risk taker would accept higher exposure in the sense of taking sole responsibility, acting with less information, and requiring less control, a higher chance of loss, and would operate in unfamiliar situations, tolerate more uncertainty and require less information about the chance compared to the risk averter. Also, a risk taker would play for higher stakes and tolerate higher maximum losses, accept higher variability in payoff, and would precede based on less information and less control about the possible payoffs. A risk taker might choose the riskier alternative and adopt optimistic scenarios, believing that chance was on his side and he was able to control the outcomes. In contrast, a risk averter would look at the worst-case scenarios and over-emphasise the possible losses. This means that a risk-averse exporter would adopt a risk avoidance strategy, i.e. stop exporting to a risky country.

In terms of adjustment to risk, the two types outlined above have different tendencies. A risk taker tends to modify risk whilst a risk averter will try to reduce risk by tracking how the risky situation develops so that he can take further actions to minimise risks. In short, a risk taker will participate in risky situations, while a risk averter will exit the risky situation. Again, none of the literature indicates how strategic risk management might bring consequences for the development of the relationship and how relationship elements might affect the strategic choice. Nonetheless, this review has provided a basic understanding of what strategy an exporter might apply in a particular market, and the external aspect of the relationship can be seen as an antecedent of management policy.

2.4. Summary

The aim of this chapter was to obtain pre-understanding of business relationship development and management. Both parts of the chapter showed that external factors might influence the relationship development. Unfortunately, it was suggested that the extant literature paid more attention to stable markets, which may mean that export to the countries will not entail the risks discussed in part 2 of this chapter. The understanding obtained from the literature is not adequate to explain relationship development in high-risk markets, and this provides an opportunity for this study to contribute to the literature.

In part I of this chapter, the literature concerning business relationship development and management was evaluated and criticised as failing to explain how business relationships develop in high-risk and uncertain markets. Business relationship development has been built into three main streams, which seem to be deterministic. Nevertheless, the previous studies examined in this part provide an understanding that external factors influence the fluctuation of relationship elements, which in turn affect the development of business relationships.

In the second part of this chapter, an understanding was obtained that the degree of relationship elements, such as trust and dependence, might influence the risk management strategies taken. Nevertheless, an explanation has not been found with regard to how the environment influences the choice of risk management policy, and how this choice might influence further development of the relationship. Exporting firms might implement financial risk management policies such as insurance and hedging. Unfortunately, an explanation for the use of the policies and how this might influence relationship elements was not found. In contrast, management policies such as currency choice and payment method could reflect elements of the relationship development, such as mutual trust and power/dependence, as the policy might be based on agreement or negotiation from both sides. Indeed, the policies might uncover the customer orientation of the exporters. On the contrary, insurance and hedging are not based on mutual agreement between the exporters and importers/buyers, but are merely based on the exporters' decisions. However, the decision reflects the exporters' evaluation of their partners. The discussion on risk management suggests that exporting to a high-risk country may entail a greater challenge to development and management of business relationships. This influences the aim of the study.

An important understanding was also obtained from the discussion in the second part of this chapter. In a business relationship, both parties face risks and uncertainty, which may decrease as the relationship develops over time. Business relationship development is seen as a process in terms of the reduction in uncertainty since learning is embedded in the process.

In summary, the discussion on the literature provided the necessary understanding of the subject and it was possible to identify two interesting issues. First, the literature was criticised for failing to explain the development and management of business relationships in highly uncertain markets. A research question: *how do British exporters develop and manage business relationships in a high-risk and uncertain market.* Accordingly, this guides the first objective of the study was to obtain a greater depth of understanding of business relationship development and management in a high-risk and uncertain market. Second, the existing literature was based on conceptual works while empirical work mainly relied on the use of deductive and quantitative approaches. The use of inductive and qualitative approaches is less common. The study aims to utilise inductive and qualitative approaches in order to obtain a fresher and deeper understanding of business relationship development in the context of a high-risk and uncertain environment. The next chapter will examine research methods that enable the objectives of the study to be achieved.

Chapter 3: Research Methodology

3.1. Introduction

This chapter examines the research methodology adopted including justification of the choice of research approach. The study aims to offer a greater depth of understanding of business relationship development and management and the discussion in this chapter identifies the most appropriate methods to achieve this. A research approach should be used that is suitable for the objectives of the research (Gummesson, 2000) and thus the choice is not based on the reference of the researcher but on the objective of the study. The choice is merely on the consideration of the appropriateness of the methods to the achievement of the objectives of the study. Put simply, a research method is chosen when it facilitates the achievement of the objectives of the study.

A secondary aim of the study is to use a different approach to that used predominantly in the literature. Previous studies have been dominated by the use of deductive and quantitative approaches providing rather deterministic models of business relationship development. This study will not employ those approaches but in this chapter, they will be examined and compared with inductive and qualitative approaches, which are argued to be appropriate for this study. It was suggested in Chapter 1 that the development of the relationship marketing literature required an approach that would generate more theories. In Chapter 2 it was suggested that a qualitative method is required. This chapter will examine how the research methodology and methods facilitate this. More importantly, this chapter aims to examine the preliminary data showing how sample firms were selected and research themes were identified.

3.2. Paradigmatic Stance

Paradigms have been argued to be incommensurable (see Chapter 1, section 1.2) and the choice of a paradigm embraces the methodological choice (Deshpande, 1983, Scherer, 2005), the author's paradigmatic stance means accepting the appropriate methods for undertaking the study. It is important therefore to examine the paradigmatic stance of the study.

This study follows the tradition of interpretivism (Burrell and Morgan, 1979), which is also known as a naturalistic paradigm (Lincoln and Guba, 1985) or neo-empiricism (Johnson and Clark, 2006). This paradigm is increasingly showing its relevance to business and management research (Johnson and Clark, 2006). The choice of paradigm will be discussed in this section. However positivism will be discussed first as it is the dominant paradigm in social research (Johnson and Duberley, 2000; Potter, 2000). The discussion will uncover critics of the dominant paradigm to suggest the need for use of a different paradigm.

Positivists view knowledge as the product of sensory experience by means of experimental or comparative analysis and concepts, produced by observation (Blaikie, 1993). However, researchers should take a large number of samples. Researchers formulate hypothesis and test them with sophisticated statistical tools. Facts are established quantitatively (Johnson and Duberley, 2000). Hence, they should be equipped with statistical procedures to measure what reality presents. They should attempt to obtain data and avoid opinions then look for regularities or causality in the data. It seems that positivism holds the assumption of a neutral observational language in which the researcher is construed as a neutral conduit of sense-data who can objectively elucidate and present the facts of the empirical world (Easterby-Smith et al., 2001).

The basic belief of positivist rests on the assumption that the world is external and observers should be separated from what is being observed. This enables them to be objective or neutral, and promotes the ideal that research and science is value-free (Easterby-Smith et al., 2001). It seems that, positivists put a great emphasis on objectivity when doing research and objectivity is seen as an ideal method for studying social phenomena or human behaviour. This shows that positivists put objective observation and experiment as the only way to obtain reliable knowledge. Easterby-Smith et al (2001) argued that the main idea of positivism is the social world exists independently and its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. The causes of human behaviour are regarded as being external to the individual. Positivism stresses that the observer is independent of what is being observed, that observers should interfere with what is being observed (reality) and that the observer can attain scientific truth if their mind can objectively reflect the reality (Easterby-Smith et al., 2001).

For positivists, there is an attempt to reduce phenomena to the simplest elements in order to understand how complex phenomena work. Positivism stresses that human activity should be understood through observable behaviour. Social phenomena are viewed as complex-phenomena, a complex of causal relations among a large number of variables. However, it becomes possible to select a few favourites of researchers' as the basic causes or explanatory variables (Blalock, 1970). Therefore, researchers can reduce the complexity into the simplest relations so that they are able to understand social phenomena. Positivism sees that social phenomena are predictable and causal relationships among variables are simply deterministic. Nevertheless, the explanation may be made more complex by including mediating variables: by saying that x causes y through the mediating variable w. Therefore, a causal explanation may contain both moderator and mediating variables and may contain many causes and effects so that the complexity of the explanation is increased (Donaldson, 2005). A number of studies discussed in Chapter 2, section 2.2.3.a. are examples of this trend.

Conclusively, the positivist tradition argues that science must be rationally acquired through objective observation and statistical analysis, that it important to measure what is being observed. Further, what is being observed is assumed to have regularity. This assumption is applied not only in natural sciences but also in social sciences. The regularity allows us to predict human behaviour utilising statistical tools. This also implies that humans are assumed to behave rationally, that there is a deterministic relation between human behaviour and influencing factors. The author now turns to the critics of positivism, to highlight where an alternative paradigm may offer a better fit for this study.

Willower and Uline (2001) concluded that the reductionism assumptions in positivism are irrelevant in the social sciences. It seems that this paradigm will not lead the study to obtain a deeper understanding of complex phenomena in business relationship development and management. Following this paradigm will not lead the author to holistically explore mutual shaping influences to generate theory regarding the phenomena. Indeed, adopting the paradigm may result in a deterministic explanation of business relationship development, and this was one of the criticisms of the current literature (see Chapter 2). It seems that there is a need to use a different paradigm leading to a deeper exploration, which does not assume everything can be predicted. A wide range of issues can emerge and be investigated to enrich our understanding with regard to inter-firm relationships in a high-risk market. The alternative paradigm should allow a greater insight into the complex knitting of variables affecting relationship development practice by highlighting the study of specific firms and the experiences of particular people involved in the development of a relationship.

Positivism is not appropriate when dealing with subjective experience. Positivism is criticised for its view that research can be value free: this is viewed as a naïve concept that masks the truth. Social science is not a value-freedom endeavour (Williams and May, 2000). It seems that positivism rejects human subjectivity in scientific inquiry. Nonetheless, this idea is attacked by the naturalistic paradigm or interpretivism/neo-empiricism, which claims human subjectivity in social research is not only important to theoretical explanation but it is also possible to access it, and then describe it for theory building purposes (Johnson and Clark, 2006). It seems that the study of social phenomena is better undertaken through interpretivism which accepts human subjectivity and the role of interpretation. The entities in the world do not have a meaning in their own. Meaning is ascribed by a process of interpretation: it is necessary to comprehend the subjective meaning leading the actors in their construction of the reality. Then, an interpretivist creates a reality through his/her interpretation of actors' meaningful actions (Scherer, 2005). Therefore, the researcher has to decipher the interpretations of the actors. Interpretivism accounts for the subjectivity of the research 'object' by trying to comprehend the meaning of the actions and communication from the perspective of particular actors (Scherer, 2005). Consequently, following interpretivism means that, in this study, the author and even the interviewees' subjectivity will be critical in the process of theory generation.

The central argument of interpretivism is that a natural science approach is not appropriate for explaining social phenomena (Scherer, 2005; Hatch and Yanow, 2005). Interpretivists argue that the social world cannot be understood in the same way as the natural and physical worlds. It claims that humans make meaning and so a human (or social) science needs to be able to address what is meaningful to people in the social situation being studied (Hatch and Yanow, 2005). The object of the social sciences (i.e. any social reality that is to be explained) is constructed by communication and emerges and develops during the research process by following a hermeneutic circle (Scherer, 2005; Hatch and Yanow, 2005). Adopting interpretivism means that the research process of the study is a hermeneutic process, which will be explained later in the next section.

Interpretivism has an inductive character where the researcher does not formulate a starting hypothesis at the early stage of investigation (Scherer, 2005; Johnson and Clark, 2006). The researcher undertakes a few case-studies in which social theories should be generated by conducting qualitative in-depth interviews and close reading of documents (Lincoln and Guba, 1985; Hatch and Yanow, 2005). The researcher deals with questions concerning how actors' subjective meaning and social realities are constructed, and where their acts are understood through interpretation. This suggests that knowing and understanding are subjective processes (Hatch and Yanow, 2005). This study utilized inductive logic, a multi-cases study design and qualitative interviews. The author's subjective interpretation of the qualitative data is appropriate to the subjective nature of the study.

The hallmark of interpretivism is to treat social reality as text, where meaning needs to be deciphered (Tsoukas and Knudsen, 2005). The paradigm is informed by a concern to understand the world as *it is*, to understand the fundamental nature of the social world at the level of subjective experience. Interpretivists are much more oriented towards obtaining an understanding of the subjectively created social world *'as it is'* in terms of an ongoing process (Burrell and Morgan, 1979). The characteristic of the paradigm stresses investigation in *natural settings,* to obtain the fullest understanding, with rich explanations of complex phenomena (Lincoln and Guba, 1985). This suggests that interpretivism may lead the author to explore, without controlling "the reality" (i.e. the practice of business relationship development and management) in order to inductively generate a richer understanding of the phenomena. Therefore, the study follows interpretivism as it may lead the author to achieve the objectives of the study established in Chapter 2. The objective of the study is to obtain a greater depth of understanding of business relationship development and management in a high-risk and uncertain market. As suggested in the discussion above, interpretivism enables the study to explore the phenomena of business relationship development and management in a natural setting *as it is* without reductionism in order to obtain a richer understanding of the phenomena.

For interpretivism, knowledge of this world comes from interpreting our sense perceptions. The sense-making requires interpretation, which we do in the context of the event or experience informed by prior knowledge (Hatch and Yanow, 2005). Hence, social reality may be construed differently by different people: the social world is potentially a world of multiple realities and consists of multiple interpretations.

The naturalistic paradigm assumes that there are multiple interpretations of reality and that the goal of researchers working within this paradigm is to understand how individuals construct their own reality within their social context. All knowledge is the result of interpretation, which is the only method appropriate to the human or social world (Hatch and Yanow, 2005). Interpretivism focuses on meaning and meaning-making in a specific situational context and on processes of sense-making more broadly (Lincoln and Guba, 1985; Hatch and Yanow, 2005). Thus, it is concerned with understanding the life world of the actors in the situation being studied and engages the role of language and other artefacts in constructing and communicating meaning and social relationships (Hatch and Yanow, 2005). This illustrates one of five axioms of the paradigm, that there is an interactive relation between the researcher and the actor (Lincoln and Guba, 1985). The table bellow summarises how five axioms of the paradigm were applied to the study.

Table 3.1.The Integration of the naturalistic paradigm into the study.

Axiom	Naturalistic Paradigm (Lincoln and Guba, 1985, p.37)	Integration into the Study
1	Realities are multiple, constructed and holistic	Qualitative methods were adopted to study holistically unpredictable outcomes of the cases (in natural settings) being investigated. Purposive or theoretical sampling was adopted to increase the scope of multiple realities. *This will be discussed in section 3.4.*
2	Knower and known are interactive, inseparable	In-depth interviews were adopted where repeated interactions between the author (as the investigator) and the interviewees were possible. *It will be discussed in section 3.6.* The data was the result of the interpretation of the author and the interviewees. The author was the instrument of the study where she interacted and reconfirmed the interpretation with the interviewees. *This will be discussed in section 3.4*
3	Only time and context-bound working hypotheses (Ideographic statements are possible)	Inductive data analysis was applied to produce a working hypothesis grounded in the data of particular cases, later reformulated in the explanation building process. *This will be discussed in section 3.3.*
4	All entities are in a state of mutual simultaneous shaping, so that it is impossible to distinguish causes from effects.	The adoption of inductive analysis was to identify the mutually shaping influences. *This will be discussed in section 3.3*
5	Inquiry is value-bound	The investigation follows a hermeneutic process where the values of the author as well as theories, and the paradigm being utilized could affect the study. *This will be discussed in section 3.3.*

The table above suggests the approaches that will be adopted for investigation of business relationship development in a high-risk and uncertain market. The approaches are the implications of the paradigmatic stance of the study. The following discussions will explore the approaches in a greater depth.

3.3. Inductive Logic

The discussion in Chapter 1 and Chapter 2 argued that further research concentrated more on theory building than theory testing would provide a greater understanding of business relationship development practices. Moreover, as suggested above, interpretivism relies on an inductive process. Inductive research was then selected as being the most appropriate approach in order to develop theory and generate new evidence of relationship development in a high-risk and uncertain market. It is essential to understand this research approach. Consequently, the discussion here examines the approach and how it may lead to theory generation.

Inductive research tends to proceed from data to theory (method, data, finding, theory), while deductive research tends to proceed from theory to data (theory, method, data, findings). In other words, a deductive research method entails the development of a conceptual and theoretical structure prior to *testing* through empirical observation (Gill and Johnson, 2002) and involves the subsequent testing of the theory by confronting the empirical world. It requires the use of abstract concepts to be something observable and whose variation is measurable. Therefore, research begins by the identification of the concepts that represent important aspects of the theory under investigation. In contrast, inductive research does not begin with theory but theory is the outcome of the process. The reverse of the deductive method is the logical ordering of induction, which involves the move from *observation* of the *empirical world* to the construction of explanations and theories concerning what has been observed (Gill and Johnson, 2002). Hence, it can be argued that an inductive approach alters the tendencies of research, and the logical order of the research process, including exploration of extant theory. Employing an inductive approach does not mean that prior theories are not examined; in fact, prior theories are helpful to the process of theory generation, for example, theory gave pre-understandings and knowledge when an in-depth interview guide was developed and the data analysed. A pre-understanding is what is known about phenomena of study when embarking on a research expedition, while understanding is (hopefully) the improved knowledge that results from the research (Gummesson, 2005

It seems that the difference between the two methods is the manner in which researchers engage with theory. Inductive logic relies on continuous comparison of data and theory starting with data collection (Eisenhardt, 1989). It begins as close as possible to the ideal of there being no theory under consideration and no hypothesis to test, yet this is hardly possible (ibid). Hence, it may begin with the identification of a research problem and some potentially important variables. Nonetheless, a researcher should avoid thinking about specific relationships between variables and theories as much as possible especially at the outset of the process (ibid). This study adopts inductive logic as the study did not specify previous literature or theory to test. Pre-understanding was gained from previous experience and from the existing literature on business relationship development and management including relationship elements that were believed to influence such development. These pre-understandings enabled the move to the next phase of the research process, i.e. the development of a questionnaire and in-depth interview guide. However, the elements were not guaranteed to be in the resultant theory. In order to facilitate the interpretation of data, further examination of the literature was required. It was a highly iterative process where at every stage of the investigation, understandings were obtained, which was "a transformation" of the pre-understanding from the previous stage. This process formed a hermeneutic process for the conscious search for meaning and understanding as it moved from pre-understandings to understandings on a higher level (Gummesson, 2005).

In the process of interpretation, a hermeneutic process incorporated the pre-understanding and understanding: the data was interpreted and reinterpreted as a continuous process of establishing pre-understanding and obtaining understandings during the research journey. In lieu of the use of the extant theory in the process of theory generation, understandings were obtained in order to interpret data, thus creating new understandings, which then became the pre-understandings of the upper level of the hermeneutic process. Therefore, the existing theory did not restrict the whole research process, the objective of which was to obtain a greater depth of understanding by means of exploration of informants' experience. Indeed, the theory generated from this study emerged from unrestricted data that represented the complexity of the phenomena being studied. The adoption of inductive logic allowed a greater insight into the complex knitting of variables that affect relationship development practice by the exploration of the experience of practitioners or interviewees. A wide range of issues emerged for investigation in order to generate more theories to enrich understanding of inter-firm relationships.

Chapter 2 suggested an imbalance between the use of quantitative and qualitative methods in the development of the existing knowledge on business relationship development and management, where the first method dominated. This study employed the latter method in order to promote more balance. A discussion on the qualitative method follows, and examines how the method is appropriate for the pursuit of the objective of this study.

3.4. Qualitative Research Strategy

Qualitative research is often assumed to be the alternative to quantitative research and tasks within qualitative research are identified as everything that quantitative research is not (Van Maanen, 1998; Bryman, 2004). Quantitative research emphasises the measurement and analysis of causal relationships between variables, not the processes which qualitative research may focus on. Qualitative implies an emphasis on process and meanings that are not rigorously examined or measured in terms of quantity, amount, intensity or frequency (Denzin and Lincoln, 2000). The dichotomy between the two reflects a rigid opposition. However, the difference is a matter of exploration and verification, where exploration is the task of qualitative research while quantitative research is concerned with the justification and verification of the empirical basis and generality of theory claims by testing (Van Maanen, 1998). Hence, qualitative research is a kind of explorative research involving a small number of cases and flexible data collection methods (Hague and Jackson, 1996; Quee, 1999; Malhotra, 2006). It is reasonable to say that both quantitative and qualitative approaches should be viewed as complementary rather than competing approaches as each has distinctive tasks and purposes.

The distinction between quantitative and qualitative methods is not clearly defined (Morgan and Smircich, 1980; Mason, 2002): the distinctiveness of qualitative research does not reside solely in the absence of numbers (Bryman, 2004). In qualitative research, quantitative techniques may have an important but only partial role to play in the analysis and understanding of the process of social change (Morgan and Smircich, 1980). Yet, there are times when qualitative techniques are inappropriate to the research goal, or appropriate only in certain portion of a research project. Quantitative techniques do not have universal applicability either (Cahill, 1996), which indicates that the choice of approach should be carefully considered. Guidelines proposed by a number of authors provide the basis for this decision. Qualitative research stands for an approach rather than a particular set of techniques and appropriateness. Just as with quantitative research, it is contingent on the nature of the phenomena to be studied. The appropriateness of a research approach is driven by the nature of social phenomena to be explored (Morgan and Smircich, 1980). Similarly, Mariampolski (2001) argued that the choice between the two approaches is dependent on the type of question addressed; the nature of the population being studied; and the overall objective of the research. A qualitative research approach is most suitable when the objective of the study requires in-depth insight into particular phenomena (Ghauri et al., 1995): qualitative methods were the most appropriate approach to achieve the objectives of this study.

Qualitative research can be said to have a number of defining characteristics: a focus on interpretation rather than quantification; an emphasis on subjectivity rather than objectivity; flexibility in the process of conducting research; an orientation towards process rather than outcome; a concern with context with regard to behaviour and situation as inextricably linked in forming experience; and finally, an explicit recognition of the impact of the research process on the research situation (Cassell and Symon, 1994). Van Maanen (1998) puts great emphasis on the flexibility of the qualitative research method; the flexibility is not only seen on data collection technique but also in the analysis of the data. It eschews any formalisation that may restrict the exploration process, which illustrates the nature of qualitative research. In this study, this nature allowed the exploration of the phenomena under study by a holistic view of the real situation, which allowed theory generation and the attainment of the objective of the study by qualitative research methods.

Qualitative research means study of subjects in their natural settings, and the attempt to make sense of, or interpret, phenomena (Denzin and Lincoln, 2000). Since this study adopted a qualitative research approach, empirical materials were studied which allowed data collection of complex phenomena in the real world. This approach required close relationships with the practitioners/interviewees in order to capture and interpret their experience. In this study, focus was placed on the meaning that interviewees gave to their experiences or their understanding and the interpretation of their experience of developing and managing business relationships in Indonesia. Hughes and Sharrock suggest:

> **"Knowledge of persons could only be gained through an interpretative procedure grounded in the imaginative recreation of the experience of others to grasp the meaning, which things in their world have for them" (Hughes and Sharrock, 1997, p. 98).**

It seems that a qualitative method offers the possibility of inductive theory development by the collection and interpretation of data from external reality. This study examined at a distance, the practice of the development and management of business relationships in a high-risk and uncertain market. The research method led to understanding that was derived from the informants' perspective, and as such, was not independent of the informants' interpretation (May, 2001).

A qualitative research method requires greater personal and subjective interpretation of data, which is necessary in order to attract and accept the wealth of data that is complex, chaotic and unpredictable (Gummesson, 2005). As such, the interpretation of the data was affected by the relationship with each interviewee; prior knowledge, personality and other attributes such as intuition. For example, when an interviewee was unhappy with the business relationship, the dissatisfaction or even anger could be observed and gauged from nuances of speech and the emotion displayed by the interviewee.

A qualitative research strategy is dominated by inductive logic in that a researcher attempts to make sense of the situation without imposing pre-existing expectations on the research setting (Patton, 1990). A qualitative researcher can use this logic in the interpretation of straightforward situations, and can highlight natural social interactions or phenomena that constitute multiple interrelationships among a number of variables. The complexity of the interrelationships might describe the intricacy and dynamic nature of the organisations examined. Hence, understandings were found from various theories in order to obtain explanations of the phenomena, which would allow the generation of theory. Obtaining understanding solely from relationship marketing theory was not adequate to allow explanation building of business relationship development in a high-risk and uncertain market. Analysis or interpretation of data is also dependent on the researcher's intuition (Gummesson, 2005). Here, other areas of literature were examined in order to fully understand the phenomena. The author's intuition, prior knowledge, experience and judgement, were used to discover the story behind the data and the areas of literature required to make sense of it. As a result, theory generation embraced an iterative triangulation between literature review, data and intuition that enhanced validity by the deliberate increase in the diversity and quantity of literature reviewed (Lewis, 1998).

In qualitative research, the researcher is the most important instrument (Gummesson, 2005) and only human instrument is capable of grasping and evaluating the meaning of data, able to adapt or adjust to the variety of realities that will be encountered (Lincoln and Guba, 1985). During data collection, the interview guide and the questions were often modified to reflect the appropriate circumstances of each case. The preliminary data obtained from questionnaires provided the author with a pre-understanding of each selected case. The pre-understanding enabled her to adjust questions so that the interviewing process would be convenience and the interviewees more comfortable with the author and the interviews. This enabled the author to explore more deeply into each interviewee's experience in developing and managing business relationships in Indonesia.

Qualitative research, nevertheless, has problems in terms of subjectivity, replicability, generalisability, and transparency (Bryman, 2004). It is viewed as too impressionistic and subjective since qualitative findings rely too much on the researchers' unsystematic views about what is significant and important and on the close personal relationship between the researcher and the people studied. Problems with replicability and generalisability exist since a qualitative research is unstructured and does not have standard procedures to be followed and focuses on a small sample/number of cases (see also Quee, 1999). The problem of transparency occurs since in a qualitative research we sometimes do not know how the researcher did the research process and how he or she arrives at the results (Bryman, 2004). However, it could be reduced through an audit trail where the researcher kept a full record of activities while carrying out the research (Robson, 2002). The problems with qualitative research call for techniques to maintain trustworthiness of the study. Nevertheless, this issue will be discussed later in this chapter.

Conclusively, a qualitative research strategy relies on interpretation and analysis of personal expressions of informants' experiences in a real life setting. This was emphasised by interpretivism as suggested earlier. Hence, qualitative data might constitute words or expressions through observing and hearing people. The strength of qualitative approach lies in the flexibility of the research process that allows researchers to gather a holistic, wide range and rich data exploring multiple sources of evidence. It aims to explore unrestricted real life settings, the whole organisational process under investigation can be captured so that new theory can be discovered. This emphasises the use of a specific research design that enables the author to be much closer to the phenomena. Capturing the nature of the organisations means she should be as close as possible to the phenomena and the people who have experience with the research issues. The qualitative research should deploy a range of interconnected methods, expecting a better fit to the objective of the investigation.

3.5. Multi-Cases Study Design

A research design provides a framework for the collection and analysis of data and describes the stages of the research process; it is the logical sequence that connects the empirical data to a study's initial research questions and to its conclusions (Yin, 2003). The choice of research design reflects decisions about the priority being given to a range of dimensions of the research process (Bryman, 2004). Research design has implications on how researchers access the data; the relationship between the researchers and the interviewee; and how researchers interpret the data. From this, the design of the case studies for this research provided a framework to facilitate access to the real world. The major concern here was to design research to generate theory in the area of relationship marketing. To be more specific, it was to find a research design that facilitated the achievement of the study objective, namely to obtain a greater understanding of business relationship development and management in a high-risk and uncertain market.

The use of case studies is ideally suited to the exploration of issues in depth and can lead into new areas or new constructions of theory (Hartley, 1995). Furthermore, Hartley (1995) argued that case studies could be distinguished by their approach to theory building, which tends to be inductive. The opportunity to explore issues in depth within their contexts, means that theory development may emerge through the systematic piecing together of detailed evidence to generate or replicate theories of more general interest. Theory developed from case study research is likely to have important advantages such as novelty, testability and empirical validity, which arise from empirical evidence (Gill, 1995). Case study research provides a greater opportunity than other available methods to obtain a holistic view of a specific research project; by obtaining a holistic view of specific phenomena (Gummesson, 2000). For this reason, it can be argued that a case study approach is explorative by nature and has a key role in building theory. Employing case studies as a research method builds a better fit with the inductive logic and qualitative research strategy examined above.

Additionally, as Bryman (2004) argued, exponents of case study design often favour qualitative methods, as they are thought to be particularly helpful in the generation of intensive, detailed examination of each case. Such examination is likely to be most appropriate in the answering of *"how"* and *"why"* questions (Yin, 2003). Case study design permits the researcher to carry out intensive and in-depth exploration of selected organisations. Therefore, it might be argued that the use of the method allows the researcher to observe and gather a wide range of data and avoids restricted investigation of narrow contexts that do not represent real-life. Again, as the purpose of this research was explorative, it is reasonable to say that a case study design was the best approach to be employed. The method permitted the researcher to examine the phenomena under question within their social/natural contexts, and as case study design is explorative, the method required the researcher to get close to the individuals who become the participants in the research. Finally, the method led to greater familiarity and sensitivity to the phenomena, which resulted in a holistic understanding of the nature of the phenomena. By employing this method, close and direct personal relationships were built with the interviewees, which were aided by a confidential letter detailing the purpose of the study and offering a summary of the findings once completed. On receipt of approval for face-to-face interviews, contact was made again to obtain an appointment for the interview and extending gratitude towards the participants. Surprisingly, the informants were very friendly and flexible in terms of the venue for the interview.

The basic case study design entails the detailed and intensive analysis of a single case (Bryman, 2004). In a single case study, however, the disentangling of what is unique to the organisation from what is common to many organisations can be difficult. The research may be strengthened by the addition of a second case (Hartley, 1995). Accordingly, Gummesson (2000) said that a single case can indicate a general conceptual category or property, but a few more cases can confirm the indication. This indicates that study of a single case may not be sufficient to fully understand the phenomena under study; replication and comparison to other cases is required. Comparison seems to be an important aspect in case study methodology, it is a powerful conceptual mechanism, and fixing attention upon the few attributes being compared and obscuring other knowledge about the case (Stake, 1994). Also, replication logic is essential to the research design, particularly for a multiple case study (Yin, 2003), since it offers effective and efficient means for the comparison of complex and disparate real life settings (Lewis, 1998). Comparison and replication means research on multiple-cases, multiple-settings, multiple-situations or evidences from which a holistic understanding and theories are generated. Research that relies on a multiple case study design has greater advantages as richer explanations of people experiences in various settings and environments can be accessed. Hence, an essential advantage of the multi-case study design lies in the richness of its detailed understanding of reality. The intention here was that the selected cases represented multiple events or situations in relationship marketing process. The method did not exclude practitioners' experiences and they become multiple sources of data or evidence. The use of multiple case studies in this research highlighted the complexity of the topic under study and provided richer empirical evidence for analysis and the development of theory. Consequently, the study relied on purposive sampling as that allowed an increase in the scope or range of data exposed and a full array of multiple realities to be uncovered (Lincoln and Guba, 1985). In order to select the sampling companies, preliminary data was obtained, that identified their characteristics and their experiences in the Indonesian market. Data obtained from a questionnaire made the selection feasible, where the author identified the companies' size; experience; business relationship development in the market; number of export markets, mode of entry and early information about business relationship elements. From this, six companies were carefully and purposely selected due to their unique and interesting characteristics/experiences. The selected companies each represented a variation that ensured the study embraced multiple realities to enrich the theory generated.

The evidence from multiple cases is often considered more compelling and the overall study is assumed to be more robust, as the use of multiple case studies requires multiple experiments that follow replication logic (Yin, 2003). Eisenhardt (1989 and 1991) stated that multiple cases are a powerful means to create theory because the approach allows replication and extension among cases. Replication permits researchers to gain insights into specific patterns and extension provides greater explanation of particular phenomena. Multiple cases strengthen the results by replicating the pattern matching and thus increasing confidence in the robustness of the theory (Amaratungga and Baldry, 2001). Subsequently, a question may emerge regarding the number of cases researchers should cover in order to gather sufficient empirical materials to build understanding of the examined phenomena. Still, it seems that there is no consensus on the precise number of cases employed in a multiple case study. Hartley (1995) states that consensus appears to indicate that managing more than a dozen case studies is not feasible or weakens the method. Meanwhile, Eisenhardt (1989) argued that four cases should be the lowest number since any less would create difficulty in generating theory of sufficient complexity. The highest number of cases should be ten, since more than that will bring about problems of how to cope with the complexity of the data and the volume of the data gathered. However, Wilson and Vlosky (1997) believed that the numbers proposed by Eisenhardt should be increased by five to seven cases to offer more confidence. Yin (2003) also argued that two or three cases might be designed to pursue literal replication; and four to six cases would allow theoretical replication.

In contrast, Robson (2002) suggested that it is difficult to pre-specify the number of observation sessions, interviews, cases, etc. required for qualitative research. Yet, the basic rule in conducting this kind of research is to keep going until saturation is reached. Saturation occurs when further data collection appears to add little or nothing to what has already been learned or no new significant explanation found. Patton (1990) also states that there are no set rules for selection of a sample size in qualitative research and that each scenario needs to be considered in context. Furthermore, he also gave the following rule: "...validity, meaningfulness and insight generated from qualitative inquiry have more to do with the information-richness and the observational/analytical capabilities of the researcher than with the sample size." Patton (1990) believed that the number of cases covered does not affect the quality of case study research. Rather, he stressed that the quality of the research is more dependent on the quality of the researchers since they are the instruments of their own research. The quality of the researchers can be seen in their skills, knowledge and personal qualities, which impact on their ability to build and design research; and on their collection, interpretation and analysis of data (Easterby-Smith et al., 2001).

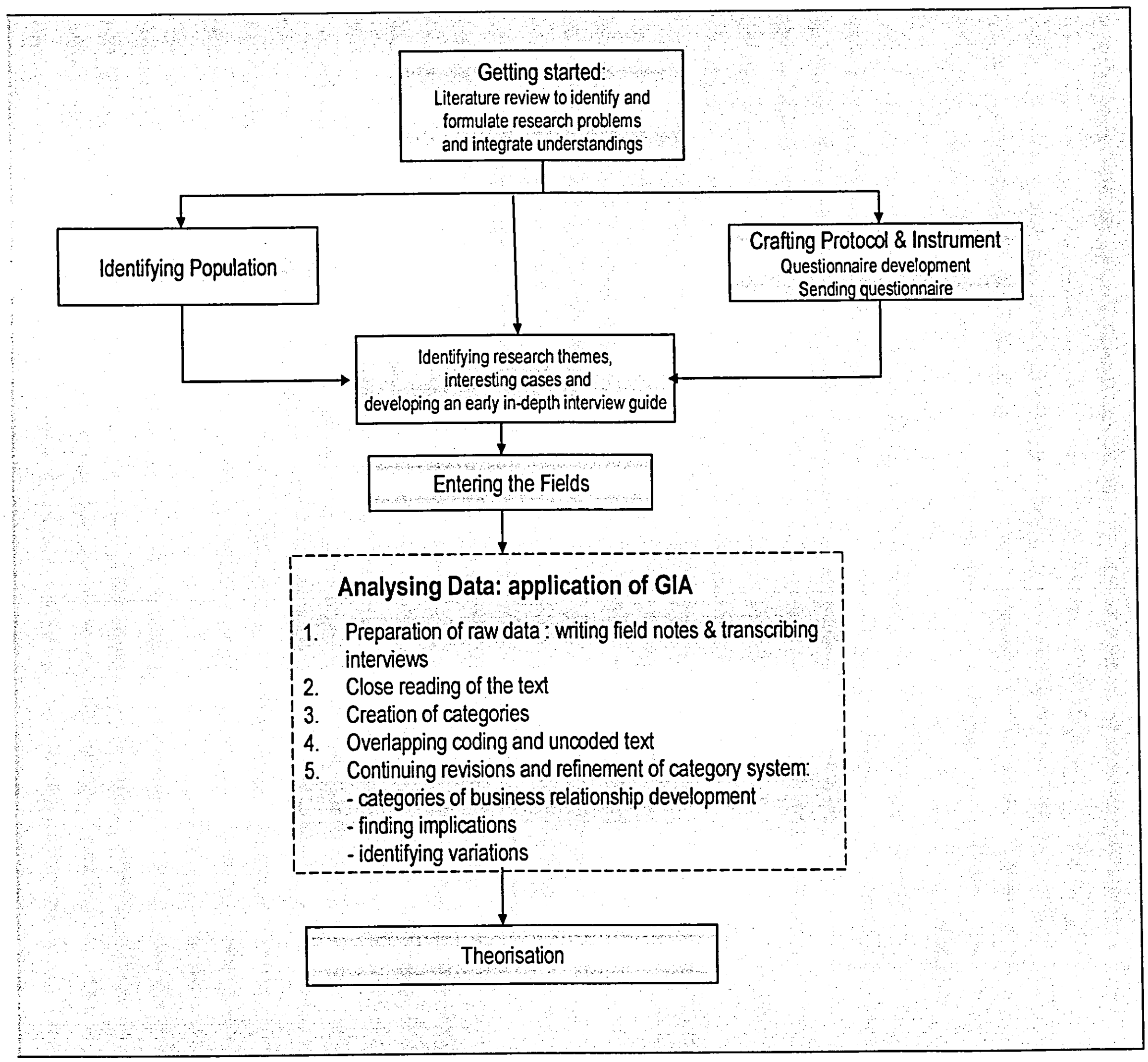
The depth of analysis required for a case study can lead to the question of how many interviews should be taken in order to obtain sufficient case materials. Quee (1999) stated that qualitative studies involve a small number of interviews, which is often less than thirty. Nevertheless, Goulding (1998) rejects the statements as rigid rules regarding the number of cases and interviews against the whole philosophy of theoretical sampling as it dictates and directs the research design right from the start. Hence, at the beginning of this research process, there were not a pre-determined number of cases to be employed until preliminary data from the companies was obtained. That meant that the cases were selected solely on the preliminary data.

It has been argued that multiple case research permits the researcher to obtain evidence from real-life settings, which gives a holistic understanding of phenomena. However, other problems arise if researchers find an abundance of case materials and fail to map the very complex patterns. Simply, there is a danger that case study research lacks simplicity as it attempts to capture everything (Gill, 1995). A methodological rigour when conducting case study research, aids the systematic obtaining and analysis of qualitative data so that an understanding of the complexity can be reached without reducing it to the simplest causal relationship of predetermined variables.

3.6 Data Analysis Strategy

As this research employed multiple case study design in order to generate theory, a systematic process was considered, the process led to the inductive generation of theory through the use of general inductive approach/GIA (Thomas, 2006) incorporated into the framework developed by Eisenhardt (1989). The figure below illustrates how the strategies adopted into the research process..

Figure 3.1: The Research Process



The figure above illustrates how the study applied general inductive approach (GIA) in order to generate theory. All steps, except step six, were basically guided by Eisenhardt's framework (1989). This framework was adopted as it might lead the study to focus especially in the early process, for example: to raise questions, identify population, crafting protocol and data collection. Meanwhile, step six was data analysis based on the application of GIA. It was utilised as it provides an easily used and systematic set of procedures for analysing qualitative data that can produce reliable and valid findings. It offers a simple, straightforward approach for deriving findings from qualitative studies. Using GIA seems to be less complicated than using other approaches to qualitative data analysis (Thomas, 2006; p. 237). As seen on the figure above, the dotted line indicates the territory of GIA i.e. the step of data analysis. In turn now each step of the research process will be discussed in a greater detail.

Step 1: Getting started

In order to permit the formulation of the research problems, a literature review was conducted (see Chapter 2) where weaknesses were identified; the objectives of the study and a research question was raised regarding business relationship development and management in a high-risk market. The question emerged since the current literature did not provide a deeper understanding of how firms develop and manage business relationships in a high-risk and uncertain market. Based on the review, important understandings were integrated from the literature.

With reference to extant literature, a number of important relationship elements (see Table 2.1) have been specified in order to assist in shaping the initial process of theory generation. However, these were tentative as they were subject to change during the research process. Therefore, the initial defined relationship elements such as trust, commitment and cooperation were not guaranteed a place in the theory generated. Consequently, research problems and possible relationship elements were formulated without thinking about relationships between them and theory. The tentative research questions and the possible relationship elements were helpful in the early process in the avoidance of loss of focus and to direct the collection of data.

Step 2: Identifying population

The population of interest was determined and then contacts were made to the actors or practitioners who had experience in the country and thus were theoretically useful.

British manufacturing companies exporting to Indonesia were chosen as the population of the research, in order to reduce extraneous variation and to clarify the domain of the findings as they operate in specific types of environments. Hence, selection of the specific type of industry meant the exporters were in the same industrial environment where extraneous factors were not too diverse. Consequently, comparison logic could be traced among the exporters.

A number of manufacturers were approached after obtaining a list of British companies exporting to Indonesia from Business Links, but a number of replies suggested that they had not exported to Indonesia. Upon realising that the Business Link data was not reliable, more companies were investigated from various sources such as: Kompass, British Exporters Data Base and Trade Partner UK. Also, a web-based search of Sheffield based manufacturers' home pages was used.

Step 3: Crafting instruments and protocols

It was suggested earlier that the development of understanding/pre-understanding led the research process and that no prior theory dictated the process. Based on the literature review, necessary understandings were gathered to formulate a questionnaire in order to obtain preliminary data. The role of the literature review here was not to identify the theory to test, but to develop interesting questions to obtain pre-understandings about companies for the next phase of the research process.

In brief, the questionnaire was structured into five sections. The first section was about the respondents and requested company information so that basic information concerning the informants' details could be derived. The second section focused on the export activities in Indonesia, particularly, information detailing the development of the firms' exporting activities. The next section tried to find out the facts concerning the companies' business relationships in Indonesia. The informants' opinion and attitude towards business relationships with local companies were explored in the fourth section. These later sections were developed to uncover the thoughts and beliefs of informants concerning their business relationships in Indonesia, to allow insight into their perceptions and experiences of dealing with local partners. The importance of their business relationships in the country was also reviewed to see how they perceived their relationship toward their business as whole in the country. Information concerning the development of their relationship was acquired in order to trace how the relationship developed since the 1997 economic crisis began. All of the questions were formulated according to the relationship elements, which were generally proposed by the previous studies discussed in Chapter 2. Last but not least, section five provided an option form in which approval for further data collection was sought.

Step 4: Identifying research themes, interesting cases and developing an early in-depth interview guide

The study collected data through two stages namely: questionnaire survey and in-depth interview to build case studies. The questionnaire was sent to 123 exporters where 14 companies were approached three times and 31 companies were contacted twice during February - April 2003. A further four companies were approached once in late May 2003. Ten responses were obtained, and then in June 2003, they were examined for sample selection. Six companies were selected for the sample of the study because they offered access to information and they had an interesting experience or characteristic. This will be discussed in Chapter 4. The sample size did not allow for a statistical generalisation, but enabled deeper understandings of the development and management of international business relationships. Since the purpose of the study was to explore exporters' business relationships in a high-risk and uncertain market, different companies that have different experiences needed to be examined and a single case-study approach might have been too restrictive to capture a wider context of relationship development practice.

Based on the information obtained from the questionnaire, a number of issues were identified for further exploration. The issues have not been explained by the extant literature and the answers were not gained from previous stages of this study. The identification of themes helped to explore the exporters experience in more detail. However, at this stage, a final finding, conclusion of judgment of the results of the questionnaire could not be claimed. This stage was aimed at data generation in order to raise interesting questions for the identification of research themes.

Another main objective of this step was to generate data about the British exporters, which assisted the selection of cases based on theoretical sampling, which was required to replicate or extend the emergent theory (Eisenhardt, 1989). It was stated above, not all of the responding firms could be employed, but six out of ten companies were selected. The main considerations used for the selection of firms were that access to them could be provided and they must have experience of exporting to Indonesia during the economic crisis and increased instability of the market.

For a better discussion of the preliminary data, the discussion will be divided into three topics, namely: experience and characteristics of the respondents, business relationship development, business relationship management and risk management. At the end of the discussion, a table will summarise the identified interesting issues and cases in the discussion of each topic, then followed by a table that contains the key research themes and indicates where the explanation will be provided in the body of the thesis.

Experience and Characteristics of the Respondents

Every selected firm had different characteristics and experience of developing and managing relationships in the market so that a holistic understanding was obtained from various sites. The table below summarises the experience and characteristics of responding companies.

Table 3.2: Experience and Characteristics of Responding Companies

Experience and Characteristics	Companies
Age of Firms when started exporting directly to Indonesia	
≤ 20 years	North West
21 – 50 years	Bridgeside, Verdon, Pittafin, Froster Fencing, Folden,
51 – 100 years	-
≥ 101 years	Border, Waingate, Newtonland, Serchamex
Experience of Direct Export to Indonesia	
≤ 5 years	North West, Folden
6 - 15 years	Pittafin, Serchamex, Froster Fencing, Bridgeside
16 – 25 years	Verdon
≥ 26 years	Border, Waingate, Newtonland
Entry mode to Indonesia	
Directly to end users	North West
Agent/representative	Bridgeside
Distributor	Froster Fencing, Pittafin, Folden, Verdon, Newtonland, Serchamex
Agent and Distributor	Border
Customers and Agent	Waingate
Number of employees	
≤ 50 employees	North West
51-100 employees	-
101-150 employees	Waingate
≥151 employees	Bridgeside, Serchamex, Pittafin, Froster Fencing, Border, Folden, Verdon, Newtonland

The table above suggests the age of the responding firms when they started exporting directly to Indonesia, most of the firms had been established for over twenty years, and in four cases exports only started after the firms had reached over 100 years of age. One possible explanation for this was the geographical distance between the UK and Indonesia, which might be a major consideration for international expansion. In the early stages of international expansion, firms tend to start exporting to neighbouring countries, as they have a lack of knowledge of foreign countries and a propensity to avoid uncertainty (Johanson and Wiedersheim-Paul, 1975). This suggests that firms started exporting to neighbouring countries or countries that were comparatively well-known to the firms and similar to the home country's culture, business climate and language due to lack of knowledge of foreign markets. Furthermore, according to Johanson and Vahlne (1977), market expansion shows that firms move from closer nations to those that are increasingly physically distant. In consequence, firms initially entered psychically close countries before presenting in more distant countries as psychic distance was correlated with geographic distance (Johanson and Wiedersheim-Paul (1975). *Psychic distance* has also been defined as factors preventing or disturbing the flow of information between the firm and target countries, including linguistic, institutional, cultural and political factors (Clark and Pugh, 2001). This implies that the greater the similarity between the export markets and the home country, the smoother the flow of information between the firms and their partners and the more rapid the execution. As the two countries under scrutiny (UK and Indonesia) have linguistic and cultural differences, the firms were not exporting to Indonesia in the early stages of their internationalisation, as they perceived a greater psychic distance; but they penetrated the country after they had gained sufficient knowledge or experience and become more confident of operating in wider geographical markets. Nonetheless, Waingate already had a rich experience operating internationally but this company seemed to fail exporting to Indonesia. It seems that its experience did not help the company to maintain and develop stable business relationships in a volatile market. **Waingate** is an interesting case to be employed in the study.

Knowledge of individual markets is not the only source of information for a firm; *general knowledge* of operating internationally has a critical impact on market servicing decisions in individual countries (Clark et al, 1997). Operating in diverse markets enhances a firm's technological capabilities, as it can learn from each market (Barkema and Vermeulen, 1988). Eriksson et al (2000) found that greater environmental variation increased knowledge and taught firms how to manage a variety of situations, and this led to lower costs of international expansion. Thus, lack of variation is costly for firms, and those that are not exposed to environmental variation do not develop knowledge of management of their internationalisation efforts. Again, this suggests that the market diversification strategy is less costly. As the respondents applied a market diversification strategy, it suggests that they all had general knowledge of exporting. Reliance on this strategy meant that they had already obtained rich experience and knowledge from various market settings. Firms' knowledge can be increased when they operate in diverse countries where they are exposed to various situations and experiences. Moreover, the diversity of firms' international experiences increases *business relationship experience,* which is easily applied to ongoing business in a new country or an existing market (Eriksson and Chetty, 2003). They confronted great market variations, from which competition, government regulation, culture, politics and business climate could be learnt. Since general knowledge can be applied in individual countries, they might be more confident in every export market they hade. However, with regard to the situation in Indonesia, which might be different from other markets, a question emerges regarding how experience and knowledge could influence the development of business relationships in the volatile market.

The information from the table above suggests that six firms had less than fifteen years experience, whilst four firms had longer experience in Indonesia, indicating that the four firms had more experience of interaction with local companies. The experience might result in better knowledge of how to find and establish business relationships with Indonesian companies and they learnt how their partners work and what their requirements are. The responding firms increased their presence in Indonesia by accumulating experiential, market-specific knowledge with reference to culture, customers, business and the market's structure (Johanson and Vahlne, 1977). Increasing country-specific experience might lead to better understanding of the market's mechanisms and better personal contacts, with consequent improvements to product decisions; agent/distributor choice; and communication with market participants that leads to better performance (Madsen, 1988). The four firms with the greatest experience might have a better understanding of the market mechanism; better ability to find market opportunities and deal with market threats; better personal contacts and communication with partners and greater ability in selecting agents or distributors, all of which led to a greater ability to build and maintain relationships. The four firms might have a more stable business relationship compared to those companies with less experience of exporting directly to the country, but one responding firm (Waingate) that had considerable experience (32 years) has terminated relationships three times in four years during turbulent periods in the country. It seems that the company's long experience could not help it to cope with the adverse effect of the crisis in the market. Also, it seems that experience did not help the company to maintain and develop stable business relationships in an uncertain environment. Again, **Waingate** seems to be an interesting case, it was then selected for further exploration.

