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Marketing process adaptation

Antecedent factors and new product performance implications in export markets

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Abstract

Purpose – The purpose of this paper is to explore the marketing "processes" of governing multiple export relationships under the theoretical framework of governance value analysis (GVA). Specifically, this work examines the internal exchange attributes of transaction-specific investments and psychic distance on the adaptation/standardization of relational behavior and detailed contracting and how process adaptation/standardization influences new product outcomes and jointly created value in the focal export relationship.

Design/methodology/approach – A survey was conducted of 151 US manufacturers regarding their relationship with their primary foreign buyers. Data were analyzed with partial least squares estimation.

Findings – The results indicate that high levels of transaction-specific investments lead to the adaptation of relational behaviors whereas high levels of psychic distance lead to less adaptation of detailed contracting. The adaptation of relational behaviors and detailed contracting reflect differential direct effects on export performance. Furthermore, the results indicate that there is a significant positive interaction effect between the adaptation of relational behavior and detailed contracting on jointly created value in the focal export relationship.

Practical implications – The findings of the study reveal that adaptation of the marketing process related to relationship governance strategies can play an important role in the export marketing process, but managers must proceed with caution in balancing relational behavior and detailed contract adaptation. The results also point to the importance of understanding the underlying source of uncertainty and adapting appropriate aspects of governance for enhancing jointly created value in the export relationship.

Originality/value – The value of this research lies in its goal to highlight the issue of marketing process adaptation across multiple export relationships. Less attention has been paid to the marketing "processes" of governing multiple export relationships in the international marketing strategy literature relative to "program" standardization/adaptation. This is one of the first empirical studies on marketing process adaptation of governance employing the theoretical framework of GVA.

Keywords Standardization, Global marketing, Relationship marketing, Export

Paper type Research paper

Introduction

Firms look beyond domestic markets to realize the full potential of their products and engage in multiple inter-firm export relationships to fulfill this goal. An important goal in an export relationship is the successful introduction of products into these new markets (Cavusgil and Kirpalani, 1993; Reid, 1981). Effectively managing such multiple export relationships has been an important area of academic inquiry within

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the international marketing literature (e.g. Griffith and Myers, 2005; Srivastava *et al.*, 1999). A significant amount of research in the field of international marketing has been devoted to understanding when firms decide to standardize or adapt their marketing program strategies in certain markets and how the different strategies influence performance (Boso *et al.*, 2013; Cavusgil and Zou, 1994; Szymanski *et al.*, 1993; Theodosiou and Leonidou, 2003; Zou and Cavusgil, 2002). For example, the export marketing literature has addressed firm and environmental drivers of marketing product standardization/adaptation (e.g. Jain, 1989; Cavusgil *et al.*, 1993; Chung *et al.*, 2012), performance implications of export marketing strategy (e.g. Johnson and Arunthanes, 1995; O'Donnell and Jeong, 2000; Szymanski *et al.*, 1993; Zou and Cavusgil, 2002), and the appropriate alignment of export marketing strategy and environment on performance (e.g. Boso *et al.*, 2013; Cavusgil and Zou, 1994; Hultman *et al.*, 2009; Katsikeas *et al.*, 2006; Vrontis *et al.*, 2009).

While significant research on the standardization/adaptation of international marketing strategy has been conducted, the vast majority of this research has been focussed on program issues (e.g. marketing mix decisions) (e.g. Chung *et al.*, 2012). In fact, with rare exceptions of Griffith *et al.* (2000), Griffith and Myers (2005), and Shoham *et al.* (2008), researchers have neglected process issues, such as governance decisions. The marketing "processes" of governing export relationships are the vehicles through which marketing programs (e.g. products) flow. The literature demonstrates the importance of the supportive role of marketing processes (i.e. the formal and informal governance mechanisms) that ultimately have an influence on marketing program outcomes (Jaworski, 1988). For example, Griffith *et al.* (2000) demonstrate that results of trust and commitment on relationship consequences of conflict and satisfaction differ across intra- vs inter-cultural manufacturer-distributor relationships. Griffith and Myers (2005), when investigating US-Japanese relationships, demonstrate that a firm can achieve performance gains when relational norm governance strategies are appropriately fit to the culturally founded relational norm expectations simultaneously across global supply chain partners. In contrast, to these works, Shoham *et al.* (2008) studied the impact of standardization/adaptation of management processes in relation to channels of distribution of Slovenian firms, suggesting that standardization positively influenced behavioral outcomes and international performance.

Firms exporting in foreign markets face a managerial challenge of not only understanding local customers and marketing to those customers, but balancing multiple export relationships across a wide number of countries. Strategic governance decisions aimed at maximizing performance cannot be made related to a single relationship to the exclusion of others (Griffith and Myers, 2005). Rather it necessitates a manager's understanding of the unique needs and uncertainties that exist in each relationship and the effective governance of multiple relationships simultaneously. At its heart, the issue of governing multiple export relationships is an issue of the trade-off between standardization and adaptation. That is to say, one must examine the governance approach employed in one export relationship (i.e. the focal relationship) when considering the firm's governance of its portfolio of export relationships. The adaptation of governance strategy refers to the degree to which the approach to governance strategy differs in a focal relationship in relation to other export relationships.

Given the importance of this topic and the limited research engaged, this study works to examine the drivers of standardization/adaptation of governance within an exporting firm's portfolio of export relationships and its new product implications in export markets and ultimately, the jointly created value in the focal export relationship, thereby making three contributions to the international marketing literature. Specifically, first, this study extends the international marketing literature (e.g. Griffith and Myers, 2005; Shoham *et al.*, 2008) by bringing light on the adaptation decisions of marketing "processes" that support marketing program adaptation issues. This study is one of the first to empirically examine (within the theoretical framework of governance value analysis (GVA)) the adaptation of governance processes in the international marketing literature. As such, this work extends the literature by delineating two process aspects, i.e. economic (i.e. detailed contracting) and social (i.e. relational behavior) governance adaptation. The GVA framework contends that parties to an exchange will devise joint value maximizing exchanges and the best strategic choice is the option that is best matched to the environmental characteristics, exchange attributes, and governance form deployed to manage the relationship (Ghosh and John, 1999). By conceptualizing and demonstrating that adaptation of economic and social aspects of governance have differential effects on export performance (i.e. new product outcomes and joint value creation), these results extend our understanding of marketing process governance adaptation.

Second, this work advances the literature by extending theory in relation to the antecedent roles of transaction-specific assets and psychic distance on the adaptation of relational behavior and detailed contracting. The literature demonstrates that the degree of standardization/adaptation of marketing programs depends on a myriad of factors, such as customer characteristics and international experience of the exporter (Cavusgil and Zou, 1994; Jain, 1989; Katsikeas *et al.*, 2006; Morgan *et al.*, 2004). GVA denotes that governance efforts are driven by addressing uncertainty issues. As such, we focus our efforts on understanding how the exchange attributes of the export relationship that operate as sources of uncertainty lead to the standardization/adaptation of governance. We find that when transaction-specific investments made by the US exporters increases, managers opt to take an adaptive approach to relational behavior more so compared to the adaptation of detailed contracting. In contrast, psychic distance negatively influences managers to rely less on the adaptation of detailed contracts. These findings help to clarify how the standardization/adaptation of the governance process decisions are made in export relationships.

