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BUSINESS RELATIONSHIP DEVELOPMENT IN THE CONTEXT OF A HIGH-RISK AND UNCERTAINTY

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ABSTRACT

This paper aims to explore how relationship elements fluctuate and business relationships develop in a volatile country market. Previous studies explored business relationship development in stable country markets ignoring the complexity of building relationships in the context of high-risk and high uncertainty environment. This study followed the traditions of inductive logic and used a qualitative approach and multi-case study design. Data was analyzed following the procedure of General Inductive Approach (GIA).The findings suggest that learning orientation is a key orientation influencing a companies' ability to develop business relationships in a high- risk country market and that relationships need to be understood from this perspective rather than simply a relational one. Business relationship development in a volatile market can be better understood through the learning perspective than merely within the relational perspective. Practical implication of the study is that when exporting to a high risk country market, a company needs to develop its orientation towards learning to develop its ability and capacity to manage and develop business relationships.

Key words: *learning orientation, business relationship development.*

PENGEMBANGAN HUBUNGAN BISNIS DALAM KONTEKS KETIDAKPASTIAN DAN RISIKO TINGGI

ABSTRAK

Artikel ini bertujuan untuk mengeksplorasi bagaimana elemen-elemen dan hubungan bisnis berkembang di pasar yang tidak stabil. Penelitian terdahulu telah menggali perkembangan hubungan bisnis di negara-negara yang stabil mengesampingkan kompleksitas pengembangan hubungan bisnis di negara yang memiliki lingkungan yang tidak menentu dan berisiko tinggi. Penelitian ini mengikuti logika induktif dan menggunakan pendekatan kualitatif serta desain multi-kasus. Data dianalisis dengan mengikuti prosedur General Inductive Approach (GIA). Hasil penelitian ini menyiratkan bahwa orientasi belajar adalah orientasi kunci yang mempengaruhi kemampuan sebuah perusahaan untuk mengembangkan hubungan bisnis di negara yang berisiko tinggi dan bahwa hubungan bisnis perlu dipahami dari perspektif tersebut daripada perspektif relasional. Perkembangan hubungan bisnis di pasar yang tidak stabil dan lebih difahami melalui perspektif learning dibanding perspektif relational. Implikasi praktis dari penelitian ini adalah bahwa ketika mengekspor ke negara yang berisiko tinggi, perusahaan perlu mengembangkan kemampuan orientasinya terhadap learning untuk mengembangkan kemampuan dan kapasitasnya dalam mengelola dan mengembangkan hubungan bisnisnya.

Kata Kunci: *orientasi belajar, pengembangan hubungan bisnis.*

INTRODUCTION

The relationship development has been argued as the key success factor because the implementation of the strategy improves export performance in export markets (Leonidou, 2003; Pressey and Tzokas, 2004). According to Leek et al., (2003) stated that interactions between companies become much more complex than previously thought. In addition, the complexity of interaction increases because both sides have differences in terms of language and/or national and organizational culture (Batonda and Perry, 2003; Ha et al., 2004). For example, the exporters have to collaborate with foreign partners who exist and operate in different market environments, which can shape the way they interact (Leonidou, 2003).

In international markets, relationship development is a complex process which does not necessarily evolve in structured sequential steps. This is due to the factors as the dynamic nature of human interaction, the complexity of business communication over long distances and the complexity of the business environment of many country markets in which the relationships are formed (Batonda and Perry, 2003). Besides that, the business environment is recognized as influencing the development of business relationships; however, previous studies focused on business relationship development in markets with a relatively stable business environment (Saadi, 2007). In other words, previous studies do not really help us understand the development of business relationships in more unstable and volatile country markets. The development of business relationships in such markets can be influenced by situational or external factors that are unique to the individual relationship or the individual market situation.

In connection with the arguments above, this study aims to provide insights into how business relationships develop in a volatile market. The context of the study is Indonesia, which has been considered a high-risk and uncertain market in 1997 (Indrawati, 2002; Prideaux et al., 2003) and where, since that time, both export and import activities have declined significantly (Indrawati, 2002). For example, among the ASEAN countries, Indonesia has shown the worst economic performance since the economic crises began in 1997 (Indrawati, 2002). Since 1997, Indonesia has experienced a number of major shocks resulting in a serious crisis, namely: the Asian financial crisis, political uncertainty, ethnic and religious unrest, terrorist attack, natural disaster, (Prideaux et al., 2003). A complicated situation exists in the country, which has caused great uncertainty and a risky market for foreign business (Seally (PRS group), 2003; Research and Markets, 2004).