Interestingly, all respondents exported to more than 50 countries with export sales representing more than 50% of total sales, and some firms (50% of the respondents) had exports that made up to 80% of their total sales, which could be categorised as having a high level of international sales intensity (Calof, 1993). This indicates that all the companies were developing their exports as a large proportion of their total sales and becoming very dependent on foreign markets. The firms with high levels of export intensity would be expected to develop a greater internal capability not only to recognise the importance of overcoming exporting problems, but also to tackle these problems. Meanwhile, firms characterised by low levels of export intensity were less likely to undertake export information activities; maintained less commitment to exporting as they mobilised limited resources to support their international marketing efforts; and exhibited greater levels of risk perception in international markets as they perceived more environmental uncertainty (Morgan and Katsikeas, 1998). This suggests that the firms with higher levels of export intensity would have a greater capability not only to adjust to new realities, but also to overcome problems that arose as consequences of environmental changes. As a result, they would be more likely to survive compared to firms with a lower level of export intensity. This may suggest that export intensity relates to a company's ability to maintain their business in every export market; however this issue is beyond the scope of the study.

North West was still small in terms of the number of employees. It has been suggested that small companies export a lower share of their sales because of company and managerial factors such as: limited resources; scale economies and high risks perception of international markets (Bonaccorsi, 1992). Therefore, this suggests that a larger firm with more resources is able to develop its exports as it has more capability to explore international market opportunities. Thus, a larger firm is more likely to have a high level of export intensity and company size relates to the level of export intensity. This is an interesting issue, but it is beyond the scope of this study. North West, although small, showed high export intensity and served over 50 countries. The firm might have disadvantages but they were able to export to various countries indicating that size was not a barrier for international sales intensity. It suggests that any size of firm was able to drive a large percentage of its revenues from international markets and become very dependent on export sales. It is still unclear, however, how firm size could explain the firm's ability to develop business relationships in the Indonesian market

The responding firms were active in a range of selected countries (more than 50 country markets), suggesting that those companies were implementing a market diversification strategy. The strategy might not only offer higher profitability but also profit stability for exporters in comparison to a market concentration strategy (Olusoga, 1993), and suggests better performance would be seen in the companies' export sales. Actually, the use of this strategy is a method for reducing risks through involvement in wider geographic markets, thus avoiding high dependency on a few selected countries. Therefore, the strategy serves to increase a company's flexibility in response to environmental uncertainties (Miller, 1991). Accordingly, Albaum et al (2005) argued that market diversification provides greater flexibility, as a firm is less dependent on particular markets and has lower perceptions of risk; this may lead to a company reducing their commitment to a particular market that is experiencing greater risk.

Having a large number of export markets (more than 50 countries) may mean they had to manage a customer relationship portfolio, and had to analyse or asses the current and projected benefits resulting from each individual relationship (Turnbull et al., 1996). Based on the assessment, they may have choices over which relationships they want to commit to further. Nevertheless, choice is perhaps the most difficult aspect in relationship portfolio management since the development of a closer relationship with a particular customer may involve a higher level of commitment, leading the supplier to accept a more distant relationship with others (Ibid, 1996). This may suggest that the supplier faces choices where they have to make evaluations and realistic appraisals of the potential benefits of the commitment. Furthermore, Swaddling (1998) suggested that management of a customer relationship portfolio also means evaluating the relationships in term of risks. The companies might evaluate their relationships in all of their export markets including Indonesia where they might also analyse the risk and uncertainty in the market in order to make decisions on which relationships they should increase commitment. In respect to the increasing risk and uncertainty in the Indonesian market, they might view that their relationship in the market entails a greater risk and less profit, discouraging them to commit further. This suggests that the evaluation required knowledge and assessment of each individual market. As they had a rich experience of exporting to diverse markets, they might be more confident in every export market they had and had a better assessment on the relationships and the markets allowing the companies to make choices in managing their relationship portfolio. Consequently, a question emerges of how their customer relationship portfolio management may affect the development of business relationships in the Indonesian market.

The data suggested that Bridgeside had a representative although it supplied one customer only; whilst Border exported through two modes (agents and distributors). The first company might become more involved in the marketing process when selling through agents rather than through distributors, and more resources were required to support these export operations (Solberg and Nes, 2002), which indicates that these entry modes required different levels of commitment and resources. The exporters' possession of resources seemed to be a critical criterion for the strategic choice of entry modes. Larger firms are believed to have more resources and capabilities. Exporting through agents is more likely to be used by larger firms than by smaller firms. The table above suggests that nine companies who relied on agents or distributors were larger in size (having more than 100 employees). However, a smaller responding firm, i.e. North West, exported directly to end-users without an intermediary or sales subsidiary. It seems that **North West** was an interesting case to explore further, hence this company was selected. Also, **Bridgeside** was selected as the company used a representative although serving only one customer.

Business Relationship Development

In order to have a description of the companies' experience of business relationship development, the respondents were asked to indicate the extent to which they agreed with five statements ranging from 'strongly agree' to 'strongly disagree'. The following table indicates the respondents' perception towards their business partners in Indonesia. The questionnaire, however, did not cite all aspects of each element; consequently, the results give indications of the elements.

Table 3.3: Perception toward Local Partners

Items	Companies				
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Our partner(s) in Indonesia are really helpful	Serchamex, Bridgeside	North West, Folden, Verdon, Pittafin, Newtonland, Border	-	Verdon, Waingate	-
We believe that over the long run our relationships with our partner(s) in Indonesia will be profitable	Serchamex, Bridgeside,	North West, Border, Folden, Froster Fencing, Newtonland, Pittafin,	Verdon	Waingate	-
Our partner(s) are actively working together with us and our business relationships are growing	Bridgeside	Folden, North West, Newtonland, Serchamex, Border, Pittafin, Froster Fencing	Verdon	Waingate	-
We can rely on our partner(s) in Indonesia to keep their promises	Bridgeside	Pittafin, Serchamex, North West	Folden, Froster Fencing, Newtonland, Verdon, Border	-	Waingate
Relationships with Indonesian business partners are not characterized by a great degree of uncertainty	Bridgeside	Pittafin, Serchamex, North West	Folden, Froster Fencing, Newtonland, Verdon	Border	Waingate

The table above suggested indications of commitment, cooperation, trust and relationship uncertainty. Most respondents felt their partners were really helpful, that their partners cooperated with the firms to achieve their goals. This suggests mutuality/reciprocity factor of cooperation (Leonidou and Kaleka, 1998). The question was used in order to reveal cooperation in the relationships, and to demonstrate partners' support in achieving goals, and partners' interest in and responsiveness towards maintaining a co-operative relationship.

The second question gave similar results, suggesting the responding firms' long-term orientation on the relationship. The question was formulated based on what was suggested by Anderson and Weitz (1992) who analysed commitment in distribution channels. The authors suggested that commitment in a relationship entails a long-term orientation and assumes that the relationship is stable and will continue long enough for channel members to realize the long-term benefits. The results may suggest that respondents had a positive perception toward their partners and that profitable relationships could be maintained through cooperation. Respondents' willingness to cooperate further, signalling commitment, could be a result of satisfaction from past experience, which generated positive perceptions towards their partners. Nonetheless, although the responses indicated that most of the companies actively cooperated with local partners, and that they were satisfied and committed to the relationships, yet only Bridgeside suggests a high level of trust as the company strongly agreed with the statement (question no. 4).

The last question in this section was adopted from the work of Leonidou et al (2002), who studied successful export business relationships from a behavioural perspective. The result varied where Bridgeside viewed that its business relationships was relatively certain as the respondent strongly agreed with the statement, whilst Waingate felt a high uncertainty. Feeling uncertain about their relationships' future may be caused by inadequate information and limited exposure to the market, which in turn meant that the firms could not make future decisions regarding their relationships with confidence (Leonidou et al., 2002). The respondent was feeling uncertain about their relationships; which may mean that the company was uncertain about their partners' future behaviour.

The discussion above provided a partial explanation of the elements and thus some issues remained unclear. First, what were the emerging relationship elements explaining the development of the business relationship when the market became volatile? Second, how did the elements develop when the market was increasingly uncertain? Also, the table above suggests that, in comparison to the others, Bridgeside had a better perception towards its local partners meaning that it had a good working business relationship. On the contrary, Waingate had a rather negative perception toward its partner. Hence, both companies were selected for further investigation.

In order to find how the companies were dependent on their partners, respondents were asked to identify the importance of each element for the development of their relationships. The answers were numerous and showed how they perceived their relationships in the country.

Table 3.4: The Importance of the Relationships

Items	Companies			
	Very important	Important	Not really important	Not important at all
Continuation of business relationships In Indonesia	Bridgeside, Serchamex, Border, Froster Fencing, North West,	Pittafin, Folden, Verdon, Newtonland, Waingate	-	-
Information exchange with business partner(s) in Indonesia	Bridgeside, Serchamex, Froster Fencing, North West,	Border, Pittafin, Folden, Verdon, Newtonland,	Waingate	-
Cooperation with business partner(s) In Indonesia	Folden, Bridgeside, Serchamex, North West,	Froster Fencing, Pittafin, Border, Verdon, Newtonland	Waingate	-
Mutual trust with business partner(s) In Indonesia	Waingate, Pittafin, Newtonland, Bridgeside, Serchamex, North West,	Border, Verdon, Folden, Froster Fencing,	-	-
Mutual satisfaction with business partner(s) in Indonesia	Waingate, Pittafin, Newtonland, Bridgeside, Serchamex, North West,	Border, Verdon, Folden, Froster Fencing,	-	-
Devoting company's resources (financial, time and staff) to business relationships in Indonesia	Froster Fencing	Bridgeside, Border, Verdon, Newtonland, Pittafin, Folden, Froster Fencing,	-	Waingate
Adaptation to respond partners' demand in Indonesia	Froster Fencing, North West, Bridegside, Newtonland	Border, Verdon, Folden, Serchamex, Waingate, Pittafin,	-	-

The first question was intended to obtain information about exporters' dependence on their relationships in Indonesia and was adapted from a study by Leonidou et al (2002). The table above indicates that, in general, respondents perceived relationships with the Indonesian companies as important to their businesses, meaning that they were relatively dependent on their partners. This perception might have encouraged them to have a long-term orientation; actively cooperate with their partners; show efforts towards extensive information exchange through devoting their resources; achieving mutual satisfaction; building mutual trust and adapting. This suggested that dependence existed, as they believed that the relationships had brought about reliable and steady sources of income and/or helped in achieving their business objectives. An implication of the firms' dependence upon partners can be seen from how they devoted resources to the relationships (Morgan and Hunt, 1994; Lewin and Johnston, 1997; Leonidou and Kaleka, 1998; and Wong and Sohal, 2002). The responding firms perceived their relationships as important, which made them become dependent on the relationships and encouraged commitment, and a willingness to adapt to specific customer needs. This suggested that the firm with greatest dependency had greatest commitment to the relationships and willingness to adapt (suggesting a greater customer orientation). Here, a question appears of how the orientation could influence business relationship development. Further, being dependent on their partners, the respondents took the view that adaptation to meet partners/customers' demand was important to keep the relationships working. This meant that adaptation was viewed as an essential element in strengthening and prolonging the relationships as adaptation contributes to satisfaction.

Regarding mutual satisfaction, respondents perceived this aspect as either very important or important. Mutual satisfaction seemed to be a necessary aspect of maintenance of the relationships, and thus it was an indication of their dependence. The responses suggested that most of the respondents were committed and viewed devoting company resources (financial, time and staff) to the relationship as an important aspect in maintaining the relationship. This was also suggested in the data about their satisfaction. Hence, satisfaction with past experience led to firms' desire to nurture their relationships, as they perceived the relationships as crucial to their business. This aspect was emphasised by Cann (1998), who found that satisfaction allowed a business relationship to progress to the point where commitment existed between the parties involved. Accordingly, Selnes (1998), based on his study of Norwegian suppliers, found that relationship continuity was a strong effect of satisfaction. Respondents were also aware of the importance of their commitment to the relationships, devoting their resources to making adaptations in response to partners' requirements. This may suggest that they committed to create partners/customers satisfaction leading to a greater partners/customers commitment to the relationships. Creating partners/customers satisfaction would stimulate mutual satisfaction and mutual commitment leading to stable business relationships. However, how they maintained customer satisfaction in the volatile market remains unclear.

Nevertheless, albeit there were indications that most of the respondents to the questionnaire were satisfied and had a desire to keep the relationships working, seven relationships were terminated during market turbulence. Although they felt that adaptation to the relationships was an important aspect, in fact only two companies carried out such adaptations. It seemed that the intention was not always translated into action. This was particularly interesting as the relationships were exposed to changing business environment where adaptation might have been necessary to obtain a general fit between the companies and the market conditions (Hallen et al., 1991). Any change in the environment may cause changes in the way firms manage relationships, as the changes create new market realities and the existing practice may no longer fit with them. In short, in an increasingly dynamic and turbulent market environment, a firm's ability to develop and successfully manage its relationships with other firms emerges as a key competence and source of sustainable competitive advantage (Batt and Purchase, 2003). Consequently, the two companies that carried out adaptation i.e. **North West and Froster Fencing**, were selected for further investigation.

Business Relationship Management

Relationship management has been discussed in normative and more conceptual or theoretical terms by Olsen and Ellram (1997) who indicated the need for empirical research in relationship management. There has been some limited research published on relationship management as the action in a relationship, as can be seen in the work of Ford and MacDowell (1999) and Leek et al (2002 and 2004). In this study, relationship management is concerned with the management of interactions with others (Ritter et al., 2004). Relationship management is explored in the context of its practice, or the actions taken within the business relationships that influence their development. Therefore, the discussion here contributes to the understanding of how the respondents manage their interactions in order to develop their business relationships.

Discussion of the extant literature (see Chapter 2) suggested that communication has a critical role in managing relationships. The importance of communication lies not only within the companies but also within the partners. As seen in table 3.5 showing communication between respondents and their partners, three respondents felt that, in general terms, their communication activities were becoming more active as their exports increased. One possible explanation for this was that once the companies received repeat orders, communication subsequently increase as there would have to be contacts in order to discuss: product, shipment, payment, requirements, etc. In the case of terminated relationships, there was no information flow between the firms and information exchange had ceased. Four companies still visited their partners as frequently as they had before the market became unstable. Unfortunately, there was no explanation of how visit frequency influenced the development of business relationships in a high-risk and uncertain market.

They intended to keep in touch with their partners to ensure the ongoing process of information exchange. By doing this, the parties might respond better to new opportunities and threats (Witkowski and Thibodeau, 1999). Therefore, communication processes may result in valuable information that consists of business opportunities, news or ideas about how to respond to market changes. Having a frequent flow of information facilitates a greater understanding of environmental changes and higher interdependence between the parties. This may suggest that ensuring information flow is critical to acquire up-to-date market and customer knowledge. This appears to be important in uncertain market conditions, where exporters' need to monitor and observe. It is an interesting issue to explore in the next phase of the investigation.

Table 3.5: The Frequency of Communication with Partners

	Companies			
	Increasing	Stable	Decreasing	Terminated
Communication	Bridgeside, Froster Fencing, Serchamex,	Pittafin, North West, Newtonland	Border, Folden	Verdon, Waingate
Visiting partners	Froster Fencing, Serchamex,	Bridgeside, Pittafin, North West, Newtonland	Folden	Waingate, Verdon, Border
Number of staff involved	Froster Fencing, Serchamex,	Bridgeside, Pittafin, North West, Newtonland	Folden	Border, Waingate, Verdon

As suggested by the table above, more active communication with partners did not mean that visits to partners were more frequent or that increased numbers of staff were involved. Indeed, the companies used email, fax, and telephone, as these were more cost effective. E-mail communication, in particular, was able to work around the time differences. The frequency of visits did not increase, and might even be postponed in response to UK foreign office advice. Border, for example, although its business relationships still existed, did not carry out visits after the crisis. Hence, **Border** was selected for further exploration.

Risk Management

In the second part of Chapter 2, it was stated that business risk in a particular country could be estimated from the stability of its currency. Therefore, in the questionnaire, the respondents were asked to indicate which currency they accepted from their Indonesian buyers. The data suggested that none of the respondents accepted Rupiah - the

Indonesian currency; which may mean that they were avoiding risk, since the Indonesian currency has developed poorly since the Asian financial crisis in 1997. Five of the respondents accepted US Dollars from their Indonesian buyers, which raises the interesting issue of why US Dollars were accepted instead of GBP, a stronger currency. This suggests that the exporters' customer orientation (Anckar and Samiee, 2000) was stronger. They manufactured in the UK and paid manufacturing and marketing costs in GBP, meaning that risks, particularly of exchange rate fluctuation, were taken by selling in US Dollars. Among the respondents, only **North West** accepted GBP only, this makes the company an interesting case to explore.

Exporters respond to increasing risk in the environment by reshaping their risk management policy. Also, external aspects affect the risk management taken by exporters. For example, the market situation would be reflected by exchange rate fluctuation: the more uncertain a market, the more unpredictable the exchange rate and the higher the financial risk faced by the exporters. Further, since the Asian Financial Crisis hit the market, the risk of non-payment was greater than when the market was stable (see Chapter 1). This situation might have pushed exporters to reshape their policy to maintain a guarantee of payment. Thus, questions emerge regarding risk management: how they maintain guarantees of payment; how they maintained a customer orientation while managing risks; how they behaved towards risks.

The table below summarises the identified interesting issues of the discussion above.

Table 3.6: Identified Interesting Cases and Issues

Topics	Interesting Cases	Interesting Issues
Experience and Characteristic of Respondents	North West, Waingate, Border and Bridgeside	- How experience and knowledge could influence the development of business relationships in the volatile market. - How firm size could explain the firm's ability to develop business relationships in the Indonesian market - How their customer relationship portfolio management influenced business relationship development in the high-risk and uncertain market.
Business Relationship Development	Bridgeside, Froster Fencing, North West and Waingate	- How customer orientation could influence business relationship development. - How the companies maintained satisfaction in the volatile market - What were the emerging relationship elements explaining the development of the business relationship when the market became volatile? - How did the elements develop when the market was increasingly uncertain?
Business Relationship Management	Border	- How visit frequency influenced the development of business relationships in a high-risk and uncertain market. - How the companies ensured that the process of market knowledge acquisition
Risk Management	North West	- How they maintained guarantees of payment - How they maintained a customer orientation while managing risks - How they behaved towards risks.

The table above shows how a number of companies were selected for further exploration for unique or interesting characteristics/experiences. As stated earlier, access to information was the main consideration for selection. Four out of ten companies were not selected. They were Newtonland, Folden, Verdon and Serchamex. Newtonland was not selected as this company had similar characteristics and experience to Pittafin in terms of: number of employees, entry mode, perception and communication. Pittafin was selected as this company is located in Sheffield, while Newtonland is in Birmingham. Furthermore, the main informant of Newtonland was leaving the company. The staff member who took over his position showed his willingness to participate. He did not, however, have experience and knowledge of dealing with Indonesian customers as he had been the regional manager for Middle East Markets. The author decided to withdraw Newtonland for further exploration. The main informant of Serchamex, meanwhile, stayed in Taiwan, which was beyond the reach of the author. Both distance and the holding of an Indonesian official passport restricted her in visiting the country. Folden and Verdon were not selected as they located in Northern Ireland. They had similar characteristics and experience to Border and Waingate in terms of the number of employees, communication and perception. Consequently, the six companies selected for the study were: ***North West, Waingate, Border, Bridgeside, Pittafin and Froster Fencing***. They will be introduced in the next chapter in order to highlight their experience of developing and managing business relationship in the Indonesian market.

The identified interesting issues summarised in Table 3.6 become the research themes: they guided the focus of the next stage in the investigation. They are listed according to the order in which explanations are developed in the following analysis chapters (see table 3.7):

Table 3.7: The List of Research Themes

No.	Research Themes	Explanation will be provided in
1.	What were the emerging relationship elements explaining the development of business relationship when the market became volatile?	Chapter 4
2.	How did the elements develop when the market was increasingly uncertain?	Chapter 5
3.	How did they maintain guarantee of payment?	Chapter 6 section 6.2
4.	How could experience and knowledge influence the development of business relationships in the volatile market?	Chapter 6 section 6.2
5.	How did the companies ensure the process of market knowledge acquisition?	Chapter 6 section 6.3
6.	How did the companies maintain satisfaction in the volatile market?	Chapter 6 section 6.4
7.	How did visit frequency influence the development of business relationships in a high-risk and uncertain in market?	Chapter 7 section 7.2.3
8.	How could customer orientation influence business relationship development?	Chapter 7 section 7.3
9.	How they oriented toward customer while managing risks?	Chapter 7 section 7. 3
10.	How did they behave towards risks?	Chapter 7 section 7.4
12.	How could firm size explain the firm ability to develop business relationships in the Indonesian market?	Chapter 8 section 8.4
13.	How did their customer relationship portfolio management influence business relationship development in the high-risk and uncertain market?	Chapter 8 section 8.4

Step 5: Entering the field

The next step was the exploration of real life settings in which qualitative data was obtained through a number of interviews. The method of data collection is capable of producing data of great depth. Also, it is a highly flexible method, which is the most important characteristic of qualitative research and allowed the data to be explored in depth. The data was to become the basis on which to describe, understand and make sense of interviewees' experience in the organisations under study.

At the beginning of the data collection by a questionnaire survey, introductions were made. The purpose of the study was explained and the informants were offered a confidentiality agreement. The examination of the responses obtained from questionnaire survey not only made the selection feasible but aided the author's pre-understanding of each selected case. This contributed to the author's development of an in-depth interview guide. The six companies were re-contacted in September 2003 to find out when and where each interviewee was available for the first round of in-depth interviews. These were carried out between October 2003 and January 2004. Transcribing was carried out after each interview. The second round of interviews was conducted between June and August 2004. Following this, face-to face interviews with the Indonesian importer were completed in October 2004. Interactive interviews via email were also conducted with one Indonesian informant between November and December 2004. In order to manage a large amount of qualitative data from the in-depth interviews, the author learnt Nvivo computer software. Fortunately, the author had the opportunity to take part in Nvivo training conducted at the Department of Sport and Leisure Management, Sheffield Hallam University in December 2004. In early 2005, the author began working with Nvivo for about three months followed by a further analysis process and writing the thesis and other scientific papers.

In the first visit or face-to-face interview, care was taken to introduce the author as being a research student pursuing an interest in learning from the informants. Meanwhile, the Indonesian informants had already received information about the research from the British informants. They also provided the relevant contact details of the Indonesian informants. In this regard, the British informants acted as the bridge between the researcher and the Indonesian informants.

In-depth semi-structured interviews were carried out in 6 (six) companies and 8 (eight) Indonesian importers. Key management personnel (director, manager and company secretary) were interviewed. Each had experience of dealing with the market and was directly involved in the relationships with Indonesian partners. The main consideration for the choice of the interviewee(s) in each company was that the interviewee had experience and knowledge regarding his / her company's business relationship in Indonesia. This was stated on the letter sent together with the questionnaire.

Most of the interviews were tape-recorded so as to enable a greater understanding of what the interviewees had said, as the tape recording was complete and exact. However, two Indonesian informants refused to be tape-recorded. In order to create a full record, the informants were persuaded to talk slowly so that a full written statement including the informants' tone of voice or emotion could be made. The author carried out 27 face-to-face in-depth interviews in both the UK and Indonesia, with further information obtained from the interviewees via emails. Then, in order to obtain more robust information, two British expatriates were interviewed. One face-to-face interview was conducted with an expatriate who had lived in Indonesia for ten years until 2000. Hence, there were 28 face-to-face interviews in total. Also, interactive interviews via email were conducted with an expatriate who lived in Taiwan, but was responsible for the management of exports to the Indonesian market.

This crucial step determined the rest of the research journey. Building theory with a multi-case study approach requires frequent visits/interactions to a number of companies and an overlapping process of data analysis with data collection (Eisenhardt, 1989). This permitted the advantages of flexible data collection to be fully exploited, thus, adjustments were made during the data collection process, such as the addition of questions to the interview protocol. Generally, the interviews began with a few questions listed on the interview protocol about the company and its business relationships in Indonesia, but the interviewee's stories opened up new areas of questioning. During the process of interview, the interviewer had freedom to adjust the interview protocol. Some questions were added and adapted to each case so that deeper insights into the specifics of each case could be gained. Consequently, the questions were not exactly the same for the whole sample. Indeed, the questions were adapted to reflect each company's different situations. However, in general terms, the interview protocol was mainly focused on experience and strategy of the exporters, with regard to: how they developed business relationships; how they managed the relationships; how they managed risks when exporting in a volatile country.

Step 6: Analysing data

This study gathered basic characteristics from each exporter regarding their experience of exporting to Indonesia, entry modes, number of export markets, and number of employees. This built a portrait of their export and relationship marketing activities in Indonesia from a questionnaire and in-depth interviews by following a protocol. Secondary data provided information on each case: public materials, in-house documentation/archives, company newsletters and annual reports.

The unit of analysis was the business relationships of the British exporters in Indonesia where the author interviewed informants on both sides of the relationships. In-depth interviews were carried out in Britain and Indonesia enhanced the confirmability of the study. Since the study focused on the Indonesian market, the British interviewees were required to have information or experience of developing and managing business relationships in the market. The Indonesian interviewees had to have experience of interaction with the British exporters. Interviewing both sides enriched the information obtained. It allowed the author to find new interesting information, which was not expressed by the British interviewees earlier. However, the author rechecked the information via email with the British informants after coming back from Indonesia. Analysis began during data collection. The ideas that emerged after the first round of interviews were based on an incomplete understanding. What seemed to be important and interesting gradually evolved into a more complete understanding as further data collection was carried out and more was learnt from the data.

The analysis of such a large data set from a variety of companies with such diverse experience was a daunting task. Methods of analysis were reviewed to find the best process of theory building. The general inductive approach (Thomas, 2006) was adopted, which acted as a guide on how to inductively generate theory from a massive qualitative data. For the purpose of managing such rich, complex and massive data, qualitative data analysis software was used. Nvivo is a new generation of qualitative software, (developed from Nud.ist). Nvivo was used as it offered the possibility to manage, access and analyse qualitative data without loss of its richness. Closeness to the data that was critical for qualitative research (Bazeley and Richards, 2000).

In comparison to manual methods, the advantages of using computer software are that: it can store data in an orderly way; provide structures and hierarchies of data; perform certain analytical tasks; and can respond to questions that the researcher puts to the data, thus increasing research productivity (Bazeley and Richards, 2000). Nevertheless as suggested by Gummesson (2005), computer software can assist, but it does not take over from the human researcher's role as analyst/interpreter and the need to continuously fine-tune analytical/interpretive skills. This means that computer software does not perform interpretive activities and thus does not offer an instant answer to research questions. Therefore, NVivo was used for certain stages of data analysis only, which are detailed in the following discussion. As stated earlier, the general inductive approach (GIA) was incorporated into the analysis process of the study. Thomas (2006) explained that the approach provides an easily used systematic set of procedures for analysing qualitative data that can produce reliable and valid findings. It uses detailed reading of raw data to derive concepts, themes or models through interpretations made from raw data by a researcher. It involves a data reduction process through a set of procedures for creating meaning in complex data by developing summary themes. The data analysis process is outlined below.

1. Preparation of raw data: writing field notes and transcribing interviews

Field notes were written after each interview but sometimes by simple voice recordings to provide reminders of the interesting issues. Notes were made on the interview situation; the interviewees' emotional expression; what seemed to be emphasised by the interviewees; and interesting issues that emerged during interview, which could be followed up in subsequent interviews. For example, there were two interviewees who strongly emphasized that the lack of company support was due to poor internal cooperation. In the next interview, this issue was included in the interview guide. It was suspected that the internal atmosphere of the companies had associations with the way they managed and developed their relationships. Therefore, the development of relationship elements reflected the internal atmosphere. It was assumed that this was an interesting issue and would lead to an examination of the association between external relationships and "internal matters" of the companies studied. In order to facilitate the analysis of data, the author transcribed each interview. The transcripts were then saved as *rich text format* (*rtf*) files as required by the NVivo programme.

2. Close reading of text

Inductive coding began with close reading of each transcript and consideration of the multiple meanings that are inherent in the transcript (Thomas, 2006). Every transcript was read in detail so that the author was familiar with its contents, obtained understandings and identified initial themes (e.g. relationship elements), critical issues and events in the text. Transcribing the interview allowed closer examination of the data and developed a clearer picture of the interesting issues/themes that had been written into the field notes. A memo of each interview was written where emerging relationship elements had been captured. At this stage, "nodes"[2] were still without "children". In other words, "free nodes" were created.

3. Creation of Categories

Data analysis is guided by the evaluation objectives or questions outlined by the researcher, they identify domains and topics to be investigated but the findings arise directly from the analysis of the raw data not from *a priori* expectations or models (Thomas, 2006). The identified research theme no 1 (see Table 3.7) was the first objective of the evaluation. At this stage, the author identified further relationship elements. The author had to work on identifying the emerging relationship elements in every case. The elements were various, but they will be summarised as seen in Table 4.7 in the summary of Chapter 4. The identified elements were: trust, commitment, satisfaction, communication, cooperation, switching barrier, relative dependence, balance of power, attractiveness of alternatives, adaptation and social bonds or interpersonal relationships. The identification was based on the author's interpretation of the data. Every transcript was coded and recorded in Nvivo. The "free nodes" written in the memos helped the coding process. However, the process was highly iterative as ideas on the nodes were redeveloped and redefined. The iterative process led the author to the discovery that certain elements had dimensions encouraging the author to review the literature to obtain understandings of the emerging dimensions. For example: satisfaction had two dimensions i.e. social and economic satisfactions. This can be seen on the following example:

> ***"We are not happy about the falling price but we understand the situation. So, yes we are happy with the relationship. Generally, if we were not happy then we would not be selling to you." (North West's sales director)***

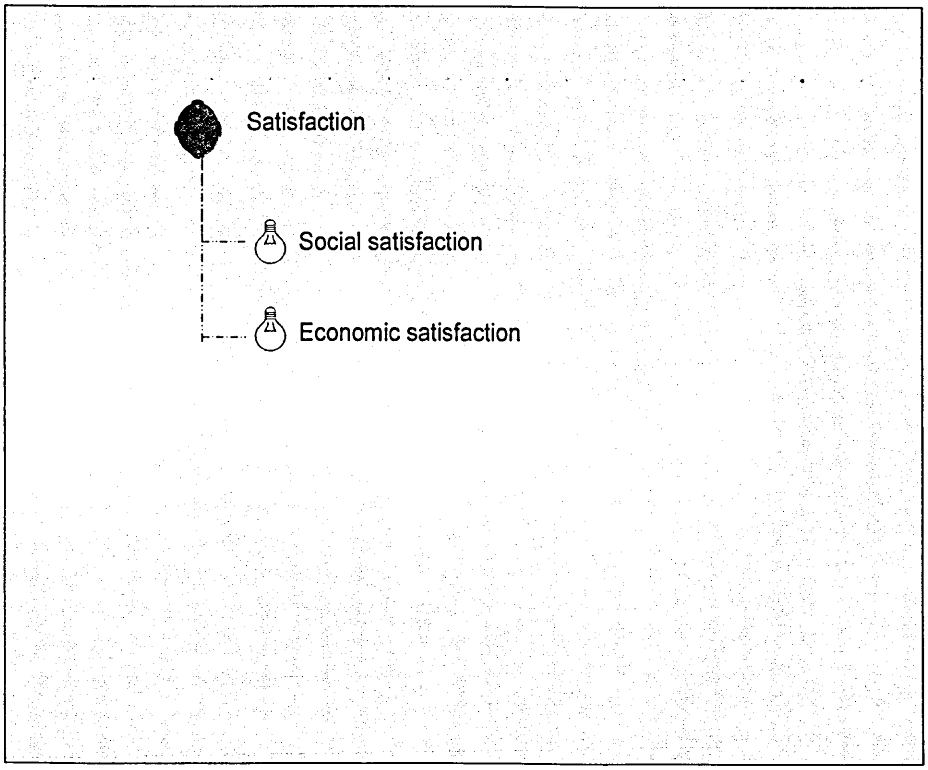
The segment above suggests that there were two dimensions of satisfaction in the relationship. The sales director was suggesting that falling price caused dissatisfaction as he was unhappy with it. However, he also suggested that the relationship was satisfactory. This led author to find out understandings of two different dimensions of satisfaction from the current literature as we can see below.

First, economic satisfaction refers to a party's evaluation of the economic outcomes that flow from the relationship with another party, such as sales volume, margins, and discounts (Geyskens and Steenkamp, 2000). Second, social satisfaction is conceptualised as a party's evaluation of the psychological aspects of its relationship, which may indicate that personal relationships and the interactions between two parties

[2] Nodes are ideas or concept in an index system, they are optionally organised into hierarchies or trees to represent the organisation of concept into categories and subcategories, taxonomy of concept and index codes (Richards and Richards, 1998).

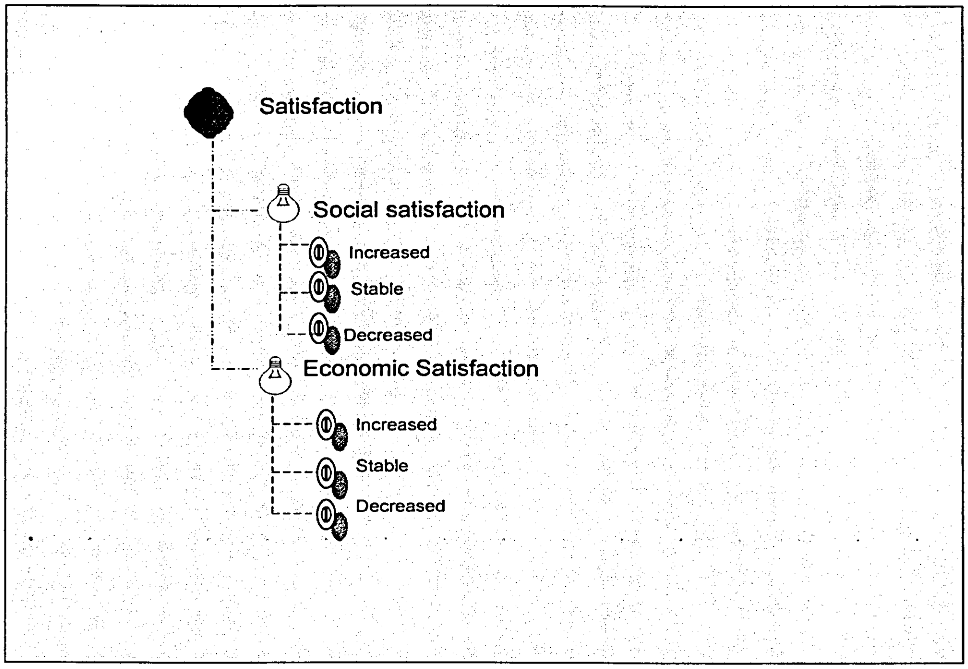
are acceptable, pleasing and fulfilling (Geyskens and Steenkamp, 2000). This suggests that the distinction of both types is rooted in what aspect is evaluated. Economic satisfactiom may be measured on the basis of a more tangible economic reward as the main aspect in the evaluation, whilst social satisfaction is evaluated based on the assessment of psychological and emotional attachment developed in the relationship. Hence, the segment quoted above suggests that falling price in the case of North West caused economic dissatisfaction. Despite this, the company indicated that the relationship was socially satisfactory. Thus, free nodes identified earlier could then be transformed into tree nodes as seen below.

Figure 3.3: Initial Tree node of Satisfaction



The second identified research theme (see Table 3.7) was: how did the elements develop when the market was increasingly uncertain? The second objective was, therefore, to identify the development of the elements. Then, variations regarding the development of each dimension were sought, and particularly those that referred to development e.g. increased, stable or decreased. The initial tree node of satisfaction illustrated by Figure 3.3 was developed as seen below:

Figure 3.4. Tree node of satisfaction



4. Overlapping coding and uncoded text

The primary purpose of the general inductive approach is to allow research findings to emerge from the frequent, dominant or significant themes inherent in raw data, without the restraints imposed by structured methodologies (Thomas, 2006; p. 238). At this stage, first the author had to find out which themes or elements frequently emerged, and whether they were dominant over other emerging elements.

The transcribing and writing of memos and the coding processes allowed familiarisation with each case, which facilitated the listing of emerging relationship elements and possible associations that were identified amongst them. Working with NVivo through the highly iterative coding process allowed the discovery of variations among the cases. For example, the emerging elements were various but it was noticed that four relationship elements or themes i.e. trust, commitment, satisfaction and cooperation were in every case.

During the iterative coding process, multiple coding of a certain passage or segment of the transcripts was possible. Multi-coding suggested connections between two or more elements. Retrieving data through a "proximity search"[3], the software helped to find the passages where associations among some of the elements could be noted. Nvivo allowed the association to be found through its "proximity search" because the interpretation of the passage/segment led to it being coded with those nodes. It was found that commitment overlapped with communication and cooperation, which also overlapped with satisfaction. Hence, the development of communication and cooperation could be seen through the development of commitment and satisfaction.

A "pragmatic approach"[4] to coding was used where interesting passages of the transcripts were identified, then coded according to the author's interpretation. So the development of the nodes in the coding process reflected the researcher's thinking/interpretation of the data. All the transcripts were read repeatedly, carefully checking for missed important passages or incorrect coding, and as interpretation developed, passages were re-coded with multiple codes. For example, the sales director of Border expressed the following:

> ***"Not really. There are a number of issues. But also we have to remember that we may not satisfy them. It is a two-way situation. First of all, as an agent, they need to be successful and enthusiastic. We have to be very supportive of them and give them competitive prices, give them a good incentive to pursue the business but sometimes we don't do that ...very often we don't do that and this pushes people off"***

This expression was interpreted and coded as ***(decreasing) economic and social satisfaction*** because: the sales director suggested the relationship was lack in ***economic and social satisfaction.*** Decreasing social satisfaction emerged as a poor attitude when both sides failed to support each other, while economic satisfaction emerged as the sales director suggested that his company could not provide incentives and competitive prices to its dealers. The expression was also interpreted and coded as ***decreasing cooperation*** as the boiler-maker did not provide various supports to the dealers. As seen in the case of Border quoted above, an association was found between satisfaction and cooperation suggesting they were overlapping.

The general inductive approach allows reduction of the number of the themes and choice of the most important themes (Thomas, 2006). The author decided to reduce the

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[3] One option to retrieve data when seeking association between one feature to another. The proximity search is more useful than other options as it retrieve all the relevant text/passages in the particular documents.

[4] This approach required the author to identify interesting passages in every text document and create a code or multiple codes according to the author's interpretation, and then coded the passages. As a result

number to three elements, i.e. trust, commitment and satisfaction, which were viewed to be the main or dominant elements as they could portray the development of the other elements. It was assumed that business relationship development of the selected companies would be sufficient by focusing the analysis on the development of trust, commitment and satisfaction.

5. Continuing revision and refinement of category system

This stage was divided into three sub-stages as follows:

a. Categories of business relationship development

As three main elements were chosen, attention was paid to the tree node of those elements to find dimensions and variations of the development. This is to establish the categories of business relationship development. At this stage, the cases were grouped according to the development of the elements. This stage is discussed in Chapter 5. In order to establish categories, the author developed/created lists of case features according to the variation of dimensions of the three elements. Therefore, in the analysis of each element, the author searched for variations of its dimensions. For example: at the end of the discussion on the development of trust, a list of case features was provided in terms of the development shown by each firm. In order to develop explanations, the author selected and presented appropriate quotations that convey the core meaning in the development of each dimension of each element.

In this stage, constant comparisons were carried out to find out similarities and differences among the cases. The cases that had similarities were placed into the same group and when one or more cases showed differences, this led to the establishment of a new group for business relationship development. For example: examining the development of trust suggested that Bridgeside, Pittafin and North West were in the same group. However, further discussion carried out to the development of commitment and satisfaction resulted in the creation of a new group as North West showed variations from Bridgeside and Pittafin. Finally, four groups of business relationship development were established and defined. For example, Bridgeside and Pittafin were in the same group labelled as the *"committed"* category. This category was then described as unaffected business relationships since they showed stable trust, commitment and satisfaction. Meanwhile, North West was the only firm in a group labelled the

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of his approach was that the nodes were emerging from my thinking of the data (Bazeley and Richards, 2000).

"*cooperative*" category, which was described as business relationships with cooperative behaviour since *calculative commitment* and *imbalance of power* increased. For a more detailed description of the established categories, see the summary of Chapter 5.

Establishing categories was not the end of the analysis as a number of interesting issues/questions emerged in the discussion of each element. Answering those questions seemed to provide explanations to the identified themes in the analysis of the preliminary data (see Table 3.7). Therefore, this step was followed by further exploration of the critical issues discussed below.

b. Finding implications

Any interesting issues arising from the interviews were given in memos. These issues required exploration as they could reveal how each company managed relationships and risk in Indonesia. For exploration purposes, the broader implication of each case feature was found by the identification and exploration of critical issues. Finding such implications in data and the developing theory demonstrates how the findings might relate to broader issues (Silverman, 2004).

The qualitative computer software assisted certain analytical processes, but manual analysis was required to examine certain phenomena of business relationship development from different perspectives. At the beginning it was unclear how the interesting issues could relate to business relationship development. A process of manual manipulation of the data of each case allowed reflection and then further understanding of the data. Gradually, explanations that clarified implications were found and models were built, which led to the next step of the investigation. This stage is discussed in Chapter 6. However, for the purpose of a more effective discussion, a few cases with the most interesting experiences were selected for exploration.

c. Identifying Variations

The previous stage led to the identification of variations in terms of learning orientation, market orientation and risk behaviour that reflected the "internal matters" of the companies studied. As a result, associations between the variations with the established categories were found. The identification of variations is revealed in Chapter 7 of the thesis.

After finding important implications, comparison across established categories was carried out that sought out variability in terms of the learning orientation, market orientation and risk behaviour of the companies. This process of comparison of the categories enabled progressive explanations building to be undertaken. A list was created of the similarities and differences among the categories seeking variations and theoretical explanation of the phenomena under study.

Step 7: Theorisation

More data was gathered than has been presented here, as the methods of data collection led to a very broad and complete set of information. From examination of other research using similar analysis strategies, the data is displayed in a way that is most meaningful. This required the condensing of data to make the information more compact and manageable but not lose its weight (Gummesson, 2005). Also, reporting findings was organised in order to clarify the analytical process where pre-understanding and understanding developed in a hermeneutic process.

Other areas of the literature were "unknown" until critical issues in the business relationships were identified and analysed. This led the author to search for understandings from organisational learning theory. The analysis process led the author to propose theory of how business relationships develop in a high-risk and uncertain market from a different perspective. During this step, the author developed theoretical explanations. This was the final step of the analysis process and it is given in the last chapter of the thesis. Causal explanations emerged from the analysis process and were compared to the extant literature in order to find consistencies or contradictions. The extant literature was not limited to those with similar findings but also included conflicting views. This strengthens the internal validity, widens generalisability and operates at a higher conceptual level (Eisenhardt, 1989). Links with a broad range of theory permitted theory generation of business relationship development with a higher level of confidence.

3.7. Research Design Test

Social researchers tend to follow deductive and quantitative approaches where verification of the research relies on well-established conventional criteria such as validity and reliability (Riege, 2003; Bryman, 2004). In contrast, verification in qualitative research is a process of developing criteria by which we can see there is no set of common criteria for judging the quality of the research. Although there is no consensus on the terms, Bryman (2004) indicated that there are two different points of view of assessing the quality of qualitative research. The first is the adoption and application of the concept of validity and reliability to the practice of qualitative research (Easterby-Smith et al, 2001; Lindgreen, 2001; Mason, 2002; Yin, 2003). Those authors also adapt the meaning of each concept according to the philosophical viewpoint adopted (Easterby-Smith et al., 2001; Riege, 2003). This point of view is expressed by Riege (2003) as follows:

> ***"Essentially, I also argue that a number of design test for establishing validity and reliability can be used for judging the quality of case-study research, irrespective of their commonly more qualitative or quantitative nature, nor of their theoretical paradigm" (p. 76)***

He indicated that the same criteria and "generic" techniques can be used for both qualitative and quantitative research.

The second point of view is the use of alternative terms in assessing qualitative research (see Leininger, 1994; Lincoln and Guba, 1985: Guba and Lincoln, 1989). This point of view might emerge since qualitative researchers' emphasis the use of different criteria to evaluate their works. Leininger (1994) quite strongly argued for the alternative terms:

> ***"Qualitative researchers should not rely on the use of quantitative criteria such as validity and reliability to explain and justify their findings. Such dependence reflects a lack of knowledge of difference purposes, goals, and philosophical assumptions of the two paradigms. Because the paradigms are so radically different, a misuse of criteria of each paradigm poses critical problems and greatly curtails the development of credible and valid outcomes (p. 96).***

Lincoln and Guba (1985) earlier pointed that:

> ***"...different paradigms make different knowledge claims, with the result that criteria for what counts as significant knowledge vary from paradigm to paradigm, then it is essential that the naturalistic paradigm be graced with its own, more appropriate set (p. 301)***

This suggests that the use of quantitative research criteria to evaluate qualitative research is not appropriate since those approaches have a different purpose and philosophical stance. Put simply, qualitative research should be assessed using criteria that underlie the philosophical assumption, and the purpose of the research. Further quantitative or conventional research has concerns over verification while qualitative research tends to focus on falsification, where a researcher should look for evidence that might confirm or contradict what one currently believes to be true (Easterby-Smith et al., 2001).

Similarly, Guba and Lincoln (1989) developed set parallel criteria to those conventional (quantitative) criteria and adjust these to match the philosophical stance. The attention is focused on trustworthiness consisting of four criteria, namely: credibility, confirmability, transferability and dependability. Nevertheless, according to Riege (2003), the four qualitative research criteria are viewed as corresponding to internal validity, construct validity, external validity. Thus, they can also be applied to the rigorous case study method. Yet, Riege (2003) emphasises modification of the design.

Credibility or Internal validity

This criterion is parallel to internal validity. Credibility refers to the truth, value or believability of the findings that have been established by the researcher through prolonged observations, engagements, or participation with informants. It is the situation in which cumulative knowing results from believable or lived-through experiences of those studied. It refers to the truth as known, experienced or deeply felt by the people being studied and interpreted from the findings (Leininger, 1994). Thus, credibility is about how believable or credible the findings are. It involves the approval of research findings by either interviewees or peers as realities may be interpreted in different ways. The aim of the test is to demonstrate that the inquiry was carried out in a credible way. That means a case study researcher should construct or establish the case by looking for and examining major patterns and defining the mechanism that produced the patterns (Riege, 2003).

This research adopted techniques for ensuring credibility, such as doing within-case analysis and cross-case pattern matching. That was to capture particular patterns, then build explanation of them taking account of the complexity of phenomena under investigation. In doing so, illustrations and diagrams assisted in the data analysis phase where the aim was to analyse the data by building an explanation about the case. Iterative triangulation was also employed where the author used systematic iterations between literature review, data (case evidence) and her intuition. The iterative process consisted of selecting cases, searching for patterns among them and iterating between case evidence, additional reviewed literature and the author's intuition to seek explanations that strengthened internal validity (Lewis, 1998).

Transferability or External Validity

Transferability is parallel to external validity or generalisability. Nevertheless, generalisation of research findings is reached when conditions for randomisation and statistical sampling are met. In contrast, transferability is relative and depends entirely on the degree to which salient conditions overlap or match (Guba and Lincoln, 1989). Transferability refers to whether particular findings of a qualitative research can be transferred to another similar context or situation and still preserves the particular meanings, interpretations and inferences from the completed research (Leininger, 1994). Put simply, transferability concerns the extent to which findings can be applied to other contexts. The test is achieved when research shows similar or different findings of phenomena among similar or different respondents and organisations (Riege, 2003).

This study implemented techniques such as using replication logic in multiple case studies in which cross case analysis was conducted (Riege, 2003). That was to build an in-depth understanding of the findings and look for similarities in the findings among the cases studied. As a result, it was possible to establish whether the criteria can be met in similar contexts. Thus, the author is able to define the scope and boundaries of reasonable generalisation for the research. This study adopted multiple case methods while focusing on small number of selected companies. They might not be considered representative of the whole population. In fact, they might have unique characteristics and situations that might not be possible to generalise to a larger population. Consequently, commitment on generalisation of this study was not statistical generalisation by which the result of analysis could be applied to a general population. Indeed, this research depended on theoretical generalisation emphasising logical arguments (Hillebrandt, et al., 2001). Generalisation relied on understanding and conceptualising findings or linkages of theoretical significance. Furthermore, the use of a multiple case design aimed at establishing the evidence of the real world within various settings of relationship development and management practice. The investigation involved various business relationships between British manufacturing companies with their partners in Indonesia. Multiple case study design allowed the author of the thesis to find multiple settings and perform replication.

Dependability or Reliability

This is parallel to the conventional criteria of reliability in that it is concerned with the stability of the data over time (Guba and Lincoln, 1989). Reliability is concerned with the question of whether the results of a study are repeatable. The idea of reliability is very close to another criterion of research: replication or replicability. It is about whether the findings are likely to apply at other times (Bryman, 2004). The purpose of the test is to show indications of stability and consistency in the process of inquiry. Thus, the underlying issue is whether the procedures or techniques used in the process of study is consistent. Ensuring dependability can result from case study protocols and data recording that is mechanical, for example: using a tape recorder or video (Riege, 2003). Avoiding loss of focus during the interview process, a semi-structured interview guide was developed. The in-depth interview was the main source of information. The informants and the author were involved in interviews that lasted several hours, and which were tape-recorded in order to ensure dependability. At a later stage these were transcribed to allow analysis and mechanically develop a case study database using the NVIVO computer programme. This allowed the mass of data collected to be systematically organised and documented. This software also provided a great help for the author in analysing the qualitative data. Meanwhile, in-depth interviews focused on the activities, and the process of relationship development and management practiced by six British exporters and their Indonesian partners. Further, there was in-depth exploration through interviews to understand how they emphasised learning, value and creating customer value.

Confirmability or Construct Validity

This is parallel to construct validity in conventional criteria. Confirmability is rooted in the data which means that data can be tracked to its sources and the logic used to assemble the interpretations into structurally coherent and corroborating wholes is both explicit and implicit in the narrative of a case study (Guba and Lincoln, 1989). Confirmability refers to the repeated direct participatory and documented evidence observed or obtained from a primary informant source. It means obtaining direct and often repeated affirmations of what the researcher has heard, seen, or experienced with respect to the phenomena under study (Leininger, 1994). The aim of the test is to assess whether the interpretations of data are drawn in a logical or prejudiced manner. That is to assess the extent to which the conclusions are the most reasonable and obtainable from the data (Riege, 2003).

