

THE INFLUENCE OF PSYCHOLOGICAL CONTRACTS ON BUYER-SELLER RELATIONSHIPS ACROSS INSTITUTIONALLY DISTANT MARKETS

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ABSTRACT

This study contributes to existing knowledge on the relational view of export performance, focusing specifically on the export venture. Our model takes account of the influence of psychological contracts on the different dimensions of trust within international buyer-seller relationships and export venture performance across institutionally distant markets. Using qualitative analysis the model is supported with data collected from five exporting firms.

The findings on psychological contract suggest that the dimension of perceived promises are not always met, which appears to have a negative influence on competence trust. However, the degree of breach of the promise is not sufficient to have a negative influence on the affective dimension of trust or relational orientation of the contract. Furthermore, the findings also support the negative influence of institutional distance on the competence and contractual trust dimensions within exporter-importer relationships. It was also discovered that firms corroborated information from other sources (verification of trust), even with their highly trusted partners, in order to safeguard themselves and their export venture.

KEYWORDS

International buyer-seller relationships, psychological contracts, trust, institutional distance

COMPETITIVE PAPER

INTRODUCTION

This exploratory study, based on an in-depth qualitative analysis of a small sample of five firms, contributes towards a greater understanding of the relational factors affecting export performance. The primary research objective is to examine *how psychological contracts influence different dimensions of trust within exporter-importer relationships and export venture performance across institutionally distant markets*. The rationale for this study is to develop a deeper understanding of the role of individual-level factors (psychological contracts) on the dynamics of exporter-importer relationships influencing the export venture outcomes. The structure of the article is as follows. First, we review the literature on the main constructs of the study and build a conceptual model. Then, using qualitative analysis, the main findings of the qualitative study are presented and discussed in relation to the conceptual model. At the end, the conclusions and implications of the study are discussed.

REVIEW OF LITERATURE

Buyer-seller relationships have been looked at from varying perspectives within the international business and marketing literature. This study focuses on the influence of implicit contracts on the exporter-importer relationships and export venture performance within the wider institutional context. The following section summarises the key literature on the main constructs of the study i.e. psychological contracts, trust, institutional distance and export venture performance.

Psychological contracts

A psychological contract describes an individual's mental structure with regards to promises and obligations in a given relationship (Rousseau, 1995). The research on psychological contracts has its foundation in clinical psychology. However, it has expanded to employment relationships and organisational decisions (Richard et al., 2009, Rousseau and Tijoriwala, 1998) law (Stolle and Slain, 1997) and marketing (Kingshott, 2006, Kingshott and Pecotich, 2007, Lövblad et al., 2012).

Rousseau and Tijoriwala (1998 p. 679) define the psychological contract as “an individual's belief in mutual obligations between the person and another party”. By definition, the psychological contract focuses on the individual's cognitions and exists at an individual level. The perception of promises forms the foundation of psychological contracts. Promises are considered building blocks of interpersonal relations and are also central to relationship marketing (Bitner, 1995). Following the same line of thought, Kingshott and Pecotich (2007) suggest a high probability of existence of psychological contracts in business-to-business relationships. Perceived promises/obligations can help bring parties together by increasing the level of trust and commitment through strong psychological bonds (Kingshott and Pecotich, 2007).

In the management literature two dimensions of the psychological contract each reflecting extremes on a continuum, a) relational/ transactional and b) fulfilment/breach have been studied.

A transactional orientation focuses on short term, specific, monetary obligations whereas a relational orientation is based on broad, long-term, socio-emotional aspects (Richard et al., 2009, Millward and Hopkins, 1998, Raja et al., 2004). The other dimension relates to fulfilment/breach of the contract. Psychological contract breach has been negatively associated with trust, commitment and satisfaction (Robinson et al., 1994, Raja et al., 2004, Bunderson, 2001).

The importance of individuals when examining the buyer-seller relationships has been stressed in the relationship marketing literature (Sweeney and Webb, 2007). An individual plays a key role in the formation of relational bonds. The benefits of such relational ties are realised at the firm level due to the economic nature of interpersonal relationships (Dwyer et al., 1987). The development of inter-firm relationships is based on an individual's cognitive predispositions. Furthermore, managers engage in sense making and bonding processes, to achieve congruency in the expectations within the relationship (Narayandas and Rangan, 2004). This interaction and bonding process gives rise to informal psychological contracts. As stated earlier, psychological contracts have two dimensions: a) transactional/relational orientation and b) fulfilment/breach which are measured on a continuum and have been demonstrated to have a significant influence on trust and commitment in B2B exchange (Kingshott, 2006, 2007; Lovblad, 2011)

Thus while the relationship between psychological contracts, trust and commitment has been explored in the organisational management literature, there is a need to better elucidate how and what particular aspects of these dimensions are affected. For example, trust is known to have several dimensions such as affective, competence and contractual (Styles et al., 2008). To date, there is little understanding as to which dimensions of trust are affected by psychological contracts and how these influences are manifested.