The relationship marketing literature contributes to the understanding of how a relationship develops with regard to the particular relationship elements which may fluctuate or change (Rao and Perry, 2002). The literature suggests that the more developed the elements, the more advanced the relationship becomes. However, it remains unclear why the elements fluctuate. To be more specific, the literature provides understandings on how relationship elements fluctuate but why they fluctuate in different ways is still unclear. It is the question which is of interest in this study. Therefore, the aim of this paper is to explore how relationship elements fluctuate and business relationships develop in the context of a high-risk and uncertain country market.

THEORETICAL FRAMEWORK

Relationship development literature can be grouped into three main streams, i.e. the three roles of relationship elements, integrative (stages), and states models (Sulhaini, 2007). A number of authors revealed the roles of relationship elements in explaining relationship development and the fact that external aspects of the relationship could influence the development. They grouped relationship elements into three categories, namely antecedents, key mediators and outcomes. However, they pointed out that each element might fall into different roles, and thus the boundaries among the groups are blurred.

It seems that they combine relationship elements and external aspects of relationships, such as environmental uncertainty, market characteristics and offer characteristics as the antecedents of relationship development. However, there was agreement that all external aspects of relationships were antecedents but not key mediating elements or outcomes of relationship development. Therefore, it can be argued that external aspects of relationship are the antecedents of management policy, which in turn influence the fluctuation of the relationship elements, and that each element is highly inter-related with other elements.

Business relationship development has been described as occurring in sequential stages or states. The stages theory of business relationship development suggests that a relationship develops in a step-wise manner in which it develops through a number of stages depending on the development of the elements (Conway and Swift, 2000). However, this theory was attacked by the emergence of the states theory. The states theory suggests that the development of a relationship is not necessarily an orderly progression of phases over time. Indeed, the phases through which a relationship moves depend on the circumstances or opportunities that the parties encounter (Rao and Perry, 2002).

The stages models describe relationship elements as fluctuating and shaping relationship development, consequently, relationship development is the outcome of the fluctuation process. The more advanced the stage, the higher the degree of positive relationship elements, whilst relationship elements with negative impacts decrease as the relationship moves into further stages. This suggests that by increasing the positive elements, such as, commitment, trust and cooperation, a relationship will move to a higher stage. The increase of these elements runs in parallel with the decrease of elements with negative impact, such as, distance, uncertainty and conflict. Meanwhile in a lower stage, commitment, trust and cooperation will be low but distance, uncertainty and conflict will be high (Saadi, 2007).

The stage models describe relationships as developing via a linear route where a relationship moves to only one possible stage. This body of literature is mainly based on conceptual works on business relationship development. In contrast, the state models body of literature is based on empirical works describing relationship development in a more "realistic" way (Saadi, 2007). They indicate that a relationship falls into a declining or inert state just after experiencing a growing state or even straight from a new state. A new relationship may directly move to one of three different states before going into termination. Rao and Perry (2002) explain how a relationship falls into a certain state depending on how the relationship has been managed during the environmental changes. When the environment changes, the firms will try to find ways lead the relationship to a certain state of relationship development.

Leek et al. (2003) illustrated that market environment directly affects business interactions and the business relationships. Earlier, Oliver (1990) identified that environmental uncertainty prompts organizations to establish and manage relationships in order to achieve stability, predictability and dependability in their relations with others. Hence, it may be argued that firms engage in different situations and experience different business relationship stages or states. Changes in the environment induces the development of relationships as firms take action by changing their policy as they respond to the environmental changes. The policy may only activate particular elements; however, as they are highly interrelated, the change in one element may affect another, and this process will determine the development of the relationship. The revolutionary development of information technology inevitably influences they way companies communicate and interact and thus affect

Table 1
The Companies Understudy

	North West	Waingate	Border	Bridgeside	Froster Fencing	Pittafin
Experience of direct export to the market	Less than 5 years	Over 32 years	Over 30 years	Over 15 years	Over 15 years	Over 5 years
Business relationship development	4 maintained and one terminated	All terminated	All maintained	Maintained	Terminated	Maintained
Entry mode	Direct to end-users	Direct to end- users and agent	Distributor and agent	A representative	Local office and distributor	Distributor

Source: the primary data.

they way they manage their business relationship (Leek et al. 2003).

