

Safeguarding export and import transactions through relationships and networking

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Abstract: The purpose of this paper is to provide further insight into some of the key underlying factors that firms, which trade on the international and global market must consider in safeguarding their business relationships. The paper uses multiple cases of exporting firms within the Sunnmøre region of Norway. Firms in the Sunnmøre region of Norway use a variety of governance forms to secure and safeguard international transactions and relationships. These governance forms impact on the quality of international buyer-supplier relationships and export performance. Thus, institutionally embedded governance forms should take into consideration factors such as the export market condition; product characteristics; documentation requirements and payment methods; type of customer and the destination of exported goods. The choice of governance form(s) in safeguarding international buyer-supplier transactions should be made based on these underlying factors because of the uncertainty/complexity of international trade and the investment in specific assets. The use of multiple case examples elicits the commonality of themes which this paper seeks to highlight despite differences in the firms' products, strategies and business models. Though the findings of this study cannot be generalised because of the limited case examples and the explorative nature of this study, it may be possible to transfer some of the general statements across industries and regions.

Keywords: International buyer-supplier relationship, networking, contracts, trust-based relational contracting, export-import relationships, securing, safeguarding, governance.

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1 Introduction

Notwithstanding the growing literature on the international buyer-seller relationship, limited attention has been given to how exporters secure business transactions with trading partners in overseas countries. International buyer-seller relationships involve complex procedures and documentation to ensure goods and services are delivered as per the terms and agreements between contracting parties. For example, the use of Incoterms 2010 published by the International Chamber of Commerce (ICC) is intended to reduce or altogether remove uncertainties arising from different interpretations of the rules in different countries. These incoterms are regularly used in international sales agreements and contracts worldwide. Incoterms fundamental function is to allocate costs; risks and responsibility for export and import agreements between the parties involved in international sales transactions. Despite the common use of incoterms in international sales transactions and agreements, international buyer-seller relationships are not without problems. This is because different countries have different legal regimes, business practices, rules and regulations. To reduce countless legal disputes, financial loss and risk, it is essential to ensure efficient trading within international business relationships.

Forming and nurturing sound buyer-seller relationships have often been regarded as the core of international business (Håkansson, 1982; Leonidou, Barnes and Talias, 2006; Leonidou, Palihawadana, Chari and Leonidou, 2011). This is because such relationships set the framework within which buyers and sellers interact, coordinate their activities and exchange resources in the global marketplace (Leonidou et al., 2011). The relationship between foreign partners is influenced by different cultural, economic and environmental factors. The Uppsala Model (Johanson and Vahlne, 1977) was fundamental in providing an understanding of how internationalization is a gradual management learning process involving interaction between features of market knowledge, commitment decision, current activities and market commitment.

In exporter-importer relationships, the exporting activities do not only involve economic transactions but also complex behavioural interactions. Following the Uppsala model, networking is decisive in coping with the increased complexity as well as complicatedness of international marketing (Vahlne and Johanson, 2013). Following the Uppsala model, these interactions are carried out in long-term networked sets of business relationships where *insidership* in a network, the quality of interaction, facilitate learning and thereby the positive outcomes for international business; trust and commitment (Johanson and Vahlne, 2009). It is not uncommon to assume that exporting firms as suppliers will safeguard their relationship with business partners in international markets through the use of stringent formal contracts to control opportunistic behaviour. This focus on opportunism seems paradoxical to the focus on trust according to the Uppsala model.

Transaction cost economics (TCE) is a widely used theory for studying inter-firm relationships. The theory seeks to explain efficient inter-firm governance by its focus on situations where exchange partners make specific investments dedicated to a particular relationship. This results from the need to safeguard investments made by the use of non-market governance against opportunism. This non-market governance mechanism is called formal contracting (Williamson, 1985). International buyer-seller relationships can sometimes be very problematic leading to costly legal litigation and subsequent termination of such relationships. Disputes in international sales transactions often arise because the parties did not record their agreements or failed to discuss an issue and to reach an agreement (Johnson and Bade, 2010). Thus, this paper seeks to uncover the influencing factors that impact on the choice of governance mode associated with international trading. The paper is based on the seemingly paradoxical Uppsala school, relational governance and TCE approaches to provide insight into how firms engaged in international buyer-supplier relationships safeguard their export-import business transactions by the use of an *'appropriate governance mode'*. One of the prime critiques of the Uppsala school is that TCE lacks an empirical foundation (Vahlne and Johanson, 2013).

The research questions are stated as 1) how do firms engaged in international buyer-seller relationships make use of an appropriate governance form in international trading to safeguard their business relationships? 2) Which factors influence the choice of these governance modes in international trading? This analysis includes considering both trust and opportunism as determinants for safeguarding cooperation. 3) Does trust or opportunism or some mix of these explain how companies safeguard their transactions in their international business relationships? This directs attention to the role of contracts. Are they merely expressions of trust, or are they instruments to cope with a mistrust of their business partners? This study provides a limited set of narratives where these questions are considered in relation to the different business settings. The rest of this paper is structured as follows. Section 2 discusses previous research, reviews relevant theory and outlines the analytical framework. After that, Section 3 describes the methodology. This section outlines the multiple case study design used in the study, describes the case selection procedure, the empirical setting and the interview process. Section 4 describes the five case studies. Analysis and discussion of the cases are provided in Section 5 based on the literature and

suggested framework. Section 6 provides the conclusion, implications, limitations and suggestions for future research.

2 Previous research, theoretical review and analytical framework

International marketing and research on exporting emphasize the importance of relational norms and trust building between buyers and sellers. Zhang, Cavusgil and Roath's (2003) study finds support for the positive association between an exporter's reliance on relational norms and competitiveness in the export market. While Katsikeas et al. (2009) suggest that high levels of trust have a positive effect on relationship performance, moreover, trust enhances performance under conditions of high interdependence. Relational trust has also been found to have a positive significant effect on financial performance in exporter-importer relationships (Leonidou et al., 2014). Thus, the importance of initiating, developing and sustaining healthy buyer-seller relationships is more pronounced when transactions transcend national boundaries. For example long geographical and psychological distance between sellers and buyers increases the possibility of risk associated with international trading while the dynamic and unpredictable changes that take place in international markets increase uncertainty (Leonidou et al., 2014).

A bibliographic analysis of the export literature by Leonidou, Katsikeas and Coudounaris (2010) reveals that the exporting literature has experienced a phenomenal advancement during the last five decades. The authors provided a comprehensive outline of research themes in exporting with major issues addressed by various authors. For example, in the 2000s interest in evaluating export performance was at its highest during the last five decades while issues relating to behavioural aspects of exporter-importer relationships has become a dominant research area in recent times (Leonidou et al., 2010). Subsequently, a meta-analytic review by Leonidou et al. (2014) of the international buyer-seller relationship literature shows five streams of research direction (see Table 1). Earlier researchers had looked at the behavioural dimensions of exporter-importer relationships (e.g. Katsikeas and Percy, 1991) while others focused on internationalization effects on exporter-importer relationships (Leonidou and Kaleka, 1998). Recent studies had also applied well-established models based on domestic buyer-seller relationship literature to explain relationship factors (e.g. Barnes et al., 2010) and to study the links between relationship factors and export performance (Kuhlmeier and Knight, 2010). Recently, focus has also been directed towards international relationship governance studies (Bello and Zhu, 2006; Gençtürk and Aulakh, 2007).