Psychological contracts are operationalised at the individual level; the focus is on an individual's perception of the agreement, rather than the agreement as such. Psychological contracts describe the view of the individual with regards to her/his social exchange with another. As identified by Rousseau (1995) and other scholars in the field, this "view" of an individual does not require mutuality or sharing with others. This aspect has important implications for relationship management and performance, as differences in the perception of promises between buyers and sellers can lead to difficulties and conflicts. Such differences may lead to misalignment of activities and decrease trust and cooperation in the future (Andersen et al., 2009).

The applicability of the psychological contract as a construct in marketing and international business has been supported by a number of empirical studies. Five of them are described briefly. Pavlou and Gefen (2005) found that the psychological contract violations are central to buyer-seller relationships in online consumer markets. Kingshott's (2006) study was in context of supplier-distributor relationships. This study found that psychological contract fulfilment increases the level of a distributor's trust and commitment towards the relationship. In addition, Kingshott & Pecotich (2007) found that perceived violation of the contract reduced distributors' trust. Hill et al. (2009) investigated the mediating role of psychological contract violation between unethical activities and trust within buyer-supplier relationships. Their results suggest that suppliers' perception of psychological contract violations mediates the relationship between deceitful unethical activities and the benevolence dimension of trust. Lövblad & Bantekas (2010) empirically demonstrated a link between psychological contract fulfilment and affective

relationship commitment. Their study was based on the market of industrial supplies, with a focus on customers. They also found that in their model psychological contract content (relational orientation) and evaluation (fulfilment) explained 30.6% variance in affective commitment, thus indicating the explanatory nature of the psychological contract as an antecedent to affective commitment.

These studies indicate that the construct, psychological contract has relevance for extending our understanding of buyer-supplier relationships from a social exchange perspective. Moreover, the above-mentioned studies indicate a link between psychological contracts, commitment and trust. As already noted, it is important to note that these studies have generally considered the link between psychological contracts and a single uni-dimensional measure of trust, leaving the question of the specific aspects of trust that are influenced by psychological contract largely unexplained.

Trust has been operationalised and conceptualised in a number of different ways (Ganesan and Hess, 1997). Trust has been established as a multi-faceted construct (Seppänen et al., 2007). The role of psychological contracts on different dimensions of trust has been an under-researched area in the organisational management literature, (Atkinson, 2007) and quite neglected in the business marketing literature. This study fills this important gap in literature by studying the influence of psychological contract on differing dimensions of trust.

Proposition 1- Following from this, our model proposes that there is a positive association between psychological contracts and different dimensions of trust.

Trust

The relational or behavioural perspective emphasises the importance of relationships in business transactions. This stream of research focuses on the nature and impact of the exporter-distributor relationships (Styles et al., 2008). The International Marketing and Purchasing group (IMP) in the 1980's produced one of the first empirical works on the relational perspective focusing on complex behavioural interactions involved in exporting (Leonidou and Kaleka, 1998). Since the introduction of the "relational paradigm" (Hakkansson, 1982) within exporting research, the exporter-distributor relationship has been studied through various relationship dimensions (Styles and Ambler, 2000). Some level of trust is present in all business relationships (Ring and Van de Ven, 1994).

Different scholars have conceptualised trust in different ways. Following Sako (1992) and Styles et al., (2008) this study conceptualises trust as having three different dimensions i.e. competence trust, goodwill trust and contractual trust. In a similar vein, Miyamoto & Rexha (2004b) conceptualised trust in three different dimensions namely, contractual, goodwill and competence trust. The first dimension –**competence trust (also referred to as cognitive trust)** - is driven by the partner's technical, managerial and functional competence (Styles et al., 2008). It is based on a rational process of performance evaluation (Zur et al., 2011). It includes expectations about role performance and commercial competence to a specified standard (Andersen et al., 2009).