RESEARCH METHOD

Previous studies on relationship marketing has followed the deductive tradition and mainly utilised a quantitative approach to research methodology (Saadi, 2007). Studies in this area using a qualitative approach have been limited, even though a qualitative approach is believed to permit a greater insight into the complex knitting of variables that affect relationship development (Lindgren, 2001). A qualitative methodology was adopted in this study to allow the investigation of holistically unpredictable outcomes of the cases in natural setting. The investigation followed the hermeneutic process where the values of the author as well as theories could affect the study.

Sampling

Purposive sampling was adopted to increase the scope of multiple realities. The sample size did not allow for a statistical generalization, indeed it emphasized theoretical sampling which enabled the author to get deeper understandings of the development and management of international business relationships. Each company provided a large amount of data. As seen in Table 1, the companies did not have many things in common except they had experience of interactions with Indonesian companies during a time of increased risk in the market. The six companies portrayed a strong case variety which allowed the researcher to develop a rich and in depth understandings.

Data Collection

The data were collected data through two stages namely, a pilot questionnaire survey and in-depth interview survey to build case studies. The pilot study was used to develop a sample of information rich case studies. Six companies were selected from the pilot study for in-depth case analysis as it was judged these companies offered the scope to obtain a rich source of data from the UK as well as Indonesian partners. They offered access to information and they have interesting experiences or characteristics. The analysis of such a large data set from a variety of companies with such diverse experience was a daunting task. Methods of analysis were reviewed to find the best process of theory building, and then General Inductive Approach (Thomas, 2006) was applied in analyzing data, which was obtained through 28 qualitative interviews in the UK and Indonesia.

The approach acted as a guide on how to inductively generate theory from a massive qualitative data. The study used detailed reading of raw data to derive concepts, themes or models through interpretations made from raw data. It involved a data reduction process through a set of procedures

Table 2
Categories and Case Features in Term of the Development of the Key Relationship Elements

The key relationship elements	Category One		Category Two	Category Three	Category Four	
	Bridgeside	**Pittafin**	**North West**	**Border**	**Waingate**	**Foster Fencing**
Trust	Stable credibility and reliability trust	Stable credibility and reliability trust	Stable credibility and reliability trust	Credibility and reliability trust were decreasing	Stable credibility trust but decreasing reliability trust	Stable credibility trust but decreasing reliability trust
Commit-ment	Stable affective commitment with no calculative commitment	Stable affective commitment with no calculative commitment	Stable affective commitment but increasing calculative commitment	Affective commitment was decreasing but calculative commitment still existed	Affective and calculative commit-ment were disappear-ring	Affective and calculative commit-ment were disappearring
Satisfac-tion	Stable social and economic satisfaction	Stable social and economic satisfaction	Stable social satisfaction but decreasing economic satisfaction	Social and economic satisfaction were decreasing	Social and economic satisfaction were decreasing	Social and economic satisfaction were decreasing

Source: developed based on primary data.

for creating meaning in complex data. In order to ensure trustworthiness in the findings, various techniques were adopted, namely: within-case and cross-case analysis by using replication logic; definition of the scope and boundaries of reasonable analytical generalization; case study protocol; data recording and triangulation of sources of evidences.

DATA ANALYSIS AND DISCUSSION

Creation of Categories

After doing close-reading the data, data analysis was started by creating the categories where the main focus was to identify the main relationship elements explaining the development of the business relationships under study. The identified elements were such as trust, commitment, satisfaction, communication, cooperation, switching barrier, relative dependence, balance of power, attractiveness of alternatives, adaptation, and social bonds or interpersonal relationships. It was found, however, that trust, commitment and satisfaction were the key elements, which were consistently present in every case, both implicitly and explicitly and indicated as critical aspects by the interviewees themselves.

The general inductive approach allows reduction of the number of the themes and choice of the most important themes (Thomas, 2006). The author decided to reduce the number to three elements, i.e. trust, commitment and satisfaction, which were viewed to be the main or dominant elements as they could portray the development of the other elements. It was assumed that business relationship development of the selected companies would be sufficient by focusing the analysis on the development of trust, commitment and satisfaction.

Identifying variations in terms of the development of the elements was the next step of the analysis. Through constant comparison among the cases, it was possible to identify unique case features which established categories of business relationship development. The comparison also facilitated the identification of shared case features across two or more categories to find patterns across the cases. The cases that had similarities were placed into the same group and when one or more cases showed differences, this led to the establishment of a new group for business relationship development. Table 2 illustrates the categories and case features in terms of the development of the key relationship elements.

