

Networking Through Knowledge About Partners - Comparison Of Two CEE Economies

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Abstract

Business networking is nowadays perceived as important factor of company's success but there is lack of international comparative studies with regard to effectiveness of some networking-based business practices. This study contributes to our knowledge on business networking as the driver of company's success in post-communist developing countries. Specifically, this study tests if developing systematic knowledge about business partners on the corporate level may improve customer relationships and financial performance of B2B companies operating in these countries. This study helps us also to understand the influence of countries' institutional features on the utilization of networking-related capabilities as we compared survey data from two Central European countries, Poland and Slovenia, that are both post-communist countries but they differ significantly in terms of formal and informal institutional environment. The sample of 568 B2B companies was managed in two countries. The study suggests that developing knowledge about business partners is more effective strategy in Slovenia than in Poland, mainly due to the cultural differences and because Slovenian economy is much more developed and more oriented at export performance.

Keywords: partner knowledge, relationship quality, performance, cross-cultural, Slovenia, Poland, Central and Eastern Europe (CEE).

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INTRODUCTION

Business networking is perceived as the source of company's success as the business environment continues to grow more competitive (Gemünden et al. 1996; Ford and Hakansson 2006; Mesquita et al. 2008). Several prior studies have developed our understanding of managing inter-organizational relationships by analyzing the patterns of interactions between business partners, the way the partners behave to each other or the structure of network that surrounds the company and their influence on some aspects of inter-firm relationship effectiveness (Morgan and Hunt 1994; Geyskens et al. 1996; Gulati 1999; Capaldo 2007). Much less studies¹ focused on resources/capabilities and predispositions of firms engaged in these relationships, which are important factors for management of business relationships from the perspective of focal company (Johnson and Sohi 2001; Walter et al. 2006). To address this gap, this study corresponds with the idea that the knowledge is the crucial success factor in modern economy (Glazer 1991; Drucker 1994; Adler 2001; Uhl-Bien et al. 2007) and it focuses on partner knowledge conceptualized as the organizational capability. Specifically, this paper investigates empirically the influence of developing the systematic knowledge about available business partners on customer relationships and corporate performance.

Most of prior studies on relationship-based strategies were realized in Western countries and it seems that the effectiveness of this business philosophy in less developed European countries has not been explored enough (Palmer 1996; Jansson et al. 2007). Moreover, with just few exceptions referring to customer relationships (Geyskens et al. 1996; De Wulf et al. 2001) there is a lack of international comparative studies focused on organizational capabilities related to networking. This study corresponds with this gap by concentrating on field data gathered from Poland and Slovenia as two post-communist Central European countries. Although Slovenia and Poland belong to the same region of the world, they differ significantly in terms of economic development measures and culture. Generally, Slovenia is the most developed country in Central Europe and Poland as the one of less developed ones. Consequently, we treat inter-country comparison as a moderating factor in the hypothesised research model.

This paper is organized as follows: first, we introduce the main theoretical concepts for our study and the hypothesized interrelationships between them. Then, we present institutional and economic features of Poland and Slovenia as representatives of Central Europe. We hypothesize how differences between Poland and Slovenia may moderate our research model. Then we present the field research design and research results. Finally, the research results are discussed with regard to previous literature, suggestions are made and some managerial implications are proposed. We also discuss the extent of generalizability of research results obtained by us.

KNOWLEDGE ABOUT AVAILABLE PARTNERS AS THE ANTECEDENT OF SUCCESS IN BUSINESS NETWORKS

Most of prior studies investigating business networks as the source of competitive advantage concentrated on two main network aspects: closeness of links between network partners (Coleman 1990; Dyer and Singh 1998; Dyer and Hatch 2006) and network structure in connection with focal company's position (Burt 1992; Tsai 2001; Capaldo 2007). Lavie (2007) emphasized that there is also another stream of research, which focuses on the attributes of partners, rather than on the quality of ties or the properties of the network structure. It was found that there are some desirable partners' features like: technological and

commercial prominence of partners (Stuart et al. 1999), partners image and prestige (Gulati and Higgins 2003) or technological innovativeness (Stuart 2000). There were some negative features examined, which should be avoided while selecting business partners; partners' bargaining power and partners' relative profitability in the alliance portfolio (Lavie 2007). The right selection of partners was also emphasized in previous studies about relationship portfolio management (Olsen and Ellram 1997; Zolkiewski and Turnbull 2002; Eilles et al. 2003).

The importance of knowledge about business partners is related to the literature proposition that the possibility of the single company to control its focal business network is highly restricted and this network is turbulent in nature. This proposition was developed and popularized among scholars especially by Industrial Marketing and Purchasing group (IMP) under the label of Industrial Network Approach (INA) (Juttner and Schlange 1996; Ford et al. 2003; Ford and Hakansson 2006). INA suggests that in the network environment company's adaptive capability might be sometimes even more effective than using unilateral actions and imposing some actions on business partners. Changes taking place in a network cannot be controlled or managed by any single company because it destroys its innovative potential (Ford et al. 2002; Waluszewski 2004). Functioning in a network means not only influencing, but also being influenced (Håkansson and Ford 2002), so one important capability of a company is to develop its knowledge/understanding with regard to the network actors that may influence it. Håkansson and Ford (2002) emphasize that managing the change in business network by the focal company requires anticipating expectations of network actors. Thus, it is assumed here single company may develop knowledge about partner's expectations and capabilities and by doing this it may pro-actively adjust to changes taking place in its business networkⁱⁱ. For example, if the focal company is able to anticipate some technological or strategy changes taking place at one of its key business partners, it may assess if they fit to other business partners and decide in advance if some relationships should be replaced by others. It may prevent the company from destructive effects of relationship problems and from the situation when given relationship becomes the burden for the company (Håkansson and Snehota 1998; Vilgon and Hertz 2003; Holmlund and Strandvik 2005).