Confirmability might mean the author should establish close relationships with informant throughout the data collection period in which the researcher could re-check and confirm particular findings. Also, the author should establish trusting relationships to enter the practitioners' world which might take time, patience, reflection, and audit to check and re-check what was true and believable (Leininger, 1994). Second visits to the informants were conducted throughout the data collection period to confirm findings. This technique assures confirmability of this research through examination of raw data and findings (Riege, 2003). During the process all information gathered was recorded. This helped the author to confirm and recheck by means of examination so that the confidence in the findings was high, even when it did not follow statistical generalisation. Each informant was revisited until saturation was reached. Revisiting the cases meant repeating data collection, (e.g. conducting an interview until there was no more new information gathered). Through electronic email and telephone, the author also could recheck particular information.

The research also required establishing relationships with people who were experienced with the phenomena under study. This was then interpreted to understand informants' experience and perception. Additionally, the research used triangulation of source of evidences by combining data collection methods such as archives (documentation), in-depth interviews and questionnaires. Triangulation was used because of the premise that the weaknesses in each single method could be compensated for by the counterbalancing strength of another. It is assumed that multiple and independent methods do not share the same weaknesses or potential bias (Amaratungga and Baldry, 2001). The author also had a good opportunity (with significant assistance from the key British companies' informants) to interview their counterparts in Indonesia. This facilitated the author in obtaining additional information and rechecking the information from the UK exporters. The following table summaries the discussion above. Each technique occurred during a particular research phase.

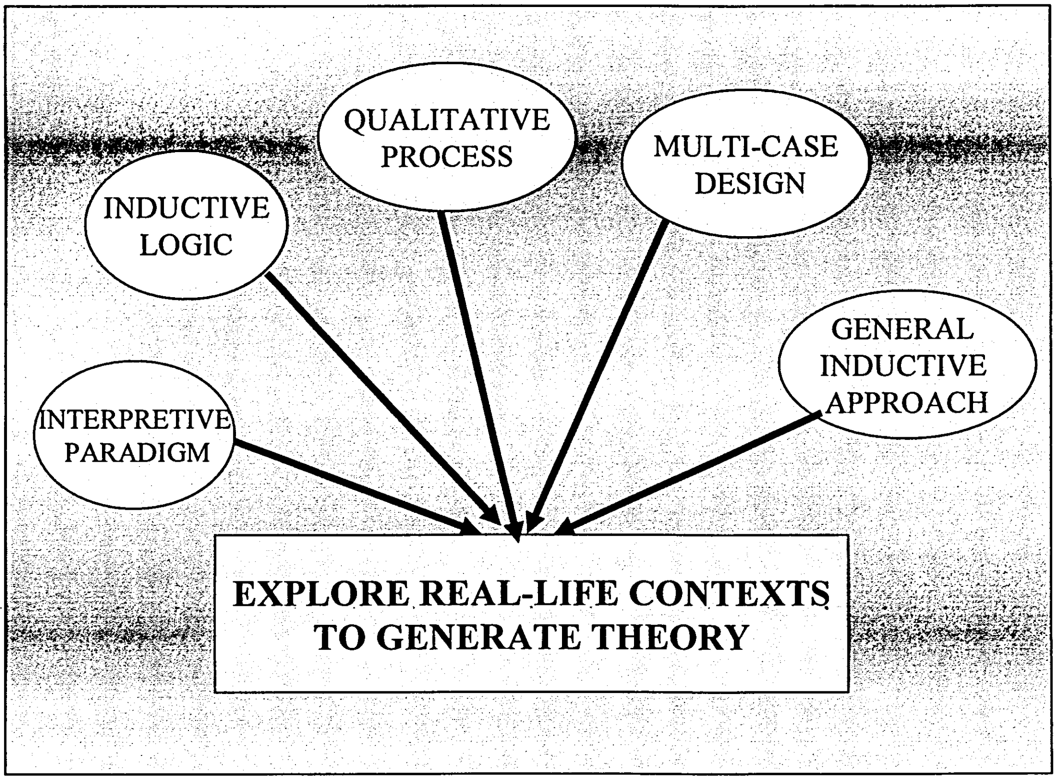
Table 3.8: Research Assessment and Techniques

Tests	Techniques/tactics	Phase of research in which techniques occur
Credibility (Internal validity)	Doing within-case analysis Doing cross-case pattern matching Doing explanation building Doing iterative triangulation	Data analysis Data analysis Data analysis Data analysis
Transferability (External validity)	Using replication logic in multi-case studies Defining scope and boundaries of reasonable analytical generalisation for the research	Research design Research design
Dependability (Reliability)	Using semi structured case study protocol Recording data Developing case study database using NVIVO software	Data collection Data collection/data analysis
Confirmability (Construct validity)	Using multiple sources of evidence through questionnaires, archives and in-depth interviews. Recording data, Revisit and re-contact the interviewees	Data collection

3.8. Summary

The aim of this chapter was to examine the research methods that led to the achievement of the study objectives. The focus of the arguments is the justification of the choice of method. Inductive research logic was used, where a sequence was followed from observation to theory. The logic required a research strategy and design, strategy for data analysis, consistent with the objective of building theory. A qualitative research strategy, multiple case study design and general inductive analysis for the analysis of data, were proposed. These strategies were concerned with theory construction based on investigating and understanding real life settings, in order to obtain new and distinctive, as well as holistic, explanations and interpretations of relationship development practice. The choice of research methods was aimed at inductive theory generation. This is described in the following figure:

Figure 3.3: Research Methodology



In order to ensure the findings can be trusted, techniques were adopted such as: within-case and cross-case analysis using replication logic; definition of the scope and boundaries of reasonable analytical generalisation; case study protocol; data recording and multiple sources of evidences in the data collection phase.

Chapter 4: Introduction to the Six Companies under Study

4.1 Introduction

Chapter 3 highlighted the selection of six companies for further exploration. This chapter aims to introduce the selected companies, which were chosen for theoretical reasons (not statistical reasons) for the generation of theory. They each had experiences of developing and managing business relationship in the high-risk and uncertain market. This chapter also highlights the emerging relationship elements in each case, where the identification was through the use of Nvivo. This provides the answer to the first question identified in Chapter 3. Showing the emerging elements is the main aim of this chapter as the identification will allow the author to identify the main elements to focus on for the purpose of establishing business relationship development categories examined in the next chapter. Thus, this chapter provides justifications for the choice of the main elements analysed. This study explores a small number of sample firms that each provided a large amount of data. Although the unit of analysis is the relationship, the name of the selected companies will be used in the body of the text.

According to Curtis et al (2000: 1002), sample selection in qualitative research is conceptually driven either by the theoretical framework underpinning the research question from the outset or by an evolving theory derived inductively from the data as the research proceeds. This study seems to hold with the latter, as a number of interesting issues will be highlighted regarding relationship development and management. In order to effectively understand details of the exporters' business relationships, this chapter presents the selected companies by using multiple sources of evidence: preliminary data; in-depth interviews; company archives and website. Interesting or critical issues were identified that are explored in the analysis chapters. The six case companies offered the variety needed to improve the author's understanding. For the purpose of this research, the selected cases varied in terms of: the number of employees; experience of the market; entry modes; and business relationship development. The interview details are summarised at the end of the introduction of each case.

4.2 North West Ltd.

This family-run company is based in Merseyside with 40 employees; it exports to more than 50 countries and over 250 customers worldwide. Since the business began in July 1978, the company has developed its specialty adhesives cements for the lighting industry, the global market for lamp capping cement is now worth about £15m per year and North West has a 15% market share. The company produces 45 different grades of its main product, many of which have been tailored to a specific customer's needs. Their knowledge of cement formulation enables the company to change or modify products to meet customer requirements.

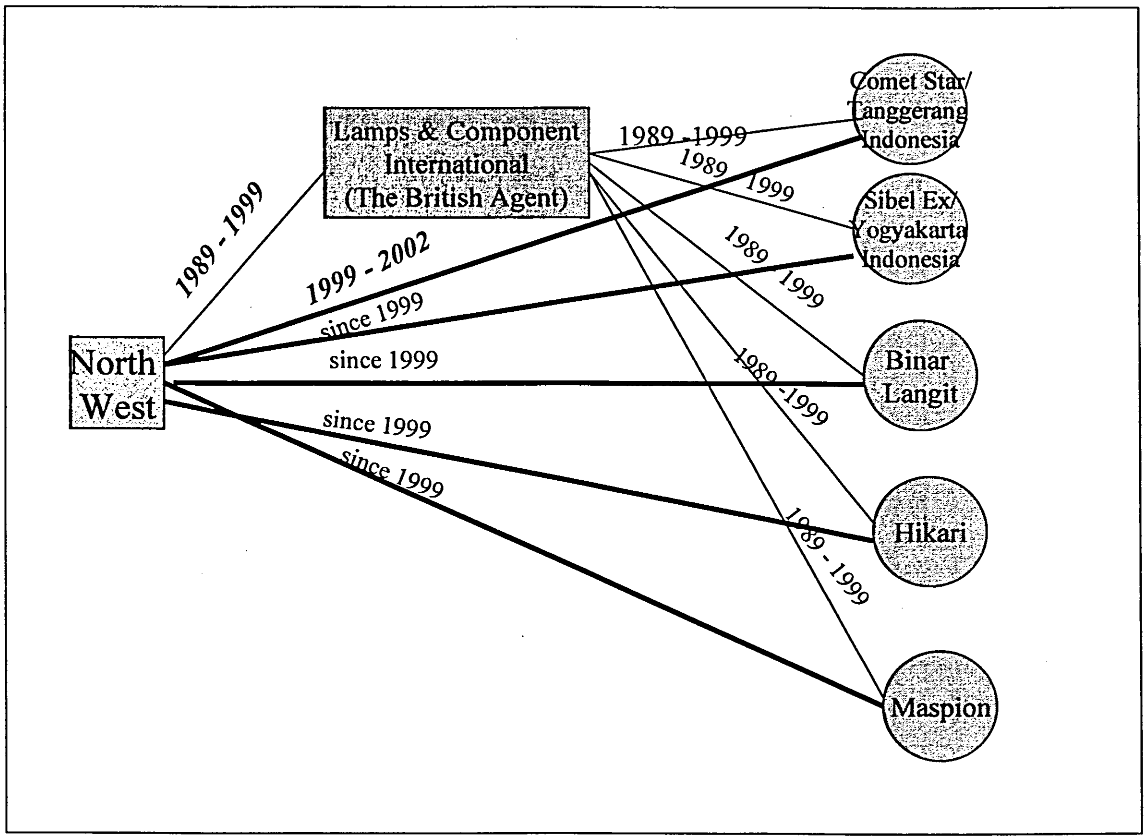
Despite the strength of the British pound, export sales have tripled and exceed £3.5m per year. As a result, the company received the Queen's Award for Enterprise in the International Trade category in 2001. The company won the honour for its continuous achievement over the previous six years, which saw overseas earnings increasing to represent more than two-thirds of total sales.

Sales of lamp capping cement in the UK market reached its highest level in 1987; however UK lamp manufacture significantly reduced in the following years and North West's market moved abroad. The company used to sell cement for the UK market but many lamp manufacturing companies moved to Eastern Europe and Far East. North West had manufactured cement solely for the UK market, which was quite large. However after 1989, one of the four large lamp manufacturing companies was sold to Thompson, a Hungarian company. General Electric's factory closed and another lamp manufacturer was sold to Tanggerang of Germany, which closed three of their factories and started to produce cement for themselves. Consequently, North West's UK market started to subside.

In 1989, export sales to the Far East and USA became established with the assistance of Lamps and Component International and George Price and Co. The creation of strong business partnerships has always been an ethos used by the company to create new markets.

Meanwhile, in the late eighties and early nineties countries in the Far East such as: Indonesia, Taiwan, Korea, Thailand, Bangladesh, the Philippines and China, were emerging as manufacturing countries. North West substituted the UK market with expansion into the Far East and USA markets. In the early stages of its export experience, North West worked through British agents i.e. Lamps and Components International, and George Prince and Co. based in Devon. The first agent helped the company to supply customers in the Far East market including Indonesia. North West exported indirectly through Lamp and Components International to local manufacturers such as: Binar Langit, Comet Star, Sibel Ex, Maspion and Hikari between 1989 until 1999. Comet Star was acquired by PT Tanggerang Indonesia in 1998, while Sibel Ex was acquired by PT Yogyakarta in 1999. These acquisitions did not affect the relationship. The figure below describes North West's business relationships in Indonesia.

Figure 4.1. North West's Business Relationships in the Indonesian Market



During the period of indirect export, North West was sometimes involved in visits to Indonesian customers, as the agent could not provide them with a technical service. This led to the company interacting with the customer. As a result, this company had initial contacts with Indonesian customers 14 years ago. However, a more frequent interaction started after North West began exporting directly to five Indonesian lamp manufacturers five years ago, nine years after the business relationships started. In late 1999, the company stopped working with agents and started to export directly to the Far East and USA markets. North West continued to supply Binar Langit, Comet Star, Sibel Ex, Maspion and Hikari. On 1st December 2001, North West purchased the name and cement sales ledger of the Lamps and Components International Business. However North West's exports to Indonesia declined as the company could not avoid the adverse effect of the economic crisis.

> ***"We struggled a bit. So it might be... we would sell not much this year. So the current situation has affected North West business in the country. It was down by 35 % in value." (The Sales Director).***

Before the Asian financial crisis hit Indonesia, the country was the biggest export market of North West. Whilst the sales decreased in Indonesia, the company cultivated increasing sales in other markets such as the USA and Hong Kong.

This company had an interesting experience, as it lost one customer but was able to maintain four relationships with other customers and intended to maintain those relationships.

> ***"We have already had very good relationships with our customers there. We tend to keep our business and we don't want to lose any customers. We'll do a lot of things to try to keep our relationships." (The Sales Director).***

This suggests that the company ***committed*** to the relationship as they intended to maintain the relationships. The company's ***commitment*** was translated into action by price reductions of up to 35%, which was in response to the crisis in the market. This was an indication that the company carried out ***adaptations*** to maintain the relationships. It seems that ***commitment*** overlapped with adaptation in this case. Also, this company committed to maintain ***communication*** with the customers even though sales decreased. This suggests that commitment was overlapping with commitment. The company found tougher competition in the market as a local cement manufacturer provided competition. The local competitor was an alternative supplier who became attractive through the offer of cheaper cement to the lamp manufacturers.

Decreasing sales seemed to be pre-eminent when the market was characterised by major changes resulting in changing customer behaviour. As the market experienced an economic crisis in which end-users of lamps tended to spend their money to buy cheaper products, a low price became the most important factor that would encourage them to buy. This behaviour would bring negative consequences, particularly if the lamp manufacturers were unable to give end-users a more competitive price. The end-users then turned to cheaper lamps imported from China. The purchasing manager of PT Tanggerang Indonesia expressed the market trend as follows.

> ***"Uh, domestic market is getting hard ... very difficult. Products from China ruined our price, while end-users look for cheaper price ignoring our quality. In order to keep domestic market, we imported about 4 containers of lamps from China. The lamps looked good but when we tested then we found the quality was from A to Z. Indeed, one of our big competitors stopped producing lamps then began to buy lamps from China to supply domestic market."***

Prior to the crisis, all the lamp manufacturers relied on North West as the only lamp-capping cement supplier. As the behaviour of lamp users changed, the manufacturers began to face tighter competition from cheaper lamp manufacturers, which were mainly from China. The competition created a greater pressure on the manufacturers, which then used their power to pushed North West to adapt price and product grade. Meanwhile, North West realised the existent of local cement producer and the manufacturers were the biggest customers. The local competitor was indeed a serious threat, and had "stolen" a proportion of North West's business with Indonesian customers. North West was aware of the threat from the local company as the customers informed them when the competitor first came into existence in order to influence them to adapt their prices and terms. However, after the adaptations had been made, they did not inform North West that they were still buying from the local company, suggesting that the customers used their powerful position in the relationship to share some (but not all) of the information that could influence North West's intentions or policies. The customers seemed to share particular information that could be used as a "threat".

North West indicated that the ***adaptations*** were performed as a reflection of their willingness to maintain the relationship; to strengthen the relationship they made extra effort and devoted time and energy through continued cooperation and adaptation to show its commitment. By signalling ***cooperative*** behaviour they tried to maintain the relationships and thus the relationships induced ***cooperative*** behaviour. One reason for this was that the customers were still perceived as important to North West's business as a whole, even though the customers had a better alternative supplier. For example, PT. Binar Langit, the biggest of North West's customer in Indonesia, absorbed 200 tons of cement per year; equivalent to more than 5% of North West production capacity. This meant that PT Binar Langit was still an important customer. When the market was stable it absorbed nearly 10% of North West's production capacity, indicating the exporter's ***dependence*** on the customer (Hallen et al., 1991; Storbacka et al., 1994). Regarding North West's ***commitment*** to undertaking ***adaptations***, it seemed that the ***adaptations*** depended on the ***relative dependence*** on the local partners and thus the ***power balance*** in these relationships: a less powerful exporter has a greater interest in maintaining relationships by adapting. This indicates that customers or partners might explicitly exploit their power to enforce adaptations. This supports the findings of Hallen et al (1991), who indicated that adaptations are made as a consequence of power imbalances in relationships. The findings of that study were consistent with the findings based on a qualitative study by Brennan and Turnbull (1999), who said that the process behind adaptation was underlined by the knowledge that "you need us more than we need you" and that the threat could be "if you don't do what we want, then we will take our business elsewhere" (p. 489).

North West seemed to be confident that the adaptations increased customers' ***satisfaction*** and that North West was still the only supplier for the lamp manufacturers. In fact, all the lamp manufacturers still regularly bought from the local cement producer. The proportion of cement bought from North West was, however, more than 50% of the total amount of their requirement. The belief of key managerial staff was expressed as follows.

> ***"Yes, we are optimistic, and we have kept the business after reducing our price."(North West's Secretary)***

The ***adaptation***s were incrementally performed over time as a result of a sequence of interactions and ***cooperation*** as both sides working together to adapt the grade of cement five times after the Asian financial crisis in 1997. Here, commitment implied a willingness of the company to make ongoing commitments of time and energy to the relationship. This implies that adaptation and cooperation were overlapping with commitment. North West adapted the product grade at least four times during the period 1999 - 2004. During this period, the cement manufacturer developed some new grades and then sent samples to the lamp manufacturers to be tested in their laboratories. In addition, North West and the customers were actively negotiating on the price through face-to-face meetings, telephone and email. The latter two methods were increasingly utilised during the negotiation phase.

North West supplied five Indonesia lamp manufacturers, who utilised different methods of payment depending on the company's confidence toward each customer. North West had a greater confidence on PT Tanggerang Indonesia, PT Yogyakarta Indonesia and PT Binar Langit. This led the company to give them open account while others paid with LC which is perceived to be costly. The use of the method seems to depend on the level of ***trust***. The sales director expressed that the importance of ***trust.***

> ***"So, the most important thing is trust. You can avoid that cost if you can trust your customer."***

He suggested that trust brings about transaction cost reductions, which brought advantages for both parties.

The company was a small family business exporting to over 50 countries and had 15% of the lamp capping cement market. Exploring the company's experience may provide a good opportunity to investigate how a small company managed its exports and relationships in a high-risk market. According to Taylor and Banks (1982), small firms are particularly vulnerable to environmental shifts in overseas markets because their information systems and procedures were often unable to detect changes sufficiently early. Their response in marketing communication tended to be slow and not effectively delivered due to limited discretionary resources. In fact, this company adapted to the change. Furthermore, Coviello and Munro (1997) found that small firms use direct sales when exporting to psychically close markets and tend to export through distributors in psychically distant markets.

North West as a small company exported directly to a number of customers/end users, which required the firm to directly control and communicate with a larger number of partners, and effectively manage the relationships. This is an interesting issue, which will be explored in a greater depth in Chapter 6 section 6.3. The company suffered as export sales to Indonesia declined; they began to export directly to the market only two years after the Asian financial crisis, maintaining four, but losing one, customer. It seemed that this company was a unique case as it was still small in terms of the number of employees, compared to other companies under study. This offered insights into how a small company could maintain, develop and manage business relationships in a turbulent market environment.

In this case, the following relationship elements seem to emerge: trust, adaptation, imbalance of power, cooperation, commitment, communication, attractiveness of alternative and satisfaction. Commitment was overlapping with cooperation, communication and adaptation. The interview details can be seen on the table below:

Table 4.1: The Interviews Details in the Case of North West

Interviewee(s)	Date	Venue
The sales director	13 October 2003 3 December 2003 18 June 2004	Stoddard Building SHU The interviewee's office The interviewee's office
Export Manager	3 December 2003	The interviewee's office
The company secretary	3 December 2003	The interviewee's office
Purchasing Manager of PT Tanggerang Indonesia	20 October 2004	The interviewee's office
Purchasing Manager PT Binar Langit	30 October 2004	The interviewee's office
Purchasing Manager of PT Yogya Indonesia.	25 October 2004	The interviewee's office

4.3 Waingate Ltd

Established in 1832, this company originally manufactured steam locomotives and steam engines. It produced a range of pressure and vacuum equipment, from air blowers for the water industry to sophisticated high vacuum pumping systems for the modern-semi conductor and aeronautical industries.

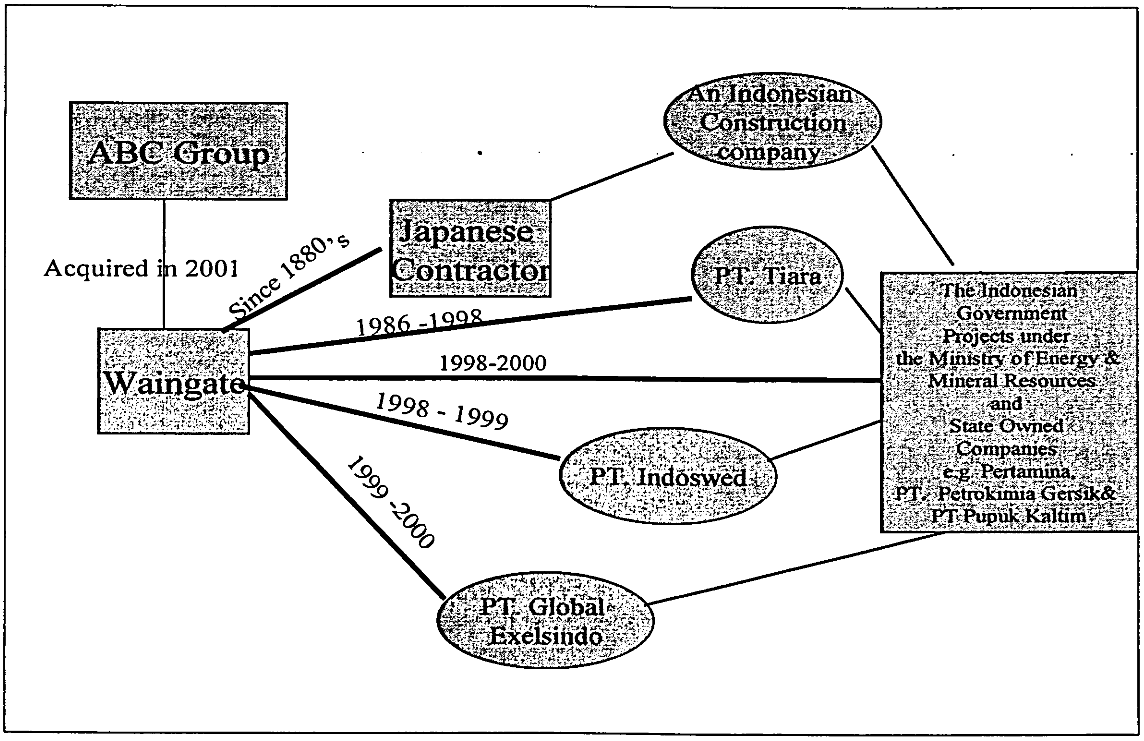
The company was acquired by ABC group in December 2001 but products manufactured in Lancashire were still sold by Waingate independent of the normal marketing arrangements of ABC Group. The latter's vacuum division, ABC Victoria, was a leading supplier to the world's most advanced industries including semiconductor, compound semiconductor, chemical, pharmaceutical, metallurgy, scientific instrumentation and research and development.

All exports were carried out in US dollars or local currency if it was acceptable to the company. Waingate had over 120 years experience of exporting to far east countries such as, India, China, Japan, Korea, India, Malaysia, Burma, Singapore, Indonesia and Hong Kong. Originally, products sold to Indonesia were sold to a company in Holland who then sold to Indonesia. Thus, the route was from the UK to Holland, then, from Holland to Indonesia. After over a hundred years of this arrangement, the company first tried to sell directly to the Indonesian market in the 1970s. It had four people in Indonesia trying to do different things; they went to different industries, one person went to Pertamina (the Indonesian Oil state owned company), one to the power station, one handled the vegetable oil industry and another tried to make contact with ordinary factories. The company monitored the development of these industries and the farm oil industry where a number of new companies were beginning to plant and extract oil. Previously, Indonesian farm oil companies produced crude oil, which was just squeezed and priced at a cent per litre. However, if refined, the oil was of better quality and the price would be 10 to 12 times that of the crude oil (the cost of refining was only 2 or 3 cents per litre). This increased the demand for machinery to refine farm oils and this trend was well spotted by Waingate. Nevertheless, the company actually failed to export directly to Indonesian companies; it seemed that Waingate was more satisfied working with the Dutch agent as it had more experience of working with Indonesian customers.

"It was not as good as selling through Holland, because the Dutch knew how to deal with Indonesia. We actually lost our market share by selling directly. We then ended up in the 1980's with a very bad situation." (The Export Manager)

Since 1980's, the company mainly focused on the petroleum and power station industries in Indonesia, offering machinery for oil exploration and servicing the power station industry. Waingate's business relationships in Indonesia can be seen on the figure below.

Figure 4.2. Waingate's Business Relationships in the Indonesian Market



Waingate terminated its business relationships with three agents: PT Tiara in 1998; PT Indoswed in 1999; and PT Global Excelsindo in 2000 when the company finally found out about the bad situation in the market. The export manager viewed the market as follows:

"It was an awkward market; it was very...very difficult for international traders... We have a limited number of man-hours and Indonesia is too difficult. It is easier to sell into China, but may be we are lazy. Laziness is the major thing ha...ha! "

Waingate perceived Indonesia as unattractive and even a very difficult market. This perception led the company to pull out. Indeed, the company did not have an agency relationship with local companies. The export manager expressed the company ***commitment*** to the relationship as follows:

"Yes, one of them wants to come back but we just haven't responded. So, at the moment, we don't have a real agent in Indonesia. We just have a name on their office but it is completely useless. We are not going out to offer our product in Indonesia. Nothing to get us excited."

It seems that this company did not have any intention to rebuild the relationship and thus it may assume that ***commitment*** was disappearing. Since 1998, Waingate has had no Indonesian orders; before this it sold one or two units per three-year cycle, each valued at about $200,000.

"So, Indonesia doesn't exist. It is blank on the map."

The company perceived Indonesia as a difficult market, where building relationships was not easy. It had long experience of both direct and indirect exports to Indonesia and had established relationships with three different local agents. Since 2000, even though Waingate has not had an agent in Indonesia, the market is still monitored by the ABC office in Singapore. Waingate indirectly exported to the market via a Japanese company with whom they have a long-term relationship of 120 years; this indicates that the market still offered good opportunities and they served it through a better partner. This suggests that Waingate had a more ***attractive alternative*** partner. The main problem with exporting to Indonesia was searching for a good local agent. The export manager expressed it as follows:

"No, it's very difficult to find a good agent. It's very...very...very difficult to find a good agent."

Waingate's main agent was PT Tiara, which collaborated with PT Vesterbro to establish a workshop that became PT Indoswed. The company terminated the relationship with PT Tiara in 1998 and established another with PT Indoswed, which dissolved in 1999. Finally, Waingate found a new agent, PT Global Excelsindo, with whom Waingate worked for some tenders but with no resulting orders: the relationship ended in 2000. This demonstrates that the British company had short-term relationships with the two latter agents. At the same period, Waingate faced a significant decreasing in export sales worldwide as seen on the statement below:

"Oh, it was a disaster for the last couple of years. Our total sales and the markets totally collapsed...It was horrendous you know. Now it is starting to pick-up but it is not like what we used to get." (The export manager)

PT Tiara was the partner during the period 1986 - 1998, and the interaction was blooming during the period 1988 - 1997. During this period, both sides were satisfied, as the comment below indicates. Nevertheless, the mutual ***satisfaction*** could not be maintained.

> ***"... At that time we had a very good business. Really, we enjoyed our relationship."***
> ***(Ex Sales engineer of PT Tiara)***

It seems that the relationship was enjoyable and satisfactory. Neither party had a problem as sales and ***personal relationships*** led to ***satisfaction***. Unfortunately, when the sales engineer of PT Tiara moved to Surabaya in 1997, Waingate lost personal contacts and the interaction between the two companies dropped, leading to dissatisfaction. Lost personal contacts then seemed to adversely affect sales performance in the country, which was experienced as increasing risks.

The export manager perceived the dissolution of the relationship with PT Tiara as a serious break. This was due to satisfactory sales performance suddenly disappearing. Further, the latter two relationships were very short term. Satisfaction could not grow in a one-year period. This was especially apparent since selling heavy industrial equipment needed salespeople who not only had commercial skills but also engineering knowledge; such people were not easy to find in the country. More importantly, the latter two relationships were established during a tougher period of economic crisis. Satisfaction might not easily emerge as the market was unstable and thus, an exporter should not expect good sales performance in a short period. This may suggest that an exporter cannot expect satisfaction to exist from a short-term relationship, especially in an unstable and risky market that is experiencing economic and political crises.

The business relationship between Waingate with PT Tiara was established in 1986. Then, in 1988 the sales engineer began to work for PT Tiara, and since then he established a personal relationship with the export manager when they were involved in a petrochemical project for PT Pupuk Kaltim (an Indonesian state owned company). During the first year, the business relationship between the two companies was not really active. Subsequently, it became more active since the personal relationship was growing. As the two key persons were intensively involved in the increasing interactions, their personal relationship grew and in turn influenced the development of the business relationship. Interpersonal relationships/social bonds seem to overlap with cooperation. The sales engineer of PT Tiara indicated that his interpersonal relationship with the export manager facilitated ***cooperation*** between the two companies even his company's business as follows:

"You may say so. Even my boss said that our interpersonal relationship brought profit for the company"

It seems that the two persons in the business relationship were happy with the personal relationship. They seemed to see each other as compatible partners. This case suggests that a good personal relationship holds a business relationship together as the personal relationship facilitates ***communication*** **and** ***cooperation*** between the two companies. Therefore, both persons acted as channels of communication and when one left his company, this led to the termination of the business relationship. This case suggests how a personal relationship determines business relationship development.

The business relationship between the two companies depended very much on the personal relationship between the two people. They were involved in every interaction between the two companies, acting as the gates of the companies. The export manager was the only person in charge who dealt with the Indonesian agent. He acted as the engineer, administrative staff and the sales person, which meant that he had to handle every aspect of the interaction, promoting the growth of the interpersonal relationship and interpersonal ***trust*** between them. Trust was overlapping with social bonds. The role of the interpersonal relationship will be explored in Chapter 6 section 6.2.

Besides supplying the market through a local agent, Waingate also supplied directly to end-users, for instance PT Pertamina, which was owned and managed by the Indonesian government. Waingate tried to supply the local government but this sometimes ended in failure because it depended on personal contacts. The export manager suggested that he preferred to have a personal relationship with someone who had an engineering background who could undertake technical sales and negotiate with the government. These skills were important to make sure that the right person had been seen and could undertake coffee shop meetings with contacts of the relevant government department. This was necessary because Waingate's products were needed by strategic Indonesian industries that were managed by the government. Waingate had to have a business relationship with a local company (acting as intermediary) who could establish and manage a personal relationship with the local government; this required salespeople who had the special skills required to negotiate with government staff.

Waingate was selected due to its experience in the market and its terminated business relationships. This company was also chosen because it was an old, medium sized company; part of a large group; had long experience of indirect export to Indonesia; and failed when it tried to export directly to Indonesian companies. However, compared to the other companies examined, Waingate had the longest experience but was unable to maintain business relationships in the uncertain market. It spotted good opportunities in the country, but found that a variety of problems affected its operation and terminated three relationships during the unstable period of the market. Further examination of this company might highlight difficulties in managing relationship with local partners in a high-risk market and might provide insights into how external aspects hinder the maintenance of business relationships.

In this case, various relationship elements seem to emerge, namely: trust, commitment, satisfaction, cooperation, interpersonal relationship and communication. Satisfaction was overlapping with social bonds, which overlaps with trust and cooperation. The interview details in this case can be seen in the table below;

Table 4.2: The Interview Detail in the Case of Waingate

Interviewee(s)	Date	Venue
The Export Manager	4 November 2003 2 July 2004 5 July 2004	The interviewee's office The interviewee's office The interviewee's home
Former Sales Engineer of PT Tiara	15 October 2004	The interviewee's office

4.4 Border Ltd

This company produced steam boilers, hot water boilers, burners and combustion products. Border also provided solutions to meet the customer need, ranging from technical advice, design and manufacture through to the project management of large-scale new installations, plant upgrades or turnkey projects.

A global sales distribution and service network supported Border's worldwide operation and exports to 51 countries. About half of its output was exported to Eastern Europe, the Middle East and Asia. Border designed, manufactured and installed its products, which were sold to various industries: electronics, hospital, hotels, automotive plant, petrochemical, power station, textile producers, laundries, food processing plants, breweries, paper making plants etc. It has supplied various large manufacturers such as: Marconi, Levis, Unilever, Coca Cola, ICI, Carlsberg, Sony, Jaguar, Hyundai, Ford, Mitsubishi, Rover and Shell.

Nevertheless, the company had been forced to let 45 workers go in July 2002 after a "severe downturn in orders" caused by the continuing downward spiral in the industrial manufacturing sector. During 2001 and 2002, the company instituted major cost-cutting and restructuring to enable the facility to continue through extremely difficult trading conditions. It seems that, in the same period, Border suffered decreasing sales not only in Indonesia but also in other export markets. This company shrank in terms of the number of employees and sales turnover as orders declined. The sales director described his company as follows:

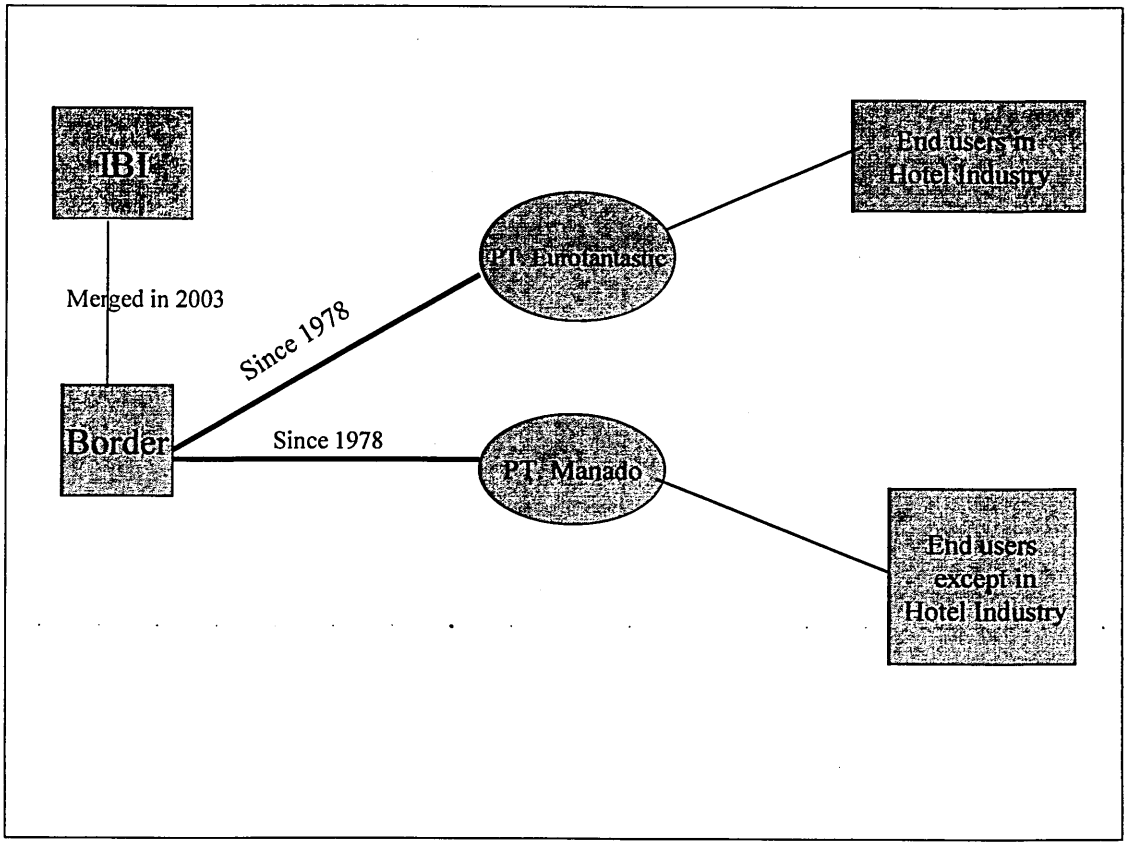
> ***"No, this is not a big company. Indeed, it becomes smaller and smaller. We used to be bigger than that. Now there are 200 people, the turnover is less than 20 millions. So I think it is not a big company."***

He also suggested that his company experienced decreasing export sales:

> ***"Unfortunately, our sales decreased and the number of target countries was decreasing during last two years. Hopefully, it is getting better in the next years...hopefully our sales back to normal"***

The figure bellow illustrates the business relationships of this company.

Figure 4.3. Border's Business Relationships in the Indonesian Market



Border exported to Indonesia through two dealers: one agent and one distributor. Both were based in Jakarta and had offices in other cities such as Surabaya and Medan. The first dealer was PT Eurofantastic, who distributed boilers to the hotel industry. This distributor was a German company based in Frankfurt. It was owned and managed by a German who had been in the Indonesian market for more than 25 years. The second dealer was PT Manado, who supplied boilers to all industries except hotels.

The reason for having two dealers was because of the different markets and technologies. However, the company occasionally had direct correspondence with end users: companies or factories who wanted to buy or use boilers but usually dealt with the dealers who carried out the negotiations (Border did not have an office in Indonesia). The relationship with the agent was established in 1970s when the Indonesian market was good and this lasted until 1997. The current situation has interrupted **communication** between the company and its intermediaries as the company has stopped visiting its partners. This suggests Indonesia was a good market during the 1970s and 1980s when Border sold approximately 50-60 units of boilers per year through the two dealers. The sales performance encouraged Border to establish PT Border Indonesia. Unfortunately, this was not completed as sales declined slightly and

Border found that finding materials would be a big problem and cause inefficiency in the production process. Border continued to supply boilers through the two dealers. Besides Border, the dealers also imported thermo-oil boilers and spare parts from other manufacturers based in Germany, Japan and South Korea. In terms of spare parts, they tended to rely on other suppliers, as they perceived that Border made excessive profits. On the other hand, Border was the only manufacturer who supplied them with coal boilers. For this reason, the dealers did not have any intention of terminating the relationship. Nevertheless, the partner indicated that the relationship was dying, suggesting that commitment was decreasing.

> ***"Our relationship is just like a dying plant. It can't grow but it doesn't want to die."***
> ***(Manager of PT Manado)***

The Indonesian market was divided between the imported and the local boiler markets. Most imported boilers came from Germany or other Asian countries such as Japan, Korea, Taiwan and China. According to the sales director, Border achieved its big success in the Indonesian market when the company did not face competition from other international suppliers during the 1970s and 1980s. Further, local manufacturers were able to improve quality and offer a cheaper price.

After the Asian financial crisis in 1997, the Indonesian market was still divided into two. Even though imported boilers were 10% more expensive than local products, local customers tended to buy imported boilers since the customers believed that imported boilers were of a better quality. Unfortunately, although Border boilers were of a better quality than boilers imported from other countries, the price was perceived to be a lot more expensive, which discouraged Indonesian customers from buying Border boilers. As the financial crisis began in 1997, sales dramatically declined to 10 units per year. PT Manado had sold 20 – 30 units of boilers per year, then sales decreased to 2 – 3 units per year until 2002, and since then, PT Manado has been unable to sell any of Border's boilers. The slowing growth of the textile industry, the main target market, has caused the decline in sales. However, the manager of PT Manado also believed that the demand still existed in the country as they were continuously selling cheaper-priced imported boilers. PT Eurofantastic also experienced the same trend. Despite poor demand from the main target industry, the dealers were confident that the market was promising as they continued to supply boilers imported from other European and Asian countries such as Germany, Japan, China and Korea. It seems that the dealers were able to find better alternative suppliers of boilers except coal boilers indicating a ***switching barrier.***

Lack of ***commitment*** seems to be prominent, as Border did not visit the dealers after 1997 suggesting commitment was overlapping with communication. This was due to Border perceiving that the market was no longer a key market. Nevertheless, the sales director admitted that sales in early years of the crisis were significant, but this did not encourage Border to visit the partners. He expressed how Border's business in the market at the beginning of the market instability.

> ***"As far as we are concerned, because since the crisis everything or every business has finished. But I think it's better to say that our business in Indonesia has decreased gradually"***

He expected that sales performance would remain stable. Unfortunately, since 2002, no sales have been made leading to further ***dissatisfaction.*** The manufacturer began to ignore the market which was no longer a priority and the expectation of a steady profit was disappearing. This can be seen in the comment below:

> ***"Indonesia for me is not a key market at all." (The Sales Director)***

PT Manado and PT Eurofantastic stated that they need more support because the market has changed and there is a different business reality. According to the manager of PT Manado that, before the crisis, the price of local boilers was 25% lower than imported boilers. This did not discourage customers from buying imported boilers, particularly from European countries, as they believed that imported products have a much higher quality. In other words, customers were concerned with quality rather than price, but this changed as the market experienced an economic crisis.

Regarding end-user behaviour, this changed as the customers tended to look at price first rather than quality. The manager of PT Manado expressed the behaviour as follows:

> ***"The problem is, the customers look for cheaper prices first then quality second. Price of Border's boilers is higher than boilers from Germany, then they will buy boilers from Germany although the quality of Border's boilers is better".***

This caused Border's price to be perceived as uncompetitive. The manufacturer did not adapt to increase the attractiveness of their alternative and sales performance was negatively affected. This suggests that the situation in the market led to dissatisfaction in the relationship suggesting satisfaction was overlapping with attractiveness of alternatives. Border's support was inconsistent and unsatisfactory. Furthermore, poor support, slow response, delivery problems and poor administration also caused dissatisfaction, which not only happened after the crisis but also when the market was stable. The dealers viewed Border as an unreliable supplier. For instance, Border sent boilers twice for one order and the manufacturer sometimes sent products that were different from those that the customers ordered. This of course caused problems to the dealers since they had to store more unexpected products which increased expenses for delivery, upload and download, both in the port and at their storage facilities. In this case, satisfaction overlapped with cooperation. The lack of ***satisfaction*** in the relationships expressed below suggests lack of ***cooperation*** as the boilermaker did not provide various supports to the dealers.

> ***"Not really. There are a number of issues. But also we have to remember that we may not satisfy them. It is a two-way situation. First of all, as an agent, they need to be successful and enthusiastic. We have to be very supportive of them and give them competitive prices, give them a good incentive to pursue the business but sometimes we don't do that ...very often we don't do that and this pushes people off. (The sales director of Border)***
>
> ***"I think it is not maximum it is far from maximum, it should be increased. Since I know how they work, I don't think we were happy" (Manager of PT Manado)***

This expression suggests a decreasing ***satisfaction*** stemming from the poor attitude of both sides to support each other. This resulted in decreasing ***cooperation*** when the company could not provide incentives and competitive prices to its dealers. The cooperation and support were not maintained after the sales declined, which caused further dissatisfaction felt by the local partners. This suggests satisfaction overlaps with cooperation. On the other hand, other boiler suppliers maintained their visits to the local dealers, which caused the competitors to be more ***attractive*** than Border. PT Manado felt that they still needed more support because the market had changed. In contrast, Border even made PT Manado feel an increase in dissatisfaction, and of being ***distrusted,*** when the manufacturer asked PT Manado to pay in advance. The change in the terms of payment caused dissatisfaction. This hurt the manager's feelings and he perceived that Border ignored the fact that they had been in a long-term relationship, which was characterised by high satisfaction. This experience will be discussed in Chapter 6 section 6.2.

The sales director admitted that the crisis had adversely affected the company's export sales, although the sales until 2002 were still regarded as "significant". The sales director expressed how his company supplied PT Manado at the beginning of the market instability.

> ***"We are still selling to the company. Last year we supplied 4 large boilers to the company. Hopefully, we will still receive orders from that company. So although in terms of actual number of boilers built here in the UK or delivered to Indonesia the number is actually small, coal boilers are much bigger physically and a much higher price. So even only 2 or 3 or 4 boilers to us it is a significant order. So in some respects, Indonesia is still a significant market but in reality the number of boilers is low but in value is quite good."***

Although Border experienced a decline in incoming orders from Indonesia, its export was profitable, which encouraged the company to maintain its relationships. That meant the company ***committed*** to the relationships, but Border has not carried out any adaptation in response to the market change. Interestingly, the company was affected by the crisis in relation to its export sales and ***communication*** activities with the partners, communication and information exchange have been reduced. This might create "greater distance" between the firm and its partners. Distance is regarded as the degree of unfamiliarity with the working relationships with local partners including understanding of relationship environment (Leonidou et al., 2002). Valuable information could be acquired from partners; the more active the information exchange, the lower the degree of distance and exporters gain knowledge from their partners. A lower degree of distance allows exporters to monitor and observe market trends and operate in individual markets through *"the eyes and ears"* of their partners. Thus, communication enables exporters to learn of environmental and operational problems and assists in obtaining a deeper understanding of partners' problems and requirements. Consequently, it was reasonable to say that the more active the communication, the more knowledge a firm acquires. This, in turn, affects how the firm responds to environmental changes or partners' needs.

Border reduced communication with its partners, and it is for this reason that the firm has been selected. A more holistic view can be gained of how a company obtained up-to-date information or knowledge about local customers when the market became increasingly volatile. Also, how communication influenced other relationship elements could be obtained from an exploration of Border's experience. This company became smaller in size and had the longest business relationships compared to the other cases. It exported through different types of partners, namely an agent and a distributor and had long experience of direct export to the market during the stable period. Thus, exploration of its experience might give insights into how this explained its ability to manage and develop business relationships in the turbulent period.

In this case, it seems that the emerging relationship elements are: trust, satisfaction, and attractiveness of alternatives, commitment, switching barrier, communication and cooperation. Satisfaction was overlapping with cooperation and attractiveness of alternatives whilst commitment overlapped with communication. The interview details in this case are summarised in the table below;

Table 4.3: The interview Detail in the Case of Border

Interviewee(s)	Date	Venue
The Sales Director	27 November 2003 27 July 2004	The interviewee's office The interviewee's office
The President Director PT Eurofantastic	12 October 2004 (Evening 7 pm)	The interviewee's office
The Manager of PT Manado	12 October 2004 (Morning 10 am)	The interviewee's office

4.5 Bridgeside Ltd

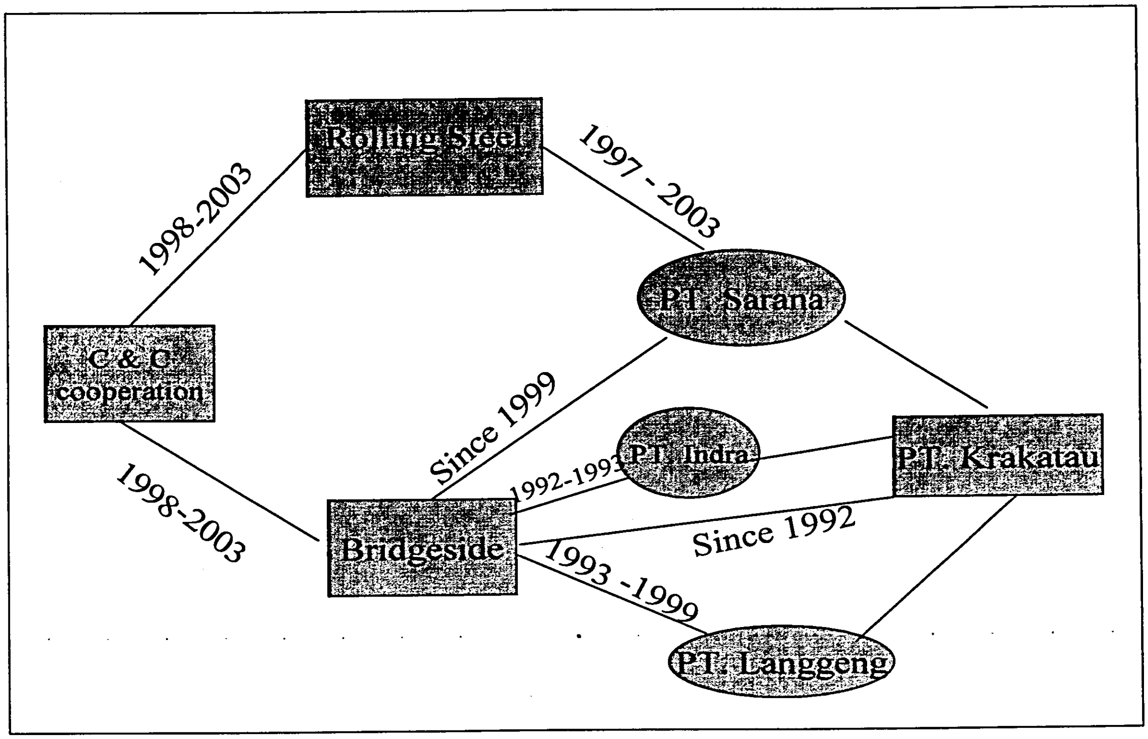
This company had 550 employees, exported 80% of its products worldwide and had a £50m turnover. Various industries were served, including: steel; nuclear power generation; submarine; defence; oil exploration and extraction; chemical engineering; railway; aerospace; shipbuilding; metals re-rolling; and paper. Over half of its sales were in the supply of rolls used in the manufacture of steel; global steel demand continues to increase, as it has done over the last 25 years.