Table 2 illustrates the variation among the sample firms regarding the development of the main relationship elements. In lieu of the variations as seen on Table 2, an interesting question emerged on why the variations existed? This question provided the focus when exploring the critical issues, i.e. payment method, the role of interpersonal relationships, customer and market knowledge acquisition and customer value creation. For the purpose of the exploration, cases were selected that provided the clearest picture of the important implications of the most critical issues.

The exploration aims to find the broader implications of the development of the main relationship elements through exploration of critical issues. Developing a theory required investigation into how the findings are related to broader issues (Silverman, 2004). This led to a richer understanding of business relationship development from different perspectives. It was expected that further lines of inquiry would be identified from the exploration, which would lead to a deeper explanation of the phenomena under study. Therefore, the exploration had one task i.e. finding important implications for further lines of inquiry that will allow examination of business relationship development from a different perspective. The exploration allowed for important findings to emerge as summarized in Table 3.

Table 3 suggests that experiential and continuous learning processes led to knowledge building; these were the processes that created understanding of the foreign country market and its customers. These enabled the companies to create superior customer value. The exploration of some of the critical factors to successful relationship building also suggested that learning was linked to relationship development. The existing literature, however, provides a limited understanding of the link between learning orientation and business relationship development. Nevertheless, Panadiyes and So (2005) and Santos-Vijande et al. (2005) recently revealed the link. Their studies however did not look at how market environment affects business relationship development. It is this issue which is examined in the following section.

Learning Orientation of the Companies

Learning orientation refers to the organizational learning culture of companies and is viewed as a firm's willingness to generate organizational learning (Santos-Vijande et al., 2005). Learning oriented organizations have environments in which individuals are encouraged to learn, motivated, developed, and share new skills (Richter and Vettel, 1995; Farrell, 1999; Kandemir and Hult, 2005). This suggests that learning orientation facilitates the generation of new ideas and knowledge through a collective effort of individuals who have the ability to absorb and share knowledge with others. Baker and Sinkula (2000), Farrel and Oczkowski (2002) and Santos-Vijande et al (2005) assumed that learning orientation provided benefits for companies in understanding their markets, particularly when they have to operate in turbulent markets. The literatures suggest four dimensions of learning orientation, i.e. emphasis on the value of learning; shared vision; availability of learning mechanism; and organizational routines and

Table 3
Interesting Experience and Implications

Critical Issues	Interesting Company Experience	Implications
Payment method and the role of interpersonal relationship	Border suddenly changed the method of payment from Letter of Credit to pay in advance and ignored its long experience of trade transaction through which it could have knowledge of local dealers' creditworthiness. The company was also lack of strong interpersonal relationship through which it could rely on when it faced conflicts with its local dealers. The other companies maintained the method of payment depending on buyers creditworthiness, which grew based on iterative transactions	Learning from past experience of interactions, built understanding of creditworthiness and reliability of customers/partners. Experiential learning facilitated trust development.
Customer and market knowledge acquisition	Bridgeside maintained its frequent communication with its local partner through which its obtain a rich information regarding the market/the customers. North West also maintained its communication with its local customers, however it was still less frequent. This company could not know its customers latent needs and changing preferences. This was similar to Border experience.	Commitment on affective commitment ensured the continuous learning process where the exporters continuously obtained information and knowledge of the market/customers.
Customer value creation	North West was perceived as a supportive supplier, yet the local customers perceived that the price of products they purchased exceeded the value or the quality of the products. Meanwhile, they perceived that a competitors' product quality was worth its price; they perceived that competitors offered much cheaper products with acceptable quality, North West however did not know this as the company could not have sufficient information. The company accepted GBP only as it did not have knowledge of how to manage the risk currency rate fluctuation.	Trust and commitment related to satisfaction since experiential learning and continuous learning facilitated the exporter's ability to create superior customer value.

Source: developed based on primary data.

processes or open-mindedness (Chonko et al., 2003; Santos-Vijande et al., 2005). These four dimensions have been used to seek explanations of the development of the relationships under study in this paper.

Emphasis on the value of learning

Fostering an organizational culture that demonstrates the value of learning and emphasizes the importance of learning throughout the organization is central to a company's ability to adapt to an uncertain environment (Chonko et al., 2003). These results from an organization's belief that learning is at the heart of the organization's ability to continuously adapt to its business environment as threats are identified and opportunities exploited. This ability develops if a company can learn and apply knowledge faster than its competitors. Building competitive advantage on the ability to learn requires a commitment to learning, which implies that organizations value knowledge of the causes and effects of its actions (Santos-Vijande et al., 2005). This suggests that the purpose of an emphasis on learning is to allow organizations to continuously anticipate market opportunity and threat, and to respond more effectively than their competitors. Learning also allows organizations to anticipate a competitor's actions against their responses.