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Researchers have employed a wide range of theoretical perspectives to examine exporter-importer working relationship quality. Some of these theoretical perspectives are resource-dependence theory (Emerson, 1962; Pfeffer and Salancik, 1978), behavioral paradigm (Cyert and March, 1963) and network theory (Håkansson and Snehota, 2006, Thorelli, 1986) while transaction cost economics (Williamson, 1975, 1979) has been cited (see Leonidou et al., 2014) as the most frequently used theory in international buyer-supplier relationship research. The main premise of resource dependence theory is that firms will seek to reduce uncertainty and manage dependence by structuring their exchange relationships through the establishment of formal or semiformal links with other firms (Heide, 1994; Ahmed et al., 1999). The literature suggests a variety of such relationships including contracting and complete merger (Finkelstein, 1997). The behavioural paradigm posits that firms cannot maximize their objective functions on their own due to bounded rationality that characterizes their decisions. Hence, they need to form relationships with other organizations to achieve their objectives. This is best done through control and coordination processes with other partners/organizations (Cyert and March, 1963). Previous research had used the behavioural paradigm in international marketing studies (e.g. Leonidou et al., 2011; Nes, Solberg and Silkoset, 2007).

The network theory views the economy as a network of organizations whereby a firm's performance depends on other firms with which it interacts. The key features of the network theory are mutuality (interaction and transfer of knowledge among actors), investments (commitment of resources - physical, financial and human) and bonding (social, technical, legal and other ties between actors). It is also characterized by dependence (the extent actors in the network are dependent on each other's resources), inter-firm exchanges (social, financial, informational and other exchanges) and adaptation between interacting parties. Recent research utilizing this theoretical perspective is worth mentioning (e.g. Leonidou et al., 2006; Leonidou et al., 2011).

According to Williamson (1998, p. 23), 'a key conceptual move for both [new institutional economics and new economics of organization] was to push beyond the theory of the firm as a production function (which is a technological construction) into a theory of the firm as a governance structure (which is an organizational construction)'. Transaction cost theory perspectives on the theory of the firm and market organization are partially complementary and partly rival, in that the theory helps in explaining the mechanisms that the theory purports to explain concerning firms and market organization. Generally, a variety of such governance structures may be used depending on the peculiar characteristics of the relationship (Glavee-Geo, 2016). TCE, therefore, tries to explain how partners choose from a set of feasible institutional alternative arrangements that offer protection for relationship-specific investments at the lowest total cost.

Key characteristics of TCE are: the extent to which relationship-specific assets are involved; uncertainty (environmental and behavioural); the complexity of the trading arrangement and the frequency with which the transaction occurs. The primary consequence of environmental uncertainty is an adaptation problem due to the difficulty of modifying agreements as a result of changing circumstances while the effect of behavioural uncertainty is the performance evaluation problem; that is, the difficulty of verifying if compliance with established agreement has occurred (Rindfleisch and Heide, 1997). Formal contracts may serve as a communication tool for reducing perceived transactional uncertainties and/or merely for the existence of a business deal (Roxenhall and Ghauri, 2004). Dyer and Singh (1998) refer to these as a class of agreements enforced by third parties such that TCE perspectives fall primarily within this class. Dispute resolution requires access to a third party enforcer, whether it be the state or a legitimate organization authority (Gold, 2012).

However, while TCE focuses on formal contracting as the primary mechanism to safeguard specific investments (Williamson, 1991), other researchers suggest a key property of all relationships is the reliance on norms and shared values resulting in relational governance (e.g. Macneil, 1980; Dwyer, Schurr and Oh, 1987). Thus, using TCE perspectives, relationship governance can be described regarding formal contracting while alternatively relationship governance can also be described regarding *norms or trust-based mechanisms* termed relational contracting theory. The third option of governance is the "mixed or hybrid" where relational contracting complement formal contracting. Relational contracting theory offers an alternative mode of governing international buyer-supplier relationships. Pfeffer and Salancik (1978, p.147) define norms as '*...commonly or widely shared sets of behavioural expectations*'. Norms are according to this view an expression of business relationship interdependency measurable through, for example, exchange behaviour. Norms may also be considered as '*guidelines for the initial probes that potential exchange partners may make towards each other*' (Scanzoni, 1979, p. 173). Norms accordingly represent ways to control and potentially develop exchanges (Stinchcombe, 1986; Gundlach and Achrol, 1993).

Engelseth (2016) shows how seafood export from Norway to Japan is governed by a series of norm-driven markets that seafood products must pass through on its way to the end-user. When exporting to Japan, in a context of high trust and well-developed relationships, detailed contracts are created but not signed, while when exporting to Ukraine, a low trust context where relationships may be equally long-term as the Japanese ones, prepayment is always demanded in addition to detailed contracts illustrating the importance of the business relationship environment. This study also points out how relationships are vital instruments mitigating the risk of exporting even when goods are sold on markets which expectedly should involve, from the perspective of the importing customer, arms-length supplier relationships. In a qualitative study of two Norwegian companies in the late 1950s Dill (1958, p.435) noted already then that: "Formal rules that governed management action appeared to prescribe, but in fact, these were only effective where they reflected stable, informally derived patterns of behaviour". This empirical finding clearly questions the instrumental role of formalized routines including contract use. The usefulness of formalized contracts diminishes as uncertainty increases, and the importance of institutional arrangements then increases. These arrangements include importantly contracting modes of payment. The existence of relational norms in a business relationship is regarded as a foundation for harmony (Ouchi, 1980; Ivens, 2006). Relational contracting theory (Macneil, 1980) posits that prior history of a relationship is expected to lead to certain norms; trust and personal relationships that affect the way the relationship between two parties is organized (Macneil, 1980; Buvik and Reve, 2002).

Relational contracting theory predicts that as relationships evolve over time relational norms are established (Macneil, 1980; Granovetter, 1985; Bradach and Eccles, 1989). Relationship duration is thus recognized as an important element in relational contract theory (Ring and Van de Ven, 1994). The history of the relationship following its timeline through its existence and development brings about norms and trust formation. Trust is important in a business relationship when there is risk of mutual dependence as relational trust is derived from repeated interactions over time. Norms, as governance structure are developed in international buyer-supplier relationships as result of trust build-up between the contracting parties, have dealt with each other over a period. Trust reduces uncertainty and the threat of opportunism (Heide and John, 1990; Wathne and Heide, 2004).

A typical international buyer-supplier relationship can be governed taking into consideration the need to safeguard investments made by the seller, the buyer or both parties. Taking the perspective of the exporter, uncertainty and/or the complexity of the export market requires the need for safeguarding relationship specific-investments. This is because uncertainty enhances opportunistic inclinations (Katsikeas et al., 2009). For example, political instability in overseas countries, cumbersome regulatory procedures and rules, unfair competition in the market are some of the factors that can make international business transactions very risky. Cultural differences regarding norms, values and beliefs and language barriers also pose challenges when doing business in foreign countries. These differences might influence the way business is done in those export markets and hence the choice of governance form. For example, not only does the physical distance between the seller's and the buyer's geographic location influence the market expansion efforts and the business relationship, but also the psychic

distance. Figure 1 below shows a conceptual framework illustrating the choice between the different governance modes.

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Five factors are accordingly proposed as influencing trading: 1) export market condition, 2) product type/characteristics, 3) documentation and payment method, 4) type of customer, 5) destination of exported goods. The factors involve key features involved in trading within a business relationship associated with international trading as well as its context and wider network environment. The link between relationship specific investment and interfirm governance have been widely studied with few paying attention to its underlying considerations (e.g. Ghosh and John, 1999; 2005; Buvik and Reve, 2002; Buvik and Haugland, 2005). Svendsen and Haugland's (2006) study of the wood industry in three Nordic countries (Norway, Sweden and Finland) conclude that product differentiation and importer specific investment are two dominant factors which explain the level of exporter specific investment. Export market uncertainty may be associated with a high level of formal contracting and a low level of cooperative norms.