The second dimension - **goodwill trust (also referred to as affective trust)** - is based on the behavioural component. It emphasises confidence in intentions, honesty, personal character, motivations and benevolence of a partner (Moorman et al., 1992, Ring and Van de Ven, 1994, Andersen et al., 2009). Goodwill trust is based on a belief that the partner will behave in a mutually beneficial manner as expected according to contractual agreements (Styles et al., 2008). It is subjective in nature being based on feelings and emotions (Zur et al., 2011).

The third dimension - **Contractual trust** is defined as the belief that the partner will abide to the written or oral agreements about production or delivery of products within a given time, in return for payment (Styles et al., 2008). These authors found that for building contractual trust, relationship satisfaction plays an important role whereas commitment plays an important role, in building goodwill trust (Miyamoto and Rexha, 2004a).

Institutional distance

The notion of cross-national distance whether cultural, psychic or business distance has been one of the key issues discussed by international business scholars (Jonsson and Lindbergh, 2010). Firms entering into foreign markets face a different social, cultural and political environment than in their home countries and are likely to interpret the external business environment in their own way (Xie et al., 2011, Chelariu et al., 2006). It has been suggested by scholars that different aspects of distance influence international business strategies in different ways (Zhou and Peng, 2010).

The proposition that “institutions matter” is not new or controversial; what has attracted international business scholars is the influence that institutional elements have on business strategies and performance (Riddle and Brinkerhoff, 2011). Studies have focused on the moderating effect of institutional distance on international diversity and performance (Chao and Kumar, 2010) and on the impact of institutional distance on entry mode strategies (Jonsson and Lindbergh, 2010). However, the impact of institutional differences on international relationships has received little attention. Research that has explored this include a study by Cavusgil et al., (2004) exploring the moderating role of legal hostility on the relationships between trust and opportunism, and between formal contracts and opportunism; a study by Jonsson & Lindbergh (2010) on the impact of institutional impediments on relationship-specific investments and a study by Svendsen & Haugland (2011) on the role of normative forces on relationship specific investment and the impact of regulative forces on use of governance mechanisms.

There is a need to further explore the impact of institutional factors on cross-border relationships (Svendsen and Haugland, 2011). This study explores how perceived institutional distance influences the relationship between psychological contract and trust in an exporting context. In addition, the study will extend the work of other scholars by exploring the influence of inter-firm relations on export venture performance.

Trust is seen as a powerful motivator for survival of long-term exporter/importer relationships across borders. However, the perceptions of trust in business relationships may vary across countries that differ culturally and institutionally (Ariño et al., 2001). The institutional and cultural differences between international buyers and sellers may have a fundamental influence

on the development of business relationships, specifically with regard to the nature and level of trust embedded in the partnership (Zaheer and Zaheer, 2006). The behavioural expectations in terms of performance of activities and actions, which trust imposes on the trading parties, may differ substantially across different institutional contexts (Yang et al., 2011). This may present significant challenges for successful relationship building. The importer-exporter relationship is highly dependent upon the existence of stable formal and informal institutions. The New Institutional view suggests that shared beliefs, mutual concerns and expectations aid the formation of trust among trading partners (Lane and Bachmann, 1996).

Following, Peng et al. (2009) this research distinguishes formal and informal institutions (North, 1990), yet it complements the arguments with insights from Scott's "pillars of institutions" (Scott, 2001). Therefore, this study distinguishes cognitive and normative domains, but categorises them together into informal distance in keeping with other studies (Peng et al., 2009). Cross country differences have proven to have an impact on the export behaviour of small and medium sized enterprises (Souchon et al., 2003). Recently, there have been some studies which have placed distance within the wider institutional framework as the previous measures were lacking in "terms of entirety" (Jonsson and Lindbergh, 2010).

Proposition 2- It is proposed that there will be a relationship between perceived institutional distance and trust within exporter-importer relationships.

Export venture performance

Greater attention is now being paid to inter-firm relationships, particularly in the exporter-overseas distributor context (Racela et al., 2007). It has been argued that exporting does not only involve economic transactions but also behavioural transactions between firms (Leonidou, 2003). Exporting can also be viewed as an "interaction" process between firms (Racela et al., 2007). This perspective, the so called "Relational Paradigm" (Hakkansson, 1982), provides a different but complementary view to the study of export performance. This is crucial as it signifies the importance of business relationships with overseas customers at both the strategic and tactical level. In this highly competitive world economy the importance of relational variables is apparent considering the advantage of successful relationships, as they cannot be imitated by rivals (Zhang et al., 2003). Styles et al., (2008) also analysed the relationship between a few relational variables and performance of Australian and Thai importers from a dyadic perspective. Following this, the present research attempts to add to the work of previous scholars who have studied the relational determinants of export performance at the venture level. The study utilizes the context of NZ firms exporting to institutionally distant markets.

