An investigation of relationship learning in cross-border buyer–supplier relationships: The role of trust

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A R T I C L E   I N F O

A B S T R A C T

This paper investigates the factors influencing relationship learning in cross-border buyer–supplier relationships. A conceptual model is developed by integrating organizational learning theory, relational governance and the resource-based view. Based on a cross-sectional sample of 160 firms in the information technology industry and a structural equation model, the findings show that learning intent, absorptive capacity and cross-cultural differences influence relationship learning. This study further addresses the moderating effects of trust.

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1. Introduction

In highly competitive market places and rapidly changing technological situations, more and more multinational corporations (MNCs) choose to focus their own resources on a set of 'core competencies' and strategically leverage other activities by fully utilizing external suppliers' investments, innovations, and specialized capabilities (Grant & Baden-Fuller, 2004; Quinn, 1992). The ability for MNCs to manage their inter-firm relationships with their local suppliers is a major determinant of success (Cavusgil, Deligonul, & Zhang, 2004). Global outsourcing currently provokes much debate and is, therefore, quite a topical issue to examine efficient governance mechanisms to help reduce opportunism in cross-border relationships and diminish environment uncertainty (Ramamurti, 2004).

In a complex technological era, innovation generation is increasing viewed as a result from buyer to suppler relationships (Roy, Sivakumar, & Wilkinson, 2004). According to the relational view, relationship learning is an important avenue for creating competitive advantages. In this research, relationship learning is defined as "a joint activity between a supplier and a customer in which the two parties share information, which is then jointly interpreted and integrated into a shared relationship–domain–specific memory that changes the range or likelihood of potential relationship–domain–specific behavior" (Selnes & Sallis, 2003, p. 80). A major concern in cross-border buyer–supplier relationship in some industries could be characterized by considerable power asymmetry (Chang & Gotcher, 2007; Jean & Sinkovics, 2010; Jean, Sinkovics, & Kim, 2010). It is difficult for local suppliers to develop effective governance mechanisms because they lack strong bargaining power (Subramani, 2004).

Relationship learning has been described as an effective relational governance mechanism which allows small suppliers to influence MNC partners' decisions to safeguard their own interests in inter-firm relationships (Jean et al., 2010). However, the growing literature on this phenomenon is still limited in several aspects. The purpose of this paper is to exam how

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relationship learning can be promoted to fill the research gaps from previous studies. This research contributes on the following important fronts. First, this study integrates the relational governance literature and organizational learning theory by identifying the antecedents of relationship learning including learning intent and absorptive capacity as inter-firm learning factors, technology uncertainty as an environmental factor and cross-cultural differences as inter-firm relational factor. Although relationship learning provides substantial benefits, it also entails risks because of exchange partners' opportunism. Given this inherent cost/benefit trade-off, the first important task is to identify the drivers that affect relationship learning (Lee, Chen, Kim, & Johnson, 2008).

Second, this study examines the interrelationships among these antecedents. Previous research primarily examines the main effects of the antecedents but ignores the potential interrelations among these antecedents. When the interrelationship between these antecedents is considered, their intertwined impacts may be different from that of their direct effects. Therefore, the consideration of the interrelationships among the antecedents of relationship learning will help to enhance our understanding of the determinants of the phenomenon and to provide more valid implications.

Third, whereas the inter-firm relationship literature highlights the importance of inter-firm relationship learning, the extant literature that relates relationship learning to performance is scant and inconclusive (Jean & Sinkovics, 2010). This study adopts the resource-based view (RBV) of the firm (Barney, 1991) and treats relationship learning as a strategic asset and expects this critical strategic resources influence the firm's capability enhancement and relationship performance.