The characteristics of the product (such as customized products) may require more coordination and investment of relationship-specific assets (Svendsen and Haugland, 2006). The distance between importer and exporter has also been found, through quantitative studies, to be a strong moderator between relationship effectiveness and adaptation. When the importer feels distant (e.g. geographically, socially and culturally) from the foreign supplier, the effect of adaptation on relationship effectiveness is relatively lower than when there is closeness with the partner (Leonidou et al., 2011). The quality of the international buyer-seller relationship consequently influences export performance of the exporting company (Leonidou et al., 2014) and vice versa. Figure 1, therefore, provides the basis for an analysis of the multiple cases presented in section 4 and subsequent discussions in section 5 of this paper.

Johanson and Vahlne (2009) describe how internationalization has changed due to changes in industry as well as theoretical developments. The Uppsala model is described as still relevant as a fundamental tool in classifying the '*strategic-level*' nature of internationalization (Jraisat et al., 2013, Vahlne and Johanson, 2013). However, business practice now involves a higher degree of stage leapfrogging, the existence of '*born globals*', increases in market speed and the diminishing importance of psychic distance. On the theoretical side, Johanson and Vahlne (2009), emphasise that learning in a network is a complex interactive task. It is not necessarily a predominately sequentially dependent strategic-level (long-term associated) process in a firm. They point to a dialectic learning process as the main characteristics of internationalization, which they term as an interaction approach (Hultman et al. 2011, Vahlne and Johanson, 2013). They also point to how belonging to a network involves learning as a dynamic capability through interaction in multiple business relationships, that all need to be coordinated and managed in some way. Thus, the network view involves reaping benefits of pooling heterogeneous firms as bundles of resources (Penrose, 1959) as well as considering how learning adds to the capability of the firm (Vahlne et al., 2011).

According to Croom et al. (2000), the context of supply-related interaction, such as exporting or importing, refers to different levels of analysis, i.e. '*dyads*', '*chain*' or '*network*'. Supply chains indicate a normative quest to integrate different firms following a linear flow of goods; the realm of '*supply chain management*'. The network, on the other hand, encompasses sourcing, including a potential to navigate trading with different business partners as well as the feature of interacting with multiple suppliers and multiple customers simultaneously. The dyad represents the immediate business relationship. The network is the more immediate business aspect of a wider environment for exporters. Weick (1969, p. 64) notes that the environment is enacted: 'The human creates the environment to which the system then adapts. The human actor does not react to the environment; he enacts it'; meaning that in, e.g. exporting firms people attach sense to their exporting actions after they perform them, but afterwards try to reason they had decided this beforehand; dynamism associated with sense-making in exports.

As context, a focal firm has different means of connectivity in the network. As context, a '*network*' implies linkages and always at least potential for interaction. To differentiate network actors need to achieve identity; in the network expressed as position. Influencing this position is commonly a marketing task. However, this position is constructed through a complex social process. Position, perceived by customers and others in the network, communicates potential suppliers as more or less attractive. These relationship dyads are inherently reciprocally interdependent (Thompson, 1967), therefore a *location* of change themselves. In line with Emerson (1964), the power-dependence in such relationships varies, impacting on the interaction processes. Interdependence is the reason why nothing comes out quite the way one wants it to (Pfeffer and Salancik 1978, p. 40). In relationships, there is an inherent uncertainty. Furthermore, since power is not an objective phenomenon, it is perceived by agents, evaluating power is necessarily a subjective task. Power and location together determine network position impacting directly on interaction in relationship dyads.

Network position, understood accordingly as an effect of networking through business relationships, is thereby viewed as a determinant for use (rather than choice) of governance modes. Also, this use is seen as ever changing and in a state of flux. This understanding of the relationship governance mode is described in Figure 2:

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A key difference between the two analytical models is that while the TCE based model shown in Figure 1 describes the use of governance modes as result of bounded-rational decision-making, the network-based model in Figure 2 explains governance mode use as an outcome of the dynamic network position of a firm. On the other hand, following TCE theoretical and empirical studies, establishing close relationships and partnerships in international markets can be a fruitful strategy for improving export performance while avoiding large-scale investments (Cavusgil, 1998; Svendsen and Haugland, 2006). Close business relationships are characterized by the level of specific investments made by the seller and the buyer in the relationship, formal contracting and norms that govern the relationship. This suggests that the two approaches are not all that different but have a common emphasis on business relationships as risk-mitigating organizational resources.

3 Methodology

3.1 Multiple case study

This study applies a multiple case study qualitative strategy involving interviews with five different companies. The investigation was organized as an individual sub-project with different researchers. Each of these companies was personally interviewed only once. This was an in-depth interview lasting 1-2 hours. In some cases, the key informant was supplemented by other informants. Informants also gave some written information as well as participating in brief follow-up telephone interviews as well as e-mail queries. The interviews took place with informants in five separate cases. These informants represented key positions in their organization such as sales/marketing or export manager. On occasion, they were assisted by their functional employees such as personnel with responsibilities for specific trading regions or functions.

Given the explorative nature of this study and the access to the required actual market settings, a case study research strategy was chosen. The case research method is considered by Miles and Huberman (1994) and Yin (2009) as suitable for the following objectives: 1) to answer the research question on 'how?' and 'why?', 2) to avoid manipulation of the behaviour of those involved during the research process, and 3) to build a picture of the context the phenomenon is embedded in. Taylor (2005), Fernie and Thorpe (2007) and Lincoln and Guba (1985) stated that this method is appropriate for describing actors, structure and agency relations taking place through social interaction. Case studies were used, in line with Yin (2009), as a means to create focus and order in a complex research setting consisting of multiple, different and interacting heterogeneous resource components. A multiple case approach is chosen since this allows comparison of conceptually similar processes in different settings (Voss et al., 2002). Furthermore, Eisenhardt's (1989) approach was used to shape the case study research strategy, which involved developing an empirically anchored theoretical understanding of discourse in seafood production, marketing, supply and distribution.

3.2 Case selection, empirical setting and interview

Based on the exploratory nature of this study, the selection of the cases aimed at comparing and contrasting the different enterprises' experiences of the underlying factors that are considered in the governance of international exporter-importer relationships. Selecting the cases for the study was based on purposive sampling in accordance with the research questions and theoretical framework. Cases were selected from the Sunnmøre region of Norway because of the peculiarities of the network environment of this region. The Sunnmøre region of Norway is located on the north-west coast of Norway. Previous studies highlight the maritime industry of this region as the strongest and most dynamic regarding value creation (Reve et al., 1992) and the most globally anchored (Reve and Jakobsen, 2001).

The maritime industry consists of industry sub-units such as research, technology and design, shipbuilding, equipment, shipping, finance and insurance. The cluster also includes firms that export other products related to the maritime sector such as ship design, propulsion systems, deck machinery and equipment for seismic and subsea applications (Halse, 2014). The furniture manufacturing sector is located in the inland fjord region while that of maritime is located mostly in the coastal part of the region. Also, this region is the centre of Norway's fish industry. The seafood industry in Norway is export driven, Norwegian seafood companies export to more than 150 countries, with exports reaching 68.8 billion Norwegian Kroner at the end of 2014 (Norwegian Seafood Council, 2015). Increased internationalization and globalization has led to some structural changes within these industries. This calls for cooperation through business relationships with other actors within the network. For example, the need to secure recurring sales in the network has led to a focus on sales through export marketing efforts and the coordination of business activities (Prenekert et al., 2010). In this study, the empirical setting represents an industrial

network of different interlinked companies trading similar-type products. Business relationships are embedded in this network context, and international trading is carried out in the context of single dyadic business relationships.

