Importer and exporter capabilities, governance mechanisms, and environmental factors determining customer-perceived relationship value

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ABSTRACT

Although value creation is the overarching goal of interfirm exchange relationships, there is little research on relationship value in business markets in general and in global business markets in particular. The current research synthesizes insights from the dynamic capabilities, relational contracting, and international business literatures to develop a model of customer-perceived relationship value in importer–exporter relationships. A mail survey was used to collect data from 211 import distributors of industrial products. The study results indicate that exporter core offering and customer responsiveness capabilities, importer market-sensing and customer relationship management capabilities, relational governance, psychic distance, and environmental munificence are important determinants of relationship value, while contractual governance has no detectable effect. Theoretical and managerial implications of the findings are discussed and future research directions are presented.

1. Introduction

Relationship management practice and research draw heavily from relationship marketing theory, which suggests that close interfirm relationships constitute strategic, value-creating assets that result in positive performance outcomes for the individual exchange partners as well as for the relationship as a whole (e.g., Cannon & Perreault, 1999; Palmatier, Dant, Grewal, & Evans, 2006). Forming strong relationships with key buyers can help a supplier differentiate its offering, introduce new products, and capture a larger share of customer purchases (e.g., Palmatier, 2008). Stable relationships with selected suppliers can assist the customer firm in terms of product quality, service support, on-time delivery, and reductions in purchasing, ordering, and inventory costs (e.g., Ulaga & Eggert, 2006). Thus, collaborative relationships can create value for both partners, value that derives from the relationship and that neither firm could create individually or with other partners (Madhok & Tallman, 1998).

Yet, relationship value, which refers to an overall evaluation of a business relationship based on perceived costs and benefits (Ulaga & Eggert, 2006), has not received adequate attention in the extant literature. Most relationship marketing studies mention or imply but do not investigate relationship value (Palmatier et al., 2006) and existing value assessment studies typically focus on product value, which does not represent the full spectrum of relationship value (Ulaga & Eggert, 2006). Except for product value, a number of additional factors, including partner innovativeness, expertise, reputation, likeability, and compatibility drive interfirm exchange and collaboration (Lindgreen, Hingley, Grant, & Morgan, 2012). However, marketing and strategy theorists have repeatedly argued that value creation is the raison d'être of business relationships (e.g., Hunt, 2000; Kotler & Keller, 2012) and that the sources of competitive advantage may span firm boundaries and reside in interfirm ties that create superior relationship value (e.g., Barringer & Harrison, 2000; Dyer & Singh, 1998). Despite the importance of relationship value in business exchange (Ulaga & Eggert, 2003;

2005), there is little empirical work on the interfirm determinants of relationship value (Blocker, Flint, Myers, & Slater, 2011; Palmatier 2008), which limits understanding of how firms can assess and manage their business relationships as value-bearing assets, with a view to increasing the value generated through them.

In addition, scant empirical work has been devoted to relationship value in cross-border interfirm relationships (see for exceptions Blocker et al., 2011; Skarmeas, Zeriti, & Baltas, 2016). However, market globalization has forced firms to go international and has resulted in an unprecedented plethora of business relationships across national boundaries. Furthermore, the literature suggests that, except for geographic separation (e.g., physical remoteness, lack of common borders), cultural (e.g., language, religion), administrative (e.g., currencies, legal systems), and economic (e.g., income, costs and quality of resources) distance between trading partners has a detrimental impact on cross-border economic activity (e.g., Beck, Chapman, & Palmatier, 2015; Sousa & Tan, 2015). Relationship value creation and delivery in global markets should therefore be a more complex and difficult task than in domestic ones. This has led to calls for studies that consider the significance of the international context in relationship value creation (Blocker, 2011; Lindgreen et al., 2012; Ulaga, 2011). Enhanced understanding of interfirm drivers and deterrents of relationship value in international business can help firms select and evaluate global expansion opportunities more carefully and increase the odds of investing in valuable cross-border relationships.

Moreover, an examination of the literature on international buyer–seller relationships reveals that the vast majority of studies have focused on the exporter, whereas relatively little empirical attention has been paid to the import side of the international trade equation (Aykol, Palihawadana, & Leonidou, 2013; Samiee, Chabowski, & Hult, 2015). This imbalance is unfortunate given that, in addition to the transportation, warehousing, inventory, and credit functions, import distributors perform numerous marketing activities including

customer identification, contact, and service, and market intelligence gathering (Nevins &

Money, 2008; Trent & Monczka, 2002). Such activities are critical because problems

associated with foreign customer and market knowledge are commonly encountered in

exporting (Aykol, Leonidou, & Zeriti, 2012; Lisboa, Skarmeas, & Lages, 2013). Therefore,

suppliers need to direct their focus on what their import distributors want and perceive that

they get from them and improved understanding of their behavior and decision-making is

needed for success in export operations.

Against this background, this study investigates the determinants of relationship value in

importer–exporter relationships. The focus of this study is on importer-perceived relationship

value. This standpoint is anchored on the notions that it is typically the customer firm "that

ultimately makes the decision of whether to purchase from a supplier" (Cannon & Perreault,

1999, p.445) and that most buyer–seller relationships in international markets are "better

conceptualized as buyer-coordinated importing rather than producer-initiated exporting"

(Liang & Parkhe, 1997, p.495). Thus, the import distributor is usually the final decision

maker and arbiter of value (Gulati & Oldroyd, 2005; O'Cass & Ngo, 2011). The research

model of the study is shown in Figure 1. The model comprises four different groups of

determinants of relationship value that either refer to the importer, or that the importer could

readily explain: (1) exporter capabilities, which include core offering and customer

responsiveness capabilities; [1] (2) importer capabilities, which center on market-sensing and

customer relationship management capabilities; (3) governance mechanisms, which consist of

relational and contractual governance; and (4) environmental factors, which focus on psychic

distance and environmental munificence. Based on a review of the extant literature, together

with exploratory interviews with export and import managers, these factors were identified as

important predictors of relationship value in importer–exporter relationships. Our model is

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[1].We use the terms exporter core offering and customer responsiveness capabilities for reasons of brevity; they
refer to importer perceptions of exporter core offering and customer responsiveness capabilities.

built on the premise that a comprehensive and integrative perspective is needed, one that takes in account exporter and importer capabilities, governance mechanisms, and environmental factors, to provide robust insights into relationship value formation.

