

Business Relationships and the Impact of Political, Competitive and Intermediary Connections

Abstract:

In further developing the notion of business actors in the distributive channel, the study integrates competitors, political and intermediary units to investigate if and how they have their impacts on focal businesses. In this construction, business relationship function is exposed to be interrelated to connected business and other actors which are directly or indirectly interdependent. The argument is driven by the notion that actors, like competitors, intermediaries and political units, can generate uncertainty for the core business relationships. In order to achieve a deeper understanding, the study develops a conceptual view which contains the two key relationship concepts of commitment and trust (Morgan and Hunt, 1994). Stressing on business network theory, the paper contends to study the influence of different type business and non-business connections on focal business. The empirical study is based on a survey which contains extensive interviews with 354 firms' relationships. To reach this the paper constructs a LISREL model to test the hypothesis. Knowledge on the impact of these units can aid business firms when developing strategies towards these units. Including uncertainties sources like intermediary and political relationship may provide a more reliable picture of the firms' behavior in business network.

Key Words: Business Network, Commitment, Trust, Political actors, Intermediaries and competitors; LISREL Method

Introduction

Either they want or not, business firms for their survival and development have to deal with relationships with not only those that they have interactive business. They have, directly or indirectly, relationships with other units in their 'environment'. The study constructs its view on the presumption that a business network is composed of actors having their legitimacy on different grounds. Against this perception, the main attention of business network studies is reserved for studying of firms' exchange relationship with complementary nature and views on inter-firm behaviour and connections are seen as sufficient to explain the behaviour of the firms. This boundary setting of business network has provoked new researchers, proclaiming that business firms are and have to manage uncertainties which are not only related to the business chain connection. Stating that

firms' relationships and connections provide insufficient picture of so called "market as business network".

The recent studies pinpoint the issue like competition and political relationship and claim that such research has attracted less attention (Boddewyn, 1988; Hadjikhani and Thilenius, 2005; Ring, Lenway and Govekar, 1990; Welch and Wilkinson, 2004; Hadjikhani et al., 2008). They contend that the earlier studies ignore the fact that firms' business activities are also influenced by these actors as they are sources of uncertainties. Some studies, such as those of Welch and Wilkinson (2004) and Jacobson, Lenway and Ring, (1993) highlight the failure to incorporate political issues into the business network marketing texts.

In the absence of much research in this area, this study attempts to offer an answer to the inquiry of researchers like Welch and Wilkinson (2004), and Ghauri and Holstius (1996) and raises the simple question of how firms' focal business relationship is affected by the different types of connections (Hadjikhani, et al., 2008, Boddewyn, 1988). While one type of connections stands in the production chain, the other business connection is with competitors which are not positioned in the distributive production chain. The other types of connection concern actors like trade union which have intermediary roles. The third groups of actors are political actors. Though, in developing the notion of connection with actors in the distributive channel which traditionally occupies the attention of business network studies, the study employs a broader perspective. It also integrates connections with competitors, political and intermediary units to investigate if and how these different types of connections have their impacts on focal relationships. In this construction, business relationship function is exposed to be interrelated to different types of connected actors which are directly or indirectly interdependent (Boddewyn, 1988; Hadjikhani and Ghauri, 2001; Ring, Lenway and Govekar, 1990). The argument is driven by indirect inter-dependency and the notion that actors, like competitors and political units, can generate uncertainty for the core business activities.

In order to achieve a deeper understanding, the study develops a conceptual view which contains the two key relationship concepts of commitment and trust (Morgan and Hunt, 1994). Stressing on business network theory, the study contends to study the firms' business relationships and the influence of both political, intermediary, competitors and business chain connections. To reach this the paper constructs a LISREL model to test the results. Knowledge on the impact of these units on focal relationship can aid business firms when developing strategies towards these units (Buckley and Ghauri, 1999; Ghauri and Buckley, 2004; Hadjikhani, 2000; Ring, Lenway and Govekar, 1990). Inclusion of sources of uncertainties like socio-political relationship may provide a more reliable picture of the firms' behavior in business network.

Earlier Contributions

Largely, the contribution of the earlier studies can be grouped into three different theoretical fields; a) hierarchical view, b) business interaction view, and c) the view of business firms' interaction with non-business units. In the first truck of thoughts, called here the traditional view, the researchers focus is on firm's marketing behavior. Intermediary and political organizations are conceptualized as units standing on the business environment of the firm. Researchers like Miller (1992) and Ahmed *et al.*, (2002) stress on hierarchical power of the political institutions and firms' adaptive action towards political risk (Keillor *et al.*, 2005; Keillor and Hult, 2004). The hierarchical view is also adopted by a large number of researchers in political science (Maddison, 1991; Nowtotny *et al.*, 1989). In this view the non-business units gain their power from their legitimacy in the market that is achieved through establishing a trustworthy position. Implicitly, firms' commitment is explained by their actions for management of risk (Ahmed *et al.*, 2002; Miller, 1992), risk in international operations (Keillor *et al.*, 2005), development of structures to fit with the regulations (Spencer *et al.*, 2005; Buckley and Ghauri, 2004; Cosset and Roy, 1991) or corporate structure (Murtha, 1991; Lenway and Murtha, 1994). The statement is based on manifestation of political legitimacy by coercive actions towards business firms. The firms' behaviour toward the socio-political actors relays on their adaptive actions.

In the next field, business interaction and relationship view, studies do not specifically concern the impact from the political actors. Political actors are treated as elements in the focal relationship's environment. Views developed do not specifically concern the interdependency/dependency of firms to political actors. The majority of business interaction or network studies concern business relationship or the chain business connections. Socio-political connection is left untouched or regarded in an implicit manner. The business network approach, which has been extensively explored in industrial marketing (Ford, 1990; Håkansson and Snehota, 1995, Ghauri, 1999; Johanson and Håkansson, 1994) and international business studies (Johanson and Mattsson, 1988; Forsgren *et al.*, 1995) rarely, touches the socio-political behaviour of the business firms.

