The Role of the Firm’s Resources in Relationship Development Stages: Case Studies in Thailand

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Abstract

This study applies the Resource-Based View (RBV) approach in investigating the role of firm resources, particularly intangible resources, in relationship development between export manufacturers and export intermediaries based in Thailand. In-depth interviews were conducted with two export manufacturers and two intermediaries and the case study method is used to present the data and explains the results. The findings indicate that relationship-based assets have a major role in establishing and terminating the export channel relationships while all forms of resources are crucial for maintaining and enhancing the relationships. However, manufacturers should put more effort in providing marketing capabilities such as marketing supports and competitive prices rather than emphasizing most of their contributions on production capabilities.

This study 1) contributes a deeper understanding of resource expectation and contributions from both sides of the export channel relationships, 2) highlights the impact of firm resources at different stages of the relationship development process, and 3) provides more information on Thai business networks in export channel literature.

Keywords: resource based approach, export channel relationships, firm resources, Thailand
Introduction

Possessing different resources is the basis for company interdependence within business relationships (Turnbull et al. 1996). Both parties need to commit and control the necessary resources to become an attractive partner (Rokkan and Haugland 2002). For example, the value, uniqueness, and difficulty of imitating intangible resources provides a rationale for the existence of export intermediaries (Peng and Ilinitch 1998). Consequently, exporters seek to gain access to the valuable assets and resources of intermediaries such as their market knowledge, skills and networks to improve their business processes (Wilkinson and Nguyen 2003). On the other hand, export intermediaries expect certain contributions from their exporters such as their commitment, consistent product quality and marketing support (Hocutt 1998). To better understand export channel relationships, the role of firms’ resources in relationship development processes including initiation, maintenance and enhancement, and termination needs further attention (Egan 2004).

This study investigates the role of the firm’s intangible resources in Thai business relationships between exporters and intermediaries. The purpose of the study is four fold:

1) Understand the relationship development process between exporters and intermediaries;
2) Explore the contributions and expectations of resources towards relationship development from the perspectives of both exporters and intermediaries;
3) Examine whether resource contribution is matched; and
4) Provide a better understanding of export operations in the Thai context.

The Resource-Based View (RBV) describes a firm as a unique bundle of tangible and intangible resources that are controlled by the firm (Barney 2002). It also suggests that valuable firm resources are usually scarce, imperfectly imitable and lacking in direct substitutes (Peteraf 1993). However, physical and tangible resources are not necessarily rare resources because they are often purchasable on the open market (Michalisin et al. 1997). In addition, the source of superior performance is believed to lie more deeply within intangible resources which are difficult to identify, understand and replicate (Fahy et al. 2000). Thus, intangible resources receive more attention from researchers (Hall 1993; Michalisin et al. 1997; Miller and Shamsie 1996) and this study mainly focuses on intangible resources.

The RBV approach was applied in this study because there has been a lack of RBV studies in export literature (Peng 2001). In addition, limited studies have linked RBV and relationships management practices although they facilitate customer needs and sustain specific forms of customer value (Barney et al. 2001). Developing relationship assets is an important marketing investment (Johanson and Mattsson 1985). Moreover, an RBV approach highlights the specific nature of resources required to overcome difficulties in foreign markets (Barney et al. 2001). Incremental investment of resources, which have to be made by both parties in the relationship, helps develop the business relationships (Turnbull et al. 1996). However, previous studies had investigated the role of the resources in export channel relationships mainly at the relationship building and enhancement stages. Hence, this study argues that the firm’s resources are important at any stage of the relationship development process, (i.e., establishing, maintaining, enhancing to terminating in some cases).

Thailand was chosen as a business context for the study due to the following three reasons:

1) successful export channel relationships are important to the Thai economy as Thai exports account for 65-70% of the country’s gross domestic product (Maneerungsee 2005);
2) Thai culture is unique with developing business relationships a significant factor (Itthiopassagul and Blois 2000; Sheehan 1996); and
3) Little previous research has been conducted in Thailand.
Hence, this study uses the case study method to have a better understanding of Thai export relationships by exploring the roles of firms’ intangible resources in different stages of relationship developments. Firstly, this paper addresses the linkage between RBV and export channel relationships followed by the classification of firm resources based on previous studies. Then, case studies of two export manufacturers and two intermediaries provide insight information on the contributions and expectations of resources in relationship development process.

**RBV and Exporting**

There has been a lack of resource-based view studies in export literature (Peng 2001) as it has been implicitly linked to export performance (Bonaccorsi 1992; Naidu and Prasad 1994) and explicitly investigated in a few studies (Dhanaraj and Beamish 2003; Myers 1997; Peng and York 2001; Wolff and Pett 2000). Recently, a study conducted by Morgan (2006) indicated that different level of export venture resources are not directly linked to export performance but indirectly through two resource characteristics; inimitability and non-substitutability.