Third, we contribute to the literature by demonstrating the performance effects of the adaptation of relational behavior and detailed contracts (both main and interactive) on key export performance outcomes of new product outcome and jointly created value (a key GVA outcome variable) in the focal export relationship. The ultimate relevance of international marketing strategy standardization or adaptation depends on its performance outcomes, i.e. the economic payoffs derived from its implementation (Jain, 1989). This study demonstrates that an adaptive approach to detailed contracting enhances new product outcomes in the focal export relationship, whereas an adaptive approach to detailed contracting has a direct negative effect on value creation which reflects the inefficiencies and transaction costs of adaptive governance. However, more importantly, we find a positive interaction effect between relational behavior adaptation and contract adaptation, suggestive of the complementary nature of social and economic governance strategies.

We begin by presenting our conceptual framework which is drawn from GVA. Next, we develop a series of hypotheses regarding the antecedents and consequences of relational behavior and detailed contract adaptation. The hypotheses are empirically tested using partial least squares (PLS) with a survey of 151 export relationships. The results are then presented. We conclude with a discussion of our findings and the theoretical and managerial implications of the study, as well as limitations and directions for future research.

Theoretical foundation

GVA and the standardization/adaptation of international marketing strategy

A significant amount of research in the field of international marketing strategy has been devoted to understanding when firms decide to standardize or adapt their marketing strategies in certain markets and not in others and how the different strategies influence performance (Zou and Cavusgil, 2002; Cavusgil and Zou, 1994; Szymanski *et al.*, 1993). The arguments for and against standardization of international marketing strategy primarily derive from differences in perspectives to maximizing firm returns. Those supporting standardization argue that the firm can achieve a greater return by realizing cost savings gained through economies of scale across multiple relationships and markets (cf. Ryans *et al.*, 2003; Zou and Cavusgil, 2002). Alternatively, those supporting adaptation contend that the firm's return will be greater through the enhancement of value delivery in the market by adapting the firm's strategy to the needs of the particular relationship or market (cf. Ryans *et al.*, 2003; Zou and Cavusgil, 2002). To overcome the above polarization, a third group of researchers offers a contingency perspective on the standardization/adaptation debate (e.g. Vrontis *et al.*, 2009; Chung *et al.*, 2012). In their view, standardization or adaptation is not seen in isolation from each other, but as the two ends of the same continuum. According to this view, the decision to standardize or adapt marketing strategy is "situation-specific," and this should be the outcome of thorough analysis and assessment of relevant contingency factors. Recent literature in the area of international marketing (e.g. Griffith and Myers, 2005; Pangarkar and Klein, 2004) has shown that the appropriateness of a specific strategy depends on its fit with the context in which it is deployed; good fit positively impacts performance, an approach consistent with GVA.

GVA extends transaction cost analysis to address marketing strategy decisions, especially with regard to strategies grounded in cooperative relationships (Ghosh and John, 1999). Bradenburger and Nalebuff (1997) observe that firms rarely create value in isolation. Instead they "align themselves […] to develop new markets and expand existing ones" (Bradenburger and Nalebuff, 1997, p. 4). TCE's focus on cost-minimization has provided little insight into strategic marketing choices that are undertaken to enhance and/or claim value (Zajac and Olsen, 1993). Ghosh and John (1999) note that contemporary strategy models are coalescing around the core processes of value creation and value claiming: "the relevance of these contemporary strategy models to our efforts is the burden it imposes on TCA as a strategy analysis tool" (Ghosh and John, 1999, p. 132). Thus, the GVA framework extends transaction cost analysis to address marketing strategy decisions, especially with regard to strategies grounded in cooperative relationships and firm resources (Ghosh and John, 1999).

GVA contends that parties to an exchange will devise joint value maximizing exchanges and the best strategic choice is the option that is best matched to the environmental characteristics, exchange attributes, and governance form deployed to manage the relationship. The entire GVA framework is a four-part model that covers the alignment of heterogeneous resources, positioning, the consequent attributes of exchange, and governance form. These factors interact to determine the success in creating and claiming value. A key implication of GVA is that if governance structures are chosen to account for transactional hazards, deviating from the proper attribute-governance alignment should adversely influence performance. Drawing from this theoretical framework, we argue that the matching of (thus, aligning) social and economic governance forms with exchange attributes (i.e. uncertainty in the relationship in the form of specific investments and psychic distance) can advance joint value maximization in export relationships. This study is a partial empirical testing of the GVA framework in the international export market context, focussing on the exchange attributes and governance in export and also their influence on value creation.

Coping with uncertainty through governance strategies

Export relationships are ridden with uncertainty, both external and internal to the relationship. External uncertainty stems from "unanticipated changes in circumstances surrounding an exchange" (Noordewier *et al.*, 1990, p. 82), and focusses on the unpredictability of the environment (Rindfleisch and Heide, 1997). In contrast, internal uncertainty reflects lack of sureness and refers to the degree an organization cannot anticipate or accurately predict the future of its relationships with another partner, resulting mainly from problems in having adequate, relevant, and timely information available (Pfeffer and Salancik, 2003). When internal uncertainty exists, a firm cannot adequately predict the future status, direction, and outcomes of the other partner (Anderson *et al.*, 1994). The literature suggests that governance strategies are employed by firms in an attempt to manage such external and internal uncertainties.

Firms maintain multiple relationships simultaneously and employ various formal and informal governance mechanisms to effectively manage these multiple relationships. Research on governance includes both economic and social elements, recognizing the role of formal compliance (e.g. detailed contracts) (Heide, 1994) as well as the importance of informal governance and cooperation based on relational behavior (Griffith and Myers, 2005; Hoppner and Griffith, 2011; Lusch and Brown, 1996).

Formal control mechanisms rely primarily on explicit contracts. As such, empirical studies usually focus on the completeness of contracts between partners (Luo, 2002; Poppo and Zenger, 2002; Wuyts and Geyskens, 2005). The pervasive logic in the governance literature is that the employment of contracts reduces uncertainty and the risk of opportunism (e.g. Heide, 1994; Joskow, 1988). Explicit contracts detail roles and responsibilities to be performed, determine outcomes to be delivered, and specify adaptive processes for resolving unforeseeable outcomes (Lusch and Brown, 1996; Poppo and Zenger, 2002). Precise definition of each party's roles forms joint expectations in the relationship. The governance literature also indicates that relationships are informally governed by cooperation to encourage desirable behaviors, founded on the elements of social exchange. Researchers contend that relational behavior has a positive effect on the performance of an exchange relationship (e.g. Bercovitz *et al.*, 2006). In particular, Lusch and Brown (1996, p. 26) state that "by freely exchanging information, remaining flexible in their dealings, and acting in solidarity with each other, channel members can achieve higher levels of performance." Information exchange enhances the communication between partners (Jap and Anderson, 2007), flexibility allows the relationship to be adjusted to the needs of the partners and the condition under which the relationship operates (Lusch and Brown, 1996) and solidarity demonstrates the desire to work toward mutual concerns (Dwyer *et al.*, 1987).