The third research filed, and closer to the point of departure of this paper, researchers concentrating on governance (see e.g. Streeck, 1992; Fligstein, 1990), problems to overcome rules (Chaudri and Samson, 2000), impact of government on competition (Ramaswamy and Renforth, 1996) and heterogeneity of the firms' and industrial policy (Barros and Nilssen, 1999); in lobbying (Hoffman, 2005; Fabella, 1991; Lagerlöf, 1997), in bargaining and bargaining power (Moon and Lado, 2000; Nomden *et al.*, 2003; Chae and Heidhues, 2004; Dell'Arringa, 2001) in political market (Bonardi *et al.*, 2005; O'Cass, 1996) and in political strategy (Taylor *et al.*, 2000; Shaffer and Hillman, 2000; Butler and Collins, 1996) question the hierarchical power of political units and more rely on behaviour theory. They elaborate concepts like political legitimacy and proclaim the

dependency of political actors to the other actors in the surrounding, like business firms and people. Rejecting the hierarchical power of the political actors, studies in political science and institutional theory proclaim the embeddedness of political actors in a wider context.

Following thoughts on interdependency, some business studies are in favour of dyadic relationship between business and socio-political units (Hadjikhani, et al., 2008) and intermediaries (Hadjikhani and Thilenius, 2005) which presumes to be essential for the firms for gaining support and challenging the uncertainty. They elaborate strategic views like cooperation and negotiation for interaction between business firms and political organizations (Ring *et al.*, 1990; Taylor *et al.*, 2000) and competitors (Kock, 2005). The interactions are seen as beneficial for both parties (see Boddewyn, 1988; Jacobson *et al.*, 1993; Hadjikhani, 1996). Studying political and business actors in a political market (Baines and Egan, 2001; O'Shaughnessy, 2001), having parallel business and political objectives (Kotler and Andreason, 1991; Bonardi *et al.*, 2005) have newly captured the attention of business scholars. In this field, some pay attention on bargaining and some researchers, like Nomden *et al.* (2003) or Dell'Arringa (2001), relate bargaining to the collective actions of the interest groups. Others like Crystal (2003) specifically relate the firms' committed resources and strategy towards host government (Korbin, 1982; Kim, 1988; Moon, and Lado, 2000; Crystal, 2003; Conner, 1991).

Theoretical View and Hypothesis

This paper goes beyond the broad stream in business and industrial network and explains that firms in their business network are to manage the two interdependent areas of non-business and business (Welch and Wilkinson, 2004; Hadjikhani and Ghauri, 2001; Boddewyn and Brewer, 1994). The model stands on the view that focal business relationships beside their business connections they also are connected to others like political and intermediaries units. It is inspired with the question of how these connections affect the focal business relationships. For political actors' connection, for example, the view is based on the impact of these actors on business relationship for the dependency of business firms to gain support and market stability. Also that the political actors are dependent on enterprises; as firms make investments and create jobs and that affect groups like the people or media which finally affects issues like GNP on which socio-political units are dependent (Jacobson *et al.*, 1993; Hadjikhani and Ghauri, 2001). In seeking social legitimacy political actors, are to incorporate demands from business firms into their decisions (Eliassen and Kooiman, 1993).

To explore business relationship the views is inspired by researchers studying of long-term relationships (Reddy and Zepiel, 1999) and closes relationships (Söllner, 1999) and denote that relationships have their roots in commitment and trust between the partners (Gundlach *et al.*, 1995). Researchers like Morgan and Hunt, (1994) and Gundlach, *et al.* (1995) explicate commitment and

trust as the two key elements of relationships. These two elements are stressed by researchers in business network also as vital between business and socio-political units (Welch and Wilkinson, 2004; Hadjikhani and Ghauri, 2008). Thus, focal relationship commitment and trust in the network logic of this study is connected to not only business actors but also those of political and intermediary units (See Figure 1). According to this view the context of business network contains three interdependent ‘markets’ (Boddewyn, 1988; Hadjikhani and Ghauri, 2001). One includes business actors wherein business firms are related to each other on the base of business legitimacy. In the next two business firms have direct and indirect relationships with intermediary and political actors in which these latter have their legitimacy in political and social bases.

Please Insert Figure 1 Here

Though, as shown in figure 1, commitment and trust in a dyadic business relationship is determined by, a) the composition of interactions between two dyadic business partners, b) the impact of the business chain connections, and also c) the impacts for the political connection and d) impacts from the intermediary connection. Following this theoretical view the study constructs nine hypotheses. The first hypothesis reflects the relationship and the rest of the hypothesis are related to the connection impacts. For the focal relationship, the hypothesis reflects the two fundamental elements of commitment and trust. Commitment is defined as the sacrifices made by partners to maintain a relationship. It confers to the set of partners’ resource contributions and actions towards counterpart alone and or towards connected actors to remain in relationships (Denekamp, 1995; Hunt, Chonko and Wood, 1985; Shelby *et al.*, 1985). Though, as Shelby *et al.*, (1985) define, the degree of resources and performance determines if actors remain in the interactions. Trust is explained as the willingness to rely on an exchange partner in whom another has confidence (Moorman *et al.* 1993). High and low trust will accordingly affect the strength of the relationship. These two concepts are recognized in this paper as the basis for indicating the strength and firmness in a relationship. The higher the strength and trust in the relationship the higher will be the level of cooperation and adaptation commitment. Accordingly, the first hypothesis is:

Hypothesis 1: *The higher the trust, the higher the commitment in the relationship between the focal business actors.*

Commonly in business network studies, the commitment and trust between supplier and customer are embedded in a business context. The network has its ground on the assumption of interdependency of the focal actors to the suppliers’ supplier and customers’ customer. The business chain connection is based on resource interdependencies. The connection’s property, like low/high interdependencies,

determines the nature of impact from the connected business chain of supplier and customer. Ultimately, relationship aspects like the degree of adaptation and mutuality are determinant. The statement confers to the factor of actors' compatibility, i.e., whether the connected and focal actors have supplementary functions or not. Business chain connections to suppliers/customers, which in industrial marketing studies have supplementary function, can, in some circumstances, become discordant with the focal relationship and engender conflict, affecting commitment and trust in the focal relationship. Continuity in the exchange with restrained connected relationships is constructed on a low level of commitment and trust. Problems with suppliers' supplier in for example, technological modification, can affect the suppliers' commitments towards the focal customer. A high positive impact from the business chain connection, on the other hand, refers to the mutuality and co-operation in commitments and trust that binds the actors (Donaldson and Toole, 2000). The next two hypotheses examine the impact of business chain connections affecting the focal interaction. The hypotheses are:

Hypothesis 2a: *The higher the impact of business chain connection, the higher the commitment in the relationship between the focal business actors.*

Hypothesis 2b: *The higher the impact of the business chain connection, the higher the trust in the relationship between the focal business actors.*

Traditionally, industrial network theory perceives only business chain connections. While cooperative relationships with suppliers and customers are easy to grasp, connection with intermediaries which lacks direct economic transaction, has been neglected. However, studies like Julien, *et. al.*, (2004) on networks embeddedness in the social, competitive and environment or the study of Faber and Shoham (2002) and studies like Brousseau (2002) on firms in for example IT which connect the supplier and customers, have shown the importance of these relationships for the focal partners. Intermediaries like media and trade union can affect, for example, the firms' market legitimacy. Firms' publicity, for example, by creating a public opinion is been under securitization by researchers in the fields like communication or political science. But researchers in business network have taken a silent position towards these connections.

In further developing the network view researchers like Webster (1996) and Gummesson (2003), raise the question of the impact of interaction between actors like political organizations, competitors and business firms. Some are concerned with political organization, others with competitors or media (as an intermediary unit). Studies like Bengtsson and Kock (1999) and Hadjikhani and Thilenius (2005) scrutinize the nature of competitive relationships and introduce competitive strategic actions and Gnyawali and Madhavan (2001) explore the cooperation and

competition indicated by firms' structural embeddedness. In advancing knowledge on the relationship with intermediaries and competitors, studies like Hadjikhani and Thilenius (2005) and Madhavan (2001), Easton and Araujo (1992), explain the impact of such actors on focal firms' commitment and trust. Easton and Araujo (1992) and Bengtsson and Kock (1999), reflecting on the distance between competitors, include two elements of competition/conflict and cooperation/harmony constructed on trust. In these dimensions, we can find the matter of degree of impacts from intermediaries on commitment and trust.

The discussion above illuminates the impact from two types of connections, one reflects the impact of competitors and the next confers to the impact from intermediaries. Followingly, the next four hypotheses reflect the impact of this connection on focal relationship commitment and trust.

Hypothesis 3a: *The higher the impact of intermediary connection, the lower the commitment in the relationship between the focal business actors.*

Hypothesis 3b: *The higher the impact of the intermediary connection, the lower the trust in the relationship between the focal business actors.*

Hypothesis 4a: *The higher the impact of connection to competitors, the lower the commitment in the relationship between the focal business actors.*

Hypothesis 4b: *The higher the impact of the connection to competitors, the lower the trust in the relationship between the focal business actors.*

This study extends the network boundary by including not only competitors and intermediaries but also political units who are socio-politically connected. The view is constructed on the presumption that the range of commitment and trust is not only an antecedent to the focal actors' activities, but also to the acts of political units. Though, commitment and trust in one relationship are based not only on partners' will and sacrifices in the business context but also on the actions of actors in the political context. The view developed in this study explains that a focal relationship's commitment and trust can gain support or hindrance from these different sets of connected relationships (Jacobson *et al.*, 1993, O'Cass 2001 and 1996) and Klein and Milardo (1993). Thus, a network is a set of connected relationships which can support or hamper a focal relationship, depending on how a dyadic relationship is affected by the connected relationships (Duck, 1993). One connected relationship can support, while another can hinder, a dyadic relationship (Klein and Milardo 1993; Duck, 1993).

In studying political connection, researchers introduce the two elements of the adaptive and influential activities of the firms (Hadjikhani et al., 2008; Hadjikhani and Thilenius, 2004; Boddewyn and Brewer, 1994). These represent high or low levels of positive/negative influence on the focal relationships. The view is based on relationships which are the cause of indirect interdependency between the political and business units. In terms of the influential actions, strategies like lobbying (Coen, 1999; Calingaert, 1993), cooperation and partnership (Boddewyn and Brewer, 1994), and commitment in social interactions with non-business actors, like government agencies and trade unions (Hadjikhani and Ghauri, 2001) are mechanisms for elimination or reduction of negative impact on commitment and trust in the core businesses. On the contrary, the adaptive behaviour of the firms manifests the case of a high level negative impact on the focal relationship commitment and trust. There are a large number of studies on strategic planning that pose the non-business factor as a non-controllable factor (Kotler, 1999). The political means as a structural constraint, lead to the prediction that high impact from the non-business actors force business firms to have a low business engagement in the local country.