The purpose of the interviews was made explicit to the informants at the outset. Based on the analytical framework, these data are used to create a detailed and rich case description (Lincoln and Guba, 1985) where features of trading were sought evoked from interviews with informants unfamiliar with the applied analytical framework. These narrative descriptions are based on the informants' accounts of their past experiences, or of possible risk-related futures as the primary data (Corsaro and Snehota, 2012). Trading is accordingly studied retrospectively. Interviews lasted on average one hour and included observations of on-site activities, namely trading and trading-related operations.

Reliability and validity are two important criteria for assessing the procedures and results of qualitative research (Kirk and Miller, 1986; Flick, 2014). Researchers can follow different methods to increase the reliability of data and interpretations. The quality of recording and documenting data is central for assessing reliability and succeeding interpretations (Flick, 2014). Since this study used a multiple case approach with different researchers collecting data, one way of ensuring reliability of data was the standardization of field notes. 'Standardization of notes increases the reliability of such data if several observers collect the data' (Flick, 2014, p.482). Ensuring reliability of data also involved the training of interviewers and the use of common interview guides. While ensuring validity can also be achieved by involvement of the actors (subjects or groups) in the research process... *communicative validation* (Flick, 2014, p.484). These procedures were followed rigidly to ensure the reliability and validity of the study.

The various interviews took place in a context of high mutual trust and resembled, therefore, a conversation with an inter-subjective atmosphere that partly resembled a mutual learning process: the researchers learning about the process the informant had access to, and the informant learning about our concepts and theories driving our research. These interviews were taped and transcribed. Brief additional questions were posed to informants after their interviews when in need of clarification which further added to the study's validity. Although a limited number of transcripts were made based on each interview, these interviews include great detail. These actual circumstances add to the credibility and accuracy and enable a rich and '*thick*' description of the events through a mutual frame of understanding (see, e.g. Eriksson and Kovalainen, 2008; Lincoln and Guba, 1985).

4 Case presentation

The following Table 2 provides a brief overview of the studied exporters:

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The studied companies are involved in a range of different industries and vary substantially in size. They have in common their geographical proximity to Aalesund city in Norway as well as that they are all well-established exporters with high competence in this type of activity. It is accordingly a scenario of continuous exporting behaviours that is covered in this investigation rather than entrepreneurial export start-ups. Our study accordingly provides ample grounds for comparative analysis on a range of factors. However, the following descriptions focus on practical export procedures and how these are embedded in relationships used to mitigate risk, pointing out a common export consideration associated with safeguarding their quite different exports.

4.1 *Brødrene Sperre*

Brødrene Sperre AS is a small and medium Norwegian small and medium enterprise (SME) which was established with the main objective of exporting. Thus, more than 90% of its turnover comes from export. The company is a leading supplier of frozen pelagic fish as well as salted and dried fish. The company has a rich family heritage dating from the 1950s, as traditional processors of salted, dried and frozen white fish (mostly cod) as well as frozen pelagic fish. The company has a state of the art processing facility and logistics centre exporting seafood worldwide (Sperrefish, 2015). Brødrene Sperre AS (hereafter BS) inbound logistics consist of receiving fish from fishing boats (frozen or fresh). Pelagic is graded into different sizes, packed into cartons and frozen for storage in the cold stores. Dried salted fish is rather more process intensive. Fish received by BS is mostly frozen. It is defrosted, split in half and salted and moved to cold storage after a couple of weeks of drying.

Marketing and sales consist of selling the products to their customers, preferably at a time when it will generate the most profit. The company's customers are mostly importers or supermarket chains, as well as business customers who buy the fish for further processing. The company export fish to most European countries, through

important ports like Klaipeda in Lithuania, Szczecin in Poland and Velsen in the Netherlands. In Great Britain, the company has a subsidiary distribution company doing business on its behalf. For customers located in the EU the amount of documentation is less than for the rest of the world, as Norway is part of the European Economic Community (EEC). Export to the EU requires three main export documents in the sales process: the commercial invoice, the catch certificate and the shipping document. Also, some optional documents are provided at the customers' requests, e.g. price list, packing lists, quality declarations, and health certificates.

It is recommended that when the seller wants to make regular sales to an importer, the exporter uses a written agreement to govern their relationship. The company's agreements are based on mutual trust and are not formalized in any way. An interviewee recounted that with their stable long-term customers both the company and its business partners agree on the price based on pre-agreed terms. However, it is a common knowledge that disputes are not uncommon in international sales transactions because the parties did not record their agreement or failed to discuss an issue and reach agreement (Johnson and Bade, 2010). To this day, BS say that they have never had a conflict with a customer that they have not been able to settle amicably; this may be why they do not yet see the need for stringent written agreements for every transaction between them and their most stable and reliable long-term customers. BS also negotiate the terms and conditions for each sale, except from customers with whom they have close, stable and long-term business relationships.

The terms and conditions they agree upon depend on the prevailing market conditions and the geographic location of its customers. Disputes arising from breach of contracts are settled using neutral legal jurisdiction such as the court of Stockholm. However, the company has managed to settle its disputes amicably without resorting to frequent court action. Thus, they rarely resort to court action to settle each business relationship problem. BS often uses a letter of credit (L/C) for clients in China, but also sometimes used for European customers. To avoid financial loss and other risks, the company mostly rely on pre-payment from their EU customers. The company's customers trust that the company will deliver and are therefore not worried by making payments before goods are supplied. The company's relationship with its business customers is characterized by cooperation, trust and commitment. This has led to improved relationship quality between the company and overseas importers to the extent that more than 90% of its turnover comes from export.

4.2 VARD

VARD is one of the major global designers and shipbuilders with headquarter located in Norway. The company designs and build specialized vessels used in the offshore oil and gas exploration, production and oil services industries. The company operates with ten strategically located shipbuilding facilities to maintain their reputation as a reliable shipbuilder with a focus on quality and trust. The company has five facilities located in Norway, two in Brazil, two in Romania and one in Vietnam. In 2010 Fincantieri Oil & Gas bought almost 56% percent of the group making it the 4th largest shipbuilding company in the world. The company takes pride in their innovations and the changes they have made in the industry by constructing complex, highly advanced and customized offshore and specialized vessels. The main reason customers want to do business with VARD is that of the level of trust the company builds with their customers.

In all projects, they strive to have an open and trustworthy relationship with their customers to find suitable and satisfactory solutions. Everything the firm stands for can be summarized in one sentence: *'We build our company on trust!'* (Vard, 2015). We distinguish between ongoing long-term and isolated purchase transactions. Isolated purchase transactions involve one-off transactions with minimal close business relationships. This transaction includes higher risk for the seller because the buyer may be new, requiring creditworthiness checks. The company sells expensive equipment and vessels and thus prefers secured ongoing purchase transactions. This kind of transaction requires more formal documentation and more consideration goes into the formulation of the sales agreement, because the company focus on repeated purchase through trust-based relationships with their customers. In spite of the fact that 99 % of VARD's exports are within the company between its subsidiaries in other countries, there are challenges due to different regulations in the importing countries. Foreign law is one of the key issues for export compliance.