In this study, we focus on the "process" aspect of international marketing strategy. Specifically, we focus on process standardization/adaptation as it relates to the governance approach to relationship governance strategies (e.g. Griffith *et al.*, 2000; Shoham, 1995), conceptualized as inclusive of both social (i.e. relational behavior) and economic control (i.e. detailed contracts). Although the governance literature generally demonstrates a more-is-better approach (e.g. higher levels of relational behavior and/or higher levels of detailed contracting), this study looks at relational behavior and detailed contracting from a standardization/adaptation perspective involving the governance of a focal export relationship in relation to other export relationships. The issue at hand is not engaging in higher levels of relational behavior and/or detailed contracting, but rather how do the elements of each exchange influence the firm's choice to align and adapt governance approaches.

Hypotheses development

Griffith and Myers (2005) argue that effective relationship portfolio management necessitates a manager's simultaneous understanding of the unique needs of each relationship and the effective management of multiple relationships. Firms also consider the level of uncertainty and risk inherent in relationships when making governance decisions (Ghosh and John, 1999; Rindfleisch and Heide, 1997). The characteristic of uncertainty is expected to influence the firm's decision to standardize/adapt governance. When a firm adapts its governance strategy toward a focal partner, they interact with the particular partner in a more customized manner compared to their other exporting partners. On the other hand, a firm opting for a more standardized approach to governance utilizes the same approach with all partners (Figure 1).

Transaction-specific investments and governance strategy adaptation

Transaction-specific investments refer to the extent to which a firm has invested in assets in its relationship with its buyer that are only usable within the specific relationship (Jap and Anderson, 2007). Members to an exchange create value in a relationship by creating assets that are idiosyncratic (Jap and Anderson, 2007) – that is, customized to their relationship and difficult to redeploy without significant loss of productive value such as specific adaptations in its systems, strategies, and so forth. Transaction-specific investments have little value outside of a particular exchange relationship (Rindfleisch and Heide, 1997). This situation creates dependence (Heide and John, 1988) and increases the importance of the maintenance of that relationship

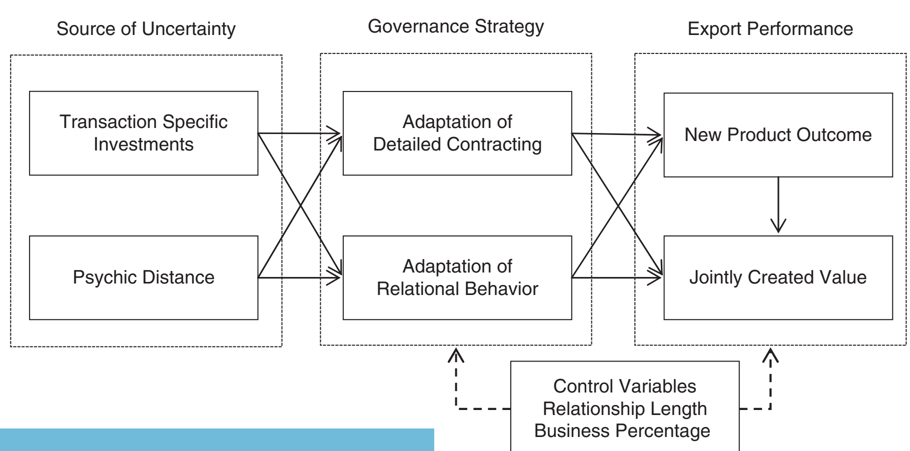

Figure 1.
Conceptual model: antecedent and performance effects of governance strategy adaptation

and the risk of vulnerability (Jap and Anderson, 2007). As such, transaction-specific investments pose a contractual hazard. The exchange partner can exploit or appropriate such assets because they are non-redeployable or at least have reduced value in an alternative exchange relationship (Heide and John, 1988). Thus, a safeguarding problem arises when a firm deploys specific assets and fears that its partner may opportunistically exploit these investments.

In exchange relationships with high levels of transaction-specific investments, members are motivated to safeguard against the uncertainty of partner opportunism and the termination of the relationship. The manufacturer has a keen interest in guarding itself against internal uncertainty and fostering the long-term continuance of the relationship. An adaptive approach to relational behavior and specificity of contracting can act as a protective measure. A manufacturer has a substantive interest in continuing the relationship in which transaction-specific investments have already been made and may wish to appropriately adapt its relational behaviors and detailed contracting (whether the appropriate level is high or low) to support the important relationship. When a firm has already substantively invested unique assets into a relationship, their governance approach will be different as the manager will be motivated to not take a standardized approach and treat the relationship like any other exchange relationship. We thus argue that idiosyncratic investments increase idiosyncratic governing behaviors. Thus, it is hypothesized:

H1a. Transaction-specific investments are positively associated with the adaptation of relational behavior.

H1b. Transaction-specific investments are positively associated with the adaptation of detailed contracting.

Psychic distance and governance strategy adaptation

Psychic distance is defined as "the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences" (Evans and Mavondo, 2002, p. 517). Psychic distance is a general uncertainty about foreign markets and represents discrepancies and/or unfamiliarities between the partnering firms in terms of cultural and practical aspects (Leonidou and Kaleka, 1998; Leonidou *et al.*, 2002). The importance of the manager and his or her perceptions in the export activities of the firm are firmly rooted in the international marketing literature (Axinn, 1988; Leonidou *et al.*, 1998). Distance is found to have a negative impact on export performance (Racela *et al.*, 2007), and accordingly, the degree of adaptation of the marketing mix elements tends to be conditioned by a manager's psychic distance toward a foreign country (Martenson, 1987). The literature on the standardization and adaptation of marketing programs demonstrate that as psychic distance between the home and foreign market decreases, so does adaptation of the marketing program (Katsikeas *et al.*, 2006; Leonidou and Katsikeas, 1996; Sousa and Lengler, 2009). However, in the case of marketing processes, we expect the opposite effect of the manager's psychic distance on the adaptation of marketing governance process.

Psychic distance has been noted to interrupt the communication flow and social interactions between exchange parties (Bello and Gilliland, 1997). When the level of psychic distance is high, export partners fail to share a common frame of reference (Leonidou *et al.*, 2006). Bounded rationality, one of TCA's assumptions, indicates that decision makers have constraints on their cognitive capabilities (Shoham, 1999;

Rindfleisch and Heide, 1997). This becomes enhanced in uncertain situations because of increased behavioral uncertainties (Rindfleisch and Heide, 1997). Managers may try to establish relational bonds with foreign buyers to enhance social control and cooperative interaction (Dwyer *et al.*, 1987; Jap and Ganesan, 2000), but these efforts may backfire in relationships in which the perceived distance of the partner's country is high. For example, Hooker (2003) notes that negotiations and the appropriateness of the level of detailed contracting tend to be very different across national cultures. When the level of psychic distance is high, the perceived uncertainty toward the partner is high. Uncertainty arises from unfamiliarity pertaining to how a partner will operate, as well as its norms. Given heightened uncertainty, a manager may fall to the default option of taking a standardized approach across the portfolio of relationships lest an adaptive approach to the focal relationship under bounded rationality (i.e. without fully understanding the export partner) may lead to an over- or under-specified relationship. Thus, it is hypothesized:

H2a. Psychic distance is negatively associated with the adaptation of relational behavior.

H2b. Psychic distance is negatively associated with the adaptation of detailed contracting.