The export literature also suggests that export intermediaries play an important role in the marketing of manufacturers’ goods in export markets (Munro and Beamish 1987; Rosson and Ford 1982). Small and medium sized exporters who lack necessary skills in operations, financial resources and international marketing experience, depend on export intermediaries making them particularly important for SMEs (Ford and Rosson 1982; Peng and Ilinitch 1998; Rosson 1987). Even large firms unwilling to commit to certain markets rely on export intermediaries (Peng and York 2001). In a similar vein, export intermediaries accessed the resource capabilities of their suppliers to improve product quality, and marketing support (Hocutt 1998). The key to RBV is the assumption that through the combination of unique assortments of resources, a firm can achieve synergistic outcomes (Luo et al. 2004, p-39). For exporters and export intermediaries, interdependent sharing and complementing their resources and capabilities are critical for survival. Hence, it is crucial to understand the linkage between the role of resources and their business relationships.

However, the export studies on RBV are fragmented and have emphasised resources in general or only a particular resource. For example, only firm size, firm’s export commitment and firm’s technology intensity are used to measure firm’s resources (Dhanaraj and Beamish 2003) and in particular, only firm size was adopted as a measure of firm resources (Bonaccorsi 1992). The strategic management literature provides different classifications of resources within the RBV approach. Simple classifications such as tangible and intangible resources (Michalisin et al. 1997) highlight that resource-based advantage is driven by intangible resources such as organisational culture, employee know-how and social relationships (Michalisin et al. 1997). Based on previous literature, the resources contributed by export manufacturers and intermediaries were classified into production capabilities, marketing capabilities and relationships assets.

**Production capabilities**

Production capabilities are usually contributed by export manufacturers and often measured in terms of superior technology of products, new product development capabilities, superior product quality, warranty and service arrangements and the use of advanced production equipment (Andersen and Kheam 1998; Katsikeas and Morgan 1994). Conformity to specification is also identified as an important production capability in the literature (Rangone 1999). In addition, possessing product quality was a distinctive characteristic of successful exporters (Bilkey 1987; Christenson et al. 1987; Louter et al. 1991). Moreover, new product development skills, improvement and modification to existing products, adoption of new products and ideas in the production or manufacturing process are associated with a high level of export performance.
Previous studies conducted in the Western countries consistently indicated the importance of production capabilities in export channel relationships and the same could be true for manufacturing exporters in Thailand.

**Marketing capabilities**

Shipley (1989) found that exporters expect intermediaries to develop market and customer knowledge, good customer contacts and enthusiasm. In addition, exporters did not want intermediaries to carry competitors’ products (Shipley et al. 1989). The export literature suggested that exporting firms seeking opportunities in the world market should develop their own marketing capabilities (Haar and Ortiz-Buonafina 1995). There are different definitions for marketing capabilities (Weerawardena 2003). For example, marketing capability refers to the quality of the firm’s customer service, advertising effectiveness, quality of sales force, strength of distributor networks, market research abilities, speed of new product introduction and ability for product differentiation products (Weerawardena 2003). On the other hand, marketing capability is simply defined as a company’s ability to market and sell its products effectively and efficiently (Rangone 1999). The second definition is used for this study which differentiates between production and marketing capabilities.

Previous empirical studies found that marketing capability in terms of a firm’s export knowledge and expertise were found to be directly responsible for export profitability (Pope 2002; Wang and Olsen 2002). Moreover, export market/marketing knowledge, promotional efforts and assessment of export market developments are found to have a positive association with successful export business operation (Katsikeas et al. 1996).

**Relationship assets**

Previous literature viewed customer relationships in terms of trust and commitment as part of important firm resources (Luo et al. 2004) and business relationships are important resources for its development (Ford 2002). Similarly, export intermediaries sought manufacturers that they can trust and are committed to the relationships (Piercy et al. 1997). Intermediaries also emphasised on fairness, trustworthiness, ability to keep promises as important criteria for selecting manufacturers (Piercy et al. 1997). Patterson and Smith (2001) discussed in their study of service industries in Thailand that relationship building and maintenance are far more important than quality and price in the business relationships. Once relationships are developed and maintained, a store of goodwill is established and it is expected that special favor will be forthcoming when needed (Patterson and Smith 2001, p.429). However, Piercy (1997, p. 85) indicated that matching what manufacturers could offer with what buyers need in the diverse export market remains problematic. Thus, this study was conducted to have a deeper understanding of the role of the firms’ resources at the relationship development process from the perspectives of exporters and intermediaries based in Thailand.