…insert Figure 1 about here…

2. Conceptual framework and research hypotheses

The identification and specification of determinants of relationship value began with an examination of the theoretical frameworks that have been used more often to guide research in interfirm relationships. With roots in the resource-based theory, the dynamic capabilities theory emphasizes the firm's ability to integrate, develop, and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). Relational contracting focuses on how to organize effective and efficient structures for governing transactions (Poppo & Zenger, 2002). The industry structure view maintains that differential firm performance results from the structural characteristics of an industry (Porter, 1980). Another approach, the Uppsala model, argues that psychic distance is a major issue of concern in international exchange relationships (Johanson & Vahlne, 2009). Each of these perspectives highlights different yet important aspects of business relationships.

We rely on Dyer and Singh's (1998) relational view of the firm as our theoretical foundation for explaining relationship value creation. The relational view argues that competition takes place across dyads or networks of firms, rather than single firms, and takes interfirm relationships as the relevant unit of analysis (Dyer & Singh, 1998). It synthesizes insights from the dynamic capabilities and relational contracting theories to suggest that firms jointly create value and achieve a relational advantage through the idiosyncratic interfirm linkages present in collaborative relationships (Lavie, 2006). Furthermore, we draw on the

Uppsala model (Johanson & Vahlne, 2009) and the industry structure view (Porter, 1980) to account for the influence of environmental forces and thus obtain a broad representation of the drivers of relationship value in importer–exporter relationships. Our overarching goal is to identify and specify predictors that offer unique and differentiated information about the focal phenomenon, namely relationship value.

Value typically refers to "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p.14). It occupies a central place in consumer research where a considerable number studies have shown that consumers are satisfied with and loyal to products that they perceive as offering the best value (Sirdeshmukh, Singh, & Sabol, 2002). The literature concludes that firms compete on the basis of customer value creation and delivery, which is the primary source of superior performance (Holbrook, 1999; Slater, 1997). While several studies have investigated customer value in business-to-business relationships, the focus was on product value (Lindgreen & Wynstra, 2005; Ulaga & Eggert, 2006). However, such an approach overlooks the relational aspect of value; supplier and customer firms do or do not business with each other for reasons beyond product value, including reputation, know-how, innovativeness, fit, and location (Lindgreen et al., 2012). Accordingly, for the purposes of this study, relationship value is defined as an importer's overall evaluation of its overseas supply relationship based on perceived costs and benefits (Blocker et al., 2011; Ulaga & Eggert, 2006).

2.1 Exporter capabilities

Based on a review of the literature and our exploratory interviews with export and import managers, we identified two focal exporter capabilities—core offering and customer

responsiveness—as the main drivers of relationship value. Import customers typically expect from their overseas suppliers not only product quality and consistent delivery performance but also timely and efficient response to complaints, requests, and preferences (Sousa, Ruzo, & Losada, 2010). Correspondingly, to provide support to customers' business and differentiate their market offering, export manufacturers must not focus on the core product only, but take into account the practices and processes of their overseas customers, and interactions with them (Grönroos, 2011).

Core offering refers to the exporter's ability to provide reliable product quality and delivery (Scheer, Miao & Garrett, 2010). The quality of an exporter's product is vital for relationship success. Carrying high quality products helps the exporting firm create and maintain customer satisfaction and loyalty (Cater & Cater, 2010; Slotegraaf & Inman, 2004). It also enhances the distributor's reputation for quality (Fombrun & Shanley, 1990), which can be an important differentiator in competitive markets and reduces the costs incurred by both channel partners in replacing faulty goods (Dukes, Geylani, & Liu, 2014). Furthermore, reliable and consistent delivery reduces the distributor's product acquisition and inventory carrying costs (Ulaga & Eggert, 2006) and yields efficiency gains (Scheer et al., 2010). Therefore, quality products make an important contribution to distributors' revenue and profitability and an exporter's core offering capability is likely to generate a great deal of added value in the relationship.

H1. An exporter's core offering capability positively relates to relationship value.

Customer responsiveness reflects an exporter's ability to respond effectively to satisfy the needs of its foreign business customer (Homburg, Grozdanovic, & Klarmann, 2007). This capability echoes the classic tenets of 'stay close to the customer' and 'put the customer at the top of the organizational chart' and focuses on developing and establishing a loyal, satisfied

customer base (Day, 1994). Satisfied customers highly value the increased attention they receive from more responsive suppliers (Blocker et al., 2011; Sirdeshmukh et al., 2002) and this appreciation should lead to reciprocal behaviors (Palmatier, Jarvis, Bechkoff, & Kardes, 2009), translating to superior relationship value. Moreover, listening closely to customer needs and preferences results in better tailoring of products and services, easier forecasting of demand, and shorter downtimes (Danneels, 2003). Thus, timely and effective responses to importer requests can be a main source of value in the relationship.

H2. An exporter's customer responsiveness capability positively relates to relationship value.

2.2 Importer capabilities

Research findings indicate that marketing capabilities generally outperform other capabilities such as R&D, operations or technological ones in explaining business performance (e.g., Eisend, Evanschitzky, & Calantone, 2016; Krasnikov & Jayachandran, 2008). Likewise, during our interviews, managers repeatedly extolled the merits of superior market knowledge and effective management of customer interactions. Accordingly, we draw on Morgan, Slotegraaf, and Vorhies' (2009) marketing capability model and focus on market-sensing and customer relationship management capabilities.

Market sensing reflects an importer's ability to learn about the exporter's customers, competitors, and product market environment (Day, 1994; Morgan et al., 2009). An importer with strong market-sensing capabilities is better able to identify and attract promising new segments for the exporter's products as well as segments that are underserved by competitors (Slater & Narver, 2000). Furthermore, deep customer insights can lead to the discovery of valuable growth opportunities within the current customer base (Morgan, Anderson, & Mittal, 2005; Payne & Frow, 2005). In addition, increased market intelligence and knowledge allows the importing firm to better understand and anticipate competitive moves and

customer responses, providing insights about associations between past actions, the effectiveness of those actions, and future actions (Morgan, 2012). Therefore, possession of market-sensing capabilities by the importer is essential for relationship value creation.

H3. An importer's market-sensing capability positively relates to relationship value.