Marketing process adaptation and performance: new product outcome, and joint value creation

The export marketing strategy literature demonstrates that social and economic control positively influences performance (Bello and Gilliland, 1997; Li *et al.*, 2010). Researchers contend that relational behavior has a positive effect on the performance of an exchange relationship (e.g. Bercovitz *et al.*, 2006) and detailed contracting is effective in reducing opportunism (Wuyts and Geyskens, 2005). With the backdrop of multiple export relationships, we argue that the usage of these different forms of governance in an adaptive manner can enhance export performance.

New product outcome. New product outcome indicates the relative performance of new product introduction activity of the relationship in the export market. Firms cannot rely only on their domestic markets for successful exploitation of their products and increasingly look to foreign markets to realize their full potential. Product introduction in new markets is a key export activity and the success and relative performance of these products is an important indicator of export performance (Cavusgil and Kirpalani, 1993; Reid, 1981).

Within export relationships, foreign buyers are becoming strategically proactive and increasingly involved in new product development and introduction processes (Liang and Parkhe, 1997). The manufacturer and foreign buyer collaborate to synthesize the knowledge of what is needed in the market and how to create and introduce new products to meet the needs of customers. The appropriate governance of such processes of the export relationship is important for new product performance in the export market. Cooper and Kleinschmidt (1985) proposed that new product outcomes are determined by the interaction of the market environment with new product strategy and development process execution. The marketing literature suggests that formal and informal organizational governance mechanisms influence marketing outcomes (Jaworski, 1988). Ayers *et al.* (1997) also suggest that formal governance and interpersonal processes come together to influence new product success. An adaptive approach to the process strategies (resulting from increased knowledge and better understanding of the foreign partner and host market) provides an appropriately aligned governance approach to the export relationship (Ghosh and John, 1999). Adapted governance strategies (i.e. appropriate levels of relational behavior and detailed contracting) will facilitate efficient and effective cooperation, creating superior new product offerings for the export market. Thus, it is hypothesized:

H3a. The adaptation of relational behavior is positively associated with new product outcome.

H3b. The adaptation of detailed contracting is positively associated with new product outcome.

Jointly created value. In an export relationship, jointly created value (Ghosh and John, 1999) is conceptualized as the relative performance of the export relationship over the past year compared to other export relationships in the industry. The performance of the relationship is based on the relationship's ability to enhance the overall jointly created value through the efforts of the exporter and its primary foreign buyer.

Research findings suggest that there is a positive, direct relationship between product innovation and market performance (e.g. Bayus *et al.*, 2003; Yalcinkaya *et al.*, 2007). Scholars have linked above-average profits to a firm's ability to innovate (e.g. Li and Atuahene-Gima, 2001). A continuous stream of product innovation and introductions enable firms to stay ahead of the competition (Bayus *et al.*, 2003). The export relationship benefits from new product introductions through increased demand stimulation (Bayus *et al.*, 2003). Product innovation is important not only for growth but as a means of survival in the face of intensifying competition and environmental uncertainty (Boso *et al.*, 2013; Grønhaug and Kaufmann, 1988) and a means of building and maintaining sustainable advantages (Garcia *et al.*, 2003). By introducing new products into the market, a firm can enhance value delivery to current customers as well as gain new customers. It is expected that successful new product outcomes in the foreign market will bring enhanced jointly created value in the export relationship for both the US manufacturer and the foreign distributor in terms of sales growth, reputation, and strategic performance in the export market. Thus, we hypothesize the following:

H4. New product outcome is positively associated with jointly created value.

The adaptation of marketing processes is also expected to have a direct effect on jointly created value in the export relationship. An adaptation process strategy reflects a relationship-orientation posture because the exporter systematically evaluates its partner's behavior and host market characteristics which are expected to facilitate overall operations in the foreign market. Griffith *et al.* (2000) argue that effective management of exchange relationships depends on the ability of managers to appropriately fit aspects of governance to the particular characteristics of the partnering firm. This is consistent with GVA that argues that a customized, adaptive approach can exert a positive influence on performance outcomes by matching governance actions to the specific needs and capabilities of a particular exchange partner (Ghosh and John, 1999). Voss *et al.* (2006) demonstrate that the extent to which a firm is understanding of, or is sensitive to, its partner's culture significantly influences relationship performance. The adaptation of relational behavior provides for joint problem solving, information sharing, and flexibility, tailored to the particular relationship. Alternatively, a standardized approach to relational behavior irrespective of the characteristics of the foreign market and partner fails to account the unique characteristics of each export relationship and is likely to be ineffective.

However, in contrast to adaptation of relational behavior, an adaptive approach to detailed contracting may not necessarily reflect an enhancement in export performance. A customized, adaptive approach to detailed contracting may also exert a positive influence on export performance outcomes by matching governance actions to the specific needs and capabilities of a particular exchange partner. Yet, firms rely on relational behaviors during the implementation phase of a relationship whereas contracts are drafted during the formation stages (Lusch and Brown, 1996). While the adaptive approach to detailed contracting provides properly aligned levels of contract specificity that is optimal for relationship governance, clarifying roles and goals and enhancing the "meeting of the minds" (Mooi and Ghosh, 2010), there are "ink-costs" to devising an adapted contract and once adaptively set at the beginning stages of a relationship, a contract cannot be easily changed or adjusted resulting in *ex post* transaction costs. These costs that go into taking an adaptive approach to detailed contracting lower performance. Thus, it is hypothesized:

H5a. Adaptation of relational behavior is positively associated with jointly created value.

H5b. Adaptation of detailed contracting is negatively associated with jointly created value.

Synergistic effect of social and economic governance adaptation on export performance. The effectiveness of the joint use of formal and social controls has been emphasized in recent governance literature (Luo, 2002; Poppo and Zenger, 2002). Performance enhancement is expected when both social and economic elements of governance are appropriately aligned. Following this logic, the adaptation of relational behavior and detailed contracting may serve as complements in an export relationship. The governance literature demonstrates that social and economic governance mechanisms operate as complements (Luo, 2002; Poppo and Zenger, 2002; Zhou *et al.*, 2008). Contracting provides a legal framework guiding the course of cooperation (Luo, 2002; Williamson, 2008). Conversely, more informal and social governance mechanisms may remedy the inherent limitations of formal economic governance and become a necessary complement (Li *et al.*, 2010) to incomplete contracts. In a similar manner, when operating in a foreign market, an adaptive approach to detailed contracting and relational behavior adaptation may combine to better enhance joint export performance. The effect of an adaptive approach of a given governance strategy on export performance is expected to be greater when it functions in conjunction with the adaptive approach of other governance strategies rather than isolated adaptation. Adaptation of just one governance strategy (either relational behavior or detailed contracting alone) without the other is likely to create a certain level of discord relative to when both are appropriately adapted to match the particular relationship. Thus, it is hypothesized:

H6. Adaptation of relational behavior and detailed contracting positively interact to influence jointly created value.

Method

Sample

To test the hypotheses, relationships between the US exporters and their primary foreign buyer were examined. The survey instrument was pre-tested through an interview process with 12 US export managers. Pre-testing focussed on verification and refinement of the study focus, specifically related to the relevance of the topic investigated and the focal constructs and measurement items employed. The interviews provided insight into the intricacies of managing export relationships in the context of the firm's extant relationships.