The purchasers of this type of high-cost vessel appreciate quality and loyalty. Most of the company's customers are located within the Møre maritime cluster and have repeatedly purchased ships from them. Since the product is a ship and these specialised offshore support vessels are used by a global industry, the market is global in product use and more regional in relation to trading the vessels. The firm is a strong competitor in the international offshore vessel market because of their innovativeness. This makes their products more attractive to the customers because it offers them better solutions and possibilities. This differentiation strategy gives the firm a competitive advantage. Trust is also an important issue for VARD, hence by building relationships based on trust with their customers this translates into increase repeated orders/purchases. To avoid problems with export, the company follow many routines. It considers many of the *'import provisions in international sales agreement'*, in addition to commission, pricing, shipment, warranties and the relationship of the parties when they use agents. It

develops their products together with its customers so that the customers' needs can be fulfilled. This involves decisions from design, size and colour to the vessels' high-tech technology to fulfil the customers' needs.

All trades are contract-driven, where both the customer and the seller have to abide by the contract agreement. However, due to the prolonged time duration from contracting to completion which may last up to two years, ships contracted may be traded before completion, while payment is also withheld until the ship is delivered. To ensure construction, payment is guaranteed through financial institutions, a necessary part of contracting ships. VARD manufacture highly complex and technologically advanced products (e.g. specialized offshore vessels) requiring the need to safeguard investments and opportunistic behaviour on the part of either party (buyer and/or seller). The company use formal contracting to govern the transaction which outlines the terms and conditions of the sale. However, the relationship is not adversarial but one that is characterized by detailed planning, cooperation, contractual solidarity, reciprocity and the harmonization of relational conflict.

This high level of relationship quality has helped VARD to successfully meet the needs of its customers and has led to successful business performance for the company making the company one of the largest and most successful shipbuilding companies globally. VARD's location in the maritime cluster on the western coast of Norway provides the company with the opportunity to network with its suppliers, subcontractors, financial institutions, research institutions, and customers. Within this network can be found embedded social and business relationships which are characterised by network collaboration, interdependences and competition.

4.3 Stokke

Stokke AS is a Norwegian company from Møre & Romsdal founded in 1932. The company has offices in Oslo and Aalesund. The company has no official main office because its philosophy is to appear international with equal emphasis in its operation in all the countries in which it has a presence. The two offices in Oslo and Aalesund have main responsibility for product development, IT, finance, logistics and supply chain management and marketing. In 1972 Stokke AS created the iconic and innovative *'TrippTrapp-chair'* for children. Since 2006 the company has focused on children's equipment, such as highchairs, strollers, and furniture for the nursery. In 2012 Stokke AS had a turnover of over one billion Norwegian Kroner. Stokke AS has a strong focus on brand where quality and innovative thinking is essential. At the end of 2013 Stokke AS was sold to the Korean company NXMH, an investment company based in Belgium and wholly owned by NXC in South Korea.

The Stokke collection of products is distributed worldwide in over fifty countries. Thus, with an export share of 98%, Stokke AS is a typical export company (Stokke, 2015). All the products developed, produced and marketed are considered *'Norwegian'* as the country of origin, although all production is outsourced. Stokke AS manufactures its products in Eastern Europe and China with three main distribution centres in the Netherlands, USA and China to serve its customers in Europe, Asia and America. Stokke AS has offices in almost every country in which their products are available. Where Stokke AS do not have offices, they have distributors and agents that purchase products and handle all the import procedures. The company uses formal agreements with all its suppliers including confidentiality agreements to avoid copyright infringement and to protect its patents. Stokke AS is very formal regarding all of their suppliers, as well as the major logistics contracts. For international sales agreements certain minimum requirements such as volume, products types, and in-store display by distributors are negotiated between Stokke AS and the importer.

The company uses terms of payment that depends both on who the customer is and where they are located. In Europe, it is most common use an invoice with 30 days credit. In more unknown markets where Stokke does not have offices or good knowledge about the buyer, for example, new customers, it is common to use prepayments. Stokke AS used prepayment in most of their international sales transactions, especially in Asia, before it established its offices in the Asian market. Another option it has with new customers is the use of letters of credit. However, this is rare because Stokke AS considers it to be a *'bothersome way of working'*, requiring an order to be quite substantial for this to be considered profitable business. Stokke (as the focal company) has a network involving its suppliers, transport companies, distributors, insurance companies, agents, customs brokers and financial institutions.

Trust and relationship building is an important strategy that enables the company to efficiently undertake its exporting activities. Stokke has very good relationships with its suppliers and customers, and these are characterized by cooperation, trust and commitment. This has led the company being very successful in more than fifty (50) target markets world-wide. The company's financial performance is evidence of its business strategy by focusing on its core activities (marketing, purchasing, supply chain management) while outsourcing most of its non-core activities (e.g. warehousing, manufacturing, logistics). The basis of this success is the good relationships developed between Stokke and its suppliers and customers.

4.4 Jangaard

Jangaard Export AS which was founded in 1931 is located in Aalesund and is one of Norway's leading producers and exporters of dried salted fish (often called bacalao). Jangaard Export AS (hereafter, JE) focuses on high-quality products and the development of a strong brand in its export markets. The company's main export markets are Portugal, Brazil and Africa. For example, JE has been in the African market since 1960 and has very good market knowledge and high market share in the African export market consisting of countries such as the Republic of Congo, Tunisia, South Africa and Angola. In Europe, the company can be found in Portugal, Spain, Greece and France. In South America, JE exports to Brazil, the Dominican Republic, Venezuela, Mexico and Argentina.

Trust and close business relationships help avert some of the fears with international transactions. For example, Greek importers of JE who had long established business relationships with JE but had problems with international insurance companies during the financial crisis (beginning from 2009) and were refused insurance coverage, had some of these business problems amicably solved through negotiation and goodwill. This was possible because of the high levels of trust, cooperation and commitment to the company and its customers. JE has presence in all its major export markets but uses agents in smaller and riskier markets. The company uses formal sales agreements to deal with all its customers but additionally uses oral agreements with close and trusted business partners.

According to an interviewee from the company, JE hardly experiences disputes despite the use of these informal approaches in dealing with some of its customers. One of the most important considerations in exporting has to do with 'payment'. The company's use of payment terms differs depending on geographical area and customers. While customers with long-established business relationships with JE may have longer terms of payment based on a history of previous sales transactions and trust others may have shorter payment duration terms of credit. Customers in Europe who have long established relationships might have 30 days credit. A close relationship with some customers such as supermarkets in some European countries is evidenced by the long history of dealing with JE. Some of these supermarkets are connected by electronic data interchange (EDI) systems where information flow is real-time. This obviously requires investments in specific assets by both JE and the supermarket chains in those countries.

Customers in faraway markets with unstable political systems are required to pay upfront or use of letters of credit. Africa as a whole considered as an export market destination is JE's second-biggest market and considered as less problematic in contrast to Brazil where the legal requirements and the business climate is considered 'problematic'. Thus, the differences in these various export markets require the implementation of different strategies from JE when dealing with importers, agents and distributors. The European market is considered as one of the most important due to its proximity and market conditions. European supermarket chains are very important customers for the company though dealing with such chains presents some challenges. A sales representative has this to say: *'The only solution is to become so large that they need you. If you are small, you are insignificant to them, and have more difficulties dealing with them'*. Hence, the political stability of the market, its size, customer base, macroeconomic conditions, market share and branding are important factors to consider in the internationalization process through exporting especially for the seafood market. The company has through experience and learning over the years have been able to leverage its operations to improve its performance. This has more importantly been possible through belonging to a network where learning from experience is a dynamic capability achieved through interaction in multiple business relationships which requires coordination.