Customer relationship management concerns an importer's ability to identify attractive customers for the exporter's products and create and manage close relationships with them (Morgan et al., 2009). It is based on the premise that customer relationships are not only a series of discrete transactions but have a history and an anticipated future (Cannon & Perreault, 1999). Customers vary in their needs, preferences, and purchase behaviors and not all customers are equally significant or desirable (Ramaswami, Srivastava, & Bhargava, 2009). Customer relationship management can help the firm devote the right amount of resources in the right customer and focus its attention on the most profitable customers or those with greater profit potential (Cao & Gruca, 2005; Ryals 2005). Once these customers are identified, customer relationship management enhances customer interaction and builds close relationships to achieve customer satisfaction and retention (Reinartz, Thomas, & Kumar, 2005). It follows that identifying and working closely with attractive customers for an exporter's market offering can produce a large amount of value in the relationship.

H4. An importer's customer relationship management capability positively relates to relationship value.

2.3 Governance mechanisms

Prior research in interfirm exchange suggests that different governance mechanisms can be designed to organize transactions and maximize relationship value (e.g., Bradach & Eccles, 1989; Heide, 1994). Our fieldwork showed that both informal and formal agreements

are used to manage and coordinate exchange relationships. Following the extant literature (e.g., Cao & Lumineau, 2015; Zhou, Poppo, & Yang, 2008), we make a distinction between relational and contractual governance and investigate their impact on relationship value.

Relational governance refers to the extent that the importer–exporter exchange relationship is governed by social relations and shared behavioral expectations (Dyer & Singh, 1998). It emphasizes the role of socially embedded relationships in economic activities and relies on self-enforcement and social identification to provide a framework that guides exchange partners to work collaboratively toward collective goals (Cannon, Achrol, & Gundlach, 2000; Heide & John, 1992). In the presence of relational governance both partners openly exchange information and share their knowledge and skills, making it easier to settle disagreements and solve problems together (Lee & Cavusgil, 2006; Liu, Luo, & Liu, 2009). Furthermore, relational mechanisms promote honesty within the exchange and encourage understanding and adaptation in the event of market changes or unforeseen circumstances (Heide & John, 1992; Zhou et al., 2008). These benefits discourage opportunistic tendencies, reduce negotiation and monitoring costs, increase productivity, and facilitate initiatives in value creation activities (Ju, Zhao, & Wang, 2014; Yang, Su, & Fam, 2012). Therefore, when exchange partners act in socially prescribed ways in fulfilling relationships tasks, duties, and responsibilities, relationship value is likely to be increased.

H5. Relational governance positively relates to relationship value.

Contractual governance concerns the extent that the importer–exporter exchange relationship is governed by a formal, legally-binding agreement, which specifies the rights and obligations of each party (Cao & Lumineau, 2015). By stipulating the responsibilities and duties of both parties, along with the consequences for agreement violation, an explicit contract provides a legal framework that monitors the behavior of trading partners and

safeguards against opportunistic behavior, thereby controlling exchange hazards (Poppo & Zenger, 2002; Zhou et al., 2008). A well-specified contract can also reduce uncertainty about behaviors and outcomes by virtue of stating how exchange partners will handle a variety of future situations (Liu et al., 2009; Yang et al., 2012). Additionally, when contractual terms and clauses are well articulated, transacting parties know how certain disputes will be settled and the exchange process operates in a context of perceived fairness, which promotes effective conflict management (Lee & Cavusgil, 2006) and encourages cooperation, stability, and continuity in the relationship (Luo, 2002). Thus, contractual arrangements can help exchange partners to create more value out of the relationship.

H6. Contractual governance positively relates to relationship value.

2.4 Environmental factors

In accordance with channel theory and research, we suggest that the task environment of the exchange partners may affect relationship outcomes (Achrol & Etzel, 2003; Dwyer & Welsh, 1985). We focus on psychic distance and environmental munificence to reflect characteristics of the environmental context within which the relationship takes place. While there is a variety of forces in the task environment that provide opportunities and challenges for trading parties, the exploratory interviews revealed that managers cited differences between cross-border partners as a major difficulty in reaching relationship objectives and favorable market conditions as critical to relationship success.

Psychic distance reflects the perceived degree of difference between the operating environments of the trading partners in terms of culture, business practices, economic conditions, and related issues (Katsikeas, Skarmeas, & Bello, 2009). Prior studies indicate that the international context introduces additional challenges to transacting parties that tend to produce "friction" or "drag" in the exchange process and interfere with relationship

success (Samiee et al., 2015). Differences pertaining to country-level factors such as political, social, economic, and legal systems can increase the transaction costs of the exchange because they make searching for overseas market information more time-consuming, reaching agreements with foreign partners more difficult, and monitoring or enforcing existing agreements more complicated (Hewett & Krasnikov, 2016; Prime, Obadia, & Vida, 2009). Furthermore, differences in terms of language, cultural values, and business practices between international exchange partners typically reflect the presence of divergent cognitive frameworks (Obadia, Bello, & Gilliland, 2015), which distort communications, disrupt social interactions, and cause misunderstandings (Katsikeas et al., 2009), and hinder the development of trust, commitment, cooperation (Leonidou, Samiee, Aykol, & Talias, 2014), and relationship quality (Lages, Lages, & Lages, 2005; Skarmeas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008), thereby damaging the social aspect of the relationship. Consequently, psychic distance is likely to have a disruptive effect on relationship value creation.

H7. Psychic distance negatively relates to relationship value.

Environmental munificence refers to the extent that the business environment surrounding the importer–exporter relationship can support relationship growth (Achrol & Etzel, 2003). Rich environments are characterized by abundance of resources and strong prospects for market growth (Dwyer & Welsh, 1985; Jin, Zhou, & Wang, 2016). By virtue of the favorable economic conditions surrounding the relationship, trading partners are strongly motivated to work together, coordinate their activities, and cooperate in the execution of channel tasks to exploit the developing market opportunities and expand relationship domains (Achrol & Etzel, 2003; Shou, Yang, Zhang, & Su, 2013). A rich environment also allows the accumulation of slack resources (Jambulingam, Kathuria, & Doucette, 2005), which can buffer the relationship from instability and risks of failure (Fichman & Levinthal, 1991),

enhance flexibility in responding to competition (George, 2005), and provide the means for enhanced performance (Daniel, Lohrke, Fornaciari, & Turner, 2004). Thus, exchange partners are likely to realize mutual gains as a result of favorable market conditions.