**Business Relationships within Thai Culture**

Thai society values high collectivism, moderately high power distance, high uncertainty avoidance, and high femininity (Hofstede 1980; Pornpitakpon 2000) influencing their business relationships. As a result, Thai people are comfortable with hierarchical relationships, joint-decision making, good personal relationships with each other (Sheehan 1996). Moreover, they want to develop mutual respect before undertaking business activity (Sheehan 1996). In addition, Thai people place much greater emphasis on “face-to-face” communications than Americans (Sheehan 1996).
Another Thai researcher, Thanasankit (2002), examined the impact of Thai values in patron-client relationships in business information systems development projects and discussed the important Thai values in business relationships. These values are “pu yai” (superior or authority-power figure), “krengjai” (sensitivity towards others and reluctance to impose on others), “face saving” and “bun khun” (repaying favors). Failure to pay respect to the superior, to save face, and to reciprocate the favors received may damage social and business relationships. Due to the limited number of studies on export channel relationship in Asia, a study on personal and business relationships in Thailand needs to be pursued.

Relationships are critical in Asian business networks as they are the conduits through which opportunities and information flow (Hamilton 1996). Thai business managers do not differentiate between social and business relationships and prefer to develop the social aspects of the relationship before business is conducted (Björkman and Kock 1995). In these situations guanxi, indicating a person’s personal network, is important for developing social capital and is a deliberate strategy in Asia for accessing business opportunities (Carlisle and Flynn 2005; Leung et al. 1996). Overall, Thai managers invest heavily in maintaining their relationships and ensuring harmonious interactions through the development of trust and commitment. Therefore, it can be expected that investment in relationship assets would have a strong influence on both their resource expectations and contributions.

**Research Methodology**

Given that there has been little research conducted into resources contributed at different relationship stages the researchers were required to gather broad thick data across all relationship stages (relationship initiation; relationship development/maintenance; and relationship ending). Therefore, an interpretive paradigm was followed using qualitative techniques and a case study design (Patton 2002). The unit of analysis was at the firm level, this was felt justified given that data was gathered from individual firms on their perceptions of their business relationships. Multiple case study design was chosen allowing the researchers to compare resource contributions across the individual cases (Patton 2002). Four firms were the focus of this research with rich data generated through the use of in-depth interviews. Firms were chosen from different industries in order to reveal patterns that were not industry specific.

**Case Selection**

Cases were chosen based on the following criteria: 1) independent Thai business firms (i.e. not subsidiaries or branches of multinational companies), and 2) exporting experience of at least 3 years. In addition, exporters in this study refer to manufacturing exporters. Export intermediaries are defined as specialized service firms that connect domestic producers and foreign customers by adding value to the export process (Peng and Ilinitch 1998). The term, "export intermediaries" refers to both agents and distributors in this study. Independent Thai business firms were chosen ensuring that data gathered reflected Thai perceptions and was not influenced by corporate strategies from developed countries. The time limit was considered important to ensure that all firms have passed the relationship initiation stage and were developing or maintaining their current export relationships.

**Interviews**

In-depth interviews were conducted as they allowed the flexibility needed to pursue whatever respondents wish to talk about (Churchill and Lacobucci 2002) and to gain a deeper understanding on the roles of resources in export channel relationships. Given that longitudinal data was required the respondents held managerial positions (owner-manager; director; managing director and export manager) that had been involved in all stages of their export relationships. Interviews were conducted during April and May, 2005 with export manufacturers and intermediaries based in Bangkok. Interviews were conducted in English and were also tape recorded as well as noted down with the permission of the respondents.
Given that the researchers wanted to conduct cross-case comparisons, a semi-structured interview protocol was used (Patton 2002). A semi-structured interview protocol ensured that the researchers had the flexibility to follow themes as they emerged, yet still obtained data in relation to the research focus. Based on the definition of relationship marketing and relationship stages discussed by Grönroos (1994), the authors designed the interview protocols to address how both exporters and intermediaries establish, maintain, and enhance business relationships by using the firm’s intangible resources. The interview questions included 1) company background, 2) how the business relationship established between export manufacturer and intermediaries, 3) what types of firm resources they contribute to and expect from each other, 4) challenges and benefits of their business relationships, 5) how business relationships are enhanced and terminated under certain circumstances, and 6) their export channel performance.

Case I. Furniture export manufacturer

The company was established in 1999 as a family business with a registered capital of 5 million baht. Ever since, this private enterprise had been manufacturing and exporting its furniture to many countries such as the U.S, Canada, Europe and Australia and their largest market is the U.S. The company had about 200 full-time employees and an additional 100 seasonal employees when demand was at peak. The product lines included wooden furniture, mini furniture for children, mirror and photo frames and a variety of product items were exclusively produced depending on the specification of their customers. This company was a truly export manufacturer as 100% of sales volume was from export markets. The company mainly engaged in indirect exporting by distributing 90% of their products through agents based in Thailand because direct exporting necessitated customers to come and check quality control and hence, inconvenient for customers.

