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Determinants of Relationship Quality in Importer–Exporter Relationships

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Despite significant evidence pointing to the key role of relationship quality in solidifying commercial relationships, limited attention has been paid to its determinants in an international context. In an attempt to fill this research gap, our study examines the impact of asset specificity, role performance and cultural sensitivity on the quality of the relationships between importers and their foreign suppliers. It is based on a mailed survey involving 292 importing firms. Relationship quality is presented as a higher-order concept that results in lower conflict and greater trust, commitment and satisfaction. The results indicate that asset specificity, role performance and cultural sensitivity play a significant positive role in building sound relationship quality. Several managerial implications are extracted from the study, as well as suggestions for future research.

Introduction

Relationship marketing has transformed the manner in which business relationships are structured, managed and evaluated (e.g. Morgan and Hunt, 1994; Samiee and Walters, 2003). Many marketing scholars assert that relationship marketing represents a fundamental reshaping of the field, and deserves priority research attention (e.g. Dwyer, Schurr and Oh, 1987; Sharma and Sheth, 1997). Within the relationship marketing paradigm, the topic of relationship quality has attracted considerable research interest. A growing base of evidence points to the importance of relationship quality in explaining relationship renewal and termination, and distinguishing successful relationships from unsuccessful ones (e.g. Crosby, Evans and Cowles, 1990; Dorsch, Swanson and Kelley, 1998; Hewett, Money and Sharma, 2002). As Jap, Manolis and Weitz (1999, p. 304) note, 'relationship quality captures the essence of relationship marketing'.

The importance of relationship quality in the viability and success of interfirm exchanges notwithstanding, there is little, if any, research that empirically examines the quality of relationships developed beyond national borders (Lages, Lages and Lages, 2005; Leonidou, Barnes and Talias, 2006). Nonetheless, markets are becoming increasingly integrated worldwide and virtually all firms, regardless of industry, size or national origin, are now facing this new reality. Slower growth and fierce competition in the domestic market, along with the establishment of liberal trade policies by most countries, have forced a growing number of firms to realize that going international may be a necessary action that must be taken without delay (Balabanis, 2001; Mehta *et al.*, 2006). Despite increasing awareness of the 'global reality', our understanding of the drivers of relationship quality in an international context remains limited.

The purpose of this research is to examine the antecedents of relationship quality between an importing distributor and its foreign supplier in an international channel of distribution. Transactions between an importing distributor and its foreign supplier are an appropriate setting for the investigation of relationship quality in interfirm exchange. The geographical separation and cultural differences between the two sides of the dyad makes it challenging for channel partners to interact with the same intensity as in domestic arrangements (Ha, Karande and Singhapakdi, 2004; Zhang, Cavusgil and Roath, 2003), which underscores the value of relationship quality in facilitating and developing cross-border business relationships. The focus of the present study is on the importer's standpoint in the international exchange relationship. This perspective is important because importing distributors are the organizational customers of exporting manufacturers and hence, even if the exporter and importer have different views regarding relationship quality, it is the importer's opinion that is likely to be determinant (cf. Cannon and Perreault, 1999). This research contributes to the extant literature by shedding light on the factors that enhance and inhibit the development of relationship quality within the context of international exchange. Thus, it may offer international business practitioners useful insights into successful relationship management.

Relationship quality

Relationship quality is an overarching construct composed of important relational outcomes reflecting the overall nature of the exchange relationship (Dwyer, Schurr and Oh, 1987). Despite the surge of research interest on relationship quality, there is no consensus in the literature to date regarding its constituents. For example, Dorsch, Swanson and Kelley (1998) see relationship quality as being manifest in opportunism, customer orientation and ethical profile. Lages, Lages and Lages (2005) assess relationship quality in terms of amount of information sharing, communication quality, long-term orientation and satisfaction. Crosby, Evans and Cowles (1990) define relationship quality as a bivariate construct composed of trust and satisfaction. Hewett, Money and Sharma (2002) describe trust and commitment as key signals of relationship quality. Similarly, Walter *et al.* (2003) point to the role of trust, commitment and satisfaction in composing relationship quality. Dwyer, Schurr and Oh (1987) underline the importance of trust, commitment and disengagement, while Kumar, Scheer and Steenkamp (1995) add conflict and two constructs that represent the converse of disengagement: willingness to invest and expectations of continuity. Further, Jap, Manolis and Weitz (1999) consider trust, conflict, disengagement and expectations of continuity to define relationship quality, whereas Bruggen, Kacker and Nieuwlaat (2005) view relationship quality as a combination of satisfaction, commitment, trust and conflict.

