An analysis of international business-to-business relationships based on the Commitment–Trust theory

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Abstract

Business-to-business relationships are characterized by an exchange between two or more parties. Research has identified several factors that enhance marketing and management in business relationships, mainly with a focus on large manufacturing firms. However, less is known about how service firms develop and maintain international relations during the establishment of a business. To analyze the relevance of the key mediating variable (KMV) model [J. Mark. 58 (1994) 20–38.], which maintains that business-to-business relationship requires commitment and trust, interviews were conducted with five different service entrepreneurs in Sweden, Australia and the UK. The findings demonstrate the importance of commitment, trust, relation termination costs and benefits, shared values and communication between the exchange partners. © 2002 Elsevier Science Inc. All rights reserved.

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1. Introduction

Many entrepreneurs establish their own firms when they recognize a specific market demand. However, some of these entrepreneurs are unable to fulfil the market demand with their own resources and means. In order to succeed, they therefore attempt to overcome their insufficiency by establishing relationships with a partner. Such business-to-business relationships are referred to as relational marketing (e.g., Ref. [1]) and described as a network paradigm [2,3].

Morgan and Hunt [4] assert that relationship marketing refers to activities directed toward establishing, developing and maintaining successful relations. More recently, there has been a growing interest in what factors contribute to such long-term prosperous exchanges between business associates. In social exchange theory (e.g., Refs. [5,6]), which has successfully been applied to studies of marital satisfaction and family life quality, it is proposed that relationships providing more rewards than costs will yield enduring mutual trust and attraction. The theory further asserts that the actions of individuals are motivated by the reward (not necessarily monetary) that these actions are expected to bring from others [7]. For example, in a business-to-business relation, one part provides another with resources and support, while, in exchange, the other part contributes monetary rewards. Thus, whether or not commitment and trust emerge between the exchanging partners is a function of the perceived costs or the rewards one expects at a later date from the relationship exchange. Studies of happily married couples and other successful intimate relationships (e.g., Refs. [7,8]) show that interpersonal factors entailing psychological rewards, such as respect and trust, dominates over exchanges of money and goods. It therefore seems important to investigate whether the psychological factors suggested in social exchange theory has any impact on business-to-business relations relative to exchanges of money and other tangible things. Furthermore, it is important to specify which these psychological factors are.

\begin{itemize}
\item The key mediating variable model in an international context.
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The issue is more complicated in international business relationships. Language barriers and cultural differences may, for instance, prevent or complicate long-term relationships. During the past years, several internationally oriented service firms in finance, utilities, legal and consulting have grown rapidly by acquisitions, mergers and franchising. Yet, little is known about how service firms develop international relations during the establishment of a business. Previous research of the internationalization process has tended to focus on how manufacturing firms expand internationally (e.g., Ref. [9]). An important aim of the present study is to attempt to extend previous findings from manufacturing industry to service enterprises.

In this study, the Commitment–Trust theory [4] will be used to analyze the development of international business-to-business relations in the service sector. In essence, the theory postulates a number of psychological factors which are important. In this paper, the theory will be operationalized as the Key Mediating Variable (KMV) model. This model is relevant since it is founded on empirical findings from many different areas including social-exchange theory (e.g., Ref. [6]), organizational theory (e.g., Ref. [10]) and transaction theory (e.g., Ref. [11]). Although the KMV model has been successfully applied on a national sample of automobile tire retailers [4], it needs to be tested further. Another aim therefore was to examine whether the KMV model can be used to analyze international business-to-business relationships.

The KMV model appears to fail to emphasize or ignore some factors that may be important. One is fairness in exchanges [12]. If business-to-business partners share benefits and burdens proportional to their investments, trust should increase. Another factor is perceptions of relationship effectiveness, which refer to whether the exchanging parts perceive the relationship as productive, worthwhile and satisfying (i.e., Refs. [13,14]). The relationship may not be perceived as effective if benefits are not gained, thus, decrease trust and/or commitment. Still another factor that is assumed but made explicit in the KMV model is prior beliefs about the likelihood that the exchanging partner will reciprocate acts of trust and commitment (e.g., Ref. [15]). For instance, interactions reinforcing individuals’ expectations about others’ trustworthiness may increase trust, whereas interactions disconfirming those expectations may undermine trust. Thus, the KMV model may not be entirely suitable to account for the performance when service firms establish international business-to-business relationships. A third aim of the present study is, consequently, to see if fairness, perceptions of relationship effectiveness and/or prior beliefs about trust and commitment play any role when establishing international business-to-business relationships.

1.1. The KMV model of relationship marketing

Morgan and Hunt [4] and several others (e.g., Refs. [1,2,16–18]) have found that business-to-business relationships require commitment, as well as trust. These psychological factors are, in turn, assumed to be affected by termination costs and benefits, shared values, communication and opportunistic behavior. The seven factors have been brought together in the KMV model to form an account of what is necessary for the development of long-term collaboration (see Fig. 1).

Cooperative relationships are built on a foundation of mutual commitment. Commitment is defined as the per-
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