The company started exporting to Indonesia in 1990 working with PT Indra as its representative, then in 1992 worked with a representative company, PT Langgeng Sentosa Perkasa (PT Langgeng), this relationship ended and a new business relationship with PT Sarana Tehnik Abadi (PT Sarana) was established in 1999. The local partner represented Bridgeside's dealings with only one company, but that was a big steel maker in the country. It seemed that the sales director was very proud of being the main supplier of the steel maker:

> ***"Well, first of all we haven't really seen the crisis in Indonesia. The Indonesian customer has been a big and good customer for many years, at least for 12 years. We always enjoy regular business with them. It was a good steady business."***

In contrast to the previous firms, it was clear that the company's business in Indonesia was not affected by the crisis. Krakatau Steel - the Indonesian steel-maker, has been the only Indonesian customer since the company started exports to the country. The relationship between both companies has been established for 12 years, although the representative has changed, business was not influenced. Indeed, sales to Krakatau Steel have increased since 1997 suggesting ***satisfaction*** in the relationship. The figure below illustrates Bridgeside' business relationships in the Indonesian market.

Figure 4.4: Bridgeside's Business Relationships in the Indonesian Market



Although Bridgeside supplied only one customer with whom the company had a long-term business relationship. The relationship between the two steel makers and the role of the director of PT Sarana are described as follows:

> ***"… He is my local salesman effectively, we work directly to Krakatau but after we get the payment we pay the guy, so he gets commission a few percent for the times he spend for us."***

Bridgeside's representative has been changed twice. The first representative was PT Indra, which was then replaced by PT Langgeng in 1993. In 1999, Bridgeside switched its representative to PT Sarana. The reason for switching representative was that PT Langgeng had a serious conflict with PT Krakatau Steel. PT Langgeng supplied PT Krakatau Steel's requirements, which were obtained from a number of manufacturers including Bridgeside Ltd; the conflict emerged when PT Krakatau Steel did not accept steel rolls from a Brazilian manufacturer, while PT Langgeng insisted that the products were the same as those that the customer had ordered. Since Bridgeside and PT Langgeng had a close and satisfying relationship, the representative informed Bridgeside of the conflict. In order to avoid a negative effect on Bridgeside's business with PT Krakatau Steel, PT Langgeng suggested that Bridgeside should find a new representative. In 1999, Bridgeside switched from PT Langgeng to PT Sarana, which was the representative of Bridgeside's sister company, i.e. Rolling Steel Ltd. The sister company went to Chapter 11 together with the parent company, i.e. C & C Corporation in 2003. Since then Bridgeside became an independent company and has a growing business worldwide. Bridgeside perceived that the relationships with both representatives were successful and ***satisfying*** as seen below:

> ***"It won't bother me whether we stay for the first one or go on the second one, such companies work very diligently" (The Sales Director)***

Bridgeside Ltd has had a long-term relationship with PT Krakatau Steel, a state-owned company. Due to the political instability in the country, Bridgeside has had to work with a number of different managers during the development of the relationship, because there has been instability in the executive boards of every state-owned company. Nonetheless, the instability did not affect the business, as it was still perceived as pleasant. The contact person changed several times, which might have led to difficulty in establishing a stable personal relationship; however Bridgeside have managed to maintain their relationship with the customer. The representative had a critical role in facilitating communication between the two steel makers. This experience will be explored in Chapter 6, section 6.3.

The company continued to develop new materials, which increased the life of rolls and so used technology to offset the adverse currency effects. In addition, the company continued to invest which allowed the company to remain as a low-cost producer in spite of the strong pound sterling. The company has devoted considerable resources to programmes such as "Investors in People", the results of which manifested as improved manufacturing performance. The company's staffs were encouraged to obtain further education and training both within and outside of the company. In general, the company has succeeded in product innovation and enhanced efficiency, which has allowed the company to win competition in the global market, as indicated by the sales director:

> ***"Our rolls perform better than any of our competitors and because of that we get the Licence of the business."***

PT Krakatau Steel had a stable business even during the period of increasing risk in the market, and this could have led to a stable business relationship with the supplier. Bridgeside Ltd was a large company that could easily find a new partner and maintain profitable relationships in a market characterised by increased risk and uncertainty. The company was selected for further exploration, as its experience might uncover how a company was able to maintain and manage profitable business relationships with the only customer, e.g. PT Krakatau Steel during a period of increased risk and uncertainty in the market.

The interaction became more active since Bridgeside started working with PT Langgeng. The sales director identifies that active ***cooperation*** led to ***satisfaction*** in the relationships, suggesting the two elements were overlapping.

> ***"As I said, it will be a very boring interview. It's just been success, simple business and having a good company to do business with. We had a good reputation there, we have good friends there and we just get the business. It is very easy and enjoyable. The relationship develops very strong and I mean this in a simple way, not through magic, just hard work, being realistic and helping each other. I think our partnership is really becoming a proper partnership. We are helping each other." (The Sales Director of Bridgeside)***

The expression suggested that the relationship was satisfactory as both sides cooperated. It seemed that the sales director said "helping each other" to suggest ***cooperation*** between the parties leading to ***satisfaction*** as the relationship was viewed to be success, strong, easy and enjoyable.

The relationships between the manufacturer and customer, and between the manufacturer and representative, were characterized by satisfaction, not only during the stable but also the unstable periods in the market. The crisis has not affected the mutual ***satisfaction***. As the sales volume increased, the interaction was still able to maintain and to facilitate the manufacturer's support for the customer.

The representative might contribute to the creation of a good image for the British company leading to ***trust*** development in the relationship between the two steel makers. Smooth information flow ensured immediate problem solving, which generated a positive feeling in the customer. The sales director also believed that they did not have any serious problems because the customer had the ability to fully use their products. The British steel maker relied on the customer's ability and expertise (Ganesan, 1994).

Bridgeside realised that showing ***commitment*** to PT Krakatau Steel was crucial to the business. Commitment was a necessary means to maintain a closer relationship with the customer so that the company could provide the best service to the customer. In doing so, the company worked with a representative to develop open sharing information exchange with the customer suggesting the firm committed to maintain frequent communication with the customer. This may indicate the two relationship elements were overlapping. Anderson and Weitz (1992) claim that parties are motivated to commit to a relationship characterised by open sharing of information. When that type of communication is present, the chances of realizing the benefits from the relationship are greater (p. 21). Nevertheless, that required "investment", as a lot of money must be spent on frequent face-to-face contacts and visits in order to obtain up-to-date information about the customer. The British company believed that up-to-date information would help the company to provide the best service and assistance to the customer. In this regard, we might say that appointing a representative is another way of a company showing its commitment to the customer, and it might be cheaper than increasingly frequent visits to the customer. The British company had to pay the representative for the service provided so that the company obtained the order. As a result, the company was well informed about the customer without spending more money, time and energy on visiting them.

The company was chosen for this study, because it has shown good, steady ***communication*** with its customer. Also, during the crisis the company terminated a business relationship with its representatives but built a new relationship soon afterwards. The process of one relationship ending and building the new relationship did not affect its export sales to its customers. Although it had a local representative, a number of staff was directly involved with PT Krakatau Steel, the only customer in the country. This interaction involved top and middle management as well as technical staff. The number of staff and frequency of visits had been stable and business increased, as the customer absorbed more than 55% of its requirement from Bridgeside Ltd, whereas in the past, this had been 45%. Sales increased in value in a similar way. This makes the case unique, as it was able to obtain success in the turbulent market.

A number of relationship elements emerged in the discussion of Bridgeside case, i.e. commitment, satisfaction, cooperation, trust and communication. Satisfaction overlapped with cooperation, and commitment with communication. The interview details are illustrated on the below.

Table 4. 4: The Interviews details in the case of Bridgeside

Interviewee(s)	Date	Venue
The Sales Director	28 November 2003 10 August 2004	The interviewee's office The interviewee's office
The Export Manager	12 August 2004	The interviewee's office

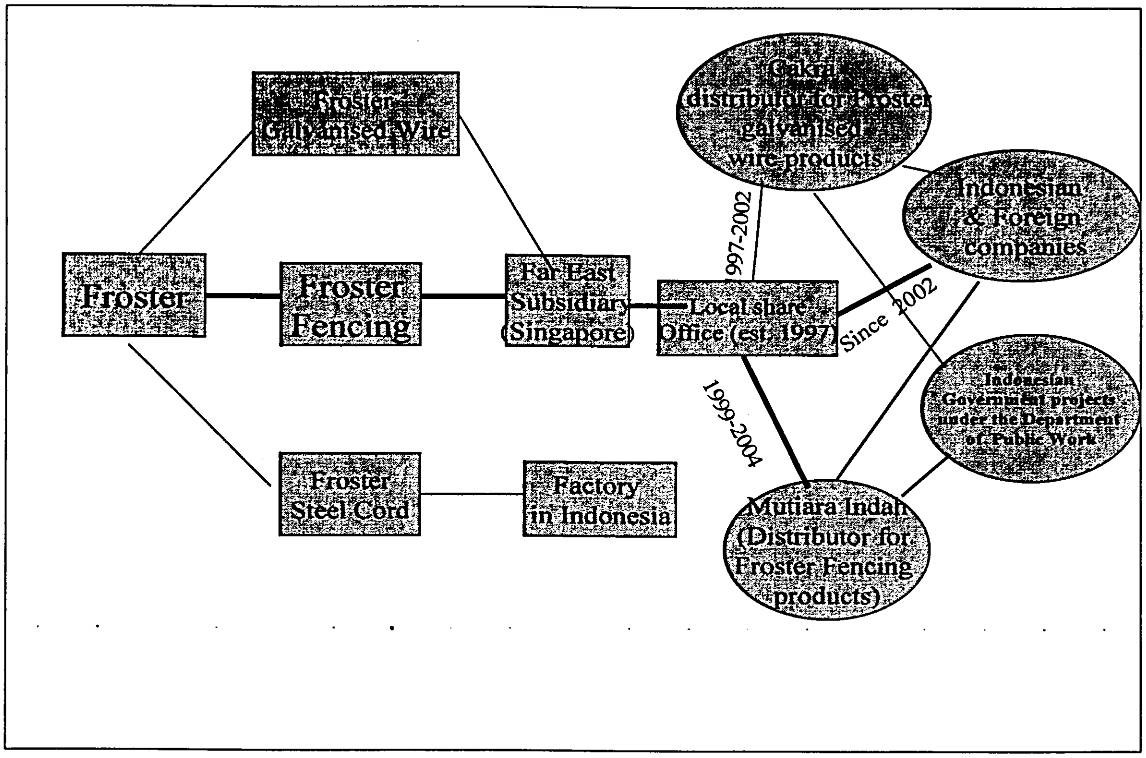
4.6 Froster Fencing Ltd.

The parent company of Froster Fencing was based in Belgium and established in 1880. The parent company produced and marketed an extensive range of products, systems and services through four main divisions: wire, steel cord, fencing and advanced materials; worldwide. However, they were independently supplying different customers.

This company manufactured and marked fencing and fencing products for the agricultural and garden markets; security fencing systems; and woven and welded mesh products for industrial, harbour, airport, military, marina, warehouse, railway, prison and public buildings applications. The company has evolved from a fencing manufacturer into a supplier of fencing systems, with emphasis on major projects and safety applications. Since the terrorist attack of 9/11, Froster Fencing cultivated a significant increasing demand worldwide especially on security fencing systems and welded mesh products for military purpose. Further, the Iraq war added to strong demand for those products. In the Indonesian market, however, the company could not achieve the same success. It even lost its local distributor.

At the last calculation, the parent company operated in 125 countries, covering North America, South America, South East Asia, Asia (mainly in China) and the Middle East. The parent company established a factory in Indonesia four years ago for the steel cord business unit, which supplied the South East Asia market. Meanwhile, Froster Fencing did not have any production facility in Indonesia and started exporting directly to the country in 1978 through its distributor. That was the manner in which they normally work. The local distributor looked for customers directly. Prior to 1978, the company had very little sales in the market as it did business through third parties (London based contractors) who had been supplying various different materials to the market. The figure below describes the company's business relationships in Indonesia.

Figure 4.5: Froster Fencing's Business Relationships in the Indonesian Market



Until 1997, the company had not paid much attention to Indonesia, as it had other priorities in the South East Asian region such as Singapore. The company had to wait for demand to be triggered in Indonesia: for example, Caltex needed fencing around oil refineries because of local rebellions and fighting in the country, and thus had to protect themselves. In fact, the crisis brought opportunities to the company. The export manager was very confident:

> ***"In the security market, security fencing quite clearly, where there was a danger like that, presents opportunities because people want to have more security around their plant, around their homes etc. So, it provides more opportunities."***

Froster Fencing neglected the Indonesian market as the demand was limited. Nonetheless, when the market became unstable as the economic crisis combined with social and political unrest, the company began to perceive Indonesia as a potential market. This perception led the parent company to make a significant ***adaptation*** to the market.

> ***"We have made a significant change. I think it was recognised that the increasing potential of our products in Indonesia was because of the turmoil in Indonesia. The potential was very good. At the moment we might say that we lost lots of money in the country as we are investing a lot of money, for example having a local man, but hopefully we will have a lot of money from the market at the end." (The Export manager).***

The adaptation has been regarded as investment because the company has paid a local man to expand company sales in the country by finding new intermediaries, new customers and to represent the company in exhibitions. The firm's expectation drove adaptation and/or investment as it tried to increase export sales in the country. Nevertheless, the export value was still small and insignificant compared to its exports to other South East Asian countries. This was a big company with more than 400 employees that had much experience in the market, but terminated its business relationship with its distributor in 2004. In 1999, Froster Fencing Ltd established a relationship with PT Mutiara Indah as the only local distributor for fencing products. During the five years of the relationship, the two parties did not have any serious conflict but the termination occurred because Froster Fencing considered that the distributor's performance was not good enough.

The poor performance was believed to be the effect of the economic crisis. The local staff described the relationship as follows:

> ***"Even a giant company like Caltex perceive that our fencing is too expensive. So, it was not because we or they wanted. It was because of the situation in the market, which requires a low price and ignores our good quality. The customers' emphasis is on whether the product can be used or not. What is the difference between Mercedes and Toyota Kijang? Both of them can be driven to Bogor, so what is the difference? Customers obviously will choose Toyota Kijang: if they used to drive Mercedes, now they drive Toyota Kijang. That is our market now."***

This suggests that the main reason for ending the relationship was that they were ***dissatisfied***. Even though the company expected increasing opportunities as the country faced rebellions and terrorist attacks, sales especially in security fencing were very low. This might have been due to the country also experiencing an economic crisis that affected consumer-buying behaviour, which put a greater emphasis on price rather than quality. Meanwhile, the policy of Froster Fencing was not to produce low quality products as this might ruin their product image.

This policy even caused ***dissatisfaction*** for the distributor, as they expected a discount to attract more buyers. They were also dissatisfied due to the slow response and lack of support and ***cooperation*** that Froster Fencing had given suggesting satisfaction overlapped with cooperation.

> ***"Yes, it was because of the bureaucracy which caused delay in their response to some problems. This sometimes caused us to miss the opportunity to win some tenders that required a fast response. This of course became the main hurdle for the business because time is money." (Manager of PT Mutiara Indah).***

It seems that the former distributor was dissatisfied and they perceived the British exporter was not responsive and not supportive and thus not cooperative.

Also, the former distributor exhibited low ***trust*** as they perceived high uncertainty in Froster Fencing's behaviour in relation to their status as the distributor in Indonesia, which might change without prior notice. The distributor was confused, as the British company had not formally informed them about the termination.

The local partner perceived that the British exporter was not really serious about developing a relationship since they received little support and slow responses from the British company. This was seen in that their status, as a sole distributor, could be withdrawn at any time. The ending of the relationship was not formally ***communicated*** to the local distributor. This might have caused uncertainty in the business relationship. This stimulated the local partner's intentions to look for another supplier from neighbouring countries that were more attractive than the British supplier. Meanwhile, the local staff marketed razor wire and fencing products directly to the customers except the Indonesian government. Supplying the local government seems to be difficult without ***cooperation*** with local distributor as illustrated by the local staff as follows:

> ***"We can't supply the government anymore, it's so difficult especially the bureaucracy. Only if we have a distributor we can supply the government again."***

The local staff expressed lack of ***commitment*** and increasing ***attractiveness of alternatives*** in the relationship as the local distributor looked for other suppliers.

> ***"So trust exists but not loyalty. We taught them from the beginning and they were developing but then they said, "Sorry, I can't buy from you anymore". They certainly have to live and they don't want to die for us. So, when they think that our products are not competitive anymore, absolutely they switch to another."***

The manager of PT Mutiara Indah also gave a similar statement.

> ***"Earlier, we admit they supported us, especially when we were appointed as the sole distributor for the market.... but then we are aware that they won't be loyal to their distributor....so we can't rely 100% on the company."***

Froster Fencing had local staff in the market as an increasing commitment toward the market and an adaptation to the possible increasing market opportunity for razor wire and security fencing products. Unfortunately, the local distributor perceived that the company was less ***committed*** to the relationship as the British exporter began to supply directly to Indonesian customers. This suggests that the distributor has less confidence on the continuity of the relationship as the exporter uses a dual channel of distribution (Anderson and Weitz, 1992).

The local partner perceived that the lack of support given was due to the British company being more enthusiastic to explore more attractive markets, such as the European market. This seems to have been caused by their unmet expectation that the supplier would give them a more competitive price and more marketing support leading to ***dissatisfaction.*** This was expressed by the local staff, who also did not expect the partner's loyalty.

> ***"No, I think there is no loyalty here or wherever; trust may be there, especially after I get to know them. When they told us that our products were more expensive than our competitors. I believed them. But we cannot expect that they will be loyal to us: regardless of how close our relationship is, they are still outsiders."***

This suggests that the relationship between the British company and the local distributor exhibited low ***commitment*** and both parties seemed not to rely on the other's willingness to maintain the relationship. Regarding the existence of the local staff, it may mean a higher commitment to the market and to local customers since they could expect more information and frequent face-to-face contact with the supplier. Unfortunately, the local distributor complained about the slow response to their requests of the British supplier.

The discussion above identified a number of relationship elements such as: commitment, adaptation, trust, communication, cooperation, satisfaction and attractiveness of alternatives. Satisfaction was overlapping with cooperation. Commitment was overlapped with attractiveness of alternatives. The interview details are indicated on the table below.

Table 4.5: The interview details in the case of Froster Fencing

Interviewee(s)	Date	Venue
The Export Manager	11 December 2003 15 July 2004	The interviewee's home The interviewee's home
Former Export Manager	21 January 2004	Stoddard Building SHU
The Local Staff	18 October 2004 19 October 2004	Jakarta Café The interviewee's office
The Manager of PT. Mutiara Indah	November – December 2004	Via emails

4.7 Pittafin Ltd.

The group's headquarters was located in Finland; however 90% of the group's net sales were generated outside the country. The Pittafin group employs 19,000 people in more than 40 countries and had five divisions: one in the UK, three in Sweden and two in Finland. The division in the UK was based in Sheffield where coil and special products were manufactured by Pittafin Stainless (Pittafin), which was the biggest division with 760 employees who worked in four business units: Coil Products Sheffield; Sheffield Primary Products; Long Products; and Sheffield Special Strip. As stated in Chapter 3, this study focuses on business relationships between British manufacturers and Indonesian companies. In this case, therefore, the context of the analysis will be the relationship between Pittafin Stainless (Pittafin) and its Indonesian distributor. It does not mean, however, that this study will put aside the role of the group network in the market.

Pittafin produced cold rolled, semi-cold rolled and hot rolled products, which were supplied through Pittafin's sales service centres. Pittafin utilised the group network of sales companies as well as independent agents for distribution and sales. Pittafin had 270,000 tons of production capacity and exported about 80% of the total production. As the domestic market was still big and there was limited production capacity, the company could not increase its export to more than 80%. In 2004, Pittafin increased the capacity by 10,000 tons, which was equivalent to about 800 - 1000 tons extra for particular products. These were sold to selected customers in Asia and Europe because they were of very high value.

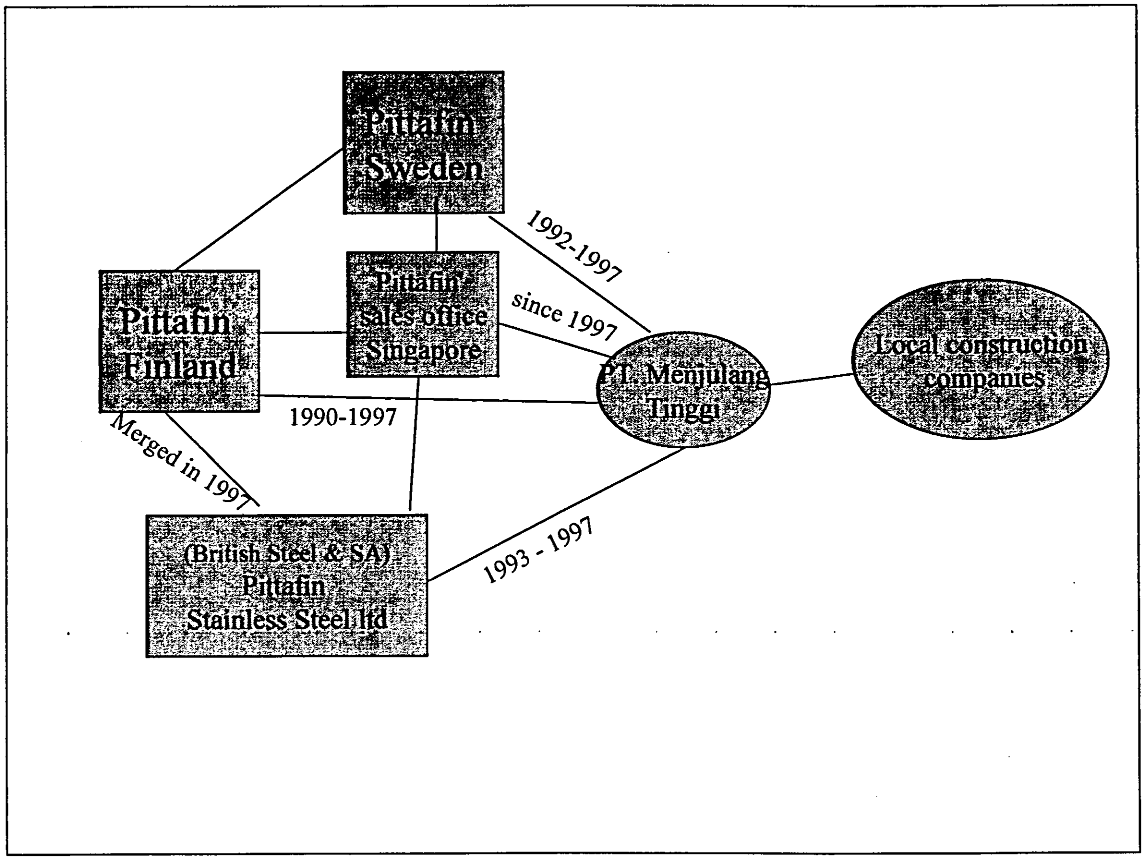
Until the mid of 1990's, Pittafin exported only 65% of production to Europe and 35% to the rest of the world. The composition has changed as the Western European market has been growing an average of 6% per year for the last ten years. The growing demand attracted the company to increase its export operation in Western Europe where prices were much higher than outside of Europe. As a result, Western Europe has been the main market, accounting for 80% of export sales, while 15% goes to Asia and the remaining 5% to the rest of the world. Pittafin has increased its production capacity, but it did not really catch up with the expansion in demand.

As the British manufacturer had limited capacity, it began to supply a smaller number of export markets with fewer customers/partners. This strategy required the manufacturer to select the biggest markets and the biggest customers/partners. As a result of target market distribution within the group, Pittafin had to concentrate on producing special products with a higher quality, which were not really matched with the demand in Indonesia. The Indonesian demand was mainly for standard quality products, which were matched with Pittafin Sweden and Finland products, Pittafin also found that competition for standard quality products increased in Indonesia. The manufacturer expanded its production capacity but this was not enough to catch up with the increasing demand in its selected markets, where demand for highly specialised product was growing.

The group had a network of sales offices all around the world; generally, the group had its own offices in the countries to which they exported regularly. Besides that, the group might also export through an agent if exports to a particular country were irregular. In Asia, the group had two main offices in Hong Kong (HK) and Singapore, which were responsible for reporting to the divisions. The office in HK was responsible for the north of Asia: Japan, Taiwan, Korea and China; but the group also had small offices in those countries, which reported to the main office in HK. In South East Asia, the group had small offices in Vietnam and Malaysia. In Indonesia, the group did not have an office, but had a distributor, i.e. PT Menjulang Tinggi.

The relationship between Pittafin Stainless (Pittafin) and PT Menjulang Tinggi was established in 1993. Since then, the steel maker supplied about 2000 tons of steel per year to the Indonesian company. PT Menjulang Tinggi, a local steel stockist, already had relationships with Pittafin Sweden and Finland, SA and British Steel Ltd. The relationships were ongoing when those companies merged into the Pittafin Group and British Steel and SA became Pittafin Stainless (Pittafin). Since there was an internal distribution of target markets within the group, Pittafin no longer exported directly to the Indonesian distributor. Even so, they continued to buy from the group as it was still their biggest supplier. The figure below illustrates the business relationships of Pittafin Stainless in the Indonesian market.

Figure 4.6. Pittafin's Business Relationships in the Indonesian Market



As the consequence of the group policy, the local distributor no longer ordered directly from individual companies, but through the group sales office in Singapore. The president director of PT Menjulang Tinggi indicated how his company placed orders to the group as follows:

> ***"We don't care where the products come from, whether Finland, Sweden or Sheffield, it is up to the group but definitely we regularly order from the group's office in Singapore".***

Furthermore, there was a policy that affected every division's target market where Pittafin had to concentrate on producing high standard products. In addition, Pittafin had a bigger production capacity to produce hot roll steels compared to cold roll steels whilst the Indonesian demand was mainly for standard products and cold roll steels. Consequently, Pittafin supplied the Indonesian market through the group sales office. This results in less volume sales compared to the period prior to the merger. In short, the crisis did not have an effect on the company business in the market. This was expressed by the sales development manager below.

"... it wasn't because of the crisis. We ran out of capacity. The main reason was the European demand was growing so much we started running out of capacity to sell outside Europe. ... So the main reason was where there were the biggest markets and biggest enquiries with bigger quantity so we could consolidate with fewer customers. When we supplied Indonesia back in 1993-1996, we might be supplying 2000 tons a year, but we were gradually getting less and less capacity, it disappeared and went into Europe." (The Sales Development Manager)

The sales development manager suggested that the change of the route to supply the market was not affected by the situation in the market as it was happened in early 1997 before the crisis in the market emerged.

"It is really that we didn't have any political problem or something like that"

The sales development manager, nevertheless, had a good impression of the relationship when his division directly supplied the distributor. He described the relationship as follows:

"It was an extremely good relationship. I think we didn't have any problem with it. If we had a slight defect we used to come to a settlement very easy."

He seemed to be happy with the relationship suggesting that the relationship was ***satisfactory*** as both sides ***cooperated*** to solve problems within the relationship. Hence, ***satisfaction*** was overlapping with ***cooperation***. Accordingly, the president director of PT Menjulang Tinggi suggested that Pittafin ***committed*** to the relationship:

"Yes, they are, I can feel it that they continuously support us and care about us. They always respond to what ever our inquiry"

This may indicate that those elements were overlapped. Furthermore, the president director suggested the relationship was characterised by high levels of ***trust***.

"In terms of our credibility, I believe that they still trust us. Mr PI still remembers this company, and do you know why? Because they have our record. ... In a business, we rely on trust factors, if they don't trust us, our business will be very difficult"

The president director also emphasised the importance of personal relationships as follows:

"Our business with foreign suppliers seemed to depend on personal relationships ... Usually a business like this depends on a personal relationship to push the business."

Accordingly, the sales development manager of Pittafin indicated that he had a good personal relationship with the president director of PT Menjulang Tinggi. The sales development manager described the relationship as follows.

"I didn't have any problem at all because I think we knew each other very well; we have worked together for years. If I couldn't go to Indonesia, he came to Singapore so that we could meet in our office in Singapore. He is a good guy and we had a very good relationship."

He even indicated that the business relationship was good, without any problems, as they had a good personal relationship, which encouraged them to ***communicate*** or meet wherever possible.

This case suggests the role of group policy may affect individual business relationships. Using this case may reveal how the development of a business relationship can be affected by other relationships in the group network. The discussion above raised a number of emerging relationship elements such as: trust, cooperation, satisfaction, interpersonal relationships/social bonds, communication and commitment. Cooperation was overlapped with satisfaction and commitment. The interview details are indicated on the table below.

Table 4.6: The interviews details in the case of Pittaffin

Interviewee(s)	Date	Venue
The Sales Development Manager	15 January 2004 14 June 2004	The interviewee's office The interviewee's office
The President Director of PT Menjulang Tinggi	14 October 2004	The interviewee's office

4.8 Summary

The aim of this chapter was to introduce the six companies studied further in this research. This chapter also highlighted the emerging relationship elements in each case. The table below summarises the six companies based on the information gathered from the questionnaire; the in-depth interviews; and the companies' websites. At this stage, it seemed that the companies did not have many things in common except they had experience of interaction with Indonesian companies during a time of increased risk in the market. Most of the companies had at least one terminated relationship but the reasons for the terminations seemed to vary.

Table 4.7: The Six Companies Understudy

	North West	Waingate	Border	Bridgeside	Froster Fencing	Pittafin
Size	Small	Medium	Medium	Big	Big	Big
Number of Export markets	Over 50	over 65	Over 50	65	Over 70	Over 65
Experience of direct export to the market	Less than 5 years	Over 32 years	Over 30 years	Over 15 years	Over 15 years	Over 5 years
Business relationship development	4 maintained and one terminated	All terminated	All maintained	One terminated and one new relationship	Terminated	Maintained but through a different route
Entry mode	Direct to end-users	Direct to end- users and agent	Distributor and agent	A representative	Local office and distributor	Distributor
The emerging relationship elements	Trust, cooperation, adaptation, commitment, relative dependence, balance of power, communication, attractiveness of alternatives and satisfaction	Trust, interpersonal relationships, cooperation, communication commitment and satisfaction	Trust, cooperation, commitment, communication, attractiveness of alternatives, switching barriers and satisfaction	Trust, commitment, cooperation, satisfaction and communication	Trust, satisfaction, cooperation, commitment, adaptation, and attractiveness of alternatives	Trust, interpersonal relationships, communication, cooperation, satisfaction and commitment
Overlapping elements	Commitment with communication, cooperation and adaptation	Satisfaction with social bonds. Social bonds with cooperation and trust	Commitment with communication. Satisfaction with cooperation and attractiveness of alternatives	Commitment with communication. Satisfaction with cooperation	Satisfaction with cooperation and commitment with attractiveness of alternatives	Satisfaction with cooperation

Among the six companies, Bridgeside and Pittafin suggested that their export and business relationships were not affected by the situation in the market. In contrast, the other companies faced declining sales and even dissolved their business relationships in the market. Their business relationship was affected by the adverse effect of the environment. Therefore, it was expected that a more varied insight into relationship development and management in a high-risk market could be obtained. Their experience could contribute to theory development as they had some interesting and critical experiences that require further exploration in the next phase of analysis.

North West had the shortest experience of direct export to Indonesia, while Waingate had the longest. Bridgeside had increasing export sales although the market was unstable. Pittafin changed the route to supply its local distributor as a result of its group policy. Meanwhile, Waingate had terminated their relationship with local partners in Indonesia, but continued exporting indirectly via a Japanese company. Two companies i.e. North West and Froster Fencing carried out adaptations but had nothing else in common.

The table above indicates that the emerging relationship elements provide an answer to question 1 identified in Chapter 3. The elements varied as the companies had different experiences in the market. However, it seemed that trust, commitment, cooperation and satisfaction were common elements found in each case. They were the dominant elements. Cooperation seemed to overlap with either satisfaction or commitment. Similarly, the other elements were related to these dominant elements, especially commitment and satisfaction. The companies regarded commitment to the relationship as important, particularly when shown by devoting resources to making adaptations in response to partners' requirements, or in maintaining communication and cooperation. The development of those elements can be seen through the development of commitment. General inductive approach allows reduction of the number of elements where the author could be able to identify the main or dominant elements (Thomas, 2006). The author chose to reduce the number of the elements to three i.e. trust, commitment and satisfaction as the development of these elements reflected the development of the others with which they overlapped. This study focuses on the development of business relationship of British exporters in a high-risk and uncertain market. Consequently, the development of relationship elements during the increasing risk and uncertainty in Indonesia will be first explored in the next chapter by examining the development of the three dominant elements: trust, commitment and satisfaction. This does not mean the other elements are excluded. Indeed, the discussion will also highlight the inter-relationship between the three main elements and the others. The next chapter, therefore, will provide explanation to question number 2 identified in Chapter 3.

Chapter 5: Business Relationship Development

5.1. Introduction

The discussion in Chapter 4 identified relationship elements in each case to answer question number 1. In this chapter, we now turn to an explanation of question number 2 (see Chapter 3). Consequently, this chapter focuses on the exploration of the elements of relationship development. Since this study follows an inductive tradition, the general inductive approach (GIA) was utilised by which theoretical explanations on the companies' experience were developed. The explanations were generated inductively from data given by the interviewees.

The main focus of this chapter is to *identify variations in terms of the development of the elements.* Through constant comparison among the cases, it was possible to identify unique case features in order to establish categories. The comparison also facilitated the identification of shared case features across two or more categories to find patterns across the cases. Thus, the analysis here is to find the role of each feature in explaining the development of the business relationships and to establish categories. This chapter therefore highlights the stage of establishing categories from the data analysis process explained in Chapter 3.

The aim of the study is to obtain a greater depth of understanding of business relationship development and management of British exporters in a high-risk and uncertain market. In order to achieve the objective, data collection was carried out through a series of in-depth interviews, the analysis of which is highlighted in this chapter and the following two chapters. The understanding obtained in each chapter led to further analysis, which is given later. First, in this chapter, the discussion will focus on variations in relationship elements in order to establish the categories of business relationship development.

The discussion of the sample firms in Chapter 4 enabled identification of the emerging relationship elements in each case, as seen in table 4.7. It was suggested that trust, commitment and satisfaction are the main relationship elements. Therefore, in order to establish categories of business relationship development, the discussion in this chapter will search for variations in trust, commitment and satisfaction. Nonetheless, the role of other elements will not be excluded: the inter-relations among the elements will enrich explanation developed in the discussion. First, variations in terms of trust will be identified below. The following analysis attempts to explore the role of each case feature in the explanation of business relationship development. Portions of interview data have been selected for inclusion based on their relevance to each case feature.

5.2. Trust

Trust is related to the perception held by one party of another party's abilities, expertise, and knowledge, as well as to the individual's perceptions of the other party's motives and intentions (Wilson and Jantrania, 1994). This means that trust reflects one's belief in a partner's behaviour (Cullen et al:, 2000), which might be a manifestation of the partner's abilities, expertise and knowledge. A number of definitions of trust have emerged that suggest different types of trust. Definitions of trust may indicate reliability (Morgan and Hunt, 1994); credibility and benevolence (Ganesan, 1994; Cullen et al, 2000); reliability and benevolence (Selnes and Gronhaug, 2000); or honesty and benevolence (Geyskens et al., 1998). The majority of these definitions describe trust as the belief by one firm that another company will perform actions that will produce positive results for the former (Sanzo et al., 2003a); that one party will act in the best interest of the other (Blois and Wilson, 2000). In business relationships, definitions of trust are generally based on notions of confidence in the capability, reliability and/or integrity of an exchange partner (Goudge and Gilson, 2005). This may suggest a credibility component of trust - whether the partner has the capability and expertise to undertake the purpose of the partnership and a reliability component of trust - whether the partner will adhere to written or verbal promises (Heffernan, 2004). This suggests that trust is multidemensional and trust is rarely all-encompassing, one may trust the partners on some issues but not on the others (Kumar, 1996). However, Goudge and Gilson (2005) pointed that trust is not always clearly defined in the literature as it is difficult to define: its definition depends on the perspective being used (Wilson and Jantrania, 1994) and are highly context dependent (Goudge and Gilson, 2005). Yet, for the purpose of the discussion here, the author utilises the following definitions.

Credibility trust is ***the practical side*** of trust (Cullen et al., 2000) or ***the rational calculation side*** of trust (Pavlou, 2002). Cullen et al (2000) defined credibility trust as the confidence that the partner has the intent and ability to meet their obligation. Pavlou (2002) suggested that credibility trust is the extent to which a party believes that the other has the intention to perform the transaction effectively, which may include payment. Since the exporters faced the risk of non-payment and payment delay, which increased in the market, therefore, here the author refers credibility trust as confidence in the Indonesian partners' or buyers' intention and ability to meet their obligation to pay.

Reliability trust, meanwhile, is the perceived ability to keep an implicit or explicit promise (Selnes and Gronhoug, 2000): it is a party's ability to consistently rely on another's word or promise (Rotter, 1971). Reliability also refers to the delivery of the products in a dependable and timely manner (Parasuraman et al., 1985). Hence, it may be argued that a party is perceived as reliable when deliveries are made according to what had been promised or when relevant information is provided in a timely and accurate manner.

The focus here is on *variations* in terms of *the development of trust*, and a deeper exploration of how trust is developed during the period of increased risk in the market. This section aims to seek explanations for the exporters' confidence in the local partners' behaviour, and understanding of how the local partners relied on the exporters, in order to see the development of mutual trust in an increasingly unstable environment.

It was found that North West, Bridgeside and Pittafin shared a case feature, i.e. stable reliability and credibility trust, whereas Border reported decreases in both types of trust. Waingate and Froster Fencing were in between as they suggested decreasing reliability trust but stable credibility trust. This is evaluated below.

The sales director of North West suggested that he relied on customers as the main source of information regarding the market.

> ***"The main source of information is our customers."***

This suggested that the information supplied by the customers was important and that customers could be trusted. North West relied on information about customers' problems, market trends, and lamp end-users behaviour, meaning that this company still trusted the local lamp manufacturers. Similarly, Bridgeside and Pittafin suggested that they relied on their customer/partner in the market and that trust kept conflict away from the relationships.

> *"Yes, I believe them; we can trust them giving us correct information." (The Sales Director of Bridgeside).*
>
> *"We can contact our distributor by email or fax, then they will contact the customers, then they will send the reply to us.... We discuss and get settlement, generally we didn't have any big problem with them." (The Sales Development Manager of Pittafin)*

Froster Fencing suggested that they did not have confidence in their customers'/partners' reliability in the relationship, due to the behaviour of local customers that encouraged the company to appoint local staff. The local staffs' knowledge was helpful in the development of relationships with customers. As customers could not be relied upon, contact was attempted in the "Indonesian way", i.e. arriving without an appointment.

> *"Crazy...crazy...!!! That is why Froster Singapore could not bear Indonesians behaviour. Then they said we need an Indonesian who understands both sides, so he needs to know Froster's policy and the behaviour of Indonesian customers." (The local staff of Froster)*

Waingate also suggested a lack of reliability trust in relationships.

> *"You have to trust other people. That is quite fundamental for business but that is the problem we had in Indonesia." (The export manager of Waingate)*

Similarly, Border did not trust its local dealers whenever they received a complaint.

> *"When a complaint comes in, they don't all believe it."*

This indicated that Border's staff did not rely on information given to them by their partners. The relationships between Border and the two dealers were not characterised by mutual trust; trust was not well developed in their relationships as the method of payment was changed soon after the Asian financial crisis hit the market, suggesting a decline in credibility trust. This is explored further in the next chapter. The Border case suggested decreasing reliability trust as the company offered the dealers a new and more detailed contract, where the cooperation had been based on a simple agreement signed in 1978. Since the market was increasingly uncertain, Border renewed its contracts with the dealers to protect itself. Border proposed a detailed contract in 2004 but the local agent (PT Manado) refused to sign, as they perceived the new contract to be unfair.

> *"We used to have a very simple contract, just an agency appointment letter without a time limit." (The Manager of PT Manado)*

This case suggested that changing the contract from a simple to a more detailed document worsened the relationship as the partner perceived it as a manifestation of distrust. Ratnasingam (1999) states that a more detailed contract indicates lack of trust.

In terms of credibility trust, all the companies, except Border indicated that trust was not eroded. From the establishment of the relationship, the supplier relied on a less risky payment method, i.e. using a Letter of Credit (LC). This suggests that the supplier was sure that it would get paid regardless of the situation in the market, and the payment method has never been changed to a more secure method, such as payment in advance. This means that the level of trust was stable during the period of instability in the market. The following comments may suggest how the interviewees trusted their customers in the market.

> ***"If they said we'll pay tomorrow, we'll get the payment tomorrow." (The Local Staff of Froster Fencing).***
>
> ***"We always got the money." (The Export manager of Waingate)***
>
> ***"We are 100% sure that we get paid from Krakatau because we have dealt with Krakatau for many years and we haven't had any problem with the payment. It is not the issue, payment has never been the issue." (The Sales Director of Bridgeside)***
>
> ***"It was really no conflict of payment." (The Sales Development Manager of Pittafin).***
>
> ***"I think the bigger implication is that if we say to Binar that we don't trust them anymore and we want to accept LC, they will be very hurt. I think they won't think we will do that and we have been in a good relationship for many years without LC." (The Sales Director of North West)***

They suggest that they trusted their local partners, as they had not experienced problems of payment in the interaction. The comments above seem to show that they perceived local partners as credible. These cases suggested that they shared a case feature of stable or unchanged credibility trust.

Table 5.1: Case Features in term of Trust Development

Company	Case Features	Evidence
Bridgeside, North West and Pittafin	Stable reliability and credibility trust	Partner was perceived as reliable, method of payment was unaffected
Froster Fencing and Waingate	Stable credibility trust but reliability trust decreased	Partner was still perceived as credible but unreliable
Border	Credibility and reliability trust decreased	The exporter did not rely on partner's information and method of payment was changed

The table above suggests that the companies, except Border, perceived their local customers/partners were credible in terms of payment. However, in order to find an explanation for how trust developed in the context of a high-risk and uncertain market, the author will explore the companies' policies on ensuring payment and managing the risk of a delay in payment. This was particularly important, since the market might entail a greater risk of non-payment. This will be discussed further in chapter 6, section 6.2.

5.3. Commitment

Commitment is defined by Morgan and Hunt (1994) as an exchange partner believing that an ongoing relationship with another is sufficiently important to warrant maximum efforts to maintaining it. That is to say, the committed party believes the relationship is worth working on to ensure that is endures indefinitely (p. 23). This argument is that commitment will exist in a relationship when it is perceived to be important. This encourages the committed party to work towards maintaining it. Ruyter et al (2001) claimed that commitment to the relationship can be of two types, e.g. affective and calculative commitment. Ruyter et al (2001) suggested that affective commitment is based on a positive attitude toward the relationship, whilst calculative commitment is generated from a fear of losing a rare and special partner, particularly if there will be difficulty in finding a new alternative partner. This may suggest that a high switching barrier and/or high dependence will lead to calculative commitment. Put simply, both types are rooted in different motivations. A firm exibiting affective commitment wants to maintain a relationship because of its positive effects and active identification with the partner (Kumar et al., 1995).

It seems that calculative commitment is a ***negatively orientated desire or motivation*** to continue a relationship because the firm cannot easily replace its current partner and cannot obtain the same resources and outcomes outside its current relationship (Ruyter et al., 2001). Calculative commitment is ***the rational and economic side*** of commitment and it is driven by the evaluation and expectation about the future potential for gaining rewards in and from the relationship, including avoiding switching costs. On the contrary, affective commitment is ***the emotional side*** of commitment as it refers to a fairly deep psychological identification with the relationship and a pride of association with the partner and with the relationship (Cullen et al., 2000).

The following discussion explores how these types of commitment were manifest during the increased risk in the market. The manifestation of the companies' commitment appears related to other relationship elements such as: social bonds/interpersonal relationships, communication, adaptation, cooperation, switching barrier and imbalance of power. The interrelations are shown in the following discussion, and variations in the development of commitment amongst the cases are identified. Among the companies, only Froster Fencing invested in the market by appointing local staff. This was regarded as commitment to the market, but it might not mean an increasing commitment to the business relationship with the distributor as the company then dissolved the relationship. None of the sample firms committed through investment in plant or stock. However, their commitment can be seen through technical and marketing support provided by the exporters. Since these sometimes required visits and interactions of staff from both sides, and enabled the companies to acquire information and knowledge of the market and the customers, such commitment will be referred to as visits in the analysis.

Pittafin shared a case feature with Bridgeside which suggested a stable or unchanged commitment. The president director of PT Menjulang Tinggi expressed how Pittafin committed to the relationship:

> ***"Our two-way communication with Pittafin is still very good. They still contact us regardless of whether we will buy or not. Every time we ask their price or order, they always serve us very well". (The president director of PT Menjukang Tinggi)***

Accordingly, the sales director of Bridgeside suggested that his company's commitment remained stable.

> ***" So we do that exactly the same for a long time till now. It is just normal." (The Sales Director of Bridgeside)***

Pittafin and Bridgeside suggested their commitment was devoted to stable communication. Similarly, North West also suggested its affective commitment was stable because the company maintained its desire to visit its customers.

> ***"We communicate with our customers the same as before the crisis started, so there is no effect of the crisis on the way we communicate but the export value has decreased."***

It seemed that the firms intended to keep in touch with their partners to ensure the ongoing process of information exchange; by doing this, the parties responded better to new opportunities and threats (Witkowski and Thibodeau, 1999). Therefore, communication processes resulted in valuable information, which may have consisted of business opportunities, news or ideas concerning ways to respond to market changes. Having a frequent flow of information facilitated a greater understanding of environmental changes and higher interdependence between the parties. This suggests that ensuring an information flow is critical to acquire up-to-date market and customer knowledge. This seems to be important in order to reveal uncertainty in the market, which the exporters needed to monitor and observe. Nevertheless, as there was increasing terrorist threats in the country, commitment through visiting the local partner might be disrupted. They might rely on different ways to communicate, for example by using information technology such as telephone, fax and email. Information technology might help companies to keep in touch with their customers but it does not allow a symmetrical evaluation of exchange partners within the relationship (Palmer, 1995). *Communicating at a distance* and visiting were two types of interaction that served to strengthen personal bonds between pairs of firms, leading to greater trust and commitment in maintaining the relationships (Witkowski and Thibodeau, 1999). However, Conway and Swift (2000) argued that trust, commitment and satisfaction were influenced by the level and type of communication that existed between parties. Communication by the use of information technology and personal visits might bring different consequences to the relationship. This is an interesting issue to explore as showing commitment through visits might be increasingly required to monitor and observe the market, even in the context of an increasing terrorist threat. This issue will be explored in the next chapter, section 6.3.

Previously, it was seen that North West, Bridgeside and Pittafin shared a common feature in terms of trust. Yet, in terms of commitment, North West showed a variation from the other two companies. This variation suggested an increasing calculative commitment, which is evaluated below.

> ***"So it is still significant. If we lost it, it would hurt us even though we have reduced our price… we'll continue to work with them because if we stop supplying them then somebody will supply them, then they will take somebody else... and that company will grow and take more and more of our business. So if we can we want to keep all of our customers." (The Sales Director of North West)***

As stated in Chapter 4, North West was motivated to maintain its relationships by performing adaptations on price and product grade. North West's adaptations were mainly stimulated by calculative commitment, which was reflected in North West's fear of losing more customers because a local competitor existed. The company realised that it would not be easy to find new customers and that they were already dependent upon their existing customers. This stimulated calculative commitment. Hence, calculative commitment depended on the degree of the exporter's dependence and on how the customers used coercive influence on the exporter. This finding is consistent with the study of Anderson and Narus (1990) who argued that a firm with greater relative dependence has a greater interest in sustaining the relationship. The higher the level of relative dependence on the customers, the higher the level of calculative commitment to the relationship.

Border viewed direct communication as being important to gain market knowledge and to give customers support.

> ***"I think you have to understand what it is like in the territory ... in the country where you are selling to. You need to realise the problems, the needs and expectations of our people, our dealers and their customers." (The Sales Director of Border)***

The sales director however decided to decline visits due to the threat of terrorism in the country.

> ***"I think when you are dealing with people in this country or in other countries or anywhere, you need to meet people and understand what is going on and show face and show commitment to the territory and be able to travel out there to provide support for your dealers... but it is impossible to do it now." (The Sales Director of Border)***

Accordingly, the dealers suggested that Border's support in term of technical and marketing, even visits were no longer organised:

> ***"I have to say that they sometimes supported us because our sales were good. They came and we paid transportation to the islands while they paid the hotel. We brought them to our old or new customers. I travelled with Border's service engineers. So, in the past they supported us before the crisis especially when they were under Roll Royce but now even visits they refuse to do it. He (the sales director) only promised but ..."***

The sales director suggested that his decision to decline visits rested on his concern about security in the market. In contrast to the three cases above, Border reduced its affective commitment including visiting the partners to gain an understanding of the market. Also, the manager of PT Manado underlined that Border's commitment decreased as sales declined. Visits were not performed after the Asian financial crisis. This is an interesting issue to explore further in the next chapter. In the case of Border, although affective commitment decreased, calculative commitment was still there. Border had no intention of terminating the relationship with the dealers as the company perceived that finding new dealers would be difficult (due to geographical distance and incomplete information concerning any potential dealers). Therefore, the switching barrier was high. This was not translated into an increasing affective commitment. Border sales director expressed their intention as follows:

> *"Of course...of course, because nothing can be done without them and the only thing to do is to support them. We used them, we developed them, we should do something for them, not them for us, but we do nothing when they complain"*

The Border case suggested that both sides had the intention of keeping the relationship, as they were equally dependent on each other. This suggests that there was a balance of power in the relationship. It seemed, however, that the declining commitment in terms of visits and company support in marketing, and responses to the partner's requests and complaints, reduced the partner's commitment to maintain the relationship as suggested in Chapter 4.

The cases of Froster Fencing and Waingate suggested that both affective and calculative commitment were disappearing.