Fourth, trust has been identified as a key relationship variable in many studies in different fields (Krishnan, Martin, & Noorderhaven, 2006; Robson, 2001; Robson, Katsikeas, & Bello, 2008). Firms learn about each other and build up inter-firm trust through ongoing contacts and interactions (Gulati, 1995). If trust develops from prior ties, one may expect that the firms will reduce the fear of opportunistic behavior and be more willing to share knowledge with their partners (Oxley & Sampson, 2004). Trust is crucial for establishing a long-term buyer–supplier relationship and eliminating unnecessary self-guarding mechanisms to facilitate relationship learning. Though trust is generally recognized for its critical role of facilitating relationship learning, less attention is paid to its moderating effect (Kim, 2000; Nielsen & Nielsen, 2009). This study shed light on this issue and proposes that trust moderates the relationship between antecedents and relationship learning.

Finally, conflicting results have been obtained for inter-firm relationship learning in developing and developed countries (Dyer & Nobeoka, 2000). Most research on developing countries adopts the perspective of the multinational corporation and excludes the view of the partner from the developing country (De Mattos, Sanderson, & Ghauri, 2002; Ernst, 2000). In recent years, the vertical link between MNC buyers and their offshore suppliers in less-developed countries/newly industrialized countries (LDCs/NICs) has been particularly strong, but there has been little systematic research into this emerging relationship (Chen & Chen, 2003; Liu, Ghauri, & Sinkovics, 2010). Therefore, this study takes the perspective of local suppliers and examines whether they can enhance their capabilities and relationship performance through relationship learning.

The context of this study focuses on cross-border buyer–supplier relationships in the electronics and IT industry. The development of Taiwan's IT industry shows that the contractual alliance relationship between MNC buyers and local suppliers is one of the fastest growing, and probably most important forms of cross-border cooperation (Engardio & Einhorn, 2005). Close interaction with MNC buyers provides great opportunities for Taiwanese firms to learn leading-edge production technology, quality control, and product design. The contract-based alliance is considered as a less effective cooperative mode for the inter-firm transfer of capabilities than equity joint ventures in most of the research (Inkpen, 2000; Lyles & Salk, 1996). The positive learning effect between cross-border buyer–supplier relationships in this study shows that relationship learning is an effective relational governance mechanism allowing local suppliers to influence MNC partner decisions. However, research into the drivers and consequences of such an important phenomenon is still lacking. Inter-firm relationships between MNC buyers and local suppliers are an ideal empirical setting for this research due to its significant power asymmetry in exchange relationships (Jean et al., 2010; Kang, Mahoney, & Tan, 2009; Liu et al., 2010).

Since the conceptual model is developed from organization learning theory (Mesquita, Anand, & Brush, 2008), RBV (Barney, 1991) and relational governance literature (Jean & Sinkovics, 2010; Roath, Miller, & Cavusgil, 2002; Wu, Sinkovics, Cavusgil, & Roath, 2007), this article begins by summarizing and integrating these frameworks. The theoretical framework and a set of hypotheses are first developed. Furthermore, the moderating effect of trust is examined. The method used for measurement development and data collection is described in detail, and hypotheses test results are reported. This paper concludes with a discussion of the findings and provides directions for future research.

2. Theoretical background and hypotheses

Relationship learning is a key concept of this study. Selnes and Sallis (2003) conceptualize relationship learning as joint activities between supply chain partners in which the two parties strive to create more value together. Myers and Cheung (2008) identify three types of relationship learning within the buyer–supplier relationship including information sharing, joint sense-making, and knowledge integration. Although the study of inter-firm relationship has attracted dramatic interest in both the popular press and academic papers, there is not one simple theoretical perspective designed for and exclusively dealing with a diverse phenomenon of inter-firm governance.

Building on earlier work by Penrose (1959), the *resource-based approach* examines competition according to the resources the firm possesses (Wernerfelt, 1984) and the firm-specific resources lead to a firm's competitive advantages (Barney, 1991; Priem & Butler, 2001). If the firms are able to acquire and accumulate rare, valuable, non-substitutable and difficult to imtitate resources and capabilities, they achieve their competitive advantages (Barney, 1991; Mahoney, 1995). The previous