4.5 Mørenot

The Mørenot Group consist of companies with leading positions in international markets as suppliers to customers in fisheries, aquaculture and the marine seismic. Mørenot Fishery operates in the nets and trawls segment; Mørenot Aquaculture produces netting, fish farming nets and mooring to the aquaculture industry with facilities in Norway and abroad; Mørenot Dyrkon is a leading supplier of swivel and hooks for marine, coastal and deep fishing. Mørenot is a well-established supplier of equipment to the global marine seismic industry (Mørenot, 2015). Mørenot Offshore AS (hereafter, MNO) will be the focus of this case presentation. The company is located in the centre of the North-Sea oil enclave which is part of the world's leading maritime cluster of Møre and Romsdal. Its main international markets are Europe, China, Canada and Turkey. MNO produces high-performance ropes, strong and flexible ropes for all seismic activities. Mørenot also manufactures hardware of high quality, efficiency, safety and reliability. The company has a reputation among its customers as producers of high-quality products. Thus, over the last thirty years, the company's experience and metallurgical skills have led to continuous improvement in its products to enhance efficiency, safety and reliability of its products for seismic operations. The company's location in the maritime cluster provides it with access to a network of firms which possess the necessary resources and capabilities.

The company can be classified as a small and medium enterprise operating in a niche market. Its competitiveness lies in providing innovative solutions and responding to customers' needs efficiently. The firm uses agents in some markets. For example, the Chinese market is handled by an agent whose knowledge of the peculiar market conditions, language and business culture handles all documentation and import procedures in China. MNO prefers close long-term business relationships with its customers. The company also prefers to have face-to-face contacts with customers to negotiate business contracts. This helps to establish close collaborative business relationships especially in an industry that places high a premium on quality, commitment, safety and reliability in the provision of solutions to customers. The company's internationalization also involves the use of direct exports to its customers without using agents. The use of formal contracting are therefore typical in this industry, however, because of the long-term relationships established with some of these customers, the use of norms and trust plays a greater role in these international buyer-supplier relationships. Payments methods used by the company depend on the type of customer. For example, an open account is used for some customers with credit up to 30-60 days. MNO has close and trustworthy relationships with customers to which it extends credit.

5 Analysis and discussion

The analysis and discussion are based on the literature review and the framework in section 2, with a focus on the following underlying themes: 1) export market condition, 2) product type/characteristics, 3) documentation and payment method, 4) type of customer, 5) destination of exported goods. Export markets vary to some degree. Most of the companies, except Stokke AS and Mørenot Group, operate in relatively limited parts of the global marketplace. Sperre sells its pelagic seafood products primarily in Eastern Europe, and Jangaard Export sells its bacalao products to predominately Latin-culture countries and Greece. Food is a highly culturally-embedded type of goods, and the distinction between the export markets of Brødrene Sperre and Jangaard Export is explained by this factor. VARD finds most of its customers in Norway due to long established business relationships in a marketplace that began in parallel with the development of the petroleum industry in Norway in the late 1960s. The offshore support vessels are complex and laden with high technology components that undergo rapid technological change.

Location proximity in trading mitigates risk in this case. Stokke AS and Mørenot Group are both true global actors. Mørenot Group is limited to nations that have a marine industry, and Stokke is preferably sold on markets that appreciate their relatively high-priced, slow-moving consumer goods. The cases cover a broad range of products. Pelagic seafood sold by Brødrene Sperre is a low value-high volume industrially processed product traded on a commodity market. This product is similar to the bacalao product traded by Jangaard. VARD carries out shipbuilding, pricing a large and expensive product over a prolonged time-period. Since VARD's shipyards in Norway are relatively small, each shipyard is focused on very few shipbuilding projects at the same time. Mørenot produces industrial equipment used in the seafood industry. These are small volume technically advanced products.

Documentation and payment are in all five cases relatively formalized at the core. VARD's documentation needs are quite different from the other cases based on the primary product characteristics discussed above. Documentation, in this case, is complex and carried out over a prolonged timeline in comparison with the other cases. This documentation process is, fundamentally similar to the other cases. They are all embedded in highly institutionalized contexts. Norms and rules of documentation have long been established and are not subject to variation. It is interesting to note that documentation in some firms varies depending primarily on market type. This is associated with levels of trust established within business relationships, such that prepayment is demanded in regional markets is normally associated in general with a lower level of trust. This is especially the case in Brødrene Sperre and Mørenot Group. Brødrene Sperre AS sell most of its goods to Eastern Europe, a region associated with high risk, and therefore demands prepayment for its exports. This indicates that even though trust may develop in individual business relationships, the culture of these relationships does not easily change the overall norms of trade for an existing marketplace.

The kind of business relationship depends on the type of customer. Firstly, we, therefore, consider company characteristics. These companies are also extremely varied regarding their different technical, managerial and size characteristics. All companies, except for Stokke AS, are involved in production. Stokke has outsourced this function. The companies are similar in that they are all involved in physical distribution. All companies also are involved in export as an important feature of their business. VARD is also an exporter since ships, even though purchased by a Norwegian ship-owner, is classified as export since ships in the offshore petroleum industry are always used in a global market, and the Norwegian oilfields are considered to be international. The companies are therefore all well established and highly competent operators on the global market scene. Customers are necessarily complementary in function, meaning trading is determined by fulfilling the supply network actor needs through the transfer of product ownership thereby directing logistical flows. The case illustrates how customer characteristics are in part a function of this logic as well as a function of the overall industry characteristics regarding technology, product characteristics and networking features including competition.

The markets these companies operate in also vary greatly. Jangaard Export and Brødrene Sperre both operate in a global commodity market where price fluctuates out of the bounds of the individual exporter. Stokke produces branded products and thereby differentiated child-related consumer products targeted at upmarket segments on a global marketplace. VARD sells its ships in a highly specialized industrial marketplace, which again is dependent on the commodity market associated with petroleum production and pricing. In the case of VARD branding is of more limited importance in the marketplace. Mørenot Group also sells goods, and their branding is important since they compete with similar companies offering similar products on the global marketplace. The extant literature emphasizes the importance of relational norms and trust building between buyers and sellers. For example, the exporter's reliance on relational norms leads to its export market competitiveness.

Reliance on high levels of trust in the export-import relationship leads to a significant improvement in relationship performance and consequently financial performance (Cavusgil and Roath, 2003; Katsikeas et al., 2009). Brødrene Sperre and Jangaard AS are small-to-medium sized enterprises that export more than 90% of their products to overseas customers. These companies have very good working relationships with their customers in the various markets to which they export to, based on norms and trust-based relationships. Though these companies make use of sales agreements (especially during the beginning of the business relationship), they rarely resort to these formal agreements during the greater part of the relationship lifecycle. Norms and trust-based relationships are the main features of the type of relationship they have with their overseas customers. For VARD, Stokke and Mørenot Offshore, despite being more formalized in their business transactions, personal relationships, cooperation and trust play a very important role in the way they relate to their customers.

The complementarity of formal contracts and relational contracts can be argued to be the cornerstone of the many successful business deals (transactions) that have been brokered since their establishment. However, these successful (and occasionally problematic) international business relationships cannot be isolated from the contextual factors underlying the choice of a specific governance form or a mix of governance forms. Hence, some of the key underlying factors which necessitate the choice of governance form in international buyer-supplier relationships are the conditions of the export market, the type of product and its characteristics, documentation and payment methods. Customer type and the destination of the goods have an influence on decision-making concerning investment of relationship specific assets by the parties. These factors shed light on how international trading, although very formalized regarding contracting, is core to international business relationships and this formalization is embedded in line with relational contracting theory, in institutionalized economic behaviour. This finding is in line with Engelseth (2016) that regardless of whether goods are exported in contexts of stable or unstable relationships, business relationships still abide independent of the degree of switching behaviour. They are shown in the studied cases as a resource; the key risk-mitigating factor since they embed trust and therefore also actor bonding. This study, therefore, contributes to this understanding from a marketing perspective by providing richer detail regarding what constitutes this mitigating risk interaction in the studied export relationships.