> *"Yes, one of them wants to come back but we just haven't responded." (The export manager of Waingate)*

> *"No, I think there is no loyalty here or wherever... we cannot expect that they will be loyal to us: regardless of how close our relationship is, they are still outsiders." (The Local staff of Froster)*

Both types of commitment disappeared leading to ***inoperative*** business relationships. Even so, Waingate still regularly supplied the market through a Japanese company with whom the British exporter had a very long and stable business relationship of over a hundred and sixty years. This meant that the company served the market through a better alternative partner. It already had a more satisfying, less problematic long-term stable relationship with the Japanese company.

Similar to the case of Waingate, Froster Fencing also supplied directly to end customers except the Indonesian government after the company terminated their relationship with PT Mutiara Indah. The companies had alternative relationships with which to serve certain customers (not all of their customers) as suggested in Chapter 4, suggesting that the attractiveness of alternatives also influenced commitment: when the exporters found that relationships with alternative partners were less problematic in serving the market, the exporters had less interest in maintaining the current relationships. Therefore, if the quality of available alternatives is high, the level of commitment will be lower (Hocutt, 1998; Jones et al., 2000; Sharma and Patterson, 2000; Patterson and Smith, 2003).

At this stage, variations in the development of commitment have been identified and case features are now suggested:

Table 5.2: Case Features in term of the Development of Commitment

Company	Case Feature	Evidence
Bridgeside and Pittafin	Stable affective commitment but calculative commitment did not emerge.	Stable communication and support
North West	Stable affective commitment but increasing calculative commitment	Stable communication and support but increasing fear of losing very important customers
Froster Fencing and Waingate	Affective and calculative commitment did not exist	Discontinue communication and support
Border	Decreasing affective commitment and calculative commitment still existed	Visits and support could not be maintained but switching barriers existed

The table above suggests that the development of commitment varied. The next chapter explains how this relates to other relationship elements particularly in the context of a high-risk and uncertain market. As the discussion suggests the importance of showing commitment through direct communication/visits, the next chapter will explore the issue in a greater depth. The variation in terms of mutual satisfaction is identified below, particularly with reference to how satisfaction related to the attractiveness of alternatives, cooperation and commitment.

5.4. Mutual Satisfaction

Satisfaction has been seen as a single aspect, a result of experience engaging in a relationship (Ping, 1993; Ganesan, 1994; Selnes, 1998; Sharma and Patterson, 2000), but is currently viewed as two distinct relationship elements, i.e. economic and social satisfaction (Geyskens and Steenkamp, 2000; Sanzo et al., 2003b; Farrelly and Quester, 2005). Geyskens and Steenkamp (2000) maintained that it is necessary to distinguish between the two aspects as they may have distinct consequential and interactive effects in the management of business relationships. This distinction is relevant since it allows the recognition of the social context in which the market exchange is developed (Sanzo et al., 2003b).

A business relationship includes economic and social factors (Hakansson, 1982). Hence the evaluation of the relationship can be referred to using those factors. Geyskens and Steenkamp (2000) defined ***economic satisfaction*** as a party's evaluation of the ***economic outcomes*** that flow from the relationship with another party, such as sales volume, margins, and discounts. On the other hand, ***social satisfaction*** is conceptualised as a party's evaluation of the ***psychological aspects*** of its relationship, which may indicate that personal relationships and the interactions between two parties are acceptable, pleasing and fulfilling (Geyskens and Steenkamp, 2000). This suggests that the distinction of both types is rooted on what aspect is evaluated. Economic satisfaction may be measured on ***the basis of a more tangible economic reward*** as the main aspect of evaluation, whilst social satisfaction is evaluated based on the ***assessment of psychological and emotional attachment*** that has developed in the relationship.

In term of satisfaction, it was found that Bridgeside and Pittafin shared a feature where social and economic satisfaction were stable, while North West suggested decreasing economic satisfaction but stable social satisfaction. In the cases of Border, Froster Fencing and Waingate it was suggested that both economic and social satisfaction decreased, which led to the increased attractiveness of alternatives. This is evaluated below.

North West seemed to be confident that its customers were satisfied. However, the opposite indication was found from the local customers.

> ***"I hope so, I think so, and I mean I am sure that if they are not satisfied they will tell us." (North West's export manager)***

> ***"We are still a little bit dissatisfied because of the price. I think they had gained too much profit from us, which is why they are willing to reduce the price." (The purchasing manager of PT Binar Langit)***

It seems that the customers were not economically satisfied, which was also expressed by the Sales Director:

> ***"We are not happy about the falling price but we understand the situation. So, yes we are happy with the relationship. Generally, if we were not happy then we would not be selling to you." (North West's sales director)***

This suggested that economic and social satisfaction in the relationships indicated opposite trends. This expression may show ***decreasing) economic and social satisfaction*** because: the sales director suggested the relationship lacked ***economic and social satisfaction.*** Decreasing social satisfaction emerged from a poor attitude of both sides to supporting each other, while economic satisfaction emerged as the sales director suggested that his company could not provide incentives and competitive prices to its dealers. The expression may indicate ***decreasing cooperation*** as the boilermaker did not provide various support to the dealers. The cases of Froster

Fencing, Border and Waingate shared a feature suggesting that the companies and local partners were not economically and socially satisfied:

> ***"Not really. There are a number of issues. But also we have to remember that we may not satisfy them. It is a two-way situation." (The Sales Director of Border)***
>
> ***"Yes and maybe we didn't satisfy them, if you're doing business.... it is always two-way. It has never been one-way."(Waingate's Export Manager)***

It seems that dissatisfaction with their suppliers encouraged the local customers to find alternative suppliers. North West's customers began to buy from a local cement producer that offered a lower price. Similarly, Border and Froster Fencing's intermediaries searched for alternative suppliers.

> ***"We think that the price is too expensive so we have to turn to products from Asia. We buy our boilers from Korea... I don't think we were happy, and if I compare to other principals, Border should do better. If the other suppliers can do it, why can't Border? We are not satisfied. But in the past, they sometimes supported us." (The Manager of PT Manado)***
>
> ***"Yes, we then bought from Malaysia, Korea and China, even Indonesian producers; they were more price-competitive." (Manager of PT Mutiara Indah)***

This suggested that price and lack of support could lead to the perception of their British suppliers being unattractive. Attractiveness of alternatives refers to partner perceptions regarding the extent to which viable competing alternatives are available in the market place (Jones et al., 2000). It is the partner's estimate of the likelihood of satisfaction being available from an alternative relationship (Ping, 1993). Dissatisfaction pushed the customers to search for alternatives but once they had found an attractive choice, they were again economically dissatisfied as they had comparisons. The alternative supplier seemed to be more attractive because they offered a cheaper product with acceptable quality, which suggested that they perceived the alternative relationship would give a higher degree of satisfaction. Thus this might have led to the end of the original relationship.

Dissatisfaction encouraged the customers to buy from alternative suppliers while business with the British exporters became less in frequency and value. Even the relationships of Froster Fencing and Waingate and one relationship of North West were dissolved. The cases suggest that when partners found a more attractive supplier, then the relationship's continuity was dubious or would be dissolved. This reconfirms the finding of Jones (2000). Based on a study of 434 customers in two different service industries (banking and hairstyling) Jones et al (2000) found a correlation between satisfaction with continuance of the relationship and the level of attractiveness. When satisfaction decreased, the effect of attractiveness of alternatives on relationship continuity would increase. Also, when the attractiveness of alternatives decreased (i.e. the perceived number of acceptable firms from which to choose decreased), the association between satisfaction and continuity diminished. Accordingly, Ping's (1993) study based in 50 US states, found associations between satisfaction and alternative attractiveness with the intention to exit from relationships. Satisfaction improvement and alternative attractiveness reduction were the keys to a defensive strategy to minimise the change of the relationships ending.

Bridgeside and Pittafin suggested that both they and local customers were satisfied with the total package of products and services. The sales director of Bridgeside stated:

> ***"Yes, they're satisfied with the performance, with the service, with my people that visit and with those who represent us. And this is demonstrated by the amount of business that we achieve every year." (The Sales Director of Bridgeside)***

Since the Asian financial crisis began in 1997, Bridgeside became the main supplier for the Indonesian steel market i.e. PT Krakatau:

> ***"We have just been a little bit more successful than our competitors."***

Bridgeside and Pittafin suggested that they could maintain a combination of product quality and superior support and deployed all value adding activities to deliver maximum customer value:

> ***"Our rolls perform better than any of our competitors and because of that we get the business. We are able to show them that by using our products they will increase their productivity and we effectively give them better value for money than our competitors." (The Sales Director of Bridgeside)***

Bridgeside was able to show the customer that their product increased the value of the customer's output. By giving training to the customer's staff, the company was able to demonstrate the uniqueness and superior performance of the product compared to competitors' offerings. Training and technical service were also used to minimise the occurrence of technical problems. Bridgeside reached the customer and convinced them of the product value.

Similarly, Pittafin seemed to offer a successful product and support, as suggested by their distributor:

"Pittafin is the best because they offer better value. If you look at a business, you have to look at the combination of quality, delivery and administration. Pittafin has the best combination of these." (The President Director of PT Menjulang Tinggi)

The local distributor indicated that Pittafin gave solid support through attention to detail, accurate administration, on-time delivery, and a fast response to enquiries. Good administration and delivery means that an importer can avoid certain costs, which could then be regarded as the supplier's support. For example, imperfect import documents cause delivery delays that result in extra storage costs at the port.

Bridgeside and Pittafin were able to maintain their competitiveness by providing constant support and superior quality product that induced economic and social satisfaction, which led to stable business relationships. These combinations were missing from the other cases, where social and economic satisfactions were not maintained. This suggested that the key drivers of social satisfaction were: a quick response; prompt and accurate administration of delivery; regular visits; technical support and personal relationships: they were reflections of the exporters' commitment. Those aspects made the exporters more valuable to their local customers and as such the exporters were perceived as very responsive suppliers.

"Yes, they are. I can feel it. They are continuously supporting us and giving us their attention. Whatever our enquiry, it is given attention and perfectly completed. Our relationship is good and they support us." (The President Director of PT Menjulang Tinggi)

Interestingly, although the market became more risky, where it might have been difficult to increase or maintain high economic satisfaction, as seen in the other cases, these companies seemed to be able to maintain economic satisfaction. Therefore, satisfaction was related to customers' perception toward overall performance, not only price-quality issues. This suggested that customers perceived the combination of constant support and price-quality as contributing to higher satisfaction. More specifically, the combination created both economic and social satisfaction. Frazier (1983) indicated that the higher the satisfaction, the fewer alternatives might replace the partner sufficiently. This suggests that perception of the attractiveness of alternatives is influenced by the satisfaction gained from current relationships, and the more satisfied the companies are, the more they are willing to stay engaged in the relationships. Satisfaction is believed to be available in the best alternative relationships (Ping, 2003), but the association between satisfaction and attractiveness of alternatives seems to be reciprocal. Ping (2003) concluded that satisfaction was likely to decrease the attractiveness of alternatives as partners may devalue alternatives if they were satisfied.

Bridgeside and Pittafin created customer added value by providing consistent constructive responses to customers' needs. This suggested that the companies expanded incremental value by capitalizing on associated intangible attributes of their products, such as accurate delivery arrangement and administration; communication; enjoyable personal relationship and providing respectable local representatives. Offering customer added value as such, is a route to sustainable competitive advantage (Forbis and Mehta, 1981). Customer value was found to impact on satisfaction and loyalty by Spiteri and Dion (2004), they argued that the buyer influences customers' value and satisfaction rating decisions, meaning that industrial purchase decisions should consider the responses of the customer to the products. This suggested that customer value is the perspective of the customer but not the seller. The perception of customer value involves a trade-off between what the customers receive (i.e. quality, benefits, worth, utility) and what they give up (price and sacrifice) to acquire the product (p. 678). Therefore, greater customer satisfaction was derived from the improved added value offered (Sanzo et al., 2003a).

The cases of Pittafin and Bridgeside suggested that a combination of product quality and continuous support was the key to sustaining profitable business when the market was increasingly unstable. Having one advantage was not sufficient to surpass competitors as new threats rose in the market. Tighter competition from low cost producers was increasingly evident and relied on a single issue that for instance, on quality only, did not provide a sustainable competitive advantage. The cases of Bridgeside and Pittafin suggested that they developed a differentiated product by giving continuous and various support to their customers.

This discussion suggests that various support options adds substantial value to the total product "package", thereby increasing the product's desirability to the customer when compared to reference products. A high quality product is not the only way to develop competitive advantage. Other attributes of the product package such as delivery arrangement, technical assistance and training can serve the same purpose.

In conclusion, the discussion above confirmed that satisfaction is a result of one company's evaluation of the overall performance of another. When a customer felt either economic or social dissatisfaction, it looked for alternative partners, to provide a comparison. It was suggested that companies could create better value for their customers by providing a combination of good support and quality, which was perceived to be worth the product price. This contributes to the argument that customer satisfaction reflects customer perception to the whole package offered by the suppliers. Similarly, Oh (1999) found that the role of perceived value in customers' post-purchase decision-making process was evident; the results showed that perceived value was an immediate antecedent to customer satisfaction and intention to repeat purchase. He suggested that perceived value was determined not only by a trade-off between price and service quality but also as a result of the direct and indirect influence of performance perception (p. 77). However, at this stage, it remains unclear as to how the companies studied here developed their ability to create customer value. This is further explored by the examination of the experience of North West in the next chapter, section 6.4. However, at this stage, it was possible to identify case features as follows:

Table 5.3: Case features in term of the Development of Mutual Satisfaction

Company	Case Feature	Evidence
Bridgeside and Pittafin	Stable (unchanged) economic and social satisfaction.	Sales, interactions, support and attention were unaffected
North West	Decreased economic satisfaction but stable social satisfaction	Sales and price were affected (decreased) but stable interaction and support
Border, Froster Fencing and Waingate	Decreased both economic and social satisfaction.	Sales and interactions, support and attention were affected/decreased

The table suggested that Bridgeside and Pittafin had stable or unchanged economic and social satisfaction. On the contrary, Border, Froster Fencing and Waingate had decreased satisfaction of both types, while North West experienced stable social satisfaction but decreased economic satisfaction (it could not avoid the adverse effect of the Asian Financial crisis). However, it is crucial to discover how the variation could occur in the context of a high-risk and uncertain market and how satisfaction related to the other main relationship elements. These issues are discussed in the next chapter.

5.5. Summary and Conclusion: The Categories of Business Relationship Development

The objective of this chapter was to establish categories of business relationship development by doing cross-case analyses which focused on the identification of variations in the development of relationship elements, i.e. trust, commitment and satisfaction. Those three elements have been argued to be the components of either relationship strength or relationship quality (Bejou et al., 1996; Smith, 1998; Naude and Buttle, 2000; Phan et al., 2002). However, Storbacka et al (1994) argued that relationship strength was the indicator of relationship quality. This suggests that relationship quality can be seen in the development of those elements. Satisfaction, commitment (Storbacka et al., 1994) and trust (McQuiston, 2001; Lye and Hamilton, 2001) were identified as contributing to the strength of relationships. The strength of relationships has been argued to affect the ability of relationships to withstand shock (Lye and Hamilton, 2001) and thus is implicated in business relationship development in a turbulent environment. Based on the analysis in this chapter, it is possible to put the cases into four groups, based on which categories of business relationship development can be established. The table below summarises the variations among the cases.

Table 5.4: The Categories of Business Relationship Devlopment

Business Relationship Elements	***Group***					
	One		***Two***	***Three***	***Four***	
	Froster Fencing	**Waingate**	**Border**	**North West**	**Bridgeside**	**Pittafin**
Trust: Reliability, Credibility,	Stable /unchanged credibility trust but reliability trust decreased	Stable/ unchanged credibility trust but reliability trust decreased	Decreased	Stable/ Unchanged	Stable /unchanged	Stable/ unchanged
Commitment: Affective Calculative	Both types of commitment decreased	Both types of commitment decreased	Affective commitment decreased and calculative commitment still existed	Stable/ unchanged affective commitment but calculative commitment increased	Stable/ Unchanged affective commitment but calculative commitment did not exist	Stable/ Unchanged affective commitment but calculative commitment did not exist
Satisfaction: Social Economic	Decreased	Decreased	Decreased	Economic satisfaction decreased but social satisfaction was stable	Stable/ Unchanged	Stable/ unchanged

Regarding the variations in terms of the development of the elements of business relationship development, the six companies were grouped into four categories of business relationship development. Froster Fencing and Waingate were in group one; Border was in group two; North West was in group three; while Bridgeside and Pittafin were in group four. It is now necessary to look at the identified groups to label the categories of business relationship development.

a. Group one

Waingate and Froster Fencing fell into group one. The data suggested that credibility trust was stable but reliability trust decreased. Affective commitment decreased to nil, while calculative commitment did not appear to lead to dissolution of the relationships. The group is named the ***inoperative*** business relationship development category, as the relationships no longer exist. However, they were included in the study as the termination happened when the market experienced increased risk and uncertainty. In term of satisfaction, this category indicated a shared feature with the next category: fragile business relationship development where both economic and social satisfaction decreased.

b. Group Two

Border had long term relationships that exhibited a lack of trust and social satisfaction and seemed likely to show a further decrease in affective commitment, trust, social and economic satisfaction. It seemed that during the stable period of business, the relationships were solely based on economic satisfaction. However, during the economic crisis, it was difficult to maintain satisfactory trade transactions and thus "the glue" disappeared. Calculative commitment remained as the company viewed that it would not be easy to find new local partners. Therefore, the relationships were not dissolved, but became fragile and unstable; hence this group is labelled as the ***fragile category***. The relationships between Border and their dealers seemed to be fragile because low trust brought about further complexity and risk, and the relationship became unstable and hard to maintain. Social dissatisfaction had already emerged but worsened when the market became increasingly unstable. The crisis badly affected sales volumes and decreased economic satisfaction, which had been good during the stable period of the market. Although in the early economic crisis, sales were perceived as significant; face-to-face interaction or visits had not been undertaken. Border remained in the relationship, as they were aware of difficulties finding a new partner and the local partners knew that they did not have an alternative supplier for coal boilers. However, termination of a relationship may occur if one of the parties finds an alternative partner, this possibility was evident when local dealers refused to sign the new contract proposed by the exporter. Anderson and Weitz (1989) concluded that older relationships appear to be more stable than newer ones, perhaps reflecting a process of working on relationship problems and developing understanding (p. 322). However, the latter situation shows that the age of a relationship does not guarantee stability of the relationship.

c. Group Three

The case of **North West** suggested a situation where the exporter undertook a series of adaptations and cooperated with the local customers, suggesting a category of business relationship development called ***cooperative***. Although the adaptations were performed due to an imbalance of power or the exporter's high dependence on customers, the adaptation generated a better fit between the companies on which to build up the relationship (Hallen et al., 1991). The cooperation was perceived as the company's support, which led to social satisfaction. As the customers realised their power in the relationship and expressed their needs to push the company to adapt and cooperate further, North West altered its pricing and product grade accordingly. This suggested an increased calculative commitment, as the exporter feared the loss of its main customers. Nevertheless, the company indicated a stable affective commitment by maintaining direct communication.

d. Group Four

The cases of **Bridgeside and Pittafin** fell into group four. The exporters' relationships with their local customer/partners were stable during the unstable period, and by giving strong and consistent support, both sides cultivated stable economic satisfaction, which produced stable social satisfaction and trust. In this situation, the exporters succeeded over competitors. Affective commitment was stable while calculative commitment was not apparent, which differentiates this category from the cooperative category.

This group is named as ***committed category*** since the cases within it indicated unaffected commitment in spite of an uncertain environment; and the relationships were unaffected by the adverse effects of the increased risk and uncertainty. It seemed that the relationships were less easily attacked by competitors and less easily undermined by economic and environmental change than export relationships based solely on product and price competition. Thus, a viable export strategy is to be competitive on product quality and pricing and to excel through a relationship strategy with promising local partners (Piercy et al., 1997, p. 84). Similar to Bridgeside, Serchamex Ltd exported heavy equipment to a strategic Indonesian industry: the petrochemical industry. The area sales manager of Serchamex Ltd, which also obtained increased sales in Indonesia during the turbulent period, expressed this:

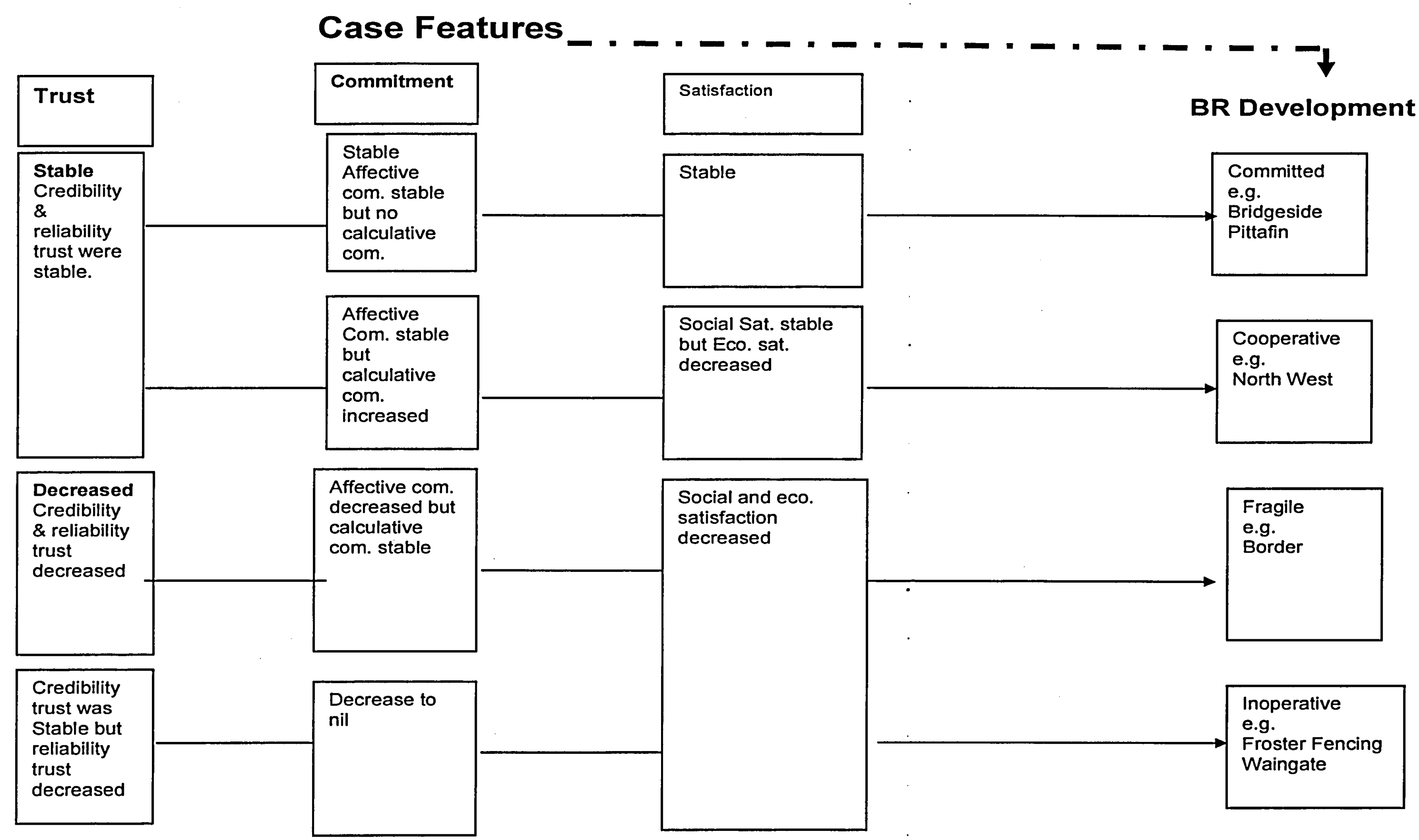
> ***"Normally the pricing or branding is not a problem. Even though you have good products but no strong relationship with the end-user, they won't bother to buy from you."***

Although price increasingly affected the customers' buying decisions, the relationship development and management had a more significant effect on the continuity of the relationships and thus ensured the sustainability of trade transactions and perhaps the profitability of the relationships.

Variations among the cases suggested that the development of trust, commitment and satisfaction influenced the development of business relationships, where stable/unaffected trust, commitment and satisfaction indicate a ***committed*** category characterised by stable business relationships. In contrast, negative development or a decrease in one or more elements might lead to the relationship being classified into one of the three remaining business relationship categories. The discussion in this chapter raises questions regarding the way the elements developed in a high-risk and uncertain market. This may offer a fuller understanding of how business relationships develop in such a market. A greater understanding of the critical issues and implications of these matters is discussed in the next chapter.

The discussion in this chapter identified four categories of developing business relationship, i.e. ***committed, cooperative, fragile and inoperative.*** The discussion is summarised and diagrammatically represented in the figure below:

Figure 5.1: The Categories of Business Relationship Development.



Chapter 6: Exploring critical issues in the context of a high-risk and uncertain market.

6.1. Introduction

The variations in relationship element development were elucidated in Chapter 5, but it was still unclear why variations could emerge. This chapter aims to find the broader implications of the development of the main relationship elements through exploration of critical issues. Developing the theory required investigation into how the findings related to broader issues (Silverman, 2004). This led to a richer understanding of business relationship development from different perspectives. It was expected that further lines of inquiry would be identified from the exploration, which would lead to a deeper explanation of the phenomena under study. Therefore, this chapter has one task i.e. finding important implications for further lines of inquiry that will allow examination of business relationship development from a different perspective. For the purpose of this exploration, cases were selected that provided the clearest picture of the important implications of the most critical issues.

6.2. Exploring the development of trust in the high-risk and uncertain market

It was suggested in Chapter 5, section 5.2 that credibility trust refers to the exporter's belief of the buyer's intention and ability to pay. In order to evaluate the development of credibility trust, a critical issue is how the companies ensured payment. This provides an explanation to question 3 identified in Chapter 3. This issue became more important when the market was hit by economic crisis and an increased risk of non-payment by local customers arose. Thus, the critical issue reflects an interesting aspect that may have implications. This issue is now discussed.

Critical issue: ensuring payment

North West

North West still perceived the market as significant to its business as a whole. North West was the only company that exported to the market and accepted two methods of payment namely: open account and cash in advance. The sales director expressed the reasons:

> ***"Using LC, you are 95% sure you will get paid and gradually you get to know the customers, you build up relationships over a period of time and you think that LC costs so much money. So gradually trust is built up then you may change it."***

North West did not change the method of payment as the level of trust in relationships and its perception towards the market did not alter. North West applied an open account method for its three largest customers, i.e. Tanggerang Indonesia, Yogya Indonesia and Binar Langit. These companies already had regular and long-term transactions in larger volumes compared to two smaller local companies: Maspion and Hikari. Long-term, regular transactions gave the exporter confidence in the credibility of the customers but the two latter customers' credit rating was unknown as a limited number of transactions were not sufficient for the exporter to consider the customers to be credible. This suggested that the exporters' confidence was a result of past experience: learning the customers' capability and creditworthiness from previous transactions. The long term and more intense transactions led to a better knowledge of customers' behaviour in terms of payment, which led to a perceived reduction in risk of non-payment.

Experiential learning is a process whereby knowledge is created through the transformation of experience (Kolb, 1985). Experience in business relationships creates experiential knowledge of the specific relationships, this is not transferable but it is gradually accumulated as companies interact (Chetty and Eriksson, 2002). This suggests that experiential learning in business relationships is a gradual process, where trust develops depending on past experience of the interactions in a specific relationship.

Experiential learning produces experiential knowledge of individual customer behaviour, from which trustworthiness can be evaluated, which allows predictions to be made concerning future behaviour and intention. Experience from transactions over a period of time allows the exporter to know the credibility of each customer and to apply the best method of payment. Once there is confidence in the firm, policy may not change due to a perceived risk of non-payment because of external circumstances such as an unstable market.

Mitchell (1999) suggested that an outcome of trust building is a reduction in the perceived risk of the transactions or the relationship. As relationships develop and trust builds, risk will decrease. This suggests that from previous interactions, a firm may learn and obtain knowledge of the behaviour of its customers by which it can predict or estimate its customers' future behaviour. Positive experience may result in a reduction in perceived risk. Therefore, perception of risk is related to possession of knowledge and the rationality needed to be able to estimate risks (Viklund, 2003).

It was suggested in Chapter 6 that five companies shared a case feature: ***stable credibility trust,*** whilst Border suggested ***a decreasing credibility trust***. This company will now be explored.

Border

When the Asian Financial crisis began, the method of payment was dramatically changed from LC with 60 days credit to the most secure method available: cash in advance. Although the Sales Director admitted that payment was not a problem during their active trade transactions before the Asian financial crisis, the company did not trust its dealers. The sales director suggested that the company was unable to learn from the interactions with the dealers:

> ***"...I sometimes have that problem with my colleagues. I have to remind them that it is a two-way relationship... I think in a business relationship, we should trust people, but not everyone in this company wants to support our partners."***

The sales director had been involved in the interaction since the establishment of the relationships and he seemed to suggest that he actually trusted the dealers. At the company level, trust seemed to decrease. This may suggest that his positive experience of dealing with the dealers did not lead to greater trust at the company level. It may mean that his knowledge was not transferred to others in the company. Experience is predominantly operating at individual level, which can influence attitude formation and preconceptions at company level, and it can also come from knowledge via word of mouth from other's experience (Conway and Swift, 2000). This case suggests that individual experience, knowledge and trust may not lead to knowledge at the organisational level. This will be explained further in Chapter 7 section 7.2.

The local dealers perceived Border as being unfair, which caused them to feel distrusted. The relationships developed over more than 20 years but trust declined as the market risks increased. Decreasing credibility trust occurred in this case because the method of payment was changed resulting in the local partner's disappointment. The manager of PT Manado expressed his feeling as follows:

"I was really angry and I asked them to look at our track record. We have not paid late with 60 days credit."(Manager of PT Manado)

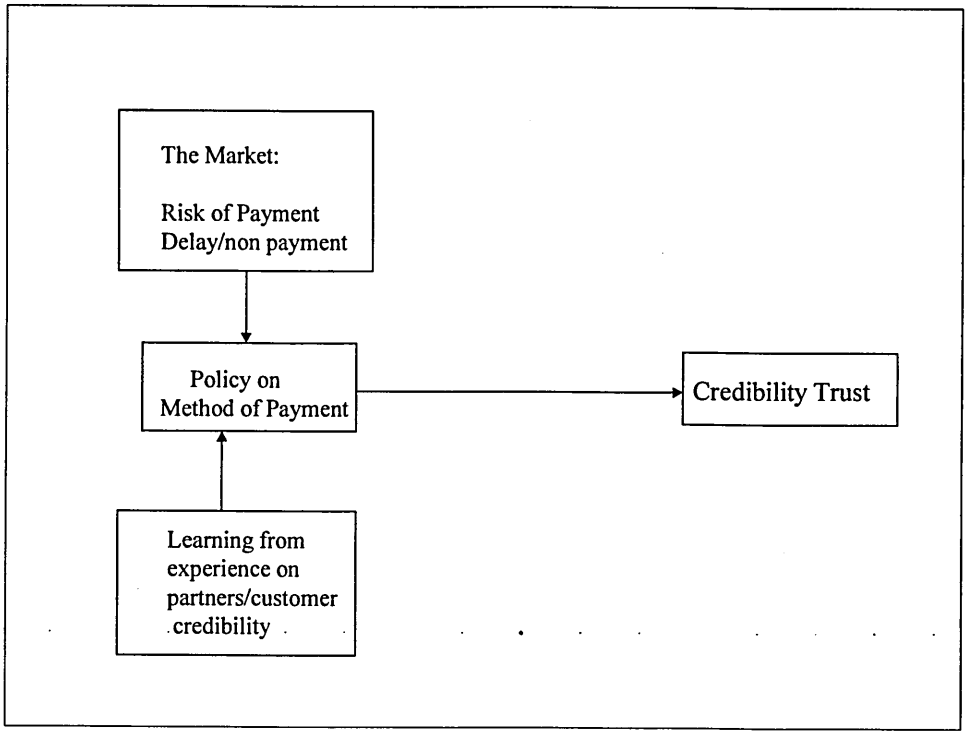
Credibility trust decreased once the exporter examined the increased risk in the market and the company put aside its long experience with the dealers.

The important implication found from the exploration of the critical issue above suggests that ***the variations in the development of trust related to how the firms learnt from experience in the relationship.***

Border's business relationships with the two Indonesian dealers were the longest relationships in the study. Unfortunately, even though the relationships entailed very active business transactions before the crisis, trust did not develop further. This suggested that the exporter was unable to learn from its active and long-term transactions; positive experience did not lead to increasing trust. In contrast, Engle-Warnick and Slonim (2004) concluded that the lengths of relationships have an immediate impact on trust; short relationships lead to less trust and long ones lead to more trust. This suggests that the longer the relationship the greater the experiential learning and the deeper knowledge of customers' credibility, the more a party is willing to choose a method that entails more risks.

In summary, all of the companies, except Border, indicated that credibility trust could be built and was rooted in an understanding of the customers, which was generated from past experience of long-term interactions. As suggested in the exploration above, Border did not learn its partners' behaviour and credibility. Although it did not have any experience of non-payment from the dealers, the British exporter changed the method of payment as a reflection of distrust. It seems that Border was only concerned with the market situation and ignored its long experience of trading with the dealers. This may suggest that when the market became increasingly risky, the exporters might apply a particular method of payment dependent on how they learnt from experience on partners' credibility. The figure below describes the implications of this finding.

Figure 6.1: Credibility Trust Development



The figure above suggests that when a market is increasingly uncertain and companies face a greater risk of non-payment or payment delay, they might alter their policy regarding the method of payment. Policy may change with respect to the market situation. However, policy can reflect learning from experience of partner's/customer's credibility. If confidence in a partner's/customer's credibility is high, as a result of experiential learning, the market situation may be ignored as the risk of non-payment is perceived to be unaffected. Low credibility trust may suggest that the companies were unable to learn about the partners. This will be explained in the next chapter, section 7.2.

Learning from past interactions generates knowledge on the credibility, behaviour and motivation of customers, which leads to trust development in business relationships. Business relationship development is explained by the development of trust, which relates to how companies learn from their experience in the relationships. This suggests that learning is associated with business relationship development through trust development. The exploration of the critical issue on ensuring payment above suggests experiential learning plays a key role in the development of business relationships.

Trust development relates to a company's ability to learn from their past experience. Interactions in the business relationship provide critical learning opportunities to the exporters and their local customers to understand each other. Muhlbacher et al., (1999) showed that the level of knowledge of a buyer's financial strength or weaknesses strongly influences the chosen method of payment. Knowledge of the customer's capability is carried over from a learning stage of trust development. Such knowledge may reflect understanding of the clear strengths and weaknesses of a partner based on experience of a working relationship (Nguyen, 2005). The process of trust formation is often seen as a process of experiential learning in which expectations are developed, tested and reformulated through critical encounters (Dwyer et al., 1987; Wilson and Jantrania, 1994). Consequently, the better the exporters learn, the better the knowledge or understanding obtained from experience, the more the companies have confidence in their customers and are better able to predict the future behaviour of the customers, even if the market situation changes.

Exporters might take risks when they are confident that their customers will always behave positively to gain mutual benefit. It seems that companies' policy on payment methods relates to risk behaviour. A method of payment is likely to depend on the exporter's judgment of trustworthiness of the buyer and vice versa, where the more trust between the exporters and the buyers, the more willing each will be to accept a particular method (Mulbacher et al., 1999; Daniels et al., 2001; Czinkota and Ronkainen, 2004 and Albaum et al., 2005). That means that when an exporter applies or switches to a more secure method of payment, it gives the impression that trust has faded. This study reveals how a company has the ability to learn from their experience and then develop trust when the market situation changes. Payment method, as suggested by this study, reflects how the exporters learnt from experience in their relationships.

However, it is still unclear how the companies being studied took action or changed policy when they faced problems with regard to the market situation. This is particularly important since the market was increasingly uncertain and there was a greater possibility of problems. The following exploration reveals the importance of experiential learning in which interpersonal relationships have a greater role in problem solving. This can stimulate the development of interpersonal and organisational trust. This example supports the finding above on the critical issue of ensuring payment.

Critical issue: The role of interpersonal relationships

Waingate

The export manager of Waingate viewed the Indonesian market as risky due to poor banking systems, which could create problems in obtaining payment from customers. He described the local banking system:

> ***"The best method to make sure of guaranteed payment is the banking system, if it works correctly. Unfortunately in Indonesia, the banking system is the major problem. How to get trust from foreigners? Sometimes Bank Negara we had problems with... you may have big problems with documents. The problem can exist all over the world even in England it is not unusual but it is difficult to resolve the problem with Indonesian banks because they do not normally take the responsibility and therefore you can't have a formal guarantee that you get it fixed".***

The export manager of Waingate expressed that his personal relationship with a former sales engineer of PT Tiara facilitated joint problem solving. The export manager suggested that problems might not only come from internal relationships but also the external environment of the relationship. He described the relationship as follows:

> ***"I really relied on this guy rather than the company. So, I terminated the relationship with PT Tiara after he left the company. So, a personal relationship is much... much more important than a company relationship. It always is. In agency work, it is always a personal relationship. A personal relationship is more helpful. If there is a difficulty it doesn't matter, but at the end of the day you must choose an agent who may help you to solve problems."***

It seems that good interpersonal relationships raise the comfort level, thereby alleviating a perception of "riskness" and contributing towards the development of business relationships. The export manager described how he relied on the sales engineer:

> ***"He was the person I trusted."***

He relied on personal relationships to overcome problems in the market. Accordingly, the former sales engineer of PT Tiara described his relationship with the export manager as follows:

> ***"We did not have any conflict because the gate was me and Mr MacDonald was the gate of Waingate's side. If we had a problem even on payment from clients or if there was a complaint he would contact me and I would do the same."***

This suggests that the personal relationship between Waingate's export manager and the sales engineer of PT Tiara was a close relationship since they both acted as communication channels in problem solving. A positive relationship between the two people could be seen in how they had positive impressions of each other. Positive personal relationships between the British exporter and another two agents (PT Indoswed and PT Global Excelsindo) did not emerge and interpersonal trust did not develop. It was suggested in Chapter 5 that in this case, there was stable credibility trust, but due to poor banking systems, the company faced problems of payment. The two latter agents could not help the export manager to solve the problems as they did not have reliable interpersonal relationships:

> ***"No, but we had a problem to get paid. I mean we always got the money but we had to do something. I had to go to Indonesia just to make sure that we got paid. We had difficulties in getting paid many months late, a lot of problems. I had to go to Indonesia twice purely to recover payment, to get money. The problem was basically the bank, it was to make sure that the bank paid us."***

The export manager also suggested that the termination of relationships with the two latter agents was due to the fact that no reliable personal relationship existed. The business relationships lasted only one year, and they did not achieve active trade transactions. This case seems to suggest that problems emerged due to external factors, yet the export manager relied on the interpersonal relationship to overcome the problems. When the interpersonal relationship could help, interpersonal trust grew. Nonetheless, when the interpersonal relationship could not help, interpersonal and interorganisational trust could not grow as seen on the business relationship with the two latter agents. Put simply, this case suggests that an interpersonal relationship has a greater role when problems arise due to the market situation (for example, a poor banking system) leading to interpersonal trust development. The experience from solving the problems might create knowledge of the person's ability and intention leading to greater interpersonal trust. Interpersonal trust reduces the perception of risk associated with the externals aspect of the business relationship; it increases confidence that existing problems can be resolved. However, interpersonal trust may not develop when the interpersonal relationship can not assist the exporter to overcome problems associated with the market situation. This case suggests that there is a greater possibility of problems occurring due to market change, but interpersonal relationships can both assist in overcoming problems and reduce risk perception. Experience from problem solving generates interpersonal trust.

He pointed out that he would like to build a personal relationship with someone who had engineering and commercial skills, as the skills could accelerate information exchange in order to pursue business with the Indonesian government. As there was political uncertainty, he needed a person who could establish close personal relationships with a number of key persons in such a volatile government. The export manager expressed the difficulty and the role of interpersonal relationships as follows:

> ***"Then, we tried to work directly with the government and direct to the government department. We were able to do that sometimes but not always...because that depended on personal contacts... I think the biggest obstacle was because we don't know who the correct person in the correct department is. So, trading from here was very difficult. The other thing was that Indonesian government tendering is not straightforward; it is very complex ...more complex than it should be. Also, the administration is very slow."***

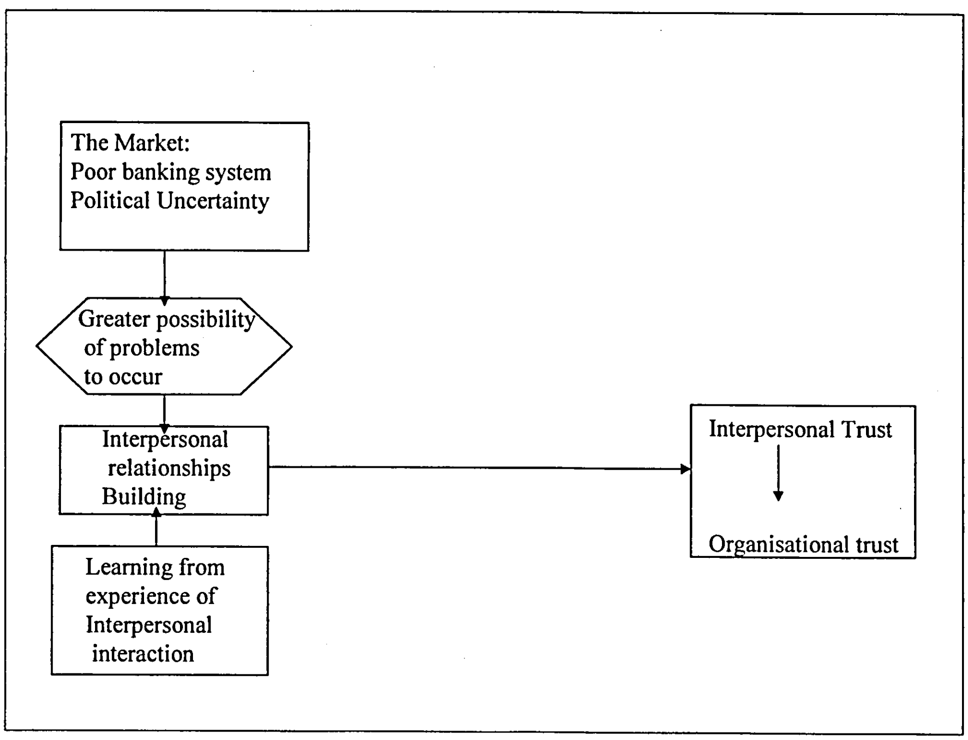
It seems that an interpersonal relationship is very important in a business relationship since a close personal relationship can help to solve problems that emerge in the market; joint problem solving could be performed within the relationship. This could, in turn strengthen the business relationship and the interpersonal relationship. This case indicated that a good personal relationship held a business relationship together as the personal relationship facilitated communication. Therefore, both people were channels of communication: when one left his company, this led to the termination of the business relationship.

As the export manager relied heavily on his personal relationship, which he believed could help to solve any problem associated with the market situation, this stimulated interpersonal trust to grow. But when the personal relationship was not reliable, the relationship exhibited low trust. It seemed that interpersonal trust existed between the export manager and the sales engineer of PT Tiara, which had been generated from their close personal relations. The export manager believed that the sales engineer could help whenever problems emerged. This interpersonal trust induced more confidence, and thus generated a feeling of security and reduced uncertainty in the business relationship. Furthermore, interpersonal trust reduced the perception of uncertainty associated with the market situation. Interpersonal trust between the export manager and the sales engineer of PT Tiara might lead to organisational trust. This suggested that interpersonal trust related to organisational trust. The exploration case confirms Pillai and Sharma's (2003) argument that good personal relationships lead to the generation of trust since interpersonal relationships perpetuate relationships and manage relationships through tough times.

The exploration above suggests that experience in the relationships stimulates the development of interpersonal trust between people involved in interactions.

Interpersonal trust facilitates the communication process between the two parties when problem solving; personal interactions facilitate the process of obtaining knowledge and understanding partners: the more stable the personal ties, the more knowledge and understanding is obtained from the process and the more confidence that the other partner will not exhibit negative behaviour. Interpersonal trust can be gained over time, after individuals experience the interaction and find the partners to be trustworthy, thus interpersonal trust requires time to develop (Wong and Sohal, 2002; Rashid, 2003; Ploetner and Ehret, 2006). This suggests that interpersonal trust is built on learning of past experience from interpersonal contact, based on the evaluation of how the person co-operated to solve problems. This learning requires time, in which the consistency of the partner's behaviour can be observed. Experience in managing complexity or experience of conflict resolution can result in trust. Trust is built on personal interactions (Ploetner and Ehret, 2006) after positive experience emerges and partners show a cooperative and problem-solving attitude (Nguyen, 2005). The figure below describes the implications gained from the exploration.

Figure 6.2. Interpersonal and Organisational Trust Development



The figure above demonstrates that exporting to a high-risk and uncertain market can lead to a greater possibility of problems occurring; such problems include: not receiving payment due to instability in local banking systems; and issues with tenders due to political uncertainty. A reliable interpersonal relationship can help to overcome these problems and a positive image results from learning based on experience of problem solving, which in turn leads to the development of interpersonal and organisational trust.

The exploration of the critical issue here suggests that good personal relations are also critical in solving problems that occur within the organisational relationship or help avoid problem related to difficulties in the market. Personal relations in the business relationship between the exporters and their local intermediaries then become increasingly important when the market is highly uncertain. Various problems can arise due to an increasing uncertainty in the market, but reliable personal relationships are a mechanism to solve them. However, these relationships are only established when individuals involved in the interactions learn from their experience. Positive experience of problem solving leads to stable personal relationships, which stimulates interpersonal trust and lead to a positive atmosphere in the business relationship. A trusting person feels confident that the trusted person will help to overcome any possible problems that might occur in the interactions. This means that relationship uncertainty can be reduced. A trusted person can act as the communication channel between the parties; he can mediate partners' expectations and his company's response. Based on a qualitative study of five different service entrepreneurs in Sweden, Australia and the UK, Friman et al (2002) found that personal relations and personal honesty created the foundation for organisational trust. Similarly, Wong and Sohal (2002) found that interpersonal trust was positively related to organisational trust, which faces erosion if interpersonal relationships are disrupted. Interpersonal trust creates an additional bond that ties the partner to the company. A business relationship may involve extensive personal interaction and information exchange to create opportunities for organisational trust to emerge and develop (Gao et al., 2003).

This research suggests that interpersonal relationships have a greater role in problem solving and the experience of joint problem solving leads to more stable interpersonal/organisational trust. This is consistent with the finding of Nguyen (2005) who found that the lack of market infrastructure and institutions actually forced firms to rely on trust, initially interpersonal trust, which was the result of learning about the partner. With the absence of market institutions, firms seek understanding of a partner and signal trust to that partner, which is essential for relationship development. If firms do not gain substantial knowledge of each other and if business contacts do not develop their personal relationships, the transition from learning to understanding of partners does not occur. Interpersonal and organisational relationships increasingly mingle in the learning process of trust building; this is because individuals' reasoning and emotions play a critical role in assessing a partner.

The discussions in this section answers question number 4 identified in Chapter 3. An important finding from the exploration of the critical issues is that experiential learning plays a role in business relationship development in a high-risk and uncertain market. Based on experience of interpersonal interactions within a business relationship, the exporters learnt and obtained knowledge of their partners/customers' capability to pay, as well as their motivation, behaviour and intention. It seems that credibility and reliability trust at the organisational level was developed from interpersonal relationships and interpersonal trust. Experiential learning produced experiential knowledge from which trustworthiness was evaluated. The better the knowledge gained over a period of time, the better the ability to predict the partner/customers' behaviour and intentions. Therefore, the knowledge led to a feeling of confidence about the future behaviour of partners/customers. This confidence stimulated the firms' willingness to maintain a risky method of payment. This may also be related to the risk behaviour of firms and is explored further in the next chapter, section 7.4.

In Chapter 2, it was suggested that trust influences business relationship development. This study reveals that trust development is explained by experiential learning in the relationship. It therefore suggests that experiential learning stimulated business relationship development in a high-risk market through trust development.

6.3. Exploring the development of commitment in the high-risk and uncertain market

In Chapter 5, there was an interesting issue regarding the need to monitor and observe the market while showing commitment through direct communication/visits, even in a situation with increasing terrorist threats. A critical issue regarding communication will be explored further in order to find the implications for commitment development. Obstacles in direct communication with the final customers, however, seem to be evident. They will be discussed first in order to look at the role of intermediaries and the importance of direct communication with them to acquire market and customer knowledge.

It was found that all the companies, except North West, faced obstacles in direct communication with their end customers and thus they relied on local intermediaries. The obstacles are summarised in the table below:

Table 6.1: Obstacle of Direct Communication with End Customers

Companies	Obstacles of Direct Contact to the Final Customers
Border	A large number of customers spread in many islands and direct contact to them would increase the cost. Visiting the country entailed a risk of terrorist threat.
Pittafin	A lot number of small customers who could not buy directly due to the banking system and had lack of communication competence
Froster Fencing	High cost of customer visits, bureaucracy and corruption
Waingate	Small companies did not have communication competence with the West, and selling directly to the local government hampered by corruption, and it was dependant on personal contact. The company lacked knowledge of the tendering procedure.
Bridgeside	High cost of customer visits, lack of knowledge of local culture, building personal ties with the buying firm would not be easy as the key people in the buying firms depended on the political situation.

The geographical nature of the market and the cost of customer visits hampered direct observation, which limited the frequency and perhaps the quality of their face-to-face communication. This pushed the exporters to build relationships with intermediaries. The following comments reflect the role of intermediaries and the need for local market and customer knowledge.

> ***"Only if you have a local man can you do it ...The biggest problem is the banking system and the second problem is strangeness. Most people here don't understand Indonesia." (The Export Manager of Waingate)***

> ***"They have known the buyer...the people. They have already had the contact with the people and that is what we really want." (The Sales Director of Bridgeside)***

It seems that the exporters' main objective for working with local intermediaries was to ensure communication; they emphasised the role of the business relationship with intermediaries in order to obtain knowledge of the market and customers. Communication with them was crucial to the process of knowledge transfer. Compared to the exporters, the local partners were thought to have a greater opportunity and were more able to visit and observe the end users. Market and customer knowledge were seen to be important, including: knowledge of the rapid pace of market change; competitor existence and strategy; customers' behaviour and needs. This led to an exploration of how the exporters ensured the flow of information concerning the market and customers, highlighting the importance of visits. This provides an explanation for question number 5 identified in Chapter 3.