The preceding review of the extant literature suggests that relationship quality is commonly viewed as a higher-order construct composed of several distinct, though related, dimensions. It seems that there is no single definition of relationship quality, but different views of what constitutes a quality relationship. Our field interviews with import executives indicated the central role of trust, commitment, satisfaction and conflict in determining a good working relationship. Thus, in concert with most studies on relationship quality and on the basis of personal interviews with import managers, we define *relationship quality* as an importer's perception of lower levels of conflict in the importer–exporter relationship and greater levels of trust in, commitment to and satisfaction with the exporter.

Trust is defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman and Deshpande, 1992). It is widely recognized as the basis for any human interaction or exchange. Trust in interfirm relationships is generally fragile, difficult to build and easy to squander (Heide and John, 1992). As marketing theory and practice place more emphasis on forging close business relationships, trust has assumed a central role in the development of buyer–seller relationship models (Morgan and Hunt, 1994).

Commitment is defined as the sense of unity binding the importer to its overseas supplier firm (Kim and Frazier, 1997). It involves the development of a close and valued relationship with the foreign supplier (Moorman, Zaltman and Deshpande, 1992). Stability and sacrifices are the essence of commitment (Lohtia *et al.*, 2005) that produces feelings of affiliation and *esprit de corps* (Anderson and Weitz, 1992). As such, commitment can be viewed as the highest level of relational bonding and constitutes an indispensable part of successful relationships (Dwyer, Schurr and Oh, 1987; Gundlach, Achrol and Mentzer, 1995).

Satisfaction is defined as a positive affective state resulting from the appraisal of all aspects of an importer's working relationship with an exporter (Frazier, Gill and Kale, 1989). It is viewed as the key to long-run channel viability in that satisfied channel members are more prone to participate in collective activities and less inclined to exit the relationship (Geyskens, Steenkamp and Kumar, 1999). Hence, satisfaction constitutes a focal consequence of channel relationships (Anderson and Narus, 1990).

Conflict is defined as the overall level of disagreement in the exchange relationship and occurs when one party impedes the attainment of goals of the other party (Gaski, 1984). Despite the widely accepted notion that conflict is pervasive throughout channel systems (Spinelli and Birley, 1998), conflict as a construct has been receiving little attention in the channel literature lately, which can be attributed, partly, to the influence of the relationship marketing paradigm on the field. Nevertheless, conflict is an important construct to study in any type of exchange partnership, regardless of transactional or relational focus (Kumar, Scheer and Steenkamp, 1995) and therefore is included in our study.

Conceptual framework and research hypotheses

Researchers have studied buyer–seller relationships based on a variety of theoretical frameworks. One of the most widely used conceptual framings is power–dependence theory (Emerson, 1962), which views dependence as a catalyst for the creation of relationships; firms are generally not self-sufficient, but need resources from other firms with which they transact (Pfeffer and Salancik, 1978). A key variable in this school of thought is *role performance*, which is defined as how well an exporting firm actually carries out its channel roles in comparison to the industry average (Kim, 2000). It reflects levels of dependence in channel relationships in that, as the role performance of the source firm increases, the target firm's dependence on the source increases too because the attractiveness of alternative partners available to the target firm decreases (Frazier, Gill and Kale, 1989). Power–dependence theory adopts the premise that business relationships can be understood as a product of interfirm dependence, and therefore an exporter's role performance can be expected to have a major effect on an importer's perception of relationship quality.

Another theoretical perspective that has attracted heightened attention from scholars in the area of interorganizational relationships is transaction cost theory, which is an analytical paradigm whose primary subject matter is the design of efficient governance mechanisms for supporting exchange (Williamson, 1985). A rich stream of research focuses on the role of asset specificity in influencing the nature of buyer–seller relationships (e.g. Artz, 1999; Ganesan, 1994). *Asset specificity* refers to the degree to which assets are dedicated by an exporting firm to transacting with its importing distributor. Such investments are specialized to the relationship and not redeployable to an alternative one without losing a great part of their value (Heide and John, 1992). Idiosyncratic assets are the big locomotive to which transaction cost theory owes much of its predictive power with respect to make or buy decisions as well as the development of relational forms of governance (Rindfleisch and Heide, 1997). An exporter's asset specificity could thus serve as a key driver of an importer's perception of relationship quality.

Further, to take into account the international context within which the importer–exporter exchange relationship takes place, we turned to theoretical developments in international business. The evolution of global markets has led a growing number of firms to the deployment of market-driven strategies focusing on the particular requirements of foreign customers (Day, 1999). *Cultural sensitivity* refers to an exporter's awareness of, and adaptation to, its importer's domestic market business practices (LaBahn and Harich, 1997). Sensitivity to national business culture has assumed great importance in today's highly integrated and competitive market arena where increasing emphasis is placed on gaining access to knowledge of the local market and culture (Glaister and Buckley, 1997). As such, an exporter's cultural sensitivity is likely to provide the basis for investigating the determinants of an importer's perception of relationship quality.