Recently a number of scholars have adopted export venture (i.e. a single product or single product line exported to a single foreign market) as the primary unit of analysis in understanding the export performance of a firm (Morgan et al., 2004). The rationale behind this is that export performance is not consistent across various product market ventures of the same firm (Cavusgil and Zou, 1994). Also, firms have different portfolios of foreign business relationships in the different export product-market ventures and these relationships might have different effects on export performance (Leonidou et al., 2002). The present study focuses on the relational determinants of export performance, and since a firm may form diverse foreign business

relationships in different product-market ventures, the venture level for performance measurement is adopted. Indeed, exporting may not necessarily be the international mode of entry utilised by such firms.

The relational paradigm has provided valuable insights into inter-firm relationships and export performance. There is a widespread understanding of the importance of business relationships for the success of export ventures (Leonidou, 2003), yet there is no consensus on the impact of the main relational constructs i.e. trust. For example, scholars have suggested that trust might have positive and/or negative influences on performance (Gundlach and Cannon, 2010). Depending upon the context, trust might provide avenues for opportunism and could be a pathway to a “darker side” of the buyer-supplier relationships (Anderson and Jap, 2005).

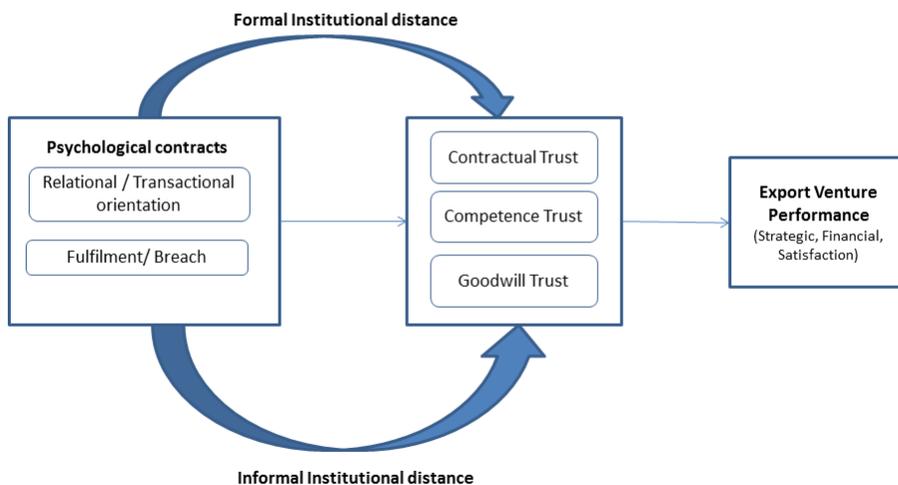
Proposition 3- It is proposed that there is a complex relationship between trust and export venture performance.

A CONCEPTUAL FRAMEWORK OF RELATIONSHIPS

In this section a conceptual framework (Fig 1) is developed taking into account relational factors affecting export performance. As noted earlier the main objective of this study is:

- To examine how psychological contracts influence different dimensions of trust within exporter-importer relationships and export venture performance across institutionally distant markets.

Fig 1- Conceptual framework



METHOD AND DATA COLLECTION

The sample selection for exploratory interviews included managers, CEO's and owners of any New Zealand independently owned companies, having exporting activities with institutionally distant markets. A total of five in-depth interviews were conducted. The key unit of analysis for this study is the single exporter-distributor relationship. Thus, in order to gain in-depth knowledge of the relationship the key relationship owners were selected from the NZ firms i.e. the executives who developed the relationship or currently are the key managers of the relationship with the concerned distributor.