Institutionalization is associated with uncertainties in the market concerning the level of competition, level of political stability and the legal environment dictates not only investment decisions but how relationships are governed. Product characteristics such as highly customized products in technologically intensive industries require formal coordination and cooperative norms between partners. Cumbersome documentation in some importing countries impact on the way firms internationalizes into those markets, in most situations requiring the use of agents who have better knowledge of the business environment. The geographic and cultural distance between importers and exporters plays a very import role in adaptations in international trade with its consequent impact on export performance. Actors perceive that risk and formal contracting simply cannot handle these uncertainties. Table 3 shows a summary of the five cases and the commonality of the themes that have been elicited from these cases.

-----Insert Table 3 here-----

Considering the explorative nature of this study, by using multiple cases of firms operating in different markets with different products but located in the same industrial networked cluster, our findings suggest that export market condition; the characteristics of the product being traded; documentation and payment methods are important considerations for export-oriented firms. The type of customer segments and the destination of exported goods have important implications for export management decision making. The five brief cases altogether reveal how developed business relationships, in fact, represent a resource. This underpins the view of Håkansson and Snehota (1995) that business relationships are a resource in itself that may be analyzed as separate from the firm. The cases illustrate how export market condition, product type/characteristics, documentation and payment method, type of customer, destination of exported goods are factors that in different ways are not primarily formalized facts, but factors associated with institutionalized behaviour. These factors also encompass factors wider than the business relationship; the industrial network and its wider environment.

Institutionalized trading behaviour emerges in business relationships as operational solutions, embedded in a wider culture of the company embedded in its network. This is in line with Håkansson and Persson (2004), who say that in managing sets of inbound and outbound logistics flows, these flows necessarily impact on each other through supply chain management. Knowledge of trading is accordingly proposed as embedded in the totality of the industrial network. In this network, formalized contracts cannot encompass all the detail associated with these factors as well as the risks associated with them. Formal contracts are a component of institutionalized trading supplemented with relational contracting.

6 Conclusion - implications, limitations and further research

Our overall findings suggest that TCE provides a useful framework for investigating the more detailed features of safeguarding international business relationships. However, contracts are only weakly revealed as a resource for mitigating the risk of opportunism. Rather, developed levels of trust have a higher explanatory power in revealing how companies deal with contracts. This means, that in line with the network model applied in the Uppsala school (Johanson and Vahlne 1977; Johanson and Vahlne, 2009) contracting is an expression of network position that in turn is impacted by levels of trust and cooperation. Contracting emerges, in line with Dill (1958) and Engelseth (2016), therefore as an expression of business culture rather than as an instrument. Furthermore, in relation to supply chain management and logistics, this case study shows how relational contracting theory, with its focus on detecting institutionalized exchange behavior, is a realm of analysis in the supply chain; how contracting as institutionalized behavior also includes logistics considerations, and these considerations are not isolated from other considerations such as marketing, sales, purchasing and payment. This is in line with the view of supply chain management encompassing all types of business process (Lambert et al., 1998).

TCE may be applied to structure export-import transactions concerning formal contracting, as illustrated through our empirical investigation of the cases. However, we find when applying a networking approach that contracting is more an empirical phenomenon to be studied in relation to underlying theoretical network associated constructs that involve features of network position, interaction, commitment and trust. This answers our first research question as to how firms engaged in international buyer-seller relationships make use of appropriate governance form to safeguard their business relationships. From the analysis of the case companies, we identify key underlying factors that necessitate the choice of governance mode in international buyer-supplier relationships. These factors are the conditions of the export market, the type of product and its characteristics, documentation and payment methods, customer type and the export market destination of the goods. Thus, the investment of specific assets and the uncertainty and complexity of international trading necessitates the need to safeguard export-import transactions.

Finally, our third research question seeks to find out if trust or opportunism or some mix of these explain how companies safeguard their transactions in international business relationships. Opportunism is one of the key assumptions in transaction cost economics (Williamson, 1985) and necessitates the need to safeguard international business relationships. For example, the international business literature asserts that international interfirm trade is surrounded by higher performance measurement difficulties than domestic business relationships (Buvik and Anderson, 2002) further compounding the uncertainty/complexity of trading internationally. However, the prescription of TCE through the various safeguarding strategies (e.g. partnerships, hostage taking, strategic alliances, vertical integration) according to the extant literature is in response to the need for safeguarding and as drivers for cooperation and integration. Consistent with previous research (e.g. Poppo and Zenger, 2002), companies do not solely rely on the use of formal contracting but supplement/complement formal contracting with relational contracting which is characterised by norms of solidarity, cooperation, mutuality and trust among other norms.

The structuring of international business relationships for increased export performance should not be done in isolation. Following the TCE approach, in as much as the uncertainties of trade and investment of specific assets dictate the choice of governance form, the key underlying factors also need to be considered. With regard to theoretical implication, these findings suggest that TCE can benefit from taking strategic considerations more explicitly into account (Svendsen and Haugland, 2006). Formal contracting and the use of relational norms are complementary governance mechanisms as supported by previous research (e.g. Cannon, Achrol and Gundlach, 2000; Poppo and Zenger, 2002; Arranz and Arroyabe, 2012). Thus, attempts to bridge the transaction cost economics with relational contracting theory provides numerous opportunities for researchers to close the gap in the literature and to increase our knowledge.

Regarding managerial implications, this study seeks to highlight the need for firms engaged in international trading to consider the key underlying factors when structuring governance mechanisms to safeguard international trading. The choice of governance forms should not be done in isolation since this impacts the quality of the exporter-importer relationship and hence performance. Recent studies on exporter-importer relationships support the significant effect of relationship quality on performance (e.g. Leonidou et al., 2014). Export managers should

be aware that well-performing relationships with overseas customers will lead to superior export performance and hence the need to carefully initiate, nurture and develop relationships. Finally, export managers should recognize that having stringent agreements and contracts is not sufficient to structure cross-border and overseas relationships without the 'human' element of relationship building through cooperation, trust building, commitment and personal/social relationships. This should be done based on the type of customer, the export market condition, the type and characteristics of products that are exported and the market destination of the goods exported. Exporters should be cognizant of these factors when structuring international export relationships to safeguard export-import transactions.

This study used companies within an industrial cluster as its empirical setting through multiple case analysis. The use of a case study approach involving interviews of key informants from different firms provides very 'rich' insight into the issues under study. However, the findings of this study have limitations. Though it may be possible to transfer some general statements from this study across industries and regions, case study findings cannot normally be generalized. Further research involving other industry clusters involved in exporting can help unearth the untapped knowledge embedded in these clusters and give a better understanding of how international buyer-supplier business relationships are governed. The use of quantitative research methods such as cross-sectional and/or longitudinal surveys involving several key informants from either side or one side of the export-import dyad at one point in time or several points in time can help establish some of the associations between the factors that have been identified in this study.