Hence, drawing on the power–dependence, transaction cost analysis and international business literatures, three key antecedents to the establishment of relationship quality between the international trading partners have been identified for present purposes – role performance, asset specificity and cultural sensitivity, respectively. It is interesting to examine the extent to which these factors, based on different theoretical perspectives, can explain the development of relationship quality between international trading partners. Further, to better understand relationship quality, there is a need for a fuller articulation of the construct within its nomological network. In this vein, the interrelations among the antecedents of relationship quality are also examined. The hypothesized links among role performance, asset specificity, cultural sensitivity and relationship quality are discussed below.

Role performance and relationship quality

Importer–exporter relationships can be viewed as an overall system where the functions performed by the exporter constitute inputs into the importer's operation (Samiee and Walters, 2006). An exporting firm that carries out its required channel roles in a competent manner contributes to the wellbeing of the overall system and can thus facilitate a high level of goal attainment for its partner (Brown, Lusch and Nicholson, 1995; Frazier, Gill and Kale, 1989). An importer that receives satisfactory benefits from its partner, relative to the offerings of alternative suppliers, on such dimensions as product quality, availability and returns policy, pricing and so forth, realizes that this foreign supplier works hard on its behalf (Kim and Frazier, 1997). This is likely to engender confidence in the overseas supplier, cultivate the importing firm's sense of relationship unity, elicit feelings that its interactions with the exporting firm are fulfilling and gratifying and lessen the potential for relationship disagreement. Hence, in the presence of superior exporter role performance, outcomes such as trust, commitment, satisfaction and minimal conflict are likely to occur. This leads to the first hypothesis.

H1: The level of an exporter's role performance is related positively to the level of relationship quality in the importer–exporter relationship.

Asset specificity and relationship quality

Exporters' investments specific to their overseas distributors are more than mere signals to share exchange risks and responsibilities (Artz, 1999); they are pledges that bind the exporting firm to the exchange relationship (Galunic and Anderson, 2000). This self-binding takes place because in the event of relationship termination the exporting firm will not be able to recover the cost of its investment since such specialized assets are worth little outside the focal importer–exporter transaction (Heide and John, 1992; Williamson, 1985). As a result, an importing firm that sees its overseas supplying counterpart investing in relationship-specific assets becomes assured that trust can be placed in its partner and has an incentive to commit to the foreign supply relationship. Furthermore, idiosyncratic investments have the capacity to generate great added value in the relationship by virtue of lowering production costs and improving product quality (Dyer and Ouchi, 1993; Sanchez, 1995). This is likely to promote importer satisfaction with the cross-border relationship and assist the exchange partners in eschewing relationship conflict. Therefore, exporter-transaction-specific assets are expected to enhance relationship quality. This gives the second hypothesis.

H2: The level of an exporter's asset specificity is related positively to the level of relationship quality in the importer–exporter relationship.

Cultural sensitivity and relationship quality

Previous literature suggests that alongside economic issues there are powerful social and psychological issues that may play a lead role in maintaining, developing or terminating business relationships (e.g. Granovetter, 1985; Uzzi, 1996). However, relational behaviours that constitute relationship quality (i.e. trust, commitment, conflict and satisfaction) might be perceived differently across cultures (Doz and Hamel, 1988). Hannigan's (1990) review of the intercultural effectiveness literature highlights intercultural disposition as a major determinant. Lane and Beamish (1990) stress that cultural compatibility between foreign partners has the greatest bearing on the maintenance of a global partnership. Further, as Grewal and Dharwadkar (2002) note, cultural sensitivity mirrors an exporting firm's capacity to engage in culturally effective exchange with foreign customers. It follows that an importer's trust, commitment and satisfaction cannot easily be developed without appreciation of and adjustment to its business culture by its foreign supplier. Thus, to achieve the smooth interactions required for relationship quality to be cultivated, an exporting firm needs to sensitize and adapt its business practices to the nuances of the importer's local market. The extent to which this is the case is the basis of the third hypothesis.

> *H3*: The level of an exporter's cultural sensitivity is related positively to the level of relationship quality in the importer–exporter relationship.

Asset specificity and role performance

There are several types of idiosyncratic investments, such as exchanging classified product and/or market information, installing electronic data interchange systems, developing specialized training programmes, deploying tailor-made promotional campaigns and purchasing dedicated tools and machinery. Because of their task-driven nature, transaction-specific assets can result in enhanced relationship outcomes in terms of effectiveness and efficiency (Dyer and Ouchi, 1993; Fein and Anderson, 1997). In the presence of such investments exchange partners can execute relationship tasks more satisfactorily and/or increase the number of relationship activities fulfilled simultaneously (Jap and Ganesan, 2000; Sanchez, 1995). As such, asset specificity may enable the exporting firm to perform its prescribed channel duties in a more proficient manner and become highly productive in servicing, assisting and supporting its importing distributor. On the basis of the preceding discussion, the fourth hypothesis can be developed.