Lavie (2007, p. 1208) concludes his research arguing that: "...the question of whom to partner with may be as critical as the question of which network structure is desirable". We follow this idea and we assume that the right selection of business partners needs to be based on the access to the relevant information about available partners. Namely, we assume that in successful companies this important information might be institutionalized at the company level as the partner knowledge. Corresponding with the resource view of the company (Barney 1991; Peteraf 1993; Newbert 2007) we treat this knowledge as intangible asset firms use to develop and implement their strategies (Ray et al. 2004) and the source of the focal company's competitive advantage. We argue that developing knowledge about available business partners is necessary for selection of partners with the desirable features with whom network-based competitive advantage may be achieved. As we also follow the idea that the single company cannot control changes taking place in its business network (Håkansson and Ford 2002; Ford et al. 2003), we treat the knowledge about business partners as the factor allowing the focal company to anticipate and adjust to network changes, helping to sustain network-based benefits in the long-term.

Thus, we generally hypothesize here that:

H₁: The higher partner knowledge (KNOW), the higher company performance (OUT)

The rationale behind developing the alliance portfolio by the focal company is related to the idea of bringing distinct and complementary capabilities of independent companies, working together to create value for customers (Parise and Casher 2003). Corresponding with

the concept of the value system (Normann, Ramirez 1993; Jüttner, Werbli 1995; Parolini 1999; Möller and Svahn 2003), we argue here that successful business networks help to deliver innovative products which may exceed customer expectations and would be not delivered if the company operates only on its own. Positive influence of relationship-based strategies on company's innovativeness was supported empirically in prior studies (Ahuja 2000; Tsai 2001; Capaldo 2007). In turn, treating company's innovativeness as the driver of company performance has long tradition in management and it is widely assumed that innovative companies are appreciated by customers (Zahra et al. 1988; Damanpour 1991; Han et al. 1998; Athanassopoulos 2000).

The literature suggests that the link between the networking-related business practices and company outcomes is partially direct and partially mediated by the level of development of these relationships. For example, Heimeriks and Schreiner (2002) suggest that alliance capability influences alliance performance partially directly, but also partially through relationship quality. Blomqvist and Levy (2006) generalize such findings to the portfolio of partnership relationships and they suggested collaboration capability as the company's ability to manage the quality of its relationships. As knowledge about business partners is conceptualized here as the factor increasing company's innovativeness based on business networking, it is justified to assume that such partner knowledge correlates well with the quality of customer relationships. This last construct is well known in relationship marketing literature (Palmatier et al. 2006b) and is treated as the synthetic measure of development of customer relationships (Crosby et al. 1990; Lee et al. 2001; De Wulf et al. 2003).

Prior studies emphasize so-called co-creation of value with customers as the driver of company's success in contemporary economy (Prahalad and Ramaswamy 2004; Vargo et al. 2008). It is argued that creating the value for customers begins with an understanding of the customers' value creating processes, because this is how the supplier can design its own processes to align with those of its customers (Payne et al. 2008). Taking into consideration that in our study the business partner knowledge refers among other business partners to key customers, this knowledge incorporates understanding of key customers' expectations, which seems to be necessary element of co-creation of value with customers. We argue that it also justifies direct influence of knowledge about business partners on customer relationship quality.

Thus, it is hypothesized that:

H₂: The higher partner knowledge (KNOW), the higher customer relationship quality (QUAL).

Here we treat customer relationship quality as the multidimensional construct referring to the emotional tone of customer relationships (affective dimension) along with perceived customer inclination to stay in relationship (behavioural dimension). This meaning of customer relationship quality corresponds with the non-financial relationship performance conceptualized by O'Toole and Donaldson (2002).

The development of customer relationships is recommended in relationship marketing theory, because close customer relationships increase customer commitment, share of wallet and decrease switching behaviours (Morgan and Hunt 1994; De Wulf et al. 2003; Palmatier et al. 2008). While these empirical studies were conducted mainly in the context of consumer markets, recent studies bring empirical illustration for these influences in context of relationships with business customers (Palmatier et al. 2008; Mitrega and Katrichis 2010). In most of prior studies relationship quality was linked only to non-financial, relationship-specific benefits; however Hibbard et al. (2001) supported empirically the hypothesis that the quality of customer relationships has a positive impact on a company's profitability. As the quality of relationships refers to such factors as partners' trust and satisfaction, it is argued that relationship quality increases the likelihood that partner may invest further resources in

the relationship with focal company (Volery and Mansik 1998). Such customer investments are treated as the important success factor in business-to-business marketing, because they enable durable resource ties and adaptations between buyer and seller (Ford et al. 2003)ⁱⁱⁱ.