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Table1 Five main streams of research on international buyer-supplier relationships

<i>Stream of research</i>	<i>Goal/objective</i>	<i>Example of constructs</i>	<i>Authorship</i>
1. Behavioral dimensions of exporter-importer relationship	In-depth examination of individual behavioural dimensions as perceived by business partners	Conflict	Katsikeas and Percy (1991)
2. Extension of well-established models developed for the domestic buyer-seller relationship literature	Understanding of associations between various behavioural constructs	Trust and commitment	Barnes et al. (2010)
3. Links between relationship factors and performance	Focus on latent (e.g. trust) and manifest (e.g. conflict) behavioral constructs on social and economic aspects of performance	Trust, conflict and performance	Kuhlmeier and Knight (2010)
4. Internationalization effects on working relationship with foreign partner	Changes in understanding and other relationship factors as firm advances and matures in the export process	Trust, satisfaction, cooperation or commitment	Leonidou and Kaleka (1998)
5. Relationship governance	Role of relational governance mechanisms in the continuum of hierarchy-based versus market-based modes	Uncertainty, transaction volume, asset specificity, opportunism Relational norms, Control	Bello and Zhu (2006) Gençtürk and Aulakh (2007)

Source: Adapted from Leonidou et al. (2014)

Figure 1 Conceptual framework of the choice of governance forms in international buyer-supplier relationships and the underlying factors

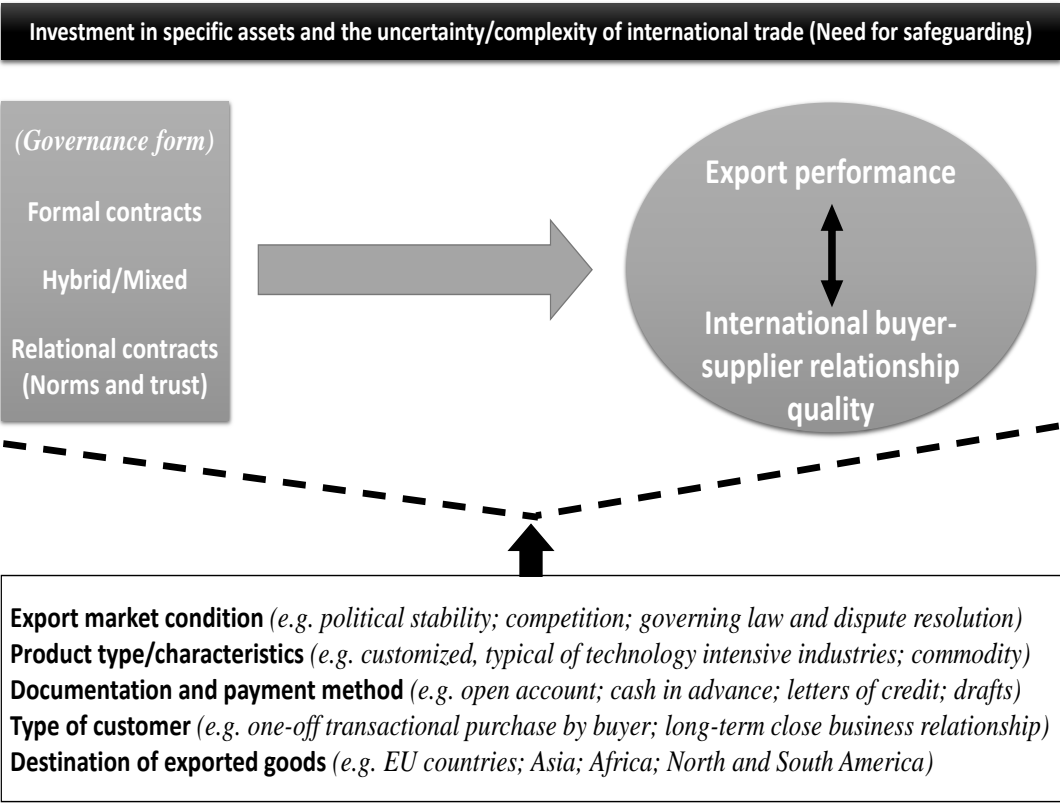


Figure 2 The alternative network approach to governance mode in international business relationships

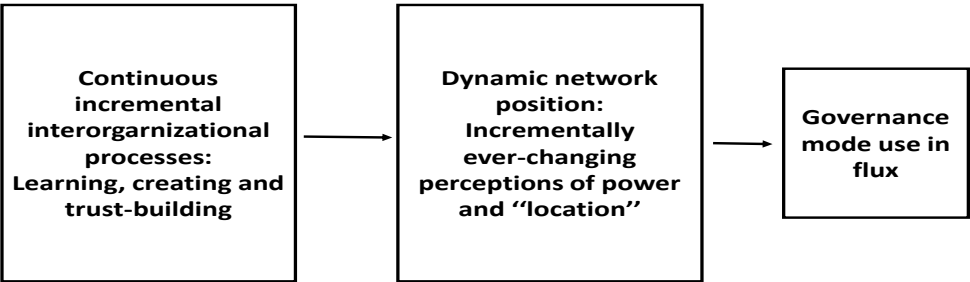


Table 2 Overview of export companies

Company	Brødrene Sperre	VARD	Stokke	Jangaard	Mørenot Offshore
Year established*	1969	1998	1994	1988	2011
Export initiation**	LA	SA	SA	SA	SA
2014 Turnover (1000NOK)*	1,361,736	10,056,189	1,159,246	665,952	82,775
Share capitalization (NOK)* As at February 2016	10,290,00	100,000	11,739,000	140,427,050	1,668,800
Export performance (% of turnover)	90%	90%	98%	90%	90%
Type of industry	Seafood	Shipbuilding	Furniture	Seafood	Mechanical equipment
Firm size Number of employees*	Medium 191	Large 1070	Medium 106	Medium 145	Small 12
Export importance**	Dominant	Dominant	Dominant	Dominant	Balanced with home-market
Firm growth**	Stable	Fluctuating	Stable	Stable	Growing

*Source: Publicly available information from Proff.no

** Subjective evaluation based on interviews

NOK = Norwegian Kroner SA=Soon after establishment LA=Later after establishment

Table 3 Summary of findings

	Brødrene Sperre	VARD	Stokke	Jangaard	Mørenot Offshore
Export market condition	Stable EU market High risk Eastern European market	Stable market less risky (e.g. Norway oil fields) (<i>Influenced by oil pricing</i>)	Mostly developed upmarket segments	Stable markets (EU) Agents in risky and unstable markets	Stable, diverse Agents in China
Product type/ characteristics	Frozen pelagic Salted/dried fish (<i>commodity</i>)	Highly advanced and complex offshore vessels (<i>Ship building</i>)	Innovative products (<i>High chairs, strollers, furniture</i>)	Fish (<i>Commodity</i>)	High-quality innovative products (<i>Customization</i>)
Documentation and payment method	Formalized but less documentation in EU Prepayment	Formal documentation Consider import provisions in international sales agreements	Formal documentation Prepayment Letters of credit	Formal sales agreements and documentation Prepayment Letters of credit	Formal documentation
Type of customer	Long-term and or one-off transaction	Preference for secured ongoing (long-term) business transaction	Stable long-term customers and resellers	Long-term customers and one-off transaction common	Long-term Transactional
Destination of exported goods	EU Eastern Europe	Developed countries (Maritime) <i>International/Global</i>	Developed and some developing countries <i>Global</i>	EU, Africa, South America (e.g. Brazil) <i>International</i>	EU, Asia (China, Canada, Turkey)
Governance and networks	<i>Norms and trust-based relationships</i> <i>Formal contracts come earlier at the exporter-importer relationship initiation</i> <i>Network collaboration and interdependence</i>	<i>Formal contracts supplemented with norms/trust</i> <i>Network collaboration and interdependence</i> <i>Network members cooperate and compete especially in such technologically advanced industry</i>	<i>Formal contract supplemented with trust and relationship building</i> <i>Network collaboration and interdependence</i>	<i>Mostly norms and trust-based relationships.</i> <i>Formal contracts come earlier at the exporter-importer relationship initiation</i> <i>Network collaboration and interdependence</i>	<i>Formal contracts</i> <i>Network collaboration and interdependence</i>