DO RELATIONSHIPS WITH MULTINATIONAL BUYERS IMPROVE THE MARKETING CAPABILITIES OF SUPPLIERS IN TRANSITION ECONOMIES?

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Ada Hiu Kan WONG ____ (Name of student)

ABSTRACT

Transition economies are characterized by a move away from central-planning towards open markets and increased competition. During the transformation process, managers face pressure to adapt to competition and to acquire the skills of marketing – the ability to meet customer needs more effectively than rivals. Consequently, an important question to be asked is: what factors affect the ability of a transition economy manager to learn the skills or capabilities of marketing?

Past research on this subject tends to be limited to those relatively rare transition economy firms that are directly linked with foreign firms, either through joint ventures or export exchanges. However, the focus of analysis in this study is defined in terms of supply-relationships linking indigenous suppliers with multinational buyers domiciled within transition economies. In contrast with studies examining the marketing capabilities of transition economy-exporters, this study examines transition economy firms whose main business is limited to the domestic market. The premise of this study is that exchange relationships with multinational buyers can serve as conduits for the transfer of marketing capabilities. If so, the absence of joint venture participation or export exchanges need not be a barrier to learning the skills of marketing.

Building on research investigating buyer-seller relationships, organizational learning, and marketing capabilities, several hypotheses are developed in this study.

These hypotheses are tested using quantitative data collected through structured interviews with 200 indigenous manufacturers in China. The findings reveal that the marketing capabilities of suppliers are enhanced by their learning orientation and by the quality of their relationships with multinational buyers. However, the cultural distance separating suppliers from their multinational buyers moderates the effect of relationship quality. Finally, marketing capabilities are found to have positive effects on various dimensions of business performance.

This study contributes to the marketing, international business, organizational learning and strategic management literatures by improving our understanding of the antecedents and consequences of marketing capabilities within transition economies. It provides arguably the first test of the link between relationship quality and marketing capabilities in the context of exchange relationships between suppliers and multinational buyers. Effect sizes are discussed and substantive conclusions are drawn for both researchers and transition economy managers.

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Chapter 1. Introduction

Background

In many parts of the world, economic life is being transformed by a policy shift in favour of markets and away from central planning. These "transition economies" include countries in Central and Eastern Europe such as Russia, the Czech Republic and Hungary, and countries in South-East Asia such as Vietnam and China. The four main characteristics of the transformation process are: trade liberalization, macroeconomic stabilization, restructuring and privatization of firms, and legal and institutional reform (IMF 2000). Table 1.1 summarizes the key differences between planned and market economies (Springer and Czinkota 1999). A full list of transition economies, with their respective inward foreign direct investment (FDI) flows and GDP per capita data, is provided in Table 1.2.

Table 1.1 Key Differences between Planned and Market Economies

Criteria	Planned Economy	Market Economy
Decision making	Highly centralized; governments and planning bureaucracies make economic decisions related to the macro- and micro- economic level; political-administrative management of economies and companies; price regulated by the government	Companies have the autonomy on decision making; limited or no interference from the government
Information gathering	Top down planning; quantitatively balance output and input on the macro and micro level	Price-market mechanism
Ownership of production facilities	State-owned, sometimes cooperative property	Private property
Motivation	Moral and material incentives directed at the fulfilment of national economic plans	Profit maximization

Adapted from Springer and Czinkota (1999, p.30)

Table 1.2 Thirty-three Transition Economies

Rank	Countries[a]	Inward FDI flows (US$b)[b]	GDP (US$b)[c]
1	China	108.3	4,327.5
2	Russia	70.3	1,676.6
3	Poland	16.5	527.9
4	Kazakhstan	14.5	135.6
5	Romania	13.3	200.1
6	Ukraine	10.7	179.6
7	Czech Republic	10.7	216.4
8	Bulgaria	9.2	49.9
9	Vietnam	8.1	89.8
10	Hungary	6.5	155.9
11	Croatia	4.4	69.4
12	Slovakia	3.4	95.4
13	Belarus	2.2	60.3
14	Estonia	2.0	23.5
15	Lithuania	1.8	47.3
16	Slovenia	1.8	54.6
17	Georgia	1.6	12.9
18	Latvia	1.4	34.0
19	Armenia	1.1	11.9
20	Bosnia-Herzegovina	1.0	18.5
21	Albania	1.0	13.0
22	Montenegro	0.9	4.8
23	Uzbekistan	0.9	27.9
24	Cambodia	0.8	11.3
25	Turkmenistan	0.8	NA
26	Moldova	0.7	6.0
27	Mongolia	0.7	5.2
28	Tajikistan	0.4	5.1
29	Laos	0.2	5.4
30	Kyrgyzstan	0.2	5.1
31	Azerbaijan	0.0[d]	46.4
32	Serbia	NA	50.1
33	Macedonia	NA	NA

[a]Country list source: IMF (2000), World Bank (2002) and Ianchovichina & Gooptu (2007); [b]FDI data in 2008 (UNCTAD 2009); [c]Current price GDP in 2008 (IMF 2009); [d]The FDI inflow was 0.01 billion; NA = data not available

The market conditions of transition economies are changing from sellers' markets (where product demand exceeds supply) to buyers' markets (where product supply exceeds demand). In the early days of planned economies, production targets were set by the government and usually fell short of the market demand. It was common for customers to purchase according to the pre-determined purchase quotas at pre-determined prices (Savitt 2001; Springer and Czinkota 1999; Stan *et al.* 2003). In the absence of competition, little attention was paid to marketing because what was produced was likely to be purchased.

With the liberalization of trade and opening of markets to foreign imports, transition economy suppliers faced increasing competition from both local and foreign competitors (Siu 2005; Springer and Czinkota 1999). As market competition increases, suppliers with superior marketing skills (e.g., marketing capabilities) in transition economies should outperform their counterparts by satisfying customer needs more effectively. Transition economy suppliers, however, lack marketing capabilities due to only having experience in planned economies in the early days. These suppliers therefore have a need to learn the skills of marketing to compete for customers in the transformation process.

Several learning options for transition economy suppliers have been investigated in previous studies. For instance, firms in transition economies have been found to be able to acquire marketing capabilities from their foreign partners located

overseas through exporting activities (Ellis and Davies 2006), and from foreign partners operating within the transition economies of the suppliers through international joint ventures (IJVs) or foreign direct investments (FDIs) (e.g., Caves 1996; Steensma *et al.* 2005; Tsang, Nguyen and Erramilli 2004). For example, the proportion of earnings from exports was found to be positively related to suppliers' customer orientation in China (Ellis and Davies 2006). Additionally, Steensma *et al.* (2005) found that the extent of Hungarian subsidiaries' learning of marketing was dependent on their foreign parent's resource provision. These findings suggest that transition economy suppliers can learn the skills of marketing when they are exposed to foreign partners. Following this line of logic, there is one relatively little-explored learning option in the marketing literature: can transition economy suppliers learn marketing from multinational buyers domiciled in the supplier's home market? Instead of learning from foreign partners located in foreign markets, can transition economy suppliers acquire the skills of marketing through their domestic supply networks when those networks are populated by foreign buyers operating in suppliers' home market? Much of the knowledge of marketing is embedded in foreign firms' products, technology, and general operations (Argote 1999; Mansfield 1985). By participating in these supply networks, transition economy suppliers are directly and indirectly exposed to the market knowledge (e.g., information collected from market research) and marketing skills (e.g., carrying out joint-promotion) of the foreign

buyers. Thus, a close relationship with multinational buyers may provide an opportunity for transition economy suppliers to learn marketing (Steensma *et al.* 2005).

Research Objectives

The growing significance of marketing in transition economies has attracted researchers' interest in examining different marketing capabilities, including new product development (Li, Liu and Zhao 2006; Zou, Fang and Zhao 2003), branding (Sonobe *et al.* 2004; Tokatli and Kizilgün 2004), product quality (Golden *et al.* 1995) and distribution (Gu, Hung and Tse 2008; Zou *et al.* 2003). Although past research provides evidence that various types of marketing capabilities are important to transition economy firms, the question of how transition economy managers learn or acquire these capabilities has received little attention in the literature. In view of this gap, the aims of this study are to examine the relationships between indigenous transition economy suppliers and their multinational buyers, and to identify those circumstances under which the former are able to learn marketing from the latter. Specifically, this study will address the following research questions: (1) Are transition economy suppliers able to acquire marketing capabilities from their multinational buyers? (2) If so, what factors affect the effectiveness of their learning? (3) Do marketing capabilities affect transition economy firms' business performance?

Scope of the Study

This study was set in China, the world's largest transition economy. Attracting more FDI than any other transition economy (US$108.3b in 2008), China has become an important supplier for many multinational companies (Table 1.2). A good proportion of these companies have set up buying offices within China to manage their supply networks. For example, in the retail sector, the US firm Wal-Mart has set up an office in Shenzhen to manage relationships with nearly 20,000 Chinese suppliers (Wal-Mart China 2009); in the electronics sector, the Japanese company Panasonic has set up procurement offices in Shenzhen and Shanghai to oversee its relationships with more than 4000 Chinese suppliers (Dragon Sourcing 2007; Panasonic 2009); in the automobile sector, the US automaker Ford has set up a global sourcing centre in Shanghai and is sourcing over US$2 billion worth of parts made in China (Roland Berger 2005; Wang 2003; Webb 2006).

Chinese manufacturers deal with foreign buyers located both inside and outside China. The conceptual boundaries of this study are defined by the first type of relationship – supply-links with multinational buyers based within China. Excluded from this study are those export relationships linking Chinese manufacturers directly to foreign markets. This exclusion is made because the effects of exporting on marketing capabilities have been studied elsewhere (e.g., Ellis and Davies 2006). In contrast, almost nothing is known about the benefits of domestic supply-relationships

with multinational buyers. Given that some have argued that exporting is evidence of marketing ability (Drucker 1974; Torre 1971), a good question to ask is how such firms become skilled at marketing in the first place.

Significance of the Study

Three substantive contributions arise from this study. First, the results of this study contribute to the growing literature on marketing capabilities within transition economies. The importance of this topic has only recently been recognized in the mainstream marketing literature. Apart from a few key studies (e.g., Gu *et al.* 2008; Hooley *et al.* 1999; Zou *et al.* 2003), little is known about the consequences of marketing capabilities in the context of transition economies. Providing empirical evidence regarding the importance of marketing capabilities in driving business performance in transition economies is a significant contribution in the light of the concerns expressed about the role of marketing in building company performance (Schultz 2003; Srivastava, Shervani and Fahey 1998, 1999; Verhoef and Leeflang 2009). This study therefore benefits both academics and managers by providing empirical generalizations for the relationships between marketing and firm performance. Second, this study makes a novel contribution to the organizational learning literature. Much of this literature is based on research done in intra-organizational settings such as inter-departmental learning (e.g., Szulanski, Cappetta

and Jensen 2004; Tsai 2001), learning between the parent companies and their subsidiaries (e.g., Minbaeva *et al.* 2003; Venaik, Midgley and Devinney 2005), or learning between joint-venture partners (e.g., Lane, Salk and Lyles 2001; Lyles and Salk 1996). Little attention has been given to the learning opportunities embedded in buyer-suppliers relationships – an inter-organizational setting. The results of this study therefore expand the organizational learning literature by investigating the effect of buyer-supplier relationships on the learning of transition economy suppliers.

Third, this study makes an empirical contribution by identifying factors that affect the acquisition of marketing skills in transition economies. Past research has tended to focus on manufacturer-exporters. Given that exporters are probably in the minority in every transition economy, this study represents a rare insight into the marketing practices of the unstudied majority, namely, transition economy manufacturers with no direct exposure to foreign markets. The implications of this study, which are discussed in the final chapter, thus have the potential to make a substantial practical contribution to a subset of firms that has so far benefited from little scholarly attention.

Dissertation Outline

This dissertation is organized into seven chapters. In the first chapter, a brief introduction to the background and objectives of the study are provided. In Chapter

Two, past research examining marketing in transition economies, marketing capabilities, learning orientation, buyer-seller's relationship quality and cultural distance is reviewed. A conceptual model and relevant hypotheses are presented in Chapter Three. Chapter Four provides the research methodology along with an explanation of the sample and data collection procedures, a description of the measurements of each construct and the analyses of their psychometric properties are also included in this chapter. Results of the hypotheses tests and the assessment of assumptions underlying the analysis methods are presented in Chapter Five. In Chapter Six, the findings of this study are discussed. In Chapter Seven, the contributions, limitations and conclusions of this study are presented.

Chapter 2. Literature Review

The purpose of this chapter is to review the relevant literature dealing with antecedents and consequences of firm level marketing capabilities. To do this, it is necessary to integrate insights and findings found in the marketing capabilities and organizational learning literatures. Past studies are reviewed and summarized in the light of effect sizes and categorized using Cohen's (1988) conventions to circumscribe the boundaries of existing knowledge in the literature. To minimize the variation in findings attributable to different choices of analysis methods, the summaries are limited to studies reporting effects in terms of the correlation coefficient. Previous findings are also discussed in this chapter to generate insights relevant to the development of the conceptual framework in the next chapter.

Marketing Capabilities

Capabilities are defined as complex bundles of skills and accumulated knowledge, influencing organizational processes that enable firms to coordinate activities and make use of such assets (Day 1994). Although Day (1994) did not provide a specific definition for the concept of marketing capabilities, he identified market sensing and customer linking capabilities as the most distinctive features of market-driven organizations. The former represents a company's ability to sense events and trends in the markets and to anticipate these changes more accurately than competitors, and the

latter reflects the ability to create and manage close customer relationships better than competitors.

Following Day's description of the two marketing-related capabilities, two main streams of definitions of marketing capabilities have evolved. The first stream views marketing capabilities as the skills relevant to identifying and responding to customer needs more effectively than competitors (e.g., Benedetto and Song 2003; Chang 1996; Ellis and Davies 2006; Greenley and Oktemgil 1997; Hooley, Broderick and Möller 1998; Kotabe, Srinivasan and Aulakh 2002; Song, Groge, Hanvanich and Calantone 2005). For instance, a firm's pricing, product development and promotional skills are frequently referred as examples of marketing capabilities. The second stream expresses marketing capabilities as organizational processes involved in the deployment of an organization's skills and resources relating to the marketing needs of the business. The marketing needs include developing superior goods and services, adapting to market conditions and meeting competitive demands effectively (e.g., Morgan, Vorhies and Mason 2009; Tsai and Shih 2004; Vorhies 1998; Vorhies and Harker 2000; Weerawardena 2003; Zou, Fang and Zhao 2003). Table 2.1 provides definitions relating to these two streams of definitions of marketing capabilities.

Table 2.1 Defining Marketing Capabilities – Two Approaches

Source	Definitions
Marketing capabilities as specific skills	
Chang (1996)	Ability to promote and sell various products
Greenley & Oktemgil (1997)	Ability to address customer needs and wants effectively
Hooley *et al.* (1998)	Abilities relating to market sensing, market targeting and positioning, customer relationship management, customer access, product management, new product development and implementation of marketing activities
Kotabe *et al.* (2002)	Skills in product differentiation and branding
Benedetto and Song (2003)	Skills in segmentation, targeting, pricing and advertising
Vorhies & Morgan (2003)	Ability to perform common marketing work routines
Song *et al.* (2005)	Ability to predict customer preference and market changes, and maintain durable relationships with customers and channel members
Ellis & Davies (2006)	Ability to interpret market signals and respond with products that meet evolving customer needs
Song *et al.* (2007)	Knowledge of the competitors and customers, and the skills in segmentation, targeting, advertising, pricing, and integrating marketing activities
Krasnikov & Jayachandran (2008)	Skills in market sensing and customer linking
Marketing capabilities as organizational processes	
Hooley *et al.* (1996)	The ways of using marketing resources
Vorhies (1998)	The integrative processes designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business
Morgan *et al.* (2009)	The process of product development and management, pricing, selling, marketing communication, channel management and marketing strategy development execution

These two streams of definitions are intertwined because specific skills enable specific business processes to be undertaken, and specific skills are reflected by the types of business processes being carried out by organizations. The concept of marketing capabilities is thus defined broadly in this study as the set of skills and

processes relevant to the delivery of products that satisfy customer needs more effectively than rivals. These skills and processes include, but are not limited to: pricing, product development, channel management, marketing communication, selling, market information management, marketing planning and marketing implementation (Morgan *et al.* 2009; Vorhies and Morgan 2005).

Marketing Capabilities and Performance

Organizational capabilities have long been regarded as one of the unique resources that contribute to a firm's competitive advantage in the resource-based literature (Barney 1991; Day and Wensley 1988; Day 1994; Teece, Pisano and Shuen 1997; Wernerfelt 1984). The predominant view in this literature is that marketing capabilities enable firms to be more responsive to market changes and are therefore positively associated with performance (Day and Wensley 1988; Grant 1991). Since Day's (1994) conceptualization of marketing-related capabilities, there has been a growing interest in exploring the effects of marketing capabilities on various performance indicators such as market performance (Gu *et al.* 2008; Morgan *et al.* 2009; Song *et al.* 2005; Vorhies and Harker 2000; Vorhies and Morgan 2005), financial performance (Moore and Fairhurst 2003; Zou *et al.* 2003), product performance (Eng and Spickett-Jones 2009) and overall performance (Ellis and Davies 2006; Hooley *et al.* 1999; Ruiz-Ortega and García Villaverde 2008). Day

(1994) reasoned that marketing-related capabilities provide links with customers, enabling firms to compete by effectively anticipating and responding to changes in customer preferences, and managing durable relationships with customers and channel members. In contrast, firms that do not have strong marketing capabilities will be less responsive to market changes and their products may not satisfy customer needs as effectively as rivals.

To provide a clearer picture of the effect of marketing capabilities on performance, effect sizes reported in past research were weighted and pooled to calculate a mean effect size. Past research has generally indicated only the direction of this effect. By meta-analytically pooling the results from previous research, it is possible to generate a specific point estimate of the mean effect size and provide further information quantifying the precision of that estimate. The weighted mean effect size obtained from past research can also be used in a prospective power analysis to estimate the minimum sample size needed in this study (discussed in Chapter Four). Prior to their aggregation, raw effect sizes were adjusted to compensate for measurement error (Hunter and Schmidt 2004). This was done by dividing the observed correlation by the square-root of the product term of the two reliabilities (Schmidt and Hunter 1996; 1999). Algebraically, the equation for adjusting the effect size estimates is as follows:

$$ES: r_{xy}(\text{true}) = r_{xy}(\text{observed})/\sqrt{(r_{xx} \times r_{yy})}$$

where *ES* denotes effect size, r_{xx} and r_{yy} denote the reliability coefficients for X and Y respectively. If r_{xy} (observed) = 0.14 and r_{xx} and r_{yy} both = 0.70, then r_{xy}(true) = 0.14/ $\sqrt{}$(0.70 x 0.70) = 0.20. When scale reliability was not reported in a study, the mean scale reliability obtained from other studies measuring the same construct and effect was substituted to facilitate calculations. Both raw and adjusted *ES* are reported in Table 2.2.

Table 2.2 Marketing Capabilities and Performance

Study	Context	Sample size	MC measures (α)	Performance measures (α)	*ES (r)*	Adjusted *ES*
Transition economies (adjusted weighted mean *ES* = 0.36)						
Zou *et al.* (2003)	China	176	P, NPD, distribution, communication (0.92)	Export financial performance (0.92)	0.56	0.61
Gu *et al.* (2008)	China	282	CM, responsive capabilities (NA)	Market performance (NA)	0.43	0.50
Ellis & Davies (2006)	China	200	NPD (0.86)	Overall performance (0.88)	0.32	0.37
Hooley *et al.* (1999)	Hungary, Poland, Slovenia	1619	Marketing culture, strategic marketing, operational marketing (0.86)	Overall performance (0.82)	0.29[a]	0.35
Eng & Spickett-Jones (2009)	China	268	P, PD, CM, COM, S, MIM, MP, MIP (0.84)	Product performance (0.73)	0.07	0.09
Open economies (adjusted weighted mean *ES* = 0.40)						
Ruiz-Ortega & García-Villaverde (2008)	Spain	253	Customer relationships, distribution, market knowledge (NA)	Overall performance (0.82)	0.41	0.49
Morgan *et al.* (2009)	US	204	P, PD, CM, COM, S, MP, MIP (0.86)	Market performance (0.90)	0.38	0.43
Song *et al.* (2005)	US	466	Customer linking, market sensing, channel bonding (NA)	Market performance (NA)	0.34	0.40
Weerawardena & O'Cass (2004)	Australia	326	Customer service, advertising, quality of salespersons, distribution, market segments served, market research ability, NPD (0.83)	Sustained competitive advantage (0.80)	0.33	0.40
Vorhies & Harker (2000)	Australia	87	Market research, P, NPD, channels, promotion, market management (0.83)	Market performance (0.92)	0.29	0.33
Vorhies & Morgan (2005)	US	230	P, PD, CM, COM, S, MIM, MP, MIP (0.87)	Market performance (0.89)	0.29	0.33
Moore & Fairhurst (2003)	US	60	Customer service, image differentiation, external market knowledge, promotion (NA)	Financial performance (NA)	0.18[b]	0.21

ES: Effect size; NPD: New product development; NA: Not available; P: pricing; PD: product development; CM: channel management; COM: communication; S: selling; MIM: market information management; MP: marketing planning; MIP: marketing implementation.

[a] The figure was calculated by taking square root of the R^2 because there was no other variable in the regression model. [b]Standardized regression coefficient was included for comparison purpose because no other variable was included in the regression model.

Since sample size is negatively associated with sampling error, each of the effect size estimates was weighted by sample size when calculating the mean effect size. Estimates obtained from larger samples were weighted more heavily. The adjusted weighted mean effect sizes identified in transition economies and open economies are $\overline{r}_{adj} = 0.36$ and $\overline{r}_{adj} = 0.40$ respectively. Following Cohen's (1988) conventions, the adjusted weighted mean effect size estimates may be classified as medium-sized. However, the true population effect size is likely to be smaller as the review was only limited to published research. Because publication practices favors studies that report statistically significant results, those which failed to reject the null hypothesis have less chance to get accepted by journals for publication (Atkinson, Furlong and Wampold 1982; Ellis 2010; Sawyer and Peter 1983).

To quantify the degree of precision of the adjusted weighted mean effect estimate, the 95% confidence intervals (CI_{95}) were calculated, and these are shown in Figure 2.1. A confidence interval is a range of possible values for the parameter being estimated and a CI_{95} is interpreted as being 95% confident that the population parameter lies within the upper and lower bound of the estimated intervals (Hays 1973). The provision of confidence intervals has been highly recommended recently because it provides a range of hypothetical values (e.g., effect sizes) that cannot be ruled out (Smithson 2003). The meta-analysis procedures suggested by Hunter and Schmidt (2004) were followed when calculating CI_{95}. First, the standard deviation of

the sample (*SD*) was found by the square root of the variance of sample correlations. The equation for finding the variance is shown in Hunter and Schmidt (2004, p.81, 89):

$$SD^2 = \sum_{i=1}^{k} [n_i (r_i - \overline{r}_{adj})^2] / \sum_{i=1}^{k} n_i$$

where n_i is the sample size of the ith study, r_i stands for the adjusted *ES* for the ith study, $\overline{r}_{adj}$ is the adjusted weighted mean *ES*, and k is the number of studies. Second, the standard error (*SE*) of the adjusted weighted mean was found by dividing *SD* by the square-root of the number of studies (k). Algebraically, the procedure was as follows:

$$SE = SD/\sqrt{k}$$

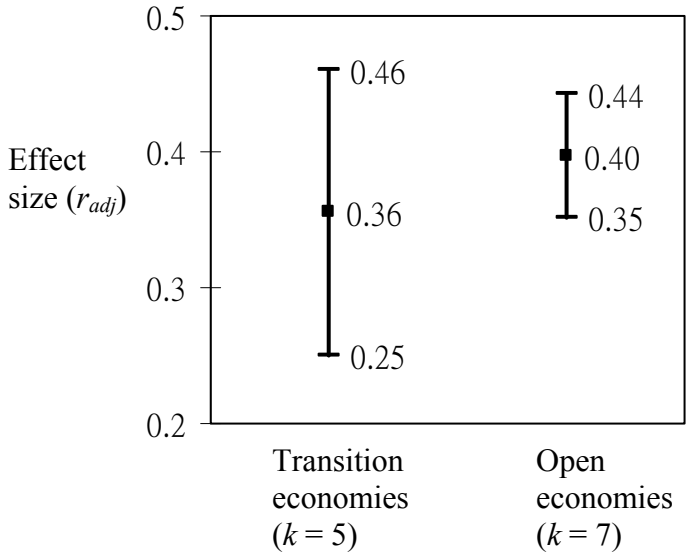
Finally, the width of the CI_{95} was obtained by adding or subtracting the product term of *SE* and the two-tailed critical value of normal distribution ($Z_{\alpha/2}$), which is 1.96 for the 95% confidence interval, as shown in Field (2005, p.448):

$$CI_{95\ (upper)} = \overline{r}_{adj} + 1.96\ (SE)$$

$$CI_{95\ (lower)} = \overline{r}_{adj} - 1.96\ (SE)$$

where *upper* and *lower* indicate the upper and lower limits of the CI_{95}.

Figure 2.1 Effect Sizes (CI 95%) of Marketing Capabilities and Firm Performance



Note: k is the number of studies

Several conclusions regarding the effects of marketing capabilities on firm performance may be drawn from Table 2.2 and Figure 2.1. First, despite a large volume of research on the effects of marketing capabilities on firm performance in the marketing and resource-based literature, effect size estimates found in transition economies are scarce and result in wide (i.e., imprecise) confidence interval as shown above. This limited body of research suggests that the effects of marketing capabilities on firm performance in the context of transition economies are yet to be explored and further investigations are needed to advance our understanding on these relationships.

Second, prior studies generally show that marketing capabilities contribute to superior firm performance in both transition and open economies although the strength of these associations varies, with small to medium-sized effects identified in

the former context and medium-sized effect identified in the latter context. These findings are in line with the expectations from the traditional resource-based theory which posits that heterogeneity in a firm's capabilities would result in inter-organization performance variance (Barney 1991). The concept of marketing capabilities is also closely related to a recently developed dynamic capabilities theory and is distinguished from the latter by its focus on the marketing functions. Drawing on the dynamic capabilities theory, the positive association between marketing capabilities and firm performance may be explained by the greater ability of managers to formulate and implement new strategies that match the dynamic market environment (Eisenhardt and Martin 2000; Morgan *et al.* 2009; Teece *et al.* 1997). It is worth noting that marketing capabilities demonstrates a similar effect in both transition and open economies, with a similar adjusted weighted mean effect sizes. Companies in transition economies should therefore benefit from the possession of marketing capabilities as well. However, given that few studies have estimated this effect in transition economies, the CI_{95} for marketing capabilities effects in transition economies (r_{adj} = 0.25 to 0.46) is much wider than that in open economies. The implication is that there may actually be a difference in *ES* between the two economy types. For instance, the effect could plausibly be small in transition economies while it is certainly medium in open economies. This indicates a need for further research in transition economies to improve the precision of the estimated true population effect.

Third, market performance is the most-studied performance dimension in the literature (five out of twelve studies in Table 2.2) and generally demonstrates medium-sized associations with marketing capabilities. As market performance (e.g., market share and sales performance) are likely to be directly influenced by the marketing activities of a company (e.g., marketing planning and sales promotion), relatively less attention has been paid to investigating the impacts of marketing capabilities on other performance dimensions such as product performance and overall performance, which are likely to be affected by a number of other factors. Therefore, the effects of marketing capabilities on the other dimensions of firm performance remain largely unexamined.

Finally, previous studies generally measured marketing capabilities as a combination of different marketing-related abilities (e.g., abilities related to different marketing mix and the formulation and implementation of marketing strategies), suggesting that marketing capabilities may be a concept measured by a number of dimensions.