Political connections can be composed of components acting to exercise power, and are embedded with conflict. Thus, political connection is a source of uncertainty which can have a low or high impact on the core business relationship (Hadjikhani, 1996). In this case, there are some sporadic efforts in studies like Bakkenes *et al.* (1999) on communication, Lubben (1988) and Hadjikhani and Ghauri (2001) on the dominance of knowledge on network context, and some others who tried to interconnect the range of cooperation and trust (Hanf and Scharpf, 1978; House, *et al.*, 1988). These researchers are among the few who study the social dimensions in political relationships that affect the relationships' trust and commitment. As discussed, the two hypotheses which follow examine the impact of the political connection on the commitment and trust. While the first hypothesis examines the impact on the focal relationship trust, the second hypothesis considers the impact on the focal relationship commitment.

Hypothesis 5a: The higher the impact of political connection, the lower the trust in the relationship between the focal business actors.

Hypothesis 5b: The higher the impact of political connection, the lower the commitment in the relationship between the focal business actors.

Method

The empirical analysis is based on a subset from a database, consisting of information on 354 business relationships. The data has been collected and used for studies of dyadic business relationships and the impact of information technology (see Lindh, 2006). In the study small- and

medium sized firms in Sweden were approached in their role as suppliers to one specific customer of their selection. The information was collected through standardized questionnaires directed to the CEO or marketing managers who initially were contacted by telephone in order to get approval to send the questionnaire and to give background information about the study. The informants were selected to insure that they had personal experience of marketing in general. To answer certain questions in the questionnaire, they were asked to select one of their most important customers, of which they had personal knowledge. In this way the respondents were consciously selected to be able answer our questions regarding the company, as well as regarding the specific customer relationship. The analysis of the data material was performed using LISREL with the aim to test the validity of the hypothesized causal relations within the frame of an overall structural model (Gerbing and Anderson, 1988; Bollen, 1989; Hayduk, 1987; Jöreskog and Sörbom, 1993). The first step in a LISREL analysis is to run the observed indicators in a so-called measurement model to assess construct validity followed by the development of the structural model. The validation of the structural model is based both on the causal relations included and on several statistical measures. We have chosen to use χ^2/df , GFI, AGFI, RMSEA and SRMS. The interpretation of a model should also be done bearing in mind that each relation in it is contingent on the setting of the overall model itself.

Construct Validity

The aim of the analysis is to test how the strength of connections affects trust and commitment in the focal business relationship. To indicate the impact of business connections we use four statements concerning the conceivable effects on the focal business relationship of relationships with any of the customer's customers, any of the customer's other suppliers, any of the firm's other customers and any of firm's suppliers. Correspondingly, as indicators of the impact of socio-political connections, we use three statements concerning the bearing of the effects on the focal business relationship of relationships with governmental bodies, municipal organizations and labour market organizations. The impact of relationships to any banks and any international organizations are used as indicators for intermediary connections, while impact from the firm's competitors and the customer's competitors account for the competitor connection in the analysis. The answers to all questions were given on a five-grade scale ranging from 'not at all' to 'very high'.

The dependent variables in the model, trust and commitment, are indicated by the responses to a set of attitudinal statements on a seven-grade ordinal-scales. The level of trust in the relationship is based on the notion of one party's willingness to rely on the other party and is in this analysis indicated by a construct of three statements directed to the supplier firm. The first is quite straightforward asking whether the supplier trusts the customer completely, the second on whether the supplier trust information from the customer and the third focuses on the openness concerning

information. Relationship commitment can broadly be conceived as the directed actions taken that bind the firms together. In this analysis, commitment is indicated by the responses to three statements reflecting firstly whether the customer has invested in the relationship, secondly if the relationship is long-term, secondly if there exist a wider relationship between the customer and the supplier, and finally if the supplier likes doing business with the customer. The answers to all attitudinal statements were given on a seven-grade ordinal scale ranging from 'strongly disagree' to 'strongly agree'. The selection of variables to be used in the analysis meant that 82 of the total of 354 relationships in the database had to be omitted due to one or more missing values. This left us with an effective sample of 272 observations. The descriptive statistics, factor loadings, t-values and R^2 -values of the indicators for all constructs are displayed in Table 1.

Please Insert Table 1 Here

The first step towards finding a valid model was to employ the constructs in a measurement model with no causal relations specified. In this step, the discriminant validity was also assessed. The statistical output showed a non-significant measurement model. The model contained five significant correlations at the 5%-level along with the hypothesis causal relations while four correlations were not significant. The most important significant correlation was positive correlation between Trust and Commitment. The correlations between Trust and Business Connection and Intermediary Connection were also significant. Further, the correlations between Commitment and Business Connection, Intermediary Connection and Political Connection were also significant. The results of the measurement model in conjunction with the conceptual grounds presented in the previous provide us enough support to continue the analysis by verifying the discriminant validity of the constructs.

Structural Model Analysis

Following the results from the measurement model, a structural model was specified with causal relations between the latent variables in accordance with the presented hypothesis. The statistical output from the first run of the model some significant causal relations and moderate validity. In order to increase the validity of the model the specified relations were excluded stepwise based on the level of significance, i.e. the casual relation with the lowest significance was first excluded, the model re-assessed, followed by the exclusion of the next non-significant causal relation until all included relations in the model displayed significant statistics. The resulting structural model shows four significant causal relations between the latent variables (see Figure 2 below). The model must be considered a valid representation of the data with a chi-squared of 146.24 with 79 degrees of freedom yielding a Q well below the recommended value of two. The RMSEA (0.056) and SRMS

(0.057) are also in range with the recommended values. Further, the GFI is at 0.94 and the AGFI at 0.88, meaning that the model must be considered to be a valid representation of the data.