The nature of the industries represented in the sample and the respondent characteristics are presented in Table 1. The sample was purposefully derived from diverse industries and was not designed for statistical generalizability, but rather to gain in-depth understanding of the phenomenon being studied. A semi-structured interview approach was employed. It is generally accepted that small samples are best suited for a qualitative interview based project as the objective of such a study is to indicate rather than conclude (Crouch and McKenzie, 2006). The rationale for this exploratory study was to obtain an initial confirmation of the conceptual model. The interviews were audio recorded and then transcribed in Microsoft Word. NVivo 9 computer software was used for the analysis of the qualitative data. It has been suggested that NVivo enhances transparency of the process, aids analysis and is widely used in qualitative research (Bryman and Bell, 2011). Interview data were coded and then grouped into within-case and cross-case themes. Since the main purpose of the study was to explore and confirm the application of the conceptual model, the model variables provided the basis for coding, an approach recommended by Miles and Huberman (1994). Thus, themes relevant to the conceptual model were explored and the main findings from the interviews are discussed below.

Table 1- Company and respondent characteristics

Company	Key Respondent	Industry	Relationship Age
Company A	CEO	Aviation	18 months
Company B	International Business Manager	Beauty products	3 years
Company C	Marketing Manager	Education	6 years
Company D	CEO	Software solutions	10 years
Company E	COO (Chief Operating Officer)	Software solutions	5 years (approx.)

MAIN FINDINGS AND DISCUSSION

This section details the key findings from the in-depth interviews in order to seek an initial confirmation of the conceptual model. The empirical results are explained on the basis of the conceptual model.

Psychological contracts- relational orientation

Studies in marketing and organisational management literature have found that the relational orientation of psychological contract is strongly related to trust (Atkinson, 2007, Robinson, 1996, Kingshott and Pecotich, 2007). The cases in this study support this finding within a supplier-

distributor context. Four participants strongly believed that face to face interaction (visiting the international buyer with a view to sustaining long term relationships) is crucial for building trust. Furthermore, the relational orientation of psychological contract, based on shared long-term goals and shared work values, also plays a crucial role for building successful long-term relationships. Table 2 provides key perspectives from the interviews.

Table 2 – Key perspectives on the relational orientation of psychological contracts: interview quotes

Company	Example from the data
Company A	The CEO commented that <i>“visiting frequently is important. I have been there, as I already said in October, four times in the last 18 months which was important from my viewpoint”</i> . Stressing the relationship benefits to both parties he further added that <i>“I think the fundamental basis for the relationship is we both see significant future potential”</i> .
Company B	When questioned about the importance of visiting frequently he commented that <i>“face to face relationships are really important.....I visit once or twice a year”</i> and this was considered important to build and grow the relationship. He also commented that <i>“we are working towards the same goal”</i> indicating the relationship is benefiting both parties. Also, the company has one distributor in each market and therefore, the manager rated this particular distributor as highly important for the overall business.
Company D	The CEO strongly believed that having an informal contract with the distributor is crucial for the success of the venture. The relational orientation of the contract could be captured from the following extract - <i>“I think the work values are shared. I mean, that’s why we probably got along so well initially. I think we do have quite similar values....we would go there a couple of times a year....Company is really important because we have high level of strategic relationship....I think the fundamental basis for the relationship is we both see significant future potential”</i>

Psychological contracts- fulfilment/breach

Besides a relational orientation, another dimension that links psychological contracts with trust is fulfilment/breach of the contract (Robinson and Rousseau, 1994, Bunderson, 2001, Kingshott and Pecotich, 2007, Hill et al., 2009). Analysis of the data suggests that the degree of fulfilment or breach of the psychological contract, based on perceived promises and obligations, plays a crucial role in building trust and commitment. For instance, the CEO of Company A mentioned that he perceives one of the important obligations of the relationship to be the sharing of information and responsiveness. The main example of this is receiving email replies within 24 hours. This sharing of information gives him a better indication of the commitment of his partners, and he responds in a similar manner. The Marketing Manager of Company C stated that benefits are accrued by both parties. The key expectations were related to market intelligence, providing good administrative arrangements, and providing the right guidance to the customers.

Few studies in the organizational management literature have shown that breach of transactional obligations might have less aversive reaction than breach of relational contract (Robinson and

Rousseau, 1994). Even in face of certain breaches, affective trust will continue, as individuals who place high reliance on affective trust tend to ignore minor breaches (cognitive) in nature in order to preserve the trusting intent (Robinson and Rousseau, 1994, Atkinson, 2007). Therefore, it is not the matter of fulfilment or breach but rather the degrees thereof (Lövblad et al., 2012). The findings on psychological contract, as evident from the cases of Company D and Company E, show that some of the perceived promises mainly on operational issues were not met. According to the literature, this could have a negative influence on competence trust. However, our results suggest that the degree of breach is not significant to have a negative influence on the affective dimension of trust or relational orientation of the contract in these relationships.