> *H4*: The level of an exporter's asset specificity is related positively to the level of an exporter's role performance.

Cultural sensitivity and asset specificity

An exporter's deep understanding of an importer's business culture and practices should not be taken for granted (Harich and LaBahn, 1998). It requires possession of considerable amounts of financial, relational and cultural resources on behalf of the exporter (Johnson *et al.*, 1996). Further, bridging differences between the local and foreign markets is a challenging task (Grewal and Dharwadkar, 2002) that necessitates purposeful deployment of available resources in cultural training, language skill development and other relational management efforts (Lohtia *et al.*, 2005). Therefore, an exporter's awareness and understanding of, and sensitivity and adaptation to, the importer's business customs is emblematic of an exporter's capacity and motivation to invest in assets focusing on its foreign business partner. In contrast, an exporter that neither comprehends the importer's business culture, nor adapts its business practices accordingly, is likely to be more hesitant to devote investments specific to its overseas relationship. Hence, it is possible to advance the fifth hypothesis.

> *H5*: The level of an exporter's cultural sensitivity is related positively to the level of an exporter's asset specificity.

Cultural sensitivity and role performance

When trading activities cross national borders, significant differences in cultural, national, organizational and managerial factors separate the exchange partners (Kale and Barnes, 1992; Zhang, Cavusgil and Roath, 2003). Firms often possess corporate cultures that are inherently inappropriate for conducting business in a particular overseas market (Francis, 1991; Ricks, 1993). While it is very difficult to alter the underlying values of a firm, it is feasible to adjust its management practices to abide by the foreign customer's business culture (Harich and LaBahn, 1998; Lohtia *et al.*, 2005). Moreover, developing market-driven export strategies focusing on the particular requirements of foreign partners constitutes nowadays an increasingly important element of exporters' channel role (Day, 1999), which is highly valued by importing distributors (Skarmeas, Katsikeas and Schlegelmilch, 2002). Therefore, an exporting firm that appreciates if relationship decision elements (e.g. product, packaging, delivery methods, credit terms) need customization to local market conditions and adapts its practices accordingly is expected to perform its channel roles in a more competent fashion. This leads to the sixth hypothesis.

> *H6*: The level of an exporter's cultural sensitivity is related positively to the level of an exporter's role performance.

Research methods

A mail survey using key informants was conducted to test our hypotheses. The study focused on the relationships between importing distributors and exporting manufacturers from the perspective of the importers. Importing distributors not only constitute a quicker, less risky, and less capital intensive foreign market entry strategy than establishing joint ventures or international subsidiaries (Mehta *et al.*, 2006), but offer to exporters key contacts with local buyers, crucial local-market knowledge and important service functions (Lohtia *et al.*, 2005). We selected a systematic random sample of 1000 importing distributor firms from the Dun and Bradstreet database. The sampling frame is a cross-section of four industries, machinery and equipment, chemicals, textile, and paper products, in order to increase generalizability (Zhang, Cavusgil and Roath, 2003). Further, to collect data from a diverse group of responses and overcome positive respondent bias in the selection of foreign supplier (Kim, 2000), informants were asked to respond to the study with respect to a specific foreign supplier (i.e. largest, third largest or fifth largest). If the importing firm had less than five (three) foreign suppliers, the respondent was instructed to fill in the questionnaire considering the supplier closest to the assigned rank.

All importing distributor firms were contacted by telephone to ensure that there were no changes in business or wrong addresses, explain the rationale of the study, request their participation, and, most importantly, identify the key informant for the study (Morgan, Kaleka and Katsikeas, 2004). Key informants are the individuals within the firm who are both capable and willing to provide the information required (Campbell, 1955). On the basis of this sample refinement procedure, 606 people knowledgeable of and inclined to report on the phenomenon being investigated were identified. A cover letter, questionnaire and postage-paid reply envelope were mailed to the selected sample. After two follow-up mailings, a total of 292 (a satisfactory response rate of 48%) eligible responses were received.

A comparison of early and late responding firms (Armstrong and Overton, 1977) on employee number, sales volume, import purchase volume, years of importing and number of overseas supply markets yielded no significant differences. The representativeness of the sample was also evaluated by comparing the responding firms' demographic characteristics on number of employees, years of importing and sales volume with those of 84 randomly selected non-respondents contacted by telephone (Churchill and Iacobucci, 2002). Again, the t test comparisons showed no significant differences.