Please Insert Figure 2 Here

Results

Commenting on the resulting final structural model (see Figure 2), it is first of all important to state that the relation between *Trust* and *Commitment* in the model is positive and significant (0.52; 6.34). This provides support for the first hypothesis concerning the relation between trust and commitment, i.e. an increased trust in the relationship leads to higher commitment. This also supports the notion of how the strength of the relationship is constructed. The actors learn to trust through ongoing exchanges and these in turn provide the base for further strengthening of the relationship through enhanced commitment.

In the structural model the impact of *Business Connection* and *Commitment* is supported (0.23; .3.32). This means that Hypothesis 2a is verified in this analysis while the impact of business connection on trust is not, meaning that we have to reject Hypothesis 2b stating that trust will be positively affected by business connection. It seems like the impact from connections following the chain of business has a direct bearing on the level of commitment in the business relationship, i.e. the business partners are ready to invest further into the relationship when the business situation calls for it through the impact of the business connection. Of course, the fundamental condition is still most likely that some level of trust is conceived in the business relationship, but, in this model the impact of business connection is not mediated through the level trust in the business relationship in order to see increased commitment

In the model, the effect of intermediary and competitor connections on relationship trust and commitment reveals some interesting results. The relation between *Intermediary Connection* and *Trust* is negative and clearly significant (-0.10; -2.67) thus supporting Hypothesis 3b that higher impact from intermediary connection generates lower trust in the relationship between the focal business actors. The other hypothesis relating to impact of intermediary connection, Hypothesis 3a, where a similar negative relation on commitment is proposed is not supported by the current structural model.

Turning to Hypothesis 4a and 4b the effect of connections to competitors were suggested be negative on both trust and commitment in the business relationship. The results of the final structural model mean that both hypotheses have to be rejected, in one case due to insufficient significance, i.e. Hypothesis 4a, while for the other hypothesis due to an effect opposite the anticipated. Instead of, as anticipated, having a negative impact on trust in the business relationship, the revealed effect of

Competitor Connection in the model is a significant and positive on *Trust* (0.31; 4.01). Expanding on this finding it has to be kept in mind that trust, as defined in this study, is a component of the business relationship and the impact of competitor connection seem to strengthen the business relationship rather than weaken it. A situation of increasing impact from competitors, both on the supplying firm as well as on the customer firm, results in this setting in increasing trust in the business relationship, i.e. a reliance on the ongoing business exchange with the established counterpart.

Of the Hypotheses 5a and 5b, proposing negative effects of political connection on trust and commitment, only Hypothesis 5b can not be verified in this model. The effect of *Political Connection* on *Commitment* is significant and negative all in line with the hypothesis (-0.14; -2.70) while the effect of political connection on trust is not supported. The fact that Hypothesis 5b is supported and that the effect of political connection is on relationship commitment still makes it possible to draw some conclusions concerning relationship strength. Increased political connection results in lower commitment and the focal business relationship is weakened, still the effect is on the level of commitment while the level of trust is unaffected, at least in a direct way.

Concluding Remarks

Boundary setting in business network studies is the most vital issue for the researchers. While the main truck in business network studies put the boundary around the business relationships and the complementary chain production, this study extends the boundary and includes relationships with the political, competitors and also intermediary units. Such boundary extensions naturally complicate the simple illustration of earlier network context, but it is closer to the business realities. In the real business life firms are challenging with different sources of uncertainties, some are business and some has non-business natures. Either they want or not, they have to manage all these uncertainties. This paper is one among the few researches in recent years that stress on the extension of the business network boundary. Further research for development of views using case study can contribute new knowledge.

As discussed in the analytical section, all the hypotheses are not verified. But the verified hypothesis elevate several interesting conclusions. The first conclusion is related to the impact of the trust on commitment. This conclusion is also verified by large number researchers. But the more interesting conclusions are related to the impact of the connected relationships. One conclusion which verifies conclusion of other study in business network is the impact of the business chain connection. But, different to other studies, the study reaches the conclusion that the impact does not have any impact on the relationship trust. It can be speculated that the actors in the business chain do not social interdependency. The interdependency is because of the technological element.

Knowledge about which relationship element is affected by connection can also be essential for managers.

The results further manifest the need for extension of the perceptual boundary of the business network. On contrary to the earlier studies, the paper manifests that the three other connections, political, intermediary and competitors, have impact on the focal business relationships. There are recent studies emphasising on integration of socio-political relationships into the network context. This study goes further and concludes that this boundary is to be further extended to include even others into the context. There are seldom business network studies that manifest the impact of all these connections together. With integration of these connections the abstraction of business reality – the theoretical view – becomes closer to what is going on in the business market. Business firms are always challenging in different kinds of uncertainties.

Interesting conclusions can be drawn by studying the kinds of impacts from these connections. One interesting conclusion lies on the negative impact of the political and intermediary connections. These connections weaken the focal relationship. While the first one impacts on commitment, the other one impacts on trust. It can be concluded that political connection, for example, impacts are perceived by business actors as coercive which enforce increasing commitments. Another exciting conclusion is the competitors' connection. The results manifest that the competitors, contrary to general feelings, have a positive impact relationship trust.