All interviewees suggested that their companies emphasized learning, but the organizations' commitment, did not explain why each learned in different ways. The pattern between business relationship development and the commitment on learning was unclear. Hence, it was ruled out as an influence upon the variation (Johnson, 1989: 171) and further identification of variations of the other dimensions were needed to fully understand how the sample firms learnt, which might relate to the variation in term of the development of relationship elements.

Shared Vision

Shared vision reflects a company interest in sharing understanding among staff/department on company objectives and commitment to achieve them. This dimension is crucial to ensure learning process occurs in the same direction (Santos-Vijande et al., 2005b). Slater and Narver (1995) suggested that a shared vision requires effective information and knowledge sharing in order to increase information value. When each piece of information can be seen in its broader context by all staff, a consensus may emerge on the meaning of the information and its implication for the business. Thus, shared vision provides the company with a sense of purpose and direction (Celuch et al., 2002).

In the companies under study, shared vision was exhibited through regular meetings; open discussions; and open decision-making processes, which reflected trust among staff/departments and internal cooperation to find the best ideas to retain customers and business relationships. A company can encourage information acquisition by sending people from multiple functions, not only from the marketing department, on customer visits. However the effectiveness of the company response may depend on their assumption of the market and whether the key relationships between responses and the customers are shared internal the company (Day, 1994). This was well illustrated by Border's experience in 1997 as seen below.

Shared vision facilitated diffusion of an individual's knowledge of the market and partners/the customers. Individual knowledge was accumulated through interactions where the person obtained understanding of customers' trustworthiness, behavior and intention, from which future behavior of the customers could be predicted. Transferring such understanding required face-to-face meetings, so that other staff could receive the knowledge. As a result, decisions on subjects such as method of payment could be made according to the consensus of more staff. This suggested that trust at an individual level led to organizational trust and the method of payment decision reflected trust and learning processes at individual and organizational level.

The sales director of Border (category three) was involved in every transaction with the company's dealers in Indonesia since 1978. His long experience dealing with the intermediaries resulted in interpersonal trust. However, lack of shared vision hindered Border in learning from his experience. This company was unable to assess business partner's credibility due to lack of shared understanding within the company. When the crisis began in the market, the company suddenly changed the method of payment from letter of credit to pay in advance and proposed a more detailed contract, which the Indonesian partners refused to sign as they perceived it to be unfair. This led to a decrease in levels of trust and satisfaction with the Border.

Divergent ideas and opinions were not stimulated from which critical decisions could be made. Limited shared vision hindered the emergence of the best ideas and led to a lack of ability to sustain mutual satisfaction in the uncertain environment. On the other hand, shared vision allowed Bridgeside and Pittafin (category one) to provide the best support to their customers/partners. Support was not only provided by the sales department, but also by all departments within the company. Shared vision facilitated the growth of ideas from staff and was able to provide the best support for customers, which created added value. This influenced the development of satisfaction, which strengthened the business relationships although the market was increasingly turbulent.

Availability of Learning Mechanisms

The dimension reflects learning mechanism available in both structural and procedural arrangements. These arguments allow a company to collect, analyze, store and retrieve market information (Chonko et al., 2003). Sales people have a unique position as they are in constant communication or contact with customers/markets. Interactions with customers/markets reflect learning mechanisms available in the company and the level of satisfaction and commitment in the relationships. In this study the variety and frequency of learning mechanisms was seen to influence satisfaction levels in relationships.

A wider variety of such mechanisms gave a company an improved ability to cope with certain risks, (for example financial risk), and a better ability to meet customers' preferences. Conversely North West (category two) suggested a lack of a variety of learning mechanisms led to their inability to cope with currency rate fluctuation. They only accepted sterling whilst their customers preferred US Dollars. North West maintained stable customer visits, but they were already low in frequency and unfortunately they did not generate sufficient customer intimacy. The company had imperfect knowledge of its customers' outsourcing and latent needs. In contrast, Bridgeside (category one) suggested that increased frequency in learning mechanisms allowed staff to continuously learn about the market and their customers, which reflected a greater level of affective commitment. This led to a greater ability to create customer added value, which affected satisfaction in the relationships.

Open Mindedness/Organizational Routines and Processes

Regarding open mindedness, there are two types of learning: adaptive learning and generative learning (Celuch et al., 2002; McGuiness and Morgan, 2005). These different types of learning are believed to influence a companies' ability to deal with market uncertainty. Such variations were found in this study.