The measures used were modified from previous studies – on the basis of feedback from academics and business practitioners – to suit the research purpose and particular study context. All items were measured on a seven-point scale. With the exception of role performance, items were anchored by strongly disagree and strongly agree. A complete listing of the construct measures is presented in the Appendix. A brief description of the operationalization of each construct follows.

Trust was operationalized through four items derived from Ganesan (1994), which describe the extent to which an importer believes that its overseas supplier is honest and benevolent. Importers' commitment to their overseas supplier relationships was measured by four items adapted from Kim and Frazier (1997). The items assessed the distributor's business ties to and desire to continue the relationship with the supplier firm. Conflict was operationalized through five items based on Frazier, Gill and Kale (1989) and Mohr, Fisher and Nevin (1996). The items captured the existence, frequency, importance and intensity of disagreements between the importer and the foreign supplier. Satisfaction was assessed by five items adapted from Frazier, Gill and Kale (1989) and Anderson and Narus (1990). The items tapped the extent to which the importing firm is satisfied with its working relationship with the overseas supplier.

Importers' perceptions of exporters' role performance were assessed drawing from Kim's (2000) operationalization. Seven basic elements of the supplier's role in an international industrial distribution channel were identified and itemized on the basis of field interviews and pre-tests. Role performance items were anchored by very poor and very good. The construct of asset specificity was operationalized using four items tapping the importer's perception of the overseas supplier's investments idiosyncratic to the focal relationship, including training programmes and efforts to link the importer with its business. The items were generated on the basis of past research (Anderson and Weitz, 1992; Ganesan, 1994) and adapted using pre-tests. Cultural sensitivity was measured by four items adapted from LaBahn and Harich's (1997) work which describe importers' perceptions of exporter awareness and understanding of, and sensitivity and adaptation to, domestic business practices.

Analysis and results

The psychometric properties of the study constructs were assessed using confirmatory factor analysis. Two measurement models were run employing the elliptical reweighted least squares estimation procedure in EQS (Sharma, Durvasula and Dillon, 1989). One model was estimated for the three first-order constructs of cultural sensitivity, asset specificity and role performance and another for trust, commitment, satisfaction and conflict that give rise to the second-order construct of relationship quality.

Role performance was conceptualized as a formative scale (Frazier, Gill and Kale, 1989; Kim, 2000). Each item employed captures a different aspect of the foreign supplier's channel role; better or worse performance in one element of its role does not simultaneously imply better or worse performance in other elements. Given the formative nature of the construct, internal consistency was not applicable for testing its validity (Diamantopoulos and Winklhofer, 2001). To assess the validity of such multidimensional composites the examination of other variables that are effects of the construct is deemed appropriate (Bollen and Lennox, 1991). Confirmation of the research hypotheses would provide evidence of the validity of the role performance measures employed. Still, an aggregation of individual performance ratings yielded an index of supplier role performance, which was included in the first-order confirmatory factor analysis model. The results of this measurement model suggest a reasonable fit to the data (see Table 1). Though the χ^2 is statistically significant ($\chi^2_{(25)} = 56.25$, $p < 0.001$), the other fit indices are favourable (CFI = 0.98, NFI = 0.96, NNFI = 0.97, RMSEA = 0.07 and AOSR = 0.04). Convergent validity is evidenced by the large and significant standardized loadings of the items on their posited indicators. Discriminant validity is indicated since the confidence interval (two standard errors) around the correlation estimate between any two latent indicators never includes 1.00 (Gerbing and Anderson, 1988).

A second-order confirmatory factor analysis was conducted for relationship quality because theory suggests that this is an underlying syndrome and is best conceptualized and measured as a higher-order construct (Kumar, Scheer and Steenkamp, 1995). Table 1 indicates that trust, commitment, satisfaction and conflict can be treated as first-order constructs, to demonstrate the existence of a second-order relationship quality construct. Though the χ^2 is statistically significant ($\chi^2_{(131)} = 260.65$, $p < 0.001$), the other diagnostics are favourable (CFI = 0.98, NFI = 0.97, NNFI = 0.98, RMSEA = 0.06 and AOSR = 0.04). Also, the first- and second-order loadings are all large and significant. Next, composite scores were used to reflect the underlying construct dimensions and to test the research hypotheses using structural equation modelling. To provide a general picture of the interrelationships among the study constructs, Table 2 reports their zero-order correlations.