Data to test the hypotheses was collected with the cooperation of Research Now, a national research firm maintaining managerial panels. Research Now employs an incentive system within its managerial panels to encourage participation in research focussed on managerial issues. For this study, Research Now identified from its panel US managers in the manufacturing sector whose firm engaged in exporting. An online survey method was employed wherein identified managers were sent an invitation to participate in a research study aimed at understanding the firm's export management strategy. Each invitation provided a brief summary of the topic area of the study (i.e. export management strategy), the incentive amount, and a link to the survey instrument. Upon electing to participate, managers were asked to detail their level of active participation in the export management activities of their firm. Those indicating active participation were deemed qualified for participation in the study. In order to more effectively manage response rate, invitations were e-mailed in small batches to randomly selected panel members, wherein each potential respondent was allowed five days to participate before new panelists were contacted.

In total, 707 panel members responded to the invitation. Of the 707, 218 were deemed as qualifying for the study based upon their level of active participation in the firm's export management activities. Of those qualifying, 67 managers only partially completed the survey, while 151 managers fully completed the survey instrument. The effective response rate for the study is 23.36 percent.

On average, respondents represented firms with $4.47 billion in annual sales revenue. The focal export relationship reported on by each firm had been an export partner, on average, for 12 years and accounted for 24.92 percent of the US exporter's total business. Respondents, on average, had 11.05 years of experience in export operations, and were 45.43 years of age, on average. Non-response bias testing was conducted by comparing early and late respondents on key constructs and respondent and respondent firm characteristics. No significant differences were observed, thereby suggesting that non-response bias is minimal.

Measures

Existing measures were employed to capture study constructs where possible. All items employed were multi-item measures (presented in the Appendix). Descriptive statistics and correlations are presented in Table I.

Transaction-specific investments was conceptualized as the extent to which a firm has invested in specific assets in its relationship with its buyer. The US exporter's level of transaction-specific investments made into its relationship with the foreign buyer was captured via a three-item, seven-point scale, anchored by 1 = "strongly disagree" to 7 = "strongly agree." Items, listed in the Appendix, were adapted from Jap and Anderson (2007) (average variance extracted, AVE = 0.68, CR = 0.86).

	M	SD	1	2	3	4	5	6	7	8
1. Transaction specific investments	4.69	1.24	*0.82*							
2. Psychic distance	18.18	8.72	−0.11	na						
3. Adaptation of relational behavior	4.06	1.67	0.21	−0.05	*0.80*					
4. Adaptation of detailed contracting	3.40	1.82	0.11	−0.17	0.62	*0.93*				
5. New product outcome	4.69	1.22	0.24	−0.16	0.05	0.20	*0.95*			
6. Jointly created value	4.92	1.10	0.24	−0.14	0.01	0.01	0.55	*0.91*		
7. Relationship length	12.00	11.65	0.10	−0.09	−0.03	−0.01	0.01	0.01	na	
8. Business percentage	24.92	25.93	0.22	0.02	0.02	−0.03	0.17	0.08	0.05	na

Notes: na, not applicable. Diagonal (italic) elements are square roots of the AVE; note that AVE is not applicable for single-item measures (i.e. relationship length and business percentage) and formative constructs (psychic distance). Correlations of latent variables $\geqslant |0.17|$ are significant at $p < 0.05$

Table I. Descriptive statistics and correlation analysis

Psychic distance was conceptualized as the manager's perception of the similarities and differences between the manager's country and their foreign buyer's country (Evans *et al.*, 2008). Following Evans and Mavondo (2002) and Evans *et al.* (2008), psychic distance was measured in terms of both cultural and business distance. The cultural distance measures were based on the definitions and descriptions of Hofstede's (2001) five dimensions of national culture, so that the items captured the perception of differences across general aspects of a country's values and attitudes. Business distance, which measures the more business-specific related distance, was captured through the legal and political environment, economic environment, market structure, business practices, and language difference scales developed by Evans *et al.* (2008). Respondents were asked to indicate the degree to which the foreign market was different from or similar to the home market on a seven-point scale (1 = "very different," and 7 = "very similar") which were then reversed. A composite index of both cultural distance and business distance was calculated and used as a basis for the psychic distance construct (e.g. Evans and Mavondo, 2002), which is represented algebraically as follows:

$$CD_j = \sum_{I-1}^{n} [(I_{ij} - 1)^2 / V_i]/n$$

where CD_j or BD_j is the cultural or business differences of the jth foreign buyer's country from the home country, I_{ij} represents the index of the ith cultural or business dimension and the jth market, 1 signifies the manufacturer's home country, and V_i is the variance of the index of the ith dimension. We then employed these two indexes to provide a formative index of psychic distance.

Relational behavior adaptation was conceptualized as the degree to which the approach to relational behavior differs in the focal relationship in relation to the manufacturer's other export relationships. Relational behavior consists of three individual relational behavior: information exchange, flexibility, and solidarity (e.g. Hoppner and Griffith, 2011; Lusch and Brown, 1996). Solidarity was defined as the supplier's high value being placed on the relationship, flexibility was defined as the willingness of the supplier to make adaptations as the circumstances of the relationship change, and information exchange was defined as the expectation that the supplier will proactively provide information useful to its buyer. The US exporter's level of standardization/adaptation of relational behavior was captured across the three dimensions via a ten-item, seven-point scale, anchored by 1 = "we have used a standardized approach" to 7 = "we have used an adaptive approach" (AVE = 0.64, CR = 0.95). This scale was adapted to the context from Lusch and Brown (1996).

Detailed contracting adaptation was conceptualized as the degree to which the approach pertaining to roles, responsibilities, expected performance and handling of unplanned events and conflicts differs in the focal relationship in relation to the manufacturer's other export relationships. The US exporter's level of standardization/adaptation of detailed contracting, was captured via a four-item, seven-point scale, adapted from Wuyts and Geyskens (2005), anchored by 1 = "we have used a standardized approach" to 7 = "we have used an adaptive approach" (AVE = 0.87, CR = 0.97).

New product outcome was conceptualized as the relative performance of new products introduced to the market through the export relationship over the past year compared to other export relationships in the industry. New product outcome was operationalized by a two-item, seven-point scale anchored by 1 = "significantly declined since last year" to 7 = "significantly increased since last year." Two items, based upon Li (1999) and Yalcinkaya *et al.* (2007), capture the number and success of new products introduced to the market (AVE = 0.89, CR = 0.94).

Jointly created value was conceptualized as the relative performance of the export relationship over the past year compared to other export relationships in the industry in relation to the relationship's ability to enhance the overall jointly created value by the US exporter and its primary foreign buyer. This operationalization was consistent with the conceptualization of value creation put forth by Ghosh and John (1999) and the underlying theoretical perspective of GVA. Jointly created value was operationalized by a three-item, seven-point scale anchored by 1 = "significantly declined since last year" to 7 = "significantly increased since last year." Items assessed sales growth, reputation, and strategic position (AVE = 0.83, CR = 0.93).