Thus, it is hypothesized that:

H₃: The higher customer relationship quality (QUAL), the higher company performance (OUT).

[Insert Figure 1 about here]

DIFFERENCE BETWEEN POLAND AND SLOVENIA AS THE MODERATING FORCE FOR THE RESEARCH MODEL

Central and Eastern Europe (CEE) transition economies (TE) refer to 17 European countries that in the 90-ties started the transformation from socialist-type economy towards a market-based economy^{iv}. According to Carstensen and Toubal (2004) in the nineties CEE countries have been successful in attracting FDI because of their relatively high market potential, their sound legal and economic environment, foreign-oriented privatization policies, even though they had relatively high unit labour costs. In 2004 first 8 CEE countries joined the EU (Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Slovakia, and Slovenia) and there was also second-wave of accession in 2007 (Bulgaria, Romania). The global financial crisis has affected strongly CEE countries but in contrasts to some previous financial crises in emerging markets (e.g. Russia 1998, Argentina 2001), there was not extensive capital flight observed in CEE and one may explain it by the relatively strong ties between CEE and EU zone which surpasses links between other developed/emerging markets (e.g. US and Mexico). According to Ernst & Young's 2011 European attractiveness survey CEE is still treated as very attractive by foreign investors and received globally third place, after Western Europe and China.

Following Michailova and Worm 2003, Peng 2000 and Jansson et al. (2007), one may expect utilization of specific networking practices by companies based in post-communist countries due to specific institutional features observed there. Thus, networking-related strategies introduced in CEE countries should be treated as important area of research. Surprisingly, with some exceptions (Hooley et al. 1999; Cater and Cater 2010; Mitrega and Katrichis 2010) there are almost no studies published in worldwide acknowledged journals referring to effectiveness of business strategies in this area. We address that this gap might be by identifying the specific institutional and economic features of two CEE countries: Poland and Slovenia and testing the research model on the basis of survey conducted in these countries.

Following Kołodko (2008) we distinguish two aspects of institutions: formal rules of behaviours with the system of sanctions/inspections enabling society's conformity to these rules (*formal institutions*) and the culture representing given society's specific beliefs, attitudes and norms (*informal institutions*). As far as formal institutions are concerned, Poland and Slovenia needed to transpose EU directives into their national law system, so they seem to be similar. On the other hand, one should not purely rely on the set of rules when analyzing formal institutional environment, because enforcement inefficiency should be considered (Li and Atuahene-Gima 2001; North 2005; Sheng et al. 2011). We assume that the level of enforcement inefficiency is reflected in the variation of observed unethical behaviours as measured with Corruption Perception Index (CPI) by Transparency International^v. Analyzing CPI among all EU countries we may conclude, that there is relatively high enforcement efficiency in CEE post-communist countries. Slovenia received the best result among all CEE countries (6.4) which positions it even better than some Euro zone countries. Comparably Poland received score of 5.3, which positions it close to the average of all CEE countries (4.8). Żakowski (2011) points at some disturbing practices

referring to not transparent and politically-dependent enforcement of law in Poland which were observed in recent years.

Describing informal institutional environment of companies operating in CEE developing countries might be based on our knowledge on cultural features of these countries (Kołodko 2008). The analysis along Globes study's cultural dimensions (Koopman et al. 1999) shows differences between Poland and Slovenia in terms of "future orientation" (Poland with the rank of 59 seems to be close to Russia with the rank of 61 and much less future oriented than Slovenia with the ranking score of 43); "in-group collectivism" (among all CEE countries Poland seems to be the most collectivistic country with the global rank of 16, which is very different to Slovenia with the ranking score of 34) and "uncertainty avoidance" (Slovenia is 43rd in the ranking which is higher than Poland as 50th). These differences are supported by recent cultural studies comprising Poland and Slovenia (Hofstede 2010; Jazbec 2005; Marody and Kochanowicz 2007). Generally, we believe that these differences of peoples' dominant values observed and found in Poland and Slovenia moderate the importance of "business partners' knowledge" as our focal research construct. These differences suggest that developing such knowledge might be more important for Slovenian companies than Polish ones. As developing knowledge about business partners demands diffusion through the organizational structure routines of gathering information about business partners and storing it into database, we anticipate more managerial focus on it in case of Slovenian companies which are led by people who tend to establish and follow procedures to avoid uncertainty more intensively than Polish people. Similarly, expected stronger long-term orientation of managers of Slovenian companies than in case of Polish ones seems to strengthen the likelihood of success of business networking, because short term orientation and pressure on quick results was found as the determinant of partner's opportunism in various types of strategic alliances (Heide and Miner 1992; Das and Rahman 2010). At the first site, expected relatively much higher "in-group collectivism" among people from Polish companies than Slovenian ones may be treated as the favourable environment for relationship-based business practices as this feature of society emphasizes creation of close relations between people. Nevertheless, in our research model we are interested in organizational knowledge about business partners not in personal ties as drivers of marketing performance. These two research constructs are being conceptualized at different corporate levels. First one refers to company-level capabilities which are treated as "learned and stable pattern of collective activity" (Zollo and Winter 2002, p. 340). The second one refers to individuals and their interpersonal ties which were studied in the context of China's businesses under the term of "Guanxi" (Xin and Pearce 1996; Ambler et al. 1999; Gu et al. 2008; Sheng et al. 2011) and in the context of Russian businesses under the term of "Blat" (Michailova and Worm 2003). Very high "in-group collectivism" as the feature of Polish society suggest that companies based in that country might rely heavily on existing personal ties while networking, including selection of new business partners. In turn, people in Slovenia tend to have weaker inclination to rely on closed groups of people in their business decisions, so we postulate that the companies based in Slovenia tend to network more through some corporate level procedures, such as developing knowledge about business partners.