The structural model, too, demonstrated a satisfactory fit to the data ($\chi^2_{(60)} = 138.64$, $p < 0.001$, CFI = 0.96, NFI = 0.93, NNFI = 0.95, RMSEA = 0.07 and AOSR = 0.04). Further, the hypothesized relationships explain 26% of the observed variance in relationship quality. Table 3 reports the standardized parameter estimates, t values and significance levels for the structural paths. Specifically, in line with H1, role performance is associated positively with relationship quality ($\beta = 0.28$, $t = 3.78$). As predicted in H2, asset specificity is related positively to relationship quality ($\beta = 0.17$, $t = 2.51$). Consistent with H3, cultural sensitivity is linked positively to relationship quality ($\beta = 0.29$, $t = 3.70$). Contrary to H4, no significant relationship was established between asset specificity and role performance ($\beta = 0.08$, $t = 1.20$). Also, H5 is rejected as no significant connection is found between cultural sensitivity and asset specificity ($\beta = 0.09$, $t = 1.26$). Finally, as per H6, cultural sensitivity is associated positively with asset specificity ($\beta = 0.31$, $t = 4.42$).

Discussion and implications

The preceding analysis has demonstrated that cultural sensitivity enhances role performance and that cultural sensitivity, transaction-specific investments and role performance play an important role in elevating the quality of the working relationship

Table 1. Measurement models

Measurement model 1				Measurement model 2		
First-order construct measurement summary: confirmatory factor analysis				Relationship quality measurement summary: second-order confirmatory factor analysis		
Factor	Item	Standardized loading	t value	Factors and items	Standardized loading	t value
Cultural sensitivity	Cs1	0.69	12.10	*First-order factors*		
	Cs2	0.79	14.06	Trust		
	Cs3	0.69	12.11	Tr1[a]	0.88	—
	Cs4	0.84	15.65	Tr2	0.89	20.26
				Tr3	0.82	17.65
Asset specificity	Ass1	0.83	15.96	Tr4	0.90	21.02
	Ass2	0.82	15.47	Commitment		
	Ass3	0.79	14.85	Com1[a]	0.89	—
	Ass4	0.81	15.33	Com2	0.80	16.79
				Com3	0.79	16.28
Role performance	Rp1	0.96	20.99	Com4	0.89	20.29
				Satisfaction		
				Sat1[a]	0.87	—
				Sat2	0.76	14.57
				Sat3	0.81	16.39
				Sat4	0.76	14.66
				Sat5	0.85	17.48
				Conflict		
				Con1[a]	0.80	—
				Con2	0.78	13.69
				Con3	0.83	14.83
				Con4	0.81	14.46
				Con5	0.78	13.80
				Second-order factor		
				Relationship quality		
				Trust	0.74	10.74
				Commitment	0.64	9.22
				Satisfaction	0.72	10.26
				Conflict	0.69	9.28

Fit statistics for measurement model 1: $\chi^2_{(25)} = 56.25$, $p < 0.001$, comparative fit index (CFI) = 0.98, normed fit index (NFI) = 0.96, non-normed fit index (NNFI) = 0.97, root mean squared error of approximation (RMSEA) = 0.07 and average off-diagonal absolute standardized residuals (AOSR) = 0.04.
Fit statistics for measurement model 2: $\chi^2_{(131)} = 260.65$, $p < 0.001$, CFI = 0.98, NFI = 0.97, NNFI = 0.98, RMSEA = 0.06 and AOSR = 0.04.
[a]Item fixed to set the scale.

Table 2. Correlation matrix

Measures		X1	X2	X3	X4
Cultural sensitivity	X1	1.00			
Asset specificity	X2	0.08	1.00		
Role performance	X3	0.27*	0.09	1.00	
Relationship quality	X4	0.29*	0.19*	0.30*	1.00

*$p < 0.01$.

between importers and their overseas suppliers. Although not all of the research hypotheses were supported, the present study offers some useful insights into the development process of relationship quality in importer–exporter relationships. In addition, the results uncovered some new, previously undetected, relationships that require further elaboration. A discussion of the results and implications of the study for management theory and practice follows.

The results of the study suggest that role performance is an important precursor to relationship quality. In line with prior research on domestic channels of distribution (e.g. Brown, Lusch and Nicholson, 1995; Frazier, Gill and Kale, 1989), it appears that exporting firms can improve their relationships with overseas organizational customers by performing their channel

Table 3. Hypothesis testing resutls

Hypothesized path	Standardized estimate	t value	Hypothesis
Role performance → relationship quality	0.28	3.78**	H1 (+)
Asset specificity → relationship quality	0.17	2.51*	H2 (+)
Cultural sensitivity → relationship quality	0.29	3.70**	H3 (+)
Asset specificity → role performance	0.08	1.20	H4 (+)
Cultural sensitivity → asset specificity	0.09	1.26	H5 (+)
Cultural sensitivity → role performance	0.31	4.42**	H6 (+)

Note: $\chi^2_{(60)} = 138.64$, $p < 0.001$, CFI = 0.96, NFI = 0.93, NNFI = 0.95, RMSEA = 0.07 and AOSR = 0.04.
**$p < 0.01$.
*$p < 0.05$.

functions in a competent fashion. An exporter can provide support to its importing counterpart and contribute to the channel system in the areas of product quality, pricing policy, sales training, promotion programmes, technical assistance and return goods policy; these constitute just a few of the ways in which relationship quality can be enhanced. This makes intuitive sense and should be considered whenever exporting firms attempt to target and/or contact potential foreign customers. A clear managerial implication is that exporting firms should focus on effectively executing international channel functions, as a means of salvaging and strengthening relationships with their organizational customers overseas.