References

- Ahmed, Z.U., Mohamad, O., Tan, B. and Johnson, J.P., (2002), "International Risk Perceptions and Mode of Entry: A Case Study of Malaysian Multinational Firms", *Journal of Business Research*, 2002; 55, pp. 805–813.
- Baines, P.R., Egan, J., (2001), "Marketing and Political Campaigning: Mutually Exclusive or Exclusively Mutual?", *Qualitative Market Research: An International Journal*, 2001; 4(1), pp. 25–33.
- Bakkenes, I., de Brabander, C. and Imants, J., (1999), "Teacher Isolation and Communication Network Analysis in Primary Schools", *Educational Administration Quarterly*, Vol. 35, No. 2, pp. 166-202.
- Barros, P.P. and Nilssen, T., (1999) "Industrial Policy and Firm Heterogeneity", *Scandinavian Journal of Economics*, 1999; 101:4, pp. 597-616.
- Bengtsson, M. and Kock, S., (1999), "Cooperation and Competition in Relationships between Competitors in Business Networks", *Journal of Business and Industrial Marketing*, Vol. 14, No. 3, pp. 178-193.
- Boddewyn, J.J. and Brewer, T.L., (1994), "International-business Political Behaviour: New Theoretical Directions", *Academy of Management Review*, 1994; 19, No 1, pp. 119-143.
- Boddewyn, J.J., (1988), "Political Aspects of MNE Theory", *Journal of International Business Studies*, Vol. 19, No. 3, pp. 341-362.
- Bollen, K.A., (1989), *Structural Equations with Latent Variables*, New York: Wiley.
- Bonardi, J-P., Hillman, A.J. and Keim, G.D., (2005), "The Attractiveness of Political Markets: Implications for Firm Strategy", *Academy of Management Review*, 2005; 30(2), pp. 397–413.
- Buckley, P.J. and Ghauri, P.N., *The Internationalisation of the Firm: A Reader*, Academic Press, London, 1993.
- Buckley P.J. and Ghauri P.N., (1999), *The global challenge for multinational enterprises: managing increasing interdependence*, Amsterdam: Pergamon.
- Buckley, P.J. and Ghauri, P., 2004, "Globalisation, Economic Geography and the Strategy of Multinational Enterprises," *Journal of International Business Studies*, 35 (2), 81-98
- Butler, P. and Collins, N., (1996), "Strategic Analysis in Political Markets", *European Journal of Marketing*, 1996; 30, 10/11, pp. 32-44.
- Calingaert, M., (1993), "Government Business Relations in the European Community", *California Management Review*, Vol. 35, No. 2, pp. 118-133.
- Chae, S. and Heidhues, P., (2004), "Buyers' Alliances for Bargaining Power", *Journal of Economics and Management Strategy*, 2004; 13(4), pp. 731–754.

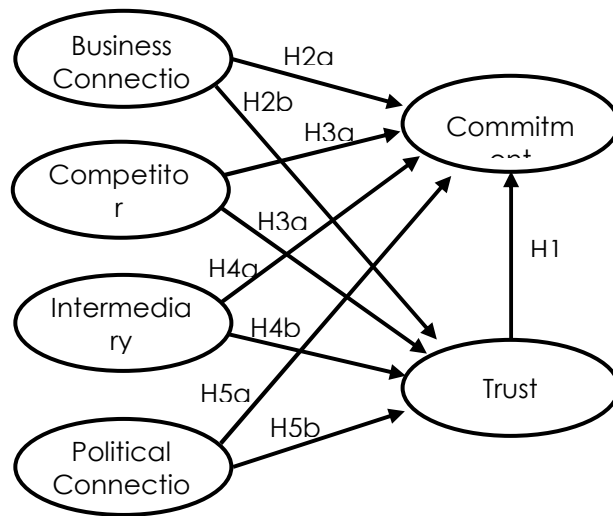
- Chaudhri, V. and Samson, D., (2000), "Business–Government Relations in Australia: Cooperating Through Task Forces", *Academy of Management Executive*, Vol.14, Issue 3, pp. 16-27.
- Coen, D., (1999), "The Impact of U.S. Lobbying Practice on the European Business-Government Relationship", *California Management Review*, Vol. 41, No. 4, pp. 27-44.
- Conner, K.R., (1991), "A Historical Comparison of Resource-based Theory and Five Schools of Thoughts Within Industrial Organization Economics", *Journal of Management*, 1991; 17, pp. 121–54.
- Cosset, J-C. and Roy, J., (1991), "The Determinants of Country Risk Ratings", *Journal of International Business Studies*, 22, No 1, pp. 135-142.
- Crystal, J., (2003), "Bargaining in the Negotiations over Liberalizing Trade in Services: Power, Reciprocity and Learning", *Rev Int Polit Econ*, 2003;10/3, pp. 552–578.
- Dell'Arringa, C., (2001), "Reforming public sector labour relations", in: Dell'Arringa, C., Della Rocca, G., and Keller, B., (eds), *Strategic choices in reforming public service employment. An international handbook*, Basingstoke: Palgrave.
- Denekamp, J., (1995), "Intangible Assets, Internationalization and Foreign Direct Investment in Manufacturing", *Journal of International Business Studies*, 26, No 3, pp. 493-504.
- Donaldson, B. and O'Toole T.O., (2000), "Classifying Relationship Structure: Relationship Strength in Industrial Markets", *Journal of Business & Industrial Marketing*, Vol. 15, No. 7, pp. 491-506.
- Duck, S., (1993), *Individuals in Relationships*, New York: Sage.
- Easton, G. and Araujo, L., (1992), "Non-Economic Exchange in Industrial Network", in Axelsson, B. and Easton, G. (eds), *Industrial Networks - A New View of Reality*, London: Routledge.
- Eliassen, K.A. and Kooiman, J., (1993), *Managing Public Organizations, Lessons from Contemporary European Experience*, London: Sage.
- Fabella, R.V., (1991), "The Bias in Favor of Pro-tariff Lobbies", *Journal of Public Economics*, 1991; 44, pp. 87–93.
- Fligstein, N., (1990), *The Transformation of Corporate Control*, Cambridge, Mass. and London: Harvard University Press.
- Ford, D., (ed.), (1990), *Understanding Business Market: Interaction, Relationships and Networks*, London: Academic Press.
- Forsgren, M., Hägg, I., Håkansson, H., Johanson, J., and Mattsson, L-G., (1995), *Firms in Networks: A New Perspective on Market Power*, Acta Universitatis Upsaliensis, 38 (1995), SNS Press, Stockholm.
- Gerbing, D.W. and Anderson, J.C., (1988), "An Updated Paradigm for Scale Development Incorporating Unidimensionality and Its Assessment", *Journal of Marketing Research*, Vol. 25, No. 2, pp. 186-92.