Marketing Capabilities in Transition Economies

A review of the marketing capabilities literature shows that such capabilities have beneficial effects on firm performance across different countries (Table 2.2). Marketing capabilities' effects on firm performance were found not only in open

economies such as the US (Moore and Fairhurst 2003; Morgan *et al.* 2009; Song *et al.* 2005; Vorhies and Morgan 2005), Asutralia (Weerawardena and O'Cass 2004; Vorhies and Harker 2000), Taiwan (Tsai and Shih 2004), and Spain (Ruiz-Ortega and García-Villaverde 2008), but were also found in the transition economies of China (Eng and Spickett-Jones 2009; Ellis and Davies 2006; Gu *et al.* 2008; Zou *et al.* 2003) and Central Europe (Hooley *et al.* 1999). The positive and medium-sized mean effects of marketing capabilities on a company's performance in both transition and open economies provide evidence that transition economy firms can improve performance by advancing their marketing capabilities. More importantly, such beneficial effects are expected to continue when the economies have fully transformed into open economies.

Transition economy firms, however, are found to be lacking in marketing capabilities. For example, in Bulgaria, a transition economy, Marinov *et al.* (1993) found that only three percent of respondents adopted a market orientation, while 63 percent of respondents (the largest cluster in their sample) adopted a production orientation. This result is in contrast to Hooley, Lynch and Shepherd's (1990) study conducted in the UK, a free market, where 41 percent of respondents (the largest cluster in their sample) were classified as "marketing philosophers". Another example is provided by Siu (2005), who conducted a study comparing the development of marketing practices of small and medium-sized enterprises in China (a transition

economy), Hong Kong and Taiwan (both open economies). His study found that 66 percent of the Chinese managers had a minimal level of marketing expertise, meaning that they did not have basic marketing knowledge. Much lower percentages of firms in the Hong Kong (40 percent) and Taiwan (49 percent) samples belonged to this group.

The findings show that transition economy firms generally have weaker marketing capabilities compared to their counterparts in open economies. This may be attributed to their experience operating under centrally-planned economies, where production targets were set by the government and customers were less sophisticated compared to those in open economies (Ellis and Davies 2006; Stan *et al.* 2003; Siu 2005; Springer and Czinkota 1999). With less intense market competition, firms in transition economies had less need to monitor customers and competitors closely because what they have produced were likely to be purchased by customer when there were not many product choices. In other words, the skills related to anticipating market changes and managing customer relationships were not emphasized in the early stages of transition, resulting in generally weaker marketing capabilities among firms in transition economies.

While the literature shows that firms in transition economies lack marketing capabilities, there is also evidence identifying positive associations with firm performance in both transition and open economies. Identifying factors related to the

development of marketing capabilities among firms in transition economies is thus a crucial topic to be explored. The antecedents of marketing capabilities identified in the literature are reviewed in the next section.

Antecedents of Marketing Capabilities

Table 2.3 summarizes past studies examining the antecedents of marketing capabilities. It is observed that most of these studies provide information only pertaining to the direction of effects while three studies have gone further in reporting information about also the magnitude of the effect of various antecedents (Ellis and Davies 2006; Gu *et al.* 2008; Weerawardena and O'Cass 2004).

Three factors listed in Table 2.3, including, market knowledge (Morgan *et al.* 2003; Tsai and Shih 2004; Vorhies 1988), learning from the market (Vorhies and Harker 2000; Weerawardena and O'Cass 2004) and, foreign linkage (Ellis and Davies 2006; Fahy *et al.* 2000), were found to have positive relationships with marketing capabilities in multiple studies. Two other factors – *guanxi* and privately-ownership – were found to be positively related to marketing capabilities in studies set in transition economies (Fahy *et al.* 2000; Gu *et al.* 2008). The implications of these findings are discussed below.

Table 2.3 Antecedents of Marketing Capabilities

Study	Setting	Sample size	Antecedents (*α*)	MC measures (*α*)	Effect sizes *(r)*	Adjusted *ES*
Ellis & Davies (2006)	China	200	Export intensity (NA)	New product development (0.86)	0.24	0.28
Fahy *et al.* (2000)	Central Europe	1574	FDI vs Non-FDI (NA) State-owned (SOE) vs privately-owned (POE) (NA)	Market orientation (NA)	Nil[a]	NA
Gu *et al.* (2008)	China	282	*Guanxi* network (NA)	Channel & responsive capabilities (NA)	0.41	0.49
Morgan *et al.* (2003)	UK	287	Experiential knowledge (0.77); Market information knowledge (0.81)	Marketing planning & marketing implementation (0.84)	Nil[b] Nil[b]	NA
Morgan *et al.* (2003)	China	173	Experiential knowledge (0.77); Market information knowledge (0.81)	Marketing planning & marketing implementation (0.84)	Nil[b] Nil[b]	NA
Song *et al.* (2008)	US, Japan, China	709	Strategic type (Prospectors – analyzers – defenders)	Knowledge of competitors, advertising, marketing integration, segmentation & targeting, pricing, knowledge of customers (0.94)[b]	Nil[c]	NA
Tsai & Shih (2004)	Taiwan	110	Marketing knowledge management (0.85)	Channels, market research & product development, pricing, promotion (0.84)	Nil[b]	NA
Vorhies (1988)	US	85	Environmental turbulence (0.83); Coherent business strategies (0.79); Formal & centralized org. structure (0.83); Task routinization (0.87); Market information processing capabilities (0.87)	Promotion, product, pricing, distribution, market research (0.83)	NS Nil[b] Nil[b] NS Nil[b]	NA
Vorhies & Harker (2000)	Australia	87	Market-driven vs non-market-driven (NA)	Market research, pricing, product development, distribution, promotion, marketing management (0.83)	Nil[d]	NA
Weerawardena & O'Cass (2004)	Australia	326	Entrepreneurial intensity (0.83); Market-focused learning (0.83)	Customer service, advertising, salespersons quality, distribution, market segments, market research, new product development (0.83)	0.39 0.62	0.47 0.75

NA: information not available; Nil: information regarding effect sizes not available; NS: information regarding effect sizes not available and the relationship was statistically non-significant. Adjusted *ES*: effect sizes adjusted for measurement and sampling error.

[a] FDI firms have greater MC than non-FDI frims and POEs have greater MC than SOEs; [b] positive relationship; [c] defenders have the greatest MC and prospectors have the weakest MC; [d] market-driven firms have greater MC than non-market-driven firms.

Several conclusions can be drawn from the research summarized in Table 2.3. First, it appears that market knowledge has a positive relationship with marketing capabilities (Morgan *et al.* 2003; Tsai and Shih 2004; Vorhies 1988). Quality market information enables a firm to develop products that satisfy customer needs better than competitor's offerings, suggesting a positive relationship with marketing capabilities. The quality of market intelligence, however, is correlated with the level of economic development (Ellis 2003). The market information obtained within transition economies would thus be of lower quality than that obtained from developed economies. Accordingly, transition economy suppliers generally have difficulties in obtaining quality market information from the local environment, reducing the possibility for them to advance their marketing capabilities in this way.

Second, an organization's extent of learning from the market was found to be positively related to marketing capabilities in two studies conducted in Australia (Vorhies and Harker 2000; Weerawardena and O'Cass 2004). In particular, market-focused learning was reported to have the largest effect (r_{adj} = 0.75) of all antecedents examined. Market-focused learning is related to the capacity of the firm to learn from the marketplace. Weerawardena and O'Cass (2004) argued that a better understanding of the markets served by a firm enhances its ability to undertake superior marketing programs that add value to the target markets. Moreover, market-driven organizations were found to develop better marketing capabilities than less-market driven

organizations in another Australian study (Vorhies and Harker 2000). Market-driven firms would continuously learn from the market, build and leverage the resources and processes required to deliver superior value to customers (Vorhies and Harker 2000). Market-driven firms would thus develop capabilities relevant to market information generation, dissemination and responsiveness (Day 1994). The results in Weerawardena and O'Cass (2004) and Vorhies and Harker (2000) offered an evidential base to the idea that organizational learning should be positively related to marketing capabilities, but there is a knowledge gap regarding the effect of learning orientation on marketing capabilities.

Third, foreign linkages, such as exporting arrangements, were found to enhance marketing capabilities in at least two studies (Ellis and Davies 2006; Fahy *et al.* 2000). Export intensity was found to have a positive and small-sized effect (r_{adj} = 0.28) on new product development capability in a study of 200 Chinese exporters (Ellis and Davies 2006). The authors reasoned that foreign exposure facilitates an exporter's acquisition of intelligence relating to new technologies and changing customer preference. Selling products to open economies may compel exporters in transition economies to innovate when developing new products (Ellis 2005). In another study of 1574 firms in Central Europe, firms with FDI were found to have greater marketing capabilities then their domestic counterparts without foreign involvement (Fahy *et al.* 2000). In transition economies, firms with foreign

participation would have easier access to more sophisticated marketing capabilities compared to their domestic counterparts who do not have similar foreign exposure (Fahy *et al.* 2000). These findings provide evidence that transition economy suppliers may be able to import marketing capabilities from foreign buyers located overseas or from FDI partners. However, the possibility for transition economy suppliers to learn marketing capabilities from their foreign buyers located within the supplier's home markets has not been examined.

Fourth, a relational factor, *guanxi* network, was found to have a positive and medium-sized effect on marketing capabilities in a study of 282 Chinese firms in the consumer products industries (Gu *et al.* 2008). Two explanations were provided by the authors regarding this effect. First, *guanxi* helps in nurturing goodwill and cooperative norms among channel partners (Doney and Cannon 1997). As channel members work closely together, firms can build effective distribution channels and thereby improving their channel capability. Second, the g*uanxi* network also enhances a firm's responsiveness to market changes by improving accessibility to quality market information (Burt 1997; Coleman 1988). This suggests that good relationships with channel members can help firms to acquire market information and distribute products more effectively than competitors. The effect of buyer – supplier relationships on the marketing capabilities of transition economy suppliers, however, remains unknown.

Another factor that was found to influence a firm's marketing capabilities in transition economies was the type of ownership. State-owned enterprises (SOEs) showed a lower level of marketing capabilities than privatized firms in a study set in Central Europe (Fahy *et al.* 2000). This finding suggests that the inflexibility of SOE hinders its ability to change, impeding the development of marketing capabilities (Fahy *et al.* 2000).

Collectively, two unexamined factors including, learning orientation and relationship quality with foreign partners, emerged from the literature as the potential antecedents of transition economy suppliers' marketing capabilities. To explore such possibilities, the next section first reviews the literature on learning orientation, followed by a review of the literature on the buyer-seller relationship quality.

Learning Orientation

A learning orientation is a set of organizational values that stimulates knowledge creation, dissemination and utilization within an organization (Liu, Luo and Shi 2002; Sinkula, Baker and Noordewier 1997). Firms with a learning orientation develop "a culture amenable to learning" (Galer and Van Der Heijden 1992, p.11), and see the value of learning as self-evident and axiomatic (Senge 1990). A learning orientation influences the extent to which an organization is satisfied with its theory-in-use, and therefore the extent to which proactive learning occurs (Sinkula *et al.* 1997). A

learning orientation, as a result, affects the information that an organization attends to, interprets, evaluates, and ultimately accepts or rejects (Argyris and Sch□n 1978; Dixon 1992; Hedberg 1981).

Learning orientation has frequently been measured as an estimate of a company's degree of organizational learning and is usually assessed by examining three organization values, including: commitment to learning, open-mindedness, and shared vision (e.g., Day 1992; Senge 1990; Liu *et al.* 2002; Santos-Vijande, Sanzo-Pérez, Álvarez-González and Vázquez-Casielles 2005; Sinkula *et al.* 1997; Tobin 1993). Commitment to learning represents the fundamental value that an organization holds toward learning (Sinkula *et al.* 1997). It therefore influences whether an organization is likely to promote a learning culture. If an organization does not encourage learning, little learning is likely to occur (Norman 1985; Sackman 1991). Open-mindedness refers to the degree that an organization proactively questions long-held routines, assumptions, and beliefs. The mental model within an organization restricts an organization to the familiar ways of thinking and acting (Day and Nedungadi 1994) and these models may not hold true as time goes by. Therefore, if an organization does not question the long-held thinking, little learning would take place. The final dimension of learning orientation is shared vision, which influences the direction of learning, whereas commitment and open-mindedness influence the intensity of learning (Sinkula *et al.* 1997). Shared vision provides a focus for learning

that fosters energy, commitment, and purpose among organizational members (Day 1994). Without it, individuals are less likely to know what the organizational expectations are, what outcomes to measure, or what theories-in-use are in operation (Sinkula *et al.* 1997). Consequently, even if they are motivated to learn, they do not know what to learn.

Learning Orientation and Marketing Outcomes

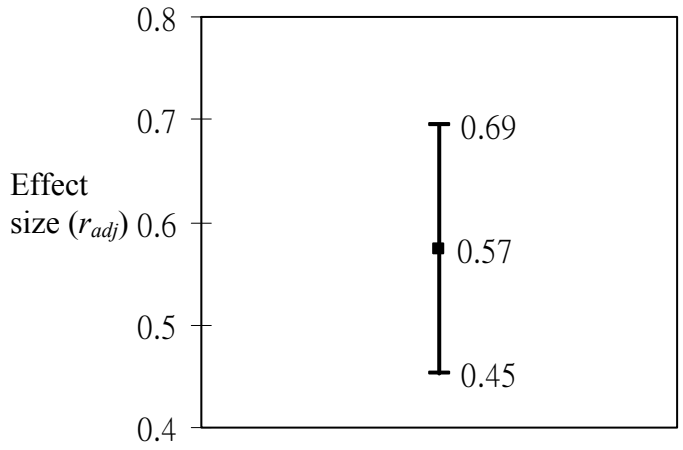
Marketing outcomes may be promoted when a firm has better knowledge about its market environment. As a learning orientation affects an organization's willingness to obtain and disseminate relevant information, as well as taking appropriate actions according to such information, it is likely to have positive effects on different marketing outcomes. To explore such possibilities, effect sizes reported in published research examining the association between learning orientation and various marketing outcomes are summarized in Table 2.4. Again, effect size estimates were adjusted for measurement error. The adjusted weighted mean effect size and the confidence interval are presented in Figure 2.2.

Table 2.4 Learning Orientation and Marketing Outcomes

Study	Context	Sample size	LO measures (*α*)	Consequences (*α*)	Effect sizes *(r)*	Adjusted *ES*
Burpitt (2004)	US	659	NA (0.88)	New market entry effort and revenue (NA)	0.79	0.92
Sinkula *et al.* (1997)	US	125	COMMIT, SV, OM (0.84)	Market information generation and dissemination (0.78)	0.59	0.73
Keskin (2006)	Turkey	157	COMMIT, SV, OM (0.82)	Firm innovativeness (0.68)	0.46	0.62
Hult *et al.* (2004)	US	181	NA (0.85)	Firm innovativeness (0.88)	0.51	0.59
Wang *et al.* (2006)	China	248	COMMIT, SV, OM (0.82)	Customer value (0.85)	0.49	0.59
Mavondo *et al.* (2005)	Australia	227	COMMIT, SV, OM (0.82)	Market orientation (0.84)	0.48	0.58
Baker & Sinkula (1999)	US	411	COMMIT, SV, OM (0.94)	New product success (0.83)	0.43	0.49
Hult (1998)	Worldwide	346	COMMIT, SV (0.79)	Customer satisfaction (0.92)	0.39	0.46
Calantone *et al.* (2002)	US	187	COMMIT, SV, OM, IKS (0.77)	Firm innovativeness (0.89)	0.36	0.43
Hult *et al.* (2000)	Worldwide	375	COMMIT, SV (0.79)	Customer orientation (0.94)	0.31	0.36
Liu *et al.* (2002)	China	304	COMMIT, SV, OM (0.81)	Marketing program dynamism (0.73)	0.23	0.30

COMMIT: Commitment to learning; SV: shared vision/purpose; OM: open-mindedness; IKS: intraorganizational-knowledge sharing; NA: Not available.

Figure 2.2 Effect Sizes (CI 95%) of Learning Orientation and Marketing Outcomes



Several conclusions can be drawn from the results shown in Table 2.4 and Figure 2.2. First, learning orientation has been consistently found to have a positive effect on marketing outcomes, with an adjusted weighted mean effect size of $\overline{r}_{adj} = 0.57$ and a CI_{95} between $r_{adj} = 0.45$ and 0.69. The confidence interval indicates that the unknown population effect may be medium to large-sized. These findings may be explained by the conceptualization of learning orientation. Learning oriented organizations value learning, and therefore, should enhance the quality and quantity of the acquisition and dissemination of market information (Sinkula *et al.* 1997). Organizations will also respond to such information by taking appropriate actions such as changes in product mix, brand mix, selling strategies and promotion strategies (Liu *et al.* 2002). Likewise, Jaworski and Kohli (1993) regard the ability to sense and respond to markets as the key elements of market orientation. In line with their conceptualization, learning orientation is found to have positive associations with market orientation (Sinkula *et al.* 1997, Mavondo, Chimhanzi and Stewart 2005, Hult 1998 and Hult *et al.* 2000) and marketing program dynamism (Liu *et al.* 2002). Additionally, innovation implies the generation, acceptance, and implementation of new ideas, processes and products (Calantone, Cavusgil and Zhao 2002). As such, innovation should be related to the company's market knowledge development activities (Mavondo *et al.* 2005). This explains the positive effects of learning orientation on innovativeness and new product success being observed in previous studies (Hult, Hurley and Knight 2004;

Calantone *et al.* 2002). Overall, although learning orientation has been consistently reported to have a positive effect on different marketing outcomes, its specific effect on marketing capabilities is yet to be estimated.

Second, the relationship between learning orientation and marketing outcomes has received little attention within transition economies. Only two studies in Table 2.4 tested this association in a transition economy context (China) and most of the studies were conducted in the US (an open economy). Although learning orientation has been found to have a positive effect in China in these two studies, the small number of estimates identified will result in a very large confidence interval in transition economies, reducing the precision of the estimate. Further studies reporting effect size estimates in transition economies will expand our knowledge boundaries by identifying a narrower confidence interval, improving the accuracy of the estimate for the underlying population effect in the transition economy context.

Third, it is observed that the learning orientation scale developed by Sinkula *et al.* (1997), comprising commitment to learning, shared vision and open-mindedness, has been used by most of the past studies measuring learning orientation. This scale, additionally, has been validated by Liu *et al.* (2002) in a transition economy context.

Collectively, a learning orientation is shown to have a potential to enhance supplier's marketing capabilities. The next section reviews the literature of another potential antecedent of marketing capabilities, namely, the buyer-seller's relationship

quality.

Relationship Quality

Relationship quality is defined as an overall evaluation of the strength of a relationship (De Wulf, Odekerken-Schröder and Iacobucci 2001; Garbarino and Johnson 1999; Kaufman, Jayachandran and Rose 2006; Smith 1998). Although research investigating inter-organizational relationships from an institutional perspective often focuses merely on the presence or absence of relationships, relationships may grow or dissolve (Dacin, Ventresca and Beal 1999; Kelley and Thibaut 1978; Thibaut and Kelley 1959). Buyer-seller relationship quality may be conceptualized in terms of a transactional/relational continuum (Dwyer, Schurr and Oh 1987; Garbarino and Johnson 1999). Transactional exchanges are discrete buyer-seller exchanges of a product or service for money, with minimal personal relationship and no anticipation or obligation of future exchange (Dwyer *et al.* 1987; Macneil 1980). In contrast, relational exchanges are characterized by cooperative actions and mutual adjustments of the exchange parties, a sharing of benefits and burdens of the exchange, and expectations of future exchanges (Dwyer *et al.* 1987; Macneil 1980). Therefore, a high quality buyer-seller relationship can be distinguished from an arms-length transaction in terms of the increased frequency and

the embedding of exchange within a transactional history between known partners (Dwyer *et al.* 1987).

Previous research conceptualizes relationship quality as a higher-order construct consisting of several distinct, yet related, dimensions (De Wulf *et al.* 2001; Hewett, Money and Sharma 2002). A detailed discussion of the measurement of relationship quality is provided in Ch.4. Although there is no consensus on which dimensions make up relationship quality, prior conceptualizations mainly emphasize the critical importance of trust, satisfaction, opportunism, and continuity expectations as indicators of relationship quality. Therefore, these aspects of relationship quality are the focus of this study.

Trust

Drawing on the social psychology and marketing literature, trust is defined as the perceived credibility and benevolence of a target of trust (Doney and Cannon 1997; Ganesan 1994; Kumar, Scheer, and Steenkamp 1995; Larzelere and Huston 1980). Trust refers to a party's expectations that another desires coordination, will fulfil its obligations, and will pull its weight in the relationship (Anderson and Narus 1986). Trust is one of the indicators that has frequently been used to reflect the quality of a relationship (e.g., Dwyer and Oh 1987; Hewett *et al.* 2002; Johnson, Sohi and Grewal 2004; Kaufman *et al.* 2006; Luo, Griffith, Liu and Shi 2004; Yli-Renko, Autio and

Spaienza 2001). Much research explores the importance of trust in interpersonal dyads (e.g., Rotter 1967; Schlenker, Helm, and Tedeschi 1973). Some research, however, shows that people can develop trust even in public institutions (Lewis and Weigert 1985) or private organizations (Morgan and Hunt 1994). Therefore, the trust literature suggests that customers can trust the supplier firm, its salespersons, or both (Doney and Cannon 1997).

Among the four relationship quality indicators, trust has received the most attention from researchers. Trust has been generally found to have a positive relationship with various marketing outcomes. Although there are some studies reporting effect size estimates of trust, only Corsten and Kumar (2005), Wu, Cavusgil and Roath (2007) and Zhang, Cavusgil and Roath (2003) speculated the effect of trust on marketing outcomes. In particular, Corsten and Kumar (2005) found a positive and large-sized effect (r_{adj} = 0.59) of trust on supplier's capability development using a sample of 266 suppliers of a large retailer. A following study echoed their findings by reporting a positive and large-sized effect (r_{adj} = 0.56) of trust on local market competence using a sample of 142 US manufacturers who were actively engaged in global market expansion (Wu *et al.* 2007). Another study using a sample of 142 US supplier-foreign distributor relationships also reported a positive but medium-sized effect (r_{adj} = 0.47) of trust of supplier's competitiveness in export market (Zhang *et al.* 2003). Although some studies did not hypothesize any relationship between trust and

marketing outcomes, by looking at their correlation matrixes, trust has been reported to have a positive and large-sized effect on marketing performance using a sample of 97 US electronic manufacturers and a sample of 97 Japanese electronic manufacturers (Voss *et al.* 2006); a positive and small-sized effect on market orientation in a sample of 179 US suppliers (Siguaw, Simpson and Baker 1998) and on competitive advantage achievement in a sample of 321 buyer-supplier relationships (Jap and Anderson 2003). Unlike the majority of past studies, trust has been found to have a trivial effect on new product development in a sample of 180 young technology-based firms in the UK (Yli-Renko *et al.* 2001) and a sample of 72 Greek firms from the pharmaceutical and food industries (Brachos *et al.* 2007).

The weighted mean effect size of trust on marketing outcomes is $\overline{r}_{adj} = 0.37$ (CI_{95} of $r_{adj} = 0.20$ and 0.54), meaning that the true population effect is positive and may be small to large-sized. The positive relationship between trust and marketing outcomes may be explained in three ways. Firstly, a trusting relationship signals good faith between the exchange partners and encourages cooperative behavior in the pursuit of joint benefits (Anderson and Narus 1990; Morgan and Hunt 1994; Wu *et al.* 2007). A supplier who trusts a buyer is willing to make idiosyncratic investments, such as investments in developing customized products and promoting marketing efforts to meet the buyer's needs (Wu *et al.* 2007). Trust is therefore a crucial factor in regards to building market competence (Wu *et al.* 2007). Secondly, trust may lead to a

greater transparency in market intelligence between channel partners, which serve as a credible signal of the partners' marketing capabilities (Doney and Cannon 1997; Zhang *et al.* 2003). From a transaction-cost perspective, self-enforcing safeguards such as trust contribute to a more open and better exchange of information between exchange partners (Corsten and Kumar 2005). A high level of trust would therefore encourage the sharing of confidential market information and more meaningful communications between partners, facilitating the learning of marketing capabilities (Anderson and Narus 1990, 1986; Doney and Cannon 1997; Roath, Millerand and Cavusgil 2002; Zhang *et al.* 2003). Thirdly, trust may also increase the perceived truthfulness of knowledge, which enhances the absorption of tacit and sticky know-how from an exchange partner (e.g., marketing skills), which in turns, facilitates capabilities development (Corsten and Kumar 2005). Past studies reporting positive relationships between trust and learning activities also lent support to this line of reasoning (e.g., Brachos *et al.* 2007; Crosby *et al.* 1990; Dhanaraj, Lyles, Steensma and Tihanyi 2004; Maltz and Kohli 1996; Selnes and Sallis 2003; Tsai and Ghoshal 1998; Yli-Renko *et al.* 2001).

Satisfaction

Satisfaction is defined as a positive emotional status resulting from an overall evaluation of a firm's business relationship with another firm (Anderson and Narus

1984; 1990). Satisfaction towards an exchange partner is one of the characteristics of a high quality relationship. Along with trust, satisfaction is frequently measured as one of the dimensions of relationship quality (e.g., Crosby, Evans and Cowles 1990; De Wulf *et al.* 2001; Jap 2007; Johnson, Sakano, and Onzo 1993).

Unlike trust, the effect of satisfaction on marketing is yet to be examined. Only Jap and Anderson (2003) reported an effect size estimate (r_{adj} = 0.57) for the link between satisfaction and competitive advantage achievement using a sample of 321 buyer-supplier relationships. Although Jap and Anderson (2003) did not speculate on this linkage, the positive and large-sized effect signals a potentially important effect of satisfaction on the acquisition of marketing capabilities. Satisfaction on a channel partner's performance may stimulate more cooperative behaviors such as more opened communication and less conflicts. Consistent with this line of reasoning, satisfaction was found to be positively related to mutual disclosure of information (Crosby *et al.* 1990), partner's cooperation (Anderson and Narus 1990; Jap 2001), communication (Anderson and Narus 1990; Mohr, Fisher and Nevin 1996; Selnes 1998; Smith and Barclay 1997), and negatively related to the likelihood of conflict (Anderson and Narus 1990; Crosby *et al.* 1990; Cullen *et al.* 1995; Griffith *et al.* 2000). These factors are influential to knowledge acquisition, particularly in terms of the learning of marketing capabilities. Because marketing capabilities are tacit knowledge which can not be absorbed easily, multiple and high quality interactions

between exchange partners are crucial for successful knowledge acquisition (Evangelista and Hau 2009). If a firm is satisfied with its exchange partner, frequent communications and knowledge exchanges between partners will be very likely, and vice versa. The specific effect of satisfaction on the learning of marketing capabilities is therefore an important, yet unattended, research area.

Opportunism

Opportunism is defined as "self-interest seeking with guile" (Williamson 1975, p.6). It indicates the integrity of an exchange relationship (Dwyer and Oh 1987) and takes various forms (Wathne and Heide 2000). It is generally viewed as meaning misrepresentation, cheating and deception; and includes a range of behaviours such as adverse selection, moral hazard, shirking, sub-goal pursuit, agency costs, and free riding (Jap 2007; Williamson 1996a). An opportunistic partner is likely to violate both explicit and implicit contracts (Williamson 1996a). Specifically, it may include violation of promotion agreements (Murry and Heide 1998) and breach of distribution contracts or any mutual agreements (Dutta, Bergen and John 1994; Masten 1988). Opportunism can also manifest itself in the form of passive opportunism, where one of the exchange parties purposely withholds critical information and fails to comply with the relational norms of the partnership such as the sharing of cost and benefits

(Eisenhardt 1989; Macneil 1980). Hence, a high quality relationship is characterized by minimal opportunism.

As expected, opportunism has been found to be negatively related to market competitiveness in a sample of 142 US manufacturer-exporters, with an estimate of r_{adj} = -0.40 indicating a medium-sized effect (Wu *et al.* 2007). Consistent with their finding, it has also been reported to have a negative correlation (r_{adj} = -0.12) with competitive advantage achievement in a sample of buyer-supplier relationships (Jap and Anderson 2003). Although the effect was small-sized, it showed that opportunism is likely to have negative relationship with marketing capabilities. An opportunistic partner concerns self-benefits rather than common benefits that arise from collaboration (Khanna, Gulati and Nohria 1998; Madhok and Tallman 1998; Wu *et al.* 2007). It is therefore likely for an opportunistic partner to misinterpret contractual terms deliberately to favour its self-interests, to withhold important market knowledge to retain bargaining power in profit sharing or, to provide incomplete information, or information that is misrepresentative of the situation (Eisenhardt 1989; Wu *et al.* 2007). From the learning firm's perspective, information obtained from an opportunistic partner is suspected of being false, misleading, or manipulative and therefore may not be internalized and would not lead to an improvement in marketing skills (Corsten and Kumar 2005; Wu *et al.* 2007). Instead, these kinds of opportunistic behaviours are likely to result in dissolution of channel relationship that eventually

has detrimental effects on the competitiveness of both parties (Kumar and Nti 1998). The specific effect of opportunism on marketing capabilities, however, is an effect that is yet to be examined.