The study results also reveal that idiosyncratic investments have a significant influence on relationship quality. This finding adds to the existing knowledge base on asset specificity (e.g. Artz, 1999; Heide and John, 1992) and indicates that exporting firms can improve their relationships with overseas organizational customers by investing in transaction-specific assets. Exporting firms should therefore place emphasis on demonstrating their relationship-specific assets in an attempt to cultivate relationship quality. Management in importing firms, on the other hand, should pay attention to identifying foreign supply partners motivated to invest in relationship-specific assets. It follows that idiosyncratic assets should be viewed as relationship investments, rather than relationship expenditures, which bring closer the international exchange partners by virtue of enhancing relationship quality.

Cultural sensitivity has the strongest bearing on relationship quality. As sensitivity to an international partner's business culture develops, quality of the relationship tends to improve. This result is in concert with previous studies in the context of international exchange underlining the positive role of cultural sensitivity (Harich and LaBahn, 1998; Skarmeas, Katsikeas and Schlegelmilch, 2002) and suggests that relationship quality between international trading partners cannot comfortably be established without cultural sensitivity in place. Managers need to bear in mind that intangible factors of economic life such as sensitivity to national business culture can contribute greatly to the explanation of relationship quality. Therefore, for relationship quality to rise, management in exporting firms may find it prudent to devote a substantial amount of resources to cultural training programmes. It seems that an exporting firm's understanding of, and adjustment to, the importer's domestic market business practices provides a unique vantage point for forging strong overseas distributor relationships.

The findings indicate that asset specificity does not have a significant influence on role performance. It appears that exporting firms that invest in idiosyncratic assets do not always perform their channel functions effectively. An explanation of this could be that role performance is a holistic construct that encompasses a wide range of relationship tasks and activities (Frazier, Gill and Kale, 1989), while investing in transaction-specific assets may affect just a small portion of this range. An important implication of this finding is that asset specificity cannot be viewed as a reliable indicator of role performance. Moreover, the results suggest that exporter cultural sensitivity does little to promote exporter asset specificity. Although it is well established in the literature that asset specificity has beneficial consequences for exchange relationships (Jap and Ganesan, 2000), prior research provides little evidence on its antecedents (Galunic and Anderson, 2000). One may suggest that idiosyncratic investments pose a precondition for an exchange. Another line of speculation is that such non-recoverable assets are necessitated by competitive conditions. Much work remains to be done in understanding the conditions initially leading to the formation of such assets.

The link of cultural sensitivity with role performance is another key finding of this study. Cultural sensitivity appears potent enough in this context to promote role performance. An exporting firm's understanding of the way its foreign customer conducts business in terms of both etiquette and procedures and adjustment to the importer's domestic market business customs can assist exporting firms in carrying out their channel role in a more proficient fashion. This evidence corroborates Day's (1999) contention that developing market-driven export strategies tailored to the wants and needs of overseas customers has become a part of exporters' channel role. Management in exporting firms should view cultural sensitivity as a key contributor to superior role performance. Conversely, insensitivity to the importer's business culture can be responsible for negative evaluations of the exporters channel performance by its foreign partner. It follows that developing intercultural disposition should guide the exporting firms training efforts. Importing firms, on the other hand, may find it beneficial to assist foreign partners in understanding the local market business practices and conditions.

Limitations and future research

Our findings should be interpreted in the light of some limitations that need to be addressed. First, only one type of interfirm relationship was observed – between importing distributors and exporting manufacturers. Therefore, the generalizability of results to other buyer–seller contexts may be limited. It is imperative to assess the stability of the study model across different market environments and other types of international exchange. The validation of the proposed model can begin with examinations of supplier–manufacturer or franchiser–franchisee associations.

Second, the current research utilizes cross-sectional data, which prevent examination of causal relations. For example, is asset specificity a cause of or a result of relationship quality? Is relationship quality a cause of or a result of superior role performance? These questions are ripe for research. Though relationship quality is hypothesized to be an outcome of transaction-specific investments and role performance, it is conceivable that a reverse sequence of events is operating. Clarification of the temporal order is possible only with longitudinal methods. Thus, replication of this study with longitudinal data is strongly encouraged as an avenue of further research.