Control variables. We included additional variables to minimize extraneous effects. We controlled for potential effects on the governance adaptation strategies and export performance measures of new product outcome and value creation. In particular, we controlled for potential effects from the length of the export relationship, which we measured as the length of time (in years) the exporter had engaged in operations with the primary foreign buyer, and the importance of the relationship as viewed from the perspective of the amount of business the firm engaged in the relationship, measured as the percentage of the exporter's total business that is conducted with the primary foreign buyer. The control variables contained missing data (< 10 percent). Following the recommendations of Little (1992), we implemented a conditional mean imputation for the missing data. The average length was 12 years, and the average business percentage was 24.92 percent.

Analysis and results

Analysis

To specify the model and estimate the parameters, we used a PLS estimation approach that offers specific advantages over covariance-based approaches (e.g. Fornell and Bookstein, 1982). Given our sample size and the number of paths to estimate in our model, an important advantage of PLS is that it demands fewer points for analysis than structural equation modeling. To test the complementary relationship between relational behavior adaptation and contract adaptation, we modeled the interaction terms using the product indicator approach recommended by Chin *et al.* (2003) and

Hair *et al.* (2013). To assess the significance of parameter estimates, we used a bootstrap approach with 200 resamples, with each sample consisting of the same number of cases as the original sample.

Measurement results

In PLS, reliability of individual items is assessed by examining the loadings of the items with their respective latent construct; loadings of <0.5 may represent poorly worded or inappropriate items and thus should be eliminated from the model (Hulland, 1999). As the Appendix reports, all measurement items exceed this threshold and load significantly on the expected constructs. Furthermore, all constructs have acceptable levels of reliability, with the composite reliability coefficients ranging from 0.86 to 0.96 for each construct, exceeding the 0.7 recommended threshold (Nunnally, 1978). Convergent validity is also evident, with the AVE for each construct ranging between 0.64 and 0.89, exceeding the 0.5 benchmark (Fornell and Larcker, 1981). To test for discriminant validity, we used Fornell and Larcker's (1981) approach by examining whether the square root of the AVE of each construct (shown in the diagonal in Table I) was greater than the correlations between variables. All constructs demonstrate discriminant validity.

Structural results

Table II reports the results for the structural model. As PLS does not provide statistics to measure overall model fit, the variance explained can be used to assess nomological validity (Hulland, 1999), with 34.6 percent of the variance explained for value creation in the export relationship.

H1a argued that transaction-specific investments would be positively associated with the adaptation of relational behavior. Results, presented in Table II, indicate that transaction-specific investments in an export relationship has a significant, positive relationship ($\beta = 0.22$, $p < 0.01$) to relational behavior adaptation, supporting *H1a*. *H1b* argued that transaction-specific investments would be positively associated with the adaptation of detailed contracting. The results do not support *H1b* ($\beta = 0.11$, ns).

H2a argued that psychic distance would be negatively associated with the adaptation of relational behavior. Results do not support *H2a* ($\beta = 0.06$, ns). *H2b* argued that psychic distance would be negatively associated with the adaptation of detailed contracting. The results indicate that there is significant negative relationship ($\beta = -0.18$, $p < 0.05$) between psychic distance and adaptation of detailed contracting. *H2b* is supported.

H3a argued that the adaptation of relational behavior is positively associated with new product outcome. Results do not support *H3a* ($\beta = -0.11$, ns). *H3b* argued that the adaptation of detailed contracting is positively associated new product outcome. Supportive of *H3b*, the results indicate that there is significant positive relationship between the adaptation of detailed contracting and new product outcome ($\beta = 0.27$, $p < 0.01$).

H4 argued that new product outcome is positively associated with jointly created value in the export relationship. Supportive of *H4*, new product outcome has a significant, positive relationship to jointly created value ($\beta = 0.58$, $p < 0.01$).

H5a argued that the adaptation of relational behavior is positively associated with jointly created value. Results indicate that *H5a* is not supported ($\beta = 0.10$, ns). *H5b* argued that the adaptation of detailed contracting is negatively associated with jointly created value. The results indicate that there is significant negative relationship ($\beta = -0.19$, $p < 0.05$) between the adaptation of detailed contracting and jointly created value. *H5b* is supported.

Table II.
Structural results

Hypothesized paths	Path coefficients (absolute t-values)
Antecedents of process adaptation	
H1a: transaction specific investments → Adaptation of relational behavior	0.22 (2.59)**
H1b: transaction specific investments → Adaptation of detailed contracting	0.13 (1.35)
H2a: psychic distance → Adaptation of relational behavior	0.07 (0.60)
H2b: psychic distance → Adaptation of detailed contracting	−0.18 (1.72)*
Effects of process adaptation	
H3a: adaptation of relational behavior → New product outcome	−0.11 (1.01)
H3b: detailed contract adaptation → New product outcome	0.27 (2.56)**
H4: new product outcome → Jointly created value	0.58 (10.05)**
H5a: adaptation of relational behavior → Jointly created value	0.10 (1.28)
H5b: adaptation of detailed contracting → Jointly created value	−0.19 (2.01)*
H6: adaptation of relational behavior × adaptation of detailed contracting → Jointly created value	0.16 (2.06)*
Control variables	
Relationship length →	
Adaptation of relational behavior	−0.06 (0.64)
Adaptation of detailed contracting	−0.03 (0.32)
New product outcome	−0.01 (0.03)
Jointly created value	−0.01 (0.20)
Business percentage →	
Adaptation of relational behavior	−0.03 (0.31)
Adaptation of detailed contracting	−0.05 (0.60)
Jointly created value	−0.04 (0.56)
Explained variance	R^2
Adaptation of relational behavior	0.057
Adaptation of detailed contracting	0.052
New product outcome	0.048
Jointly created value	0.347

Notes: $^*p<0.05$; $^{**}p<0.01$

H6 argued that the adaptation of relational behavior and detailed contracting interact to positively influence jointly created value. Supportive of *H6*, the results indicate that the interaction term between relational behavior adaptation and adaptation of detailed contracting has a significant, positive relationship ($\beta = 0.16$, $p < 0.05$) to jointly created value.

Discussion

In this study, we set out to better understand the standardization/adaptation of the governance process and provide insights to a number of important questions related to when governance strategies should change across multiple partners in the export market. Our motivation was to not only theoretically decompose the drivers of the process of governance adaptation by delineating a few antecedent factors and their influence on the adaptive approach to social (i.e. relational behavior) and economic (i.e. detailed contracting) governance elements of the marketing process, but also to examine how export performance (e.g. new product outcomes, jointly created value) is influenced. Employing GVA, this research reveals that adaptation of governance strategies can play an important role in the export marketing process, but that export managers must proceed with caution in balancing social and economic governance adaptation.

Different sources of uncertainty and process adaptation

Transaction-specific assets invested in an export relationship create dependence on the unique relationship and increases vulnerability to partner opportunism. This was expected to motivate the manager to adapt their approaches to governance. In contrast to the literature on the influence of psychic distance on product and marketing program adaptation, high levels of psychic distance was argued to motivate the manager to taking an adaptive approach to relational behaviors and detailed contracting to guard against unexpected reactions from a culturally inconsistent partner. Our results reveal that managers select to standardize/adapt different aspects of their governance strategy in export relationships, depending on the underlying drivers of uncertainty.