The cultural (dis)similarities between Poland and Slovenia as the research context go along with some important socio-economic differences. From the population perspective, Poland is much bigger country with almost 39 million inhabitants (in comparison with about 2 million Slovenes). Slovenia seems to be much more economically developed with almost 50% higher GDP per capita, quite close to the average of 15 Euro zone countries. It is also important to indicate that Slovenian economy is much more export-oriented with almost 3 times higher export value per capita than Poland and with most economic transactions

involving other members of EU^{vi}. The studies (e.g. Ambler et al. 1999; Johanson and Vahlne 1993) suggest that developing relationships with foreign business partners enables companies' internationalization and entering foreign markets. Thus, we believe that strong export-orientation of Slovenian companies might be treated as the force strengthening the importance of systematic knowledge about business partners in case of Slovenian companies and orientation of most of Polish companies primarily on domestic market may discourage Polish companies to use such knowledge as important factor leveraging their position on the market.

Summing up, Slovenia and Poland might be treated as two CEE countries which share common recent history (transformation from communism started about 20 years ago) but are also different in terms of their institutional environment. Due to the fastest economic transformation in Slovenia, its formal and informal institutions are now closer to standards in highly developed Western countries. The cultural features combined with relatively effective implementation of EU law and strong export orientation of Slovenian economy creates the environment that stimulates using business partner knowledge as the factor of competitive advantage.

Summing up, European Transition Economies share some common features which make them institutionally different to highly income countries. It is suggested that some business strategies conceptualized in the context of HICs might have weaker effectiveness in these countries. Other specific business practices (e.g. utilizing social capital by sales force) may have relatively strong impact on marketing performance in these countries. One should also be aware that neither formal nor informal institutions are fully equal in these countries and results of study conducted in the context of one CEE country might be not fully generalizable to all CEE countries. In the following chapter we will have closer look at Poland and Slovenia as two distinct representatives of CEE countries which are treated as the context of the research model and empirical test of this model.

Thus, we hypothesize that:

H₄: In case of Slovenian companies in comparison with Polish ones, there is stronger influence of knowledge about available partners (KNOW) on: (a) company performance (OUT) and (b) customer relationship quality (QUAL).

DEVELOPMENT OF MEASURES

The main field research was preceded by in-depth interviews conducted among 10 B2B-oriented companies based in Poland and 10 B2B companies based in Slovenia. These companies were highly diverse in terms of the number of employees and the type of products/services offered but they were all selected as companies which experience dynamic growth and report various business partnerships on their websites. This stage might be treated as conducting expert interviews which was suggested by Churchill (1979) as the good practices for scales development. The interviews suggested that companies try to use various manners to develop their knowledge about business partners. As it was expected, in developing this knowledge they use both: word of mouth through existing social ties and more general information sources such as industry database and social network websites. The managers reported also that they use "passive monitoring" many times, which refers to analyzing information provided by potential business partners themselves, e.g. offers of representatives of suppliers which tend to replace existing key supplier. The managers suggested that partner knowledge is used by them in order to identify new promising partners but they also suggested that they use it to identify existing business ties which are not profitable anymore and should be replaced. Thus, the results of in-depth interviews were treated by us as the initial support for the validity of our main research construct and their importance in B2B setting.

The scales for KNOW were adapted from previous studies about network capability (Walter et al. 2006, Human and Naudé 2009) and validated with regard to results of initial face-to-face interviews. The scales for QUAL were consistent with previous studies in this area (Lages et al. 2009; Mitrega and Katrichis 2010). Corresponding with studies that have shown high correlation between perceptual performance measures and objective financial performance measures (Dess and Robinson 1984; Venkatraman and Ramanujam 1987), we used the perceptual measures of company performance (OUT). These OUT items corresponded with previous studies (Hooley and Greenley 2005; Human and Naudé 2009; Fonfara 2001), and they were adjusted to the results of pilot interviews, where managers of companies operating in Poland and Slovenia were asked about the way they understand scales derived from the literature.

All scales were presented to managers of companies and they were asked to reveal doubts and comments with respect to them. They were also asked to express in their own words the meaning standing behind particular scales. The most important problem faced by respondents concerned using the general term “business partners” in most scales of KNOW. When asked about the first association connected with term “partner”, respondents usually identified some expressions which were conceptually close to “business customers”, “agents” or “intermediaries”. Despite explaining to them the wide meaning of the term “partner” as it was proposed by Walter et al. (2006), they usually found it impossible to assess “the average” company’s attitude or relationships with regard to different stakeholder types: customers, intermediaries, suppliers, professional service companies or other influence groups. They suggested that their companies behave differently with regard to particular groups. Taking these observations into consideration, using the term “partner” was decided to be too general and not valid. In the final questionnaire, scales were modified to use more specific and easily associated expressions as: key customers, suppliers, influential persons/institutions. To avoid multiplication of all scales in relation to different stakeholder segments, only most understandable scales were used.