Table 3- Psychological contract and different dimensions of trust: Evidence from interviews

	Fulfilment of the psychological contract	Breach of the psychological contract	Breach of the psychological contract influencing competence trust	Presence of goodwill trust
Company D	<i>“I think it comes back to the thing that they were saying to us that they could sell a significant amount of our software in the Indian market. That's the main promise that they have made and typically we made estimates on what they will sell and they've actually achieved those”</i>	<i>“Occasionally, there have been some things that happened. Perhaps some of their employees haven't been doing the right things but I mean at an executive or ownership level I don't think there's really been any real falling out.”</i>	When questioned about the competence of the partner firm he added that <i>“They're probably a bit disorganised and not very efficientSometimes I wish the product knowledge was better, you know, the knowledge of our products was better.”</i>	The CEO described his relationship with the three founders (distributor) as <i>“they are long-term on going owners of the relationship if you like, so they're important. They've become personal friends..... I'm very good friends with these people. I was in India three weeks ago. We had dinner at his house.It's more than just a business relationship”.</i>
Company E	<i>In terms of business growth then what they have said they would do they have done</i>	<i>“As I say it's particularly on the technology front it's hard you know there are always communication issuesand to</i>	When describing the competence of employees at the distributor organisation he commented that <i>“So they got kind of a techie guy they hired</i>	<i>“We've got two organisations who are trying to make it work. Who have that sort of intangible, goodwill”</i>

		<p><i>get all the information that we need is very hard sometimes. And some of that is cultural, some of it is organisational, some of it is procedural.</i></p>	<p><i>from one of their plants actually he drives us nuts” As this employee is not good at describing problems.</i></p> <p>He also added “<i>We basically struggle with our filters</i>”</p> <p>The CEO also had complaints about organisational structure and established procedures of the distributor.</p>	
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Institutional distance

Previous research has cited the lack of formal and regulatory frameworks as a reason for the extensive use of relational transactions (Zhou and Peng, 2010). Regulatory institutional distance may be a source of uncertainty in international business relationships. State rules, which form the basis of regulatory institutions, may put constraints on channel members to adapt their formal contracts to comply with the host country requirements (Svendsen and Haugland, 2011). For example, the quality of contract enforcement is relatively weak in India compared with the developed world (Kaufmann et al., 2011). In such a weak regulatory environment, exporters cannot be certain of the protection of their contractual rights (Chelariu et al., 2006) and this may hinder development of trust between the channel partners. In addition, a large informal institutional distance for a foreign company could make it more difficult to adapt to local practices and preferences, thereby increasing the challenges of doing business in the host country. Informal institutional knowledge could be seen as complex and thus more difficult to understand (Schwens et al., 2011). Table 4 below provides some examples from the interviews in relation to host country institutions and institutional distance.

Table 4- Key perceptions of institutional distance

	Formal Institutional distance (enforceability of business laws, effectiveness of dispute settlement)	Informal Institutional distance (norms of co-operation, trust as a society wide phenomenon, business management)	Influence of the relationship (mainly trust)
Company A	<i>“...if I was wanting to take something to Indian court, I wouldn’t have much confidence in there being a satisfactory outcome for me.”</i>	<i>“It’s quite informal in New Zealand, and there’s usually at the top, very concentrated decision making... whereas in India, I think there’s a lot of collected decision making that goes on. Now, I know ultimately, that some of the work that will determine what those Indian companies do, will be done a little bit further down in that decision, or that authority tree. But the fact that a relationship is in place with the chief executive or president means that the companies get referred to the right person or the people who can make the decision or who aren’t tyre kickers, that sort of thing.”</i>	<i>Formal institutional distance highly impacts the building of contractual trust and thus the CEO emphasised that periodic reviews of the contract “have a reasonably high level of customisation in contract with periodic reviews”</i> <i>“So, I am looking for honesty and integrity and those sorts of things...openness, frank communication, and that’s always challenging, as you will know when you are working across cultures”</i>
Company B	<i>“So I would say enforceability from what I have advised is high..... Just because it might be taken the wrong way. So everything seems quite formal”</i>	<i>“But the language used because we speak –when we speak, we speak in English. We communicate in written word in English. So there can also be that they can come across more formal which is fine and you just need to – we cannot be too causal in our own communication.....”</i>	<i>“With our distributors I’m advised that things are more serious when they come up. So if someone said we can’t do it, they don’t want to do it or they want to change it then we need to accept that is a real concern and not just something that is being said.”</i>