Specifically, the study results indicated that when transaction-specific investments made by the US exporters increase, managers opt to take a more adaptive approach to relational behavior compared to detailed contracting adaptation. It is possible that transaction-specific investments are made into an export relationship with the expectation of a long-term exchange relationship. Therefore, the firm may rely more on social control aspects to manage the relationship with its foreign buyer by adapting its relational behavior as opposed to its contracting approach. This advances the work of Andersen and Buvik (2002) who suggest that when the level of transaction-specific investments and behavioral uncertainty is high, firms are more likely to employ a relational approach over a traditional economic approach to the exchange relationship, as well as Seggie (2012) who argues for greater empirical testing of transaction cost elements in the international context.

Psychic distance negatively influenced contract adaptation and did not have a significant influence on relational behavior adaptation. Psychic distance implies uncertainty stemming from unfamiliarity of one's partner and its environment. The results indicate that without a comprehensive or in-depth understanding behind expectations, managers may fear incorrectly adapting contracting matters and causing more damage to the extent that they do not attempt to adapt. This result stands in contrast to the findings of product/marketing program adaptation literature (e.g. Katsikeas *et al.*, 2006; Leonidou and Katsikeas, 1996; Sousa and Lengler, 2009) which indicates that firms opt to adapt aspects of their marketing program more when the perceived distance between the home and host market is high. Psychic distance seems to have a differential effect on the adaptation of process and adaptation of marketing programs.

Performance outcomes of adaptation

Following the underlying logic of GVA, we expected the adaptation of relational behavior and detailed contracting to positively influence new product outcome. Adapted governance strategies were expected to facilitate efficient and effective cooperation, and thereby enhance export performance. The results reveal that an adaptive approach to detailed contracting has a positive influence on new product outcome in the particular export market, but that adaptation of relational behaviors has no effect. This suggests that in terms of the number of new products introduced to the market and the success of these new products rely heavily on a relationship-orientation posture. It is through a systematic evaluation of a foreign distributor's behavior and host market characteristics that an exporter can enhance satisfaction and cooperative effort toward the exchange relationship which then, facilitates overall operations, including new product introductions in the foreign market.

Consistent with our expectations, we find that an adaptive approach to detailed contracting has a direct negative effect on jointly created value. The related costs and inefficiencies stemming from adapting contracts across export relationships undermine the positive benefits from good fit. An adaptive approach to detailed contracting requires the necessary expenditure of resources (e.g. human capital, time) in understanding the partner's expectations and appropriately aligning contract specificity. The lack of a positive direct effect of adaptation of relational behavior on new product outcomes or jointly created value may be because of the economic nature of the performance measures. The adaptation of relational behaviors may have a stronger influence on social performance aspects than economic aspects. However, this study does not capture the more social aspects of performance.

Most importantly, our results indicate a positive interaction effect between the adaptation of relational behavior and detailed contracting, suggestive of the complementary nature of social and economic governance strategies. The effect of an adaptive approach of a given governance strategy on export performance is greater when it functions in conjunction with the adaptive approach of other governance strategies rather than isolated adaptation. Supporting this expectation, the results indicate that although the adaptation of detailed contracts has a negative direct effect on jointly created value and the adaptation of relational behavior has a non-significant effect, both types of adaptation have a synergistic effect on joint value creation. This suggests that researchers examining adaptation strategies focussed on a single governance type may provide for misleading export performance outcomes. For example, it can be argues that adaptation of just one governance strategy without the other is likely to create a gap in governance effectiveness. In brief, an overall balance of an adaptive approach to both relational behavior and detailed contracting is crucial for enhanced export marketing performance.

The employed theoretical framework of GVA is suggestive of a useful theory to addresses marketing strategy decisions in the context of cooperative relationships. This framework provides insights into the standardization/adaptation decisions and performance implications of marketing processes that have not yet been fully explored in the international marketing literature. While the model was not fully supported, it does provide foundational evidence as to the theoretical tenets of GVA and its application within this context.

Managerial implications

This research holds important implications for managers because it demonstrates that different factors and types of uncertainty surrounding the export relationship may lead to different types of governance standardization/adaptation approaches. Adaptation of relational behaviors may be more appropriate when high levels of transaction-specific investments have been made. The relationship has already been "customized" to the extent that non-transferable investments have been made. Relational behavior adaptation may support these idiosyncratic investments to further enhance the relationship performance in the long term. When the level of psychic distance is high and the manager is unfamiliar with the foreign partner's culture and the host market, the exporter may want to reconsider relying on an adaptive approach to relational behavior and detailed contracting. The study suggests that managers may want to increase their understanding of the partner's cultural foundations of behavioral and business operational expectations before attempting to adapt their governance process (i.e. detailed contracting). Attempting to make adaptations to a culturally inconsistent partner without full understanding of the partner's expectations (which is most likely difficult when psychic distance is high) may cause further damage to the relationship.

Although, different internal exchange attributes may influence the manager to adapt either social or economic governance strategies, our results caution managers that adaptation efforts should not be focussed on only one type of governance strategy. Instead, managers should attempt to balance adaptation of both relational behavior and detailed contracting to attain enhanced benefits. Managers should also be conscious of the complementary effect of the adaptation of both social and economic controls. Relational behavior may not have a substantive direct effect on export performance, but nevertheless should be fostered and considered in accordance with the adaptation of detailed contracting. Adaptation of detailed contracts alone may even have a negative effect on performance, reflecting the necessary costs that go into an adaptive approach. However, export relationships can gain positive performance effects when using a joint approach, where both relational behavior and detailed contracting are adapted to the particular relationship.

Limitations and directions for further research

While our research elucidates the importance and nature of adaptation decisions regarding governance process aspects of international marketing in export relationships, its implications are tempered by its limitations that indicate different avenues for further research. First, as our model only accounted for 34.6 percent of the variance in jointly created value (although this is above the average variance explained in previous international performance studies (22.3 percent; Shoham and Rose, 1993)), it is indicative of construct omission. As such, other explanatory constructs should be included in further research. For example, while relational behavior and detailed contracting are key social and economic governance strategies that manufacturers work to establish for the administration of export relationships, others are also employed, such as monitoring or providing incentives (Wathne and Heide, 2000) as well as cultural intelligence (Magnusson *et al.*, 2013). Future research could examine these governance strategies. In addition, the entire GVA framework is a four-part model that covers the alignment of heterogeneous resources, positioning, the consequent attributes of exchange, and governance form. These factors interact to determine the success in creating and claiming value. Our study is a partial testing of the GVA framework in the export market context. Future research should examine the broader GVA framework (i.e. inclusive of positioning and resource factors) in relation to the adaptation/standardization of marketing processes across a relationship portfolio.

Second, our measures of new product outcome and jointly created value are subjective measures and limited to capturing only the economic aspect of performance. Further research could address this limitation by pursuing additional relationship-focussed "social" performance measures. Although our study indicated no direct effects of relational behavior adaptation to export performance (measured through economic factors of new product outcomes and overall market performance), an adaptive approach to relational behaviors with partners may bring more benefits to social/relationship performance that was not captured in this study. For example, relationship performance factors such as satisfaction, fairness perceptions trust, and long-term orientation, have been demonstrated to be important to effective relationship maintenance and survival (e.g. Griffith *et al.*, 2006; Jap, 1999; Lund *et al.*, 2013; Morgan and Hunt, 1994).