The company exported 60% of its products through an agent who is a friend of the owner manager who graduated from the same university as the agent. The rest (40%) distributed through agents the owner met at the trade fairs in Thailand. To expand its market, the company participated in trade fairs held in Thailand and foreign countries. The company tended to select the agents who were friendly, reasonable, and who understood the furniture business. In addition, the company size of agents and their payment terms (a letter of credit is considered safe) were also important considerations as the manufacturer tended to trust larger companies (agents) who were likely to give more support if needed by the manufacturer and customers.

The manufacturer considered the agent as a partner who played an important role. It also expected the agent to search for good customers, to understand the problems faced by the manufacturer and to help it solve the problems. For example, the manufacturer sometimes could not ship in time to the customers due to the shortage of raw materials (wood) which was beyond its control. In such cases, the manufacturer expected the agent to help explain to their customers because sometimes customers thought that manufacturers did not tell the truth when there was delayed shipment. However, customers tended to trust agents who explained on behalf of manufacturers. Some enterprising agents even helped find the alternative source of raw materials for the manufacturer.

Due to the changing lifestyles of customers and availability of more discount stores in the US, cheaper products were easier to sell than expensive ones. The agents were expected to be honest about the price as some agents try to squeeze the price of manufacturers leaving them marginalized profit while agents earned a higher portion of profit. Some agents did that as they received commission from their customers. However, in spite of their heavy reliance on agents, manufacturer did not expect a long term commitment from the agents due to the following situations described by the manager.

"Often we can’t expect long term commitment because in the future everything can be changed easily and quickly. If the price of raw material increases, customers always find
some other place to buy the product at a cheaper price. Everything is not guaranteed. Some of my friends are agents but not the owners of the business..they are just employees. They can't guess their boss's decision. Some of them are foreigners..so they might close down their business and go back to their countries..so anything can happen”.

The manufacturer made an investment in Research and Development (R & D), advanced technology and developed new product designs almost every day. The R & D team also went to the world biggest exhibition fair in Frankfurt to see the designs and to get some ideas to develop the products. The manufacturer paid special attention to on-time shipment, consistent quality and stable price in dealing with agents. More importantly, the manufacturer was honest with the agents regarding the price.

The manager believed that In order to enhance the business relationships, manufacturers and agents must try to understand each other’s problems. Solving the problems together made them closer. They saw each other socially and the manager stressed the importance of social relationships as follows:

“We (manufacturers) get in touch with agents anytime..not only during working time. We are not close to the customers ..we don’t know what they are going to do in future. But the agents are closer to customers..so agents can pass the information to us. We can think and plan what we have to do to support them. That’s why we try to talk to agents all the time”.

Furthermore, accurate information such as product specifications from the customers provided by agents was very important in channel relationships. The company believed that the cooperation from agents enhanced business relationships.

An independent team of accountants was hired to evaluate the turnover and cost, to provide reports every month and to evaluate export performance. The company believed that the main success factors that contributed to its export performance were price, innovative design and the size of order placed by the customers. In addition, the manager also stressed the importance of having good relationships with their employees by making them understand the situation faced by the company and arranging for them to take a trip during holidays. Many employees came from the same village and when they have celebrations and festivals, they like to go back together at the same time, ignoring the needs in the factory. Moreover, the furniture factory was located in an industrial zone enabling employees to move easily to other factories. Hence, having a good relationship with employees was necessary to have successful business.

In the past, the manufacturer had terminated the relationships with some agents due to the lack of support, understanding and cooperation. For example, the company asked the agents to convince the customers that a certain level of quantity needed to be purchased at the price offered by the customers. But the agent refused to negotiate with the customer and failed to cooperate with the manufacturer.

As a long term plan, the company planned to open a new shop in the US as they had a circle of relatives and friends living in the US. The company believed that opening a new shop would not affect its relationships with agents as agents would still be representing them and the new shop in the US would facilitate the agents’ operations.
Case II. Food manufacturer

The company, established in 1979 as a private company with a registered capital of 1.6 million baht, became a public and listed company with a registered capital of 200 million baht with 2000 employees. It had been exporting canned seafood, instant noodles and frozen seafood for about 15 years to more than 15 countries including North America, ASEAN and Europe and export volume accounted for 40% of total sales.

Most of the relationships with intermediaries were established through food exhibitions. The company usually participated in the trade exhibitions as many people who came to the exhibitions were owners of the business, or those who held top management positions. Consequently, they tended to take immediate action in making decisions. Once the customers and/or intermediaries were interested in the products offered, they would provide product specifications to modify and test the products. The criteria used by the company in choosing intermediaries were their size of order, their offered price, and the chemistry between the two parties in communicating process.

The company used to start formal relationships with its intermediaries by signing a contract. However, when its intermediary violated the contract, the company decided not to take legal actions as going through the international court could be a waste of time. Hence, the company believed more in relationships with intermediaries which were usually based on gentlemen’s agreement or verbal promise, rather than a formal written contract.