<p>Company C</p>	<p><i>“There are not maybe quite the significant set systems in place and so people have opportunity more to be ripped off or for unscrupulous people to be involved. So they want to really see the evidence that...”</i></p>	<p><i>“No working style is not the same at all...a couple of things. A number of people who work in agent organisations in India change.”</i></p>	<p><i>“In India we had to work for a number of years to get the agents we have understanding that things have to happen this way and for example they have to meet our code of practice. There are certain promises we can’t make, there are certain things we can’t do.”</i> <i>“We need to train staff at least twice a year”</i></p>
<p>Company E</p>	<p><i>“Foreign companies have, when they go into disputes legally with Indian companies, had a very long and rocky road. It’s just not worth it. So it all comes back down to due diligence. How much due diligence you do on your partner. “</i></p>	<p><i>“New Zealand is very flat like that; India is very hierarchical as you know.</i></p> <p><i>But the point about India is you’ve got to establish the hierarchies, so okay, “Well you talk to X and I will talk to Y and Z and everybody actually all the way down I don’t care”</i></p> <p>The COO also commented that it is very difficult to understand the Indian culture; even though they speak the same language “English” business in India is more relationship driven and less money driven.</p>	<p>They did not design the contract well. He commented on the legal contract <i>“that really wasn’t nailed down very well at all. That left a lot of room for interpretation and has caused a few issues as I say”</i></p> <p><i>“I think you really have to think of every conceivable circumstance and have it codified in a legal agreement. As much as I hate to say it. Because you’ve got so many considerations, cultural considerations, you’ve got community considerations. There are so many different ways you can misunderstand or one side can feel they have been taken advantage of by the other.</i></p> <p><i>But it doesn’t matter how much you spend on legal systems you cannot guarantee what you are going to get in terms of an agreement. Especially when you are talking about</i></p>

			<i>something in two quite different jurisdictions like that. Anyway, we found out the hard way on that as well."</i>
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Export Venture Performance

This study focuses on the “relational paradigm” (Hakkansson, 1982) in understanding export venture performance. It has been argued that inter-firm relationships play an important role in export performance. When asked about performance, with the venture in question, all interviewees described that they are performing “well”, “good” and “very satisfactory”. The CEO of company D mentioned that high levels of strategic gains had been acquired from the partnership over the last few years. He stated that:

“India is one of the big cinema markets in the world and these guys have taken a huge market share for us. We have something like 60% market share”.

On financial performance of the venture, he commented that the performance has matched expectations “*pretty good*”. However, he took into account the economic downturn that affected the market and added that “*the business partner has helped us a lot.*”

The Marketing Manager of Company C also indicated that financially the performance was “*reasonably high*” taking into account the market conditions. However, the satisfaction with the venture was as expected. He also mentioned that “*we had to work for a number of years to make the agent understand that things have to happen this way.*” He described the venture as average compared to other ventures in different countries but added “*that’s not a reflection of the company I think...it doesn’t mean the agents in those other companies are better than this one*”. Thus the average financial performance was a reflection of the market and he was highly satisfied with this particular venture performance. The International Business Manager of Company B commented that the relationship with his distributor has very positively affected the overall business of the company in the last 3 years. He added “*they are an important part of growing our business within Asia, they are very important*”. He rated the financial performance “*good and up to expectations*”. On the performance of the venture the COO of Company E mentioned that their partners have “*grown the market by 100% last year*”. He has no complaints on performance and describes it as “*pretty well*”.

Verification of Trust

The findings of our study also revealed an important factor not generally considered in the export (venture) performance literature. Specifically, we found that ‘verification of trust’ was a key concern of the respondents. As mentioned in the literature review, there is little consensus on the impact of trust on performance. In a high trust environment, partners can hold back critical information which may influence the role of trust on performance (Selnes and Sallis, 2003). Recently, a study by Gundlach & Cannon (2010) highlighted the importance of verification

strategies combined with trust to enhance performance. Four of the five interviewees commented that they corroborated information from other sources as a part of their routine activities even when they had high trust in their partners. Table 5 provides some comments from the interviews, where respondents outlined different verification strategies they follow to keep performance up to expectations.