Third, given that this study is cross-sectional in nature and data on both dependent and independent variables were collected from a single informant, common method variance could have inflated or deflated construct relationships. We thus followed Podsakoff *et al.*'s (2003) steps for limiting and assessing the effects of common method variance. First, we guaranteed anonymity to all respondents and urged them to answer questions as honestly as possible considering that there were no right or wrong answers. Second, respondents were not aware of our conceptual model, preventing them from providing answers based on their beliefs of how the model variables should be related. Third, most of the construct items were not grouped together by variable, so that respondents would be unable to detect readily which items were influencing which factors. Finally, in addition to these procedural steps, all the model variables were entered together into an exploratory factor analysis. If common method bias is a problem, a single factor should emerge from the data or one factor that explains the majority of the variance. No such factors were evident in the data, which suggests common method bias does not appear to be a problem in this study.

Fourth, the data incorporate the perspective of only one side of the dyad. This shortcoming is reported in many cross-border empirical studies and can be regarded as an obstacle to the advancement of international marketing theory and practice (Craig and Douglas, 2001). A dyadic approach might offer a different view of the quality of channel relationships and reveal behavioural differences and/or similarities between exporters and importers. Despite the difficulties associated with the fact that informants are located in different countries, gathering data from both participants in an international channel would certainly contribute to theory development and testing and assist export and import management practice.

Fifth, a more comprehensive set of precursors of relationship quality should be explored. Except for the power–dependence, transaction cost and international business perspectives, other theoretical frameworks such as agency theory, the relational exchange paradigm, and internationalization theory can be used to identify meaningful antecedents of relationship quality. Also, channels research has not investigated fully the impact of relationship quality on economic outcomes. From a managerial point of view, economic performance (e.g. sales and profit), rather than relationship quality, is the ultimate business objective (Katsikeas, Leonidou and Morgan, 2000). Investigation of the performance implications of relationship quality in international marketing channels is an important issue that deserves additional research attention.

Conclusion

The central theme of this research effort is the development of relationship quality in importing distributor–exporting manufacturer relationships. Although the past decade has seen an emphasis on relationship marketing in the channels literature, a general consensus on what constitutes relationship quality has not been reached. Relationship quality was determined by second-order factoring of the well-researched constructs trust, commitment, satisfaction and conflict. The results showed that, although these dimensions are conceptualized and measured separately, they can be treated as a single higher-order construct. By using trust, commitment, satisfaction and conflict to evaluate the quality of a relationship, international business practitioners may better understand relationships' main constituent elements, so that they can manage them more effectively. Moreover, the empirical findings identified role performance, asset specificity and cultural sensitivity as significant precursors of relationship quality in international distribution channels and cultural sensitivity as a meaningful driver of role performance. To the best of our knowledge, this is the first study that empirically examines the antecedents of relationship quality in an international channel context. Hence, the present study advances the extant literature and will hopefully spur further research on the important topic of relationship quality.

Appendix. Constructs, scale items and reliability estimates

Cultural sensitivity ($\alpha = 0.84$)
- This foreign supplier understands how distributors and suppliers conduct business at home
- This foreign supplier is willing to adapt to the way we do business at home
- This supplier is sensitive to the difficulties we encounter when doing business with foreign companies
- This foreign supplier is aware of how we conduct business at home

Asset specificity ($\alpha = 0.89$)
- This foreign supplier has invested a great deal in our business
- This foreign supplier has gone out of their way to link us with their product line
- This foreign supplier has made substantial investments in training our people
- This foreign supplier has invested substantially in personnel dedicated to our business

Role performance[a]
- Product quality
- Pricing policy
- Sales and product training
- Product and parts availability
- Sales promotion programmes and promotional aids
- Technical assistance
- Return goods policy

Relationship quality
- Trust ($\alpha = 0.93$)
  - Supplier's honesty about problems that might arise (i.e. shipment delay)
  - Feeling that the supplier has been on our side
  - Supplier's not making false claims
  - Supplier's reliability of promises
- Commitment ($\alpha = 0.91$)
  - Supplier being a very important ally of our distributorship
  - Lacking a strong business link with the supplier (R)
  - Existence of a high sense of unity between this supplier and us
  - Development of a close business relationship with this supplier

Appendix. Continued

Conflict ($\alpha = 0.90$)
We argue frequently with this supplier about business issues
We disagree with the supplier about how we best achieve our respective goals
We have major disagreements on certain key issues with this supplier
A high degree of conflict exists between this supplier and my firm
Our arguments with this supplier are very heated
Satisfaction ($\alpha = 0.91$)
In general, we are satisfied with our dealings with this supplier
We would discontinue selling this supplier's product if we could
This supplier is a good company to do business with
If we had to do it over again, we would not do business with this supplier
On the whole, we are satisfied with the products and services we get from this supplier

[a]Formative scale.

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