Four companies: North West, Border, Waingate and Froster Fencing, used adaptive learning only, whilst Bridgeside and Pittafin also emphasized generative learning. The companies, (except category one companies), tended to be reactive regarding market opportunities. They relied on traditional and stereotypical views and beliefs, and made decisions without a deep understanding of the customer/market. The companies in category one also performed generative learning enabling them to learn the new reality in the market as they emphasized continuous learning through the business relationship.

Open mindedness led to a greater ability to meet customers' latent and expressed needs, and thus promoted further development of satisfaction. The open mindedness dimension in which generative learning was emphasized, allowed companies to learn the new realities of the market and understand that company policies required constant adjustment to cope with the uncertainty. Generative learning companies tended to have more stable business relationships since they were better equipped to respond to the turbulent market environment and retain their customers/partners.

Important case features regarding learning orientation were identified and an understanding was obtained on how the case features associated with the fluctuation of busi-

Table 4
Case Features in term of the Dimensions of Learning Orientation

BR Development category	Company	Shared Vision	Availability of Learning Mechanism	Open mindedness
One	Bridgeside	Through regular meeting and discussion with all staff involved in the interactions	Wide variety and frequent	Generative learning
	Pittafin	Through regular meeting and consultations with more experienced staff	Wide variety and frequent	Generative learning
Two	North West	Through regular and bespoke meetings	Lack of variety and frequency	Adaptive learning
Three	Border	No meetings, decision was made based on personal judgment	Wide variety but lack of frequency	Adaptive learning
Four	Wingate	No meetings, decision was made based on personal judgment	Wide variety but lack of frequency	Adaptive learning
	Foster Fencing	Long vertical information flow and centralized decision-making process. However, sharing divergent thinking or ideas from employees was not facilitated	Wide variety but lack of frequency	Adaptive learning

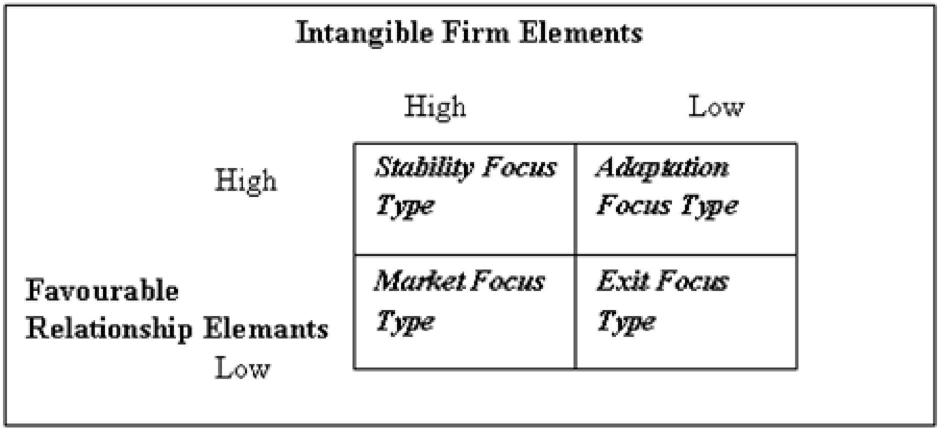
Source: developed based on primary data.

ness relationship elements and development. Table 4 summarizes the variations in terms of the dimensions of learning orientation of the companies studied. As seen on table V, Bridgeside and Pittafin (category one) had strength in all learning orientation dimensions and as said earlier (Table 2) it was these companies who exhibited strong relational elements of trust, commitment and satisfaction even though the market was increasingly volatile. Meanwhile, the other companies showed weakness in one or more dimensions and experienced a decreasing level of trust, commitment and satisfaction in the relationships.

Although the interviewees stated that their companies emphasized the value of learning, it is the capacity to develop a shared vision that distinguished whether the commitment lay at an individual management or organizational level. Shared vision was facilitated through regular meetings; open discussions; and open decision-making processes, which reflected trust and cooperation among staff/departments to find the best ideas to retain customers and business relationships. Accordingly, commitment to learning could be seen in the availability of learning mechanisms, which reflected the variety of knowledge pursued and the frequency of learning available in the organizations.