H8. Environmental munificence positively relates to relationship value.

3. Method

3.1 Research context

The empirical context of this study is UK importing distributors trading with overseas manufacturers of industrial products. The UK economy is composed of the economies of England, Scotland, Wales and Northern Ireland and is the fifth-largest national economy in the world in terms of nominal GDP, the ninth-largest in the world in terms of PPP, and the second-largest economy in the EU measured by both metrics. The UK comprises 4% of world GDP and is one of the most globalized economies: in 2015 the UK had the second-largest stocks of outward FDI and inward FDI and was the ninth-largest exporter and the sixth-largest importer in the world (Financial Times, 2016).

We used the Dun and Bradstreet database, which is the largest global commercial database and part of Fortune 500, to generate a random sample of 1,000 importing firms in the UK. A multi-industry sample including machinery, equipment, textiles, and chemicals was considered appropriate to obtain adequate data for analysis and enhance the external validity of the findings. We used the importer's relationship with an exporting manufacturer as the unit of analysis. Specifically, we randomly directed informants in importing firms to report on their relationship with the largest, third largest, or fifth largest foreign supplier. In the event that the importing distributor had fewer than five or three foreign suppliers, we asked informants to consider their relationship with the foreign supplier that was closest to

the assigned rank. This procedure was followed to reduce potential bias in the selection of foreign business partners and relationships and yield greater variability in responses.

3.2 Field interviews

We conducted in-depth, personal interviews with nine and five managers in importing and exporting firms, respectively, to gain a better understanding of relationship value creation in international buyer–seller relationships, develop and validate our conceptual model, and assess the importance of the identified determinants based on initial managerial perceptions. Participants worked for firms in different sizes and industries and had a significant amount of experience in dealing with overseas trading partners. The interviews lasted about 1 hour and began with general questions about cross-border channel relationships, followed by questions about relationship value creation, and concluded with specific questions about importer-, exporter-, relationship-, and environmental-related factors driving relationship value. This approach allowed import and export managers to (1) reflect on relationship value creation between international exchange partners; (2) identify drivers of relationship value; and (3) assess the importance of the identified drivers. Interviews were transcribed, manually coded for patterns and themes, and interpreted into thematic findings. Managers highlighted the importance of taking into account the buyer, the seller, the resultant relationship, and the surrounding environment to understand the formation of value in business relationships. Notably, a manager rephrased the Anna Karenina principle and stated: "successful relationships are all alike; every unsuccessful relationship is unsuccessful in its own way", while another manager stressed: "we try hard, but it has to do with the other side too, let alone our relationship and the circumstances".

We encouraged managers to comment on what their firms expect from their counterparts and what creates superior relationship value. Participants clearly distinguished the

capabilities they considered sine qua non. An import manager noted: "it has to do with product quality but this alone is not enough, we need suppliers that are responding to our needs; if one of the two is missing, bye-bye, they have to go". One export manager for a large firm commented: "we know our business, we provide them with the best product and service… they need to be on top of their market, they need to know customers by name". Except for organizational capabilities, participants emphasized the role of governance mechanisms. For example, one manager stressed: "Contracts are binding and enforcing, they are important, but are sometimes written in language that is difficult to fully understand… You know what? Trust and reciprocity is the key, to keep you word, to deliver on your promise, but this is not always present". Furthermore, participants exemplified the importance psychic distance and market growth. One purchasing manager stressed: "the problem is that they do different things, they do things differently there, I don't know… we are not on the same page" and another one noted: "It is the market that picks the winners, sometimes it is selling like hotcakes and the problem is to keep up with demand, sometimes we need to put so much effort… yes, of course it has to do with the size of the pie".

In sum, in conjunction with literature review, the field interviews helped us identify and specify exporter core offering and customer responsiveness capabilities, importer market-sensing and customer relationship management capabilities, relational and contractual governance mechanisms, psychic distance, and environmental munificence as chief determinants of relationship value in cross-border channel relationships. Also, the qualitative inquiry confirmed that managers perceive value creation as the subject matter of business relationships. Thus, iterating between theory and practice enabled us to develop a broad set of antecedents that explain relationship value creation in importer-exporter relationships.

3.3 Measures

A systematic literature review was performed to identify measures for operationalizing the study constructs. The identified measures were adapted to suit the study context during our field interviews. Following the development of a draft questionnaire, three faculty members with specialization in the international marketing field served as expert judges that assessed the content validity of the measures developed. After minor modifications to the wording of five items, a small-scale pretest was conducted to ensure that respondents could easily understand the directions, questions, and response formats and complete the questionnaire with minimal difficulty. Specifically, the survey instrument was pilot tested with a sample of 50 importing firms that were not included in the sample reported in this study. At this point, no significant problems appeared to exist with the questionnaire. We present the full list of measures in the Appendix and briefly describe them below. Unless otherwise specified, the response formats were seven-point Likert scales (1 = "strongly disagree," and 5 = "strongly agree").

A four-item scale derived from Ulaga and Eggert (2006) and Blocker et al. (2011) measured relationship value. The items describe the trade-off between benefits and costs that arise from an overseas supplier's product and relationship resources, which importing firms view as conducive to their objectives. Core offering capability was measured by a four-item scale reflecting the export manufacturer's product quality and delivery performance; the items derive from Scheer et al. (2010). A four-item scale adapted from Blocker et al. (2011) and Homburg et al. (2007) measures customer responsiveness capability. The items capture the ability of the export manufacturer to respond effectively to importers' requests.

We employed a four-item scale adapted from Morgan et al. (2009) to measure market-sensing capability. The items reflect the ability of the importing firm to learn about customers, competitors, and the broader market environment in relation to the exporter's product lines. To measure customer relationship management capabilities, we used a four-

item scale derived from Morgan et al. (2009) representing the extent to which the importing firm undertakes activities such as identifying attractive customers for the exporter's products and developing close relationships with them.