Continuity expectation

Continuity expectation reflects a firm's perspective on the long-term viability of the relationship (Jap 2007). When a firm expects a business relationship to continue in the future, it is more willing to engage and invest in processes that will enhance the relationship in the long run (Anderson and Weitz 1989; Heide and Miner 1992; Jap 2007). Continuity expectation therefore indicates the level of confidence that a company holds on the exchange party, and, is one of the key indicators of relationship quality. Without it, the exchange partner may adopt a short-term focus and refuse to engage in activities that do not pay off quickly and with certainty (Jap 2007; Williamson 1993). Furthermore, the expectancy to continue a business relationship has frequently been included as one of the key elements of the relationship commitment measure (e.g., Anderson and Wetiz 1992; Cullen, Johnson and Sakano 1995; Griffith, Hu and Ryans 2000; Kim and Frazier 1997; Nielson 1998; Siguaw *et al.* 1998; Tsang *et al.* 2004).

Similar to the literature on satisfaction, there is no study to date investigating the effect of continuity expectation on marketing outcomes. Nonetheless, two

previous studies reported effect size estimates of continuity expectation. In a sample of 367 purchasing managers and buyers of a multinational corporation's international strategic business units, Hult *et al*. (2000) reported a positive and large-sized effect (r_{adj} = 0.58) of continuity expectation on customer orientation. In another study using a sample of 321 buyer-supplier relationships, Jap and Anderson (2003) reported a positive and large-sized effect (r_{adj} = 0.77) of continuity expectation on competitiveness advantage achievement. Taking these findings together suggest an unexamined effect on marketing capabilities. An exchange partner who expects to continue a relationship with a partner firm would be more motivated to meet or exceed the requirements provided by the partner, which is likely to result in customer orientation (Siguaw *et al.* 1998). Furthermore, if a partner expects a relationship to continue, it is more likely for the partners to have more frequent and quality discussions regarding their future collaboration. The partners may also share their knowledge more openly with each other to achieve better performance from the collaboration. Since the acquisition of tacit and non-codified knowledge (e.g., marketing capabilities) takes time to complete (Evangelista and Hau 2009), a long-lasting relationship would be beneficial to the acquisition of tacit knowledge. Hence, continuity expectation is likely to be positively related to the learning of marketing capabilities. Although this specific effect is yet to be examined, previous studies reporting positive relationships between continuity expectations with knowledge

acquisition (Tsang *et al.* 2004), relational learning (Selnes and Sallis 2003), and information exchange (Heide and Miner 1992) shed light on this possibility.

Relationship quality and marketing outcomes

In the relationship marketing literature, relationship quality has been identified as an antecedent of business performance (e.g., Crosby *et al.*1990; Hewett *et al.* 2002; Luo *et al.* 2004). For instance, high relationship quality has been found to be positively related to product performance (Kaufman *et al.* 2006). Using a sample of 205 buyer-seller relationships identified from two grocery retailers in the United States, Kaufman *et al.* (2006) found the quality of manufacturer-retailer relationships was positively correlated with product attractiveness ($r = 0.58$). Kaufman *et al.* (2006) argued that under a high quality buyer-seller relationship, the buyer would rely on the manufacturer's expertise when evaluating the product's attractiveness, resulting in a positive and large-sized correlation.

Another plausible explanation for this positive relationship is that manufacturer involved in high quality relationships with retailers may be more able to get access to the market information held by the retailers/buyers. Incorporating such information into product design may therefore increase the product attractiveness to the buyers. However, whether the quality of a buyer-supplier relationship facilitates a channel partner's learning of marketing capabilities is a question that remains

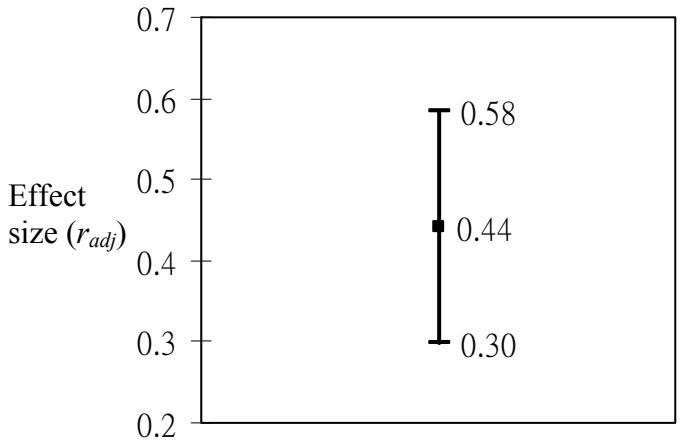
unexamined. To fill this research gap, this study focuses on the relationships linking transition economy suppliers and their multinational buyers (who have business operations in the supplier's home market) to investigate the effects of relationship quality on a supplier's learning of marketing capabilities. To generate some insights for this research area, effect size estimates for the link between the four relationship quality indicators and different marketing outcomes published in extant research are summarized in Table 2.5. To minimize sampling error, multiple effect size estimates obtained from a single sample were averaged before calculating the adjusted weighted mean effect size. The CI_{95} is presented in Figure 2.3.

Table 2.5 Relationship Quality Indictors and Marketing Outcomes

Study	Context	Sample size	RQ (*α*)	Marketing outcomes (*α*)	Effect sizes *(r)*	Adjusted *ES*
Trust						
Voss *et al.* (2006)	US	97	0.88	Marketing performance (NA)	0.67	0.78
Voss *et al.* (2006)	Japan	97	0.88	Marketing performance (NA)	0.55	0.64
Corsten & Kumar (2005)	NA	266	0.83	Capability development (0.93)	0.52	0.59
Wu *et al.* (2007)	US	142	0.86	Local market competence (0.78)	0.46	0.56
Zhang *et al.* (2003)	US	142	0.75	Competitiveness in export market (0.91)	0.39	0.47
Jap and Anderson (2003)	NA	321	0.91	Competitive advantage achievement (0.82)	0.21	0.24
Siguaw *et al.* (1998)	US	179	0.87	Market orientation (0.56)	0.19	0.27
Yli-Renko *et al.* (2001)	UK	180	0.73	New product development (NA)	-0.08	-0.10
Brachos *et al.* (2007)	Greece	72	0.84	NPD (NA)	0.03	0.04
Satisfaction						
Jap and Anderson (2003)[a]	NA	321	0.88	Competitive advantage achievement (0.82)	0.57	0.67
Opportunism						
Wu *et al.* (2007)	US	142	0.88	Competitiveness in export market (0.91)	-0.36	-0.40
Jap and Anderson (2003)	NA	321	0.90	Competitive advantage achievement (0.82)	-0.10	-0.12
Continuity expectation						
Jap and Anderson (2003)	NA	321	0.84	Competitive advantage achievement (0.82)	0.64	0.77
Hult *et al.* (2000)[b]	World-wide	375	0.86	Customer orientation (0.94)	0.52	0.58

α: Scale reliability; NPD: New product development; NA: Not available; [a]Satisfaction was termed as evaluation of performance; [b]Continuity expectation was termed as commitment.

Figure 2.3 Effect Sizes (CI 95%) of Relationship Quality Indicators and Marketing Outcomes



According to the results summarized in Table 2.5, the combined effect of different relationship quality indicators can be expressed as an adjusted weighted mean effect size of $\overline{r}_{adj}$ = 0.44 and CI_{95} r_{adj} = 0.30 to 0.58. Several conclusions can be drawn from these results. First, just a few effect size estimates are summarized in Table 2.5, meaning not much work has been done on this research area despite its potential importance. Current knowledge on the effect of relationship quality and marketing capabilities is therefore very limited. It is worth noting that none of the studies were conducted in transition economies, spotting at a knowledge gap. Second, the positive adjusted weighted mean effect size indicates that relationship quality has a positive effect on marketing outcomes. This is in line with the expectation based on the preceding literature review. Third, the medium-sized weighted mean effect suggests that relationship quality is likely to have a substantial effect on marketing capabilities. Finally, the CI_{95} covers a range of effects from medium to large-sized. Such a wide

interval is because of the small number of studies reporting effect size estimates. It may also reflect the operations of moderators. The cultural distance between multinational buyers (knowledge transferor) and transition economy suppliers (the learner) may be a potential moderator on the relationship quality – marketing capabilities linkage. The next section reviews the cultural distance literature relevant to its relationship with marketing outcomes or learning activities.

Cultural Distance

Cultural distance quantifies the degree of cultural difference between two groups (Kogut and Singh 1988; Morosini, Shane and Singh 1998; Shenkar 2001), and is defined as the resulting magnitude of various culture-based factors (e.g., languages, values, norms or meaning) that impede the flow of information between partners from different cultures (Johanson and Vahlne 1997). Accordingly, cultural distance has been generally hypothesized to increase the difficulty, cost and risk associated with interactions between different cultural parties (Björkman, Stahl and Vaara 2007).

The effects of cultural distance have received much attention in the strategic alliance and internal joint venture (IJV) literature. This body of research generally suggests that cultural distance creates difficulties and challenges for managers, leading to more time being spent on communication, on design of compatible work routines, and on the development of common managerial approaches (Olk 1997;

Parkhe 1991; Simonin 1999). The potential moderating effect of cultural distance on the relationship between relationship quality and marketing capabilities, however, has not been studied. To glean some insight into this relationship, studies providing effect size estimates regarding cultural distance effects on knowledge acquisition are discussed below.

Evangelista and Hau (2009) reported a negative association between cultural distance and knowledge acquisition in their study of 219 IJVs in Vietnam (r_{adj} = -0.13). These authors proposed that cultural distance promotes the misinterpretation of values and non-verbal cues between venture partners (Evangelista and Hau 2009). These misunderstandings break the loop of experiential learning and feedback that is crucial to the acquisition of tacit knowledge, and in turn, harm the relationship and cause partners to become unwilling to interact and share knowledge (Evangelista and Hau 2009; Hennart and Zeng 2002).

Similarly, Simonin (1999) found that difference in national cultures is positively related to knowledge ambiguity (r_{adj} = 0.11) in his study of 151 strategic alliances in the US. Researchers generally propose that cultural differences between exchange partners can significantly impact all aspects of collaboration, including information flows (Lyles and Salk 1996), the process of knowledge management (Tiemessen, Lane, Crossan and Inkpen 1997), and knowledge transfer (Mowery, Oxley and Silverman 1996). Language difference, which contributes to cultural

difference, raises barriers for understanding partners, as a lack of fluency in a partner's native language may not only restrict the accessibility to tacit knowledge, but may also hinder the acquisition of well-codified knowledge (Simonin 1999). Furthermore, marketing know-how intrinsically rests on the ability of managers to identify and fulfil customer needs and desires. It is therefore strongly embedded in cultural understanding (Simonin 1999). Cultural distance, consequently, obstructs a partner's ability to learn from its foreign partner.

In another study using a sample of 201 IJVs in Hungary, Lyles and Salk (1996) found that cultural distance only had a trivial effect on knowledge acquisition (r_{adj} = 0.06). Although the effect was just trivial and may be resulted from sampling selection, it simultaneously suggests that cultural distance may not necessarily hamper learning activities as predicted by the traditional views in the preceding discussion (Lyles and Salk 1996; Mowery *et al.*1996; Simonin 1999; Tiemessen *et al.*1997). Instead, it may also imply complementary sets of capabilities being carried by a knowledge transferor who is culturally different.

A recent study in the international acquisition literature examined the moderating effect of cultural distance on acquisition performance (Reus and Lamont 2009). In their study of 118 international acquisitions made by the US firms, Reus and Lamont (2009) found that cultural distance not only reduced the extent of communication between the combining firms, but also strengthened the positive effect

of communication on acquisition performance. The authors explained that cultural distance, on the one hand, would result in different styles and expectations in communications between partners, making it more difficult for partners to interact and share ideas, therefore hindering communication (Reus and Lamont 2009; Singelis and Brown 1995). On the other hand, cultural distance between partners could also be viewed as a potential for enriching the newly combined firms with unique capabilities (Reus and Lamont 2009). In the international acquisition context, acquiring another firm provides the parent firm with opportunities to learn more different routines and capabilities embedded in distinct national cultures (Barney 1988; Ghoshal 1987; Morosini *et al.* 1998). Cultural distance was therefore found to augment the positive effect of communication on acquisition performance through expanding the knowledge boundaries of the combining firms (Gomez-Mejia and Palich 1997; Reus and Lamont 2009). Similarly, in the relationships linking transition economy suppliers with multinational buyers, the cultural distance between them may indicate a potential for the suppliers to learn complementary sets of marketing capabilities processed by the buyers. Hence, in a high quality relationship where communications and interactions are open and frequent, cultural distance is likely to augment the positive effect of relationship quality on suppliers' learning of marketing capabilities. Against this background, this study attempts to examine an effect which has received very

little attention in the literature, namely, the moderating effect of cultural distance on the link between relationship quality and marketing capabilities.

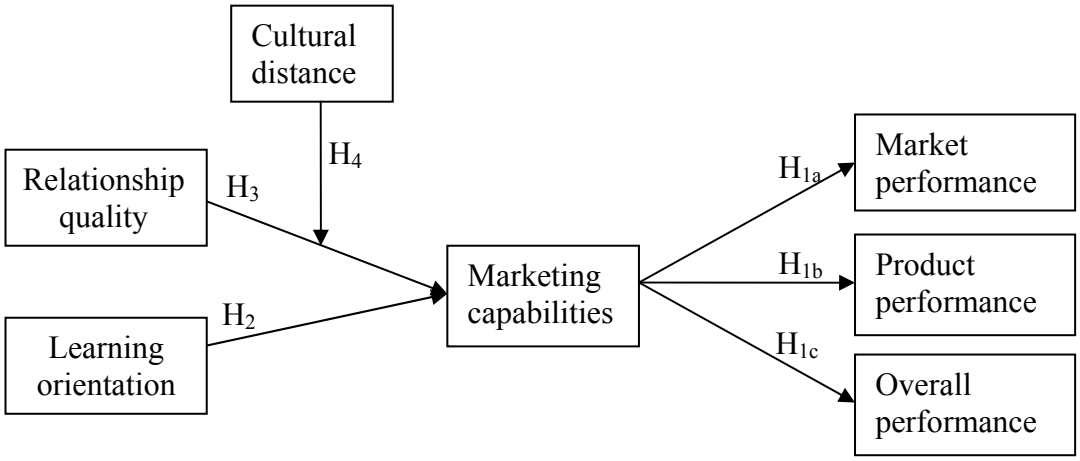
Conclusion

The literature relating marketing capabilities with firm performance, learning orientation, buyer-seller relationships, and cultural distance has been reviewed in this chapter. Two factors, namely learning orientation and buyer-seller relationships, have been discussed as potential antecedents to the development of marketing capabilities. In addition, the literature examining the effects of cultural distance on knowledge acquisition has been reviewed. In general, marketing capabilities have been found to have positive effects on firm performance. Both learning orientation and the quality of buyer-seller relationships are generally expected to improve marketing outcomes. Furthermore, cultural distance is likely to imply the learning potential inherent in a buyer-supplier relationship in transition economies. Implications for the results observed from the literature were also discussed in the light of effect sizes and confidence intervals. The research gaps identified in this chapter serve as the foundation for the development of hypotheses in the next chapter.

Chapter 3. Conceptual Development

The aim of this study is to investigate those factors affecting transition economy suppliers' ability to learn or acquire marketing capabilities. In the last chapter, the extant literature relating to the antecedents and consequences of marketing capabilities was reviewed. Past research generally shows that marketing capabilities are positively associated with business performance in both open and transition economies. However, transition economy suppliers tend to lack marketing capabilities. From the literature, three factors were identified as potentially affecting a supplier's ability to learn or acquire marketing capabilities including: their learning orientation, the quality of their relationships with multinational buyers, and the cultural distance separating them from their multinational buyers. In this chapter the linkages between these factors and marketing capabilities are developed and expressed in hypothesis form. A conceptual model showing these relationships is presented in Figure 3.1.

Figure 3.1 Conceptual Framework



Marketing Capabilities and Business Performance

The fundamental premise of the marketing capabilities literature is that firms that are better at marketing will enjoy superior performance (Day and Wensley 1988; Greenley and Oktemgil 1997; Porter 1980). Marketing capabilities should contribute to firm performance in at least three ways. First, a firm's marketing capabilities are likely to be positively related to market performance. A company's market performance is reflected by its market share, sales growth, its ability to attract new customers and increasing sales to existing customers. A firm with marketing capabilities would be able to gather and respond to market information (e.g., customer preferences and competitor's marketing activities) quicker than counterparts without marketing capabilities (Day 1994; Menon and Varadarajan 1992; Vorhies and Morgan 2005). Obtaining timely market information is crucial for a company to identify profitable market segments and to expand into that segment effectively (i.e., increase market share and attract new customers). Moreover, marketing capabilities also promote a company's ability to strategically develop marketing programs that will arouse customers' awareness significantly, and to advertise through channels that will reach target customers effectively. Additionally, superior ability to acquire customer's information such as their consumption behavior and demographic information is helpful to identify ways to increase sales to existing customers. In transition economies where customer preferences are evolving, the companies which are more

able to capture and respond to such market signals will be more likely to attract and retain customers, leading to growth in sales and market share. Hence, marketing capabilities are hypothesized to be positively linked with market performance.

Second, marketing capabilities will also be positively related to a firm's product performance. Distinct from market performance, product performance describes the performance of the company's products in terms of quality and reliability, product design and performance, value for money and the company's manufacturing capabilities. Sales growth and market share are excluded from assessments of product performance. Since the skills of marketing increase the likelihood of a company being able to determine customer needs and wants accurately (Cooper and Kleinschmidt 1987; Weerawardena and O'Cass 2004), marketing capabilities enable a company to incorporate such information into the product development processes. The resulting product design and quality are therefore more likely to be compatible with current and future customer preferences. A company with marketing capabilities will also have good senses of competitor's product offerings and their technological features. These senses may not only improve the product's design, quality and reliability, but may also improve the company's overall manufacturing capabilities. Moreover, companies with marketing capabilities are more able to establish and maintain distribution channels more efficiently and effectively (Vorhies and Morgan 2005; Weitz and Jap 1995), leading to cost savings

in channel management. This will, in turn, allow companies to set lower prices. Since a company with marketing capabilities would set their product prices with reference to competitors, the resulting product price is likely to be perceived as offering greater value to customers compared to rivals' offerings. In the context of transition economies, where the market condition is turbulent and technological development is evolving, companies with marketing capabilities are more likely to deliver products that satisfy customer needs better than competitors without these capabilities. Hence, marketing capabilities are hypothesized to be positively linked with product performance.

Finally, marketing capabilities are also likely to enhance overall performance in addition to market and product performance. Overall performance is an assessment of the general performance of a company and may be reflected by the extent of a manager's satisfaction on the company's overall performance, the extent that the overall performance exceeds the manager's expectations and that it exceeds major competitors' overall performance. The positive link of marketing capabilities and overall performance may be explained using both resource-based theory and dynamic capability theory. According to the resource-based theory, a company with more resources (including capabilities) compared to competitors will enjoy better performance (Barney 1991; Day 1994; Fahy *et al.* 2000; Grant 1996; Tsai and Shih 2004; Wernerfelt 1984). As marketing capabilities are embedded in organizational

experience and practices, these skills are hard to be codified and imitated by competitors (i.e., firm-specific), contributing to the development of a competitive advantage and improving overall performance (Evangelista and Hau 2009; Morgan *et al.* 2009; Vorhies and Harker 2000). This theory, however, recently faced criticism for its failure to consider the dynamic market conditions (Lengnick-Hall and Wolff 1999; Morgan *et al.* 2009). Recent studies have therefore attempted to explain the positive relationship between marketing capabilities and overall performance using dynamic capability theory (e.g., Eng and Spickett-Jones 2009; Morgan *et al.* 2009). This theory postulates that a company's ability to combine and transform available resources in innovative ways and to implement new strategies to reflect the dynamic market environments will drive overall performance (Eisenhardt and Martin 2000; Morgan *et al.* 2009; Teece *et al.* 1997). Companies with marketing capabilities are more likely to possess quality market information, increasing the accuracy of sales forecast. These forecasts facilitate managers to set reasonable business objectives at the beginning of a year. Furthermore, staff will be able to make detailed business plans and to take prompt and accurate actions in response to market contingencies. As marketing capabilities enable companies to acquire and deploy market knowledge in response to the dynamic market conditions (Madhavan and Grover 1998; Morgan *et al.* 2009), it is likely to have positive relationship with overall performance. In transition economies where market competition is increasing and the scattered local markets are

interconnected by less developed and ill-coordinated infrastructure and logistics (Ambler, Styles and Wang 1999; Davies and Walters 2004; Gu *et al.* 2008), firms with marketing capabilities are expected to manage their channel more effectively than their counterparts who are less capable in marketing. Consequently, marketing capabilities are hypothesized to be positively linked with overall performance in this study. To conclude, the positive link between marketing capabilities and various performance indicators are expected to hold in transition economies. Hence:

H_1: Marketing capabilities will be positively associated with (a) market performance, (b) product performance and (c) overall business performance.

Learning Orientation and Marketing Capabilities

One possible way for the transition economy suppliers to advance their marketing capabilities is by adopting a learning orientation within their organizations. A motivation to learn has been found to be a critical antecedent of a number of organizational learning activities (Brachos *et al.* 2007; Burpitt 2004) and various marketing outcomes (Baker and Sinkula 1999; Calantone *et al.* 2002; Hult 1998; Keskin 2006; Liu *et al.* 2002). Two reasons explain these findings. First, a learning orientation stimulates enduring learning activities in organizations. Schein (1992) suggested that a learning oriented culture operates as a self-sustaining learning system. Garvin (1993) asserted that learning could only occur in organization where it is

strongly encouraged and highly valued. Nevis, DiBella and Gould (1995) further noted that the nature of learning and the way in which it occurs are determined by the organization's orientation. An orientation of learning could cultivate a consensus among the organizational members with respect to issues of competency enhancement and organizational improvement. With this consensus, organizational members are stimulated to continually strive for new approaches and acquire, as well as share, knowledge consequential to interactions with environments (Argyris 1977, 1991; Liu *et al.* 2002). A learning orientation may also avoid organizational members from hiding and failing to transfer valuable knowledge (Brachos *et al.* 2007; Tsai and Ghosal 1998).

Second, a learning orientation is likely to enhance marketing capabilities through stimulating its operative dimensions. As a learning orientation promotes an organization's motivation to learn, it will trigger business activities such as acquisition and dissemination of market information, and consequently affect an organization's ability to take appropriate actions in respond to the market environment (Sinkula *et al.* 1997; Santos-Vijande *et al.* 2005). In practical sense, companies which are more learning oriented will be more able to sense the market, and based on this market knowledge to modify their product designs and prices, and implementing effective promotional strategies. Consequently, a learning oriented company is expected to demonstrate advanced marketing capabilities compared to their less

learning oriented counterparts. In line with this logic, previous studies have revealed positive associations between learning orientation and market orientation (Mavondo *et al.* 2005; Sinkula *et al.* 1997), customer orientation (Hult 1998; Hult *et al.* 2000) and marketing program dynamism (Liu *et al.* 200).

In the context of buyer-seller relationships linking transition economy suppliers with multinational buyers, suppliers' learning orientation will be particularly relevant to their learning of marketing capabilities. Researchers have noted the importance of the existence of knowledge for learning to be successful (Cohen and Levinthal 1990; Dyer and Singh 1998), which is a problem that transition economy suppliers face. Since marketing capabilities are expected to enhance business performance, organizations must pay attention on avoiding this proprietary market knowledge to leak out to other firms. Marketing capabilities, furthermore, are embedded in an organization's business routines and are hard to codify, suppliers are thus unlikely to learn these capabilities from competitors even if they have a learning orientation. In contrast, a buyer-seller relationship provides a channel for information exchange between channel partners. Transition economy suppliers are more likely to learn from their multinational buyers because in the routine execution of the supply agreement, multinational buyers will necessarily provide the suppliers with proprietary information about customer needs, price levels, product designs, rivals' substitutes, and so forth. The transition economy suppliers should therefore have more

opportunities to glean intelligence relating to new technologies and changing market conditions compared to those who do not have such customer links (Ellis 2005). Given that the suppliers are exposed to the source of market knowledge in a buyer-seller relationship, a more learning oriented transition economy supplier should be more proactive in acquiring and utilizing market intelligence from the buyers, and should therefore benefit in terms of superior marketing capabilities compared to a less learning oriented supplier. To conclude, the causal relationship linking supplier's learning orientation with marketing capabilities in transition economies can be expressed formally, as follows:

> H_2: In the context of exchange relationships linking transition economy suppliers with multinational buyers, there will be a positive relationship between suppliers' learning orientation and their marketing capabilities.

Relationship Quality and Marketing Capabilities

Another factor that is likely to affect suppliers' learning of marketing capabilities in transition economies is the quality of their relationships with multinational buyers. This linkage may be explained using social capital theory, which posits that relational ties can be leveraged to facilitate actions and to achieve a competitive advantage (Adler and Kwon 2002; Burt 1997; Leana and Van Buren 1999). Similarly, high quality buyer-supplier relationships should facilitate the suppliers' learning of

marketing capabilities by encouraging business activities relevant to knowledge exchanges and combination of existing intellectual resource with its multinational buyers (Nahapiet and Ghoshal 1998; Yli-Renko *et al.* 2001). Consistent with this prediction, different relationship quality indicators have been found to be positively associated with various learning activities such as knowledge acquisition (Tsang *et al.* 2004; Yli-Renko *et al.* 2001), knowledge transfer (Dhanaraj *et al.* 2004; Ramasamy *et al.* 2006), disclosure of information (Crosby *et al.* 1990), resource exchange (Tsai and Ghoshal 1998) and relational learning (Selnes and Sallis 2003). In particular, relationship quality may facilitate the supplier's learning of marketing capabilities in at least three ways.

First, in a high quality relationship, a high level of trust and satisfaction signal a good faith between exchange partners, stimulating more frequent and closer social interactions (Mohr *et al.* 1996; Selnes 1998; Smith and Barclay 1997) and more open and meaningful communications between exchange partners (Anderson and Narus 1986; Corsten and Kumar 2005; Doney and Cannon 1997; Roath *et al.* 2002; Zhang *et al.* 2003). A high intention to continue a business relationship should stimulate cooperative behaviours (Anderson and Narus 1990; Morgan and Hunt 1994; Wu *et al.* 2007); while a low level of opportunism of the multinational buyer should reduce conflict (Crosby *et al.* 1990; Cullen *et al.* 1995; Griffith *et al.* 2000). Frequent and meaningful communications will possibly facilitate supplier's acquisition of timely,

quality and complete market intelligence from their buyers (Corsten and Kumar 2005; Eisenhardt 1989; Lane and Lubatkin 1998; Wu *et al.* 2007), facilitating the implementation of effective marketing strategies and enhancing a firm's responsiveness to changing customer preferences (i.e., greater marketing capabilities).

Second, a high quality buyer-seller relationship is expected to facilitate suppliers' acquisition of tacit knowledge (e.g., marketing capabilities) because common goals and norms are developed between the buyers and suppliers when they are in good relationships (Nahapiet and Ghoshal 1998; Tsai and Ghoshal 1998). These goals and norms are likely to motivate transition economy suppliers to work closely with their multinational buyers to expand their businesses (Gu *et al.* 2008; Heide and John 1992). In high quality relationship, buyers and suppliers are also likely to have constructive dialogues and to share confidential information with an aim of improving mutual business performance (Anderson and Narus 1990; Doney and Cannon 1997; Morgan and Hunt 1994; Selnes and Sallis 2003; Wu *et al.* 2007). These activities will increase the likelihood of the suppliers to expose to the tacit knowledge (e.g., marketing know-how) embedded in the organizational routines of the buyers (Corsten and Kumar 2005), increasing their opportunities to learn marketing capabilities.