Each research construct was measured by at least 3 indicators as suggested by Bollen (1989) and Konarski (2009) for latent variables. Taking into consideration literature discussion on formative versus reflective measurement models (Jarvis et al., 2003; Diamantopoulos 2008), we follow the suggestion of Howell et al. (2007) that reflective measurement is a better option for research theory testing. Moreover, from practical reasons it should be also pointed out that formative models are rather more difficult to model in the commonly used software packages (Baxter 2009).

Taking into consideration early stage of theory development in the field of management in network (Ritter et al. 2004; Capaldo 2007), all scales have gone through explorative (EFA), as well as confirmatory factor analysis (CFA) procedures, which may be treated as the procedure of testing construct validity (Pennington 2003; Górnjak 2000). The results of EFA met acceptable criteria. Also CFA procedure resulted in very good fit of the model to the data: Chi-Square = 48,883; Chi-Square/d.f. = 1.75; $p = 0.09$; RMSEA = 0.036; GFI = 0.981; CFI = 0.982.

Reliability of measurement scales was tested by the usage of both Cronbach Alpha and AVE (Average Variance Extracted) using The Online Construct Validity Calculator Ver2.0 (Md-Basir et al. 2010). The results of reliability analysis along with correlation measures are displayed in the table 1. These results exceed threshold for AVE (Fornell and Larcker 1981) and meet minimum criteria for Cronbach Alphas, if we assume that the study was conducted in the early-development area which allows for exploration (Nunnally 1967; Churchill and Peter 1984).

[Insert Table 1 about here]

THE SAMPLE AND DATA COLLECTION

Random sampling was treated as not suitable, because of the lack of adequate sample frame, containing companies operating in B2B market in Poland and Slovenia. It was not surprising to us, because the absence of sampling frames is treated as tendency in all developing countries (Burgess and Steenkamp 2006). As a result, there was a quota sample of companies built on the basis of a dominant profile of business activity and number of employees of researched companies. In case of both countries the initial sample size amounted to 500 companies, but final sample size equalled in Poland 264 and 304 in Slovenia. The relatively high response rate (more than 50% in both countries) was accomplished mostly by inviting calls, which were repeated at least 2 times in case of every company in database. Early and late answers were compared, revealing no significant differences, indicating non-response bias would likely not be a problem. The main characteristics of companies researched in Poland and Slovenia are presented in table 2.

[Insert Table 2 about here]

The table 2 suggests that samples gathered in two countries are very similar with regard to dominant business profile and number of employees and are significantly different in terms of percent share of export sales in total sales. We believe that these 2 samples are comparable with regard to chosen quota sampling and presented above characteristics of Polish and Slovenian economy, because Slovenian companies are generally much more internationalized than Polish companies.

Data collection took place simultaneously in both countries from November 2009 to March 2010. Face to face interviewing is usually not used in scientific research due to the high costs associated with this technique, however, as it was suggested by Burgess and Steenkamp (2006) we used the opportunities of relatively cheaper primary data gathering in developing economies and we decided to use structured interviews. We believe that this technique allows us to target more relevant informants, because each interview was proceed by telephone conversations, which were used to identify person responsible for dealing with business partners explained by interviewers as suppliers, subcontractors and allied companies. All the interviewers were trained with regard to the script of the interview, the questionnaire, but they were not aware of detailed objectives of the research project. Before the main visit the interviewers' task was to verify, if a given company from the database indeed operates mostly in B2B market and to identify an employee responsible for building relationships with business partners.

For control purposes at the end of the interview each informant was asked to evaluate his/her individual impact within the company on company's' activities towards business partners. The majority of all respondents claimed that they have strong or very strong influence on companies' activities towards business partners (56%). About 30% of respondents found it difficult to evaluate their influence on these issues and less than 15% declared small influence on companies' activities towards business partners. The vast majority of respondents were general managers or owners of the company. The second group in terms of share in the sample referred to marketing or sales managers. Significant number of specialists employed in sales/marketing departments and some administration department representatives participated in the research.

DATA ANALYSIS PROCEDURES

The model was estimated by structural equation modelling (SEM) with the SPSS AMOS 16 program. To identify the model according to literature suggestions (Górniak

2000; Byrne 2001), variances of each unobserved variables as well as the error variances of observed variables were fixed to 1. All path coefficients were estimated using a maximum likelihood method. The mediation by QUAL was tested following Baron & Kenny (1986) methodological principles and corresponding with the AMOS application as described by Hopwood (2007).

RESULTS

The hypothesized model resulted in a good fit to the data [Chi-square = 28,300; $p = 0.25$; GFI = 0.989; CFI = 0.996; RMSEA = 0.018] as suggested in the literature. However, not all path coefficients were significant which may be observed in table 3. The influence of KNOW on OUT seems to be very weak and statistically insignificant, which suggests that there is a full mediation of the link between KNOW and OUT through QUAL.