The manufacturer expected its intermediary to place the order in advance and provide the feedback on customers’ attitudes towards products and customer complaints. In addition, the reciprocal social relationships in terms of personal visits, friendly manners, and hospitality from its intermediaries were anticipated in its relationship with the intermediary. Moreover, the manager believed that honesty from both sides was crucial to build a good relationship.

As the manufacturer’s contribution to its intermediaries, it made sure to deliver shipment on time, supply consistent quality product and provide prompt response to them. It also provided the right to be exclusive agents to those who had long term business relationships and maintained a certain level of annual sales volume. Besides, it shared promotional costs with intermediaries in some foreign markets varying from market to market.

The export manager stressed the importance of providing exact information to the intermediaries as follows:

“We should give them exact information about what is going on. You don’t need to hide information from them. For example, sometimes we have problems with buying raw materials, and about the costs. They (intermediaries) have time to prepare in advance. If we don’t say like that and problems occur, it will be a big problem”

The most challenging tasks faced by the manufacturer were negotiating price and quality with its intermediaries, and maintaining a long term relationship as external factors such as economic conditions and shortage of supply adversely affected the channel relationships. However, the manufacturer accepted the irrevocable letter of credit and telegraphic transfer with 30% deposit and did not face financial problems with its intermediaries.

The manufacturer evaluated its performance in terms of quarterly sales volume and number of new customers. The manager emphasised that luck, professionalism and good relationships with the customers were key to export performance. Although the manufacturer received customers’ complaints occasionally, it could accommodate positive solutions and thereby maintain good relationships with the customers.
Case III. Consulting and Brokerage firm

The company was established in 2000 with a registered capital of 1 million baht. It had only 6 employees and had been involved in export, sales and distribution and provides consulting service to the foreign companies that would like to export or distribute the products in Thailand and Thai companies that wanted to export the products in foreign countries. The export markets were Kenya, Ethiopia, Singapore, Myanmar and Indonesia. The company also worked together with the Thai ambassador in Kenya and the Department of Export Promotion (DEP) in Thailand to arrange Thai Trade Fairs in Kenya as it is a gate-way to East Africa. The company handled many product lines such as home appliances, bed nets, and paintings depending on the different types of manufacturers. For example, the company helped export bed nets to Africa, Ethiopia and international organizations such as the World Health Organization (WHO) and the United Nations (UN).

The relationship with its clients (manufacturers) usually was initiated through friends. For example, the firm knew some senior managers in a large manufacturing company and approached and asked them if they would like to export the products to particular countries where the company had market expertise and good connections. For example, one of company’s partners used to work as a managing director with a large multinational company in Kenya and knew the market conditions in Kenya. The firm also had a good official connection in Myanmar which was very necessary and important in doing business there.

The firm had different expectations from the manufacturers depending on the situations. It included marketing supports, competitive price, longer warranty and technological support in terms of services. However, the necessary condition to have good business relationships was for manufacturers to be honest and trustworthy. The firm was willing to spend one or two years just to establish good relationships and to earn the trust of its customers. In spite of all their investment in time, there was a situation where the business agreement was abruptly terminated after the firm helped establish the market for its manufacturer. The firm was strongly convinced that the termination of the business agreement was due to the lack of “internal friends” in the manufacturing company. The firm stressed the importance of having real friends to smooth business operations as follows:

“We helped negotiate between the suppliers (manufacturer) and distributors in the foreign countries…face to face discussion. Of course, it's dangerous for us …our suppliers could bypass us. ..but we are not worried..we are friends”.

Being a broker and consultant, the firm provided marketing ideas, and shared market and competitor information with manufacturers regularly. On behalf of the manufacturer, the company also offered marketing and product training to customers (distributors) and helped them analyze their competitors in foreign market. The firm believed that honesty, cooperation and product development together with the manufacturer could build a better relationship and good reputation in the long run. Being in the middle between manufacturers and customers, the firm had to negotiate and convince both sides. For example, the firm had to convince the manufacturer that under-the-table money was often necessary in Kenya to facilitate the shipment and had to change the misperception of Thai manufacturers that their quality standard was better than those in Kenya. These could not be done without prior market expertise in certain markets.

Continuous order and relationships with both manufacturer and distributors were used to evaluate the performance of the company in addition to the profitability. The company’s strategy was to start with a small quantity of products to test the distributors and markets. Once they were on the right track, a larger quantity would be marketed in the long run.
Case IV. Trading firm

The firm was established in 1999 handling a variety of products such as agricultural products, different fiberboards used for TV stands, speaker boxes, shelves, and kitchen cabinets. The company had 15 employees and engaged in marketing and distributing the products in both domestic and foreign markets. The company had been exporting to 12 countries in Asia and 50% of sales volume went to overseas markets.