Third, a high quality exchange relationship may improve transition economy suppliers' marketing capabilities by increasing suppliers' extent of customer focus on their multinational buyers. Suppliers who trust and satisfy with their buyers may be

more willing to make idiosyncratic investments according to the buyers' needs and requests, such as developing customized products and promoting marketing efforts (Siguaw *et al.* 1998; Wu *et al.* 2007). Moreover, if a supplier wants its relationship with a multination buyer to last long, the supplier is likely to proactively learn from their buyers and to develop products that meet or exceed their buyer's expectations (Siguaw *et al.* 1998). Contrastingly, suppliers will be less likely to respond to the requests made by an opportunistic buyer because the real objectives behind such requests are possibly to maximize the buyer's own benefits (Williamson 1996b; Wu *et al.* 2007). Since the level of marketing capabilities indicates a firm's ability to deliver superior products to customers compared to competitors, it is expected that a high quality relationship would nurture supplier's marketing capabilities. In line with this logic, several positive linkages between different relational factors and marketing outcomes have been identified in the literature (Corsten and Kumar 2005; Hult *et al.* 2000; Jap and Anderson 2003; Wu *et al.* 2007; Zhang *et al.* 2003).

To conclude, transition economy suppliers who are engaged in high quality relationships with their multinational buyers will be more likely to acquire both explicit and tacit market knowledge from their buyers. These suppliers will also have a compelling incentive to learn from and respond to their multinational buyers, which in turn, nurtures the marketing capabilities of the suppliers. Therefore:

H_3: The quality of an exchange relationship linking transition economy suppliers with multinational buyers will be positively related to the suppliers' marketing capabilities.

The Moderating Role of Cultural Distance

Relationship quality may affect suppliers' ability to learn marketing capabilities. However, this effect will likely be moderated by the cultural distance separating suppliers from their multinational buyers. In the literature, cultural distance has been argued to exert diverse effects on learning. One view holds that cultural distance hampers learning as it inhibits learning. This view emphasizes the unique characteristics of cultures that complicate acquisition and exploitation of resources (Luo 2002). For instance, the unfamiliarity of exchange partners' cultures would complicate the identification and interpretation of knowledge embedded in the partner's organization (Dhanaraj *et al.* 2004; Reus and Lamont 2009). Accordingly, cultural distance has been found to be positively related to knowledge ambiguity (Simonin 1999) and negatively related to the understandability of knowledge (Reus and Lamont 2009). In addition, cultural distance adversely affects the extent of communication between exchange partners. It has been found that people from distinct cultures have different styles and expectations in the communication process (Singelis and Brown 1995). For instance, a large power distance culture is

characterized by centralized communication while a small power distance culture typically prefers decentralized communication (Hofstede 2001). Furthermore, research on cross-cultural communication has found that individualistic cultures tend to encourage self-expression, whereas collectivistic cultures encourage listening and empathy in children (Singelis and Brown 1995). Differences in cultures are likely to lead to misunderstanding and conflict between the partners, thereby reducing cooperative behaviors and inhibiting communication, and consequently, hamper learning (Lyles and Salk 1996; Simonin 1999; Tiemessen *et al.* 1997). Previous studies reporting negative associations between cultural distance and communication (Reus and Lamont 2009) and knowledge acquisition (Evangelista and Hau 2009) are consistent with this line of reasoning.

However, an alternative view proposes that cultural distance signals opportunities to learn because there is less to learn from partners who are similar to each other. Since organizational routines and practices are shaped by the national cultures of firm founders and the national circumstances of their foundation, cultural distance is expected to be associated with heterogeneous knowledge (Pettigrew 1979; Larsson and Finkelstein 1999; Reus and Lamont 2009). It has been suggested in the international acquisition literature that cultural distance represents more diverse capabilities, viewpoints and information regarding different business solutions (Birkinshaw 1997; Gomex-Mejia and Palich 1997; Tihanyi, Gruffuth and Russell

2005). Through acquisition, firms will have the opportunities to learn the unique routines and capabilities that are complementary to them (Barney 1988; Bj□rkman *et al.* 2007; Ghoshal 1987; Morosini *et al.* 1998). Thus, cultural distance signals learning opportunities.

The common theme in this research is that cultural distance effects are indirect. It is important to note that the effects of cultural distance on learning cannot be realized if conditions for learning are not provided. Consistent with the view taken here is that learning is primarily determined by factors operating at the level of the firm (e.g., learning orientation) and its relationships with exchange partners (i.e., relationship quality).

Yet cultural distance is likely to be relevant to the exchange of information between multinational buyers and transition economy suppliers. As long as the relationship is high quality, increasing cultural distance will have positive effect on suppliers' learning. The argument here is that the quality of buyer-supplier relationship will likely affect the extent that suppliers can get access to the valuable pool of critical organizational routines and practices of the buyers (e.g., increase frequency and quality of communication), while cultural distance is anticipated to affect the amount of new knowledge available to the suppliers when they are able to access buyers' knowledge source (i.e., the learning potential). Hence, when two suppliers are engaged in the same quality level of buyer-supplier relationships, the

supplier selling to a more culturally distant buyer is likely to reap more benefits from being exposed to more different sets of knowledge and capabilities, leading to an improvement in marketing capabilities. The moderating effect is expected to be positive in this study because the countries which are more culturally distant from China are generally more developed markets (e.g., the US, Australia and Sweden) and the buyers from these countries are likely to possess more advanced marketing capabilities. Additionally, if the relationship is low quality, suppliers will have fewer opportunities to learn marketing capabilities from their buyers, making cultural distance less of a factor. Hence,

H_4: Cultural distance strengthens the positive relationship between relationship quality and the transition economy suppliers' marketing capabilities.

Conclusion

The proposed conceptual framework presented in Figure 3.1 evolved from the literature reviewed in Chapter Two. The model depicts the relationships between marketing capabilities and different aspects of business performance in transition economies. Testing of these hypotheses is aimed at furthering our understanding of the possible effects of marketing capabilities on various performance measures in the context of transition economies. As marketing capabilities are predicted to be positively related to business performance in transition economies, the central aim of

this study is to identify the factors affecting supplier's marketing capabilities in this context. Both suppliers' learning orientations and the quality of their relationships with multinational buyers are expected to have positive effects on suppliers' learning of marketing capabilities. The positive association between relationship quality and marketing capabilities, furthermore, is expected to be strengthened by the cultural distance separating the multinational buyers and transition economy suppliers.

The hypotheses developed in this chapter were tested using survey data collected in mainland China. The methods used for this study are discussed in the chapter.

Chapter 4. Methodology

The aim of this study is to investigate those factors that affect transition economy suppliers learning of marketing capabilities from their multinational buyers. Several hypotheses which are relevant to the research problem were advanced in Chapter Three. The methodology used to test these hypotheses is described in this chapter. Discussions of research design, statistical power and required sample size and descriptions of sampling and data collection are provided. Details regarding the choice of the measurement scales and discussions of the reliability and validity of the measures used in this study are also presented in the latter part of this chapter.

Research Design

To test the hypotheses developed in Chapter Three, data were collected by conducting personal interviews using a bilingual questionnaire (simplified Chinese and English) in China. The unit of analysis was the exchange relationship linking Chinese suppliers with multinational buyers (i.e., a manufacturer-supplier). Target respondents were the sales or marketing managers or the CEOs of the indigenous manufacturing firms because they (1) were involved in formulating or implementing marketing strategies, (2) were knowledgeable regarding their firm's relationships with the particular buyers and, (3) were knowledgeable regarding the business environment and the business performance of their firms.

Others have noted Chinese managers' fears of leaking proprietary information to strangers have contributed to the reluctance of Chinese managers to complete mail questionnaires (Siu 1996; Zou *et al.* 2003). Accordingly, mail surveys have been commonly found to generate low response rate. Therefore, different ways of data collection have been used by researchers conducting surveys in China with an aim to increase the response rate. The methods of data collection include: personal interviews (e.g., Gu *et al.* 2008; Liu *et al.* 2002; Luo, Slotegraaf and Pan 2006; Ramasamy *et al.* 2006), telephones calls and personal delivery and pickup of questionnaires (Zou *et al.* 2003), and mail surveys in collaboration with government agencies or business associations (Calantone, Schmidt and Song 1996; Eng and Spickett-Jones 2009; Yiu, Lau and Bruton 2007).

In essence, the literature suggests that increasing personal involvement in the data collection process can improve the response rate in China. It may also get a high response rate via mail surveys if the researchers first gain support from government or business associations. In this study, however, personal interviews were conducted in preference to mail-surveys because face-to-face interviews with respondents can increase their willingness to talk to the researcher more openly. This is important because this increase the reliability of their responses and the findings will be more able to reflect the true population effects. Such method also allows collection of

respondents' comments regarding the research area, which were incorporated in the discussion chapter in this thesis.

Sampling plan

The sampling frame was defined as Chinese manufacturer-suppliers, earning less than 50 percent of their total sales from export (to minimize the effect of export activities on a supplier's marketing capabilities) and able to identify one important multinational buyer operating in China. As there is a lack of suitable sampling frame in China which identifies the Chinese suppliers of multinational buyers in advance, potential respondents were identified via meetings at trade fairs held in Guangzhou, Shenzhen and Hong Kong. Since many indigenous manufacturers participate in the major trade fairs organized in these places in order to meet multinational buyers (for both domestic sales and exports), trade fairs offer good opportunities to meet a large number of potential respondents. With the aim of increasing the response rate, a solicitation letter (in simplified Chinese, see Appendix 1) was obtained from the Bureau of Foreign Trade and Economics of the Guangzhou Municipality.

Statistical power and target sample size

Statistical power is defined as the probability of rejecting a false null hypothesis and is defined as 1-β, where β refers to the risk of making a Type II error (Cohen 1988).

Statistical power therefore describes the probability that a test will correctly identify a genuine effect (Ellis 2010). Problems arise with both over-powered and under-powered studies. An over-powered study will be more than capable of detecting essentially trivial effects (e.g., $r < 0.10$), yielding statistically significant results that are basically meaningless. An under-powered study, on the other hand, lacks the power needed to reject a true null hypothesis (Ellis 2010; Sawyer and Ball 1981). Statistically insignificant results generated from under-powered studies may therefore misdirect future research on the same topic (Ellis 2010). As a result, choosing an appropriate level of statistical power is important. Cohen (1988) suggested setting power levels at 0.80, meaning studies should be designed such that they have an 80 percent probability of detecting a real effect, or a twenty percent chance of making a Type II error.

The power of any statistical test is a function of at least three factors, namely, the desired level of alpha (α), the sample size (n), and the effect size (ES). If alpha is low, the sample size is small and the effect being sought is small, the resulting power of any statistical test will be low. Since these four parameters are related, knowing any three of these factors could help to determine the fourth one (Brock 2003; Cohen 1988). For instance, if one knows the level of α, ES and the desired statistical power of a test, the required sample size can be determined (Brock 2003; Sawyer and Ball 1981).

While a statistical power level of 0.80 is set for this study, the effect sizes reported in past studies can help to determine the minimum sample size. The main question of interest in this research is whether the quality of relationships with multinational buyers would influence the learning of marketing capabilities by transition economy suppliers. Effect sizes reported in the literature regarding the links between the relationship measures and marketing outcomes (Table 2.5) were considered for estimating the required sample size. According to Figure 2.3, those studies have an adjusted weighted mean effect size of $\overline{r}_{adj} = 0.44$, representing a medium effect. A freeware program G*Power 3 was used to compute the minimum sample size needed (Faul *et al.* 2007). Assuming statistical tests are non-directional with the alpha level set at 0.05, a minimum sample size of 35 is required to achieve a statistical power of 80 percent. The estimated sample size has to be determined with careful consideration because, in addition to the *ES*, other factors affect the power of a study (Ellis 2010; Maxwell 2004; Maxwell, Kelly and Rausch 2008). For instance, Maxwell (2004, p.152, Table 3) has shown that a sample of 400 is needed to achieve a satisfactory statistical power of 0.78 if a researcher wants to achieve statistical significance for one particular effect in a multiple regression equation with five predictors when the mean *ES* is $\overline{r} = 0.30$. An example offered by Maxwell *et al.* (2008, p.542) indicated that a sample size which is big enough to generate sufficient power may not be adequate for obtaining a sufficiently precise estimate. Furthermore,

unreliable measures will introduce unrelated fluctuations or noise into the data reducing the statistical power of any test and making effects appeared smaller than they really are (Ellis 2010, Chapter 3). In response to these concerns, the minimum sample size was determined using a more conservative estimate of the *ES* set at a weak to medium level (i.e., $r = 0.20$). The main target sample size was thus 191.

Data Collection

Preliminary interviews

To generate insights into the knowledge transfer and learning processes, preliminary interviews were conducted with three groups of stakeholders. The first group consisted of managers of multinational firms operating in China who source from Chinese suppliers. This group included a procurement manager and an ex-auditing director of a multinational company. The second group comprised industry experts, including a senior consultant from the Hong Kong Productivity Council involved in a consultancy project for a multinational retailer in China and the Deputy Chief Economist of the Hong Kong Trade and Development Council. The final group comprised suppliers in transition economies, including managers from five Chinese manufacturing firms. The dates, venues, and durations of the in-depth interviews are summarized in Table 4.1. Insights gleaned from these interviews shaped the conceptual development of this study and informed the interpretation of the results.

Table 4.1 Summary of Preliminary Interviews

Interviews	Date	Venue	Duration
Multinational buyers group			
A procurement manager	30 Mar 07	HKPU	50 mins
An ex-auditing director	3 Sep 07	Festival Walk, Kowloon Tong	1 hour 20 mins
Industry experts group			
A Senior Consultant of the HKPC	21 Aug 07	HKPU	1 hour 15 mins
The Deputy Chief Economist of HKTDC	5 Sep 07	HKTDC	1 hour
Transition economy suppliers group			
5 indigenous manufacturers including: 2 suppliers of multinational firms in China 3 exporters	16 Apr 08	HKCEC	30 mins[a]

Notes: [a]average duration
HKPU: The Hong Kong Polytechnic University; HKPC: Hong Kong Productivity Council; HKTDC: Hong Kong Trade and Development Council; HKCEC: Hong Kong Convention and Exhibition Centre

Pre-test

A pre-test was conducted (1) to test the content and face validity of the questionnaire, (2) to assess the effectiveness of identifying target respondents and collecting data via interview-administered surveys at trade fairs, and (3) to determine the average time need to complete each interview. Two academics, six research students and thirty Chinese managers from different manufacturing firms were randomly selected to pre-test the questionnaires. The data collected from the pre-test were not included in the final analysis.

The questionnaire was initially developed in English and then translated into

simplified Chinese. Back translation was performed by an independent translator. The original and back-translated questionnaires were compared and inconsistencies between the two versions were identified and corrected after discussion with the translator. Pre-test interviewees were also asked to identify whether they had any difficulties in understanding the questionnaire. Problematic questions were then modified based on their feedback before carrying out the main data collection. The final questionnaire is reproduced in Appendix 2.

During the pre-test, some surprising results were observed regarding the effectiveness of data collection via personal interviews at trade-fairs. The solicitation letter from the government Bureau was found to have a detrimental effect on the response rate. It appeared that the government agency's involvement in the research reduced Chinese managers' willingness to disclose their companies' information. In contrast, when I introduced myself by presenting my student I.D. card, target respondents showed greater interest in participating in the survey. Hence, the solicitation letter was not presented to potential respondents in the main data collection stage.

Another tactic identified from the pre-test stage that might increase the response rate was to choose the right time to collect data in trade fairs. As observed during the pre-test stage, Chinese managers were most busy and therefore least likely to respond to surveys during the first few days of a trade fair. For instance, no

manager agreed to participate in the survey when they were approached during the first two days of a four-day trade fair. In contrast, a 100% response rate was achieved in the last day in one of the trade fairs. Such figures suggested that attending trade fairs to conduct interview-administered surveys may be an effective way to collect data only when the surveys are conducted during the final day (if the trade fair last for three days) or the final two days of the trade fairs (if the trade fair last for four or more days). Furthermore, twenty minutes, on average, were needed to complete each questionnaire survey.

Main data collection

Data were collected via structured interviews administered at 25 trade fairs held in Guangzhou, Shenzhen and Hong Kong. A total of 21 data collection trips to mainland China were made between August and December 2008. Each interview began with a brief introduction of myself, my academic affiliation and the purpose of this study. Eligible respondents were then identified by asking three screening questions: (1) Is your company an indigenous Chinese manufacturing firm? (2) Do exports account for 50 percent or more of your firm's total sales? And (3) can you identify a particularly important multinational customer for your firm, who has an office in mainland China? Eligible respondents were those who answered "Yes", "No" and "Yes" respectively to these questions. Eligible respondents were then asked to participate in a fifteen to

twenty minute interview to complete a bilingual questionnaire administered by me. A summary of the research findings was promised to encourage participation in the survey. The contact information (e.g., business card) of the respondents was obtained after the interviews for the delivery of the summary of findings. This information was also used to identify whether there were any duplicate respondents, but no such case was observed in the data set. Out of the 507 managers approached during the trade fairs, 254 (50%) were identified as eligible respondents. Of this group, 201 questionnaires were completed but one of those was not useable after checking for outliers in the sample (details for data screening are described in Chapter 5). Consequently, 200 useable questionnaires were retained for hypothesis tests yielding an effective response rate of 78.7%. Table 4.2 summarizes the data collection activities of this study.

Table 4.2 Data Collection Record

Date of interview	Trade fair location	Ineligible	Eligible	
			Rejected	Completed
29 Aug	• The 14th Presentation Nepcon & Microelectronics Fair (SZ) • Assembly Technology Expo China 2008 (SZ)	0	0	10
2 Sep	• 2008 South China International Electric Equipment & Technology Exhibition (GZ)	12	2	8
6 Sep	• China International Exhibition for Label Technology (SZ)	5	1	3
8 – 9 Sep	• The10th China International Optoelectronic Exposition (SZ)	11	8	17
10 – 11 Sep	• 22nd China International Furniture Fair-CIFF 2008 September (GZ)	20	1	2
19 – 20 Sep	• Aero Technology & Metal Technology Expo (GZ) • Wall Expo China 2008 (GZ)	18	3	6
25 – 26 Sep	• The 8th South China Timber, Artificial Board, Wood Floor, Wood Door, Decorative Paper, Wood-Plastic Material & Production Equipment Exhibition (GZ)	5	1	20
29 Sep	• 2008 China International Kitchen Cabinet Exhibition (GZ)	6	2	4
16 – 17 Oct	• The 10th China Hi-Tech Fair (SZ)	25	8	15
18 – 19 Oct	• 104th China Import and Export Fair (Phase One) – Vehicle Spare Parts Section (GZ)	40	6	16
27 Oct	• The 16th China (Shenzhen) Int'l Toys & Gifts & Houseware, Fashion Accessories, Stationary & Travel Goods Fair (SZ)	8	4	7
28 Oct	• 104th China Import and Export Fair (Phase Two) – Bathroom Section (GZ)	16	2	3
29 – 30 Oct	• Weaving + Home Decor Expo (GZ)	19	1	0
31 Oct	• Sports Source Asia (HK) • Hong Kong International Building & Decoration Materials & Hardware Fair (HK)	9	2	8
1 Nov	• China Food Fair (SZ)	9	1	1
2 Nov	• Shenzhen International Hotel Facilities & Supplies 2008 (SZ)	3	2	10
5 – 6 Nov	• 104th China Import and Export Fair (Phase Two) – Shoes & Textile Section (GZ)	10	2	25
8 Nov	• Hong Kong Optical Fair (HK)	14	0	0
9 – 10 Nov	• 2008 China (Shenzhen) International Optical Products Fair (SZ) • The 4th Dresche China International Solar-energy & PV-Project (Shenzhen) Exhibition (SZ)	9	5	24
13 Nov	• The 3rd International Adhesive tape Protective Films & Label (Shenzhen) Expo (SZ)	6	1	8
11 Dec	• The 5th China Guangzhou International Machinery Equipment Manufacturing EXPO (GZ)	8	1	14
TOTAL		**253**	**53**	**201**

GZ: Guangzhou; HK: Hong Kong; SZ: Shenzhen

Measurement

Where possible, measures for all constructs were taken from the literature in order to promote the comparison of results across studies and to increase confidence in the reliability and validity of the measures.

Marketing Capabilities

The concept of marketing capabilities is defined as the set of skills and processes relevant to the delivery of products that better satisfy customer needs, and the formulation of marketing strategies more effectively than rivals. Table 4.3 presents a summary of different approaches for measuring marketing capabilities. As can be seen from the table, there is no consensus regarding the measurement approach. Day (1994) has noted the difficulty of enumerating all possible marketing capabilities. He explained that the types of marketing capabilities are likely to vary from business to business due to the nature of competitive markets, past commitments and anticipated future needs. Although various studies have measured marketing capabilities differently, it is common to see studies measuring marketing capabilities based on the skills related to the classic marketing mix (i.e., pricing, product development, promotion and channel management capabilities), market research abilities and skills related to marketing strategies development and implementation.

Table 4.3 Measuring Marketing Capabilities – Three Approaches

Study	Areas of Marketing Capabilities Measured					
	Pricing	**Product**	**Promotion**	**Distribution**	**Market research**	**Marketing strategy development & implementation**
Measured MC as multiple independent factors						
Greenley & Oktemgil (1997)		✓				
Vorhies & Harker (2000)	✓	✓	✓	✓	✓	
Moore & Fairhurst (2003)			✓		✓	✓
Zou *et al.* (2003)	✓	✓	✓	✓		
Ellis & Davies (2006)		✓				✓
Measured MC as a first-order factor						
Atuahene-Gima (1993)		✓	✓	✓	✓	✓
Kotabe *et al.*(2002)			✓			
Benedetto & Song (2003)	✓		✓		✓	✓
Weerawardena (2003)		✓	✓	✓	✓	
Ruiz-Ortega & García-Villaverde (2008)				✓	✓	
Measured MC as a higher-order factor						
Chang (1996)	✓		✓	✓		✓
Vorhies (1998)	✓	✓	✓	✓	✓	
Tsai & Shih (2004)	✓	✓	✓	✓	✓	
Vorhies & Morgan (2005)	✓	✓	✓	✓	✓	✓
Yoon & Kang (2005)	✓	✓	✓	✓		
Morgan *et al.* (2009)	✓	✓	✓	✓		✓

The marketing capabilities scales used in past studies can be classified into three types. As summarized in Table 4.3, earlier studies tended to measure marketing capabilities as multiple factors (e.g., Ellis and Davies 2006; Greenley and Oktemgil 1997; Moore and Fairhurst 2003; Vorhies and Harker 2000; Zou *et al.* 2003), or as a first-order factor (e.g., Atuahene-Gima 1993; Benedetto and Song 2003; Kotabe *et al.* 2002; Weerawardena 2003). In comparison, some recent studies tend to measure marketing capabilities as a higher-order factor (e.g., Chang 1996; Morgan *et al.* 2009; Tsai and Shih 2004; Vorhies 1998; Vorhies and Morgan 2005; Yoon and Kang 2005) (Table 4.3).

Following some recent studies, the marketing capabilities construct was measured in this study as a second-order factor consisting of the eight dimensions developed by Vorhies and Morgan (2005). This scale was chosen because Vorhies and Morgan's (2005) study was among the first to catalogue the specific types of marketing-related capabilities that are valuable to firms. Their study also provided evidence that the individual capabilities are inter-dependent, forming the marketing capabilities scale (Vorhies and Morgan 2005). Additionally, their scale was partly tested in a B to B context, lending some support for using it to measure the marketing capabilities of the manufacturer-suppliers in the current study.

In this study, marketing capabilities were measured by asking respondents to rate their firms capabilities relative to their major competitors in eight areas including:

(1) pricing, the ability to extract optimal profits from the firm's customers (four items); (2) product development, the processes by which firms develop and manage products (four items); (3) channel management, the ability to establish and maintain distribution channels to deliver value to customers effectively and efficiently (four items); (4) marketing communication, the ability to manage customer value perceptions (five items); (5) selling, the processes implemented to acquire customer orders (five items); (6) marketing information management, the processes of learning about the markets and utilizing market knowledge (five items); (7) marking planning, the ability to develop marketing strategies that optimize the competition between the firm's resources and its marketplace; and (8) marketing implementation, the processes of transforming intended marketing strategy into realized resource deployments (four items). Question items were slightly modified to focus on measuring the B to B marketing capabilities of the respondents. Anchor points for each item ranged from one ("strongly disagree") to seven ("strongly agree"). The marketing capabilities scores for each respondent were the average score of the eight dimensions.

Learning Orientation

Learning orientation is defined as a set of organizational values that are related to the propensity of a firm to create and use knowledge (Sinkula *et al.* 1997). A thorough search of the relevant literature (summarized in Table 4.4) revealed that the learning

orientation scale developed by Sinkula *et al.* (1997) has received the most acceptance. Sinkula *et al.* (1997) operationalized learning orientation as a second-order factor construct consisting of three areas, namely, commitment to learning, shared vision and open-mindedness. *Commitment to learning* defines an organization's fundamental values that hold towards learning (Sinkula *et al.* 1997). This value influences whether an organization is likely to promote a learning culture. *Open-mindedness* indicates the intensity of an organization to question long-held routines, assumptions, and beliefs proactively (Sinkula *et al.* 1997). *Shared vision* is in contrast to commitment to learning and open-mindedness in that it influences the direction of learning, whereas the previous two factors influence the intensity of learning (Sinkula *et al.* 1997). Vision sharing is a crucial foundation for proactive learning because it provides a direction, or purpose, for learning among organizational members (Day 1994; Sinkula *et al.* 1997).

Table 4.4 Measuring Learning Orientation in the B2B Context

Study	Areas of Learning Orientation Measured		
	Commitment to learning	**Shared-vision**	**Open-mindedness**
Measured LO as multiple independent factors			
Farrell & Mavondo (2004)	✓	✓	✓
Measured LO as a first-order factor			
Hult (1998)	✓		
Hanvanich *et al.* (2006)	✓		
Wang *et al.* (2006)	✓	✓	✓
Teo *et al.* (2006)	✓		✓
Brachos *et al.* (2007)	✓	✓	✓
Farrell *et al.*(2008)	✓	✓	✓
Measured LO as a higher-order factor			
Sinkula *et al.* (1997)	✓	✓	✓
Baker & Sinkula (1999)	✓	✓	✓
Calantone *et al.*(2002)	✓	✓	✓
Farrell & Oczkowski (2002)	✓	✓	✓
Keskin (2006)	✓	✓	✓

Some researchers have adapted the learning orientation scale developed by Sinkula *et al.* (1997) and have verified the validity and reliability of this second-order factor construct (e.g., Baker and Sinkula 1999; Calantone *et al.* 2002; Farrell and Oczkowski 2002; Keskin 2006). Apart from its wide acceptance, the learning orientation scale developed by Sinkula *et al.* (1997) has also been used as a first-order factor construct. For example, Hult (1998) and Hanvanich, Sivakumar and Hult. (2006) approached learning orientation from the viewpoint of commitment to learning because they believed that this dimension had directly reflected the value that an organization

places on learning (i.e., the learning orientation of an organization). Hence, a shorter version of the learning orientation scale (three items) was used in preference to the original (eleven items) scale. Furthermore, as the learning orientation scale was designed to measure the global organizational learning culture in a company, recent studies measured learning orientation as a first-order instead of a higher-order factor construct (e.g., Brachos *et al.* 2007; Farrell, Oczkowski and Kharabsheh 2008; Wang, Lo, Zhang and Xue 2006; Teo, Wang, Wei, Sia and Lee 2006). Although the learning orientation scale developed by Sinkula *et al.* (1997) has been used in different forms, the psychometric properties (e.g., reliabilities and validities) of this scale have been generally verified by previous studies. Following this argument, the learning orientation scale used in this study was adapted from Sinkula *et al*. (1997) and measured as a first-order factor construct. Items which were deemed inappropriate to this study and which did not work well in the pre-test were deleted. For instance, most of the respondents could not understand the meanings of the two questions from the shared vision dimension and one question from the open-mindedness dimension in the pre-test, so these three questions were consequently dropped from the questionnaire. The learning orientation scale used in the present study consisted of eight items adapted from all three dimensions developed by Sinkula *et al.* (1997). Respondents were asked to rate their firm's learning orientation by indicating the extent of their

agreement with each statement with possible answers ranging from one ("strongly disagree") to seven ("strongly agree").