- Ghauri, P.N. and Holstius, K., (1996), "The Role of Matching in the Foreign Market Entry Process in the Baltic States", *European Journal of Marketing*, 30, No 2, pp. 75-88.
- Gnyawali, D.R. and Madhavan, R., Gnyawali, Devi R.; Madhavan, Ravindranath (2001), "Cooperative Networks and Competitive Dynamics: A Structural Embeddedness Perspective", *Academy of Management Review*, Vol. 26, No. 3, pp. 431-445.
- Gummesson, E., (2003), "All Research is Interpretive!", *The Journal of Business & Industrial Marketing*, Vol. 18, No. 6, pp. 482-492.
- Gundlach, G.T. and Achrol R.S., (1995), "The Structure of Commitment in Exchange", *Journal of Marketing*, Vol. 59, No. 1, pp. 78-92.
- Hadjikhani, A. and Thilenius, P., (2005), "The Impact of Horizontal and Vertical Connections on Relationships' Commitment and Trust", *Journal of Business and Industrial Marketing*, Vol. 20, No. 2-3, pp. 136-147.
- Hadjikhani, A. and Ghauri, P., (2001), "The Behaviour of International Firms in Socio-Political Environments in the European Union", *Journal of Business Research*, Vol. 52, No. 3, pp. 263-75.
- Hadjikhani, A., (2000), "The political behaviour of business actors", *International Studies of Management and Organization*, 2000; 30(1), pp. 95–119.
- Hadjikhani, A., (1996), "Sleeping Relationship and Discontinuity in Project Marketing", *International Business Review*, 3, No 5 (1996): 319-337
- Håkansson, H., and Snehota, I., (1995), *Developing Relationships in Business Networks*, London: Routledge.
- Hanf, K.I. and Scharpf, F.W., (eds), (1978), *Internationalization Policy Making, Limits to Coordination and Central Control*, London: Sage.
- Hayduk, L.A., (1987), *Structural Equation Modeling with LISREL: Essentials and Advantages*, Baltimore: Johns Hopkins University Press.
- Hoffman, M.E.S., (2005), "Discretion, lobbying and political influence in models of trade Policy", *Journal of Policy Reform*, 2005; 8(3), pp. 175–188.
- House, J., Landis, K. and Umberson, D., (1988), "Structures and Processes of Social Support", *Annual Review of Sociology*, Vol. 14, pp. 293-318.
- Hunt, S.D., Chonko, L.B. and Wood, V.R., (1985), "Organizational Commitment and Marketing", *Journal of Marketing*, Vol. 49, No. 1, pp. 112-126.
- Jacobson, C.K., Lenway, S.L. and Ring, P.S., (1993), "The Political Embeddedness of Private Economic Transactions", *Journal of Management Studies*, Vol. 30, No. 3, pp. 453-478.
- Johanson, J. and Mattsson, L.-G., (1988), "Internationalization in Industrial Systems – A Network Approach", In: Hood, N. & Vahlne, J-E., (eds.), *Strategies in Global Competition*, New York: Croom Helm, pp. 287-314.
- Jöreskog, K.G. and Sörbom, D., (1993), *LISREL 8: Structural Equation Modelling with the SIMPLIS Command Language*, Hillsdale, New Jersey: Lawrence Erlbaum Associates Publishers,

- Keillor, B.D. and Hult, T.M., (2004), “Predictors of Firm-level Political Behaviour in the Global Business Environment”, *International Business Review*, 2004; 13(3), pp. 309–329.
- Keillor, B.D., Wilkinson, T.J. and Owens, D., (2005), “Threats to International Operations: Dealing with Potential Risk at the Firm Level”, *Journal of Business Research*, 2005; 58, pp. 629–635.
- Kim, W.C., (1988), “The Effects of Competition and Corporate Political Responsiveness on Multinational Bargaining Power”, *Strategic Management Journal*, 1988; 9, pp. 289–295.
- Klein, R. and Milardo, R.K., (1993), “Third Party Influence on the Management of Personal Relationships“, in Duck, S. (ed.), *Social Context and Relationships*, pp. 55-73.
- Korbin, S., (1982), *Managing Political Risk Assessment: Strategic Responses to Environmental Changes*, Berkeley, CA: University of California Press.
- Kotler, P., Andreason, A.R., (1991), *Strategic Marketing for Nonprofit Organizations*, 4th (ed.), Englewood Cliffs NJ: Prentice-Hall.
- Kotler, P., (1999), *How to Create, Win and Dominate Markets*, New York: Free Press.
- Lagerlöf, J., (1997), “Lobbying, information, and private and social welfare”, *European Journal of Political Economics*, 1997;13, pp. 615–637.
- Lenway, A. and Murtha, T., (1994), “Country Capabilities and the Strategic State: How National Political Institutions Affect Multinational Corporations' Strategies”, *Strategic Management Journal*, Vol. 15, S2, pp. 113-129.
- Lindh, C., (2006), “Business Relationships and Integration of Information Technology”, *Doctoral thesis*, Mälardalen University, Sweden.
- Lubben, J.E., (1988), “Assessing Social Networks among Elderly Populations”, *Family and Community Health*, Vol. 11, pp. 42-52.
- Maddison, A., (1991), *Dynamic Forces in Capitalist Development, a Long-run Comparative View*, Oxford: Oxford University.
- Miller, K.D., (1992), “Industry and Country Effects on Managers' Perspective of Environmental Uncertainties”, *Journal of International Business Studies*, 24, No 1, pp. 693-714.
- Moon, C.W. and Lado, A.A., (2000), “MNC-host government bargaining power relationship: a critique and extension within the resource-based view”, *Journal of Management*, 2000; 26(1), pp. 85–117.
- Moorman, C., Deshpandé, R. and Zaltman, G., (1993), “Factors Affecting Trust in Market Research Relationships”, *Journal of Marketing*, Vol. 57, No. 1, pp. 81-101.
- Morgan, R.M. and Hunt, S.D., (1994), “The Commitment-Trust Theory of Relationship Marketing”, *Journal of Marketing*, Vol. 58, No. 3, pp. 20-38.