A four-item scale adapted from Liu et al. (2009) was used to measure relational governance. The items reflect the extent to which the focal relationship is coordinated via social relations and shared norms. We measured contractual governance with a three-item scale that captures the specificity, formality, and details of contractual agreements between import distributors and their export manufacturers; the items derived from Yang et al. (2012). A five-item scale adapted from Katsikeas et al. (2009) was used to measure psychic distance. The items describe the perceived dissimilarity between the operating environments of the exchange partners. These measures used a different response scale (1 = "very similar" and 7 = "very different"). Finally, a four-item scale tapping the extent to which the surrounding business environment can support relationship growth measured environmental munificence. We derived these items from Jambulingam et al. (2005).

We also included relationship (i.e., length of the exchange relationship), firm (i.e., size), and market characteristics (i.e., supply and distribution intensity) as control variables to minimize spuriousness of results and avoid model misspecification (Griffith & Lee, 2016). We measured relationship length using a log transformation of the number of years that the channel partners have been working together and importer size using a log transformation of the number of its full-time employees. The number of suppliers for competing products was used to measure intensity of supply and the number of alternative distributors for the export manufacturer in the trading area was used to measure intensity of distribution.

3.4 Sample and data collection

A mail survey was conducted to collect data for this study. The randomly selected 1,000 importing firms from the Dun and Bradstreet database were initially contacted by telephone to verify contact details and trading status, identify key informants, and request their participation in the study. As a result, we dropped 232 firms because they had incorrect contact information (40 firms), did not trade directly with exporting manufacturers (63 firms), and were reluctant to participate in the study (129 firms). We mailed a survey packet containing the cover letter, questionnaire, and return envelope to the remaining 768 importing firms. We offered key informants a summary report of the results as an incentive for participation. Reminder 'thank you' postcards to all informants, supplemented with two additional waves of questionnaires and telephone reminders to nonrespondents yielded 287 responses. However, 16 questionnaires were discarded because they had missing data or failed to meet our *post hoc* informant quality requirements. Specifically, our final part of the questionnaire contained three questions that evaluated on a seven-point scale (1 = very low, 7 = very high) key informants' knowledge about the firm's dealings with the export manufacturer, involvement with the overseas supply relationship, and confidence in answering the questionnaire. We dropped from further analysis questionnaires that had a score lower than four for one of these questions. Therefore, we received 271 qualified responses, representing an effective response rate of 35%. Of these, 211 importing firms were involved in the distribution of industrial products and provided the focus of this study. Following the collection of a sufficient number of observations, we proceeded to examine the potential presence of nonresponse and common method biases in the data.

3.5 Nonresponse bias

We assessed the possibility of non-response bias in two ways. Initially, we compared early and late respondents with respect to study constructs and firm demographics. We

detected no significant differences across the early and late respondent groups. Then, we randomly selected 55 non-responding importers and contacted them to request demographic information such as firm age, import purchase volume, number of full-time employees, and annual sales. Again, our t-test comparisons found no significant differences between the responding and non-responding firms. Together these results suggest that nonresponse bias is unlikely to be of concern in this study.

3.6 Common method bias

We used several procedures to reduce and assess the possibility of common method variance in our study. In our cover letter, we informed the respondents that the survey is designed for research purposes only, there is no right or wrong answer, and complete confidentiality is guaranteed. Also, in our questionnaire, we used different types of response scales and grouped construct items in sections, rather than variables (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Furthermore, we performed the common method factor and marker variable tests. Specifically, we estimated and compared three confirmatory factor models (Kirca, Bearden, & Roth, 2011). In the first, method-only, model all items were loaded on a single factor ($\chi^2_{(665)}$ = 3251.70, p < .001, CFI = .32, RMSEA = .15). In the second, trait-only, model, each item was loaded on its respective factor ($\chi^2_{(558)}$ = 754.34, p < .001, CFI = .95, RMSEA = .04). In the third, trait and method, model a common factor connecting all the items was added to the second model as a latent variable ($\chi^2_{(585)}$ = 1784.43, p < .01, CFI = 0.63, RMSEA = 0.14). The second model provides a better fit to the data than the first and third model, which shows that it is the trait, rather than the common method, factor structure that explains most of the variance. In addition, following Durand, Turkina, and Robson (2016), we used experience in position, which is theoretically unrelated to model constructs, to serve as a marker variable (Lindell & Whitney, 2001). We calculated the common method

bias–adjusted correlation matrix (Malhotra, Kim, & Patil, 2006) and compared it to the original correlations. The results showed that correlations did not differ significantly but remained stable after adjustment. Taken together, the procedures followed in the design stage of the survey and the common method factor and marker variable test results indicate that common methods bias is unlikely to be a problem in this study.

3.7 Sample characteristics

The foreign supplying partners of the importers who participated in this study were located in 38 countries (EU, 45.5%; Asia, 22.3%; North America, 19.4%; Africa, 4.7%; non-EU European countries, 3.8%; South America, 2.8%; and Oceania, 1.4%), suggesting considerable variation in the import origins of the participating distributors. Informants typically held top management positions such as import managers (33.2%), purchasing managers (22.3%), directors (20.9%), and general managers (16.1%). They have worked with their firms for an average of 8.3 years and have been dealing with the identified supplier for an average of 5.7 years. This set of demographic information shows considerable variation in the relationship and respondent characteristics of our sample.

4. Analysis and results

4.1 Measure assessment

We performed several tests to evaluate the measurement validity of the model constructs. Initially, we used exploratory factor analysis and item-to-total correlations. Then, we conducted confirmatory factor analysis (CFA) using EQS. The indexes indicate a good fit for the measurement model (a chi-square (χ^2) value of 754.34, $p < .001$ for 558 degrees of freedom, a comparative fit index (CFI) of .95, a non-normed fit index (NNFI) of .95, a root mean square error of approximation (RMSEA) of .04, and an average off-diagonal

standardized residual (AOSR) of .04). Subsequently, we checked the factor loadings of our

measurement items. They are all are greater than .67, which indicates convergent validity.

Table 1 exhibits the summary results of the measurement model together with descriptive

statistics and reliabilities of the study constructs. Furthermore, we followed the procedure

recommended by Fornell and Larcker (1981) to assess discriminant validity among the study

constructs. In all cases, the average variance extracted (AVE) of each construct is greater than

50% and exceeds the squared correlation between construct pairs, which suggests

discriminant validity between the latent constructs (see Table 2).