Relationship Quality

Relationship quality is defined as an overall evaluation of the strength of a relationship (De Wulf *et al.* 2001; Garbarino and Johnson 1999; Kaufman *et al.* 2006; Smith 1998). Table 4.5 summarizes the constructs used in past studies to assess relationship quality in the business context. It appeared that there was a lack of a common scale for measuring relationship quality in the literature. Nonetheless, past studies have generally measured relationship quality as a second-order construct comprising a number of areas (e.g., Crosby *et al.*1990; De Wulf *et al.* 2001; Jap 2007; Kaufman *et al.* 2006; Luo *et al*. 2004; Palmatier 2008). Although the combination of the sub-scales varies, several common dimensions were identified from the relationship quality literature including trust (Crosby *et al.* 1990; De Wulf *et al.* 2001; Dwyer and Oh 1987; Hewett *et al.* 2002; Johnson *et al.* 2004; Luo *et al.* 2004; Yli-Renko *et al.* 2001), satisfaction (De Wulf *et al.* 2001; Dwyer and Oh 1987; Ivens and Pardo 2007; Jap 2007; Kaufman *et al.* 2006; Luo *et al*. 2004), opportunism (Dwyer and Oh 1987; Jap 2007), and commitment or continuity expectations (Hewett *et al.* 2002; Johnson *et al.* 1993, 2004; Leonidou, Barnes and Talias 2006). Following this practice, relationship quality was measured as a second-order construct consisting of

four dimensions, namely, trust, satisfaction, opportunism, and continuity expectations. Respondents were asked to think of a multinational customer operating in China who they considered as the most important when answering these questions.

Table 4.5 Selected Studies Measuring Relationship Quality

Study	Areas of Relationship Quality Measured			
	Trust	**Satisfaction**	**Opportunism**	**Continuity expectations**
Measured RQ as multiple independent factors				
Leonidou *et al.* (2006)*	✓	✓		✓
Ivens and Pardo (2007)*	✓	✓		✓
Jap (2007)		✓	✓	✓
Measured RQ as a first-order factor				
Johnson *et al.* (1993)		✓		
Yli-Renko *et al.* (2001)	✓			
Luo *et al.* (2004)	✓	✓		✓
Measured RQ as a higher-order factor				
Dwyer & Oh (1987)	✓	✓	✓	
Crosby *et al.* (1990)	✓	✓		
De Wulf *et al.* (2001)*	✓	✓		✓
Hewett *et al.* (2002)*	✓			✓
Johnson *et al.* (2004)*	✓			✓
Kaufman *et al.* (2006)*	✓	✓		✓
Palmatier (2008)*	✓			✓

* The continuity expectations scale was measured as a part of the relationship commitment scale

Scales for these constructs were adapted from previous studies. *Trust* was measured using Johnson *et al.*'s (2004) six item version of Doney and Cannon's (1997) scale. *Opportunism* was measured using six items from Gundlach, Achrol and Mentzer

(1995) with a higher score indicating a lower relationship quality. *Satisfaction* was measured using five items taken from Cannon and Perreault (1999). *Continuity expectation* was measured using three items of Rokkan, Heide and Wathne's (2003) version of Heide and Miner's (1992) scale. Respondents were asked to indicate how well each statement describes their business relationship with their most important multinational customer located in China. Anchor points for each item ranged from one ("strongly disagree") to seven ("strongly agree"). The average scores of the four scales were then used to represent the quality of each buyer-supplier relationship.

Cultural distance

The cultural distance between the suppliers and their multinational buyers was assessed using Kogut and Singh's (1988) index with cultural data sourced from Hofstede (2001). This index has been used in previous research examining cultural distance (e.g., Barkema, Bell and Pennings 1996; Benito and Gripsrud 1992; Magnusson, Baack, Zdravkovic, Staub and Amine 2008; Mitra and Golder 2002; Reus and Lamont 2009), enabling the calculation of distance scores for 66 countries. There are four dimensions measuring cultural distance in Hofstede's original scale, including power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. Algebraically, the procedure for calculating distance is as follows:

$$CD_j = \sum_{i=1}^{4} \{(I_{ij} - I_{iu})^2 / V_i\}/4$$

where CD*j* is the cultural difference of the *j*th country from China, I*ij* stands for the index for the *i*th cultural dimension and the *j*th country, V*i* is the variance of the index of the *i*th dimension and *u* indicates China. Scores on this variable ranged from 0.14 (Hong Kong and Macau) to 4.91 (Sweden).

Business Performance

Three types of business performance were measured. *Market performance* was assessed using a four-item scale adapted from Vorhies and Morgan (2005). The items in this scale were: market share, sales growth, acquiring new customers, and increasing sales to existing customers, with possible answers ranged from one ("much worse than competitors") to seven ("much better than competitors"). *Product performance* was measured using a scale adapted from Ellis and Davies (2006). This scale included four items: product quality and reliability, product design and performance, value for money, and manufacturing capabilities. Respondents were asked to rate their firm's performance in comparison with their major competitors over the past year, with possible answers ranged from one ("much worse than competitors") to seven ("much better than competitors"). *Overall performance* was measured by a three-item scale adapted from Olson, Slater and Hult (2005).

Respondents were asked to indicate the extent of their agreement with three statements describing the performance of their company over the past year: (1) overall performance exceeded last year's expectations, (2) last year's overall performance exceeded that of their competitors, and (3) top management was very satisfied with the overall performance last year. The possible answers ranged from one ("strongly disagree") to seven ("strongly agree").

Control Variables

Thirteen variables, thought to influence either transition economy supplier's learning, marketing capabilities or performance, were controlled for in the data analysis. *Firm size* (total number of employees) was controlled because bigger firms may be more likely to achieve better business performance. *Firm age* (months of operation), *export experience* (months engaged in direct exporting activities) and *export intensity* (percentage of total sales earned from export) were controlled because firms with longer histories, more exporting experience and greater export intensity are likely to have accumulated more experience in upgrading their marketing capabilities. Two dummy variables, namely, *state-owned enterprise* (0 = non-state-owned; 1 = state-owned) and *privately-owned enterprise* (0 = non-privately-owned; 1 = privately-owned), were created to control for the ownership type of the respondents because privately-owned enterprises may have higher incentives to learn marketing in order to

achieve their profit maximizing objectives. *Design ownership* was controlled because suppliers with more sales earned from product design activities are likely to have higher motivation to learn the skills of marketing. Respondents were asked to indicate the percentage of their firm's total sales accounted for by ODM (original design manufacturing), OBM (own brand manufacturing), and OEM (original equipment manufacturing) activities. Design ownership refers to the percentage of sales from ODM plus OBM only. Relationship-specific data including *dependency* (percentage of total sales accounted for by the multinational buyer) and *relationship age* (years of business relationship with the most important multinational buyer in China) were controlled because firms may be more inclined to learn from buyers on which they are more dependent, while the learning effect may diminish over time. The per capita GDP based on the purchasing-power-parity (PPP) of the multinational buyer's country of origin (data from IMF 2008) was also controlled because multinational buyers from wealthier countries may possess more advanced marketing capabilities and transition economy suppliers may therefore have more learning opportunities from customers of this group. *Competitive intensity* (measured by the six-item scale developed by Jaworski and Kohli 1993) was also controlled because marketing capabilities' effects on business performance may be dependent on the level of competition in the market. Intense competition may motivate transition economy suppliers to learn marketing. Finally, some respondent-specific data, including

education levels (primary school or lower / secondary school / post-secondary / university degree or higher) and *position* (top-level manager or owner / middle-level manager / lower-level manager or employee) in the firm were controlled to reduce any possible bias resulting from a respondent's background.

Scale Dimensionality and Validity

Although the measures used were largely drawn from existing instruments, some re-assessments were necessary for validating these scales, given the uniqueness of the research setting. As suggested by Gerbing and Anderson (1988) and Hair *et al.* (1998), the dimensionality of a summated scale has to be checked before assessing its reliability. Similar to dimensionality, scale validity examines how closely the items accurately reflect the intended construct (Hair *et al.* 1998). Construct validity includes convergent and discriminant validity (Malhotra 2004). Convergent validity concerns the degree of agreement between two measures of the same concept, while discriminant validity concerns the extent to which a measure does not correlate with other, conceptually distinct measures (Malhotra 2004).

Both scale dimensionality and validity concerns were addressed by conducting factor analysis. Since all the measures in this study were adapted from previous studies, the aim here was to evaluate, not explore, the dimensionality of the constructs. Confirmatory factor analyses (CFA) using AMOS 16.0 were undertaken.

The purpose of CFA was to test the dimensionality and validity of the multi-item scales and to eliminate unreliable items. In accordance with accepted practice (e.g., Baker and Sinkula 1999; Hanvanich *et al.* 2006; Lam, Huang and Snape 2007; Moorman and Miner 1997), the constructs were first split into four sets of theoretically related variables: the four dimensions of relationship quality, the eight dimensions pertaining to marketing capabilities, two uni-dimensional, multi-items scales for learning orientation and competitive intensity, and three uni-dimensional, multi-items performance measures. Rather than examining all variables simultaneously, the current method was applied for two reasons: (1) to test for construct convergence within maximally similar sets of variables and (2) to avoid violating a five-to-one ratio of sample size to parameter estimate (Bentler and Chou 1988).

Following previous studies, the validity of the measurement models was assessed according to the following model fit indicators: the comparative fit index (CFI), the root mean square error of approximation (RMSEA), the chi-square value (χ^2) and the degrees of freedom (*d.f.*). CFI is a recommended index of overall model fit (Gerbing and Anderson 1993) and RMSEA provides information in terms of discrepancy per degree of freedom for a model, thus indicating the achievement of a better model fit for each estimated coefficient (Hair *et al.*1998; Mossholder, Bennett, Kemery and Wesolowski 1998). A satisfactory model fit should have a CFI value

greater than or equal to 0.90, a RMSEA value between 0.05 to 0.08, and a low value of chi-square relative to the degrees of freedom which is statistically insignificant (Browne and Cudeck 1993; Hair *et al.*1998; Hu and Bentler 1999). Nonetheless, Hair *et al.* (1998) noted that the chi-square test is very sensitive to sample size, and a sample size of 200 is large enough to generate a statistically significant result. As the initial sample of this study contained 201 cases, the ratio of chi-square to degrees of freedom was observed, regardless of the statistical significance level.

Marketing Capabilities

Following Vorhies and Morgan (2005), the construct of marketing capabilities was measured as a higher-order factor consisting of eight dimensions. The confirmatory factor analysis (CFA) results for the second-order factor model (CFI = 0.91, RMSEA = 0.06, χ^2 = 985.29, 548 *d.f.*) achieved a slightly better fit than the eight-factor model (CFI = 0.90, RMSEA = 0.07, χ^2 = 1011.26, 532 *d.f.*). The results therefore provide evidence that all the eight dimensions converged to reflect the latent marketing capabilities concept. The satisfactory model fit indices also provide evidence of discriminant validities among the eight dimensions.

Relationship Quality

Following recent studies, relationship quality was operationalized as a second-order reflective construct with four dimensions (trust, satisfaction, opportunism and continuity expectation). CFA results for the second-order factor model have also demonstrated a slightly better model fit (CFI = 0.93, RMSEA = 0.06, χ^2 = 220.92, 128 *d.f.*) compared to the four-factor model (CFI = 0.90, RMSEA = 0.07, χ^2 = 252.94, 129 *d.f.*). Item 5 of trust was deleted to improve the CFI to a satisfactory level for both models. These results supported the idea that the relationship quality measure could be operationalized as a second-order factor construct consisting of four dimensions. These findings also provided evidence of convergent and discriminant validities of the relationship quality construct.

Learning Orientation and Competitive Intensity

The learning orientation and competitive intensity scales were grouped together to access their dimensionality and validities issues. The two factor model (CFI = 0.96, RMSEA = .06, χ^2 = 81.36, 48 *d.f.*) has achieved a better fit than the single factor model (CFI = 0.86, RMSEA = .12; χ^2 = 184.97, 49 *d.f.*). The results therefore provided evidence that both the learning orientation and competitive intensity scales were unidimensional, demonstrated convergent validity within the construct, and showed discriminant validity between these two constructs.

Business Performance

The market, product and overall business performance scales were grouped together to assess their dimensionality and validities issues. The three factor model (CFI = 0.96, RMSEA = 0.08, χ^2 = 86.99, 38 *d.f.*) achieved a better fit than the single factor model (CFI = 0.89, RMSEA = 0.12, χ^2 = 170.90, 44 *d.f.*). The results therefore provided evidence that all the three performance scales were unidimensional, and supported the idea that all the market, product and overall business performance scales have demonstrated both convergent validity within the constructs and discriminant validity between the constructs.

Scale Reliability

Reliability analysis is an assessment of the degree of internal consistency between multiple measurements of constructs (Hair *et al.* 1998). The rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly intercorrelated. Cronbach's alpha (α) is a measure of internal consistency between different measures within a scale. A Cronbach's alpha of 0.70 or above would provide evidence to claim that a measurement scale is reliable (Nunnally 1967).

All measurement scales used achieved a coefficient alpha over 0.70. Specifically, Table 4.6 shows the results of reliability analyses for all the key

constructs in this study, including marketing capabilities (α = 0.92), relationship quality (α = 0.79), learning orientation (α = 0.88), competitive intensity (α = 0.71), market performance (α = 0.87), product performance (α = 0.85), and overall business performance (α = 0.72). Table 4.7 and 4.8 further summarizes the reliability analysis results for the sub-constructs of marketing capabilities and relationship quality respectively. Since all the measures exhibited strong reliability with composite reliabilities that ranged from 0.71 to 0.92 (Table 4.6), the scales were considered to have achieved satisfactory levels of reliability (Nunnally 1967).

Table 4.6 Reliability Analyses for Main Constructs

Items	Cronbach's Alpha	Item-to-Total Correlation
Marketing Capabilities	0.92	
Pricing capability		0.60
Product development capability		0.66
Channel management capability		0.69
Marketing communication capability		0.78
Selling capability		0.76
Marketing information management capability		0.73
Marketing planning capability		0.80
Marketing implementation capability		0.80
Relationship Quality	0.79	
Trust		0.66
Satisfaction		0.62
Opportunism (r)		0.63
Continuity expectation		0.52
Learning Orientation	0.88	
Ability to learn new knowledge and/or skills		0.67
Learning as key to improvement		0.65
Employee training is an investment, not an expense		0.68
Learning as a key to guarantee survival		0.69
Employees are committed to the goals of the organization		0.71
Employees as partners in charting organization direction		0.71
Continually question the way used to perceive the marketplace		0.60
Competitive Intensity	0.71	
Competition is cut-throat		0.42
Many promotion wars		0.54
Ability to match competitors' offers		0.45
Price competition is a hallmark		0.46
New competitive move every day		0.50
Market Performance	0.87	
Market share		0.67
Sales growth		0.78
Acquiring new customers		0.74
Increasing sales to existing customers		0.69
Product Performance	0.85	
Product quality and reliability		0.68
Product design and performance		0.73
Value for money		0.72
Manufacturing capabilities		0.63
Overall Business Performance	0.72	
Performance exceeded expectations		0.50
Performance exceeded that of major competitors		0.57
Top management's satisfaction with the overall performance		0.55

r: reverse-scored.

Table 4.7 Reliability Analysis for the Sub-Constructs of Marketing Capabilities

Items	Cronbach's Alpha	Item-to-Total Correlation
Pricing Capability	0.74	
Respond quickly to market changes		0.49
Familiar with competitors' pricing tactics		0.60
Effectively price our products		0.58
Monitor competitors' prices and price changes		0.49
Product Development Capability	0.88	
New product development ability		0.76
Develop new products to exploit R&D investment		0.78
Launch new products successfully		0.82
Responsive to customer needs		0.61
Channel Management Capability	0.86	
Maintain good relationships with distributors		0.64
Attract and retain the best distributors		0.72
Add value to distributors' business		0.71
Provide high level of service support to distributors		0.74
Marketing Communication Capability	0.87	
Develop and execute advertising programs effectively		0.62
Good advertising management and creative skills		0.72
Good public relations skills		0.70
Good brand image management skills		0.74
Manage corporate image and reputation effectively		0.69
Selling Capability	0.89	
Train salespeople effectively		0.66
Good sales management planning and control systems		0.78
Good selling skills		0.71
Good sales management skills		0.81
Effective sales support to sales force		0.73
Marketing Information Management Capability	0.82	
Gather information about customers and competitors		0.56
Use market research skills to develop marketing programs		0.54
Track customer wants and needs		0.58
Full use of marketing research information		0.70
Analyze market information		0.69
Marketing Planning Capability	0.90	
Good marketing planning skills		0.83
Effectively segment and target market		0.66
Good marketing management skills and processes		0.84
Thorough marketing planning processes		0.79
Marketing Implementation Capability	0.89	
Allocate marketing resources effectively		0.76
Deliver marketing programs effectively		0.78
Translate marketing strategies into action		0.76
Execute marketing strategies quickly		0.75

Table 4.8 Reliability Analysis for the Sub-Constructs of Relationship Quality

Items	Cronbach's Alpha	Item-to-Total Correlation
Trust	0.72	
Customer keeps promises		0.35
Customer is always frank		0.56
Believe information provided by the customer		0.55
Customer is concerned with our business performance		0.48
Customer is trustworthy		0.52
Satisfaction	0.72	
Regret doing business with this customer (r)		0.40
Satisfied with this customer		0.60
Pleased with this customer		0.50
If doing it all over again, still choose this customer		0.57
Opportunism (r)	0.84	
Customer exaggerated needs (r)		0.59
Customer is not always sincere (r)		0.61
Customer altered facts to get what the company wanted (r)		0.65
Good faith bargaining as the customer's negotiation style		0.60
Customer provided a completely truthful picture when negotiating		0.66
Customer breached formal or informal agreements (r)		0.62
Continuity Expectations	0.79	
Expect the relationship to last long		0.65
Renewal of agreements will generally occur		0.71
Make plans for the continuance of relationship		0.55

r: reverse-scored.

Conclusion

To conclude, data were collected from 201 Chinese manufacturer-suppliers via face-to-face interviews using bilingual questionnaires administered at 25 trade fairs. This sample size was deemed to have adequate statistical power for detecting potentially small effects. The validity and reliability of the measures were checked. The results of the tests of the hypotheses are presented in the next chapter.

Chapter 5. Results

The purpose of this chapter is to present the empirical results of the hypotheses presented in Chapter Three. All the hypotheses were tested with the hierarchical multiple regression analysis using the software package SPSS version 16.0. Accordingly, the results of the checking of outliers and the assessments of the general assumptions underlying this analysis method (e.g., normality, homoscedasticity, linearity and multicollinearity) are first discussed. The characteristics of the multinational buyers and the respondents, the descriptive statistics (variables' ranges, means and standard deviations), correlations, and the results of the hypotheses tests are then presented. General steps included in performing moderated regression analysis are also described. To facilitate evaluations of the practical significance of the results, effect sizes (in terms of part correlation coefficients) and the confidence intervals around the point estimates are reported. Finally, statistical tests concerning the potential common method variance problem are presented at the end of this chapter.

Checking for Outliers

Since regression analysis is sensitive to outliers, any outliers in the data set were checked to avoid distorting the information in the hypotheses tests (Pallant 2005; Hair *et al.* 1998). One of the cases in the data set was found to have extreme outlying

values for marketing capabilities in product development, channel management, marketing communication, marketing information management, marketing planning, and marketing implementation capabilities. Extreme values were identified using box plots. A box-length is the dispersion of the middle half of the sample (i.e., contains 50% of cases) and the range of these cases is called the interquartile range (Murdoch University 2009). Thus, any value that deviates more than three box-lengths from the upper or lower end of the box is considered as deviating outside a "reasonable distance" from the middle half of the sample, and is identified as an extreme value (Murdoch University 2009; Pallant 2005). The case that was identified as containing extreme values in multiple variables was deleted from the data set before running the hypotheses tests in this chapter. The final sample size of this study was therefore reduced to 200.

Normality of Variables

Since hierarchical multiple regressions were used to test the hypotheses, the assumption of normality of the variables was checked before running the analyses. Except for *firm age*, *firm size* and *foreign customer dependency*, no serious violations were found in the normal Q-Q plot of the variables, indicating no major deviations from normality (Pallant 2005). Following the recommendations made by Hair *et al.* (1998, p.77) and Tabachnick and Fidell (2001, p.83), variables which were not

normally distributed were transformed by taking logarithms before running the hypotheses tests.

Homoscedasticity, Linearity and Multicollinearity

Other major assumptions in regression analysis include homoscedasticity, linearity and multicollinearity. *Homoscedasticity* deals with the constancy of the residuals across values of the independent variables. The scatter plots of the standardized residuals has shown that the residuals were roughly rectangularly distributed, with most of the scores concentrated in the centre, suggesting homoscedasticity (Pallant 2005; Hair *et al.* 1998).

The *linearity* of the relationship between the dependent and independent variables represents the degree to which the change in the dependent variable is associated with the independent variable. As the concept of correlation is based on a linear relationship, linearity is a crucial issue in regression analysis (Hair *et al.* 1998). Examination of the partial regression plots revealed that most of the residuals were distributed along the slope, indicating linear relationships between the independent and dependent variables.

Multicollinearity refers to the correlation among three or more independent variables (Hair *et al.* 1998). The presence of multicollinearity reduces any single independent variable's predictive power by the extent to which it is associated with

the other independent variables in the regression equation (Hair *et al.* 1998). As multicollinearity increases, the unique variance explained by each independent variable decreases. In this study, the multicollinearity problem was assessed by inspecting the Variance Inflation Factor (VIF). The VIF of every test in this study fell between 1.07 and 3.92, well below the recommended cut-off point of 10 (Pallant 2005; Hair *et al.* 1998), indicating tolerable levels of collinearity among the independent variables in the regression equations. Overall, these results suggested that all the assumptions underlying the regression analysis were met.

Multinational Buyers' Characteristics

After checking the data set for outliers and transforming the variables that violated the assumptions underlying the regression analysis, 200 sets of complete data were retained for all the hypothesis tests. Table 5.1 summarizes the characteristics of the 200 multinational buyers. The multinational buyers were from 31 different countries, with most of them from the USA (22%), followed by Taiwan (20%), Hong Kong (11%) and Japan (10%). The remaining buyers came from the other parts of the world as shown in Table 5.1. In this sample, the twenty-two buyers from Hong Kong were the most culturally proximate to the Chinese suppliers (cultural distance = 0.14) and the only buyer from Sweden was the most culturally distant (cultural distance = 4.91). The wealthiest country in the sample was Singapore, with per capita GDP = 49,700

(current international dollars) in 2007, and the poorest country was India, with per capita GDP = 2,500 (current international dollars) in 2007 (IMF 2008).

Table 5.1 Multinational Buyers' Home Characteristics

Country	Frequency	Percentage	Cultural Distance from China	GDP per capita in 2007 (Intl $'000)[a]
USA	44	22.0	3.13	45.7
Taiwan	40	20.0	1.22	30.3
Hong Kong	22	11.0	0.14	42.1
Japan	20	10.0	2.90	33.6
Korea	9	4.5	2.03	24.8
France	8	4.0	2.93	33.5
Germany	7	3.5	2.54	34.2
Australia	5	2.5	3.33	36.2
Malaysia	5	2.5	0.50	13.4
Russia	4	2.0	2.70	14.7
Indonesia	3	1.5	0.43	3.7
Italy	3	1.5	2.71	30.4
Jordan[a]	3	1.5	0.89	4.9
Turkey	3	1.5	1.85	12.9
Europe	2	1.0	3.14	32.9
India	2	1.0	0.45	2.6
Singapore	2	1.0	0.45	49.8
Thailand	2	1.0	1.34	7.9
UK	2	1.0	3.11	35.6
United Arab Emirates[b]	2	1.0	0.89	37.9
Argentina	1	0.5	2.23	13.3
Austria	1	0.5	3.81	38.2
Canada	1	0.5	2.70	38.6
Macau[c]	1	0.5	0.14	30.0
Netherlands	1	0.5	4.55	39.0
New Zealand	1	0.5	3.45	26.6
Pakistan	1	0.5	1.21	2.6
South Africa	1	0.5	1.54	9.8
South America	1	0.5	1.68	8.7
Spain	1	0.5	2.45	30.1
Sweden	1	0.5	4.91	36.6
Missing	1	0.5	---	---
TOTAL	200	100	---	---

[a] Based on current international dollar (IMF 2008).
[b] The cultural distance of "Arab countries" was used as a proxy for Jordan and UAE.
[c] The cultural distance of Hong Kong was used as a proxy for Macau.

Respondents' Characteristics and Descriptive Statistics

The respondents' characteristics and the descriptive statistics (variables' ranges, means and standard deviations) for all the measured variables are summarized in Table 5.2. As observed from the table, 94 percent of the interviewed firms were privately owned and only four percent were state-owned, indicating that two percent were collectively-owned. A typical supplier-respondent employed 282 workers, had been in business for just over 11 years, had been exporting for 5 months, earned 79% of total sales from ODM and OBM activities and 16% of sales from exports, and was in a relatively competitive environment as indicated by the mean competitive intensity score of 5.2.

Furthermore, the typical buyer-supplier relationship in this sample has lasted for almost five years, the most important multinational buyer was from a wealthier country and the supplier had 14% of sales earned from this buyer. The average respondent had completed post-secondary education and was the middle-level manager of the firm. The correlation coefficients among the key variables in this study are presented in Table 5.3.

Table 5.2 Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
Control variables				
Firm size (total no. of employee)	10.0	4,500	282.4	546.4
Firm age (months)	10.0	1,363	134.3	150.3
State-owned enterprise	0.0	1.0	0.1	0.2
Privately-owned enterprise	0.0	1.0	0.9	0.3
Design ownership	0.0	1.0	0.8	0.3
Export experience (months)	0.0	12.0	5.1	3.3
Export intensity	0.0	0.5	0.2	0.2
Dependency	0.0	0.5	0.1	0.1
Relationship age (months)	5.0	271.0	58.2	41.3
GDP per capita of MNB's home ('000)	2.6	49.8	33.4	11.3
Competitive intensity	2.2	7.0	5.2	0.9
Education	1.0	4.0	3.3	0.8
Position	1.0	3.0	1.9	0.7
Key variables				
Learning orientation	1.4	7.0	5.4	0.9
Relationship quality	3.7	7.0	5.7	0.6
Trust	3.6	7.0	5.6	0.7
Satisfaction	3.5	7.0	5.9	0.6
Opportunism	1.0	5.3	2.7	0.9
Continuity expectation	3.0	7.0	5.9	0.7
Cultural distance	0.1	4.9	2.0	1.1
Marketing capabilities	2.4	6.8	5.5	0.7
Pricing capability	2.8	7.0	5.5	0.8
Product development capability	2.0	7.0	5.6	1.0
Channel management capability	2.0	7.0	5.8	0.8
Marketing communication capability	2.0	7.0	5.3	1.0
Selling capability	2.6	7.0	5.4	0.9
Marketing info. management capability	2.0	7.0	5.8	0.7
Marketing planning capability	1.8	7.0	5.1	1.1
Marketing implementation capability	1.3	7.0	5.4	0.9
Market performance	1.0	7.0	4.9	1.1
Product performance	2.8	7.0	5.5	1.0
Overall performance	1.0	7.0	4.8	1.2

Note: Mean values for dummy variables indicate proportion in the indicator groups.
MNB: Multinational buyer.