Although learning mechanisms were available, open-mindedness affected the manner in which organizations learnt about the new reality of a turbulent environment. This required the organizations to perform generative learning rather than adaptive learning. A generative learning organization was viewed to have a better response to market change, because it gave exporters an improved ability to deal with market uncertainty. Based on the discussion, it seems that Bridgeside and Pittafin (category one) had strength in all learning orientation dimensions. More importantly, the discussion on

Figure 1
The Typologies of Business Relationship Development in a High-Risk and Uncertain Market



Source: developed by the author.

the variations in terms of the learning orientation dimensions suggested that orientation may have an effect on business relationship development. Each dimension was found to relate to the fluctuation of business relationship elements e.g. trust, commitment and satisfaction.

The Typologies of Business Relationship Development

In order to describe the contribution of this study, it is necessary to develop the typologies of business relationship development in a high-risk and volatile market. This is illustrated in Figure 1. The learning orientation influences firms and the way they manage business relationships. Learning orientation is *intangible* and difficult to quantify, however, as suggested in the analysis, they stimulate firms' ability and intention to develop and manage business relationships. Hence the first axis is labeled as ***intangible firm elements*** covering learning orientation running from high to low level. Bridgeside and Pittafin in category one suggested a perfect combination of those elements meaning that they had a high level of intangible firm element. On the contrary, the companies in category two *(North West)*, three *(Border)* and four *(Waingate and Froster Fencing)* suggested a lack of one or more of those elements and were said to have a low level of intangible firm element.

The three main relationship elements: satisfaction, trust, and commitment seemed to be critical to the explanation of the development of the relationships. They are relationship elements with favorable influences on the development of business relationships. Stability of those elements results in the stability of a business relationship even when the market environment becomes increasingly uncertain. A decrease in these elements makes the relationship vulnerable in an unpredictable market environment. Hence, the second axis is labeled as *favorable relationship elements* covering trust, commitment and satisfaction running from high to low level.

These intangible elements may stimulate a firms' intention to develop business relationships even when the environment becomes increasingly risky and uncertain. This suggests that in order to develop a greater understanding on how business relationships developed in a volatile market, it is crucial to draw on the literature from learning perspective, i.e. learning orientation. Furthermore, this suggests an explanation as to how British exporters develop and manage their business relationships in such a market within this perspective is a contributory value of this study. Thereby, the authors propose, that in order to understand how business relationships develop in a volatile country market it is necessary to examine the typologies reflecting the association between intangible firm elements and favorable relationship elements as seen in the Figure 1.

High Level of Intangible Firm Elements – High Level of Favorable Relationship Elements

This is the most desirable quadrant, which reflects a high level of intangible firm elements with a result in high level of favorable relationship elements. Companies in this quadrant may have a stable development of trust, commitment and satisfaction, which can only be expected from a perfect combination of the intangible firm elements. The focus of companies in this quadrant is to maintain stability of the relationship in the turbulent environment; hence the type is labeled as ***stability focus***. They are oriented towards learning where they build all the dimensions of learning orientation, i.e. shared vision, availability of learning mechanism and open mindedness, leading to the development of trust, satisfaction and commitment unaffected by market situation.

A high level of favorable relationship elements leads to a good atmosphere and it is likely that both parties will be able to solve conflicts smoothly and the relationship will stay enjoyable and profitable. Indeed, it is likely that the firm will cultivate a higher profit when the market is increasingly volatile where its competitors have a lack of learning orientation and market orientation and are unable to cope with market uncertainty. Consequently, it can be argued that *stability focus* is the most desirable type.

Exporting to a volatile market entails a greater challenge and it requires the company to learn and respond faster. In a highly turbulent environment, a “sudden” change in competition, customer perception, and increasing market risks may be unavoidable, however only a learning oriented firm can deal with a sudden change and be able to maintain business relationships. The company that emphasizes learning within the organization facilitates a wider variety of learning practice to develop a richer knowledge of market/customers, in order to smooth the progress of the company’s business in a turbulent market.

Internal learning processes involve the transfer of knowledge of market/customers through a shared vision by which the learning processes are embedded throughout the organization. This may mean that the company as a whole is getting to know market/customers and every department/staff has the same vision leading to a better internal cooperation and coordination of all efforts to promote market/customer orientation. A decent or good level of internal cooperation then engenders a more positive attitude towards managing the business relationship. Therefore, the *stability focus type* suggests that a good internal cooperation will result in a greater ability to manage external cooperation.

Low Level of Intangible Firm Elements – High Level of Favorable Relationship Elements

Lack of learning orientation inhibits firms’ willingness to continuously learn about the market. They may not commit to obtain market/customer knowledge as they are not committed to the relationship. Therefore, lack of learning orientation discourages companies to commit to the relationships as they may perceive such commitment as unprofitable. It is likely that the companies in this quadrant to show calculative commitment holding both parties in the relationship.