… Insert Tables 1 and 2 here …

4.2 Model results

We conducted structural equation modeling by using maximum likelihood estimation to

test the proposed hypotheses. The model results indicate a satisfactory fit ($\chi^2_{(665)}$ = 902.28, p

< .001, CFI = .98, NNFI = .98, RMSEA = .04, and AORS = .04). Table 3 summarizes the

model results, which provide support for all of the research hypotheses except for H6, which

predicted a positive relationship between contractual governance and relationship value (β =

.04, t = .60, p > .05). Specifically, as hypothesized in H1, core offering positively relates to

relationship value (β = .25, t = 4.02, p < .01). In support of H2, there is a positive relationship

between customer responsiveness and relationship value (β = .24, t = 3.86, p < .01). As

predicted in H3, market sensing positively relates to relationship value (β = .26, t = 3.98, p <

.01). In line with H4, customer relationship management positively relates to relationship

value (β = .23, t = 3.55, p < .01). Consistent with H5, relational governance positively relates

to relationship value (β = .12, t = 1.96, p < .05). As predicted in H7, psychic distance

negatively relates to relationship value (β = −.10, t = −1.79, p < .05). In accordance with H8,

environmental munificence positively relates to relationship value ($\beta = .12$, $t = 2.23$, $p < .05$). Additionally, the results show that supply intensity negatively relates to relationship value ($\beta = -.10$, $t = -2.09$, $p < .05$). Importantly, the hypothesized relationships account for approximately two-thirds (65%) of the variance in relationship value.

… Insert Table 3 here …

5. Discussion

Driven by more demanding customers, intensive competition, and slow-growth economies and industries, many firms rely on superior customer value creation and delivery to achieve and retain a competitive advantage. In an era of growing globalization, the issue of relationship value in the context of international exchange is of great interest to management scholars and practitioners alike. Yet, relationship value studies in cross-border business relationships have lagged behind those in domestic market settings and our understanding of relationship value in international contexts remains limited. The main theme of this research is customer-perceived relationship value creation in importer–exporter relationships. Hence, this study identifies certain exporter and importer capabilities, governance modes, and environmental elements as key prognostic factors for relationship value.

An exporter's core offering and customer responsiveness capabilities are major determinants of relationship value in international channel relationships. This should come as no surprise given that product offering is at the core of the exchange relationship and accommodating customer needs is an integral part of the ongoing, value-creating relational process (Anderson, Narus, & Van Rossum, 2006; Shi & Gao, 2016). Trading high quality products enhances an importer's ability to highlight the product's beneficial attributes, and reliable delivery can help the importing firm lower inventory costs while still meeting

customer demands. Furthermore, by being attentive to importer needs and wants, an exporting firm enhances the ability of its channel partner to serve its customers. In keeping with interfirm capabilities, the study results add to a growing body of literature on the importance of marketing capabilities in firm performance (Morgan, 2012) and document that an importer's market-sensing and customer relationship management capabilities are chief contributors of relationship value. By virtue of their inimitability, immobility, and non-substitutability characteristics, these capabilities constitute important value-creation mechanisms that generate superior relational rents for the importing firms.

Another potent antecedent of relationship value is relational governance. Transacting parties create value not only through the heterogeneous, firm- and partner-specific capabilities that each firm brings to the relationship, but also through the governance structure of the relationship. Acting in ways that assist each other during the course of the working relationship assists business partners in developing efficient and effective cross-border relationships. Regarding contractual arrangements, the results show that this form of governance does not have an important bearing on relationship value creation. A possible explanation for this finding is that it is very difficult to have a complete contract governing importer–exporter relationships, owing to the physical and cultural distances between the exchange partners. Contractual mechanisms typically set the stage for general rules, procedures, rights, and responsibilities for the transacting parties, but the dynamic nature of the international environment makes it difficult for exchange partners to anticipate hazards and devise mitigating (Griffith & Zhao, 2015), leaving legal gaps that are open to interpretation, create confusion, and hinder cooperation in the relationship (Chang, Bai, & Li, 2015). Furthermore, business relationships go far beyond formal contacts and strong relationships may deliberately allow incomplete contracts because they are built on trust and reciprocity (Hoppner, Griffith, & White, 2015; Lado, Dant, & Tekleab, 2008;).

Additional determinants of relationship value in exporter–importer relationships identified in this study are psychic distance and environmental munificence. With respect to psychic distance, the results reveal that perceived differences between the international exchange partners in terms of culture, business practices, economic conditions, and country-level factors (e.g., social and political systems) serve as an obstacle to the formation of relationship value. This finding is in line with most prior studies (Katsikeas et al., 2009; Leonidou et al., 2014), which note that the international context invariably adds substantial problems and poses unique challenges to exchange partners that hinder relationship success. Regarding environmental munificence, our results show a different picture: favorable market and economic conditions set the stage for relationship value creation. When market capacity supports sustained growth, exchange partners have the necessary conditions for increasing the size of the pie, whereas lean environments pose problems in generating relationship value.

5.1 Theoretical implications

Our study enhances understanding of international buyer–seller relationships in two important ways. First, previous studies have provided a strong foundation of knowledge pertaining to the role of qualitative outcomes including communication, trust, cooperation, satisfaction, commitment, and forbearance from opportunism in interfirm relationships (e.g., Palmatier et al., 2009). A limitation, however, is the absence of understanding of the cost-to-benefit ratio of close business relationships and scholars have cautioned against overemphasizing the benefits and understating the costs associated with relationship marketing efforts (e.g., Anderson & Jap, 2005). We contribute to this small but growing stream of research by identifying how value is created in importer-exporter relationships. Incorporating perceptions of what is received and what is given to conceptualize relationship

value can more accurately reflect how business relationships are assessed by exchange partners and advance knowledge and theory development in the field.

Second, while existing theory and evidence are clear with respect to the role of firm capabilities as a source of competitive advantage (e.g., Krasnikov & Jayachandran, 2008; Teece et al., 1997), relatively little is known about their importance in gaining and sustaining a relational advantage. At the firm level, performance is enhanced by transforming resources and reconfiguring capabilities according to a firm specific path (Morgan, 2012). At the relationship level, however, the role of capabilities inherently is to generate relational rents. Our study extends current knowledge by explicating the often overlooked role of interfirm capabilities in generating value in business relationships. Our findings indicate that certain exporter (i.e., core offering and customer responsiveness) and importer (i.e., market sensing and customer relationship management) capabilities can facilitate value creation in the exchange relationship, thereby increasing the size of the pie for both exchange partners.