Table 5.3 Correlation Coefficients

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
1. Firm size	1.00																															
2. Firm age	.41	1.00																														
3. Export age	.15	-.10	1.00																													
4. State-owned	.33	.38	.03	1.00																												
5. Privately-owned	-.27	-.36	-.01	-.77	1.00																											
6. Design ownership	-.05	.01	-.04	.04	-.10	1.00																										
7. Export intensity	.18	.11	.38	-.06	-.02	-.16	1.00																									
8. Dependency	.01	.07	-.06	-.05	.04	-.19	-.12	1.00																								
9. Relationship age	.23	.46	-.03	.21	-.18	.13	-.01	.19	1.00																							
10. GDP per capita	.14	.10	-.01	.04	-.04	.03	-.05	.09	.06	1.00																						
11. CI	.06	.07	.05	-.05	.12	-.20	-.06	.11	.02	-.02	1.00																					
12. Education	.16	.20	.08	.20	-.23	-.02	.15	.03	.07	-.02	-.06	1.00																				
13. Position	.10	-.02	.07	.02	.03	.06	-.02	-.19	-.10	.00	-.11	-.06	1.00																			
14. Learning orientation	-.04	-.07	-.01	.06	-.05	.08	-.05	.05	.09	.06	.24	-.14	-.17	1.00																		
15. Relationship quality	-.05	.02	-.05	.05	-.02	.00	.00	.14	.03	.07	.04	.00	-.06	.33	1.00																	
16. Trust	-.05	.05	-.04	.03	.02	-.02	-.03	.16	.02	.07	.04	-.03	-.02	.27	.81	1.00																
17. Satisfaction	-.05	-.03	-.02	.05	.00	-.08	.04	.05	-.01	.04	.01	-.02	-.07	.28	.76	.59	1.00															
18. Opportunism	.07	.03	.02	.03	-.04	-.07	-.04	-.02	.02	-.07	.01	.03	.02	-.23	-.84	-.59	-.48	1.00														
19. CE	.01	.08	-.07	.13	-.12	-.01	-.06	.23	.11	.01	.10	.08	-.07	.28	.73	.41	.44	-.45	1.00													
20. Cultural distance	.13	.03	.01	.10	-.10	-.15	.13	.00	-.07	.33	-.06	.17	.08	-.05	-.01	.04	-.01	-.01	-.08	1.00												
21. MC	.00	-.04	-.03	-.02	.02	.16	-.08	.09	.09	-.06	.21	-.03	-.14	.62	.32	.25	.21	-.25	.30	-.10	1.00											
22. Pricing	.03	-.04	-.01	-.01	.05	.08	.01	.14	.10	-.02	.24	-.04	-.17	.45	.29	.18	.18	-.24	.29	-.12	.68	1.00										
23. Product dev	.03	-.04	.04	-.05	.03	.25	-.03	-.04	.00	-.08	.09	-.11	-.11	.41	.25	.17	.18	-.20	.22	-.14	.76	.52	1.00									
24. Channel mgt	-.06	-.09	.01	-.01	.01	.16	-.01	.01	.05	-.08	.17	.03	-.08	.48	.24	.16	.17	-.17	.25	-.08	.76	.44	.56	1.00								
25. Mktg comm	-.01	-.05	-.02	-.03	.03	.15	-.09	.15	.06	-.10	.13	-.01	-.08	.53	.26	.22	.15	-.20	.24	-.11	.84	.53	.58	.59	1.00							
26. Selling	.02	.05	-.06	.00	-.01	.05	-.07	.08	.10	.01	.16	.02	-.13	.55	.32	.29	.17	-.25	.28	.00	.82	.52	.49	.53	.70	1.00						
27. Mktg info mgt	-.02	-.03	-.08	.00	.00	.11	-.10	.05	.04	.00	.17	-.06	-.09	.49	.26	.18	.19	-.18	.27	-.06	.79	.52	.54	.62	.55	.59	1.00					
28. Mktg planning	.00	-.05	-.07	-.01	.02	.11	-.11	.08	.06	-.03	.18	.02	-.11	.53	.25	.21	.14	-.24	.20	-.06	.86	.47	.52	.57	.68	.73	.62	1.00				
29. Mktg imp	.01	.00	-.02	-.02	.01	.11	-.07	.12	.15	-.06	.20	-.03	-.15	.54	.21	.16	.14	-.14	.21	-.06	.86	.46	.57	.59	.66	.66	.68	0.80	1.00			
30. MP	.11	.14	.03	.05	-.09	.07	-.05	.09	.13	.00	.10	-.05	-.17	.42	.17	.18	.12	-.10	.15	-.02	.55	.30	.49	.36	.48	.43	.42	0.50	0.48	1.00		
31. PP	.01	.09	-.04	.03	-.04	.20	-.10	.08	.17	-.01	.13	-.08	-.24	.39	.18	.13	.07	-.16	.17	-.02	.54	.28	.55	.38	.44	.38	.42	0.48	0.50	0.72	1.00	
32. OP	.11	.13	-.03	.13	-.18	.01	-.09	.11	.10	.15	.14	-.04	-.11	.33	.18	.19	.11	-.17	.09	.09	.39	.18	.29	.29	.37	.35	.28	0.35	0.34	0.66	0.55	1.00

n = 200; correlations greater than .13 are significant at the $p<0.05$ level (2-tailed); CE = continuity expectation; CI = competitive intensity; Comm = communication; Dev = development; Imp = implementation; MC = marketing capabilities; Mktg = marketing; Mgt = management; MP = market performance; PP = product performance; OP = overall performance

To Obtain Confidence Intervals around a Point Estimate

The provision of CIs around the point estimate has been highly recommended by the American Psychology Association (APA) and many scholars (e.g., Cohen 1994; Cumming and Finch 2005; Wilkinson & the Task Force on Statistical Inference 1999). The APA publication manual also suggests that CIs "are, in general, the best reporting strategy" (APA 2001, p.22). An *ES* estimate is found based on a sample and is therefore affected by sampling error (Nakagawa and Cuthill 2007). To quantify the degree of precision of the effect size estimates, the 95% confidence intervals (CI_{95}) were calculated around the point estimates. Different from the calculations of CI_{95} in meta-analysis, other procedures were performed to construct the CI_{95} around a point estimate. Following procedures suggested by Rosnow and Rosenthal (1996), the *ES* estimates (i.e., *r* in this study) were first transformed to Fisher's *Z* by consulting a table (e.g., Cohen *et al.* 2003, p.644; Online Statistics 2010) or by the following equation derived by Hedges and Olkin (1985):

$$Z = 0.5\ln [(1+r)/(1-r)]$$

the *Z*-transformed *ES* was then multiplied by the asymptotic standard error (*se*) of the *ES*, which is found by dividing one by the square root of the difference of sample size minus three (Rosnow and Rosenthal 1996, p.336), meaning:

$$se = 1/\sqrt{(n-3)}$$

where *n* is the sample size of the study. Hence, the *se* in this study = $1/\sqrt{}(200 - 3) = 1/\sqrt{}197 = 0.07$. Second, the *se* was multiplied by 1.96 (the *Z value* of $p = 0.05$, two-tailed) (i.e., 0.07*1.96 = 0.14). Third, the upper and lower limits of the CI_{95} were found by adding and subtracting the product in the previous step (i.e., 0.14) to the *Z*-transformed *ES*, as shown in Nakagawa and Cuthill (2007, p.599, equation 15):

$$CI_{95} = ES - 1.96*se \text{ to } ES + 1.96*se$$

Finally, the resulting upper and lower *Z* values in step three were transformed back to *r* values by consulting the same table suggested in step one to define the CI_{95} around the effect. Alternatively, such transformation could be done by the following equation as shown in Nakagawa and Cuthill (2007, p.600):

$$r = (e^{2Z} - 1)/(e^{2Z}+1)$$

where *e* is the base of the natural logarithm, and e^{2Z} can be found by an Excel function = EXP(2**Z values*). All the above calculations could also be done using a Spreadsheet designed by Hopkins (2008).

Tests of the Marketing Capabilities – Business Performance Hypotheses

Hypotheses 1a-c predict that marketing capabilities will be positively related to market performance, product performance and overall business performance. Hierarchical regression was used to test these hypotheses. Market performance was first regressed on the control variables in Model 1 and the market capabilities variable

was added in Model 2. The results are shown in Table 5.4. Marketing capabilities were found to be positively related to market performance ($b = 0.85$, $p < 0.001$, $\Delta R^2 = 0.29$), product performance ($b = 0.69$, $p < 0.001$, $\Delta R^2 = 0.22$) and overall performance ($b = 0.69$, $p < 0.001$, $\Delta R^2 = 0.14$), and the effect sizes (i.e., part correlation coefficients) were $r = 0.52$, 0.46 and 0.37 respectively, lending support to Hypotheses 1a, 1b and 1c.

The part correlation coefficients reported here indicate the strength of the relationship between a dependent and a single independent variable (IV) when the predictive effects of the other IVs in the regression model are removed. A part correlation coefficient represents the amount of variance in the dependent variable that is uniquely explained by a particular IV and is therefore helpful in portraying the unique predictive effect due to a single IV among a set of IVs (Hair *et al.* 1998). Using the equation described in Chapter 2, all the effect size estimates were also adjusted by the respective scale reliabilities to compensate for the noise introduced by the measurement errors. Since the scale reliabilities for marketing capabilities, market performance measures were $\alpha = 0.92$ and $\alpha = 0.82$ respectively, the adjusted effect size of marketing capabilities on market performance therefore equals $r_{adj} = 0.52/\sqrt{}(0.92*0.82) = 0.60$. The scale reliabilities for product performance and overall performance were $\alpha = 0.85$ and $\alpha = 0.72$ respectively. Accordingly, the adjusted effect size of marketing capabilities on product performance equals $r_{adj} = 0.46/\sqrt{}(0.92*0.85)$

= 0.52, and that on overall performance equals r_{adj} = 0.37/$\sqrt{}$(0.92*0.72) = 0.45. These adjusted ES were then used to calculate the CI_{95}, where $r_{adj.}$ = 0.50 to 0.68 for market performance; $r_{adj.}$ = 0.41 to 0.61 for product performance and $r_{adj.}$ = 0.33 to 0.55 for overall performance.

Table 5.4 Regression Results for Business Performances

	Market performance (H1a)		Product performance (H1b)		Overall performance (H1c)	
	Model 1	**Model 2**	**Model 1**	**Model 2**	**Model 1**	**Model 2**
Constant	4.70 (1.02)[c]	0.44 (0.98)	4.97 (0.90)[c]	1.52 (0.90)	4.62 (1.14)[c]	1.19 (1.12)
Control Variables						
Firm size	0.22 (0.17)	0.15 (0.14)	0.03 (0.15)	-0.02 (0.13)	0.12 (0.19)	0.07 (0.17)
Firm age	0.38 (0.31)	0.60 (0.26)[a]	0.15 (0.27)	0.33 (0.24)	0.21 (0.34)	0.38 (0.32)
Export age	0.03 (0.03)	0.03 (0.02)	0.22 (0.02)	0.01 (0.02)	0.00 (0.03)	0.01 (0.03)
State-owned	-0.58 (0.65)	-0.62 (0.54)	-0.07 (0.57)	-0.11 (0.50)	-0.37 (0.72)	-0.41 (0.67)
Privately-owned	-0.52 (0.50)	-0.55 (0.42)	-0.09 (0.44)	-0.12 (0.39)	-1.08 (0.56)	-1.10 (0.52)[a]
Design ownership	0.31 (0.28)	-0.51 (0.24)	0.77 (0.52)[b]	0.39 (0.22)	0.11 (0.31)	-0.27 (0.29)
Export intensity	-0.62 (0.58)	-0.61 (0.49)	-0.34 (0.51)	-0.32 (0.44)	-0.59 (0.65)	-0.57 (0.60)
Dependency	0.14 (0.20)	0.01 (0.17)	0.11 (0.18)	0.01 (0.16)	0.19 (0.23)	0.08 (0.21)
Relationship age	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
GDP/capita	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)[a]
Competitive intensity	0.08 (0.09)	-0.67 (0.08)	0.14 (0.08)	0.02 (0.07)	0.18 (0.10)	0.06 (0.09)
Education	-0.14 (0.11)	-0.13 (0.09)	-0.12 (0.09)	-0.11 (0.08)	-0.13 (0.12)	-0.12 (0.11)
Position	-0.26 (0.11)[a]	-0.16 (0.09)	-0.32 (0.10)[b]	-0.24 (0.09)[b]	-0.15 (0.12)	-0.07 (0.11)
Independent Variable						
Marketing Capabilities		0.85 (0.10)[c]		0.69 (0.09)[c]		0.69 (0.12)[c]
Adjusted R^2	0.03	0.32	0.10	0.32	0.05	0.19
F	1.49	7.53[c]	2.61[b]	7.57[c]	1.72	7.27[c]
ΔF sig		0.00		0.00		0.00
N	200	200	200	200	200	200

Note: Unstandardized coefficients are shown with standard errors in parentheses.
[a]$p<0.05$; [b]$p<0.01$; [c]$p<0.001$.

Tests of the Learning Orientation – Marketing Capabilities Hypothesis

To test the hypothesis that the learning orientation of transition economy suppliers is positively related to their marketing capabilities, the correlation coefficients between these two constructs were examined. As presented in Table 5.3, learning orientation was strongly and positively correlated with marketing capabilities ($r = 0.62$, $p < 0.001$). Hierarchical regression was employed to further explore how much variation in the supplier's marketing capabilities was explained by their firm's learning orientations when controlling for the effects of other variables. Unstandardized regression coefficients are reported in Table 5.5. The results in Table 5.5 shows that learning orientation has a positive effect on marketing capabilities ($b = 0.48$, $p < 0.001$). The part correlation coefficient between learning orientation and marketing capabilities was $r = 0.49$ and the reliability of the learning orientation scale was $\alpha = 0.88$. The adjusted effect size therefore equals $r_{adj} = 0.49/\sqrt{(0.92*0.88)} = 0.54$, with the CI_{95} ranges from $r_{adj.} = 0.43$ to 0.63. Since learning orientation has a statistically significant contribution to, and a large effect on, marketing capabilities, H_2 was also supported.

Table 5.5 Regression Results for Learning Orientation

	Marketing Capabilities (H2)	
	Model 1	**Model 2**
Constant	5.00 (0.65)[c]	2.29 (0.59)[c]
Control Variables		
Firm size	0.08 (0.11)	0.11 (0.09)
Firm age	-0.25 (0.20)	-0.01 (0.16)
Export age	-0.01 (0.02)	-0.01 (0.01)
State-owned	0.05 (0.41)	-0.18 (0.33)
Privately-owned	0.04 (0.32)	0.15 (0.26)
Design ownership	0.54 (0.18)[b]	0.37 (0.14)[a]
Export intensity	-0.02 (0.37)	-0.16 (0.30)
Dependency	0.15 (0.13)	0.14 (0.11)
Relationship age	0.00 (0.00)	0.00 (0.00)
GDP/capita	0.00 (0.00)	0.00 (0.00)[a]
Competitive intensity	0.18 (0.06)[b]	0.05 (0.05)
Education	-0.01 (0.07)	0.06 (0.05)
Position	-0.12 (0.07)	-0.03 (0.06)
Independent Variables		
Learning Orientation		0.48 (0.05)[c]
Adjusted R^2	0.06	0.40
F	2.05[a]	10.35[c]
ΔF sig		0.00
N	200	200

Note: Unstandardized coefficients are shown with standard errors in parentheses.
[a]$p<0.05$; [b]$p<0.01$; [c]$p<0.001$.

Tests of the Relationship Quality – Marketing Capabilities Hypothesis

To test the hypothesis that relationship quality is positively related to the marketing capabilities of the transition economy suppliers, the correlation coefficients between these two constructs were examined. As presented in Table 5.3, relationship quality was positively correlated with marketing capabilities ($r = 0.32$, $p < .001$). Hierarchical regressions were employed to further explore how much variation in the supplier's

marketing capabilities was explained by their relationship quality with their most important multinational buyers. The results in Table 5.6 show that relationship quality had a statistically significant effect on marketing capabilities ($b = 0.40$, $p < 0.001$). Furthermore, the effect size (part correlation) between relationship quality and marketing capabilities was $r = 0.31$. Since the reliability of the relationship quality measure was $\alpha = 0.79$, the adjusted effect size thus equals $r_{adj} = 0.31/\sqrt{}(0.92*0.79) = 0.36$, with the CI_{95} ranges from $r_{adj.} = 0.23$ to 0.48. Since relationship quality has a statistically significant contribution to, and a medium effect on, marketing capabilities, H_3 was also supported.

Table 5.6 Regression Results for Relationship Quality

	Marketing Capabilities (H3)	
	Model 1	**Model 2**
Constant	5.00 (0.65)[c]	2.76 (0.78)[c]
Control Variables		
Firm size	0.08 (0.11)	0.12 (0.10)
Firm age	-0.25 (0.20)	-0.26 (0.19)
Export age	-0.01 (0.02)	-0.00 (0.02)
State-owned	0.05 (0.41)	-0.13 (0.39)
Privately-owned	0.04 (0.32)	-0.03 (0.30)
Design ownership	0.54 (0.18)[b]	0.51 (0.17)[b]
Export intensity	-0.02 (0.37)	-0.14 (0.35)
Dependency	0.15 (0.13)	0.07 (0.13)
Relationship age	0.00 (0.00)	0.00 (0.00)
GDP/capita	0.00 (0.00)	0.00 (0.00)
Competitive intensity	0.18 (0.06)[b]	0.17 (0.05)[b]
Education	-0.01 (0.07)	-0.01 (0.06)
Position	-0.12 (0.07)	-0.11 (0.07)
Independent Variables		
Relationship quality		0.40 (0.08)[c]
Adjusted R^2	0.06	0.16
F	2.05[a]	3.72[c]
ΔF sig		0.00
N	200	200

Note: Unstandardized coefficients are shown with standard errors in parentheses.
[a]$p<0.05$; [b]$p<0.01$; [c]$p<0.001$.

Tests of the Cultural Distance Moderator Hypothesis

To test whether the relationship quality – marketing capabilities relationship was moderated by the cultural distance separating the suppliers from their multinational buyers, moderated regression analysis was employed (Friedrich 1982; Jaccard, Turrisi and Wan 1990; Sharma, Durand and Gur-Arie 1981). This implied the estimation of three sets of equations:

(i) $Y = b_0 + b_1X$

(ii) $Y = b_0 + b_1X + b_2Z$

(iii) $Y = b_0 + b_1X + b_2Z + b_3XZ$

where Y represents the dependent variable (marketing capabilities), X represents the independent variable (relationship quality), Z represents the moderator variable (cultural distance), and XZ represents a multiplicative interaction term. If b_3 in the third equation does not equal zero and differs significantly from b_2 in the second equation, a moderating effect is inferred (Sharma *et al.* 1981). To facilitate the interpretation of the regression coefficients reported in the moderated regression analysis, several steps were taken. First, the independent variables and the moderator were standardized. Then, the interaction terms were computed by multiplying the standardized independent variable with the standardized moderator. Consequently, the resulting unstandardized regression coefficients derived from the manually standardized variables were considered to be the "standardized" solution for the analysis (Aiken and West 1991). These steps were taken because the automatically-generated standardized solution by the SPSS program will be based on the standardization of all independent variables. A standardized interaction term that is automatically calculated by the software, hence, will generally be somewhat different from the manually calculated cross-product of two standardized variables (Aiken and West 1991). Manually calculating the standardized interaction terms is therefore

necessary to generate an accurate standardized regression coefficient.

As predicted in hypothesis 4, cultural distance should strengthen the association between relationship quality and marketing capabilities. Table 5.7 presents the results of the moderated regression analysis for cultural distance with suppliers' marketing capabilities as the dependent variable. An examination of the change in the *F*-statistic between the main effects model (Model 3) and the conditional effect model (Model 4) reveals that the interaction term (relationship quality x cultural distance) is marginally statistically significant ($b = 0.09$, $p < 0.10$). In terms of effect size, the part correlation between this interaction term and marketing capabilities was small-sized with $r = 0.12$. The reliability of Hofstede's (2001) cultural distance measure could not be calculated with the usual formula for the Cronbanh's alpha and therefore full correction for measurement error for this *ES* was not possible (Hofstede 2001; Hunter and Schmidt 2004). Nonetheless, Kogut and Singh's (1988) index was an objective measure of Hofstede's (2001) cultural distance data, which may therefore be assumed to be measured without error variance (Hülsheger, Anderson and Salgado 2009). Hence, no correction for unreliability was made for cultural distance. This effect size was then adjusted using the scale reliabilities of the relationship quality and the marketing capabilities measures. The adjusted effect size equals $r_{adj} = 0.12/\sqrt{}$ (0.79*0.92) = 0.14, with the CI_{95} ranges from $r_{adj.} = 0.00$ to 0.27. As the interaction term registered a small effect on marketing capabilities, these results together

suggested that H_4 was marginally supported. Additionally, the statistically insignificant correlation between cultural distance and marketing capabilities (the dependent variable) suggested that cultural distance was a pure-moderator of the link between relationship quality and marketing (Sharma *et al.* 1981).

Table 5.7 Moderated Regression Results for Cultural Distance

	Marketing capabilities (H4)			
	Model 1	**Model 2**	**Model 3**	**Model 4**
Constant	5.49 (0.05)[c]	5.49 (0.05)[c]	5.49 (0.05)[c]	5.49 (0.05)[c]
Control Variables				
Firm size	0.04 (0.06)	0.06 (0.05)	0.06 (0.05)	0.07 (0.05)
Firm age	-0.08 (0.06)	-0.08 (0.06)	-0.08 (0.06)	-0.09 (0.06)
Export age	-0.03 (0.05)	-0.01 (0.05)	-0.01 (0.05)	-0.00 (0.05)
State-owned	0.01 (0.08)	-0.02 (0.08)	-0.02 (0.08)	-0.03 (0.08)
Privately-owned	0.01 (0.08)	-0.01 (0.08)	-0.01 (0.08)	-0.00 (0.08)
Design ownership	0.16 (0.05)[b]	0.15 (0.05)[b]	0.15 (0.05)[b]	0.15 (0.05)[b]
Export intensity	0.00 (0.06)	-0.02 (0.05)	-0.02 (0.06)	-0.03 (0.06)
Dependency	0.06 (0.05)	0.03 (0.05)	0.03 (0.05)	0.02 (0.05)
Relationship age	0.05 (0.06)	0.05 (0.05)	0.05 (0.05)	0.06 (0.05)
GDP/capita	-0.05 (0.05)	-0.06 (0.05)	-0.06 (0.05)	-0.05 (0.05)
Competitive intensity	0.16 (0.05)[b]	0.15 (0.05)[b]	0.15 (0.05)[b]	0.14 (0.05)[b]
Education	-0.01 (0.05)	-0.01 (0.05)	-0.01 (0.05)	-0.01 (0.05)
Position	-0.08 (0.05)	-0.08 (0.05)[†]	-0.08 (0.05)	-0.08 (0.05)
Independent Variable*				
Relationship quality (RQ)		0.22 (0.05)[c]	0.22 (0.05)[c]	0.22 (0.05)[c]
Moderator Variable*				
Cultural distance (CD)			-0.00 (0.05)	-0.01 (0.05)
Interaction Term*				
RQ x CD				0.09 (0.05)[†]
Adjusted R^2	0.06	0.16	0.16	0.17
F	2.05[a]	3.72[c]	3.45[c]	3.49[c]
ΔF sig	0.02	0.00	0.94	0.07
N	200	200	200	200

Note: Unstandardized coefficients are shown with standard errors in parentheses.
[†]p<0.10; [a]p<0.05; [b]p<0.01; [c]p<0.001; *manually standardized.

Common Method Variance

Common method variance is likely to be a problem if the dependent, independent, and external variables appear to be a single factor that accounts for substantial variance, or if there is a small number of factors made up of dependent, independent, and external variables (Podsakoff and Organ 1986; Podsakoff, MacKenzie and Podsakoff 2003). Common method bias may occur when the data for the dependent and independent variables are collected from the same respondent. This type of self-bias may arise when the covariance between the predictor and criterion variable was actually made up by the respondents (Podsakoff *et al.* 2003). Therefore, common method bias may distort the true effects in the sample.

To assess whether common method variance was a big problem in this study, Harman's single-factor test was performed (Podsakoff *et al.* 2003). Following the tradition in previous studies, all variables in this study were loaded into an exploratory factor analysis (Anderson and Bateman 1997; Greene and Organ 1973; Greenley and Oktemgil 1997; Schriesheim 1979; Wang *et al.* 2006). The basic assumption of this technique is that if a substantial amount of common method variance is present in the data, either a single factor will emerge, or one general factor will account for the majority of the variance among the measures (Podsakoff *et al.* 2003). The unrotated principal component factor analysis revealed an eighteen-factor solution, with the largest factor explaining 27.8% of variance. These results suggested that no general

factor appeared to account for the majority of variance.

To explore the possible common method variance problem more cautiously, partial correlation procedures designed to control for method biases were also performed (Chang, Witteloostuijn and Eden 2010; Podsakoff *et al.* 2003). In this study, the competitive intensity measure was used as a "marker variable" because it lacks a theoretical ground to be correlated with one of the independent variables, the relationship quality measure. Two techniques were undertaken to assess the common method variance problem. Firstly, the correlation between the marker variable and the relationship quality measure was checked. A statistically significant correlation observed between the marker variable and the relationship quality measure can be assumed to be due to common method variance (Lindell and Brandt 2000; Lindell and Whitney 2001; Podsakoff *et al.* 2003). As observed from Table 5.3, however, the correlation between competitive intensity and relationship quality was not statistically significant ($r = 0.04$), providing evidence that common method variance may not be a great concern of this study. The second step was to compare the zero order correlations and the partial correlations (with the marker variable controlled) of the two main hypothesized associations (i.e., the effects of learning orientation and relationship quality on marketing capabilities) (Pallant 2005; Podsakoff *et al.* 2003). The zero order correlation between learning orientation and marketing capabilities was $r = 0.62$ ($p < 0.001$), and its partial correlation was $r = 0.60$ ($p < 0.001$). For the

relationship quality measure, its zero order correlation with marketing capabilities was $r = 0.32$ ($p < 0.001$) and its partial correlation remained unchanged when the effect of the marker variable was partialled out. Since controlling for the marker variable had very little effect on the strength of the two main hypothesized relationships, the contaminating effect of method biases was considered to be not serious in this study.

In addition, if common method variance was largely responsible for the relationship among the variables, the one-factor CFA model (presented in Chapter Four) should fit the data well (Iverson and Maguire 2000; Korsgaard and Roberson 1995; Mossholder *et al.* 1998). The rationale here is similar to that of the Harman's single factor test, which expects that a CFA should indicate that the single-factor model fits the data well if method variance was largely responsible for the covariation among the measures (Mossholder *et al.* 1998). In contrast, the CFA results described in Chapter Four showed that all the constructs used in this study had achieved better model fits when they were measured separately instead of in a single-factor model.

To summarize, while the results of these analyses did not preclude the possibility of common method variance, they suggested that common method variance was not of great concern and thus was unlikely to confound the interpretations of research results.

Conclusion

The research findings revealed that both the learning orientation of the transition economy suppliers and the quality of their relationships with multinational buyers had positive effects on the suppliers' marketing capabilities. Suppliers' marketing capabilities, in turn, had positive effects on various performance outcomes. Furthermore, the positive effect of relationship quality on marketing capabilities was enhanced by the cultural distance separating the buyers and suppliers. The results for the hypothesis testing, including effect sizes and the 95% confidence intervals for each effect, are summarized in Table 5.9. These results are interpreted and discussed in light of previous research in the next chapter.

Table 5.9 Summary of Hypotheses Results

Hypothesis	*ES(r)**	Adjusted *ES* (r_{adj})	CI_{95} for the adjusted *ES*	Tables
H1a: Marketing capabilities → market performance	0.52	0.60	0.50 – 0.68	5.4
H1b: Marketing capabilities → product performance	0.46	0.52	0.41 – 0.61	5.4
H1c: Marketing capabilities → overall business performance	0.37	0.45	0.33 – 0.55	5.4
H2: Supplier's learning orientation → marketing capabilities	0.49	0.54	0.43 – 0.63	5.5
H3: Buyer-supplier's relationship quality → marketing capabilities	0.31	0.36	0.23 – 0.48	5.6
H4: Moderating effect of cultural distance on relationship quality → marketing capabilities	0.12	0.14	0.00 – 0.27	5.7

*Part correlation coefficient

Chapter 6. Discussion

The purpose of this chapter is to discuss and interpret the findings reported in the previous chapter. The results supported all four hypotheses of this study in that suppliers' learning orientations and the quality of the buyer-supplier relationships were found to be positively related to the suppliers' marketing capabilities. Marketing capabilities, in turn, were found to be positively related to three types of business performance in a transition economy. Furthermore, the cultural distance separating buyers and suppliers was found to strengthen the link between relationship quality and marketing capabilities.