Table 5- Importance of verification of trust

Company A	<i>“I’ve spent quite a bit of time researching them as well, not just in direct contact.... And so, they know full well I looked up what I can find on the internet, and they will give me other information that I can’t find on the internet, and I have gone back to them and said ‘I don’t believe some of this’. I think this might have been the case, but some of these references that you quote to me are quite old, at least one of them. One of the businesses no longer exists.”</i>
Company C	Similarly, market information was seen as crucial for the optimum performance of Company C and the Marketing Manager stressed the fact that they corroborated information from a mixed set of sources: <i>“Yeah we mix it always with other sources. I mean we know that there are ads in the paper that this company constantly does because you know I can get people to check the papers”</i>
Company D	The CEO mentioned that they want the distributor to <i>“look after our customers really well so we want them to provide the service that we would provide”</i> . And they visit India at least once a year to check if things are going in the right direction. In the CEO’s words <i>“primarily, we go to India to catch up with the customers themselves as opposed to meeting with the business partner. I mean, obviously we do meet with the business partner when we’re there but it’s not the critical reason.”</i>
Company E	<i>“So they have to give us information on the market conditions and we have to execute based on that. Actually what it comes down to is, and this is irrespective of whether it is an Indian operation or anybody else, we have to discount heavily what they say and then we have to put our own spin on it and then put in what we think they need.... So you’ve got to apply your own filter on the information you get and it helps having run the system for seven years previously and also having other competitors in the local market as well, I mean you kind of know what works and what doesn’t.”</i>

CONCLUSION AND IMPLICATIONS

This exploratory study advances the relational model of export venture performance in the following way. It explores the role of psychological contracts on different dimensions of trust and its influence on the export venture performance of firms within institutionally distant

markets. The role of psychological contracts on different dimensions of trust has been an under-researched area in the organisational management literature, (Atkinson, 2007) and quite neglected in the business marketing literature. This study casts light on this under-researched area. Similar to the results of Robinson & Rousseau (1994) it can be inferred that degrees of fulfilment exist even when a contract is considered broken. Specifically, our study found that breach influences cognitive trust and not affective trust if the relational obligations are fulfilled. The degree of affective trust in all cases was very strong and thus, breach of contract does not undermine affective trust. However, it was found that competence trust is negatively influenced by breach of psychological contract. In addition, the lack of competence trust does not influence venture performance. This is important finding which warrants a more in-depth research on the degrees of breach and the dynamics of how the contract influences trust and performance in export relationships.

Furthermore the results suggest that institutional distance plays a negative role on the relationship between psychological contract and trust. Distance tends to hamper the fulfilment of certain perceived obligations and delays the formation of trust. It also creates the need for more investment in the relationship and the venture. The interviews further highlighted the necessity to conform to local practices to develop cooperative relationships. Thus most relationships were socially orientated, as expected by the host country norms. This study adds to the literature on the impact of institutional distance on the individual international business relationships, an area which is rarely investigated (Svendsen and Haugland, 2011). For example our findings suggest that host country formal and informal institutions may affect export venture performance by influencing the relationship between psychological contract and trust.

With regards to the influence of relationships on venture performance, three respondents commented that it took years to build what they have achieved, and the importance of “due diligence” was highlighted. The influence of relationships on performance has been long debated amongst scholars. A recent finding by Gundlach and Cannon (2010) has shown that “verification of trust” can be an important concept while studying performance. In our study “verification of trust” emerged as a potentially important theme, which may have some influence on export venture performance. Due to the nature of the study, and the small set of qualitative interviews it is difficult to highlight its importance on the specific roles that it may have in the model. However, this warrants further research; for example “verification of trust” can be conceptualised as a moderator on the trust-performance link and can help to advance existing literature in the domain of relational modelling of export performance at the venture level.

In conclusion, we have developed a conceptual framework from literature and the purpose of this study was to examine the framework with qualitative data. The aim was to validate the framework rather than to present statistically generalisable findings. This provides a base for future research, which has potential to examine a number of parameters in depth. Specifically, our study points towards each of the components of psychological contract influencing particular dimensions of relationship trust, providing a finer-grained understanding of this important link. Also, the tolerance of the NZ managers to breach of the psychological contract suggests that, in same circumstances these psychological contracts play a lesser role on the affective dimension of the relationship. This could relate to small size of the company and the ‘informal’ approach to business relationships often associated with SME managers’ factors, which clearly warrant further study. Finally, the interesting finding of the importance of ‘verification of trust’ offers

scope for more investigation, as this is an aspect seldom considered in the context of exporter-importer relationships and export venture performance.

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