THE DEVELOPMENT OF COMMITMENT AT THE INITIAL STAGES OF INTERNATIONAL BUSINESS TO BUSINESS RELATIONSHIPS.

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Abstract

Commitment has been found to be a critical component in understanding the strength and success of marketing relationships. Consequently, using a case study method, this research examines how commitment is developed at the initial stages of international business to business relationships. Findings suggest that two types of commitment emerge at the early interaction stage of relationship development: affective and calculative commitment. Affective commitment is seen as the more critical commitment to develop at this stage and is developed by trust, face to face communication and the partners ‘doing the little things’. Calculative commitment is developed by the signing of the contract and expenses incurred by meeting face to face.

Introduction

International alliances are proliferating around the world (Parkhe 1998), however, there has been little academic research conducted that examines the impact and development of commitment on international partnerships (Aulakh, Kotabe and Sahay 1996; Sarkar, Cavusgil and Evirgen 1997). This is surprising, as commitment is a key variable in the success of marketing relationships (Morgan and Hunt 1994). Consequently, the purpose of this research is to propose a conceptual framework for the initial development of commitment in international business to business relationships. Firstly, the extant literature is examined in relation to commitment and the relationship lifecycle. Secondly, the methodology used in this research is identified. Thirdly, data analysis and findings are presented; and finally, limitation, conclusions and further research are cited.

Commitment

Commitment has been shown to be a critical ingredient in the success of long term business to business relationships (Dwyer, Schurr and Oh 1987; Morgan and Hunt 1994). Correspondingly, Morgan and Hunt (1994, p.23) see “commitment among exchange partners as key to achieving valuable outcomes.” Commitment has been defined as “a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship” (Anderson and Weitz 1992, p.19), or more simplistically put: “An enduring desire to maintain a valued relationship” (Moorman, Zaltman and Deshpande 1992, p. 316).
Different forms of commitment exist (Mathieu and Zazac 1990), and there needs to be a differentiation between these different forms as the use of the general term of commitment can be confusing (Ahmed, Patterson and Styles 1999). The most appropriate forms of commitment in relationship marketing are affective commitment or a positive regard towards continuing the relationship, and calculative commitment or continuance because of costs associated with leaving (Mathieu and Zazac 1990). These types of commitment are illustrated in the following quote: “People stay in relationships for two major reasons: because they want to; and because they have to” (Johnson 1982, p. 52).

Whilst commitment has been identified as a major variable in the success of a relationship, little has been published on the development of commitment over the different phases of the relationship lifecycle and specifically the early interaction phase. Therefore, this will be the research agenda for this paper.

The Business to Business Relationship Lifecycle

Despite the growth in importance of relationship marketing, it remains a concept without clear empirical support (Lindgreen 2001). This is particularly true in the area of the relationship lifecycle, where a number of studies, predominantly conceptual, have identified various stages through which a business to business relationship progresses (Ford 1982; Frazier 1983; Dwyer, Schurr and Oh 1987; Borys and Jemison 1989; Larson 1992; Millman and Wilson 1994; Palmer and Bejou 1994; Wilson 1995; Ford, Gadde, Hakansson, Lundgren, Snehota, Turnbull and Wilson 1998). Whilst there is no general agreement as to the stages of a business to business relationship, an analysis of the literature suggests a five-stage process: (1) pre-relationship; (2) early interaction; (3) relationship growth; (4) partnership; (5) relationship end.

Early Interaction Stage

The stage which is examined in this paper is early interaction: stage two of the relationship lifecycle. The early interaction stage involves serious negotiations regarding the style and structure of the relationship. At the start of this stage there is little experience of the other partner’s operation or business culture, leading to high levels of uncertainty. The amount of learning that transpires at this phase is at its highest level of any stage of the relationship lifecycle (Ford et al. 1998). The lack of experience and understanding each organisation has towards the other makes the relationship fragile at this phase. Consequently, the partnership can be easily terminated at the early interaction stage (Dwyer, Schurr and Oh 1987). At the start of the early interaction stage there is no commitment between the two organisations, however, for the relationship to advance to the growth stage there needs to be a level of commitment developed; “all this means that commitment by the two parties is vital if the relationship is to develop from the stage of [early interaction]” (Ford et. al 1998, p. 35). However, as there is little, if any, finance or product changing hands during the early interaction stage it is difficult to show commitment in a concrete way at this stage (Ford et. al 1998, p. 35). Consequently, the aim of this research is to explore how commitment is generated at this stage. Therefore, the research question is as follows:
**Research Question:** How is commitment developed at the early interaction stage of an international business to business relationship?

**Methodology**

For this research ten case studies were undertaken. The unit of analysis was the relationship that existed between the overseas education provider, located in either Hong Kong (three case studies), Malaysia (four case studies) or Singapore (three case studies), and the Australian university. Case studies were used because they examine a contemporary phenomenon within its real life setting (Yin 1994). Further, as the aim of this research is theory building rather than theory testing a case study methodology was seen as appropriate. A purposive selection method was adopted to choose cases examined in this research. The time period of the established relationships in the case studies varied between less than one year to ten years. Data was collected for these case studies between December 2000 and March 2002.

Direct quotations from the transcripts of the in-depth interviews conducted for the case studies are used extensively through this paper. The quotations used help in explanation building and highlighting emerging categories (Miles and Huberman 1984). The quotes also show the participant’s own attitudes, experiences and feelings, and were chosen because of the representative nature they have for the themes being investigated. Respondent’s quotes will be shown in italics.

**Data analysis and findings**

Commitment by both parties is seen as being important to establish in a relationship during the early interaction stage. For relationships between Australian universities and overseas education providers four variables emerged from the data that increase commitment at the early interaction stage. The general strength of these four themes is shown in Table One.

**Table One: An indication of the strength of the factors that lead to commitment at the early interaction stage for the ten case studies**

<table>
<thead>
<tr>
<th>Case study Number</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of OEP</td>
<td>M</td>
<td>S</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>S</td>
<td>S</td>
<td>HK</td>
<td>S</td>
<td>HK</td>
<td>HK Total</td>
</tr>
<tr>
<td>Time the relationship had been established</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td>&lt;1</td>
<td></td>
</tr>
<tr>
<td>Current stage of the relationship</td>
<td>P</td>
<td>RG</td>
<td>P</td>
<td>RE</td>
<td>RG</td>
<td>P</td>
<td>RG</td>
<td>P</td>
<td>P</td>
<td>EI</td>
<td>less</td>
</tr>
<tr>
<td>Number of participants interviewed on the AU side</td>
<td>3</td>
<td>2</td>
<td>2</td>
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<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>_</td>
<td></td>
</tr>
<tr>
<td>Number of participants interviewed on the OEP side</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Factors developing commitment at EI**

| Trust | 7 |
| Face to Face communication | 10 |
| Doing the 'little things' | 11 |
| The contract | 6 |

**Key:**
As can be seen in Table One, face to face communication is the variable that received the most comments from the interviewees. It is fairly obvious that maintaining communication is the prime commitment. Consequently, the act of going to the other partner’s institution and communicating face to face is seen as a major act of commitment. The key factor for this could be the international travel needed to communicate face to face for these types of relationships. Therefore, face to face communication develops commitment at two levels of the early interaction stage; being the affective commitment developed through face to face interaction and the calculative commitment developed through the investment to travel to the location to meet face to face.

Well, I think visiting them is one aspect which is showing commitment, obviously if you’re prepared to go to a country and talk to the people, that is going to inform the people that you have at least bothered to do that. Other things that would show commitment is when you return home, if you have promised to do things for them and to send things to them, those things are actually done.

As the second half of the quote above shows, doing the ‘little things’ is another variable that shows commitment at the early interaction stage. The ‘little things’ is a term used by one of the respondents that encapsulated a theme that emerged in the data. The ‘little things’ refers to replying to the verbal agreements made between the partners. At the early interaction stage this could be replying to the partner by email, post or phone, to some request that has been made. You can express that commitment [when you] actually deliver on these little things.

The literature shows that trust is a major factor in the development of commitment (Morgan and Hunt 1994), and the research conducted appears to agree with this. The main way trust is developed at the early interaction stage is through the vibe a partner received about the other partner’s organisation. This vibe is seen to be developed through the “smells, sights, touch and feel” of the partner’s institute. The term ‘vibe’ is chosen because it is the most common term to describe the situation where a partner travelled to the other partner’s institute to assess the facilities and environment surrounding those facilities. The vibe, the atmosphere... you can get a feel for a place as soon as you walk into it. The vibe, the atmosphere, the culture, all those things.

Whilst, face to face communication, doing the little things and trust are seen to lead to affective commitment, the investment involved in meeting face to face and the signing of the contract are the first signs of the development of calculative commitment. The contract embodies the commitment in the fact that there is a commitment to the parties then they
agreed to sign a contract. But if there was not commitment by both parties then they would not need to do that. So the contract is tangible evidence that there is commitment to each of the parties. Therefore, the written agreement is a very important tool in the negotiation stage to show intent.

Figure One: A conceptual model of the development of commitment at the early interaction stage of the business to business relationship lifecycle

Figure One shows the conceptual model for the development of commitment at the early interaction stage of an international business to business relationship. From this research affective commitment, or a general sense of positive regard and attachment to the business to business relationship, is seen as the most critical form of commitment to develop at the early interaction stage. Three variables emerge leading to the development of affective commitment: being, (1) face to face communication; (2) doing the ‘little things’; and (3) trust. Calculative commitment, or the need to maintain the relationship given the major costs associated with ending, is seen to have limited impact on the level of commitment at the early interaction stage. This could be because the relationship is easily terminated at the early interaction stage. However, this research found that the signing of the contract and the investment involved in meeting face to face are the first sign of the development of calculative commitment.

In conclusion, this research highlights the importance of establishing commitment at the early interaction stage of a business to business relationship. This has been particularly interesting to investigate as little, if any, commitment is present at the start of the early interaction stage, however, by the end of the early interaction stage high levels of commitment between partners are observed. Further, it is suggested that the factors that show commitment at the early interaction stage are quite different to factors that would show commitment at later stages in the relationship lifecycle. Therefore, the contribution of this paper is to highlight the
variables that develop commitment at one stage of the relationship lifecycle, the early interaction stage.

**Limitations and Further Research**

Several limitations have emerged due to the nature of the research undertaken. Firstly, this research concentrated on a single style of relationship; being the partnership that develops between Australian universities and overseas education providers. Consequently, it is suggested that further research be undertaken to examine relationships that exist in different industries. Secondly, the relationship partners examined in this study were located in Australia and in either, Hong Kong, Singapore or Malaysia. Therefore, caution should be taken when transferring the findings to relationships where the university is not located in Australia and the overseas education provider is not located in the examined countries. Thirdly, this research was conducted under a realist paradigm using qualitative methodologies. Hence, the aim of this research was analytical generation and not statistical generalisation. Future research could be undertaken using a positivist, deductive approach in order to test the theory generated by this paper. Finally, this research examined commitment at the second stage of the relationship lifecycle. Consequently, research could be undertaken to determine the variables that develop commitment at the other stages of the relationship lifecycle.

**References**