Critical issue: market and customer knowledge acquisition

Bridgeside Ltd.

Bridgeside had only one customer in the Indonesian market: Krakatau, a state-owned company. Bridgeside realised the difficulty of working alone without a local agent: as described in table 6.1., direct communication with end users could create problems as the exporters could not establish close relationships with key personnel within the buying organisations. Supplying a state-owned company might depend on interpersonal relationships with management personnel, which might not be easy due to political uncertainty. However, interpersonal relationships were very important in order to obtain information regarding organisational requirements.

It seems that Bridgeside tried to build a stable relationship with the representative rather than directly with PT Krakatau Steel, which seemed to have been difficult. The Sales director expressed the difficulty as follows:

> ***"It is very difficult to do business directly. We need to find someone who has been respected by the customer, so we need somebody who is going there."***

Bridgeside staff (the sales director, export manager and at least two technical staff) visited Krakatau about four times a year. From this direct communication/visits to the customer, the company acquired knowledge of the customer's needs.

> ***"We are flying, then have two and a half days with them talking technically and commercially and then fly out. I suppose that our business since 1997 has increased."***

The statement above indicates that although the company had a representative, it maintained frequent visits to the customer. The sales director further emphasised that obtaining knowledge of the customer was the main objective of building a relationship with the representative, who could visit the customer more frequently than Bridgeside staff:

"I got somebody on the ground so we can visit the customer every week. He makes sure that there are no problems but if there are problems maybe because our products are not performing well, we will know because the guy will inform us - he keeps us informed. The local management in Krakatau can immediately get hold of him, and within a few hours the local man will inform me, so that we can solve the problem quickly."

This suggests that learning through their business relationships enabled the company to develop its ability to create customer value. Obtaining knowledge of the customer and creating the best total value to the customer was critical to the success of the business and the development of the relationships. The Sales Director of Bridgeside suggested the importance of the understanding below:

"Well, understanding the products that we manufacture and making sure that they are the right products for the conditions in the rolling mills in Krakatau." (The Sales Director of Bridgeside)

He also suggested that an effective communication process involves continuous learning to gain understanding and provide customer support.

"One of the reasons we use representatives is to keep in touch with our customer, it is to make it a facility. It is to make the communication easier and it works wonderfully." (The Sales Director of Bridgeside)

The company cultivated better sales performance after the market became uncertain; the learning process created benefits for the customers such as offering products and services that met the customer's evolving requirements more effectively than competitors (Mayo and Lank, 1994). In short, a business relationship provided the critical learning opportunity to help the parties understand each other as well as market conditions (Kingshott, 2005), and this understanding led to offering better products and better responses to market uncertainty.

The local representative had a critical role in providing consistent technical and non-technical support to the customer by acting as the channel for information flow. A smooth flow of information ensured immediate technical problem solving which met customer needs. It seemed that in this case, the role of the local representative was important in order to obtain up-to-date information, which helped Bridgeside to improve service and assistance to the customer. In addition to IT based communication; Bridgeside visited the representative at least three times a year, and involved the sales director, the export manager and technical engineers. This allowed the exporters to acquire customer and market knowledge. Based on a study of seven major Hollywood film studios, Miller and Shamsie (1999) maintained that companies may face great uncertainty simply because they lack information to understand or moderate the effect of their environment on themselves. Companies confront more uncertainty because they have less knowledge of their environment; uncertainty may be reduced by a companies' influence over its distribution channels, which can then guarantee them exclusive access to customers.

The case above suggested that local intermediaries had an advantage concerning the possession of local market/customer knowledge as they had greater opportunity to closely observe the market/customers. This seems to encourage exporters to establish a channel of information and knowledge transfer by collaboration with local intermediaries. This supports the findings of Phan et al (2002), who found that Southeast Asian partners often had a better knowledge of local markets and customers and so their counterparts, Australian exporters, felt more compelled to have input from them. In successful relationships, the process of information exchange is often well rehearsed and established.

North West

The company believed that they had a better chance of getting to know their customers through visits.

> ***"Put it in a positive way, we visit them to find out what they are doing, so if we don't visit them we don't know. So I think it is important to keep the contact and continue to work with them and maybe we can reduce our visits from 2 to 1, but we do always want to visit them."***

The sales director indicated that stable interaction was motivated by a positive desire to keep the same level of contact in order to maintain their understanding of their customers. The affective commitment was motivated by the desire to obtain reliable information from the customers, yet it was not entirely successful. North West's customers seemed to be the only source of information regarding: the market situation; the existence of new competitors; the behaviour of lamp users and of the customers themselves.

> ***"The source of information is our customers, if we visit them, we talk about their problems or anything." (The Sales Director of North West)***

Table 6.2 below shows that North West began to export directly after the Asian Financial crisis hit the country. Yet, North West was previously involved in interactions with the customers and thus already had experience and knowledge of them. This was reinforced when the key management personnel of the former agent joined North West. The company seemed to be confident that having local intermediaries was unnecessary, as they believed that they were well informed by their customers.

Table 6.2: The Timeline of North West Export to Indonesia

1989	1995	1996	1998	1999	2002
North West exported through Lamp and Component International Ltd to PT Binar Langit, PT Sibel Ex and PT Comet Star	North West supplied cement the new owner of PT Sibel Ex, e.g. PT Yogya Indonesia	North West supplied new customer, i.e.: PT Maspion and PT Hikari	North West supplied the new owner of PT Comet Star, i.e.: PT Tanggerang Indonesia. The managing director of Lamp and Component International joined North West.	North West began directly exporting to Indonesia	North West lost business with PT Tanggerang Indonesia as the customer began to produce cement for itself.

Nonetheless, North West lost one of its main customers, i.e. PT Tanggerang Indonesia, as North West did not have sufficient knowledge of the customer's latent need. Regular and direct contacts between the staff in both companies began in 1999, or two years before the customer decided to produce cement itself. The director of North West usually met the purchasing manager and the technical engineer: a Scottish man with New Zealand nationality, from whom they could easily gather information regarding their problems. However, during the two years of their interaction, it seemed that North West could not achieve deeper knowledge of their customer's needs.

The purchasing manager indicated that the company's latent need was for lamp-capping cement that was suitable for all of their machines. It also emerged that efficiency of the production process was the main reason behind the decision to produce cement. Unfortunately, North West did not know this and it seemed that North West believed that PT Tanggerang's decision to produce cement was due to the customer's ability to develop a cheaper product, as indicated by the Sales Director below:

> ***"No. We didn't know when they actually did it, then they told us but they didn't tell us before. ... But in this case, they can always make it cheaper than we could sell it to them. I think because of the cost. It is a big disappoint that we couldn't do that for them."***

When PT Tanggerang Indonesia took over PT Comet Stars, it did not start from zero. PT Tanggerang Indonesia kept old production machinery because its headquarters devoted incremental investment in the new plant. The sequential investment was due to the increasing risk in the country as social unrest had just begun when PT Comet Stars was acquired. Old and new machinery required different types of cement, which caused inefficiency in the production process. After gaining knowledge of making cement, PT Tanggerang Indonesia developed its own cement that would be suitable for all the machines and thus the production process became more efficient.

Further, it was found that PT Tanggerang Indonesia and the other remaining North West customers continued to buy local cement to make cheaper lamps for the domestic market. Unfortunately, North West did not know this, as they still believed that the decreasing cement orders were caused by poor sales of lamps, as expressed by the export manager:

> ***"Our sales are down, I think it is due to the fact that the companies do not produce many lamps therefore they don't need much cement. This is the fact."***

North West believed that the customers were buying only from them and that they had reduced orders due to a decline in lamp production volume. Nevertheless, it was found that North West did not really know their customers, who continued buying cement from a local producer.

> ***"I think the local cement producer doesn't supply big lamp manufacturers." (The Sales Director)***

> ***"We haven't heard about local competitors anymore. So we are hoping the situation will improve." (The company secretary)***

This suggested that the communication process between North West and its local customers did not achieve a high level of information exchange and thus social distance still existed.

The company staff visited Indonesia twice a year and only one staff member was sent to visit 2-3 customers. Hence, a customer might meet a member North West staff once or twice a year. Although the same personnel were responsible for visiting the local customers and this allowed them to know the partners well, the frequency of visits was low and so the objectives were not met. Therefore, although the number of visits remained stable, it was not sufficient to obtain information regarding the local customers' latent needs. This lack of information did not stimulate a greater ability to offer customers the best service or the best solutions, which suggests that frequency of face-to-face meetings/visits is an essential factor in obtaining knowledge of customers and thus creating a more effective learning process.

Maintained or stable frequency of face-to-face communication with customers was motivated by a positive desire to obtain reliable information about their customers, who in fact did not open up. This suggested that the customers shared some (but not all) of the information that could influence North West's intentions or policies, in order to bring about adaptations in their favour. Therefore, although communication was stable and perceived as adequate by the exporter, the information obtained was incomplete and there were no local intermediaries who could closely monitor the customers and the market. It seemed that the company did not perform communication effectively and so did not obtain up-to-date knowledge.

Customer visits ensured effective communication and aid a continuous learning process in the turbulent environment. Lack of customer visits led to a lack of information and knowledge. Continuous knowledge acquisition was critical to meet customers' expressed and latent needs and allowed the development of satisfaction in the relationships. Leek et al (2004) found that face-to-face contact or visits are used to gain a personal understanding of customers. Visiting local customers allowed the companies to build personal contacts and obtain greater intuitive knowledge of how export products were received and how to make appropriate responses that challenged their competition (Morgan and Katsikeas, 1998). IT-based communication may not adequately replace the benefit of visits, as the use of email, for example, is primarily for non-complex and information lean tasks (Hoof et al., 2005). Barry and Crant (2000) pointed out that communication can be described in terms of the richness of information flow between individuals. They maintained that the richest communication mode is through visits. A visit allows for more customised communication, immediate feedback and the ability to gather additional data through observation (Cannon and Homburg, 2001).

The understanding obtained from this exploration is described in the figure below:

Figure 6.3. Commitment on Communication

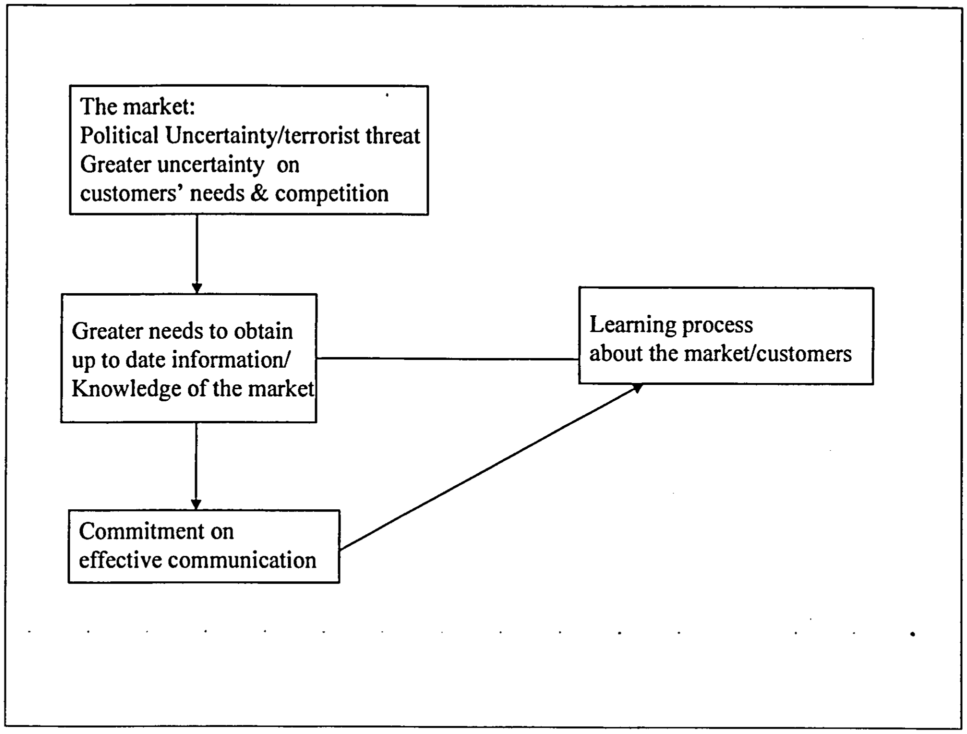


Figure 6.3 outlines the implications of the above discussion. Since the market was increasingly uncertain, there was a greater need to obtain up-to-date information from intermediaries or directly from end customers. Nonetheless, there were obstacles as suggested in table 6.1, and it is not easy to develop direct communication with end users regardless of their number. Bridgeside had only one customer but worked through a local representative and its business grew stable, whilst North West sold directly to five customers without an intermediary, but the company lost its main customer due to insufficient knowledge of the customer's latent need. This contradicts the argument of Stern et al (2001); they stated that industrial product markets are characterised by fewer, larger and geographically concentrated buyers who need intensive technical assistance. Consequently, end users prefer direct communication with the manufacturer and it is relatively easy for the manufacturer to maintain direct contact with end users. Nevertheless, as suggested by this study, exporting to the high-risk and uncertain market increased the need for effective communication and thus commitment to it. A flow of information was needed to give up-to-date market and customer knowledge that then ensured a continuous process of learning. Such a learning process was more effectively carried out through business relationships with local intermediaries rather than directly with the end users.

The existence of local intermediaries was to facilitate the communication process and to ensure the acquisition of market and customer knowledge. More importantly, the current study suggested that the existence of local intermediaries was more valuable when the market became highly uncertain. Information exchange on an ongoing basis between the exporters and their local intermediaries enabled exporters to closely monitor external market conditions and any change in final buyers' behaviour or needs. Together, the exporters and their local partners worked to share market intelligence and achieved a better understanding of how to identify options in order to help meet the final customers' needs.

Therefore, this study supports the argument of Kim and Frazier (1997) that uncertainty in the environment refers to the degree of change and complexity to which suppliers and intermediaries in the channel system must adapt. Thus the higher the uncertainty, the greater the need to gain information from associated channel members and perform some level of joint planning. This suggested that in the increasingly uncertain market, continuous supply of customer and market information was critical for the decision making process in order to develop a better response to the opportunities and threats present within the market. Continuous information and learning was ensured by effective communication with the local intermediaries.

The implication found from this exploration is that continuous learning is increasingly important when the market becomes highly turbulent. This learning was supported through the existence of local intermediaries and was dependent on the information flow between them and the customer, which could be ensured through effective communication techniques, particularly visits. Effective communication between the exporters and the intermediaries will affect the acquisition of market/customer knowledge. Nonetheless, how commitment through communication led to a greater ability to create customer satisfaction is unexplained. This will be the focus of the discussion below.

6.4. Exploring the development of Satisfaction in the high-risk and uncertain market

It was suggested in Chapter 5 that companies could create better value for customers by providing a combination of superior support and good quality. It suggested that customer satisfaction reflected customer perception of the whole package offered by suppliers. However, it was still unclear how the companies developed their ability to create customer value to maintain satisfaction in the relationship. Hence, the exploration here is to answer question number 6 identified in Chapter 3. The critical issue is examined by looking at the experience of North West:

Critical issue: Customer value creation

North West

In order to maintain business, North West adapted its price and product. Nevertheless, customers' economic satisfaction was not automatically increased, as they perceived North West's price as too expensive, especially when North West was the only supplier.

> ***"It was very expensive, but the quality was not really great." (The Purchasing Manager, PT Tanggerang Indonesia)***

The purchasing manager of PT Tanggerang Indonesia thought that the quality of North West cement was not perceived to be worth its price, due to North West's cement being unsuitable for all machines in the customer's factory.

It seemed that the local customers perceived that the price of products they purchased exceeded the value or the quality of the products. Meanwhile, they perceived that a competitors' product quality was worth its price; they perceived that competitors offered much cheaper products with acceptable quality. This suggests that the customers' perception on price-quality relations changed. Dodds et al (1991) conceptualised customer perceived value as a trade-off between perceived quality and perceived psychological, as well monetary sacrifice. Hence, customers are willing to buy a product when they believe it to be a quality product at the lowest possible price (Voros, 2006). Therefore, customers will look at price-quality to evaluate the value of the products being offered. Price is essentially determined by the amount the customer is willing to pay for the product and their perception (Marsh, 2000). Therefore, the Indonesian customers were no longer willing to pay the same amount of money for the products when they could get a good quality alternative at a cheaper price. This suggests an evolving customer perception.

Although the local customers were dissatisfied with price, they were happy with the support given by North West, which suggested that they were economically dissatisfied but socially satisfied.

"But if we talk about relationships, I think North West's support was above average among all of our suppliers." (The Purchasing manager, PT Tanggerang Indonesia).

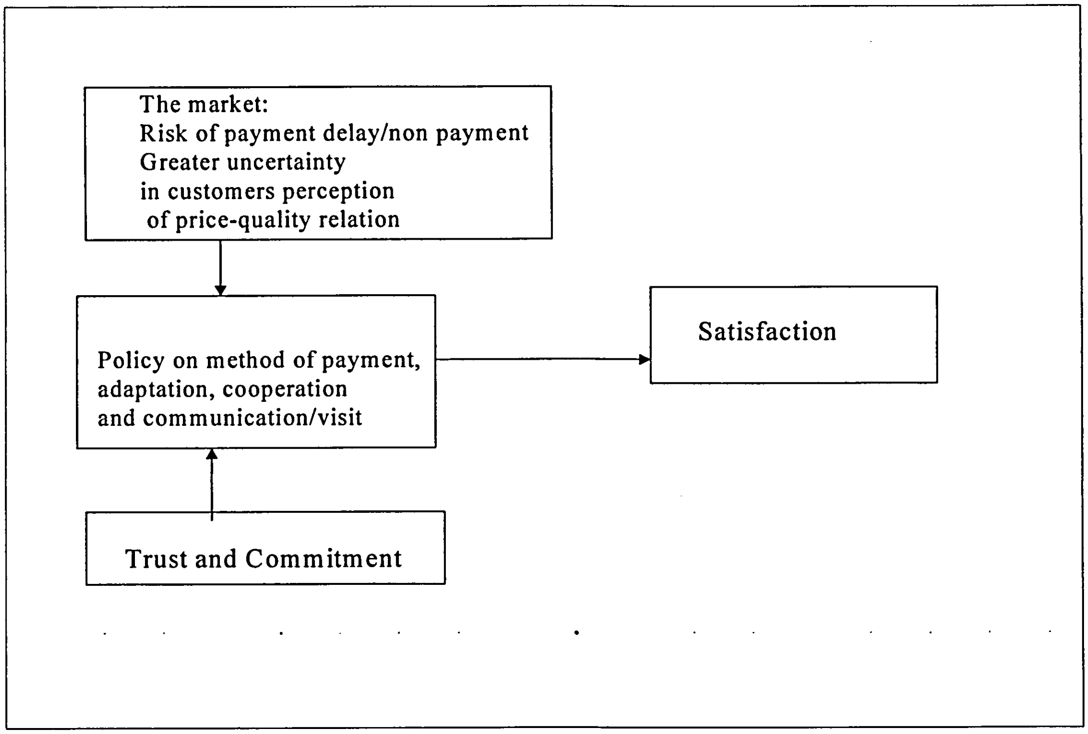
"During economic crisis, we told them about the situation in Indonesia and we asked for their support. Then they gave a good discount." (The Purchasing manager, PT Binar Langit).

"North West's support is superb." (The Purchasing manager, PT Yogya Indonesia)

The lamp manufacturers seemed to appreciate North West's support mainly in the process of changing the product grade, price negotiation, quick response to customer inquiry and flexible credit payment terms. For the latter, the customers perceived that North West had eased a difficult situation for their business. By applying a flexible payment term, North West was able to fulfil the customers' requirement as they had expressed them through negotiation and cooperation. However, as discussed earlier, the customers' latent needs were not met.

The implication of the above exploration is that North West was not able to maintain its superior quality but was able to maintain its support to its customers. The company could provide support through payment terms, as it learnt from experience of past interactions in the relationships. This suggested that the company support was a result of experiential learning in its relationships. Nevertheless, it could not successfully perform continuous learning in order to build its knowledge of the customers' latent needs. This suggests that the ability to create customer value and to pursue satisfaction depends on experiential learning and continuous learning through business relationships. Figure 6.4 below describes the understandings obtained from the discussion above.

Figure 6.4: The Development of Satisfaction



Satisfaction was linked to commitment and trust development in the relationships. Constant direct communication or visits; cooperation and adaptation reflected affective commitment in relationships and created social satisfaction. Affective commitment enabled the exporters to acquire market and customer knowledge in order to create customer added value and suggested how the companies oriented themselves toward the customer/market. This is an interesting issue to explore in the next chapter, section 7.3.

An important implication was that satisfaction could be maintained which reflected the companies' ability to create the best total value to customers, particularly where understanding the customers' perception of value was critical. The understanding was accumulated through experiential and continuous learning in the business relationships. Trust and commitment created satisfaction in the relationships: trust developed according to experiential learning and this allowed the exporters to adapt their methods/products according to customer needs. In turn, this signalled trust, and was perceived as support which led to satisfaction. However, when trust did not develop and experiential learning did not lead to any change in company methods (e.g. payment terms), this signalled distrust and created dissatisfaction (as shown in the case of Border). Lack of commitment in terms of direct communication hindered the companies' accumulation of important knowledge about customers' latent and expressed needs. Moreover, the failure to obtain such knowledge led to an inability to satisfy and retain customers/partners, which led to weak business relationships. Continuous learning facilitated the acquisition of understanding of customers' value perceptions and led the companies to provide the best total value to their customers. This stimulated satisfaction in the business relationships.

6.5. Summary and Conclusion

This chapter aimed to find implications related to the development of the main relationship elements of trust, commitment and satisfaction. The exploration of critical issues in this chapter provided insights into how learning might link to relationship development. The exploration allowed important findings to emerge. The table below summarises the key findings for each section and suggests the importance of learning processes.

Table 6.3: Implications Found from each Section

Sections	Implications
Critical issues in lieu of Trust Development	Learning from past experience of interactions builds understanding of creditworthiness and reliability of customers/partners. Experiential learning facilitated trust development.
Critical issues in lieu of Commitment Development	Commitment on affective commitment ensured the continuous learning process where the exporters continuously obtain information and knowledge of the market/customers.
Critical issues in lieu of Satisfaction Development	Trust and commitment related to satisfaction since experiential learning and continuous learning facilitated the exporter's ability to create superior customer value.

After the market was hit by the Asian Financial Crisis, the risk of non-payment might be greater than when the market stable (see Chapter 1). This situation might encourage the exporters to reshape their policy to maintain guarantee of payment. This chapter provides an understanding that experiential learning in the relationship influenced the exporters' policy. Table 6.3 suggests that experiential learning stimulated the development of trust in the business relationships. Experience gained from transactions carried out over a period of time allowed exporters to know the credibility of each customer and acquire the knowledge required to alter their policies (for example, payment terms). The experience gained also allowed exporters to take risks when they were confident that their customers would always behave positively and find a way to build mutual interests. It seems that risk-taking behaviour related to knowledge obtained from experiential learning.

External aspects might affect the risk management behaviour of exporters. The companies might respond to increasing risk in the environment by reshaping their risk management policy. This is shown in their behaviour towards risk. Thus, questions emerge regarding their behaviour toward risks and how the behaviour explains the development of business relationships. The next chapter discusses the issues relating to risk behaviour and business relationship development in a high-risk and uncertain market.

Experience in managing complexity or problem solving also resulted in the development of interpersonal then organisational trust. This suggests that interpersonal trust is developed by learning from past experience in interpersonal contacts, especially based on the evaluation of how people cooperate to solve problems.

As suggested in the exploration, stable communication activities with customers might not be adequate to fully understand the customers' latent needs, especially when firms export without the cooperation of local intermediaries. Commitment to effective communication, especially visits, ensured the acquisition of market/customer knowledge and was crucial when the market became increasingly turbulent. Lack of visits can lead to deficit in such knowledge. In such a market, the exporters need to know how customer value perception evolves and this requires their willingness to continuously gather knowledge. This reflects their orientation toward the market/customers. A question emerges of how the exporters oriented toward the market or the customer and this will be explained in the next chapter. The explorations detailed in this chapter emphasised the importance of the continuous learning process, aided by communication with intermediaries, and manifest in affective commitment to the development of relationships. This study confirms the finding of Santos-Vijande et al (2005a), who found that learning is deemed to favour the firms' knowledge of their customers and to affect the level of trust and affective commitment. They maintained that learning stimulates the firms' trust and affective commitment to their customers and thus stimulated customers networking capability and the continuity of the existing relationships.

The discussion in this chapter contributes to the understanding that experiential and continuous learning processes lead to knowledge building: they are the processes that create understanding of the market and customers. These enabled the companies to create superior customer value. Learning processes are critical in the development of business relationship in a highly uncertain environment where evolving perceptions of customer value need to be monitored and understood. In order to cope with environmental uncertainty, exporters benefit from learning and building knowledge. The figure below describes the understanding obtained from the analysis.

Figure 6.5: Learning in Business Relationships

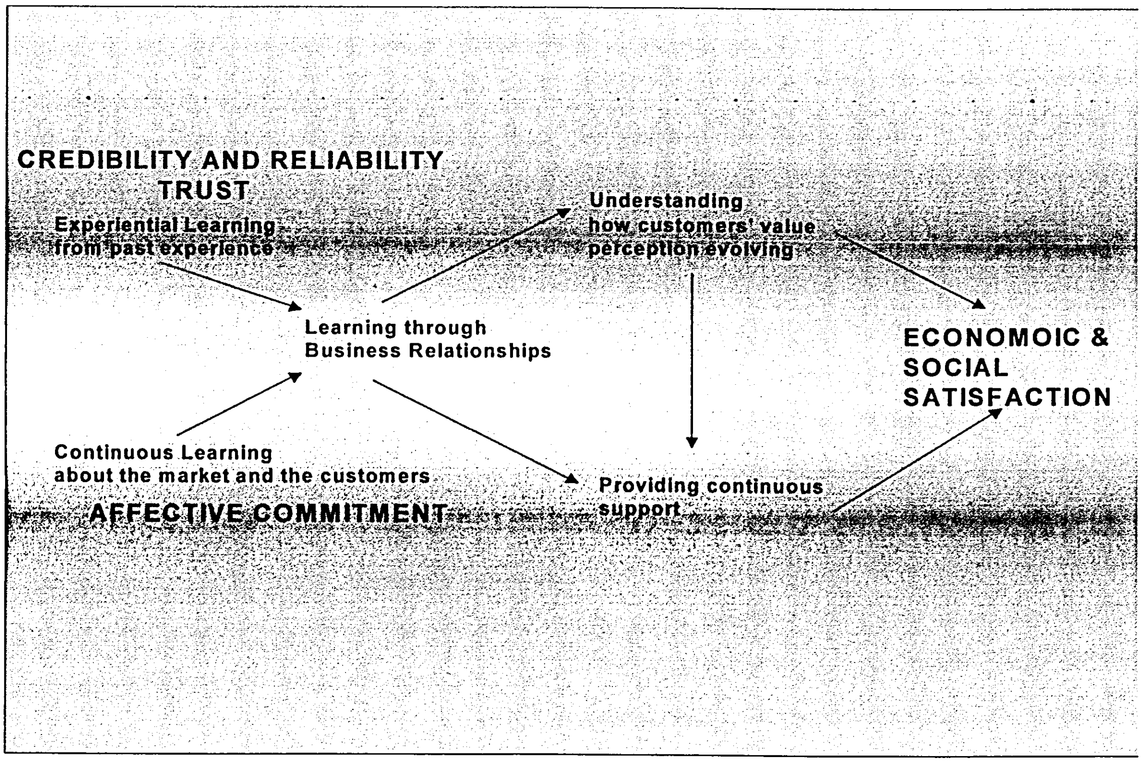
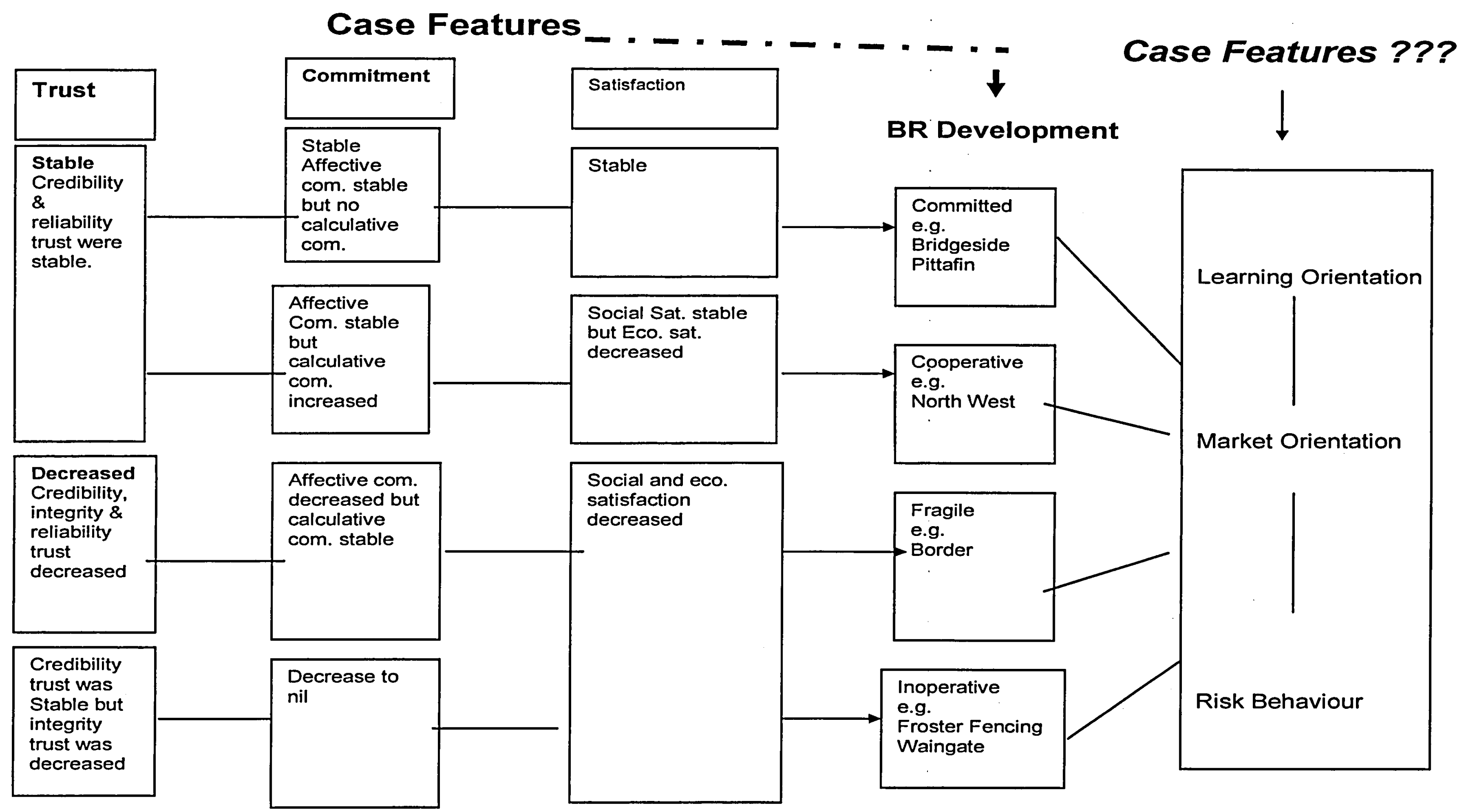


Figure 6.5 suggests that the learning process facilitates the building of knowledge concerning the creation and provision of the best value to customers, which leads to satisfaction. Since learning explains the development of trust and affective commitment, therefore those elements relate to satisfaction. The experiential learning process stimulates knowledge development of customers' credibility and trustworthiness leading to the development of trust. Affective commitment also facilitates the continuous learning process and provides an opportunity for companies to get to know their customers' needs and how their value perception evolves. This knowledge facilitates the companies to develop appropriate policies, which may be viewed as adding to the

companies' support capability, to create better value for the customers (and thereby promoting satisfaction).

In summary, the analysis in this chapter can be best described by the following figure, which is an extension of Figure 6.1 presented at the end of Chapter 6. The analysis here highlights the importance of learning in the development of business relationships and that experience and knowledge has an important role in the development of business relationships. Therefore, a further analysis of how the exporters emphasised learning becomes important.

Figure 6.6. The Categories of Business Relationship Development and the Implications



Chapter 7: Learning Orientation

7.1. Introduction

The previous phase of the analysis (Chapter 6) suggested the importance of the role of learning in business relationship development and management. Experiential and continuous learning through business relationships related to the fluctuation of trust, commitment and satisfaction. The explorations in Chapter 6 indicated that business relationship development could be best understood through a learning perspective. Therefore, it is important to gain insights into how the companies in this study emphasised learning values within their organisations. The aim of this chapter is to explore the learning orientation of the companies. Variations in terms of the dimensions of learning orientation are identified, and how these relate to the variations/categories of business relationship development identified in Chapter 5.

Here, learning orientation refers to the organisational learning culture of the companies studied and is viewed as a firm's willingness to generate organisational learning (Santos-Vijande et al., 2005b). Organisational learning requires collective learning by all members of the organisation, it refers to the kinds of behaviour that value and promotes learning. Learning oriented organisations have environments in which individuals: are encouraged to learn; are motivated; developed; and share new skills (Richter and Vettel, 1995; Farrell, 1999; Kandemir and Hult, 2005). This suggests that a learning orientation facilitates the generation of new ideas and knowledge through the collective effort of individuals who have the ability to absorb and share knowledge with others. Greenley (1995), Slater and Narver (1995), Hurley and Hult (1998), Baker and Sinkula (1999 and 2000), Farrel and Oczkowski (2002) and Santos-Vijande et al (2005b) assumed that learning orientation provided benefits for companies in understanding their markets, particularly when they had to operate in turbulent markets.

A question regarding customer orientation and risk behaviour emerged in Chapter 6 but was not explained. This chapter aims to obtain understanding of these issues and ascertain variations in terms of learning, market orientation and risk behaviour to find out how they are related. This allows causal explanations of business relationship development and learning orientation to be developed, which will then be discussed in chapter 8

7.2. Learning Orientation

In order to evaluate the learning orientation of the companies studied, the dimensions of learning orientation are explored by finding the variations among the companies. The discussion here is to find an explanation of the role of learning orientation of how the companies learnt in the market through business relationships. Based on the work of Chonko et al (2003) and Santos-Vijande et al (2005b), four dimensions of learning orientation are examined: emphasis on the value of learning; shared vision; availability of learning mechanisms; and organisational routines and processes.

7.2.1 Commitment to Learning (Emphasis on the value of learning)

Fostering an organisational culture that demonstrates the value of learning and emphasises the importance of learning throughout the organisation, is central to a company's ability to adapt to an uncertain environment (Chonko et al., 2003). This results from an organisation's belief that learning is at the heart of the organisation's ability to continuously adapt to its business environment as threats are identified and opportunities exploited. This ability develops if a company can learn and apply knowledge faster than its competitors. Building competitive advantage on the ability to learn requires a commitment to learning, which implies that organisations value knowledge of the causes and effects of its actions (Santos-Vijande et al., 2005b). This suggests that the purpose of an emphasis on learning is to allow organisations to continuously anticipate market opportunity and threat, and respond more effectively than their competitors. Learning also allows organisations to anticipate a competitor's actions against their responses.

The interviewees suggested that their companies viewed learning as a critical aspect of their business:

> ***"We believe that everybody who works for us is important, so we have to invest in them and train them to do their own job better or do additional jobs." (The Sales Director of Bridgeside).***
>
> ***"Each employee has an annual meeting with their supervisor, which includes a review of training needs. This is then followed up quarterly with their immediate supervisors." (The Sales Development Manager of Pittafin).***

Waingate and Border emphasised experiential learning of the international market place. Experiential learning is a process whereby knowledge is created through the transformation of experience (Kolb, 1985), hence the process generated of operating in diverse export markets gave the companies experiential knowledge (Chetty and Eriksson, 2002).

> ***"There is nothing like experience and we learn a lot from experience. We learn a lot, whether we trade in Indonesia, Bangladesh, China or everywhere." (Sales Director of Border).***

> ***"It is basically 80% is my experience and 20% is analytical." (The Export Manager of Waingate).***

It seems that all the companies emphasised learning, but the organisations' commitment as suggested by the interviewees did not explain why each learnt in different ways from the environmental uncertainty. The pattern between business relationship development and the commitment on learning was unclear. Bloor (1978) suggests that a case feature shared by all four categories of business relationship development identified in the last phase of the analysis process, might be ruled out as an influence upon their variability (cf. Johnson, 1989). Hence, further identification of variations of the other learning dimensions are required to fully understand how the organisations learnt, which may then relate to the development of business relationships.

7.2.2. Shared Vision

The discussion here examines how market/customer knowledge was shared within a company. This seems to be a critical issue regarding market and customer knowledge acquisition and was explored in Chapter 6. The exploration suggests that effective communication facilitated the companies to acquire up-to-date knowledge of the market and customers.

This dimension includes a firm interest in sharing the organisation's view of objectives and priorities, as well as a commitment to them. This dimension is essential to guarantee that learning occurs in the same direction (Santos-Vijande et al., 2005b). Slater and Narver (1995) suggested that a shared vision requires effective information dissemination in order to increase information value. When each piece of information can be seen in its broader context by all organisation players there must be a consensus on the meaning of the information and its implication for the business. Thus, shared vision serves the firm with a sense of purpose and direction (Celuch et al., 2002).

Companies can encourage information acquisition by sending people from multiple functions on customer visits. However the effectiveness of their response may depend on their assumption of the market and whether the key relationships between responses and the customers are shared by all concerned (Day, 1994).

Sharing information might occur through face-to-face contacts in both formal and informal meetings, and the use of information technology. The table below describes how each company studied shared knowledge and information within the organisation to highlight a main case feature of each.

Table 7.1: Information and Knowledge Sharing

BR Development Category (identified in chapter 6)	**Company**	**Information/knowledge sharing**
Committed	Bridgeside	Regular meetings and discussions with staff who frequently interacted with the local representative and the customer
	Pittafin	Regular meetings and consultations with staff who were believed to have more experience of dealing with the market
Cooperative	North West	Regular meetings among the sales director, export manager and the company secretary
Fragile	Border	No meeting or consultation among individuals although a number of staff involved in the interactions
Inoperative	Waingate	No meeting or consultation among individuals since only one staff involved in the interactions
	Froster Fencing	Long hierarchy of information flow

Although the interviewees maintained that their companies were committed to learning, the table above suggests that this varied amongst the six companies and they could be divided into two groups: North West, Bridgeside and Pittafin (cooperative and committed categories) shared a common feature as they **promoted shared vision** within the organisation, while the companies in the fragile and inoperative categories, i.e. Border, Froster Fencing and Waingate suggested **a limited shared vision**. These variations might affect the development of relationships. This is evaluated below.

Promoted Shared Vision

The cases of North West, Pittafin and Bridgeside suggested that each shared market and customer information throughout the company with the objective of reaching a consensus on what they were trying to achieve; what they were doing to retain customers; and how they won over competitors. It seems they believed that they could learn together to improve their company's performance and learn their competitors' strategy in order to maintain their competitive edge:

> ***"We sit around here and we go through what we have to decide about our plan, to achieve what we want and how we can reach the targets." (The Company Secretary of North West).***

> ***"We talk about how we can do best or create better offers compared to our competitors so that we can be more attractive than other companies." (The Sales Director of Bridgeside).***

> ***"We work together to find out what we should get." (The Sales Development Manager of Pittafin).***

This suggests that open discussions facilitated a shared understanding among staff and ensured each company had one vision, which integrated staff and their efforts in order to maintain competitiveness. This shows that shared vision is a collective effort in order to develop the collective actions of the organisation. Indeed, open discussions permitted the emergence of better ideas from all staff involved; they were encouraged to learn together and participate in the creation of new ideas on how to deal with the market uncertainty. Bridgeside, for example, suggested that knowledge sharing enabled a consensus to be developed, which gave the best decision.

> ***"We might debate and we would find the best for the company." (The Sales Director of Bridgeside).***

Accordingly, the case of North West suggested that regular meetings allowed an individual's knowledge of a customer's credibility or trustworthiness to be transferred to others. This may suggest that knowledge sharing facilitated interpersonal trust, which could in turn be organisational trust.

> ***"Yes, we have meetings. We discuss everything - it is a very open discussion. We have many issues such as payment, shipment or everything, especially when it is a major problem... Certainly, we take notice of what each other notes. If Merry (the company secretary) says I won't give them credit because they'll let you down, then I might ask the customer to pay with LC so that we are sure about the money." (The Sales Director of North West).***

According to Maltz (2000:123), scheduled meetings provide a forum for the dissemination of well-crafted information in a setting conducive to immediate feedback and multiple cues, thus presenting an opportunity for a rich, in-depth dialogue between members of multiple functional groups. Regular meetings are a way to share the rich experience of one staff member with another and this influences other employees' behaviour in the company. It seems that staffs need information to be able to perform their tasks as service providers to external customers (Gronroos, 1990), meaning that they need to communicate their own requirements as well as their knowledge regarding the partners (external customers) needs, and this can be performed through regular meetings in the company. Regular meetings and participation in the decision-making process performed by these three companies facilitated information and knowledge sharing in order to find the best ideas to manage and develop the business relationship.

The cases of Pittafin, North West and Bridgeside emphasised the importance of common agreement among staff.

> ***"It was the way I wanted to go, but I should have more staff agree with me before I go or make the decision because they would have more dealings directly with Peter Nugraha and the customer than I would. So I need them to agree with the decision. So I would make sure that they totally agree with me or my views." (The Sales Director of Bridgeside).***

The three cases suggest knowledge sharing took place in the decision-making process, which was a participative process where employees from different parts of the companies participated. The process involved not only the sales director or other employees in the sales department, but also technicians and the company secretary. A participative decision making process will increase information flow and communication across functions (Hurley and Hult, 1998). As described in table 7.1, the three cases confirm that participative decision making allowed information sharing throughout the organisation, not only in the sales department but also other departments. This ensured the right services and products were provided in order to stay competitive in the turbulent environment. Bridgeside, North West and Pittafin relied on a participative decision making process, where the managers and directors promoted sharing knowledge and ideas. This confirms the finding of a study carried out by Lee and Tsai (2005): the authors argued that a participative decision-making process encouraged more collaboration and interaction among employees, which stimulated the emergence of better ideas. Accordingly, Farrell (2000:207) maintained that transformative leaders create an environment in which individuals are able to learn for themselves and share their learning experiences within the organisation, both inter- and intra- department. This suggests that knowledge obtained from interactions in the relationships, at its deepest and most personal level, might only be enjoyed by a key person. This appeared to play a central role in the overall relationship management by providing or disseminating important knowledge based on individual experience. They emphasised sharing and receiving experiential knowledge of diverse markets, which is evaluated below.

> ***"I also consult with other people who might have more experience or knowledge in particular areas than me." (The Sales Director of Bridgeside).***

> ***"If I am not pretty sure about something I would ask the person who deals with the market." (The Sales Development Manager of Pittafin)***

They suggest that open discussion and regular meetings were based on: mutual trust and mutual respect among the staff; reciprocal information flow; and interdependency. As a consequence, knowledge about the market risk and uncertainty could be disseminated to others, which stimulated the integration of all efforts and the creation of better ideas of how to deal with the market risk and uncertainty. Everybody respected and trusted each other's knowledge and ideas, which allowed knowledge transfer between staff and built bonds between them. Koskinen (2003) argued that trust between people motivates them to share and receive tacit knowledge. He also maintained that face-to-face interaction allows individuals to get to know each other through the building and maintenance of networks of pleasant social bonds and generates trust so they can depend on one another; this builds the foundation for the sharing of tacit knowledge. Hence, relationship experience possessed by individuals in the form of tacit knowledge will only be transferred to others when the dissemination is facilitated by direct human contact such as face-to-face interaction and dialogue. Nonetheless, the dissemination process depends on trust and cooperation within the organisation and thus the atmosphere in the organisation. Farrell (1999) found that learning oriented organisations have environments in which individuals are encouraged to learn; are motivated; develop and share new skills and knowledge; and thus lead to stronger alliances within the organisation and a greater team spirit. Learning orientation may foster a learning environment and further strengthen the alliance between individuals and the organisation, in the form of greater organisational commitment and *esprit de corps*. This suggests that individuals' experience and knowledge gained from their direct interactions with intermediaries/customers will only be transferred to others when dissemination is facilitated and supported by trust and cooperation within organisations. The existence of experience and knowledge dissemination permitted other staff, which did not have direct contact with the market and customers to obtain the knowledge. In relation to the situation in the Indonesian market, a shared vision through regular meetings, open discussion and employee involvement in the decision-making process indeed facilitated the emergence of the best ideas when trust and cooperation among individuals was established in an organisation. This is particularly critical when they operated in an uncertain environment as they were challenged by unpredictable changes that required constant review of strategy and the capacity to develop better ways to deal with the environment.

Limited Shared Vision

In contrast to the three cases above, the cases of Border and Waingate suggested that they put greater emphasis on personal judgment, with limited shared vision in the decision making process. The export manager of Waingate suggested that the decision to terminate the company's business relationships with three local agents was based on his own judgment:

> ***"No, it was based on my own judgment. In this company, the person in the front line who sells to the country should make the decision. When the board said, "We still want to sell", I said, "No, I am not going to.".” (The Export Manager of Waingate).***

It seems that the export manager, as the only person in the company who dealt with the market, the local customers and the agents, could make decisions without achieving consensus with others. Similarly, the sales director of Border relied on his own judgment based on his own experiences:

> ***"I make my own judgment every day, all the time. I don't ask for advice because there is nobody else in the company with the experience and knowledge that I have. So [there is] nobody I can turn to, so I take my own advice and my own advice is the best advice." (The Sales Director of Border).***

It seems that the two companies did not share market information and consensus was not achieved. They therefore only stressed an individual’s judgment who was very proud of his own rich experience. This may be due to there being no way to transfer knowledge to other staff: there were no regular or scheduled meetings in which other staff might receive valuable information regarding the market; the local partners; and the final customers. Regarding the policy to change the method of payment, which was perceived as unfair by the dealers (see Chapter 6), this was also based on his own judgment. This may reflect his attitude toward risks in relation to the market situation whilst neglecting his long experience working with the dealers. This will be explained later in this chapter, section 7.4. It was suggested that the longer the relationship the greater the experiential learning and the deeper knowledge of customers' credibility, the more the decision maker is willing to choose a method that entails more risks. Credibility trust exhibited by the sales director might not fully encourage him to keep the same method of payment, and then he decided to change it to a less risky method. On the other hand, other staff in the company might not have experience and knowledge of interaction with the dealers and thus trust did not fully develop. There was no mechanism to share the sales director's knowledge of long-term experience working with the dealers. Learning about the partner was on an individual level and as a result, trust at the company level could not grow. Lack of shared vision hindered the company in learning from experience of long-term trade transactions. Divergent ideas and opinions were not stimulated from which critical decisions could be made. This may explain why the company experienced decreasing credibility trust: the company did not facilitate knowledge transfer and learning processes within the company. Put simply, this company was unable to learn the dealer's credibility due to lack of shared understanding within the company.

The sales director and the export manager did not rely on the points of view of other staff due to their lack of trust in others' ability. Also, the sales director of Border expressed that he made decisions to solve problems arising in the relationships:

> ***"There is no need for that... It is based on my own judgment because there is nobody to consult with. Even if we have problems with the dealers, I will try to solve it based on my own judgment because if I leave it to other people then it doesn't work." (The Sales Director of Border).***

The sales director suggested that he did not trust other staff. He implies that he was the only one who had the knowledge and thus, ideas on how to solve problems that arose in the business relationships.

The decision-making process in Border and Waingate was short because it only depended on the personal judgment of the export manager. This brought an advantage to the speed of response to a local partner's enquiries, since the manager/director did not have to have regular meetings and consult with other staff. However, their rich experience of dealing with customers and intermediaries was not shared, meaning that there was no dialogue to facilitate a richer information exchange within the company. This led to lack of support given by the companies due to lack of staff interest and motivation: they did not have a mutual understanding in order to focus on the market and the customers. The sales director of Border suggested this:

> ***"I was actually disappointed by the lack of interest and that's why I say here to you that the problem is in the mind of our people here, why they don't remember our customers... The support is not only from me. Ok, I have visited them, I have talked to them and I met them. I do support them but I keep saying that you are never the only person in a business, but the company as a whole must support them not just one person." (The Sales Director of Border).***

Lack of shared knowledge might reflect the lack of cooperation and coordination in the companies. Cooperation and coordination seemed to be critical to integrate all the efforts and to ensure the organisation had one vision. Lack of shared vision led to a lack of ability to meet customer requirements, which were increasingly challenging and uncertain. This was seen in the experience of Border: the sales director of Border expressed that the lack of cooperation and coordination among departments hindered the dissemination of information:

> ***"The factory's need is to establish the manufacturing information to deliver what the customer wants so that we can produce what the customers want. I am not really supporting their effort and they are not really set up to support us. So, we have those problems. I sometimes found too much aggravation from other departments who sometimes do not understand the needs of our people to go overseas and don't understand the market because they don't travel." (The Sales Director of Border).***

The statement above suggests that information regarding customers' needs was not shared and still possessed only by sales staff, the statement also indicates that non-sales staff could have customer or market knowledge so that they could support the sales force. The interactions occurred between the local customers and the sales staff, who then obtained first-hand knowledge about customers' needs and how to fulfil these needs. However, the knowledge was not transmitted further, because there was no mechanism to promote the process, which reflected the lack of trust and cooperation amongst staff. This suggests that satisfying and fulfilling customers' needs are not only the responsibility of the sales department.

Similar to Border and Waingate, Froster Fencing did not have a participative decision making process. PT Mutiara Indah, the former distributor, complained about the bureaucracy within Froster Fencing. The export manager of Froster Fencing Ltd also described this:

"They control the majority of the shares and therefore effectively make most decisions. I think there is too much strict day-to-day control by the family members rather than paying higher salaries to the senior managers and letting them get on with it. What we found within the company was the decision process was very hierarchical; for example when you want to buy pens, you have to get permission from the number one man. It is strange that a large company like Froster still controls the details."