[Insert Table 3 about here]

Taking into consideration that the sample size exceeds the threshold of 200, we were able to investigate moderating effect of inter-country comparison in our model. We followed the principles of multiple-group analysis proposed by Byrne (2010), which encompasses a series of hierarchical steps that begins with the determination of a baseline model for each group, comprising separately companies based in Poland and companies based in Slovenia. As a result of these steps it was revealed that the structural model was not fully invariant with regard to the inter-country comparison.

Two paths from the model were invariant with regard to group comparisons: the significant influence of QUAL on OUT (parameter estimate = 0.439, significance/ p = 0.00) and the insignificant influence of KNOW on OUT (parameter estimate = 0.093, significance/ p = 0.0231), but the regression path from KNOW to QUAL seems to be significantly different in Polish sample in comparison to Slovenian one. In case of Slovenian sample the influence of KNOW on QUAL is quite strong (parameter estimate = 0.812, significance/ p = 0.00) and in case of Polish sample this influence is much weaker (parameter estimate = 0.282, significance/ p = 0.008.)

Summing the results of inter-country data analysis the two variants of structural model comprising paths coefficients are presented on figure 2, where insignificant regression path is presented by dotted arrow and significant paths by continuous arrows.

[Insert Figure 2 about here]

Summing up, research results provided the support for most of the hypotheses: namely for hypothesis 2 and 3, but the hypothesis 1 was not supported. When it comes to moderation effects the hypothesis 4a was not supported but hypothesis 4b was supported.

RESULTS DISCUSSION AND CONCLUSIONS

This study contributes to our understanding of relationship-based competitive advantage (Dyer and Singh 1998; Mesquita et al. 2008) by supporting empirically the link between the knowledge about available business partners and company performance mediated by customer relationship quality. It corresponds particularly with one emerging stream of research, which assumes that company's ability to benefit from business network is dependent on company's ability to choose the right alliance partners (Lavie 2007). It is assumed here, that by developing the knowledge about business partners the company is more effective in selecting partners who provide complementary competencies and have

adequate approach (for example, minimize their opportunism due to the appreciation of relational benefits). Thus, the partner knowledge might be treated as the significant factor leading to network-based competitive advantage.

As hypothesized the research results suggest that Slovenian companies may benefit more from developing knowledge about business partners than Polish companies, namely the influence of partner knowledge on customer relationship quality is much stronger in case of Slovenian companies. This difference results probably from the fact that Slovenia was treated as one of the most developed parts of former communist East Block and it seems that it is still the most developed country among all CEE countries. Comparing some features of Slovenian economy with the whole Euro Zone, Čater and Čater (2010) recently concluded that Slovenia finished the transformation period and can be considered now a typical representative of developed European economies. We agree with that in terms of the economic measures; however we argue that in terms of institutional environment Slovenia may be still treated as the developing country, because we expect the institutional impacts of former central-planned economy and communism may need much more time to fully diminish there. We believe that strong export orientation of the typical Slovenian company might be treated as the key factor explaining why the hypothesized model fits better to the Slovenian data. We assume that Slovenian companies systematize and use their knowledge about existing and potential business partners, when they try to develop their activities on foreign markets. In fact, initiating business relationships with foreigners might be sometimes impossible on the basis of existing business network (e.g. due to language problems), so export oriented companies may need to monitor various sources of information to find appropriate business partners (e.g. Internet, press releases, professional research services). On the contrary, Polish companies are now quite domestic-oriented and tend probably to maintain more closed business networks, comprising of companies where strong social ties were already built and they probably select new business partners on the basis of information spread through existing ties. Because Poland is found as strongly collectivistic society with scores in “in-group collectivism” quite similar to Russia and other CIS countries (Koopman et al. 1999), we argue that such business networking might be done there more on the personal level than on the corporate level. Thus, the resource-based- and capability-based view of the company (Barney 1991; Eisenhardt and Martin 2000; Teece 2007) which was used for conceptualization of business partner knowledge as the focal research construct here, might be more relevant for Western HICs than some less developed post-communist economies.

The study does not support the direct link between knowledge about business partners and company financial performance. There are various potential reasons that may stand behind it. Firstly, the knowledge about business partners does not comprise all factors which were conceptualized as the building blocks of network capability (NC). For example, Walter et al (2006) proposed the partner knowledge as complementary to other dimensions of NC, namely internal communication, coordination and internal relationships. Thus, it may be argued that acquiring network-based abnormal profits is more likely, if all these networking aspects are well developed in particular company. Moreover, the lack of direct link between business partner knowledge and company performance might be connected with the fact that the research model presented here does not comprise social ties with business partners as potential mediator between business partner knowledge and company performance. According to House and Leadership (2004) Eastern European countries are culturally close to China in terms of high in-group collectivism. In turn, in China business relationships (guanxi) are strongly based on common social identification and they are particularistic in terms that people prefer to conduct business with those who are “in” the networks rather than someone who is new or an outsider (Wang 2007). We assume that developing business relationships in CEE countries should incorporate two “relationships logics”, guanxi-based strategy

conceptualized in the context of China and Western-European model of open and contract-based relationships. Of course, these ideas might be rather treated as the propositions for further research, because they are only extrapolated from our research results which were limited to modelling interplay between three research constructs and testing inter-country comparison as the moderating factor.