One of the manufacturers was a government-owned company. There was no selection criterion in choosing manufacturers as the business relationship with the government-owned company started due to the personal relationships of the marketing executive with some politicians. Dealing with a government-owned company was challenging for the trading firm due to the mind set of people different from those working with private firms. For example, when a marketing problem needed to be solved immediately, it took two to three weeks to get approval as people were afraid of making mistakes and they were reluctant to make decisions. On the other hand, they did not tend to worry about financial problems, expecting that government would provide financing and bankruptcy would never be an issue. Sometimes respective labor unions felt insecure, fearing that the government owned company might be privatized due to the involvement of the trading company and tend to blame the trading company regarding the performance.

Regardless of private or government ownership, the company dealt with all types of manufacturers equally and fairly and developed friendship with most of them. It provided technological know-how, marketing skills and market information to the government-owned manufacturer. In addition, the firm gave quick response on behalf of manufacturer in handling customers' complaints. For example, when foreign customers sent an email about some defective products they received, the manager flew there immediately and solved the problem within 2-3 days. The marketing executive of the trading company explained how to cultivate good relationships with both manufacturers and customers.

“We must be sincere to each other and trust each other.. provide them (manufacturers) the facts..so they can develop whatever they want.. Regarding customers, whenever we have problems in factory, we have to inform them exactly about what is happening and make them prepare for themselves”.

If the manufacturers could not offer the products or could not meet the requirements, the firm tended to switch the manufacturers temporarily rather than terminating the relationships. However, the relationships were likely to be terminated when the manufacturers had quality problems and they were not honest about price and quality.

The firm measured the export performance in terms of sales units and revenue. Interpersonal skills, negotiation skills and good connections were believed to contribute to the success of the trading firm. The firm was fully confident that personal relationships with the manufacturers led to better performance. The marketing executive stressed as follows:

“when we are quite close to each other, whenever we need products urgently, they (manufacturers) will treat us first.. It is quite simple”.
Discussion

The above four case studies describe the experience of two export manufacturers and two intermediaries in relationship development process from the perspectives of managers. The case studies revealed how the relationships were initiated, what types of resources both export manufacturers and intermediaries expected from and contributed to business relationships, and whether the channel relationships were terminated under certain circumstances. Based on the variety of resources discussed in the literature review, these resources were classified into three categories: 1) production capabilities, 2) marketing capabilities, and 3) relationship assets. Production capabilities refer to superior technology of products, new product development capabilities, consistent product quality, warranty and service arrangements, and conformity to specifications. Marketing capability is simply defined as a company’s ability to locate the customers, quality of customer service, providing marketing skills and promotional support, sharing market information, and establishing distribution channels. Trust, honesty, cooperation, sincerity, understanding, and sharing and solving each other’s problems are categorised as relationship assets.

Relationship Initiation

Before establishing a relationship, they tend to find information on their business partners through social (i.e. friends) and business networks (i.e. Department of Export Promotion and Trade Exhibitions). Except for the food manufacturer, the other three firms initiated their relationships through trusted friends, personal relationships and connections – using guanxi strategies to find business partners. The findings reflect Thai societal values to avoid uncertainty (Hofstede 1980) and having a personal relationship (Sheehan 1996) before developing a business relationship. It is also consistent with the study of Itthiopassagul and Blois (2000) who discussed that the first thing in a relationship is to know each other and it is an essential precursor in doing business in Thailand. However, the food manufacturer that initiated the business relationships at a food exhibition center later built up social relationships through personal visits and providing hospitality to their counterparts. These findings are consistent with the case studies on 20 New Zealand and Swedish internationalizing firms in which social relationships and business relationships were often intertwined and social relationships were often transformed to business relationships and vice versa (Agndal and Chetty 2005).

The Thai firms’ emphasis on strong personal relationships is logical and necessary as they prefer to use gentlemen’s agreement rather than contractual agreement once the business relationship was established. This is consistent with guanxi strategies in that you can trust your inner circle of guanxi relationships to not follow opportunistic behaviour. These findings are consistent with the study conducted in Thailand by Itthiopassagul and Blois (2000) where giving his/her word in everything rather than having contractual relationships with business partners is far more important due to the centrality of the personal bonds and the belief that a good relationship is more important than a paper document.
Resource Expectations and Contributions

Manufacturers

With reference to production capabilities, both manufacturers produced products according to their customers’ specifications while providing consistent quality and on-time shipment. The furniture manufacturer made an effort to develop new and innovative products through R&D investment and advancing technological development. The food manufacturer contributed marketing capabilities such as prompt customer responses, sharing promotional costs and providing exclusive rights to the agents who maintain a set annual sales level. In addition, the furniture manufacturer also believed that relationship assets such as honesty and cooperation assist problem solving situations with their agents enhancing business relationships. While, sharing information is considered important for smoothing business operations by the food manufacturer.

Regarding marketing capabilities, the furniture manufacturer expected intermediaries to locate good customers and provide accurate market information and specifications. Similarly, the food manufacturer sought to hear customer attitudes towards products and customers’ complaints through its intermediaries. The company also assumed that its intermediaries should be able to forecast market demand when ordering in advance. The furniture manufacturer stressed the importance of relationship assets such as trustworthiness and empathy for understanding and solving the problems while the food manufacturer paid more attention to building up reciprocal social relationships. Both manufacturers highlighted that honesty was important in channel relationships.

Intermediaries

On the other hand, the two intermediaries had different expectations from their manufacturers. The consulting and brokerage firm expected its manufacturers to provide marketing support, offer competitive pricing with longer warranty and technological support. The trading firm dealing with the government-owned manufacturer expected people to have a more market oriented mindset and the ability to make quick decisions and responses to their demands. These differences are apparently due to the type of manufacturers the companies are dealing with. However, both intermediaries expected manufacturers be honest and trustworthy. The findings are consistent with the study of Piercy (1997) in which fairness and trustworthiness were highly regarded as important criteria in choosing the manufacturers.

Both intermediaries also highlighted their negotiation skills with customers as an important contribution to channel relationships. Although both intermediaries contributed marketing skills and shared market information, the trading firm dealing with the government-owned manufacturer contributed more resources in their relationship including providing technology know-how and quick response in dealing customers’ complaints. The trading firm had a low level of expectation from the government-owned company and was aware that it needed to complement their resources. Hence, it indicated that understanding the situation made business relationships smoother even when one partner could not contribute a high level of resources.

Regarding resources expectations and contributions made by both sides of the relationships, there were both similarities and differences. According to the summary table, all parties involved expected honesty and trust within their export channel relationships. Both manufacturers contributed a variety of production capabilities such as on time shipment, consistent quality and production process based on customers’ specification. However, surprisingly, intermediaries expected contributions of more marketing capabilities such as marketing support, competitive price, and market-oriented actions rather than production capabilities (see the summary table). The rapid changing and competitive market situations might stimulate a high level of intermediaries’ expectations to receive more marketing capabilities. Piercy (1997, p.76) also explained that production capabilities were essential but the sustainable path to competitive
advantages might depend on the exporters’ effectiveness in providing needed supporting services (marketing capabilities) and building collaborative relationships (relationship assets).

Summary Table on Resource Expectations and Contributions from Manufacturers and Intermediaries.

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<th>Furniture Manufacturer</th>
<th>Marketing capabilities</th>
<th>Production capabilities</th>
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<td>• Ability to locate good customers</td>
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<td>• Accurate information about market and product specification</td>
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<td>Relationship assets</td>
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<tr>
<td>• Trustworthiness</td>
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<tr>
<td>• Honesty about price</td>
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<tr>
<td>• Empathy and cooperation in understanding and solving the problem.</td>
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<tr>
<td>Resource Expectation from partner</td>
<td>Resource Contribution from respondent</td>
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<tr>
<td>Furniture Manufacturer</td>
<td>Marketing capabilities</td>
<td>Production capabilities</td>
</tr>
<tr>
<td>• R &amp; D investment and technological advancement</td>
<td></td>
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<tr>
<td>• New product development, innovative design, consistent quality at stable price</td>
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<td>• On time shipment</td>
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<td>• Producing the products according to customers’ specification</td>
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<td>Relationship assets</td>
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<tr>
<td>• Honesty</td>
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<tr>
<td>• Cooperation in solving the problem together.</td>
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<tr>
<td>Food Manufacturer</td>
<td>Marketing capabilities</td>
<td>Marketing capabilities</td>
</tr>
<tr>
<td>• Feedbacks on customers’ attitudes towards products and customers’ complaints</td>
<td></td>
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<tr>
<td>• Advanced order</td>
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<td>Relationship assets</td>
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<tr>
<td>• Honesty</td>
<td></td>
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<tr>
<td>• Reciprocal social relationships in terms of personal visits, friendly manners, and hospitality</td>
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<tr>
<td>Food Manufacturer</td>
<td>Marketing capabilities</td>
<td>Production capabilities</td>
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<tr>
<td>• Prompt response to customers</td>
<td></td>
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<tr>
<td>• Providing exclusive rights to agents</td>
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<td>• Sharing promotional costs</td>
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<td>• On time shipment</td>
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<td>• Consistent quality</td>
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<td>• Producing and modifying the products according to customers’ specification</td>
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<tr>
<td>Relationship assets</td>
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<tr>
<td>• Understanding and sharing information about manufacturing problems</td>
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<tr>
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<td>Marketing capabilities</td>
<td>Marketing capabilities</td>
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<tr>
<td>• Marketing supports</td>
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<td>• Competitive price offered</td>
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<td>Production capabilities</td>
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<tr>
<td>• Longer warranty</td>
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<td>• Technological support</td>
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<td>Marketing capabilities</td>
<td>Production capabilities</td>
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<tr>
<td>• Providing marketing ideas, product and marketing training</td>
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<td>• Sharing market and competitor information</td>
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<td>Relationship assets</td>
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<td>• Negotiating skills</td>
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<tr>
<td>Trading Company</td>
<td>Marketing capabilities</td>
<td>Production capabilities</td>
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<tr>
<td>• Market oriented mind set</td>
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<td>• Quick decision and response</td>
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<td>• Sincerity</td>
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<td>Trading Company</td>
<td>Marketing capabilities</td>
<td>Marketing capabilities</td>
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<tr>
<td>• Providing technology know-how</td>
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<td>• Providing marketing skills</td>
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<td>• Sharing market information</td>
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<td>• Quick response in handling customers complaints</td>
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<td>• Negotiation skills</td>
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Enhancing the channel relationships

Manufacturers and Intermediaries came up with honesty, trustworthiness, sharing exact information, understanding each other’s problems and cooperating in solving problems together as important contributions to improve channel relationships. This finding reflects the study of Shipley (1989) which was conducted on 30 British companies. Moreover, the consulting and brokerage firm that took sufficient time to carefully and conservatively build up the relationships added that taking proactive and initiative actions are also important for enhancing relationships. This finding is consistent with the study of Saadi (2005) which found that reactive communication was not adequate to maintain relationships. On the other hand, the food manufacturer believed that reciprocal social relationships are necessary to build up the relationships. These important relationship assets that are important to improve the channel relationships are more relevant to individuals involved in the business relationships rather than companies’ policies and strategies. Surprisingly, one of the relationships’ elements, “commitment” was not mentioned except by the furniture manufacturer. Even then it was not considered as an important relationship asset and could be justified because long-term commitment in business relationships was almost impossible in today’s fast changing business market. The above argument was also supported by Saadi (2005) that stable commitment could not be counted on in a volatile market. This might also reflect the cultural features of Thai people as Thai people do not like long term work plans and prefer flexibility (Swierczek and Onishi 2003).

Termination of relationships

The case studies describe different degrees of terminating the relationships. The furniture manufacturer terminated the relationship due to the lack of support, understanding, and cooperation from intermediaries. The consulting and brokerage firm got their relationship terminated by the manufacturer stating that it was due to the lack of “internal friends” in the manufacturing company. Unlike the other firms, the trading firm was reluctant to terminate the relationships. Rather, it used to switch manufacturers on a temporary basis. However, termination of relationships did occur when manufacturers were not honest about the price. The above examples indicate that termination of relationships is due to the lack of contribution of relationship assets from either party in the export channel relationships.

Conclusion

These multiple case studies on relationship development process between manufacturers and intermediaries based in Thailand revealed that relationship initiation took place mainly through prior personal relationships and connections. Hence, relationship assets are important in initiating the channel relationship. The resource contributions and expectations from both sides of the relationships also pointed out that it was necessary for manufacturers to put more effort in providing marketing capabilities such as marketing supports and competitive prices rather than exerting most of their contributions on production capabilities. However, both exporters and intermediaries equally recognized relationship assets (i.e., sincerity, trust, honesty, information sharing, cooperation) as important resources of firms in cultivating business relationships. These findings indicated that building up the export channel relationships of Thai firms and their resource contributions and expectations were not different from those firms located in the rest of the world (Piercy et al. 1997; Shipley et al. 1989). This may be due to managers’ business educational background and their direct and indirect working experience with foreign customers. Their educational background and working experience are very likely to direct the managers what to expect and contribute in business relationships. However, commitment was not considered as an important relationship asset and firm resource probably due to the Thai people’s lack of future orientation and values for flexibility (Swierczek and Onishi 2003).
The findings of this study provide both academic contributions and managerial implications. Academic contributions are 1) providing a deeper understanding of resource expectation and contributions from both sides of the export channel relationships, 2) highlighting the impact of firm resources at different stages of the relationship development process, and 3) contributing more information on Thai business networks in export channel literature.

Regarding managerial contributions, this study provides important and useful information for exporters and their intermediaries. For example, export manufacturers should contribute more marketing capabilities which are highly sought by intermediaries in order to enhance their business relationships. Furthermore, both exporters and intermediaries should be aware that assets such as exchange of information, sincerity, trust, honesty, cooperation are particularly important in initiating the successful relationships and lack of these relationship assets might lead to termination of relationships in Thailand. It was believed that good personal relationships with their business partner belittle a big problem and ignore a small problem. Hence, the above contributions of this study will reinvigorate the management of both export manufacturers and intermediaries to utilise the appropriate resources at different stages of the relationship development process.

However, this study is not without limitation. Firstly, the case studies were developed based on a single source of information as the in-depth interview was conducted from the experience and perspectives of a single manager from each company. Secondly, as in-depth information was collected from only two exporters and two intermediaries, the findings was substantial but could not be generalised. Finally, this study emphasised only on exporters and intermediaries relationships. Hence, future study should look beyond dyadic relationships by examining resource contributions at network levels to have a more complete picture of business relationships.
References

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