This suggests that this highly centralised firm inhibits staff opportunities to participate in the decision-making process. In Froster Fencing, it depended heavily on the judgment of the parent company, which was in fact, not involved in the direct communication with the partner and local customers.

"I would consult with the headquarters in Belgium as the final consultation on taking appropriate action, whether to terminate the relationship or to encourage them to do better, to back up them, give them training or give back-up locally within the region. Or does our price need to be higher? Or do we have competitors or do we have to be more competitive? Is that delivery too long? Any problem." (The Export Manager of Froster Fencing Ltd.).

Farrell (1999) found that highly centralised organisations tend to inhibit the ability of the organisation to allow shift of beliefs and actions, which then inhibits organisational learning. Similarly, Jaworski and Kohli (1993) found that a centralised decision-making process served as a barrier to a market orientation since it impinged on intelligence dissemination.

At this stage, it was found that Bridgeside, Pittafin (committed category companies) and North West (a cooperative category company) shared a common feature: **shared vision promoted**. Meanwhile, Border (a fragile category company) and Froster Fencing and Waingate (inoperative category companies) shared a common feature: **a limited shared vision.** The variation seemed to affect the companies' support to customers/partners and the method of payment applied. Limited shared vision resulted in slow responses and poor support, which led to decreasing satisfaction. The method of payment reflected trust, which was suggested to develop depending on the experiential learning in the business relationships; individual staff accumulated knowledge of each customer's credibility. However, when knowledge sharing was facilitated in the organisations, others might have the same knowledge and they could decide the best method of payment for each customer together.

The discussion above suggests that learning is not solely about commitment to information and knowledge acquisition, but how these are shared inside the organisations. The process indicates how commitment to learning lies at an organisational level or an individual level. Although the interviewees maintained that their companies were committed to learning, the analysis above suggests that learning occurs at two different levels: at the organisational level and at the individual level. The first level refers to learning where sharing information and knowledge is promoted and facilitated; the second refers to learning where this is limited within the organisation and learning is merely emphasised by individuals. If knowledge sharing takes place in the decision-making process, this reflects coordination/cooperation and trust among individuals in the organisations. The differences between the two levels are that shared vision performed at the organisational level facilitates the emergence of the best ideas on how to develop business relationships whilst fulfilling customers' needs through shared experience. The knowledge and vision of individuals is needed by those who do not have direct interaction with the intermediaries/customers. Also, shared vision permits the companies to provide the best support to their customers/intermediaries and to integrate all efforts to maintain business relationships. This is because shared vision stimulates information sharing throughout the company and thus, information obtained by the staffs that have direct contact with the intermediaries/customers is transferred to others. Conversely, the absence of shared vision results in a lack of support, as customers and market knowledge is not shared. A company's support is not only the sales person's responsibility but should be generated within all parts of the organisation. Therefore, shared knowledge and vision are important to integrate all the efforts of all functions toward one objective, to provide the support needed to promote customer/partner satisfaction and retain the partners/customers to develop business relationships.

In this study, the sales people were in direct contact with the market and customers; they were in a position to acquire and transmit information concerning their customers and the market to other individuals within the organisation. Every staff member involved in the interaction was likely to possess first-hand knowledge of partner/customer behaviour, needs and preferences. Nevertheless, the transmission of information was dependent on the level of cooperation in the organisation. Since the market was experiencing greater uncertainty and customer requirements became unpredictable, shared vision seemed to be in a greater need. Shared vision through face-to-face meetings was essential to: disseminate information and knowledge; stimulate new and better ideas; set up solid teamwork; and to coordinate activities to satisfy customers whilst developing business relationships. Close cooperation was important, as providing support to the customers/partners was the responsibility of the organisation as a whole. The coordination and integration of all efforts were required. Also, it appears that shared vision was rooted in the ability of the decision makers to work effectively with other staff involved in relationships with the Indonesian customers/partners. This study supports the suggestions of Day (1994): he indicated that companies may encourage information acquisition by sending people from multiple functions on customer visits. However, the effectiveness of their response may depend on how their assumption about the market and customers were shared by all concerned. This suggests that assumptions and knowledge acquired through interaction with intermediaries/customers would be more valuable if they were shared throughout the organisation. This is particularly important when exporting to a highly uncertain market because rapid change is unavoidable. Change may require the company to adapt, but this must be supported by the organisation as a whole, not only the sales department. Lack of trust and cooperation has been shown to hinder the sharing of information and knowledge, which leads to poor customer support.

The discussion above suggests that shared vision explains the development of business relationships and its link to fluctuating trust and satisfaction levels. How the companies provided learning opportunities for staff in order to disseminate knowledge to the organisation as a whole is explored in the next discussion where the variations in relation to the availability of learning mechanism are identified.

7.2.3. Availability of Learning Mechanism

Based on the interview data, the author found that two aspects of learning mechanisms could explain the variations among the companies studied - the variety of learning and frequency of learning. These may explain how the companies learnt and built their knowledge about the management of risks and developing business relationships.

Variety of learning

Five of the companies studied established a built-in mechanism to encourage staff to learn. The exporters suggested a wide variety of learning subjects available to the staff:

"We have internal and external training to promote individuals and the company. We have a training manager who will train people, if it would be a finance course or welding course which is available externally in the university, we would let them go there and pay for them." (The Sales Director of Bridgeside).

"We do provide some internal training in IT... and a few other bespoke courses from time to time on new methods and procedures. We do send people on various outside courses on Management Skills, Selling and Finance etc." (The Sales Development Manager of Pittafin).

These interviewees suggested that their companies provided a wide range of learning both within and outside of the company environment. Learning opportunities were not only to enhance technical skills but also in marketing and finance skills. The variety of learning opportunities suggests that they were pursuing a variety of knowledge and established various expertises in the organisations. This seems to be in contrast to the case of North West (*cooperative category*), which mainly focused on improving the technical skills of employees through learning within the factory.

"We do exactly the same job that is to produce a cheaper product to manufacture." (The Company Secretary of North West).

This may suggest that North West had a limited variety of learning available compared to the other companies examined. It seems that North West lacked a learning orientation in terms of the availability of learning mechanisms, as it pursued only a limited variety of knowledge. In order to evaluate how the variety of learning explained business relationship development in the market, the management of the risk of exchange rate fluctuation is now explored.

All of the companies under study seemed to have a similar policy regarding currency choice; none of them accepted local currency, which fluctuated poorly against other currencies. The risk of exchange rate fluctuation was mitigated by policies on currency choice: only hard currency (Euro, US Dollars, GBP) was accepted. Only North West (*cooperative* category) strictly required a single currency, i.e. GBP, which was because they had no knowledge of reducing the risk of exchange rate fluctuation, as indicated by the Sales Director:

"We don't know why we should; we don't do hedging at all. It may be we have to when we sell with dollars. I know some options but I don't know how."

When selling to the Indonesian market, the companies, with the exception of North West, accepted US Dollars. The companies in the *committed*, *fragile* and *inoperative* categories applied hedging in order to manage the risk of currency rate fluctuation. Border and Pittafin applied a forward hedging technique where they made an agreement on exchange rate in advance of each order. They responded towards cash flow earning volatility through hedging or hard currency choice in order to reduce the uncertainty of their future income. Although they only accepted hard currency, they still met the Indonesian customers' preference as they had knowledge of hedging and had a well-established information system as indicated below:

> ***"As soon as we get an order, we tell our computer system and the system tells the account department, then the account department will tell us how many dollars or how many euros or whatever the currency is. Then, once a month the group holds the currency together, then we secure forward to make sure that we fix the rate for the currency. So yes we do that really." (The Sales Development Manager of Pittafin)***

Bridgeside and Waingate implemented a multi-currency account technique, where the companies took and provided ongoing monitoring in the management of the increasingly complex and volatile foreign exchange environment (Duangploy and Helmi, 2000). Froster Fencing applied a netting technique, which required the firm to have centralised organisation of its cash management (Abor, 2005). Multi-currency account and netting techniques are more advanced risk management techniques (Barret, 1997), suggesting that implementing such strategies were technically more sophisticated than forward contract hedging, which was applied by Border and Pittafin. Since the companies emphasised pursuing various knowledge including finance, they were more able to manage financial risk e.g. exchange rate fluctuation. They were learning orientated in terms of the availability of learning mechanisms. The companies seemed to be confident of their ability to manage the financial risk, as expressed by the export manager of Froster Fencing:

> ***"They are very clever in the way they handle money. There is no doubt about that, with some very clever people who ensure that whatever the cash holdings are, even for few hours in the night they can always transfer to the best attainable rate and they have a clever stable system that works with the Belgium bank to make sure that the international money that's held wherever...in Brazil, UK or wherever, is collectively handled as a total cash to achieved the best return."***

It seems that knowledge of financial risk management strategies determines the choice of hedging technique taken. Frorster Fencing could meet their customers' preferences regarding currency choice as long as they had knowledge of how to minimise the risk of exchange rate fluctuation through hedging, and had knowledge and ability to speculate in the financial market.

All the companies, except North West, emphasised the building of expertise in financial risk management. North West did not build its knowledge of financial risk management and focused only on technical skills development. As a result, they did not have the ability to manage currency rate fluctuation and so only accepted its home currency. It seems that a variety of learning stimulated the other companies' ability to manage risks in the market. Hence, a wider variety of learning leads to a greater ability to manage all possible risks associated with the market situation. Anckar and Samiee (2000) have suggested that firms with a lack of resources and knowledge to handle and assume risks associated with foreign exchange consider foreign exchange involvement too risky and burdensome to get involved in. A greater ability to manage currency risk impacts as a greater willingness to accept foreign currencies.

This discussion suggests that knowledge within the firms influenced the choice of currency risk management method: the better the knowledge and ability to manage exchange rate risk, the greater willingness of the firms to accept currency that was more convenient to the customers. This then promoted the development of satisfaction and the business relationships. The discussion above suggested that only North West (*cooperative category*) could not satisfy its customers in terms of currency choice as expressed by the purchasing manager of PT Tanggerang Indonesia:

> ***"Also, we felt that North West's cement was too expensive and they wanted GBP so it was very expensive."***

It seems that the purchasing manager felt dissatisfaction in the relationship due to the British exporters only accepting home currency; this lead to the price being perceived as more expensive. The frequency of learning mechanisms is now examined in order to find how it influenced the development of business relationships.

Frequency of learning mechanisms

As stated earlier, all of the interviewees indicated that they emphasised market and customer knowledge acquisition from their interaction with customers/partners. The critical role of customer/market knowledge acquisition in the uncertain environment has been revealed in Chapter 6, hence it is not repeated in this chapter. Nevertheless, the discussion here is to answer question number 7 identified in Chapter 3. It is suggested that learning happens whenever staff come into contact with customers/partners; Therefore, the availability of learning mechanisms can also be evaluated according to how the companies interacted with the local customers/partners.

Chonko et al (2003) indicated that salespeople have enormous possibilities to learn about their company's markets. This is because salespeople are in constant communication and interaction with the market constituents and thus, are in a unique position to participate in the process of information collection. Organisations encourage information acquisition by sending people from various functions on customer/partner visits. They can obtain understanding of customer references and customer problems, which may indicate their latent needs. They may also understand the evolution of competition and any possible threat from new and current competitors. This understanding can be obtained from close interaction with partners as it creates actual experience to refer to, and thus adds to the supply of knowledge (Richter and Vettel, 1995).

In order to evaluate how the companies provided learning opportunities through interaction in the business relationships, an analysis of how they interacted in the relationships, especially after the Asian Financial Crisis, is required. As suggested in earlier in Chapter 6, face-to-face communication or visits were an effective method of obtaining customer and market knowledge. The following discussion evaluates the companies' visits to their customers/partners.

The company in the *cooperative* category, North West, realised the important role of customer visits as a method to get to know their customers.

> ***"We try to keep the same person, so that he knows customers by that way. We visit them to find out what they are doing so if we don't visit them we don't know." (The Sales Director of North West).***

As suggested in Chapter 6, North West maintained stable customer visits, but they were already low in frequency and unfortunately, were not enough to achieve customer intimacy. This was suggested earlier in the exploration of customer and market knowledge acquisition where it was suggested that the company had imperfect knowledge of customers' outsourcing and latent needs.

Companies in the *fragile and inoperative* categories shared a common feature as they indicated decreasing frequency of learning mechanisms. Waingate suggested that lack of affective commitment led to limited interaction, since the export manager was unable to build a new interpersonal relationship within the agency relationships. In the case of Froster Fencing where the decision-making process was centralised; the decision makers were not involved in direct communication with partners and customers because the task was fully performed by local staff. Although the local employee could visit the partners/customers, he was not involved in the decision making process and thus his knowledge was not well shared within the organisation.

> ***"That means there is less need for our men in Singapore office to visit and also less need for overseas personnel like myself to visit Indonesia." (The export manager of Froster Fencing).***

Border did not visit its dealers since the market was hit by the crisis. Therefore, they did not have an effective mechanism for continuous learning about the market and the customers. This led to a lack of knowledge of the rapidly changing market and a lack of information about customers' preferences and needs.

> ***"They should visit so that they know that European and Asia are different. If I ask them to do something, they will ask me back "What is it for?" and they just don't care." (The manager of PT Manado, Border's agent.)***

On the other hand, *committed* category companies had frequent customer visits. Bridgeside maintained its frequent visits involving the sales director, export manager and at least two technical engineers. Similarly, Pittafin suggested that personal and face-to-face interactions still existed.

At this stage, the following case features were found:

Bridgeside and Pittafin (*committed category* companies) shared common features: ***wide variety and frequent use of learning mechanisms***. North West (*a cooperative category* company) had case features: ***limited variety and low frequency in the use of learning mechanisms***. Meanwhile, Border (*a fragile category* company), Froster Fencing and Waingate (*inoperative category* companies) shared common case features: ***wide variety but lack of frequent use of learning mechanism.*** The variations seem to affect the companies' ability to promote satisfaction in the business relationships. Wide varieties of learning mechanisms resulted in a variety of knowledge held by the company, including management of financial risk e.g. currency rate fluctuation. Lack of such knowledge led companies to accept only home currency, which was not convenient for their customers. In contrast, mastering the knowledge led companies to accept a wider choice of currencies, which then created customer satisfaction and strengthened the business relationships. Further, lack of frequency of learning mechanisms hindered the companies' ability to acquire market and customer knowledge, which led to a lack of ability to satisfy customer's expressed and latent needs. Frequent use of learning mechanisms reflected the companies' affective commitment and thus, the more frequent the mechanism was used the higher the commitment and the more stable the relationships. It was already suggested in Chapter 6 that visits might facilitate exporters to continuously learn about the market and the customers. Companies can learn about the market whenever staffs interact with customers/partners. However, the availability of the learning mechanisms might depend on the frequency of face-to-face interactions. This suggests that the frequent use of learning mechanisms reflects affective commitment in which face-to-face interactions or direct communication and visits are employed.

The frequency of face-to-face meetings/visits was an essential factor in achieving intimacy with the customer that allowed the acquisition of customer and market information, and ensured continuous learning. This supports the argument of Leuthesser and Kohli (1995); they argued that an increased frequency of interaction led to the processing of greater amounts of information.

The discussion above suggests an association between the availability of learning mechanism with the fluctuation of satisfaction, commitment and the development of relationships. Nonetheless, a question remains as to how the companies in the study learnt the new business reality in the turbulent environment. The discussion below explores this issue.

7.2.4. Organisational Routines and Process (Open mindedness)

Organisational memory represents learned ways of thinking; it pertains to learning from past success and embeds norms that guide individuals (Chonko et al., 2003). Routines and past experience compose stored knowledge within an organisation and may develop when the routines and experience have brought about success. The success experience may push the organisation to learn new skills, although the environment has changed as the organisation still relies on the old strategy and assumptions about its market and customers. Decisions regarding sales, for example, were based on the routines already established and not in response to market requirements. Hence, a learning orientation also entails a process of "unlearning" to avoid organisational behaviour rigidities (Santos-Vijande et al., 2005b).

Regarding open mindedness, there are two types of learning: adaptive learning and generative learning (Slater and Narver, 1995; Celuch et al., 2002; McGuiness and Morgan, 2005). They are believed to give different results to a companies' ability to deal with market uncertainty. Variations in terms of open mindedness were found in this study, which could be divided into these types of learning. Four companies: North West, Border, Waingate and Froster Fencing, use **adaptive learning** only while Bridgeside and Pittafin also emphasise **generative learning**. This means that only companies in the committed category performed generative learning. This is further explored below, within the context of the development of business relationships.

Adaptive learning

Slater and Narver (1995:64) argued that adaptive learning is the most basic form of learning that may constrain companies to the adaptive variety, which is usually sequential, incremental and focused on issues or opportunities that are within the traditional scope of the organisation's activities. Therefore, it may lead to incremental improvements in the same way of doing the same things (McGuiness and Morgan, 2005), reflecting reactive responses to environmental events (Celuch et al., 2002).

Froster Fencing suggested that they were reactive regarding market opportunities in Indonesia:

> ***"I think we had to wait for the demand to be forced from Indonesia." (The Export Manager of Froster Fencing).***

In fact, reactive behaviour had already misled the company when it failed to exploit opportunities for spring wire products in the mattress industry:

> ***"Unfortunately, we were a little bit slow to recognise the fact. Our office didn't report on it, and about five years ago we missed the opportunity." (The former Export Manager of Froster Fencing).***

This may suggest that Froster Fencing performed adaptive learning as reactive behaviour impinged on the company's ability to explore market opportunity.
Waingate was reluctant to adapt to the market as the company viewed that the market was too difficult. Experiential learning obtained from other export markets did not help them to adapt to the Indonesian market.

> ***"It is too difficult to operate in...I have experience in other difficult markets but it doesn't make it easier to export to Indonesia." (The Export Manager of Waingate).***

This suggests that their experience of global operation was not helpful to their exports to Indonesia, but also that they could not learn from problems arising as a result of the turbulent situation in the Indonesian market.

Border paid greater attention to internal matters, rather than trying to monitor and comprehend the market changes. The sales director expressed the obstacles of learning process within the company:

> ***"The problems? Attitude and mind. It is an attitude problem. I think it is. If a complaint comes in they don't all believe it." (The Sales Director of Border).***

He suggested that the company's staff were narrow-minded since they ignored customer complaints, from which they could learn about customer expectations. Learning about markets seemed to exist in the marketing department, while staff in other departments, as indicated earlier, seemed to lose touch with the markets and thus did not have sufficient knowledge or understanding of how the markets had changed. Accordingly, the local dealer perceived that Border seemed to stick to their old beliefs and when new or radical ideas or enquiries were presented, they could not adapt or change. The local dealer expressed it as below:

> ***"Border staffs in the sales department are a little bit better because they have been travelling around the globe so they are open-minded. But the rest of the people are narrow-minded: they don't know us...They don't really accept new ideas or other people's ideas. I advised them to adapt. But they refused and they thought it was odd." (Manager, PT Manado).***

The dealer perceived Border staff as being narrow-minded and unsupportive. This indicates that the company staffs were resistant to change as they believed that their old practice was the best way to do business whatever the situation in the market. This shows that Border is limited to adaptive learning.

North West suggested that they tried to understand the situation and attempted to find the best way to respond to keep the business, which was perhaps "unusual", as expressed by the sales director of North West bellow:

> ***"So we really responded to the Indonesian crisis as an individual case. Every country has a little different situation and we do change the price a bit but what we do in Indonesia is very different." (The Sales Director of North West).***

A key component of a firm's learning orientation is its commitment to ongoing, open-minded inquiry, which promotes unique ways of interacting with the environment (Baker and Sinkula, 2002). As the market became highly uncertain and new threats from a local competitor emerged, North West realised the need to be more flexible and that adaptations were necessary to keep their Indonesian customers. As suggested in Chapter 6, the decision to adapt product grades were based on information from customers, in other words, the company met the expressed needs of its customers. This suggests that the company performed adaptive learning, since the company emphasised product modification or adaptation for its current customers rather than proactively pursuing a deeper understanding of the latent needs of its customers (Slater and Narver, 1995).

It seems that four companies: North West (a cooperative category company), Border (a fragile category company), Froster Fencing and Waingate (inoperative category companies) shared a common feature: ***a preference for adaptive learning only***. Now, the companies that applied generative learning are examined.

Generative learning

Generative learning results in changes to a firm's "deeper" norms and the mental models that guide its behaviour (Celuch et al., 2002), where the firm attempts to find different and better ways of doing things or different and better things to do (McGuiness and Morgan, 2005). In other words, generative learning allows a firm to change its "view of the world" (Foley and Fahy, 2004) since it involves constant reflection on past strategy and approaches to business rather than just learning through incremental adaptation or trial and error (Beverland and Lindgreen, 2005).

Pittafin demonstrates open-mindedness through hearing and learning customers' requirements and complaints. Similarly, Bridgeside viewed their success as having been through a continuous process of learning to understanding the customers' reality and ongoing cooperation with both customers and the local representative.

> ***"It is very easy and enjoyable...I mean it is in a simple way, not in magic, just hard work, realistic and helping each other...sometimes I go and sometimes one of our staff goes. We come to them, to know and compromise on the price; the products; and our service. It is again it has never-never changed." (The Sales Director of Bridgeside).***

The company was able to develop learning from the market and made constant adjustment to its way of dealing with customers, based on an understanding of the customers' needs. The company was able to learn the new reality in the market as it emphasised continuous learning through its business relationships.

The discussion suggests that generative learning might result in a greater ability to deal with market uncertainty; while companies that relied on adaptive learning only, were not able to comprehend the extent of the market change. As a result, they could not find new ways of doing business in the increasingly uncertain market. Generative learning companies had a better learning orientation, which helped them to learn about market uncertainty and improved their ability to deal with it. Generative learning led the companies concerned, to continuously learn about the market and their customers; it allowed them to meet changing customer needs and promote satisfaction in the turbulent environment. As suggested in Chapter 5, the *committed* category companies were able to sustain satisfaction in their business relationship, which led to more stable business relationships. When the market was increasingly uncertain, the rapidly changing face of the market required them to make constant adjustments to their total offering to create satisfaction, which strengthened their business relationships. This was in contrast to the four companies who performed adaptive learning as they could not fully satisfy their customers/partners and their business relationships were weakened.

Important case features regarding learning orientation were identified and understanding was obtained of how the case features associated with the fluctuation of business relationship elements and development. The table below summarises the variations in terms of the dimensions of learning orientation of the companies studied.

Table 7.2: Case Features in term of The Dimensions of Learning Orientation

BR Development category (identified in Chapter 6)	Company	Shared Vision	Availability of Learning Mechanism	Open mindedness
Committed	Bridgeside	Through regular meeting and discussion with all staff involved in the interactions	Wide variety and frequent	Generative learning
	Pittafin	Through regular meeting and consultations with more experienced staff	Wide variety and frequent	Generative learning
Cooperative	North West	Through regular and bespoke meetings	Lack of variety and frequency	Adaptive learning
Fragile	Border	No meetings, decision was made based on personal judgment	Wide variety but lack of frequency	Adaptive learning
Inoperative	Waingate	No meetings, decision was made based on personal judgment	Wide variety but lack of frequency	Adaptive learning
	Froster Fencing	Long vertical information flow and centralised decision-making process. However, sharing divergent thinking or ideas from employees was not facilitated	Wide variety but lack of frequency	Adaptive learning

The table above indicates that although the exporters stated that their companies emphasised the value of learning, shared vision distinguished whether the commitment lay at an individual or organisational level. Shared vision was facilitated through regular meetings; open discussions; and open decision-making processes, which reflected trust and cooperation among staff/departments to find the best ideas to retain customers and business relationships. Accordingly, commitment to learning could be seen in the availability of learning mechanisms, which reflected the variety of knowledge pursued and the frequency of learning available in the organisations. Although learning mechanisms were available, open-mindedness affected the manner in which organisations learnt about the new reality of a turbulent environment. This required the organisations to perform generative learning rather than adaptive learning. A generative learning organisation was viewed to have a better response to market change, because it gave exporters an improved ability to deal with market uncertainty. Based on the discussion, it seems that Bridgeside and Pittafin (*committed* category) had strength in all learning orientation dimensions. More importantly, the discussion on the variations in terms of the learning orientation dimensions suggested that orientation may have an effect on business relationship development. Each dimension was found to relate to the fluctuation of business relationship elements e.g. trust, commitment and satisfaction.

At this stage it has been established that:
Shared vision facilitates dissemination of an individual's knowledge of the market and its partners/customers. Individual knowledge is accumulated through interactions where the person obtains understanding of customers' trustworthiness, behaviour and intention, from which future behaviour of the customers can be predicted. Transferring such understanding requires face-to-face meetings, so that other staff can receive the knowledge. As a result, decisions on subjects such as method of payment can be made according to the consensus of more staff. This suggests that trust at an individual level leads to organisational trust. Shared vision also allows companies to provide the best support to their customers/partners. Support is not only provided by the sales department, but by all parts or departments within the company. Limited shared vision hinders the emergence of the best ideas and leads to a lack of ability to sustain mutual satisfaction in an uncertain environment. Shared vision facilitates the growth of ideas from staff and makes it possible to provide the best support for customers, so as to create added value. This influences the development of satisfaction, which strengthens the business relationships, even if the market is increasingly turbulent.

Furthermore, the availability of learning mechanisms affects the fluctuation of satisfaction and commitment in the relationships. The variety of learning mechanism influences satisfaction in the relationships as a wider variety gives companies an improved ability to cope with certain risks (for example, financial risk) as well as an improved ability to meet customers' needs. Increasing frequent use of learning mechanisms allows staff to continuously learn about the market and customers, and also reflects a greater level of affective commitment. This leads to an improved ability to create customer added value, which affects satisfaction in the relationships. As a consequence, the availability of learning mechanism explains the development of business relationships through its effect on fluctuating satisfaction and commitment levels.

Finally, open-mindedness leads to a greater ability to meet customers' latent and expressed needs, and thus promotes the further development of satisfaction. The open-mindedness dimension, in which generative learning is emphasised, allows companies to learn the new realities of a market and understand how to adjust company policies to cope with uncertainty. Generative learning companies encourage more stable business relationships through the ability to respond to the turbulent market environment and retain customers/partners.

Questions emerged in Chapter 6 regarding customer orientation and risk behaviour, which may have a role in the development of business relationships. Therefore, the next section aims to answer these questions. Further, there is consideration of how weaknesses and strengths in learning orientation might explain the companies' market or customer orientation, with particular reference to the development of business relationships.

7.3. Market Orientation

The discussion here is to provide explanations to question number 8 identified in Chapter 3. In the discussion of satisfaction in business relationships, it was suggested that local customers perceived their British suppliers as offering better value when they received not only good quality products but also reliable and continuous support in terms of promises, responsiveness, and communication. This suggests that companies could still offer added value during a period of increased risk. Unfortunately, only two companies namely Bridgeside and Pittafin in the *committed* category were able to create a package fitted to the needs of their local customers. Other companies failed to maintain their competitive position: high quality was no longer a source of advantage because local competitors were able to offer similar products and service.

Deshpande et al (1993: 27) defined customer orientation as the set of beliefs that puts the customers' interest first, while not excluding those of all other stakeholders such as owners, managers and employees, in order to develop a long-term profitable enterprise. They indicated that customer orientation and market orientation were synonymous, as the term was defined in the conventional manner as the set of all potential customers of a firm. Meanwhile, Jaworski and Kohli (1993) pointed out that customer orientation has been identified as an aspect of market orientation. Accordingly, Narver and Slater (1990) suggested that market orientation consists of three behavioural components:

customer orientation; competitor orientation; and inter-functional coordination. They split customer orientation into the following aspects: a company's customer commitment; creation of customer value; understanding of customers' needs; after sales service; and customer satisfaction objectives. Competitor orientation of a firm, as the authors suggested, can be seen as how salespeople: share competitor information; respond rapidly to competitors' actions; and top managers discuss competitors' strategies. Inter-functional coordination is reflected by how information is shared among functions; functional reliability in strategy and all functions contribute to customer value. Nevertheless, the primary focus of market orientation is on the creation of superior customer value, which is based on knowledge derived from customer and competitor analyses (Slater and Narver, 1995: 68).

With the exception of the *committed* category, all categories suggested a lack of market orientation to some extent. Border did not view themselves as a market oriented company due to a lack of commitment to the fulfilment of customer requirements.

> ***"At this time, we are very inward looking, but we are not outward looking. They look inward. I look outward but a lot of my colleagues in this company don't." (The Sales Director of Border)***

The local dealer also suggested that Border did not have commitment to meet their expectations:

> ***"They always want to do what they want as if what we want is nothing." (The Manager of PT Manado).***

Similarly, the case of Froster Fencing suggested poor market orientation, even the former distributor pointed that lack of support and slow response were rooted from the hierarchy, which had been suggested by the export manager in the previous discussion.

> ***"They were not seriously marketing their product in Indonesia. They are a very big group who can't solve long bureaucracy within the group so I think they can't improve their support." (The Manager of PT Mutiara Indah)***

This long vertical communication at Froster Fencing indicates a long hierarchy in the decision-making process. Indeed, the adaptation made by the parent company in the market by appointing local staff created a new layer in the hierarchy. Thus it is reasonable to assume that the former distributor's dissatisfaction stemmed from delayed responses due to the long hierarchy, as a consequence, as seen earlier, the distributor viewed Froster Fencing as not being serious about the development of their business relationship.

In order to find out how the companies being studied pursued market orientation in the high-risk and uncertain market, a further analysis reveals how they developed market orientation through customer and competitor analysis while managing the exchange rate risk in order to answer question number 9 in Chapter 3. The exploration is important to find out how market orientation related to the learning orientation of the companies. The case features are now identified by looking at how the companies applied currency choice.

Anckar and Samiee (2000) suggest that currency choice reflects a trade-off between meeting customers' preference and facing the risk of exchange rate fluctuation. Regarding currency choice, all the categories except the *cooperative* category i.e. North West, accommodated their customers to some extent. The following statements express how the companies' policy on currency choice depended on their customers' preference and competitors' choice of currency.

> ***"It is up to the customers, but we usually quote in GBP, but they can pay in another currency. Regarding Indonesia, we usually accept dollars - they usually have dollars but not GBP." (The Export Manager of Waingate).***

> ***"We generally outside Europe, accept dollars because it is more comfortable all around the world, most countries can convert their currencies into US Dollars. Off course we can use pounds but the problem is our competitor from Germany or France, they cannot sell with their currency either and they use US dollars." (The Sales Development Manager of Pittafin).***

> ***"The pound sterling becomes more-more isolated ... and we certainly need to change our currency from GBP to Euro because trading in GBP becomes more ... more difficult." (The Export Manager of Froster Fencing).***

Pittafin and Froster Fencing applied "standard currency" that varied according to individual regions. GBP was used for the domestic market; Euros for European countries (with the exception of UK); US Dollars when exporting to the rest of the world including the Asian market. Moreover, Bridgeside and Waingate accepted a greater variety of currencies, which depended on the buyers' choice, as long as it was a stable currency.

It seems that these companies knew their customers' preference and tried to meet it whilst reducing possible losses from exchange rate fluctuation. Similar to the use of LC, the US dollar was used long before the crisis began. It seemed that the payment method and currency were common and generally accepted for international trade in the country, as they were more convenient for customers. This can be seen in the comment below:

> ***"We always pay in USD because it is more convenient for us." (The President Director of PT Menjulang Tinggi).***

It was suggested the companies being studied only accepted "hard currencies", but they all offered to accept a variety of hard currencies (with the exception of North West). The Sales Director of North West expressed the difficulty of accepting other currencies as below:

> ***"We really prefer the pound, but our customers prefer the dollar, maybe because they get paid in dollars on the lamps that they make and it is more convenient for them. So, when people pay in dollars then we convert into pounds we get less pounds. It will be a big problem for us." (The Sales Director of North West).***

It seems that North West was aware that its policy did not meet the Indonesian customers' preference. However, it was also concerned with problems arising from accepting another currency as they could not manage the risk of exchange rate fluctuation.

Regarding the situation in the market and bad fluctuations of Rupiah, the use of the host currency is inconvertible and thus customer orientation in the form of buyer currency invoicing is hardly realistic (Anckar and Samiee, 2000). In addition, the Indonesian partners/customers also realised that it was unrealistic to expect the use of Rupiah:

> ***"Rupiah is out of fashion." (The Manager of Mutiara Indah).***
>
> ***"That is impossible." (The Manager of Manado).***

Hence, the choice was between the home currency and another stable currency. Anckar and Samiee (2001) suggest that exporters using foreign currencies are more customer oriented than exporters' using home currency. Consequently, the choice might reflect the exporters' customer orientation. It suggests that in terms of currency choice, the exporters, except North West, were customer oriented. This might be due to North West not having the knowledge to manage the risk as the company focused on the learning of technical skills within the factory rather than building capability from a wide variety of knowledge.

The table below summarises the companies' market orientation and learning orientation.

Table 7.3: Market and Learning Orientations

BR Development Category (identified in Chapter 6)	Company	Market Orientation	Weakness and Strength in Learning Orientation
Committed	Bridgeside	It could maintain competitiveness as it offered a good combination of customer value and accepted a more convenient currency for the customer	S: had a good combination of the learning dimensions: shared vision, availability of learning mechanism and open mindedness
	Pittafin	It offered a good combination of customer value and it accepted a more convenient currency for the customers	S: had a good combination of the learning dimensions: shared vision, availability of learning mechanism and open mindedness
Cooperative	North West	Lack of customer orientation as it responded to customers expressed needs only and accepted GBP only	S: customer and market information shared. W: lack of variety and frequency of learning mechanism
Fragile	Border	Lack of customer orientation since it could not create customer value, but it accepted a more convenient currency for the customers	W: no shared knowledge, lack of availability of learning mechanism in term of frequency, narrow minded but it had knowledge of managing exchange rate risk since it had a wide variety of learning.
Inoperative	Waingate	Lack of customer orientation since it could not provide support although it accepted various currencies	W: no shared knowledge and lack of learning mechanism S: Had a variety of learning and had knowledge of managing exchange rate risk fluctuation.
	Froster Fencing	Lack of customer orientation since it could not create customer value and reliable support but it accepted a wide range of currency	S: availability of learning mechanism and able to manage risk of exchange rate fluctuation W: centralised decision making process and thus lack of shared vision

The table above suggests that the *cooperative* category company, i.e. North West was not customer oriented since the company did not provide a wide variety of learning mechanisms and thus did not have the knowledge to manage exchange rate risk. The *fragile* and *inoperative* categories were unable to maintain their support. Border did not sustain its support, even changed the method of payment and contract since it focused solely on internal interest rather than the market/customer references. Slow response and lack of marketing support resulted from a centralised decision making process in the case of Froster Fencing. Waingate had poor support as the company's support was provided by the export manager only, who handled all the interaction with the agent and the customers. Meanwhile, *committed* category companies, i.e. Bridgeside and Pittafin had a good combination of all the dimensions of learning orientation. They also seemed to be able to provide a superior combination of customer value and took the strategy of their competitors into consideration. At this stage, case features were found, as follows:

Table 7.4. Case Features in term of Learning and Market Orientation

Company	Business Relationship Development Category	Case Features
Bridgeside and Pittafin	Committed	Decent learning and market orientations
North West	Cooperative	Lack of learning and market orientations
Border	Fragile	
Waingate and Froster Fencing	Inoperative	

It seems that a good learning orientation leads to virtuous market orientation. Learning orientated organisations were continuously learning about the market and were able to adapt effectively to the new reality in the market. In other words, a company might be able to be a market-orientated organisation if the company could promote a learning environment, where all learning dimensions were established. It seems that weakness in one or more dimensions inhibits market orientation, while a good combination of the entire range of dimensions promotes market orientation. In sum, this study confirms that learning orientation is related to market orientation where continuous learning is emphasized. Furthermore, it confirms that promoting market orientation leads to a better ability to understand and meet customer's expressed and latent needs whilst managing risk in the market. This increases satisfaction and strengthens the relationships. Farrell (1999) found that market turbulence has a positive effect on learning orientation: based on a mail survey of 2000 companies, he concluded that the greater the market turbulence, the greater the level of learning orientation. The reason was that in more turbulent markets, firms have to modify their offerings more frequently, and thus need a greater learning orientation to monitor changing consumer preferences. This might mean a learning oriented firm does not just acquire and disseminate information about markets, or utilise market-based knowledge to look for new ways to serve customers, but also continually investigates the dynamics of the market (Lee and Tsai, 2005).

Day (1994) showed that organisational learning acts as an antecedent of market oriented behaviour, and organisational learning is a capability and the foundation for a market orientation. Market orientation can emerge only if learning processes are examined and altered in a way that enables firms to "learn to learn" about its markets. Similarly, Hennested (1999) argued that organisational learning is to sustain customer orientation: the process of learning is to increase and sustain customer orientation. A learning process appears to go through a first period of breaking away from the old ways; then of creating new knowledge and of starting to put it to use; followed by a period in which the focus switches more to the stabilising and refining of the new emerging ways. This also suggests that learning oriented firms may have a greater possibility of finding new ways to keep customers when the market changes or becomes increasingly turbulent. Many authors (Greenley, 1995; Slater and Narver, 1995; Hurley and Hult, 1998; Baker and Sinkula, 1999 and 2002; Farrel and Oczkowski, 2002; Celuch et al., 2002; Santos-Vijande et al., 2005b) have also suggested that market orientation is necessary but not sufficient to actually learn about the markets, particularly when a company has to operate in a turbulent market where generative learning is required. Market orientation is reflected by a firm's knowledge-producing behaviours; and is thereby implicated in its market information processing activity, which may routinely result in adaptive learning. In contrast, learning orientation is reflected by a firm's knowledge-questioning values and thereby implicated in its propensity for generative learning, which encompasses more than a purely market focus (Celuch et al., 2002). Thus a learning orientated firm may indicate an ability to challenge its old assumptions about the market and to shift from incremental changes (adaptations) to radical changes.

The next discussion will explore the risk behaviour of the exporters and how this facilitated their orientations. Also, how the behaviour towards risk influenced the management of their interactions in business relationships. The discussion is important because the current study focuses on a high-risk market.

7.4. Risk Behaviour

The discussion here is to provide an explanation to question number 10 in Chapter 3. MacCrimmon and Wehrung (1986) distinguished two behaviours: risk averse or risk-taking. The first type reflects a company that selects a less risky alternative, whilst a risk taker will select a more risky alternative. They pointed out that a risk taking company applies a more risky method of payment, while a risk-averse company will have a strict policy on a more secure method of payment in order to guarantee payment. It was suggested in Chapter 6, that the method of payment applied depended on how the company learnt from experience through which trust developed. This suggests that when trust existed in the business relationship, the exporters might apply a riskier method of payment even though the market was increasingly risky. Therefore, when trust existed in the relationships, the exporter might be a risk taker. Meanwhile, currency choice also depended on a company's knowledge of managing currency exchange risk, which was suggested earlier in this chapter as being a result of variety of learning mechanisms. This suggests that when a company has knowledge and a learning orientation they are more able to manage risk and more willing to take risks.

Regarding the situation in the Indonesian market, companies in the *fragile* and *inoperative* categories: Froster Fencing, Border and Waingate suggested that they were risk-averse companies:

> ***"I'm also concerned with any other risk, for example political risk and company risk. When I see any risk I will not take the order." (The Export Manager of Waingate).***
>
> ***"We want certainty and we want to avoid loss.... as long as we perceive there is uncertainty or risk, we protect our interest." (The Sales Director of Border).***
>
> ***"Security first then do business." (The Local Staff of Froster).***

The discussion of learning orientation suggested that Border, Froster Fencing and Waingate did not achieve a shared vision in the decision-making process, and so did not provide a forum to raise divergent thinking and opinions from a number of employees. A decision-making process with the absence of shared knowledge hinders the emergence of new ideas from other employees in the organisation on how to respond to risk. Sitkin and Fablo (1992) and Dowling and Staelin (1994) suggested that the risk perception of a decision maker is likely to be the determinant of risk behaviour. The authors defined risk perception as a decision maker's assessment of the risk inherent in a situation leading a decision maker to overestimate or even underestimate risk. Cho and Lee (2006) viewed risk perception is an individual's assessment of a risky situation. The *fragile* and *inoperative* categories, i.e. the cases of Border, Froster Fencing and Waingate suggested that risk behaviour reflected how each company responded to the risk and uncertainty in the market, and were the result of an individual's judgment and assessment of the situation. In the case of Border, for example, the sales director was the only decision maker who changed the method of payment and decided to decline visits, which are generated from his own jugdement reflecting his attitude toward market risks ignoring his long-term experience of working with the dealers. Since there was no shared vision, divergent point of views from more staff was not facilitated and learning at the company level was not stimulated (only at individual level). This may explain why trust at the company level did not develop well (see Chapter 6, section 6.2.). Meanwhile, in the other three companies, risk behaviour was the result of collective assessment of the situation in the market. This suggests, again, that learning orientation was related to the risk behaviour of the firms studied.

From the literature provided, only a limited understanding of the relationship between learning orientation and risk behaviour emerges. Yet, Williams and Narendran (1999) suggested that organisation culture played a role in determining risk behaviour. Smallman (1996: 15) suggested that organisational learning determined how companies behave toward risk; he argued that there exists a powerful tool in organisational learning that enables all organisations to learn from past errors and disasters within their own or other organisations. They also suggested that the response of risk management should be assessed through constant monitoring, prediction and organisational learning from past problems (internal and external) likely to pose a risk to the organisation. That means an organisations should learn from past experience but also, should monitor and predict the risks they may face. The learning process makes the firm able to evaluate risky situations and predict the outcome and thus influence the decision in response to a risky situation. Thus, learning oriented firms were not only able to perform learning from past experience or adaptive learning, but were also able to develop open mindedness and generative learning processes. As suggested earlier, generative learning results in a greater ability to deal with market uncertainty. Slater (1996: 84) argued that a learning orientated culture provides the insight necessary to understand what will constitute a competitive product today and tomorrow; builds stable relationships with customers and encourages the risk taking that forces competitors to scramble to keep up.

Further, regarding the market situation where security was the issue, only Border (*fragile* category) was affected, as the company did not visit the market:

"Then, of course, we have to always remember there is the threat of terrorist attack as well. I have been to Indonesia many...many...many times. I know I must stay, I know the hotel. I can work through the hotel but still there is uncertainty. That is the impact and it stops me travelling out there." (The Sales Director of Border).

This suggests that the terrorist threat in Indonesia discouraged the company from visiting their customers/partners. Meanwhile, the dealers observed that the customer's perception toward service and quality was based on face-to-face contacts; visits or attending exhibitions. The services provided by Border during the stable period created a positive image for the company and the dealers. In addition, visiting customers might increase the local customers' image and fortified the agency status of the dealers. The manager of PT Manado expressed the importance of customer visits:

"So the visit will increase the personal image of the executive...and visits will give a boost to our agency status."

This case suggests that a risk averting company could not meet customer expectation and indeed, the availability of a learning mechanism via customer visits was disappearing. In contrast, the *committed* category companies seemed to be unaffected by the terrorist threat to the market. The terrorist threat did not stop Bridgeside's executives and employees from giving continued support to PT. Krakatau Steel:

"Our deal was to go to Indonesia about the time of the Bali bombing. So, it was cancelled for about 2 months but I mean, all the things become so isolated, but you know life has to go on. You can't run your life thinking somebody might do something nasty. I mean, we tend to be isolated. So, that stopped me thinking about it. Life must go on and I mean everything can also happen in Sheffield." (The Sales Director of Bridgeside).

Bridgeside was able to maintain their frequent visits and learning of the market and customers and maintained their ability to meet customer requirements. This suggests that a risk-taking company could maintain the availability of learning mechanisms about the market and focus on their customers. This current study supports the finding of Jaworski and Kohli (1993) who found that if a risk averter, a company was less likely to be responsive to the changing preference of customers. In an uncertain environment such as the Indonesian market, customer preference was likely to evolve and companies needed to closely observe this and ensure a continuous learning process. However, risk-averting companies who did not visit local customers/partners diminish their opportunities to learn about the market/customers and so were unable to meet the expectations of their customers/partners due to their lack of support.

At this stage, variations in terms of risk behaviour of the companies were found:

Table 7.5. Case Features in Term of Risk Behaviour

Company	Business Relationship Development Category	Case Features
Bridgeside and Pittafin	Committed	They were risk takers
North West	Cooperative	To some extent they were risk averters
Border	Fragile	
Waingate and Froster Fencing	Inoperative	

In summary, the discussion above suggests that learning orientation relates to the risk behaviour of the companies studied. A learning oriented company that had a good combination of the dimensions of learning orientation, was likely to be a risk taker, and vice versa. A company, that did not have sufficient knowledge of risk management, would be a risk averter. For example, a cooperative category company, North West, had a limited variety of learning mechanisms which led to a lack of knowledge of hedging to manage currency rate fluctuation; thus the company accepted only its home currency to avoid the risk. Being a risk-averse company, North West could not meet its customers' preference regarding currency. Meanwhile the other companies studied, were able to meet their customers' preferences on currency because they had the knowledge and ability to manage the risk. A risk-averse company might also lack customer orientation and have a reduced availability of learning mechanisms. The company in the fragile category, Border, avoided the risk of terrorist attacks in the market by reducing visits to nil. This led to diminishing opportunities to continuously learn from their business relationships and they could not meet their customers/dealers expectations. This is in contrast to the case of Bridgeside (committed category), that was able to continuously learn from their business relationships and maintained customer visits during the increasing political unrest, because the company believed that up-to-date customer information was the only way to stay focused on satisfying their customers' needs.

7.5. Summary and Conclusion

The aim of this chapter was to find variations in terms of learning and market orientations and risk behaviour, and how they might relate to business relationship development. This chapter contributes to the understanding of how market and learning orientations are inter-related and how these orientations then relate to risk behaviour.

The discussion examined the dimensions of learning orientation to suggest they are interrelated. Commitment on learning can be at an organisational or individual level depending on how a shared vision is facilitated within an organisation. Shared vision, however, depends on trust and cooperation amongst members of the organisations. Shared vision, also explains the development of trust in the business relationships. Individual knowledge regarding customers' trustworthiness, behaviour and intention can be transferred to others through meetings or dialogues. Decisions can be made based on the consensus of more employees, which also facilitates the transfer of interpersonal trust into organisational trust. Shared vision also allows companies to provide the best support to their customers/partners, even when requirements are increasingly uncertain, as seen in Chapter 6. This is due to developing a shared understanding that facilitates the emergence of ideas from more staff to provide the best support for customers. This creates customer added value, which in turn stimulates development of the satisfaction that strengthens business relationships.

Commitment to learning can also be seen in the availability of learning mechanisms, which also reflects the variety of knowledge pursued and the frequency of learning. The availability of learning mechanisms stimulates the development of a business relationship through managing the fluctuation of satisfaction and commitment. A variety of learning mechanisms relates to satisfaction in the relationships. A wider variety of learning mechanisms offers a better ability to cope with certain risks, for example financial risk, and a better ability to meet customer preferences. An increased frequency using learning mechanisms allows a company to continuously learn about the market and the customers. The can be reflected in a greater level of affective commitment. This leads to a better ability to create added value and increase satisfaction in the relationships. Therefore, it can be argued that the greater the commitment to learning, the greater the affective commitment with the result that the relationship is more satisfying.

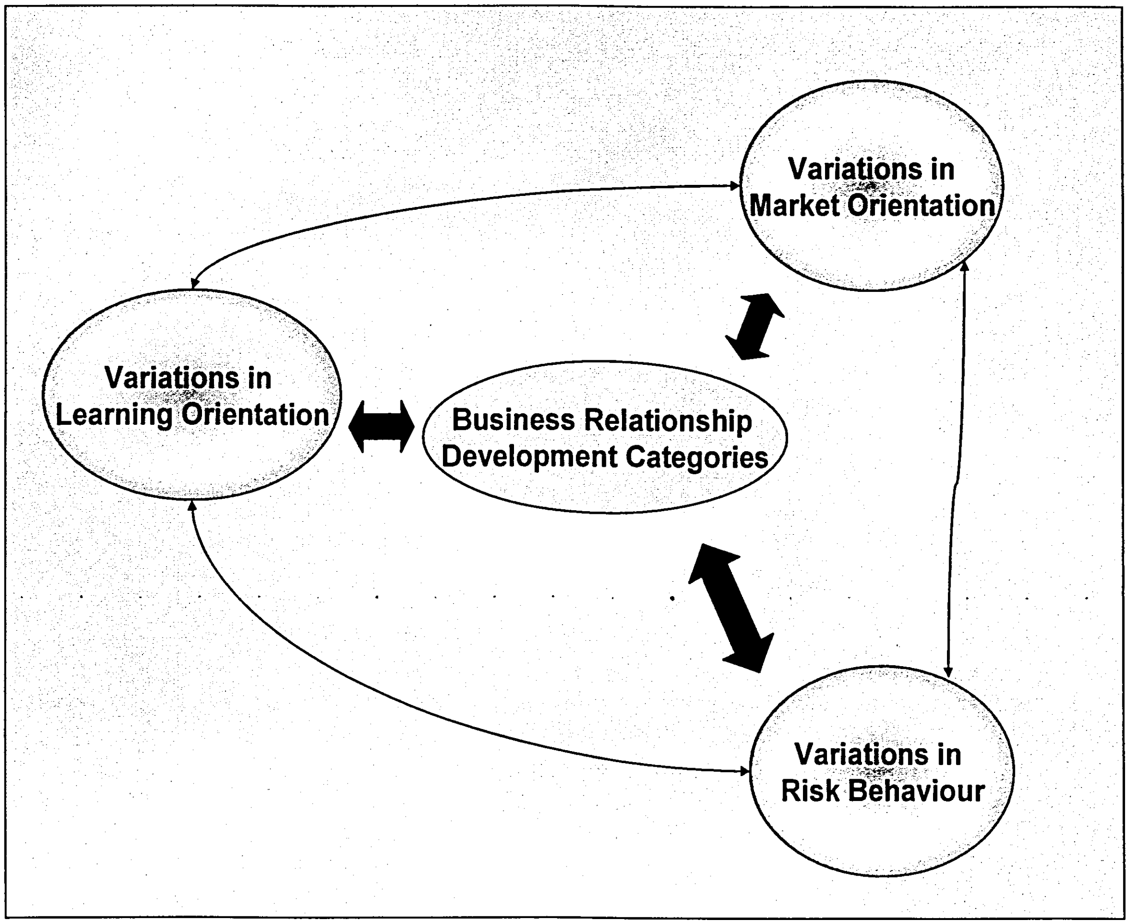
In this study, even though learning mechanisms were available, open-mindedness affected how an organisation was able to learn about the new reality of the turbulent environment. In such an environment, organisations need to engage in generative learning rather than adaptive learning. A generative learning organisation can respond better to market change. The open-minded dimension in which generative learning was emphasised, allowed companies to learn about the new reality in the market and understand that constant adjustment was required to cope with the uncertainty. Companies capable of generative learning tended to have stable business relationships since they had a better ability to respond to the turbulent market environment and retain their customers/partners. They had a greater ability to meet customers' latent and expressed needs and thus promoted further development of satisfaction, which strengthened the business relationships.