5.2 Managerial implications

Relationship value in industrial markets is of fundamental importance to both customer and supplier firms. Managers in importing firms need to decide whether to maintain and develop existing relationships with foreign suppliers, divest and exit from a relationship or seek and invest in new overseas supplier relationships. To this end, customer firms can use relationship value creation and delivery in supplier stratification schemes and manage resulting supplier segments accordingly. Import managers should also bear in mind that creating relationship value is not limited to the other side of the dyad. Possession of strong supplier capabilities in terms of core offering and customer responsiveness is needed and should be taken into account in the supplier selection and evaluation process, but superior

value creation also involves the complementary use and development of market-sensing and customer relationship management capabilities on behalf of the import distributors.

Export manufacturers, in turn, seek to differentiate themselves through close customer relationships in the face of increasing commoditization of products and intensified competition worldwide. The study findings indicate that export managers charged with allocating resources among business customers should give priority to overseas distributors with superior customer and market knowledge. It follows that possession of market-sensing and customer relationship management capabilities should be considered as a key partner selection and evaluation criterion. In addition, managers in exporting firms should keep in mind that enhanced core offering and customer responsiveness capabilities contribute to importer-perceived relationship value and thus provide incumbent firms with the means to improve competitiveness in their attempt to attain a loyal base of overseas customers.

Furthermore, given that relationships that maximize benefits and minimize costs will eventually displace those that have worse economizing properties, management in both sides of the international exchange dyad may find it prudent to consider relational governance, psychic distance, and market munificence as criteria for prioritizing business relationships. To this end, international business practitioners need to intensify socialization activities (e.g., personal visits) and facilitate relational bonding, understand differences between the home and the host markets and adapt to the nuances of doing business with a foreign partner, and focus on products and/or markets that provide ample opportunities for continued growth with a view to creating superior value in their business relationships.

6. Limitations and future research directions

The study results need to be interpreted in the context of certain limitations that should be addressed in future research. First, we empirically tested the hypothesized links using cross-sectional data, which are unable to predict causality. Relatedly, it is possible that the drivers of relationship vary across the relationship phases of exploration, growth, and maturity. Adopting a longitudinal research design can capture the dynamic nature of relationship value formation and shed light on its development over time.

Second, we gathered data only from the importer side of the importer–exporter relationship. While the literature on buyer–seller relationships contains several domestically focused dyadic investigations, there is a paucity of dyadic international relationship marketing studies (Samiee et al., 2015). This is due to the existence of great constraints (e.g., geographic, cultural, resource) involved in collecting dyadic data in cross-border business relationships (Barnes, Leonidou, Siu, & Leonidou, 2015). However, relationships are by default two-way and transitive and future studies should try to investigate relationship value from both perspectives as dyadic studies may disclose aspects of value that are not evident in examinations of unidirectional nature (i.e., upstream or downstream relationships).

Third, the present study uses a unidimensional approach to model relationship value as a reflective construct. An alternative approach is to treat relationship value as a formative, multidimensional construct that consists of relationship benefits (i.e., core, sourcing, and operations benefits) and relationship costs (i.e., direct, acquisition, and operation costs) (Ulaga & Eggert, 2005; 2006). It would be interesting for future research to identify and examine the exact aspects of a business relationship that increase relationship benefits and the ones that reduce relationship costs. Such studies would contribute greatly to theory development and advancement of management practice in the field.

Fourth, another area of research that is worthy of more attention is to investigate antecedents of relationship value that are specific to international business relationships. To

this end, future studies may consider the role of Hofstede's national culture framework (i.e., individualism versus collectivism, power distance, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation, and indulgence versus restraint) (Hofstede, Hofstede, & Minkov, 2010) or GLOBE's cultural competencies (i.e., performance orientation, assertiveness orientation, future orientation, humane orientation, collectivism I and II, gender egalitarianism, power distance, and uncertainty avoidance) (House et al., 2004) in relationship value creation.

Finally, it would be of interest to examine the significance of additional antecedents of relationship value, such as learning, technological, and communication capabilities, interdependence magnitude and asymmetry, market and technological dynamism, competitive hostility, and industry concentration. We hope that this study will stimulate interest and more work on relationship value creation in international marketing management. Additional research on this issue is needed.

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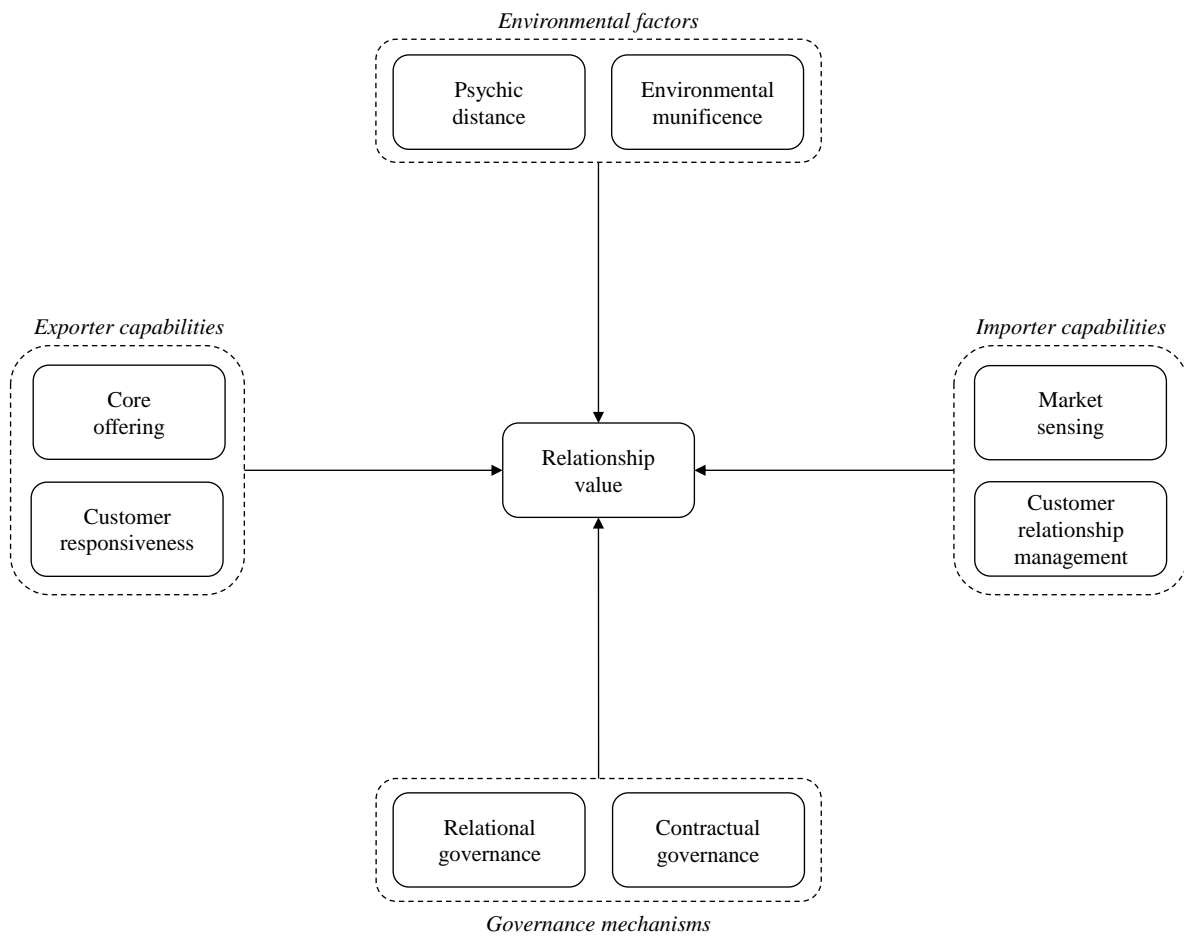
Fig. 1. Research model.