MANAGERIAL IMPLICATIONS

The B2B companies which already introduced or aim at introducing CRM systems may use the result of this study as the suggestion to enhance the scope of information gathered in the databases. Apart from information concerning various features of key and promising customers, it is justified to gather up-to-date information about business partners including suppliers and organizations which may be treated as opinion leaders in the industry.

Inter-country moderation effect, identified in this study, suggests that managers (especially those from multinational corporations) should take into consideration that different markets operate according to different underlying principles and the practices related to business networking might have different effect in these markets. If there is no direct link between the knowledge about business partners and the company performance for companies operating in selected CEE countries, then companies exploiting the full potential of relationship-based strategies in these countries should rely on wider set of networking practices, for example complementing screening for business partners by developing social ties through direct interactions at trade fairs or international business conferences. On the other hand, developing knowledge about business partners (including key customers) seem to be crucial in developing customer relationships in CEE countries, which suggests that relationship marketing and CRM as the corporate strategies originating from Western countries might be effectively utilized in CEE countries, especially if they follow network-oriented approach. As selecting business partners is crucial step in network-based strategies, the companies may use partner knowledge to build relationships only with those partners, where there is a high probability to minimize opportunism and develop innovative products highly appreciated by final customers.

RESEARCH LIMITATIONS AND FURTHER RESEARCH

The interest in managerial aspects of dealing with business networks is fairly new (Capaldo 2007; Czakon 2009) and therefore there is no consensus among scholars regarding what factors exactly constitute the company's ability to deal with its business network effectively. Our study corresponds with only one stream of research, which assumes that company's ability to benefit from business network is dependent on company's ability to make informed decision with regard to selection of alliance partners (Lavie 2007). Including some other important aspects of networking such as closeness of links between business partners and structural holes (Burt 2001) might increase our understanding of mechanism leading to company performance. Further studies may try to incorporate insights from various research streams into one complex structural model.

We believe that our study contributes to external validation of existing theory about network-based business strategies by testing the research model on the sample from two CEE post-communist countries, which were rather neglected so far and putting light on inter-country comparison as the moderating factor. One may argue that more compelling results might be acquired by combining datasets acquired in CEE with dataset acquired from one of HICs (e.g. UK or USA). We argue that such study might be further extension of our work, but we argue that by this study we contributed to advancing marketing as academic discipline by incorporating insights from developing countries which was recommended by Burgess and Steenkamp (2006). Moreover, our selection of two countries from the same region of the

world and significantly different in terms of their institutions follows the criteria of contingency studies proposed by Burgess and Steenkamp (2006).

Even if we did not incorporate explicitly social capital as the research construct in our model, we believe that our study might be treated as the suggestion that phenomena related to social capital should be at least discussed in further studies in the context of European developing economies. We anticipate the special importance of social capital in strategies based on business networking in the context of developing countries with high cultural scores on in-group collectivism and low tendency to avoid uncertainty, e.g. CIS and Latin America. Thus, we suggest that further studies should test if such constructs as Guanxi which refers originally to specific forms of social capital in China can be fruitfully employed to other developing countries.

As we already argued that our research model may not be fully representative for CEE due to significant variation of institutional factors among countries in this part of the world and research results indeed show some invariance with regard to datasets gathered in two countries, we do not doubt that our study is generalizable to all transition economies. According to our research Poland might be treated as quite typical representative of CEE developing countries and we believe that results based on Polish data are somehow representative for CEE. In turn, results from the study accomplished in Slovenia might be more representative for some developed South-European economies, such as Spain or Portugal which score similarly on cultural dimensions discussed here and have quite similar income indicators. Summing, our study suggests that TEs cannot be treated as the homogenous social and economic economy, as some countries are now clearly somewhere in between TE and HIC and future studies, especially those conducted only in one TE should be very careful while interpreting the results with regard to prior researches and extent of their generalizability.

The social research methods used in this study have some advantages and disadvantages as well. The face to face interview technique applied here has some advantages in relation to a postal survey used in prior studies, because it resulted in quite a high response rate and allowed for more elastic selection of respondents based on initial calls to identify the most knowledgeable persons. On the other hand, the interview research method is exposed to social desirability phenomenon (Malhotra, 2004), which might have taken the form of overestimating the company attempts to deal with business partners in some interviews. We assume that the tendency of the respondents to give answers, which may be desirable, was reduced because the research project was promoted as fully anonymous and because interviewed managers represented companies which did not compete in terms of operating in purely the same industry. Thus, they probably did not feel the strong need to promote their companies to 'look better' in comparison with competitors in a research report. Moreover, we used the Harman single-factor test to control for common method bias (Podsakoff et al. 2003). This test requires that all items used to measure both independent and dependent variables are loaded into a single exploratory factor analysis. If common method bias is a problem, a single factor should emerge from the data, or one factor should explain the majority of the variance (Lages et al. 2009). The non-rotated solution of EFA with regard to 9 scales produced 3 factors with Eigen values greater than 1. Taken together, 3 factors explained 63% of the variance of the data, with the first extracted factor without rotation accounting for 33% of the variance in the data. The results suggest that common method bias is unlikely to be significant issue with the collected data.