Adaptations may be driven from passive response as the result of lack of learning orientation and it is likely that adaptations are the reflection of calculative commitment in the relationship. Nonetheless, adaptations will be critical so that the relationship can generate profit although it may decrease as they cannot fully cope with the adverse effects of the environment. Therefore, the type in this quadrant is labeled as ***adaptation focus***. Exporting to an uncertain market requires frequent visits to stimulate the process of learning about the customers and the market. However, low learning orientation may mean the firm is unwilling to obtain market knowledge. Companies in this type tend to be reactive, and when they face greater uncertainty in the market, they tend to rely on their old strategies rather than adjusting or developing new strategies in order to cope with the new reality in the market.

Low Level of Intangible Firm Elements – Low Level of Favorable Relationship Elements

This quadrant reflects low level of intangible firm elements leading to low level of favorable relationship elements. Companies in the adaptation type above indicate the relationships still exist as calculative commitment emerges. On the contrary, the companies in this quadrant indicate calculative commitment disappearance and the end of relationship. That is why the type in this quadrant is labeled as ***exit focus***. The exit focus type reflects a lack of learning orientation, which discourages companies in maintaining learning process about the market/customers and thus affective commitment is not maintained.

Similar to the adaptation focus type above, the company of this type tends to be reactive rather than proactive in developing knowledge about the dynamic nature of the market. Also, the company in this type is unable to develop its ability to manage business relationship in a volatile market. This is due to the fact that shared vision does not exist to coordinate and promote internal cooperation. In managing business relationships, it is likely that decision making process does not allow the sharing of ideas when the decision is taken based on the individual knowledge of the manager/director. Lack of internal cooperation may hamper the company to develop trust and deliver commitment to the business relationships. Meanwhile, exporting to a volatile market requires a greater ability of the organization as a whole to cope with the uncertainty.

High Level of Learning Orientation – Low Level of Favorable Relationship Elements

It is likely that high level of intangible firm elements will result in a low level of favorable relationship elements. The author labels the business relationship development type of this nature as ***market focus***. The firm of this type focuses on the market since they may recognize that it provides interesting opportunities encouraging the firm to maintain their business in the market. That is why the type is labeled *"market focus"*.

As a result of the learning process from iterative interactions, a firm may find out that its local partner cannot be trusted, thus discouraging the firm to commit further. The relationship is then characterized by low trust and commitment leading to greater uncertainty in the relationship. In order to reduce uncertainty in the relationship, the firm may develop a contractual arrangement to legally bind the partner and control the relationship. Alternatively, the firm may rely on its market knowledge to sustain its business in the market. The firm may come to conclusion that it cannot cultivate a profitable business in the market through this relationship especially in a turbulent period. Since the firm has high learning orientation, it uses its market intelligence to find a better alternative partner to build a new business relationship.

CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

This study provides an understanding on how business relationships develop in a volatile market, by showing that the process is not sequential and deterministic, but is rooted in the exporters' intangible firm elements: how they are oriented toward learning and the market, especially when the market becomes turbulent. This study not only provides explanations on how relationship elements develop but also why they develop.

In contrast to the stages, the models that provide understanding on how relationship elements develop, this study develops the understanding further by suggesting that intangible firm elements such as learning orientation stimulates the development of relationship elements. Hence, a high level of intangible firm elements suggests a high level of learning orientation. The findings of this study suggest that the development of business relationships in an uncertain market is a result of learning processes. The dimensions of learning orientation explain the development of relationship elements. The variation in term the development of relationship elements is due to the variation of how firm oriented toward learning. To be more specific, learning orientation underlines firms' ability to develop business relationship in a high-risk and uncertain country market.

The understanding obtained from the study suggests how relationship elements fluctuate in a high-risk and uncertain market lay with the dynamic process of learning. The development of the relationship elements requires a strong combination of all the dimensions of learning orientation. Only a learning oriented exporter can have stable business relationships and is able to cultivate benefits from the relationships and has successful business in its export market. It seems that study on exporting is better through learning perspective rather than merely from relational perspective.

The practical implication of the study is that when exporting to a high risk country market, a company needs to develop its orientation towards learning to develop its ability and capacity to manage and develop business relationships. Based on the study, it is also reasonable to suggest that an exporter operates in a high-risk and uncertain export market has to develop a learning oriented culture within its organization. Albeit the study provides insight of how relationship elements fluctuate and business relationship develop, the findings cannot be generalized into different market environments. Further studies may explore different market environments or industries in order to enrich the literature.

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