Table 1

Measurement model results and descriptive statistics.

Variables	Mean	Standard deviation	Average variance extracted	Composite reliability	Loadings range
Relationship value	4.36	1.36	63%	.84	.79-.88
Core offering	3.87	1.26	62%	.81	.76-.84
Customer responsiveness	3.36	1.37	61%	.80	.72-.85
Market sensing	4.80	1.19	55%	.75	.71-.86
Customer relationship management	4.90	1.05	59%	.76	.69-.87
Relational governance	4.09	1.34	60%	.75	.76-.87
Contractual governance	4.45	1.12	54%	.72	.73-.81
Psychic distance	3.57	1.20	53%	.72	.67-.84
Environmental munificence	3.73	1.10	55%	.75	.74-.86

Table 2

Correlation matrix.

Measures	1	2	3	4	5	6	7	8	9
1 Relationship value	**.79**	.53	.52	.55	.55	.43	.27	−.26	.21
2 Core offering	.48	**.79**	.36	.27	.28	.30	.09	−.15	.04
3 Customer responsiveness	.47	.31	**.78**	.24	.28	.34	.13	−.09	.06
4 Market sensing	.47	.23	.20	**.74**	.39	.18	.28	−.17	.17
5 Customer relationship management	.48	.24	.25	.28	**.77**	.25	.35	−.19	.11
6 Relational governance	.39	.28	.29	.16	.22	**.77**	.23	−.17	.05
7 Contractual governance	.23	.07	.10	.20	.28	.20	**.73**	.02	−.06
8 Psychic distance	−.19	−.15	−.09	−.14	−.15	−.14	.01	**.73**	−.04
9 Environmental munificence	.20	.04	.11	.16	.10	.09	−.07	−.03	**.74**

Notes: Pearson's and phi correlations are shown below and above the diagonal, respectively. Square root of AVE is shown on the diagonal (in bold).Correlations $> \pm.14$ are significant at the .05 level.

Table 3

Structural model results.

Path	Standardized loading	*t*-value [a]
Core offering → Relationship value	.25	4.02**
Customer responsiveness → Relationship value	.24	3.86**
Market sensing → Relationship value	.26	3.98**
Customer relationship management → Relationship value	.23	3.55**
Relational governance → Relationship value	.12	1.96*
Contractual governance → Relationship value	.04	.60
Psychic distance → Relationship value	−.10	−1.79*
Environmental munificence → Relationship value	.12	2.23*
Control		
Relationship length → Relationship value	.01	.09
Firm size → Relationship value	−.06	−1.13
Intensity of supply → Relationship value	−.10	−2.09*
Intensity of distribution → Relationship value	.05	.95

[a] One-tailed tests.
** $p < .01$.
 * $p < .05$.

Appendix

Relationship value
This overseas supplier relationship creates superior value for us when comparing all the costs versus benefits involved
Considering the costs of doing business with this overseas supplier, we gain a lot in our overall relationship with them
The benefits we gain in our relationship with this overseas supplier far outweigh the costs
Our firm has a valuable relationship with this overseas supplier

Core offering
The products of this overseas supplier are of high quality
This overseas supplier's product quality is excellent
This overseas supplier rarely delivers incorrect products
This overseas supplier rarely delivers wrong quantity

Customer responsiveness
Always responds effectively when we ask them to make changes
Takes immediate action when we tell them we have changed what we want from the relationship
Responds rapidly to our requests for changes
Is always willing to accommodate our requests for changes

Market-sensing
Learn about customer needs and requirements
Discover competitors' strategies and tactics
Identify and understand market trends
Learn about the broad market environment

Customer relationship management
Identify and target attractive customers
Get target customers to try their products
Maintain loyalty among attractive customers
Enhance the quality of relationships with attractive customers

Relational governance
Both parties expect that any information that may help the other party will be provided to that party
Ideas or initiatives of both sides are widely shared and welcomed via open communication
Problems are expected by both parties to be solved through joint consultations and discussions
Both parties play a healthy role in the other party's decisions via mutual understanding and socialization

Contractual governance
We have specific, well-detailed agreements with this overseas supplier
We have customized agreements that detail the obligations of both parties
We have detailed contractual agreements specifically designed with this overseas supplier

Psychic distance
Culture (traditions, values, language)
Accepted business practices
Economic environment
Legal system
Communication infrastructure

Environmental munificence
There are ample opportunities for growth in our business environment
Our business environment will support continued growth
Prospects for growth in our current business environment are good
Our business environment is rich with opportunities for growth