The structural equation modelling as the technique used here to analyze the data is also not free from limitations. Taking into consideration that we concentrated on cross-sectional data and phenomena that are not directly observable, our analyses were not causal

in a rigorous sense (Iacobucci 2009; Bagozzi 2010). In the future, this limitation may be overcome by incorporating a longitudinal approach or, ideally, an experimental design.

Figure 1. Hypothesized research model

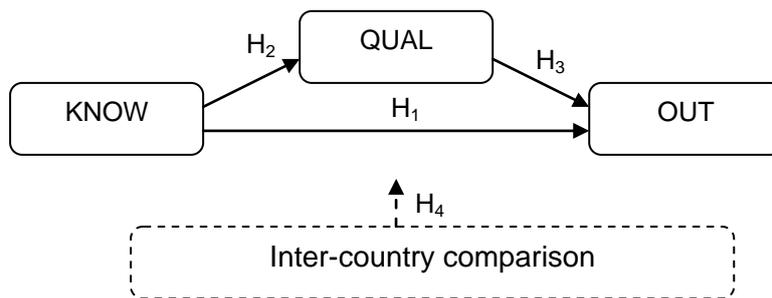


Figure 2. The variants of modelling results with regard to inter-country comparison

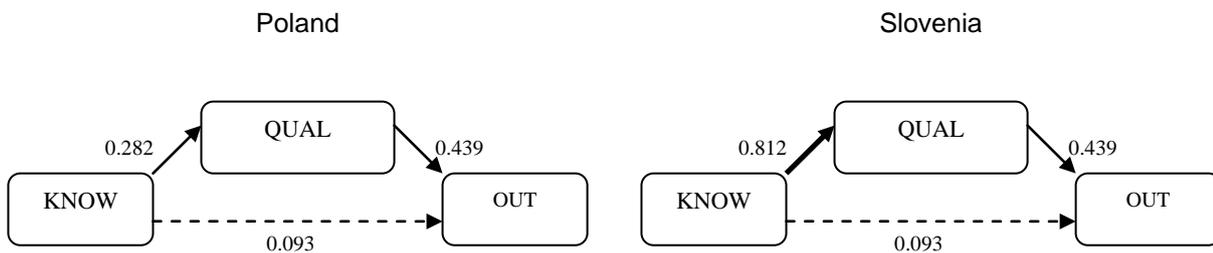


Table 1. Correlation matrix and reliability analysis results (n = 568)

	ALFA	AVE	OUT	KNOW	QUAL
OUT	0,78	0.72	1,00	0,20**	0,33**
KNOW	0,67	0.61	0,20**	1,00	0,33**
QUAL	0.66	0.60	0,33**	0,33**	1,00

*, ** represents correlations which are statistically significant at given significance level

Table 2. Polish-Slovenian sample comparison

Country	Dominant profile of business activity	Number of employees	Export sales ratio
Poland	36.4% - manufacturing 29.5% - retailing 34.1% - services	up to 49 -83,3% 49 to 249 - 9,5% 250 or more -7,2%	up to 25% - 78,6% 26% to 50% -5,7% 51% to 75% - 2,7% 76% or more – 13%
Slovenia	31.6 % - manufacturing 25.7% - retailing 29.6% - services	up to 49 -76,5% 49 to 249 - 10,5% 250 or more -13,0%	up to 25% - 46,6% 26% to 50% - 11,8% 51% to 75% - 13,5% 76% or more -28,1%

Table 3. Standardized parameter estimates

Structural paths		Coefficient	t-value	p	Hypothesis
QUAL	<--- KNOW	,469	6,547	.000	H ₂
OUT	<--- QUAL	,417	5,824	.000	H ₃
OUT	<--- KNOW	,087	1,317	,188	H ₁

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ⁱ As the exceptions see especially Walter, et al (2006), Blomqvist & Levy (2006) and Ritter & Geersbro (2011). These 3 studies focused on networking-related organizational capabilities, but none of these were international comparisons.

ⁱⁱ It is also acknowledged that, on more general level, information gathering processes and information systems of the company were suggested as the drivers of company performance in studies on market orientation (Jaworski, Kohli 1993; Fonfara 2001).

ⁱⁱⁱ It should be also noticed that treating development of customer relationships as the driver of company performance is somehow incorporated in contemporary quality management standards (mainly ISO). These standards usually impose monitoring customer satisfaction through surveys.

^{iv} Namely, CEE includes Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Kosovo, Albania, Montenegro, Macedonia. Originally Eastern part of Germany as the former part of the Soviet Block was included in the CEE list, however it is not the case any more due to the advanced socio-economic reintegration of Eastern Germany with the Western Germany. Other former Communist countries in Europe — Belarus, Ukraine, Moldova, and Russia are not treated as the representatives of CEE and they are integrated in CIS - The Commonwealth of Independent States. We assume here that the distinction between CEE and CIS countries is justified due to advanced integration of most CEE countries with EU which results in specific institutional environment, however it is also worth to notice that these two areas share some cultural features.

^v Corruption Perception Index ranges from zero to ten, where ten reflects the ideal situation where no corruption is perceived in the environment.

^{vi} Comparing some features of Slovenian economy with the EU average, Čater and Čater (2010) concluded that Slovenia finished the transformation period and can be considered now a typical representative of EU.