- Murtha, T.P., (1991), "Surviving Industrial Targeting: State Credibility and Public Policy Contingencies in Multinational Subcontracting", *Journal of Law, Economics and Organization*, Vol. 7, No. 1, pp. 117-143.
- Nomden, K., Farnham, D. and Onnee-Abbruciati, M-L., (2003), "Collective bargaining in public services. Some European comparisons", *International Journal of Public Sector Management*, Vol. 16, Issue 6, pp. 412-423.
- Nowotny, K., Smith, D.B. and Trebling H.M., (Eds.), (1989), *Public Utility Regulation: The Economic and Social Control of Industry*, Boston: Kluwer.
- O'Cass, A., (1996), "Political Marketing and the Marketing Concept", *European Journal of Marketing*, Vol. 30, No. 10/11, pp. 45-61.
- O'Cass, A., (2001), "Political Marketing: An Investigation of the Political Marketing Concept and Political Market Orientation in Australian Politics", *European Journal of Marketing*, Vol. 35, No. 9/10, pp. 1003-1025.
- O'Shaughnessy N., (2001), "The marketing of political marketing", *European Journal of Marketing*, Vol. 35, No. 9/10, pp. 1047-1057.
- Ramaswamy, K. and Renforth, W., (1996), "Market Intensity and Technical Efficiency in Public Sector Firms: Evidence from India", *International Journal of Public Sector Management*, Vol. 9, No.3, pp. 4-17.
- Reddy, S.K. and Czepiel, J.A., (1999), "Measuring and Modelling the Effects of Long-Term Buyer-Seller Relationships in Corporate Financial Services Markets", *Journal of Business Research*, Vol. 46, No. 3, pp. 235-244.
- Ring, P.S., Lenway, S.A. and Govekar, M., (1990), "Management of the Political Imperative in International Business", *Strategic Management Journal*, Vol. 11, No. 2, pp. 141-151.
- Shaffer, B, Hillman, A., (2000), "The Development of Business-Government Strategies by Diversified Firms", *Strategic Management Journal*, Vol. 21, No. 2, pp. 175-190.
- Söllner, A., (1999), "Asymmetrical Commitment in Business Relationships", *Journal of Business Research*, Vol. 46, No. 3, pp. 219-233.
- Spencer, J.W., Murtha, T.P. and Lenway, S.A., (2005), "How Government Matter to New Industry Creation", *Academy of Management Review*, Vol. 30, No. 2, pp. 321-337.
- Streeck, W., (1992), *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capital Economics*, London: Sage.
- Taylor, C.R., Zou, S. and Osland, G.E., (2000), "Foreign market entry strategies of Japanese MNCs", *International Marketing Review*, Vol. 17, No. 2, 146-163.
- Welch, C. and Wilkinson, I., (2004), "The Political Embeddedness of International

Figure 1: Conceptual Model Business and Non-business Connections' Impact on Relationship Commitment and Trust



Note: Labels refer to hypothesis in the following.

Table 1. The Constructs and Indicators used in the Analysis

<i>Construct Indicator</i>	<i>Abbr.</i>	<i>Mean</i>	<i>S.D.</i>	<i>Factor Load.</i>	<i>T-value</i>	<i>R²-value</i>
<i>Commitment</i>						
This customer has invested time and money in developing the relationship between our two firms	MONEY					
We are committed to a long-term relationship with this customer	LONG_T					
We like doing business with this customer	L_BUSI					
<i>Trust</i>						
We feel we can trust this customer completely	TRU_C					
We are willing to make information available for this customer	INFO					
We completely trust the information received from this customer	INF_TRU					
<i>Business Chain Connection</i>						
To what extent is your relationship with this customer affected by any relationships with any customer of the customer's?	CUS_C					
To what extent is your relationship with this customer affected by any relationships with any of the customer's other suppliers?	CUS_S					
To what extent is your relationship with this customer affected by any relationships with any of your own suppliers?	SUP_S					
To what extent is your relationship with this customer affected by any relationships with any of your other customers?	SUP_C					
<i>Competitor Connection</i>						
To what extent is your relationship with this customer affected by any relationships with any competitor to the customer?	COMP_C					
To what extent is your relationship with this customer affected by any relationships with any of your own competitors?	COMP_S					
<i>Intermediary Connection</i>						
To what extent is your relationship with this customer affected by any relationships with any bank?	BANK					
To what extent is your relationship with this customer affected by any relationships with any international organization?	IOR					
<i>Political Connection</i>						
To what extent is your relationship with this customer affected by any relationships with any governmental agency?	GOV					
To what extent is your relationship with this customer affected by any relationships with any municipal agency?	MUN					
To what extent is your business with this customer affected by any relationships with any labour market organisation?	TRU					

Figure 2. Final Structural Model