In this chapter, the results are discussed in terms of both effect sizes and confidence intervals. Effect sizes facilitate interpretations of the practical significance of each effect and the confidence intervals quantify the precision of the estimated effects. The provision of confidence intervals has been highly recommended recently because it reveals the stability of results across studies (APA 2001). It is also highly recommended to contrast the confidence intervals found in this study with those reported in previous studies. In this way, plausible regions for the population parameters can be constructed (APA 2001). In this chapter, the study findings are interpreted in non-technical language to facilitate interpretation of their practical significance.

The Effects of Marketing Capabilities

The present study re-examined the marketing capabilities – firm performance relationship using Vorhies and Morgan's (2005) marketing capabilities measures. Marketing capabilities showed the largest positive effect on market performance at r_{adj} = 0.60, followed by product performance at r_{adj} = 0.52, and overall business performance at r_{adj} = 0.45. The effect sizes of marketing capabilities on these performance indicators reported in previous studies conducted in the context of transition economies are summarized in Table 6.1 for comparison purposes.

Table 6.1 Marketing Capabilities and Firm Performance in Transition Economies: Effect Sizes

Setting	Study	*N*	Measures Used		*ES*	Adjusted *ES*
			Marketing Capabilities (*α*)	Business Performance (*α*)		
(*A) For market performance*						
China	*This study*	200	Overall MC[a] (0.92)	Market performance (0.87)	0.52	0.60
China	Gu *et al.* (2008)	282	Channel and responsive capabilities (NA)	Sales growth and market share (NA)	0.43	0.50[b]
(*B) For product performance*						
China	*This study*	200	Overall MC[a] (0.92)	Product performance (0.85)	0.46	0.52
China	Eng & Spickett-Jones (2009)	268	Overall MC[a] (0.84)	Product release success (0.75)	0.07	0.09
(C) For overall performance						
China	*This study*	200	Overall MC[a] (0.92)	Overall performance (0.72)	0.37	0.45
China	Ellis & Davies (2006)	200	New product development (0.86)	Business performance (0.88)	0.32	0.37
Hungary, Poland, Slovenia	Hooley *et al.*(1999)	1619	Marketing culture, strategic marketing and operational marketing (0.86)	Firm performance (0.82)	0.29	0.35
China	Zou *et al.*(2003)	176	Pricing, product development, distribution and communication capabilities (0.92)	Export financial performance (0.92)	0.56	0.61

[a]Marketing capabilities items sourced from Vorhies and Morgan (2005); [b]mean scale reliabilities was substituted for calculating the adjusted effect size.

To facilitate discussion of the effects summarized in Table 6.1, CI_{95} were constructed for each of these estimates. These CIs were plotted and are compared with the relevant CI_{95} of this study. The CI_{95} for marketing capabilities effects on market performance, product performance and overall performance were plotted in Figures 6.1, 6.2 and 6.3 respectively. The CIs were calculated based on individual point estimate and sample size. The width therefore varies from sample to sample. The square boxes in the CIs are the adjusted *ES* of the samples.

Figure 6.1 Marketing Capabilities and Market Performance in Transition Economies: CI_{95} for 2 Independent Studies

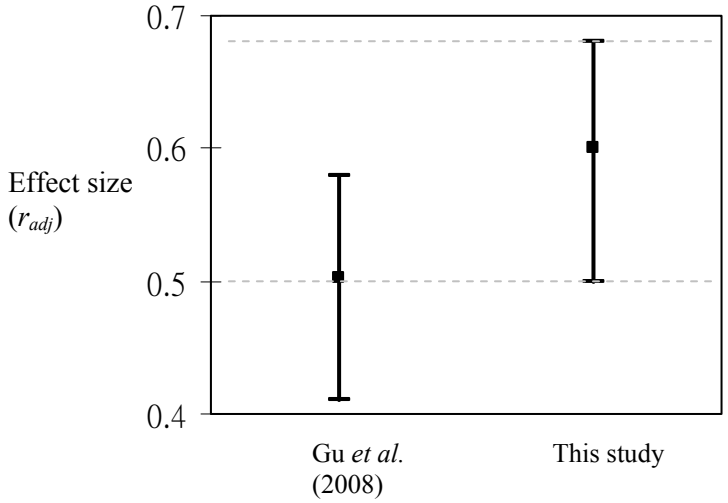


Figure 6.2 Marketing Capabilities and Product Performance in Transition Economies: CI_{95} for 2 Independent Studies

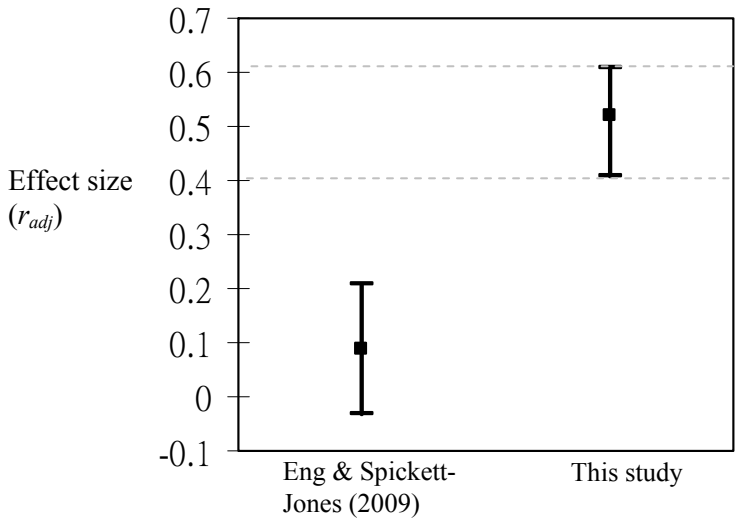
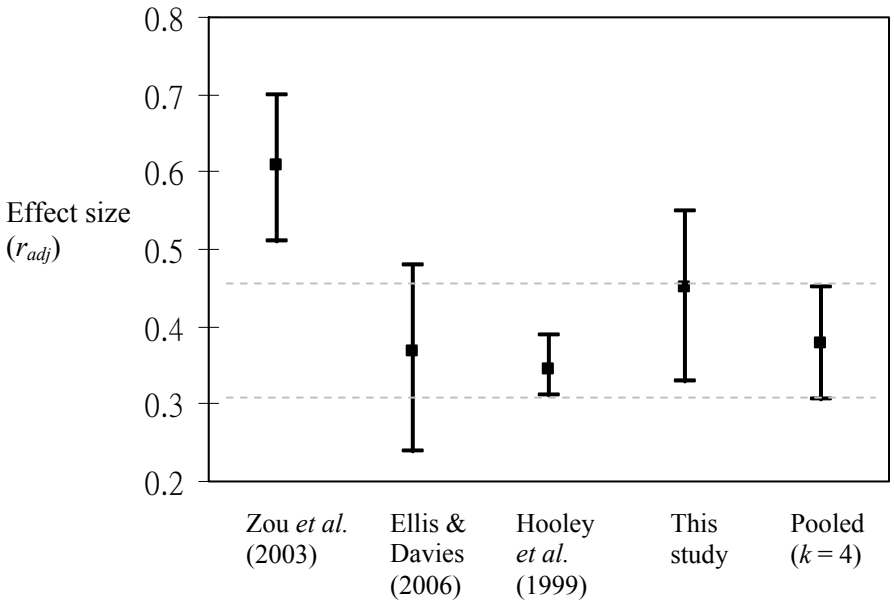


Figure 6.3 Marketing Capabilities and Overall Performance in Transition Economies: CI_{95} for 4 Independent Studies



Note: k is the number of studies

Several conclusions can be drawn from Figures 6.1, 6.2 and 6.3. First, the effect of marketing capabilities on market performance found in this study (r_{adj} = 0.60) is very similar to that found in Gu *et al.* (2008) (r_{adj} = 0.50) as shown in Figure 6.1. Another

point worthy of note is that the CI_{95} of the present study has an overlap of about 50% with that of Gu *et al.* (2008), indicating a high consistency in the findings. Since Gu *et al.*'s (2008) study was also conducted in a transition economy, it is likely that marketing capabilities have a positive and substantial effect on market performance in such economies.

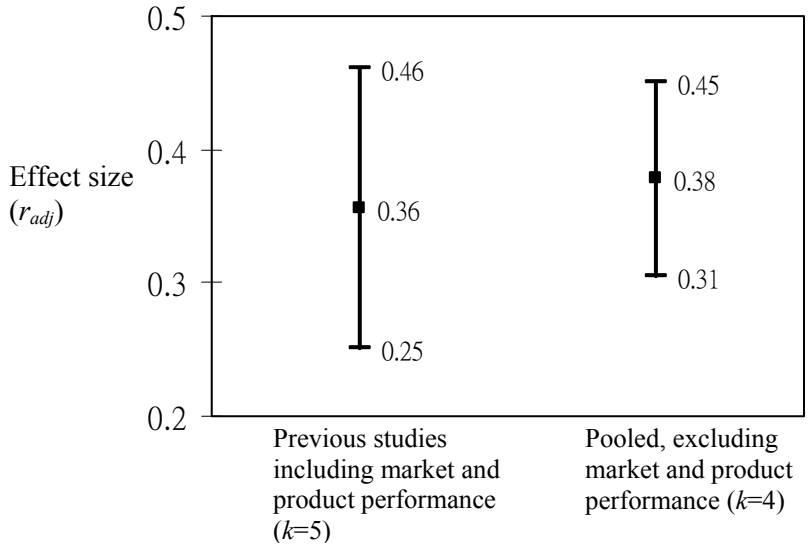
In contrast to market performance, the effect of marketing capabilities on product performance does not demonstrate such consistency. The *ES* of this study (r_{adj} = 0.52) is much larger than that reported by Eng and Spickett-Jones (2009) (r_{adj} = 0.09) and there is no overlap between the CI_{95} of these two studies (Figure 6.2). Such inconsistency may be attributed to sampling variation. The sample in Eng and Spickett-Jones's (2009) study consisted of manufacturers from the electronic industry only, while the whole manufacturing sector was covered in the present research. There may be some other factors (e.g. technological capabilities) that have greater influence than marketing capabilities on product performance in the electronic industry. However, as there are only two CIs in the literature so far, the precise size of this effect in transition economies is yet to be concluded. It is also possible that the true *ES* is closer to that reported by Eng and Spickett-Jones (2009) instead of the *ES* found in this study.

In terms of the effect of marketing capabilities on overall performance, the positive *ES* identified in this study (r_{adj} = 0.45) is similar to the results in previous

studies conducted in transition economies (i.e., Ellis and Davies 2006; Hooley *et al.* 1999; Zou *et al.* 2003). The CI_{95} of this study also overlaps with part of the intervals of these previous studies, demonstrating a high degree of congruence with past work (Figure 6.3). To further estimate the range of possible effect sizes in the population, the *ES* found in this study was combined with the three *ES* estimates reported in previous studies to construct a pooled CI_{95} following the meta-analysis procedures described in Chapter Two. It is observed that the pooled CI_{95} overlaps with all the CIs of previous studies except that of Zou *et al* (2003), indicating that Zou *et al*'s (2003) *ES* was probably larger than the true population effect. Again, such variation in *ES* may be due to sample difference.

Any confidence interval is likely to be affected by sampling error, it is therefore important to build upon earlier studies to refine the precision of the estimated population effect. The refined CI_{95} was plotted and compared with the original CI_{95} from the literature (Figure 6.4). The calculation of CI_{95} from previous studies included two *ES* estimates on market and product performance in the literature because few studies have reported *ES* on overall performance. These two estimates were, however, excluded from the calculation of pooled CI_{95} because an additional *ES* on overall performance of this study helped to construct a CI specifically for the effect of marketing capabilities on overall performance.

Figure 6.4 Marketing Capabilities and Overall Performance in Transition Economies: CI_{95} from Meta-Analysis



Note: k is the number of studies

The pooled CI_{95} is narrower than the previous one with the adjusted weighted mean *ES* increased from $\overline{r}_{adj}$ = 0.36 to 0.38. Eliminating the two *ES* of market and product performance from calculations, and adding the *ES* of this study, has therefore improved the precision of the estimated population *ES*. The refined CI_{95} shows a larger lower limit and a smaller upper limit and covers a range of medium-sized effects only. Hence, it is possible to claim with 95% confidence that the true population effect of marketing capabilities on overall performance in transition economies is medium-sized.

After discussing the results, three approaches are used to interpret the practical significance of the findings in this study. First, the adjusted effect sizes are squared to estimate the proportion of shared variance between marketing capabilities and

different performance indicators (Hair *et al.* 1998). Second, the percentage change in the performance indicators as explained by one unit change in the supplier's marketing capabilities are calculated to quantify the practical value of marketing capabilities in transition economies. Third, to elaborate further the effects of marketing capabilities in the real-world, the percentage change in performance for suppliers with high marketing capabilities versus low marketing capabilities (one standard deviation above/below the mean) were calculated and compared.

With regards to market performance, the adjusted effect size between marketing capabilities and market performance was $r_{adj} = 0.60$, indicating that 36% (0.60*0.60) of the variance in suppliers' market performance could be explained in terms of their marketing capabilities in transition economies. The unstandardized regression coefficient ($b_{mc} = 0.85$) in Table 5.4 reveals that every single scale unit increase in suppliers' marketing capabilities (holding other factors constant) is likely to lead to a 0.85 scale unit increase in market performance (Hair *et al.* 1998). The predicted market performance scores of an average supplier with low marketing capabilities (defined as one standard deviation below the mean) was calculated and compared with that of an average supplier with high marketing capabilities (defined as one standard deviation above the mean). Following conventional practices, the actual values of the independent variables were substituted into the following regression equation to calculate the predicted value of the dependent variable (e.g.,

Cohen *et al.* 2003, p.67; Jaccard and Turrisi 2003, p.14):

$$Y = b_0 + \sum_{j=1}^{p} b_j X_j$$

where Y is the continuous dependent variable (i.e., performance in this case), b_j is the unstandardized regression coefficient of the jth variable and X_j is the actual value of the jth variable. To predict the market performance of an average supplier with low marketing capabilities, the mean values of the control variables and a low marketing capabilities' score (i.e., mean – 1S.D. = 5.5 – 0.7 = 4.8) were substituted into the above equation. For an average supplier with high marketing capabilities, the mean values of the control variables and a high marketing capabilities' score (i.e., mean + 1S.D. = 5.5 + 0.7 = 6.2) were substituted into the above equation. As the data of firm size, firm age and dependency were log-transformed to deal with the normality assumption for data analysis, the mean values of these three variables (shown in Table 5.2) were log-transformed when being substituted into the above equation. It should be noted that an average supplier was assumed to be a privately-owned enterprise because over 90% of the suppliers were from this group. So, the value for the dummy variable of state-owned enterprise was assumed to be zero and that for privately-owned was assumed to be one. Accordingly, an average supplier with low marketing capabilities is predicted to have a market performance score of 4.42, while that for an average supplier with high marketing capabilities is predicted to be 5.61. Hence, there

will be a (5.61 – 4.42) / 4.42 = 26.9% increase in market performance by suppliers with high marketing capabilities (defined as one standard deviation above the mean) over that by suppliers with low marketing capabilities (defined as one standard deviation below the mean) in transition economies.

For product performance, an adjusted effect size of r_{adj} = 0.52 reveals that 27.0% (0.52*0.52) of the variance in the suppliers' product performance may be explained by their marketing capabilities. Regarding the practical value of marketing capabilities on product performance, this can be interpreted by referring to the unstandardized regression coefficient of marketing capabilities on product performance, where b = 0.69 (Table 5.4). Every single scale unit increase in the suppliers' marketing capabilities (holding other factors constant) is likely to result in a 0.69 scale unit increase in the predicted product performance. The predicted product performance scores of an average supplier with low and high marketing capabilities are 5.02 and 5.99 respectively. This means there is a (5.99 – 5.02) / 5.02 = 19.3% increase in product performance by suppliers with high marketing capabilities (defined as one standard deviation above the mean) over that by suppliers with low marketing capabilities (defined as one standard deviation below the mean) in transition economies.

Finally, the adjusted effect size for overall performance was r_{adi} = 0.45, meaning 20.3% (0.45*0.45) of the variance in the suppliers' overall performance may

be explained by their marketing capabilities. The unstandardized regression coefficient for marketing capabilities on overall performance (b = 0.69) was the same as that on product performance. Hence, every single scale unit increase in the suppliers' marketing capabilities (holding other factors constant) is also likely to result in a 0.69 scale unit increase in the predicted overall performance. The predicted overall performance scores of an average supplier with low marketing capabilities (defined as one standard deviation below the mean) and high marketing capabilities (defined as one standard deviation above the mean) are 3.74 and 4.70 respectively. Hence, there will be a difference of (4.70 – 3.74) / 3.74 = 25.7% in overall performance between average suppliers with low and high marketing capabilities in transition economies.

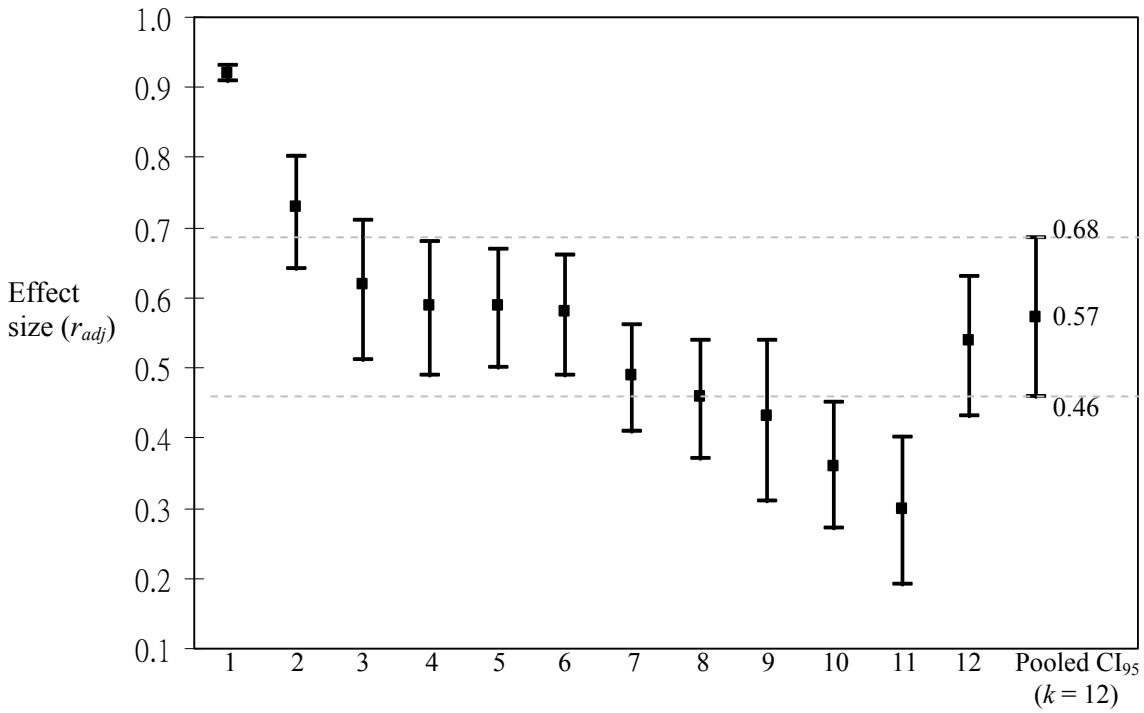
Collectively, these findings lend support to the conclusion that marketing capabilities enhance market, product and overall performance in transition economies.

The Effect of Learning Orientation on Marketing Capabilities

Given the substantial practical value of marketing capabilities offered to transition economy suppliers, the identification of factors that improve their marketing capabilities is thus an important issue. As indicated by the results, learning oriented transition economy suppliers are more able to advance their marketing capabilities than those who are less learning oriented. The adjusted effect size (r_{adj} = 0.54)

between learning orientation and marketing capabilities is positive and the CI_{95} covers effects from medium to large-sized (r = 0.43 to 0.63). The CI_{95} of previous studies and the one with this study were plotted and compared with the pooled CI_{95} in Figure 6.5.

Figure 6.5 Learning Orientation and Marketing Capabilities: CI_{95} for 12 Independent Studies



Note: 1: Burpitt (2004); 2: Sinkula *et al.* (1997); 3: Keskin (2006); 4: Hult *et al.* (2004); 5: Wang *et al.* (2006); 6: Mavondo *et al.* (2005); 7: Baker & Sinkula (1999); 8: Hult (1998); 9: Calantone *et al.* (2002); 10: Hult *et al.* (2000); 11: Liu *et al.* (2002); 12:This study; k is the number of studies.

It is observed that the *ES* of this study (r_{adj} = 0.54) is close to that reported in a number of previous studies as shown in Figure 6.5 (e.g., Baker and Sinkula 1999; Hult 1998; Hult *et al.* 2004; Keskin 2006; Mavondo *et al.* 2005; Wang *et al.* 2006), demonstrating a high consistency with previous work. Furthermore, nine out of twelve

CI_{95} (including the interval of this study) overlap with the pooled CI_{95}, indicating a relatively stable positive effect of learning orientation on marketing capabilities across different samples. Compared to the two previous studies conducted in transition economies, the CI_{95} of this study overlaps with that of Wang *et al.* (2006) but not with Liu *et al.* (2002). The smaller *ES* (r_{adj} = 0.30) reported in Liu *et al.* (2002) may be attributed to their sample of state-owned companies, which were observed to be more bureaucratic and have less competitive cultures than their privately-owned counterparts (Deshpandé and Farley 2000). Given that the concept of marketing capabilities is related to flexibility and efficiency in the organizational culture and activities, the positive effect of learning orientation on marketing capabilities might therefore be mitigated by the less-responsive organizational culture among the respondents in Liu *et al.*'s (2002) study.

As can be observed from Figure 6.5, the pooled CI_{95} for the effect of learning orientation on marketing capabilities has an adjusted weighted mean *ES* of $\overline{r}_{adj}$ = 0.57 and covers a range of medium to large-sized effects. As there are currently only three studies estimating this effect in transition economies, the specific range of a plausible population *ES* in this context is still unclear. Future research in transition economies providing additional *ES* will help to construct a specific CI_{95} in this context, advancing our understanding of this effect in transition economies and facilitating comparison of this effect in transition and open economies.

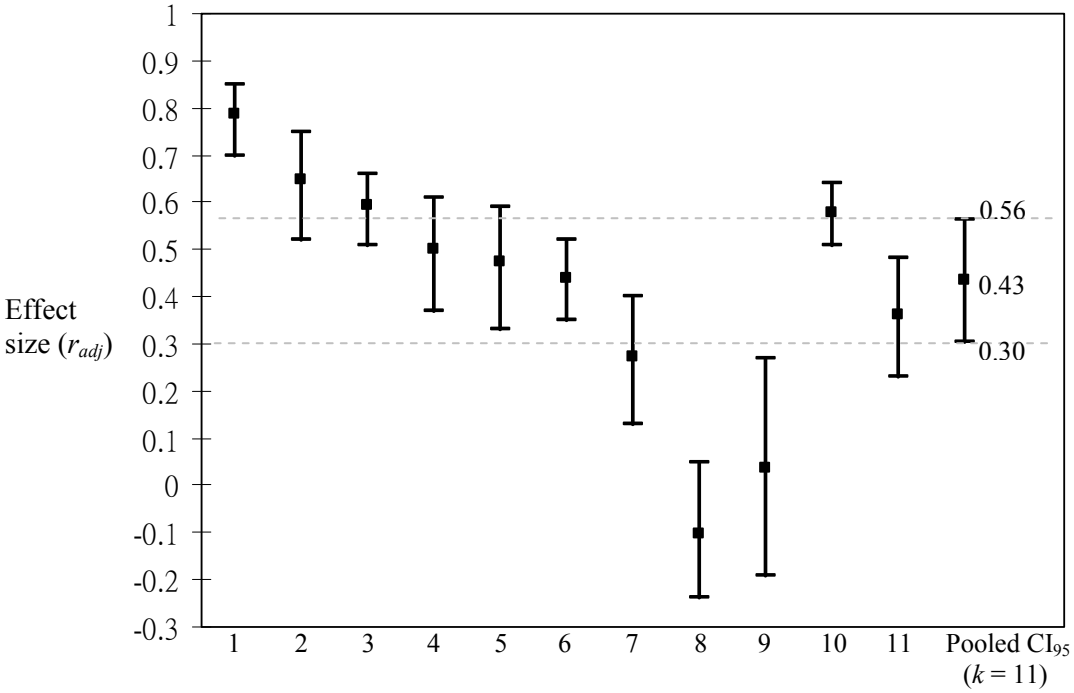
In terms of the practical significance of learning orientation in transition economies, the adjusted effect size for the learning orientation – marketing capabilities relationship is r_{adj} = 0.54, meaning 29.2% (0.54*0.54) of the variance in the suppliers' marketing capabilities may be explained by their learning orientations. Furthermore, the unstandardized regression coefficient of learning orientation (b = 0.48) reveals that a single unit increase in the suppliers' learning orientation (with other factors being constant) is likely to result in a 0.48 unit increase in the predicted score of their marketing capabilities. The predicted marketing capabilities scores for average suppliers with low and high learning orientations will be 5.34 and 6.20 respectively. Hence, an average supplier with a high learning orientation (defined as one standard deviation above the mean) will have more advanced marketing capabilities than an average supplier with a low learning orientation (defined as one standard deviation below the mean) by (6.20 – 5.34) / 5.34 = 16.1% in transition economies.

The Effect of Buyer-Seller's Relationship Quality on Marketing Capabilities

The prediction that relationship quality between the transition economy suppliers and their multinational buyers will affect the suppliers' marketing capabilities was supported. The positive association (r_{adj} = 0.36; CI_{95} = 0.23 to 0.48) between relationship quality and marketing capabilities identified in this study indicates that

suppliers' relationships with their multinational buyers have positive effects on their learning of marketing capabilities. The CI_{95} of this study and those from previous studies were plotted and are compared with the pooled CI_{95} in Figure 6.6.

Figure 6.6 Relationship Quality and Marketing Capabilities: CI_{95} for 11 Independent Studies



Note: 1: Voss *et al.* (2006) - US sample; 2: Voss *et al.* (2006) - Japan sample; 3: Corsten & Kumar (2005); 4: Wu *et al.* (2007); 5: Zhang *et al.* (2003); 6: Jap and Anderson (2003); 7: Siguaw *et al.* (1998); 8: Yli-Renko *et al.* (2001); 9: Brachos *et al.* (2007); 10: Hult *et al.* (2000); 11: This study; *k* is the number of studies.

Figure 6.6 shows that the CI_{95} of this study overlaps with five out of ten CI_{95} of previous studies, indicating some level of consistency with past research. Additionally, eight out of eleven CIs (including this study) overlap with the pooled CI_{95}, indicating a high stability in the positive effect of relationship quality on marketing capabilities. A large overlapping area in the CI_{95} of this study and the pooled interval further

indicates a consistency in the result of this study with past research.

Since no previous study conducted in transition economies has provided *ES* for the association between relationship quality and marketing capabilities, the CI_{95} of previous studies (r_{adj} = 0.30 to 0.58) identified in Chapter Two may be interpreted as the 95% confidence interval of this effect in open economies. As the *ES* of this study (r_{adj} = 0.36) is within the CI_{95} of previous studies in open economies, it is likely that the positive effect of relationship quality on marketing capabilities may be the same regardless of setting. The pooled CI_{95} in Figure 6.6 reveals that the true population effect is likely to be medium to large-sized. However, the specific range of plausible population effects in transition economies is still unclear because only the present study estimated *ES* in this context and any CI is likely to be affected by sample selection. Future studies examining this effect in transition economies will thus help to construct a specific CI_{95} for this context, enabling comparisons with the effect in open economies.