The discussion in this chapter suggests that learning and market orientations and risk behaviour are related to how companies manage their interactions in the business relationships. Risk-averse companies tend to reduce face-to-face interactions from which they can learn about the market and their customers or they apply policy that contradict customers' preferences, perhaps because they do not have the knowledge to manage the risks they face. Risk-averse companies reduce the number of learning mechanisms and thus contribute to the lack of a learning orientation. This impinges on their ability to provide support, which compromises their market orientation. Risk-averse companies have unstable business relationships because their behaviour creates dissatisfaction and shows a lack of commitment. On the contrary, risk-taking companies tend to be learning and market oriented. In terms of method of payment, it seems that risk-taking companies had greater trust and applied a more flexible but risky method than risk-averse companies.

This study further confirms that learning orientation is related to market orientation since weakness in one or more dimensions inhibit market orientation. In contrast, better combinations of all dimensions promote a market orientation. The study also suggests that learning orientation relates to the risk behaviour of the companies studied: learning oriented companies that had a greater combination of the four dimensions of learning orientation, are likely to be risk takers, and vice versa. A company that does not have sufficient knowledge to manage risk will be a risk averter. A risk-averse company is likely to be less customer oriented which leads to a lack of satisfaction. This shows that a risk-averting company is likely to have unstable business relationships, characterised by lack of satisfaction and commitment.

The discussions in this chapter can be summarised by the following figure.

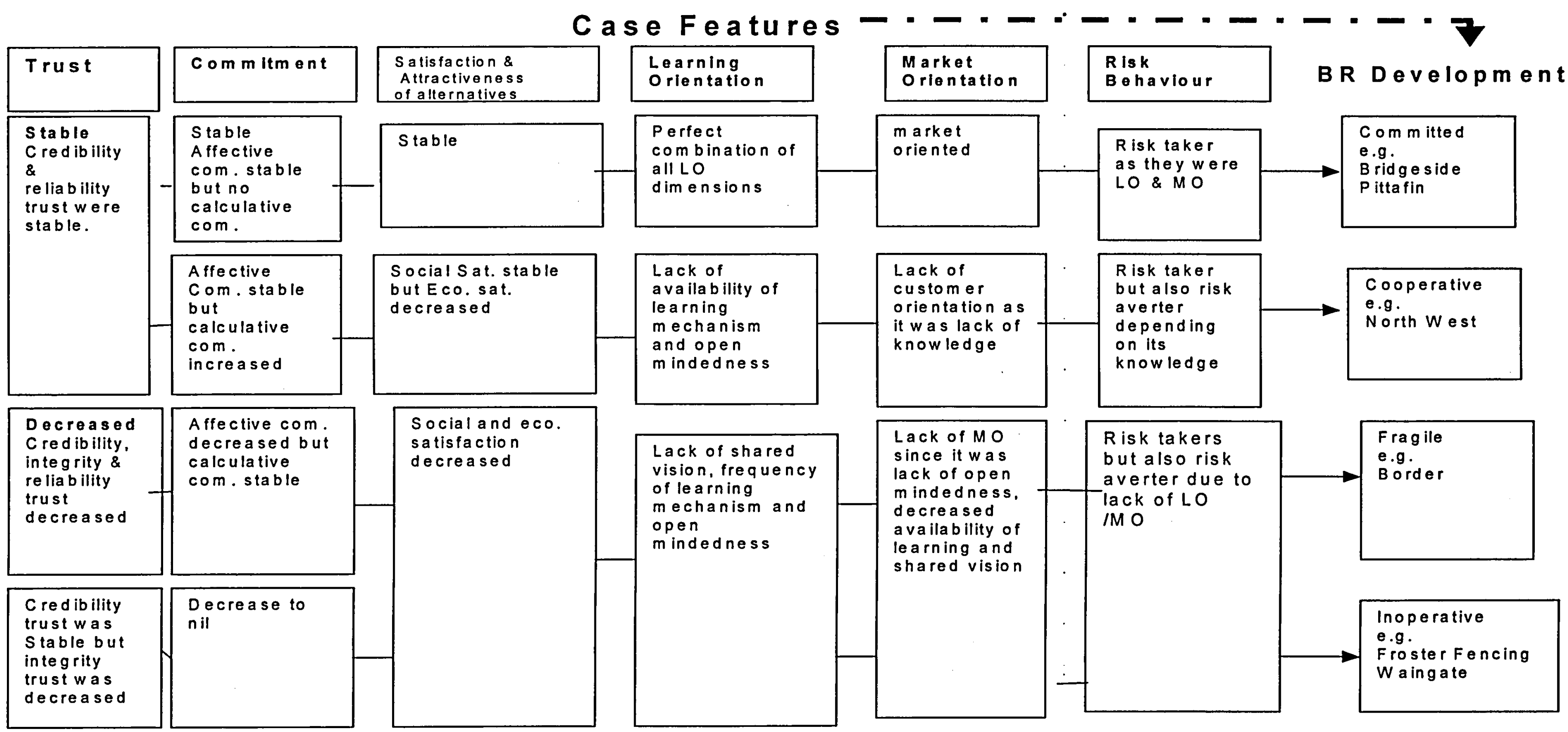
Figure 7.1: The inter-relations of risk behaviour, learning and business relationship development.



The figure above suggests that variations in learning and market orientations and risk behaviour were consistent with the business relationship development categories. The figure may also illustrate that there were no linear linkages among those aspects but that they were interrelated. Based on the analysis in Chapter 6, four categories of business relationship development were identified: ***committed, cooperative, fragile and inoperative.*** Variations amongst the cases in terms of learning and market orientations, and risk behaviour were identified and it seems that the variations were consistent with the variations in terms of the fluctuation of relationship elements and thus business relationship development. This chapter provided understanding that business relationship development relates to organisational learning culture. Companies in the committed business relationship development category tended to be risk-takers and had high learning and market orientations. On the contrary, companies in the other categories i.e. co-operative, inoperative and fragile were more likely to be risk-averters and indicated a lack of learning and market orientation. Companies in the committed business relationship development categories would be eager to pursue and develop all dimensions of learning orientation leading to market orientation, but this required them to be risk-takers. The behaviour seemed to be critical as they operated in a high-risk market. Meanwhile, risk-averters diminished their commitment to learn and ignored the market as they viewed such commitment as too risky. The next chapter is to elucidate the theoretical explanations between them in order to reveal how business relationships develop in a high-risk and uncertain market.

The discussion in this chapter provides understandings that can be seen in the figure below, which is an extension of figure 6.6 in Chapter 6.

Figure 7.2. The Cases Features and the Categories of Business Relationship Development

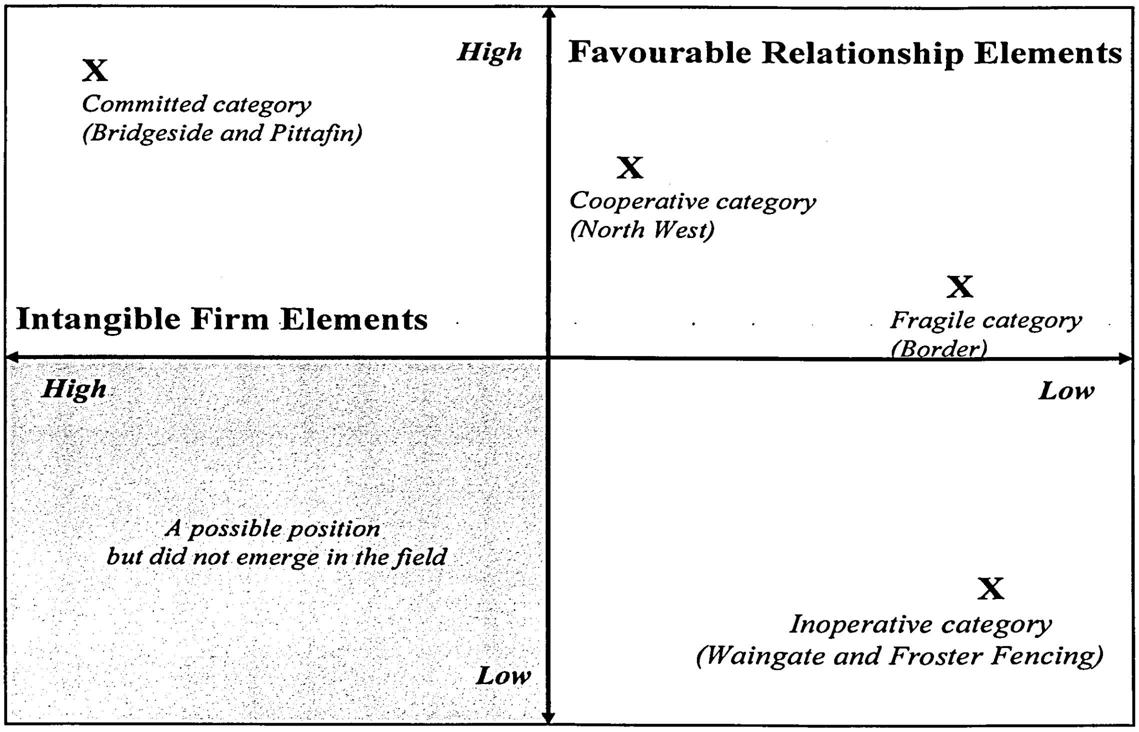


The figure above illustrates that the development of trust, commitment and satisfaction was related to learning orientation, market orientation and risk behaviour of the companies. Nonetheless, the figure does not show linear links among them. The figure suggests that those three elements, on one hand, relate to learning and market orientation and risk behaviour on the other. It is now possible to draw the linkages where the business relationship development categories can be distinguished along two axes.

The discussion in this chapter suggests that learning orientation is related to market orientation and risk behaviour. The learning orientation influences firms and the way they manage business relationship, in many respects it stimulates how they orient towards the market and inspires the way they respond towards risk and uncertainty. Learning orientation, market orientation and risk behaviour are *intangible* and difficult to quantify, however, as suggested in the analysis, they stimulate firms' ability and intention to develop and manage business relationships. Hence the first axis is labelled as ***intangible firm elements*** covering learning orientation, market orientation and risk behaviour running from high to low level. Bridgeside and Pittafin in the committed category had a good combination of those elements meaning that they had a high level of intangible firm elements. On the contrary, the companies in the *cooperative (North West)*, *fragile (Border)* and *inoperative (Waingate and Froster Fencing)* categories lacked one or more of those elements and were said to have a low level of intangible firm elements.

The analysis in Chapter 4 raised three main relationship elements: satisfaction, trust, and commitment, which are critical to the explanation of the development of the relationships. As suggested in the analysis, they are relationship elements with favourable influences on the development of business relationships. Stability of those elements results in the stability of a business relationship although the environment may be increasingly uncertain. A decline in those elements makes the relationship vulnerable to the unpredictable market environment. Hence, the second axis is labelled as ***favourable relationship elements*** covering trust, commitment and satisfaction running from high to low level. Based on the analysis in Chapter 5, it is possible to state that companies which fell into the committed category had a high level of favourable relationship elements. On the contrary, the inoperative category indicated a low level of favourable relationship elements, while the remaining categories were in-between. As a result, the four categories can be plotted according to the level of their intangible firm elements and favourable relationship elements as given in Figure 7.3, where each category was plotted and represented by "X" in three positions. Meanwhile, the bottom left position suggests a possible position but did not emerge in the field.

Figure: 7.3: The Map of the Categories of Business Relationship Development



The figure above shows the understanding obtained from the analysis process allowing the author to propose the theory of business relationship development in a high-risk and uncertain market. This will reveal in the next chapter.

Chapter 8: Conclusion and Recommendation

8.1. Introduction

Based on a review of the existing literature in Chapter 2, it was suggested that the current literature on business relationship development is deterministic with a limited understanding of the underlying process of why and how business relationship elements develop. The literature was largely based on empirical works that gave evidence from stable markets and ignored the effects of market environment on the development of business relationships. Therefore, this study aimed to obtain a greater understanding of business relationship development and management in a high-risk and uncertain market.

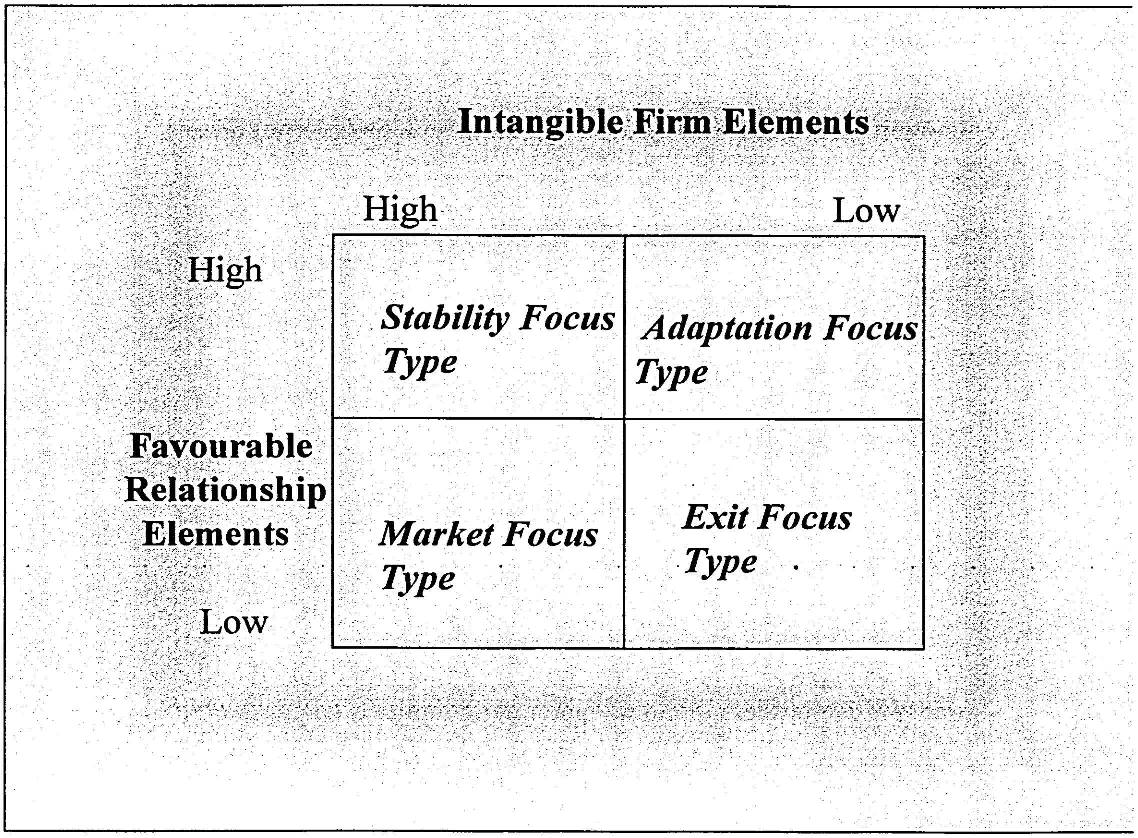
The main relationship elements were identified in Chapter 4 and the variations in terms of the elements allowed categories of business relationship development to be established in Chapter 5. The six companies studied were ascribed to this framework and labelled. In order to understand how elements develop in a high-risk and uncertain market, explorations of a number of critical issues were discussed in Chapter 6. These were targeted to establish important findings that would stimulate the next phase of exploration. The findings suggested the importance of learning in the development and management of business relationships in a high-risk and uncertain market. Following this, Chapter 7 illuminated the variations in terms of learning orientation. As a result, four typologies of business relationship development were found. They will be explained in a greater detail in this chapter. The typologies explain how business relationships develop in a high-risk and uncertain market, where intangible firm elements, particularly learning orientation, are critical to explain a company's ability and intention to develop and manage business relationships. Then, the contributions of the study to knowledge are highlighted, to illustrate how the objectives of the study have been achieved. Limitations and recommendations for further research are proposed, together with reflections on the results of the study.

8.2. The Typologies of Business Relationship Development in a High-risk and Uncertain Market

The analysis in Chapter 6 suggested that in order to develop a greater understanding of how business relationship developed in a high-risk and uncertain market, it was crucial to draw on the literature about learning orientation. This suggests that there is a way for British exporters to develop and manage their business relationships in a turbulent market, and that the learning orientation perspective is a valuable contribution of this study. This study also suggests that a firm's ability and intention to develop and manage business relationships in a high-risk and uncertain market relates to how it orientates towards learning, the market and risk. These aspects are intangible firm elements. In a high-risk and uncertain market, the intangible firm elements stimulate firms' ability to maintain the development of relationship elements. The intangible firm elements may even stimulate firms' intention to develop business relationships even when the environment is increasingly risky and uncertain. Thereby, the author proposes a theory of how business relationships develop in a high-risk and uncertain market by looking at the typologies reflecting the association between intangible firm elements and favourable relationship elements.

Figure 7.3 suggested relationship development can be distinguished along two axes, i.e. intangible firm elements and favourable relationship elements. The author now draws out the typologies of business relationship development in a high-risk and uncertain market in the following figure.

Figure 8.1: The Typologies of Business Relationship Development in a High-risk and Uncertain Market.



The figure above describes four types of business relationship development in a high-risk and uncertain market. The author now elucidates the theoretical explanations of those types according to their position along the two axes.

a. High Level of Intangible Firm Elements – High Level of Favourable Relationship Elements

This is the most desirable quadrant, which reflects that a high level of intangible firm elements will result in a high level of favourable relationship elements. Companies in this quadrant may experience the stable development of trust, commitment and satisfaction, which can only be expected from a good combination of the intangible firm elements. The focus of companies in this quadrant is to maintain stability of the relationship in the turbulent environment; hence the type is labelled as having a ***stability focus***. They are oriented towards learning by drawing on all the dimensions of learning orientation, i.e. shared vision, availability of learning mechanisms and open-mindedness, leading to the development of trust, satisfaction and commitment unaffected by the market situation.

A high level of favourable relationship elements leads to a good atmosphere and it is likely that both parties will be able to solve conflicts smoothly and the relationship will stay enjoyable and profitable. Indeed, it is likely that the firm will cultivate a higher profit when the market is increasingly volatile where its competitors have a lack of learning orientation and market orientation and are unable to cope with market risk and uncertainty. Consequently, it can be argued that a *stability focus* is the most desirable type.

Exporting to a high-risk and uncertain market entails a greater challenge and it requires the company to learn and respond faster. In a highly turbulent environment, a "sudden" change in competition, customer perception, and increasing market risks may be unavoidable. However, only a learning oriented firm can deal with a sudden change and use it to maintain business relationships. This is due to a high learning oriented firm having a better understanding of the environment and a better ability to manage risk. As a result, they are more confident taking risks.

The company believes that the best source of market information and knowledge is the customers/partners, and that the best way to obtain the information is through maintaining direct interactions in managing the relationship, even though the market is increasingly risky. When the market is increasingly uncertain, it is likely that the company will maintain its commitment to obtain knowledge of the market/customers. They believe that such commitment is crucial to sustain a profitable business in the market. The learning commitment is reflected through its commitment to the relationship. That is why the company will show stable affective commitment in spite of increasing market risk, thus the process of learning is undisturbed by the environment. This is due to the main focus of the company being to maintain a stable process of learning to develop market knowledge. This may result in a deeper understanding of the nature of the market and a greater ability to manage risk, deliver better value to the customers and maintain its market orientation.

The company emphasises learning within the organisation where it facilitates a wider variety of learning practices to develop a richer knowledge of market/customers and risk management skills. This smoothes the progress of the company's business in a turbulent market. Internal learning involves the transfer of knowledge of market/customers via learning processes throughout the organisation: this generates a shared vision. The company as a whole is getting to know the market/customers and every department/member of staff has the same vision leading to better internal cooperation and coordination of efforts. The result is a market/customer orientation. Good internal cooperation then engenders a more positive attitude towards managing the business relationship. Therefore, the *stability focus type* suggests that good internal cooperation will result in a greater ability to manage external cooperation.

b. Low Level of Intangible Firm Elements – High Level of Favourable Relationship Elements

The **Cooperative and Fragile categories** provide examples of a low learning orientation may lead to imperfect development of trust and commitment (see figure 7.3). Weaknesses in one or more intangible firm elements result in imperfect development of trust, satisfaction and commitment. Moreover, the more weaknesses in the intangible firm elements the lower the level of favourable relationship elements. This may explain why *cooperative and fragile categories*' position is lower than the committed category (see figure 7.3.). The co-operative category, however, has a higher level of favourable relationship elements, while the fragile category's position is lower than cooperative category.

A firm of cooperative category may still enjoy profit from the relationship, however, the margin declines as the firm is unable to cope with uncertainty. This is due to lack of ability to compete in the face of new competition or a lack of ability to manage risk. The firm is less able to develop knowledge of the market/customers and a lack of risk management skills may trigger a drop in confidence regarding their ability to deliver the best offering to customers. However, in order to sustain the relationships and the business in the market, the firm will cooperate through simple, low risk arrangements or adaptations.

In comparison to the cooperative category, a firm in the fragile category's position indicates a lower level of intangible firm elements and favourable relationship elements. The relationship can still exist as the lack of market knowledge discourages the firm from finding new local partners. Thus, a lack of market knowledge triggers calculative commitment holding both parties in a falling number of unprofitable transactions until (unless) they start to adapt. It is unlikely that the firm actively seeks new market opportunities or develops new strategies to make the transactions more profitable in a volatile market. Moreover, when a conflict emerges, the firm is unlikely to contribute to a constructive solution.

In both categories, the lack of a learning orientation inhibits the firms' willingness to take risks. One reason is they may not have the knowledge to manage market risks. Moreover, they may not commit to obtain market/customer knowledge as they are not committed to the relationships. Therefore, the lack of learning orientation discourages companies to commit to the relationships, as they may perceive the commitment as too risky. Furthermore, there is a similarity between the two categories in this quadrant; it is likely that the companies in this quadrant will show calculative commitment to the relationship that binds the parties together. Adaptations may be driven by reactive responses due to the result of lack of a generative learning orientation. The adaptations are the reflection of calculative commitment to the relationship. Nonetheless, adaptations will be critical so that the relationship can still generate profit, even if these decrease in the face of the adverse effects of the environment. Therefore, the type in this quadrant is labelled as an ***adaptation focus***.

Exporting to an uncertain market required frequent visits that stimulated the process of learning about customers and the market. However, a low learning orientation may mean that the firm is unwilling to obtain market knowledge and that the main objective is to avoid risks rather than develop its knowledge. Companies in this type tend to be reactive, and when they face greater uncertainty in the market, they tend to rely on their old strategies rather than adjusting or developing new strategies in order to cope with the new reality in the market.

c. Low Level of Intangible Firm Elements – Low Level of Favourable Relationship Elements

This quadrant reflects a low level of intangible firm elements leading to low level of favourable relationship elements. Companies in the adaptation type above indicate the relationships still exist as calculative commitment emerges. On the contrary, the companies in this quadrant experience calculative commitment disappear and the relationship ending. That is why the type in this quadrant is labelled as an ***exit focus***. The exit focus type reflects a lack of learning orientation, which discourages companies from maintaining their learning processes about the market/customers. Consequently, affective commitment is not maintained. Similar to the adaptation focus type above, the company of this type tends to be reactive rather than active in developing knowledge about the dynamic nature of the market. Also, a company in this type is unable to develop its ability to manage business relationship in a volatile market. This is due to the fact that it cannot generate a shared vision to coordinate and promote internal cooperation. In managing business relationships, it is likely that decision-making processes do not allow the sharing of ideas: the decision taken is typically based on the individual knowledge of the manager/director. Lack of internal cooperation may hamper the company in developing trust and delivering commitment to the business relationships. Meanwhile, exporting to a high-risk and uncertain market requires a stronger ability to cope with uncertainty.

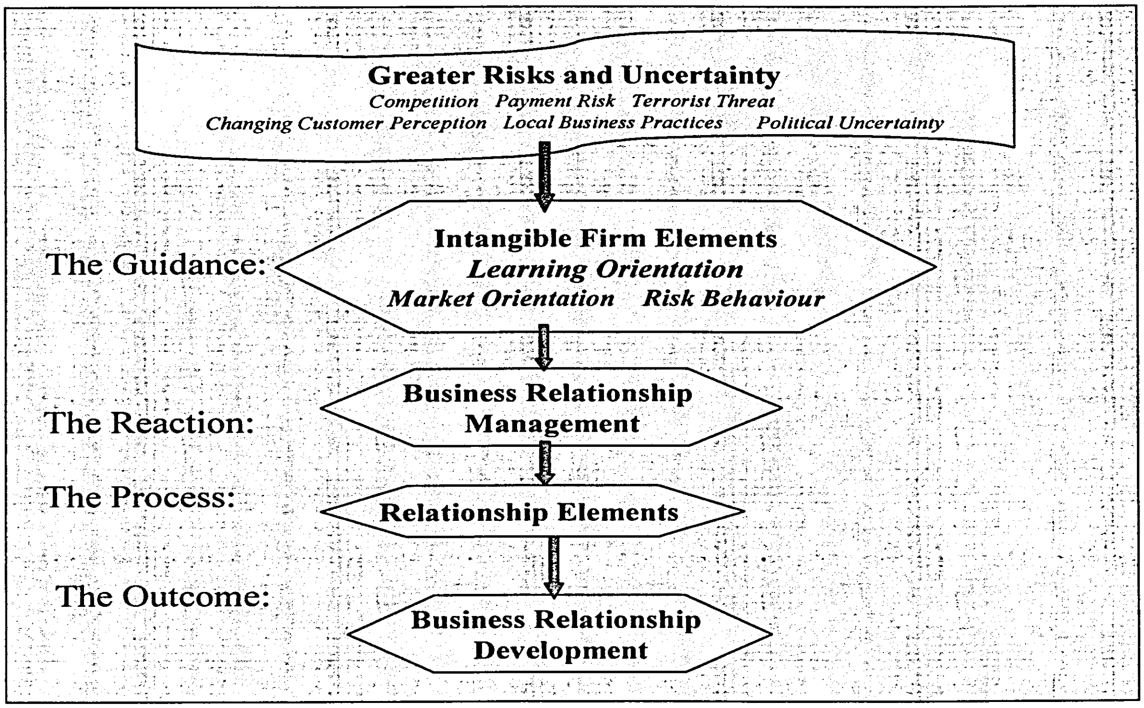
d. High Level of Learning Orientation – Low Level of Trust and Commitment

As seen in Figure 7.3 this association is on the bottom left of the figure. The association was not found in the field. Nevertheless, it is likely that a high level of intangible firm elements can result in a low level of favourable relationship elements. The author labels the business relationship development type in this association as having a ***market focus***. The firm of this type focuses on the market since they may recognise that it provides interesting opportunities. These encourage the firm to maintain their business in the market. That is why the type is labelled *"market focus"*.

As a result of the learning process from iterative interactions, a firm may know that its local partner cannot be trusted, discouraging the firm to commit further. Then, the relationship is characterised by low trust and commitment leading to greater uncertainty in the relationship. In order to reduce uncertainty in the relationship, the firm may develop a contractual arrangement to legally bind the partner and control the relationship. Alternatively, the firm may rely on its market knowledge to sustain its business in the market. The firm may believe that it cannot cultivate a profitable business in the market through this relationship especially in a turbulent period. Since the firm has high learning orientation, it uses its market intelligence to find a better alternative partner to build a new business relationship.

As discussed in Chapter 1, the central research question was how do British exporters develop and manage business relationship in a high-risk and uncertain market. The typologies above may provide an explanation to the query. The four types above contribute to the understanding of how business relationships develop in a high-risk and uncertain market, by showing that the process was not sequential and deterministic, but was rooted in the exporters' intangible firm elements: how they oriented towards learning and the market; how they behaved towards risk, especially when the market became turbulent. A valuable contribution of this study is that understanding was obtained through employing a qualitative / interpretive approach. This study not only provides explanations on how relationship elements develop but also why they develop. This study reveals that intangible firm elements such as the inter-relationship between learning, market and risk orientation stimulates development of the business relationship. Among the elements, learning orientation seems to underlie firms' orientation towards market and behaviour towards risks. Hence, a high level of intangible firm elements may mean a high level of learning orientation. It seems that business relationship development in a high-risk and uncertain market can be better understood through the learning perspective than merely the relational perspective. The findings of this study suggest that the development of business relationships in such a market is a result of an aptitude for learning processes. The figure below describes the proposed theory of business relationship development and management in a high-risk and uncertain market.

Figure 8.2: Business Relationship Development and Management in a High-risk and Uncertain Market



As seen in the figure above, intangible firm elements are argued to guide companies as to how they manage relationships in a high-risk and uncertain market. Among the elements, it seems that learning orientation has a critical role inspiring market orientation and risk behaviour. The orientation directs companies to focus on the market while managing risk and relationships to stimulate the development of trust, satisfaction and commitment. Therefore, a high learning orientation (and thus a high level of intangible firm elements) leads to a more stable business relationship since the orientation stimulates exporters: to commit to their relationships; to trust partners; and to promote mutual satisfaction. The typologies above suggest that a learning oriented firm is more likely to have more stable business relationships as it has a greater ability to develop trust, commitment and satisfaction even though the market is highly turbulent. More precisely, a learning oriented firm has a greater propensity to learn and react effectively to market uncertainty within its business relationships. In contrast, a low learning orientation, to some extent, leads to unstable business relationships since exporters are unable to maintain commitment, satisfaction and trust in their relationships.

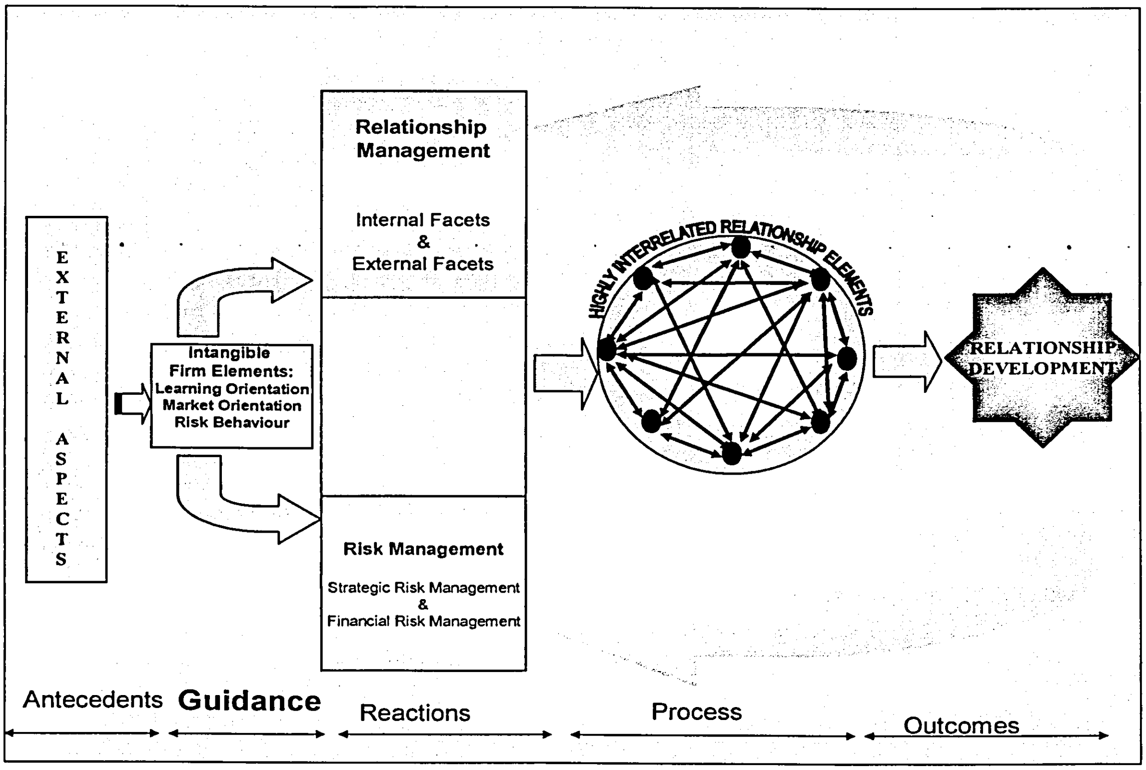
8.3. The Contributions of the Study to Knowledge

The literature concerning business relationship development and management have been based on conceptual works, whilst empirical works have been limited (Olsen and Ellram, 1997; Batonda and Perry, 2003). The empirical studies discussed in Chapter 2, took place in markets with a relatively stable business environment, such as the USA, the United Kingdom, Germany, Norway, the Netherlands and Canada. In other words, none of the research findings added to the understanding of the development of business relationships in a volatile market. Also, studies mainly focused on business relationships in a single country with explanations of international business relationships that were inadequate; business relationships in international trade might be affected by cultural distance between parties involved (Batonda and Perry, 2003). Further, previous studies mainly utilised a quantitative approach and followed the deductive tradition. Studies using a qualitative approach were limited, even though the latter approaches are believed to permit a greater insight into the complex knitting of variables that affect relationship development (Weitz and Jap, 1995; Wilson and Vlosky, 1997; Lewin and Johnston, 1997; Lindgren, 2001).

This current empirical study adopted an interpretive paradigm utilizing a qualitative approach in order to develop a theory of business relationship development in a high-risk and uncertain market. This approach allowed exploration of the phenomena outside the influence of the existing literature, thus enabling the research to explore broader issues and seek explanations of the findings generated from new areas of the literature. The adoption of a learning orientation shifts the debate to a different perspective, namely the learning perspective. This shift constitutes an important contribution to knowledge, and is explained further in the following section. The discussion on previous studies on exporting (see Chapter 1 section 1.2) suggested the adoption of the relational perspective then this study proposed the adoption of the learning perspective in order to obtain a deeper understanding of exporting in a high-risk and uncertain market.

The discussion of the extant literature in Chapter 2 contributed to the understanding that environmental uncertainty has an effect on the development of relationships. Rosson (1986), Wilson (1995), Selnes (1998) Geyskens et al (1998), Ruyter et al (2001), Leek et al (2002) and Batonda and Perry (2003) suggested that business relationship development might be affected by environmental uncertainty. Nevertheless, they provided limited understanding of how the environment affected the development of business relationship elements. This study suggests that intangible firm elements such as learning orientation, market orientation and risk behaviour underline the development of relationship elements and thus business relationships. This can be seen in the figure below, which combines figure 2.2 and figure 8.2 to illustrate the contribution of the study to knowledge:

Figure 8.3 Theoretical Contribution of the Study to Knowledge



The figure above illustrates the important theoretical contribution of the study. It is argued that intangible firm's elements influence business relationship development and management in a high-risk and uncertain market.

As seen in figure 2.2, the literature offered an understanding that management might activate particular elements in response to environmental changes: a firm might take action by changing its management policy, which might lead to the development of the elements forming the process of relationship development. This study provides further explanation of this issue and shifts the debate from seeking explanations in the relational perspective to one drawing from a learning perspective. Moreover, this study suggests that it is intangible firm elements that ***guide*** a firm to take particular action or to change management policy. A learning orientation leads to a changed market orientation and risk behaviour within the firm, which stimulates reactions towards market risk and uncertainty while managing business relationships. A key contribution of this study is the proposition that a learning orientation underlines the dynamic nature of companies to manage interactions in a high-risk and uncertain market. A company's policy in managing business relationships reflects its orientation towards learning and the market and its behaviour towards risks. As seen in Figure 8.2., the effect of environment on how companies manage and develop business relationships is related to intangible firm elements, and in particular, how learning is emphasised within the organisations. Only learning oriented companies can manage risks and maintain their orientation towards the market. Also, only learning oriented companies effectively manage their relationships and develop stable business relationships although the market is riskier and more uncertain. As a result, it is possible to propose that in such market, only a learning oriented firm is able to maintain and develop business relationships. External factors may trigger firms to change or review their policy, or the way they manage the relationships. However, only learning oriented firms are able to respond effectively to the external environmental uncertainty and strengthen their business relationships. Therefore, external factors influence the development of business relationships depending on the firm's orientation toward learning, which is essential for a positive attitude towards the relationships reflected on the management of the relationships.

It was found that studies concerned with the link between organisational learning and business relationship development were still limited. Nevertheless, Panadiyes and So (2005) and Santos-Vijande et al (2005a) recently revealed the link by using a deductive approach, yet their studies did not look at how the market environment affected business relationship development. Panadiyes and So (2005) uncovered the correlations between learning orientation and relational orientation; their study was carried out in Hong Kong and used a large-scale industrial survey of logistics service providers. They concluded that a relational orientation had a positive influence on key organisational capabilities, like organisational learning and innovation, which promoted an improvement in supply chain effectiveness and performance. Meanwhile, based on a survey in Spain, Santos-Vijande (2005a: 199) found that learning orientation stimulated market orientation behaviour and it positively affected the establishment of long-term business relationships. An important finding of this study was that learning orientation was considered an incentive to the development of long-term relationships. Specifically, organisational learning was deemed to favour the firms' knowledge of their clients and therefore affected the level of trust and affective commitment placed on them.

Based on this study, a deeper understanding is obtained of how each dimension of learning orientation influenced the development of relationship elements. The evidence was generated inductively from a high-risk and uncertain market. The current study contributes to the theory that exporters lacking a learning orientation were not only less able to cultivate stable working business relationships but also less able to provide the ongoing support that directly aided their customers/partners in winning and keeping their business. In relation to the discussion on previous studies on exporting (see Chapter 1 section 1.2), it is now possible to compare the understandings provided by the three perspectives: the neo-classical microeconomic, the relational and the learning perspectives, even understandings obtained from the relational perspective can be incorporated into the understandings generated by the learning perspective.

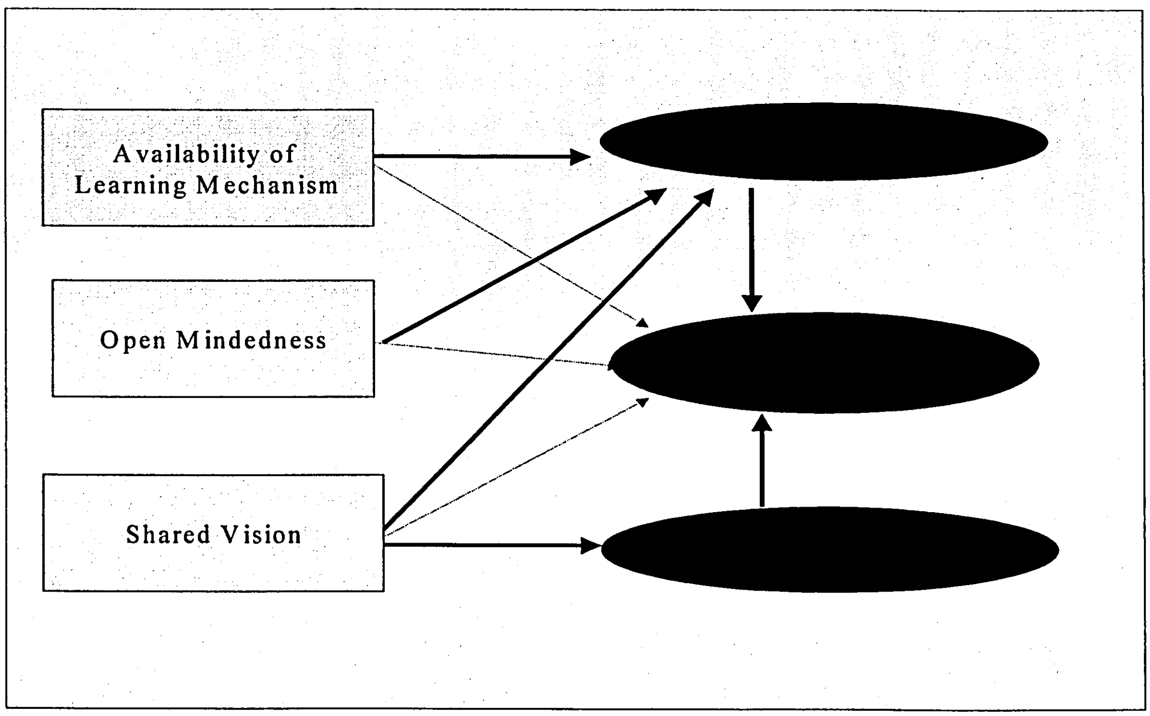
Table 8.1: Comparisons on the Three Perspectives

	The Neo-Classical Microeconomic Perspective	The Relational Perspective	The Learning Perspective
Basic understandings on export marketing strategy	Only the exporter actively initiate and manipulate marketing mix elements	The essence of export marketing strategy lays in the exchange relationships between the exporter-importer. Export development and management depend on how relationships are developed and managed.	The essence of export marketing strategy is the firm's learning orientation, which stimulates the firm's ability and intention to develop and manage the relationships. Export development and management depend on the ability to develop and manage business relationships. This ability depends on how the firms emphasise learning
Managerial tasks	Control the marketing mix elements	Develop and manage exporter-importer relationships	Develop the dimensions of learning orientation to nurture the firm' ability to develop and manage business relationships
Relationship between exporter and importer	Short-term and transactional	Long-term, collaborative and relational exchange	The relational exchanges provide learning opportunities and only learning oriented firm can really explore the opportunities.

The table illustrates how the learning perspective provides a deeper understanding of exporting phenomena especially in the context a high-risk and uncertain market. It appears to incorporate the understanding given by the relational perspective, even it explains further that managerial tasks is not only to develop and manage the relational exchanges but also (more importantly) to develop the dimensions of learning orientation within the organisation. The learning perspective explains that the ability and intention to develop business relationships depends on learning orientation of the exporters. Export development is influenced by business relationship development, which is affected by the exporters' learning orientation and thus success or failure in export operation will depend on how the exporter oriented toward learning. Interactions in the business relationship are seen as learning processes thus the relationships provide learning opportunities, and only learning oriented exporters can really explore the opportunities. Meanwhile, the neo-classical microeconomic perspective does not recognise the critical role of business relationship and put a greater attention on the marketing mix elements.

This study found that in the context of a high-risk and uncertain market, relationship elements develop according to the learning orientation of firms. To be more specific, the explanations of how relationship elements develop in a high-risk and uncertain market lay with the dynamic process of learning, which required a strong combination of all the dimensions of learning orientation. This study provides insights into how the dimensions stimulate relationship elements as can be seen in the following figure.

Figure 8.4 the Learning Dimensions with Trust, Commitment and Satisfaction



The figure above describes relations between three dimensions of learning orientation with trust, commitment and satisfaction. The relations are depicted in arrows, where bold arrows indicate direct relations whilst light arrows show indirect relations. They are elucidated below.

Availability of Learning Mechanisms - Commitment and Satisfaction

Availability of learning mechanisms influences the development of business relationships through its effects on the development of satisfaction and commitment. The availability of learning mechanisms assists firms to develop a richer knowledge or skills, which might be crucial to the firms operation in a high-risk and uncertain market. Learning mechanisms in the firms may cover a wide variety of ways to pursue knowledge of market/customers and the management of risks, which will support the firms' business in the market. Pursuing market knowledge can only be facilitated effectively through maintaining commitment in the relationships. Risk management skills encourage the firms to be customer-oriented stimulating satisfaction in the relationship.

Open Mindedness – Commitment and Satisfaction

Open mindedness influences business relationship development as it stimulates the fluctuation of commitment and satisfaction in the relationships. Open-mindedness pushes companies to learn the new reality of their market and understand that it requires constant adjustment in order to cope with the uncertainty. The companies will always question their existing strategy if it needs to be adapted. Open-mindedness generates a better ability to respond to the turbulent market environment and retain customers/partners as the companies will try to alter the way they deliver commitment to the relationship and the objective will remain on creating superior customer value. This is critical in developing business relationships in a high uncertain environment where customer value perception evolves, and needs to be monitored and understood.

Shared Vision – Trust, Commitment and Satisfaction

Shared vision influences business relationship development as it stimulates the fluctuation of trust, commitment and satisfaction in the relationships. Shared Vision entails a transformation of interpersonal trust to organisational trust. Also, shared vision unites all activities towards sustaining the business relationships. Shared vision generates a positive atmosphere, which motivates all staff to work towards one objective, i.e. delivering commitment needed to promote customer/partner satisfaction and retain partners/customers, and thus develop business relationships.

The contributions of the study have been achieved, but this study has limitations and thus further research may be directed to overcome them.

8.4. Limitations and Recommendations for Further Research

The study suggested that when a market was increasingly uncertain and risky, an exporter was able to develop more stable business relationships. However, further studies are needed to reveal if this would also be true in other markets, characterised by different situations. This contribution was directed to the building of theory concerning the management of buyer-seller relationship development in a market characterised by high risk and high uncertainty. Chapter 2 suggested that the extant literature primarily had an understanding of relationship development in stable market environments. This study was based on a case study approach employing a small sample size, which constrained the generalisations of the interpretation. Nonetheless, it is believed that the study has theoretical implications and thus contributes to the development of relationship development literature and potential further studies. The variety of industries studied and the different types of relationships investigated will enable richer and deeper insights to be developed.

Also, as seen in Figure 7.3 a possible association did not emerge in this study. Further research that focuses on different markets or different types of industry may discover the association and enrich our understanding of how business relationship development is influenced by a learning orientation.

Question number 12 identified in Chapter 3 has not been answered. The question is regarding how firms size could explain the development and management of business relationships in a high-risk and uncertain market. This study did not find an explanation since there is no clear pattern regarding the issue. For example, the smallest firm employed in this study had a higher level of trust and commitment compared to bigger companies such as Waingate, Froster Fencing and Border. This is due to the fact that the smallest firm had a higher learning orientation compare to the other firms. Further, Waingate was a medium size company that indicated a level of trust and commitment as low as Froster Fencing, which is a big company with more than 500 employees. Meanwhile, Border has 200 employees and has a higher level of trust and commitment compared to the other two companies. As this study could not reveal the explanation, therefore, the author encourages further studies to explore this interesting issue.

Similarly, question number 13 regarding a customer relationship portfolio was not answered in the study. There was no clear pattern found. Waingate and Froster Fencing in the inoperative category suggested a different picture of their customer relationship portfolio. Waingate faced decreasing sales and number of export markets. Waingate terminated its relationships not only in Indonesia but also in other countries. In contrast, Froster Fencing lost a business relationship in Indonesia since it was reluctant to commit and take risks, but this company could maintain its worldwide operation and gained increasing export sales including in new export markets. The case of Border in the fragile category seemed to be similar to Waingate. Border faced decreasing sales and lost a number of export markets and it had no sale from its business relationships in Indonesia. This company was reluctant to commit further and took risks to develop its business relationships in Indonesia. North West in the cooperative category, meanwhile, could maintain its export sales from other business relationships in other export markets especially Hong Kong and the USA but it was unable to maintain sales and even a business relationship in Indonesia. It seems that stable business relationships in those export markets did not encourage the company to increase its commitment and take risks in Indonesia. As suggested in the analysis, those four companies were, however, risks averse regarding their relationships in Indonesia. This may suggest that there is no clear pattern regarding commitment and risk setting of those companies' relationship portfolio. Nonetheless, this is an interesting issue to investigate; hence, the author encourages further studies to explore the issue.

8.5. A Personal Reflection

This study was conducted because I had personal interest in the development of business relationships in Indonesia, which have experienced dramatic changes since 1997. Prior to the crisis, Indonesia was one of the most attractive markets in South East Asia with a fast growing economy; it was one of the emerging markets in the region and attracted exporters from around the globe. Imported products were enjoyed by local people, whose income was increasing. Political and social development was stable until 1997, but since then everything seems to have gone wrong: the Asian financial crisis; a number of radical changes; problems in politics; social and even natural disasters. From my point of view, the market became less attractive and exporters were overlooking it; they paid less attention to their business relationships and even ended them.

A question grew in my mind: why could some companies survive, even reach greater success, while others seemed to fail during the increasing risk and uncertainty in the country? Also, I wondered how companies could maintain business relationships, where it was likely that trade transactions and social interaction would be badly affected. This study offered an understanding that the dramatic changes in the market could be "a process of natural selection", that only exporters with a high learning orientation could survive and that exporters should build their learning orientation to develop business relationships from which they can cultivate successful business in risky and uncertain markets.

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QUESTIONNAIRE

Section One: Company Information

Company Name: ☐ Established ☐

Number of employees: ☐ Number of export markets ☐ Total export sales: ☐

(Please indicate the currency used)

Name of contact person: ☐ Phone: ☐

Email address: ☐ Fax: ☐

Position in the company: ☐

Section Two: Exporting to Indonesia

Total export sales to Indonesia: ☐ Exporting to Indonesia since: ☐

Exporting to Indonesia through: ☐ Distributor(s) ☐ Agent(s) ☐ Subsidiary

☐ Others, please specify ☐

Section Three: Business Relationships in Indonesia

Number of business partners in Indonesia: ☐

Company communicates with business partners in Indonesia by:

☐ Email ☐ Fax ☐ Telephone ☐ Personal Visit

Company has made adaptation since 1997 on the following items:

☐ Product ☐ Price ☐ Procedure ☐ Payment term/method

If the relationships have been terminated, please indicate the year:

☐ *1997* ☐ *1998* ☐ *1999* ☐ *2000* ☐ *2001* ☐ *2002* ☐ *2003*

Section Four: View and Attitude to Business Relationships in Indonesia

4.1. Now we would like to focus on your experience dealing with your partner(s) in Indonesia. Please indicate your agreement on the following statements: