An Evolution in Research Practice for Investigating International Business Relationships

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Abstract: The purpose of this paper is to discuss the development and rationale of research methodology for a specific topic of research. The topic in question is an investigation into international business relationships, a complex subject and one that is very topical in the growing world of international business. It is intended to examine the logical development of research practice in our study and to show the changing thought processes and justifications we have made over a period of time. It is hoped that this discussion paper will be helpful to academics and students alike, as so often research methodology is only discussed in terms of the final method/techniques chosen with an emphasis on the technical aspects of the methods rather than relating them to the subject to be researched.

Keywords: International Business; Research Methodology; International Business Relationships

Introduction

This paper presents a discussion of the development of and rationale of research methodology for a study into international business relationships for small and medium enterprise (SMEs) in the UK. International business relationships form a complex subject for research and is also very topical in the growing world of international business.

The paper examines the logical development of research practice for our research and shows the changing thought processes and justifications made over a period of time. It is hoped that this discussion paper will be helpful to academics and students alike, as so often articles only discuss research meth-
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odology in terms of the final method/techniques chosen, with an emphasis on the technical aspects of the methods rather than relating them to the specific subject to be researched.

In order to understand the evolution processes and the factors influencing our choices, it is helpful to first understand how knowledge has developed the subject of building international business relationships and the key role they play today. As SMEs continue to play a significant role in the economies of many countries, especially in international business development this is ever more important. The research is based on SMEs in the United Kingdom.

SMEs become involved with international relationships for a variety of reasons from survival or growth; reducing costs or increasing markets and because the changing business environment requires new or different ways for businesses to remain competitive (Cannon & Perreault, 1999).

International business relationships continue to be valuable in the global marketplace, both in terms of supply and in reaching new markets. However, gaining an understanding of what is involved in optimising international business relationships and gaining mutual benefit from them is itself challenging for those involved in running small businesses. For example, the types of issues that might be faced by SMEs include: centralised vs. decentralised control; strategy and policy changes that might be needed to manage the relationship; market selection and adaptations to products, organisational and operational processes, as well as a range of cultural and management/employee development issues.

It is recognised that business relationships take many forms including importers/exporters; B2B; B2C; (International) Joint Ventures; collaborations; franchises; agents and distributors, and business networks. Whilst the importance of business relationships is acknowledged in academic literature, most of the effort from government and commercial agencies providing supporting information for businesses wishing to operate in the international environment, focus on ‘hard’ business factors such as transfer pricing; market-place statistics and trade figures. There is evidence that SMEs use a range of approaches to develop knowledge and identify trading partners, such as government support agencies, trade associations and established business networks. Hanna and Walsh (2008) recognise that "trade events play an important role in providing information about competitors, new technology and potential partners". Indeed, initial contact trips may be arranged (such as those organised by UK Trade and Investment, a governmental body for
developing UK international business), but rarely is any emphasis placed on training on factors that may affect relationship initiation, development or maintenance.

In today’s competitive international business world involving, SMEs need to operate in a similar fashion as large organisations, but without the same resources. As one MD from an engineering company stated “Customers now expect the highest quality products to be delivered at the lowest market price” (Hampton & Rowell, 2009).

Hampton and Rowell (2009 and 2010) have examined the reasons for small businesses benefiting from having an international perspective of their business, showing the need for SMEs to be aware of both the opportunities and challenges facing them. In small businesses international trading is often the responsibility of one person and therefore is one of many tasks they have to undertake, and as such can be demanding of their time and effort.

This paper will examine the importance of understanding business relationships in the process of developing international trade by small businesses and discuss the complexity of the factors involved in ensuring that such relationships are beneficial to the parties involved, especially in the longer term. The main theme focuses on our initial logic for the research methodology, and the various factors that have influenced our thinking, leading us to testing a more challenging framework. We end with showing how this framework, together with influential articles from leading journals, is driving the next stage of the primary research.

Literature review

Challenges to early internationalisation theory
The literature shows that traditional models of the internationalisation process, such as the Upsalla model, may need to be challenged as recognition is shown for the process being more complex than such early stage models suggest. For example, Holmlund et al (2007) recognized the need to consider importing, as companies who import component parts tend to develop a view that encourages involvement in exporting. They subsequently demonstrated a need to focus on the impact social relationships have on increasing overseas business development, and put forward the need to explore the network approach to internationalisation of a firm.
Malhotra et al. (2003) have attempted to develop a “multi-theoretical framework [for firms adopting] different entry modes at different stages of the of the internationalisation process”. They have tried to move beyond earlier stage theories of internationalization, acknowledging Dunning’s (2000) re-configured ‘Eclectic Theory’, which addressed the impact of technical and political changes of the 1990’s on business internationalisation. Later, Dunning (2009) recognised that changing global business environments impact on decisions to become involved in international trade. Further, Malhotra et al (2003) contend that while established theories use different explanatory factors “it is the collective, simultaneous consideration of all these factors that better explain the internationalisation process”. The recognition of the need to understand the ‘collective’ factors has been central to the authors’ examination of international business relationships, as it places emphasis on the need of taking a holistic perspective to fully understand the process of internationalisation. Malhotra et al.’s (2003) rationale suggests a need to focus on the complementary role and contribution of earlier theories of internationalisation, at the same time recognising the value of understanding sequential development, strategic and networking approaches to internationalisation.

It is suggested that there is a very diverse range of stimuli driving a company to become involved in international business. These range from the experiences, interests and skills of senior manager to more structured or strategic approaches to the management of a business. For example, some companies demonstrate opportunistic behaviour (Wyer & Smallbone, 1999); a response to the availability of (technical, marketing, research capability) resources in the target country (Bartlett, 2006), decisions based on the level of risk associated with particular markets (Majocchi & Zucchella, 2003) and at the other extreme, some companies have been shown to take a more pro-active approach to identify suitable markets using a range of criteria – economic development, demand for product/services (Jeannet, 2000).

**SME internationalisation**

Hutchinson and Quintas (2008) recognized that there is likely to be a difference in choices regarding internationalisation between SMEs and large multinationals. This is especially important when one considers the more limited resources available to SMEs. The greater resources of multinationals enable them to prepare and develop executives for international relationships through development programmes and tacit learning. Majocchi and Zucchella (2003) stress that SMEs cannot be viewed as “smaller clones of larger
enterprises”. Indeed, recognition of the resource differences in firms leads to establishing a need to examine the issues smaller and newer firms face in developing the necessary skills for managing the business (Gabrielsson et al., 2008).

Majocchi and Zucchella (2003) also recognised that SMEs identify target markets that are easier to understand and serve; are similar or closer geographically, or take a ‘global niche approach’. Whichever approach is taken, it seems logical to managers at a particular point in time and decisions are taken in the best interest of the business, trying to limit the complexities of foreign market commitment and reduce risk.

Holmlund et al. (2007) documented management interest, limited domestic markets, and enquiries from buyers, as the major motives for SMEs to start exporting. Others have identified approaches that are driven by ‘softer’ management skills; for example, Bjorkman and Kock (1997) have shown that a manager’s social relationships may influence the level of interest in international trading. This may link with a manager’s previous international business and life experiences. It may be argued that ‘life experiences’ may include social experience as well as those acquired in the working environment. This may also serve to highlight the complexity of the management influences on a firm becoming international, and indicating a need to consider social aspects alongside the business capabilities required. Further, Holmlund et al (2007) discuss reductions in cultural barriers, gaining greater confidence and more proactive approaches towards opportunities, in increasing the propensity for SMEs to trade internationally.

It is also helpful to consider the capabilities held within small firms for dealing with cross-border relationships as this has been identified as one of the challenges a business faces as it becomes international. Holmlund et al. (2007) demonstrate a need to focus on the impact social relationships have on increasing overseas business development, suggesting the need to explore a network approach to SME internationalization. Leonidou et al. (2008) reinforce the role of cross-border relationships in terms of marketing and improving efficiency. Hampton and Rowell (2009 and 2010) support to this view, emphasising relationship building across borders as being central to international business growth for many SMEs. Whilst Loane and Bell (2006) suggest that SMEs with international ambitions actively seek to develop new networks to support their company’s capability.
A move to relationship perspectives

Wong et al. (2010) have shown a need for a relationship-focussed view as opposed to the variables-focus adopted by most business relationship research, emphasising a need to investigate the evolution of relationships over time, including the management actions that may influence this. For example, relationships may be developed through sharing specific equipment or through training. All involve some cost. However, there are benefits to such costs being viewed as investments, not only in the necessary equipment or training but also in consolidating the relationship (Frazier et al., 2009).

Once the importance of social activities in business is recognised, the value of examining how business people think in terms of the international aspects becomes apparent. An experienced manager stated that he did not believe in social relationships in business and yet acknowledged that the way his Chinese counterpart had ‘looked after’ him and taken to play golf made him feel welcome. The action also increased his awareness of his colleague’s commitment to the relationship. Hampton and Rowell (2009 and 2010) found that personal relationships are often seen as important by SMEs and are proactively nurtured at both the business and personal level but are often reliant on two particular individuals.

The term ‘global mind-set’ has been used for some years now as a means of describing the need for business people to think from a global perspective. In 2000, Jeannet stated that a global way of thinking should pervade the entire organization, and that even new businesses should be considering their business in the global economy. Whilst as a concept a ‘global mind-set’ is relatively easy to understand, it is a challenge for companies to develop this way of thinking. This is especially true for smaller businesses where not all employees will consider this to be important to their role within the organization (Hampton & Rowell, 2009a,b).

In working with partners, Rodriguez and Wilson (2002) suggest that “cultural dissimilarities may lead to differences in objectives, management styles, operating methods and strategy implementation”, linking this idea with partner compatibility being one way of developing cross-cultural cohesiveness. Indeed, Hampton and Rowell (2010) found support for this from an investigation into a small UK business that has recognised the over-riding importance of ‘compatibility’ in the selection of their international distributors. Whilst
the company use other substantive selection criteria for working with their distributors - including industry knowledge, motivation, shared objectives, and market commitment, a long-term business relationship and the compatibility of business philosophy - the desire to ‘get along’ is recognised as being invaluable. Whilst the senior managers recognise that it is almost impossible to measure such a criteria, they have found it fundamental to successful relationships in the past. However, it may be that the other selection criteria used help them in identifying partner organisation compatibility.

Others have identified similar situations, including Anderson and Narus (1990) who gave examples of manufacturers and distributors in "working partnerships in which better co-ordination of marketing and technical activities is essential for their mutual success". Leonidou (2004) also reports that a relationship perspective creates "superior values that can be mutually beneficial"; and may create longer term competitive advantage. However, Leonidou et al (2006) suggest that distance (social, cultural, geographical and technological) can be responsible for preventing the flow of information.

Madhok (1995) recognised that the stability of international agreements between firms depended on blending both structural and social aspects of the partner relationship. Rodriguez and Wilson (2002) have also investigated the influence of relationship bonding and trust in providing a foundation for commitment between managers in a broad range of strategic alliances, establishing differences between “task and structural bonding”. Structural bonds are linked to economic exchange and determined by negotiated transactions, whilst social bonding considers emotional resources. They suggest that bonding is concerned with the strength of a relationship and “may range from business to close personal ties”.

The literature is also concerned with the development of relationships over their life-cycle. According to Flora et al. (2010), the motivations of distributors are primarily concerned with uncertainty avoidance in the early stages of a relationship. As relationships develop, the ‘general’ knowledge of the products and markets is increased, ‘uncertainty’ tends to reduce and their confidence and commitment increase. When the distributor becomes more confident with the relationship, markets, and products then the driving force of their commitment changes.

However, there are conflicting views over longer-term relationships. Some authors suggest long-term relationships are likely to be good, whilst others focus
on the difficulties faced in longer-term relationships. Differing perspectives may be identified with some authors taking a longer-term view of relationships as opposed to more contract-based perspectives (e.g. Dabholkar & Neeley, 1998; Ganesan, 1994), whilst others have concentrated on the dynamic nature of the relationship following a relationship life-cycle stance to investigations (e.g. Dwyer et al., 1987).

Barnes (2005) shows that complacency may develop in mid-term relationships, suggesting that the individuals involved were likely to focus less on their partners at this stage. However, Barnes recognises a stronger long-term relationship may be achieved if the need to refocus is identified and addressed. Rodriguez del Bosque Rodriguez et al. (2005) demonstrate that the economic and social dimensions of satisfaction are related, and suggest that as social satisfaction accumulates subsequent economic satisfaction may be enhanced. Importantly, these researchers establish that social aspects of business relationships are worthy of consideration.

Redondo and Cambra Fierro (2006) study how the relationship life-cycle stage influences the time orientation of the partners. They examine the complexities of relationships at different stages from identification through to enduring relationships. They consider factors such as communication, trust as an antecedent of cooperation, degree of relationship commitment, influence of cooperation on perceived satisfaction, and the effect of relationship commitment. They demonstrate that in the initial phase, commitment is not significant on the relationships long-term orientation but that it becomes important once the development stage is reached, i.e. as working together moves beyond the first business agreement. They state that “commitment demonstrates the desire to keep the relationship alive” and that this is established through collaboration, fluid (and two-way) communications, investment in assets and demonstrations of trust. This also relates to Barnes’s (2005) view of needing to deal with complacency in mid-term relationships.

**Opportunism, trust, commitment and satisfaction**

Barnes et al. (2010) discuss the concepts of opportunism, trust and conflict being central to the understanding of international business relationships. They examine relationships between Western exporters and Hong Kong Chinese importers, showing that Western business must be aware of problems caused by ‘opportunistic behaviour’ when dealing with Eastern partners, at the same time recognising the impact this may have on trust and long-term relationship development.
Like other researchers in this field, Barnes et al. (2010) adopt the view of opportunism defined “self-interest seeking with guile” and so view opportunism as a company taking a purely self-focused perspective, rather than thinking about any relationship influences or any partner-impacts of their actions. This is a consideration in our research. A negative view of opportunism suggests a single business focus. However, it could be argued that a positive view is possible in relationships where they take a mutually beneficial approach for the benefit of both parties involved, especially were a truly cooperative relationship exists. Wong et al. (2010) and Cannon and Perreault (1999) see cooperative relationships as relationships which share key resources, skills and/or knowledge in a way that co-creates value.

There is also the question of whether cultural or psychic distance should be taken into account when considering relationships. For example, the differing time perspectives (short or long-term views) held by business in different cultures. In addition, in support of Wong et al. (2010) but from a different focus, Deligonul et al. (2006) suggest that tolerance of opportunism is likely to be higher in an international setting, recognising the cost of control makes it impractical.

Closely associated with opportunism are the concepts of trust, commitment and satisfaction in business relationships. The research of Cavusgil et al. (2004) supports trust as being effective in curbing distributor opportunism whilst contracts are found to act as deterrents only through their enforceability. Whilst, Redondo and Cambra Fierro (2006) recognise that trust is dependent on the perceived behaviour rather than on promises made, i.e. actions are more important than statements of intent. Similarly, Rodriguez and Wilson (2002) show that trust and commitment help develop interdependency between partners where ‘perceived structural dependency is a pre-requisite to maintain and develop social dynamics in the relationship’. Further, Barnes et al. (2010) identify a positive association between commitment and satisfaction in Hong Kong importers with Western suppliers.

In their investigation into roles and complexities of trust over a one-year period of time, Katsikeas et al. (2009) suggest that trust “triggers structuring and mobilizing forces that change social properties, leading exchange partners to enhanced performance outcomes over time”. Thus suggesting that trust must be viewed as an influence on how partners agree to work together, both in terms of formal links between partners and also the more social aspects of working together.
Leonidou et al. (2008) show that building a high level of commitment is essential to achieve long-term benefits in international relationships, suggesting that short-term benefits may need to be sacrificed to develop longer-term rewards. Again, this may be usefully linked to taking a more positive view of opportunism.

Earlier work by Leonidou et al. (2006) concludes that certain associations between influential factors (e.g. trust and communication) may be challenged when examined through an integrated framework. This, importantly, suggests that trust should not be examined in isolation in considering business relationships, but as a network of factors contributing to successful relationships. Thus, supporting the need to take a holistic view of the challenges facing small businesses in developing international relationships.

The literature review has shown the complexities of the diverse range of factors that need to be studied in order to fully understand appropriate management for international business relationships. It demonstrates a need to consider how management decisions are taken in the broad context of the international business environment, and that a holistic approach to research will enable a consideration of these complexities. It recognises that linear models of trust, commitment, satisfaction and opportunism are insufficient to fully understand the complexities of the decision-making processes.

**Evolution of research methodology for our study**

This research began in 2005 by a team of three academics who were all enthusiastic about conducting research but who preferred working as a team rather than in the isolation of an individual piece of research so typical of academic studies. The members were from a range of different academic disciplines (namely, Human Resource Management, Operations Management and Marketing). They had a desire to share the knowledge and practises from their disciplines in a way to enable a more holistic approach to research, especially as this was reflected the way business was conducted and management decisions taken in the real world of small business. The researchers also shared a belief that academic research benefits from being relevant to the business world and should therefore be approached in a way that was not solely intended for academic publication, but should be useful to companies and for teaching purposes.
Key to our thinking at this early stage, was the need to take a holistic approach to understanding the internationalisation of SMEs. We were influenced by contemporary publications such as that of Dunning (2000) and particularly Malhotra et al. (2003), who recognised the need to take account of a broad range of factors through a holistic view of the business environment. It reflected our evaluation of our early findings with SME managers and aided our analysis of the reasons given for being involved in international trade.

Having completed a literature review, which highlighted the complexities of business relationships and that studies in this field were mainly focused on multinational organisations, it was decided to concentrate on SMEs. This was because the literature review clearly indicated a gap in the research into business relationships within SMEs. Also because SMEs face different challenges in this area as they have more limited resources to develop international business; have a more limited range of skills and capabilities; and may lack experience of trading across borders. In the initial stages of our research we were concerned with identifying the challenges facing SMEs as they developed international business.

We were then faced with a foundation decision - what research approach was most appropriate to understand the issues involved? Quantitative or Qualitative? Having established that there was limited understanding as to the reasons how and, perhaps more importantly, why an SME became involved in international business, it was decided that we should take a qualitative approach. This would enable understanding of why SMEs had taken decisions, what the influencing factors were and the challenges they faced. Our interest in gaining deep understanding of the business decision-making process was a key factor in this decision to use semi-structured interviews with senior managers in small businesses. The results of the initial research identified a range of factors that SMEs trading internationally need to manage carefully. These included: resource management, commitment, leadership and staff development. Further reading of the literature led to us to recognise the findings were interesting, but did not fully address the question as to why business operated in a certain manner.

Our initial research provided a building-block for further work. We began to shift our emphasis from understanding the broad challenges facing SMEs towards wanting to develop a deep understanding of how such challenges were addressed and managed, and to see this from differing perspectives within the organisation. As a result, we moved from semi-structured interviews with
a range of companies towards a detailed case study approach. We were fortunate enough to gain the agreement of a local firm, who had over 20 years of international experience, to participate in our work and to give us access to information and to meet with their senior management team members. The research took the form of an analysis of company information and semi-structured interviews with the Managing Director, and the Finance, Marketing and Operations Directors who also had differing levels of involvement with the international distribution process. The case study approach did prove to give helpful data in understanding why decisions had been taken to conduct business in specific ways. For example, the company recognised that it relied heavily on distributors for its international trade, so over time, had begun to treat them more as partners; holding bi-annual conferences to share business practices and ideas, and using joint business cards. Building levels of trust in this type of research can be important, as the people being interviewed are likely to be more open in their answers as well as more receptive to follow-up talks. Being given access to all senior managers in the management team allows exploration of the topics from differing perspectives.

Having conducted such qualitative research through analysis of the semi-structured interviews and case study investigation we have been able to present the findings to a range of audiences including academic conferences, papers and presentations to industry, including a business report for participating companies on the overall findings. Further, working with a single company inspired us to perceive the reality of conducting a broader, yet deeper and holistic research approach to include processes, purchasing teams, communication and network management. All of which had been identified as important in the literature. In addition we developed a framework for further investigation of international business relationships from a holistic perspective. We believe that this approach is one that is closest to gaining a real-life perspective for this topic due to the inter-related nature of many of the issues that need to be examined.

However, having presented our ideas on a holistic perspective at an international academic conference, we began to question whether or not we were being too ambitious in our belief that it was possible to undertake relevant, reliable and robust research for such a broad and all encompassing framework. For some time we began to doubt the reality of conducting meaningful research using a holistic approach, bearing in mind the preferences of many highly-ranked journals to accept articles based on statistically proven data analysis. However, whilst recognising that this influential work gives detailed
insight into a narrow part of the contributory factors, in our opinion, these do not address the complexity of international business relationships.

We were so strongly influenced by our reading that we began to challenge our own ideas and even discussed developing some of the research already conducted in different countries, working on a questionnaire based on the work of Barnes et al (2010). We were also interested by a conference presentation interrogating the cultural issues faced by International Joint Ventures (Barnes, 2011). This research had identified some interesting questions around cultural norms, but had also led to a more questioning and integrative model which reflected the non-linear (holistic) approach we had wished to develop. Discussions in person with the researchers of both articles were extremely useful in enabling us to clarify what and how we wished to investigate.

Having such debate, based on our own ideas as well as examining the differing approaches, identified from the literature was very informative. It provided a strong challenge to our thinking and made us question whether or not we had sound logic to our approach. We had to re-examine our reasons for taking a holistic and qualitative approach in terms of the relevance of the data and the resulting analysis. Was it possible to study the linkages of factors that influence the selection, building and maintenance of business relationships? Was the research into establishing linear models the only way forward? Was there any value or difference in our approach which might supplement the data of other researchers examining specific aspects of the relationship, such as trust and commitment?

We concluded that there was value in both quantitative and qualitative studies, and that holistic views of the relationship gave insight into the complexity of influencing factors as well as providing results that might give further insight into quantitative studies and be useful to industry. As such, we have incorporated the findings of quantitative studies into the development of our framework for the next stage of our research. Whilst it may be interesting to establish what factors lead to trust, there is a place to recognise that the influencing power of these factors vary according to the specific business environment and economic situation, the business philosophy and practices, as well as prior experience of the company and individuals concerned.

An example of this is the debate we have had about opportunism. Of particular interest is identifying what encourages firms to take a negative or positive view of opportunism and at what point in the relationship does a positive
view become a possibility (if a life-cycle view of relationships is shown to be pertinent)? Also influencing such discussions is the nature of the relationship that exists, and whether or not it is a truly cooperative relationship. As the literature shows, cooperative relationships are relationships which share key resources, skills and/or knowledge in a way that co-creates value. Would a company in such a relationship seek to risk their investments?

As culture (national and business) forms a key part of the literature review, we were mindful of the need to include aspects of this in our holistic framework. Questioning how we could monitor the changes in cultural norms? Are they becoming less important as we all merge in our global village? An example of our thinking would be the HSBC advertising campaigns that suggest the world is becoming ‘smaller’ and we are aware of differences in the cultures we are dealing with, for example, trying to greet each other in the accepted manner. Is this superficial culture? If so, is this sort of exchange sufficient to enable relationships to develop? Or do we need deeper understanding and change to build trust and commitment. What can managers do to gain trust and commitment, and work to build longer-term relationships that may help to gain competitive advantage?

Our revised framework (Fig.1) is designed to show that whilst there is value in establishing linear models (e.g. trust leads to commitment), businesses may benefit from increased knowledge of the range of influences and how these factors are inter-related, and therefore leading to beneficial international business relationships.

Figure 1: Research Framework - Context of Cross-border Business Relationships
Conclusion

We have shown how the research methodology has developed over time, indicating the factors that have influenced our thought processes, and how the literature and discussions with other academics and business leaders have informed and influenced the methodology.

We acknowledge that the value of the framework has yet to be proven and are currently involved in primary research with a further study of UK SMEs. The pilot study has already led to some positive feedback from a company involved in international business for over 10 years as being very realistic in insightful. There has been interest from a management consultancy which works with SMEs developing business in international markets. Their interest and access to SMEs trading internationally, will enable the testing of the newly developed framework.

References