Third, as the research data to test the hypotheses was collected through a managerial panel-based research company wherein the respondents are pre-recruited, the data may suffer from lack of representativeness. Although we believe that respondents were knowledgeable (the panel was screened to only include respondents who indicated active participation in their firm's export management activities with an average experience of 11 years in export operations), further examination of the hypotheses with a more traditional method of direct contact and rigorous process of informant screening would be beneficial.

Finally, the sample was restricted to the US exporters in various industry types and their on-going relationships with their primary foreign buyer. As it has been proposed that the managerial decisions to relationship governance vary by culture, expanding this analysis to managers from other cultures could help broaden our understanding of the stability of the adaptation decisions. Similarly, research suggests that relationships vary over a life-cycle (Dwyer *et al.*, 1987; Jap and Anderson, 2003) and industry type. Examination of whether adaptation decisions and export performance outcomes vary depending on the stage of the relationship life-cycle or industry-type could provide greater insight to inform managerial practice.

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Further reading

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Appendix

Construct	Description	Λ	*t*-value
Transaction specific investments	(1 = Strongly disagree, 7 = Strongly agree)		
AVE = 0.68 CR = 0.86	We have made substantial investments in personnel dedicated to our primary foreign buyer	0.86	7.5
	We have invested a great deal in building up our relationship with our primary foreign buyer	0.88	7.3
	If this relationship were to end, we would be wasting a lot of knowledge regarding our primary foreign buyer's procedures	0.72	4.0
Psychic distance (second order, formative)	Hofstede's cultural differences: *to what degree is the culture of the country your foreign buyer is located different or similar to your culture? (1 = Very different, 7 = Very similar)*	0.60	−0.231
	Power distance		
	Degree of inequality among people		
	Salary range between the highest paid and the lowest paid in organizations		
	Importance of social status symbols		
	Importance of equality before the law		
	Basis of achieving positions of power and influence		
	Usual method of political change (i.e. evolutions of rules or revolutions)		
	Individualism/collectivism		
	Importance of loyalty to close groups (i.e. family and friends)		
	Recognition of a right to privacy		
	Freedom of the press		
	Respect for individual freedom		
	Importance of consensus in society		
	Masculinity/femininity		
	Importance of caring for others		
	Importance of material success		

(*continued*)

Table A1. Measurement results

Construct	Description	Λ	*t*-value
	Degree to which women are expected to be assertive and ambitious		
	Primary means of resolving interpersonal conflicts (i.e. compromise or confrontation)		
	Uncertainty avoidance		
	Openness to change and innovation		
	Faith in young people		
	Tolerance of differences (i.e. religious, political, and ideological)		
	Reliance on rules to govern behavior		
	Acceptability of displaying emotions		
	Long-term orientation		
	Degree to which traditions are respected		
	Importance of thrift		
	Importance of personal reputation and honor		
	Importance of working hard for long-term success		
	Importance of virtue		
	Business differences: *to what degree is the business environment of the country your foreign buyer is located different or similar to your culture?* (averaged scores) *(1 = Very different, 7 = Very similar)*	1.72	1.155
	Legal differences		
	Stability of political structure		
	Ideology of national government		
	Planning legislation		
	Business ownership legislation		
	Licensing legislation		
	Competitive pricing legislation		
	Market structure differences		
	Physical distribution systems		
	Number of large competitors in the market		
	Share of market sector held by one or a group of competitors		
	Number of large competitors in the market		
	Share of market sector held by one or a group of competitors		
	Number of direct competitors		
	Strength of competitors		
	Economic environment differences		
	Gross domestic product (GDP) per capita		
	Contribution of primary production to GDP		
	Capacity of the banking sector		
	Country's exposure to economic risks		
	Level of demand for goods and services		
	Stability of demand for goods and services		
	Business practice differences		
	Basis for rewards and recognition of staff and management		
	Terms and conditions of employment		

Table A1. (*continued*)

Construct	Description	Λ	*t*-value
	Setting budgets		
	Setting operating procedures		
	Credit and financial arrangements with banking institutions		
	Use of contracts in business dealings		
	Concept of fair dealings		
	Language differences		
	Language used to communicate in business transactions		
	Language used to communicate in social settings		
Adaptation of relational behavior (Second-order, reflective) AVE = 0.64 CR = 0.95	*Consider how you have interacted with your primary foreign buyer over the past year compared to other foreign buyers. In relation to each survey item, have you interacted in a standardized way (using the same approach with all foreign buyers) or in an adaptive way (customizing your approach to your primary foreign buyer)? (1 = We have used a standardized approach, 7 = We have used an adapted approach)*		
	Information Exchange	0.89	35.4
	Providing information to help our buyer	0.86	32.7
	Providing information to our buyer frequently and informally, and not only according to our prescribed agreement	0.88	49.1
	Providing proprietary information to our buyer if it will help	0.71	13.3
	Keeping our buyers informed about events or changes that may effect them	0.85	30.7
	Flexibility	0.94	86.8
	Being flexible in dealing with our buyer	0.89	31.9
	Expecting to make adjustments in dealing with our buyer to cope with the circumstances	0.96	124.1
	When some unexpected situation arises, we would rather work out a new deal with our buyer than hold them to the original terms	0.83	23.0
	Solidarity	0.92	51.2
	Trying to help when our buyer incurs problems	0.92	52.3
	Sharing in the problems that arise in the course of dealing with our buyer	0.91	41.4
	Committed to improvements that may benefit our buyer and not only ourselves	0.90	36.0
Adaptation of detailed contracting AVE = 0.87 CR = 0.97	*Consider how you have interacted with your primary foreign buyer over the past year compared to other foreign buyers. In relation to each survey item, have you interacted in a standardized way (using the same approach with all foreign buyers) or in an adaptive way (customizing your approach to your primary foreign buyer)? (1 = We have used a standardized approach, 7 = We have used an adapted approach)*		

(*continued*)

Table A1.

Construct	Description	Λ	*t*-value
	Writing a contract that defines precisely the role of each party	0.92	31.3
	Writing a contract that defines precisely the responsibilities of each party	0.96	72.2
	Writing a contract that defines precisely how each party is to perform	0.95	76.7
	Writing a contract that defines precisely what will happen in the case of event occurring that were not planned for	0.91	32.1
New product outcome AVE = 0.89 CR = 0.94	*Compared to other export relationships in your industry, how would you evaluate the performance of this export relationship over the past year in terms of: (1 = Significantly declined since last year, 7 = Significantly increased since last year)*		
	Number of new products introduced to the market	0.94	38.7
	Success of new products introduced to the market	0.95	102.3
Jointly created value AVE = 0.83 CR = 0.93	*Compared to other export relationships in your industry, how would you evaluate the performance of this export relationship over the past year in terms of: (1 = Significantly declined since last year, 7 = Significantly increased since last year)*		
	Sales Growth	0.89	42.4
	Reputation	0.92	55.3
	Strategic Position	0.92	65.0
Relationship length	How many years has your firm engaged in operations with your primary foreign buyer?	na	na
Business percentage	What percentage of your total business is conducted with your primary foreign buyer?	na	na

Table A1.

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