The practical value of buyer-seller relationships on marketing capabilities may be suggested by an examination of the adjusted effect size, where r_{adj} = 0.36. Accordingly, 13.0% (0.36*0.36) of the variance in the suppliers' marketing capabilities may be explained by the quality of relationships with the multinational buyers. The unstandardized regression coefficient of relationship quality (b = 0.40) reveals that a single unit increase in the quality of the buyer-seller relationship

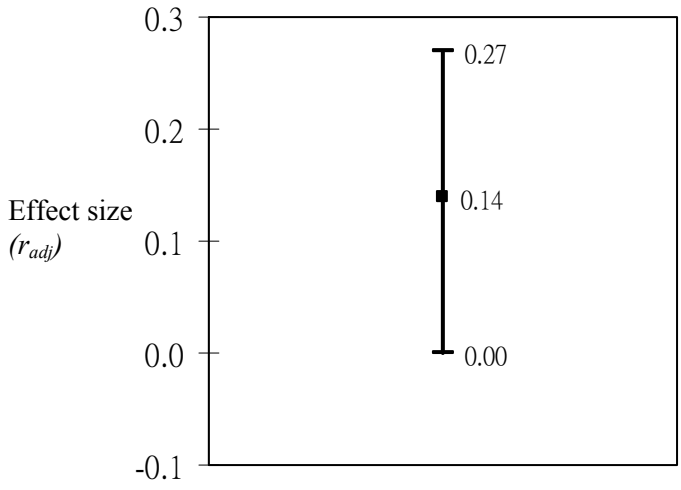
(holding other factors constant) is likely to result in a 0.40 unit increase in the predicted score of suppliers' marketing capabilities. The predicted marketing capabilities scores for an average supplier with a low and high relationship quality will be 5.48 and 5.96 respectively. Hence, there will be an increase of (5.96 – 5.48) / 5.48 = 8.8% in marketing capabilities by suppliers with high relationship quality (one standard deviation above the mean) over that by suppliers with low relationship quality (one standard deviation below the mean) in transition economies.

The Moderating Effects of Cultural Distance

In this study, cultural distance was found to strengthen the link between relationship quality and marketing capabilities. The effect is small, however, at $r = 0.12$ at the $p = 0.07$ level. Is this result substantive? For to statistical reasons, moderating effects are usually found to be small. Hair *et al.* (1998) and Murphy, Myors and Wolach (2009) point out that due to the unavoidably high correlations existing between the interaction terms and the two independent variables in the regression model, the increase in explanatory power for the interaction term is necessarily small. More importantly, the p value will be lowered with an increase in sample size. For instance, assuming the observed effect of cultural distance and the true population effect are of the same size, a priori analysis reveals that an additional 225 observations would be needed to have an 80% chance of achieving statistical significance with α set at 0.05.

This provides justification for relaxing the alpha level to $p < 0.10$. Since no study to date has examined the moderating effect of cultural distance on the relationship quality – marketing capabilities association, no direct comparison could be made regarding the confidence interval for the moderating effect of cultural distance. Nonetheless, the confidence interval for this study indicates that the moderation effect may range from $r_{adj} = 0.00$ (no effect) to 0.27 (small effect) in the population as presented in Figure 6.7. Findings from future research will help to arrive at a more precise estimate.

Figure 6.7 Effect Sizes (CI_{95}) of the Moderation Effect of Cultural Distance on the Relationship Quality - Marketing Capabilities Relationship



The positive effect of cultural distance contributes to the debate in the literature regarding its role in learning. The direction of this effect contradicts that predicted by the traditional view of cultural distance, which holds that clashes in national culture create barriers to learning (Cartwright and Cooper 1996; Evangelista and Hau 2009;

Nahavandi and Malekzadeh 1988; Schweiger 2002; Simonin 1999). However, this supports the view that emphasizes the potential for cultural distance to enlarge the knowledge base for learning (Barney 1988; Ghoshal 1987; Gomez-Mejia and Palich 1997; Morosini *et al.* 1998; Reus and Lamont 2009). The positive moderating effect may be context-specific. As shown in Table 5.1, a large cultural distance implied that the Chinese suppliers were linked to the more sophisticated buyers from mature economies (e.g., Sweden, the United States, the Netherlands and Australia) as opposed to less sophisticated buyers in culturally closer countries (e.g., Indonesia, India, Jordan, UAE, South Africa). The Chinese suppliers were therefore exposed to more advanced marketing knowledge and skill-sets when they were selling to buyers from culturally distant countries and hence are more likely to learn from them. Therefore, if this study were conducted in other transition economies such as those of Eastern Europe, a larger cultural distance may link the suppliers to buyers from other transition economies rather than those from open economies; the moderating effect of cultural distance may then be dismissed or run in the opposite direction (i.e., have a negative effect). However, it is worth noting that *GDP per capita* has been included in the regression analyses. Hence, the confounding effects of economic development have been controlled for analysis. Another, more generic, explanation for the positive moderating effect of cultural distance is the concept of complementary capabilities. Cultural distance may be correlated with differences in the types of knowledge and

skill sets between buyers and suppliers. Selling to a culturally distant buyer may therefore increase the learning opportunities for suppliers; that is, the product and market information provided by culturally distant buyers are more likely to complement the suppliers' knowledge base. Evidence for this interpretation was provided by some of the Chinese suppliers interviewed in this study:

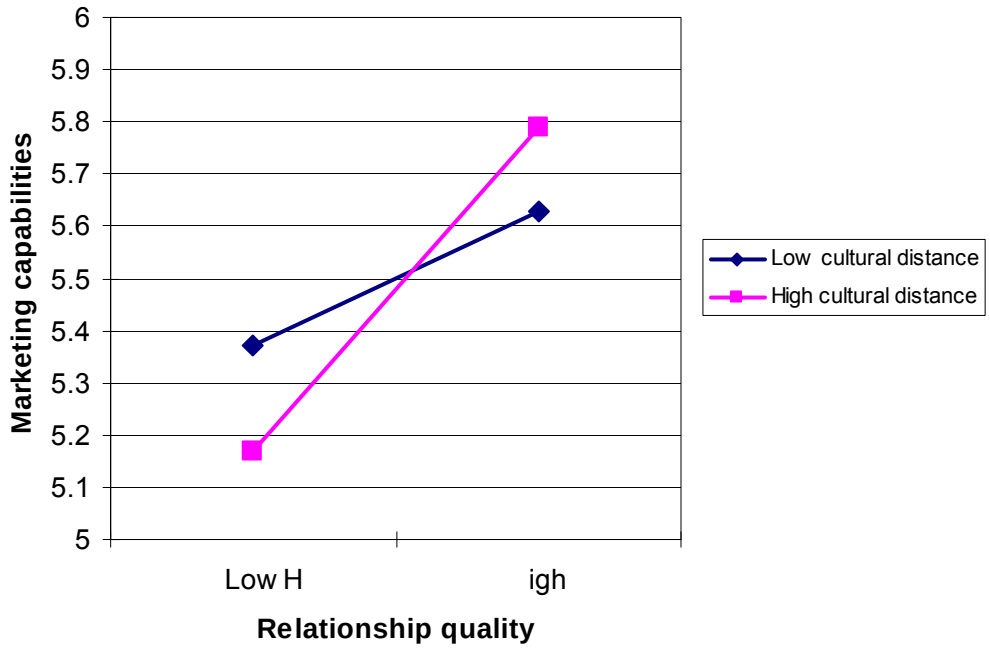
> A buyer (from a US company in this country) has shared with us some information related to the technological advancement on a particular type of electrical wire for audio devices. The buyer expected this technology would become a new industry standard in five years. We are therefore able to start researching on this technology ahead of competitors. This also increases our chance of continuing the business relationship with this buyer because we are likely to meet their standard in the near future (from an audio equipment manufacturer in Guangzhou).
>
> Our buyer (from a US retail company in China) has taught us a lot in terms of marketing planning. They formulate the sales forecast with us, give us advice on packaging, and conduct some joint-promotion programs with us to promote our products during festival periods such as Christmas. Our business performance has increased significantly after supplying to this customer (from a toy manufacturer in Shenzhen).
>
> I don't think our buyer (from a Hong Kong company) has taught us anything. We provided them the samples of our products in the beginning. They buy from us because they are satisfied with our product and prices. They have never provided us any advice on product design or marketing plans. We have been utilizing our own market knowledge to develop new products (from a safe manufacturer in Shenzhen).

Therefore, although cultural difference implies risk and difficulty in intercultural business communication, it also indicates opportunities for transition economy suppliers to learn and improve.

In terms of the practical significance of the interaction effect, an adjusted effect size of $r_{adj} = 0.14$ implies that 2.0% (0.14*0.14) of the variance in suppliers' marketing capabilities may be explained by the interaction between cultural distance

and relationship quality. To determine the forms of the interaction effect, the simple slopes of high and low relationship quality (one standard deviation above and below the mean) were plotted for high and low cultural distance (one standard deviation above and below the mean) in Figure 6.8, following the guidelines provided by Aiken and West (1991, Chapter Two). As can be seen from Figure 6.8, the slope for the high cultural distance group was steeper than that for the low cultural distance group. Simple slope tests further show that relationship quality is more positively related to marketing capabilities when buyers are culturally distant (simple slope test: $\beta = 0.31$, $p < 0.001$) than when they are culturally proximate (simple slope test: $\beta = 0.13$, $p < 0.05$). The positive effect of relationship quality drops from medium-sized $r = 0.30$ to small-sized $r = 0.13$ for high and low cultural distance respectively.

Figure 6.8 Interaction Effect of Cultural Distance



The practical significance of the moderating effect is also revealed in Figure 6.8. In the situation of high quality relationship, an average supplier selling to a high cultural distance buyer (defined as one standard deviation above the mean) will have a marketing capabilities score of 5.8. In the same situation, an average supplier selling to a low cultural distance buyer (defined as one standard deviation below the mean) will have a marketing capabilities score of 5.6. Hence, there will be around (5.8 – 5.6) / 5.6 = 3.6% difference in marketing capabilities between these two groups of transition economy suppliers.

Although the cultural distance moderator appears to have a smaller effect on marketing capabilities than the two independent variables in this study, it may nevertheless be important to transition economy managers. In a competitive market environment, customers have many product choices and any small difference in marketing capabilities may result in winning or losing a big business contract. For example, if a multinational buyer wants to source US$1 million of products from a transition economy, a supplier who is most able to satisfy the buyer's requests is most likely to get the business contract. As such, even if there is just a 0.1 unit difference in marketing capabilities between supplier A and supplier B, the supplier who has even a tiny advantage in marketing capabilities is likely to win the business contract. Hence, any factors that have positive effects on transition economy suppliers' marketing capabilities should not be neglected. The relatively small positive moderating effect of

cultural distance on the relationship quality - marketing capabilities linkage may lead to a big difference in transition economy suppliers' performance.

Conclusion

The findings of this study have been discussed in the light of previous research and interpreted in terms of their practical significance. The main lesson for transition economy suppliers is that they may improve their marketing capabilities by cultivating a learning orientation and by learning from a multinational buyer in a high quality business relationship. In contrast to previous studies, cultural distance was found in a transition economy to have a small positive effect on supplier's learning of marketing capabilities by interacting with the relationship quality measure. Theoretical and managerial implications emerging from these findings, together with the limitations and future research directions, are discussed in the next chapter.

Chapter 7. Conclusions

The findings of this study support the broad conclusion that transition economy suppliers can learn marketing skills through their relationships with multinational buyers and that the degree of learning will be positively related to the quality of that relationship. Suppliers' learning orientation and the cultural distance separating them from their multinational buyers were also found to affect their learning or acquisition of marketing capabilities positively. In this final chapter, the main contributions of this study are reviewed. Following this, the implications for managers in transition economies are discussed. The limitations of the study are then identified and some suggestions are made regarding future research directions. An overall conclusion of this work is provided at the end.

Contributions of this Study

This study has made four substantial contributions to the literature. First, the study contributes to the marketing literature by identifying two antecedents to transition economy suppliers' marketing capabilities; namely, suppliers' learning orientation and the quality of their relationships with multinational buyers operating in the local markets. This study provides arguably the first empirical investigation of these relationships. Previous research has shown that that export linkages with foreign customers can improve the marketing skills of transition economy suppliers (Ellis and

Davies 2006; Zou *et al.* 2003). However, some researchers have argued that exporting is evidence of marketing ability (Drucker 1974; Torre 1971). In addition, the majority of firms in transition economies are probably non-exporters. It is therefore important to learn how these suppliers acquire marketing capabilities in the first place and the results of this study help to bridge this research gap. Chiefly, it was found that the better the relationship quality, the better the suppliers' marketing capabilities. A good relationship with a multinational buyer enhances a supplier's access to that buyer's knowledge base, thereby facilitating the supplier's learning of marketing capabilities. Social capital theory contends that social capital facilitates actions (Dyer and Singh 1998; Lane and Lubatkin 1998; Yli-Renko *et al.* 2001) and the findings of this study confirm the positive influence of suppliers' social capital (i.e., the quality of their relationships with buyers) on their learning of marketing capabilities, providing further support to the theoretical extension of the social capital theory. In addition, the results of this study contribute to the literature of learning orientation by unveiling its positive relationships with marketing capabilities. A learning orientation encourages suppliers to pay attention on their markets, thereby enhancing their ability to formulate effective marketing strategies (i.e., superior marketing capabilities). Overall, the results support the conjecture that transition economy suppliers can learn marketing from multinational buyers without leaving their home markets.

Second, this study contributes to the debate on whether cultural distance

hinders or promotes learning. The effect of buyer-supplier relationship quality on suppliers' marketing capabilities was found to be positively moderated by the cultural distance separating the suppliers from the buyers. The larger the cultural distance, the greater the positive effect of relationship quality. This finding contrasts with the traditional view, which interprets cultural distance as a source of conflict and misunderstanding, thereby hindering knowledge acquisition (Evangelista and Hau 2009; Simonin 1999), but confirms an emerging view that suggests cultural distance signals learning opportunities (Reus and Lamont 2009). The tentative conclusion of this study is that the benefits of forming linkages with buyers from culturally distant countries exceed the costs of maintaining those linkages for transition economy suppliers.

Third, the findings demonstrate that transition economy suppliers can leverage their marketing capabilities to achieve superior performance. Despite a significant volume of research on the marketing capabilities – performance relationship, very few studies have tested this linkage in transition economies. The observed positive effects of marketing capabilities on market, product and overall performance therefore contribute to the growing body of research on marketing capabilities by providing further empirical evidence regarding these relationships in transition economies. These findings also support resource-based theory by demonstrating that variation in organizational performance can be explained by

heterogeneity in organizational capabilities. The findings furthermore provide empirical support for the dynamic capabilities theory by indicating that organizational abilities to respond to dynamic market environment (e.g., marketing capabilities) are positively related to organization performance.

Managerial Implications

Transition economy suppliers can benefit from the findings of this study in several ways. An important benefit is that, the study shows that performance gains do result from marketing capabilities even in transition economies, reinforcing conclusions drawn by studies conducted in other transition economies (Ellis and Davies 2006; Gu *et al.* 2008; Hooley *et al.* 1999; Ruiz-Ortega and García-Villaverde 2008; Tsai and Shih 2004; Vorhies and Morgan 2005; Weerawardena and O'Cass 2004; Zou *et al.* 2003). The results reveal that transition economy suppliers with low-level marketing capabilities should be able to increase their market, product and overall business performance by as much as 26.9%, 19.3% and 25.7% respectively if they are able to improve their marketing capabilities to a high level. In this context, a "low level" implies a marketing capabilities score that is one standard deviation below the sample mean, while a "high level" means a score that is one standard deviation above the sample mean. Managers in transition economies should thus aim to advance their marketing capabilities to enhance their performance on these dimensions. Specifically,

suppliers are recommended to assess their current capabilities (with reference to major competitors) in pricing, product development, channel management, marketing communication, selling, marketing information management, market planning and marketing implementation. By doing so, they may be able to identify areas for improvement.

The second managerial implication of this study is based on the positive effect of learning orientation on marketing capabilities. The results indicate that suppliers with a low degree of learning orientation will be able to improve their marketing capabilities by as much as 16.1% if they are able to raise their learning orientation to a high level. Here a “low level” means a learning orientation score that is one standard deviation below the sample mean, while a “high level” means a score that is one standard deviation above the sample mean. The implication is that pursuit of a learning orientation in firms in transition economies is justified. Transition economy suppliers are thus recommended to foster a learning orientation in their organizations. Managers may first assess their organization’s current degree of learning orientation by asking themselves three questions: (1) is my organization committed to learning? (2) Has my organization conveyed our company visions to employees? And, (3) has my organization questioned our established mental models? These factors could affect cross-functional teamwork and inhibit the degree of knowledge exchanges across departmental boundaries. To create an environment that encourages learning,

managers should cultivate a culture of open and attentive listening. They must also be open to criticism (Garvin 1993). A culture of openness will facilitate frequent and open communication, improving the quality of knowledge exchanges. In addition, managers could also implement motivation programs to encourage staff to embrace proactive learning, and to organize discussion groups regularly to share the learning experience of each department and to question together long-held organizational practices.

The third managerial implication is related to the positive influence of buyer-supplier relationship quality on suppliers' marketing capabilities. Results indicate that suppliers in low quality relationships will be able to improve their marketing capabilities by as much as 8.8% when they are in high quality relationships with buyers. Here a "low quality" means a score that is one standard deviation below the sample mean and a "high quality" means a score that is one standard deviation above the sample mean. The findings suggest that transition economy suppliers' learning of marketing capabilities will be facilitated by the quality of their relationships with multinational buyers operating in the local market. Managers should therefore aim to nurture high quality relationships with buyers of this type. For instance, managers may actively manage these relationships to exploit the learning potential inherited in the supply-contracts. They may also actively seek buyers' suggestions on different supply-arrangements and to evaluate their satisfaction on such areas. In doing so, they

will be more likely to develop collaborative relationships with buyers, increasing their likelihood to identify the areas for improvement and to respond to buyers' needs quickly (i.e., improved marketing capabilities).

Another important implication arising from this study is that, cultural distance was found to strengthen the link between relationship quality and marketing capabilities. The findings indicate that suppliers linked with culturally distant buyers will have greater marketing capabilities then their counterparts linked with culturally proximate buyers. Transition economy suppliers are therefore advised to look for more culturally distant buyers in their search for multinational buyers. In particular, mangers are recommended to view culturally distant buyers as a potentially valuable source of marketing know-how and to explore more learning opportunities when they are linked with these buyers. Suppliers may also initiate dialogue on different topics with culturally distant buyers because they may be able to provide a wide variety of information which is new to the suppliers.

Limitations and Future Research Directions

The findings of this study need to be interpreted with some care as the study is limited in a number of important aspects. These limitations inhibit the validity and generalizability of the findings while indicating avenues for future research.

The first limitation is concerned with the measurement of relationship quality.

In this study, the relationship quality between the transition economy suppliers and their multinational buyers was measured from the suppliers' perspective only. The results therefore can only show that suppliers' perceptions of relationship quality are positively linked with their learning of marketing capabilities. However, learning can not be achieved if there is no party transferring knowledge. The effectiveness of learning, as reflected by supplier's marketing capabilities in this study, is also likely to be affected by the buyers' perceptions regarding the quality of their relationships with suppliers. If the buyers do not perceive their relationship to be good, they will hesitate to share information and knowledge with their suppliers, limiting the suppliers' learning opportunities. Accordingly, only measuring relationship quality from suppliers' perspectives may have reduced the precision of the estimated effect of buyer-supplier relationship quality on marketing capabilities, as reflected by a wide confidence interval that includes effects ranging from small to medium-sized. Therefore, future research could usefully measure dyadic relationship quality between the buyers and suppliers. This would afford a stronger test of the hypothesis linking relationship quality and marketing capabilities and improve the precision of the confidence intervals for this hypothesis.

The second limitation of this study is related to the oversight of the potentially important role of *guanxi* played in supplier's learning of tacit knowledge (i.e., marketing capabilities) in China. *Guanxi* is defined as friendship with an expectation

of continued exchange of favours (Pye 1992). The core elements of *guanxi* comprise mutual obligation and reciprocal of favours (Luo 1997). In essence, *guanxi* is about the cultivation of long-term personal relationships to secure favours in personal connections (Ramasamy et al. 2006). The concept of *guanxi* is instrumental in the daily lives of the Chinese people (Gold, Guthrie, and Wank 2002) and is considered the lifeblood of the Chinese business society (Jacobs 1980; Alston 1989; Hall and Xu 1990; Yang 1994). This has implications for any study of knowledge transfers set in China. Ramasamy *et al.* (2006) noted that Chinese firms are reluctant to share knowledge with "outsiders," or those lacking *guanxi* connections. In contrast, firms with stronger *guanxi* networks are more able to coordinate activities and pool resources from their *guanxi* partners (Peng and Heath 1996). Information obtained from a *guanxi* partner is also likely to be more reliable, rich and trustworthy, facilitating inter-firm learning. Results from past studies have shown that *guanxi* facilitates knowledge exchanges in China (e.g., Gu et al. 2008; Ramasamy et al. 2006). Since organizational learning is ultimately achieved by people, it is likely that personal-level relationships (e.g., *guanxi*) will have some effect on suppliers' learning of marketing capabilities in transition economies such as China. Given the important role of *guanxi* in the Chinese society, future research would do well to examine the supplemental effect of *guanxi* on suppliers' learning.

There is also scope to improve the measurement of distance. In this study

cultural distance was measured using the well-known Kogut and Singh (1998) index with data sourced from Hofstede (2001). Although it is believed that culture is rooted in the values and norms of people within a country and does not change easily, most of the data in Hofstede (2001) were collected in the 1970s from a single company. The data, therefore, may not reflect current values and may have limited generalizability (Reus and Lamont 2009). In addition, the cultural distance measure does not capture the multiple dimensions of institutional distance separating suppliers from their multinational buyers. Institutional distance describes the degree of dissimilarity between two countries' institutional profiles and has traditionally been defined in terms of three dimensions namely, normative distance, regulatory distance and cognitive distance (Kostova and Zaheer 1999; Busenitz, Gómez and Spencer 2000; Xu and Shenkar 2002). Normative distance refers to the beliefs, values and norms that define expected behavior in a society; regulatory distance refers to the rules and laws that exist to ensure stability and order in societies, and cognitive distance refers to the cognitive structures (i.e., the shared social knowledge and cognitive categories) embedded in a society (Scott 1995; Kostova and Zaheer 1999). Hence, a large institutional distance is likely to hamper knowledge transfer and reduce the applicability of the acquired knowledge (Kostova 1999; Xu and Shenkar 2002; Jensen and Szulanski 2004). Institutional distance has been found to affect foreign affiliates' business strategies and operations, and inhibit the transfer of strategic

organizational practices from a parent company to a subsidiary (Kostova and Roth 2002; Jensen and Szulanski 2004). A question yet to be examined is whether the value of learned capabilities outweighs the cost of overcoming the institutional distance separating transition economy suppliers from the multinational buyers?

One interesting phenomenon was observed during data collection signalling a potentially interesting research opportunity. Most of the respondents said that the boundary spanners in the multinational buying firms were often local Chinese. When the boundary spanners in both the buyer and supplier firms share a common language and cultural background, the communication hurdles originally associated with the cultural distance separating the buyers from suppliers will be reduced, facilitating suppliers' learning. It would thus be interesting to investigate the effect of the nationality of the boundary spanners in the relationship quality – marketing capabilities relationship. Multinational buyer firms operating in transition economies, furthermore, are likely to have the need to localize certain business aspects in suppliers' markets. Mutual learning between the multinational buyers and transition economy suppliers is thus possible, signalling another interesting area for future studies to work on.

Transition economy suppliers were assumed to have learnt marketing capabilities from their multinational buyers in this study. No attempt, however, was made to gauge the actual level of learning or to record the learning process undertaken

in the supplier firms. In this study, causality was inferred on the basis of the underlying causal logic rather than the cross-sectional evidence. This raises the possibility that the causal order has been mis-specified, that suppliers' marketing capabilities may enhance the quality of their relationships with multinational buyers or their learning orientation. Having signaled that a link between relationship quality and marketing capabilities exists, future studies have much to contribute by measuring the actual level of learning that takes place in buyer-supplier relationships. Future researchers might investigate the causal dynamics involved using a case-based approach. Such an approach will enable researchers to examine learning processes directly as well as identify the specific types of marketing capabilities acquired.

Future research can also build upon the current study by investigating the potential feedback effect of marketing capabilities on the quality of buyer-supplier relationships. As successful learning experience is likely to further improve suppliers' evaluations on their relationships with the multinational buyers, recursive paths are likely to exist between marketing capabilities and buyer-supplier relationship quality. Additionally, supplier's improved marketing capabilities may also promote their continual learning attempts because such a favorable experience is likely to increase the motivation of learning.

A further possible improvement is to control for industry difference in the sample. The effects of marketing capabilities on various performance measures are

likely to vary with industry. Marketing capabilities are likely to have larger positive effects on business performance in the service sector than in the manufacturing sector. In the service sector, the heterogeneity between intangible service offerings is likely to be smaller than that between tangible products in the manufacturing sector. Hence, customers' choices are more likely to be based on the marketing efforts of the service providers. Consequently, the effects of marketing capabilities on performance in different industry settings are worthy of deeper investigation.

In addition, the effect of cultural distance on suppliers' learning of marketing capabilities deserves further attention. In this study, multinational buyers with large cultural distance from Chinese suppliers were generally from more advanced and open economies, such as the US, Australia, Austria, Netherlands and Sweden. By contrast, multinational buyers with small cultural distance were typically from other transition economies or less developed economies such as Indonesia, India, Jordan and Thailand. The moderating effect of cultural distance found in this study may have therefore masked something else as it appeared to be associated with the sophistication of the multinational buyers' home markets. Although the per capita GDP of the country of origin of the multinational buyer firms was controlled for in this study, it would be interesting to test the role of cultural distance in other transition economies. It would be particularly interesting to examine this hypothesis in transition economies such as Russia and Hungary, which are culturally similar to more open

economies like France, Germany and Italy. If the results obtained here hold in other studies, this will add weight to the "complementary knowledge" explanation.

The current study provided evidence that transition economy suppliers can learn marketing capabilities from multinational buyers. Given the tacit nature of marketing capabilities, suppliers are more likely to learn marketing by engaging in high quality relationships with their multinational buyers than by observing rivals. However, for indigenous transition economy firms lacking foreign linkages, learning from competitors may be a viable means for improving marketing capabilities. This is consistent with Vorhies and Morgan's (2005) notion that firms can improve marketing capabilities through benchmarking those of top-performing firms. An opportunity to contribute further to the literature might be in examining whether transition economy firms learn marketing by imitating their rivals.

Future research will also improve the precision of the estimates of the effects observed in this study. In this case the target sample size was primarily determined by statistical power issues and the logistical complexities of conducting research in China. Although this approach bore fruit in the form of satisfying hypothesis tests, the relatively wide confidence intervals reveal a need for more precise estimates of the effects. Future research is therefore encouraged to provide effect sizes and to refine further the confidence intervals of the estimates. Lack of provision of such information often leads to incomparable results across studies and the conclusions of

these studies then become meaningless for managerial purposes and may be misleading for theory testing and development purposes.

Although the common method variance problem was not severe in this study, future studies would control for this problem more effectively if the data for the independent and dependent variables were collected from different persons. Such method could minimize the common method bias by avoiding any artificial covariance between the two variables resulting from respondents' consistency motif, implicit theories, social desirability and mood state (Podsakoff *et al.* 2003). Although a "marker variable" was identified from the study to control for the contaminating effect due to respondents' consistency motif, it may not be able to control for biases resulting from respondents' tendency to answer the questions in a way that presents them in a favourable light. Future studies may therefore measure the extent of social desirability of the respondents and to control this variable in every analysis.

Summary

Economic transformation is taking place in many parts of the world. A major challenge that manufacturers in all transition economies face is the increasing level of competition in local markets resulting from the liberalization of trade and proliferation of product choices available to consumers (Siu 2005; Springer and Czinkota 1999). Although marketing capabilities are generally found to be able to help companies

compete for customers, transition economy suppliers are relatively unskilled in marketing due to their limited exposure to open markets. The aim of this study was therefore to address the question, what factors affect suppliers' learning of marketing capabilities in transition economies?

In a departure from previous work focusing on those relatively rare transition economy companies that are directly linked with foreign companies either through joint ventures or export exchanges, this study examined transition economy suppliers who are linked with multinational buyers operating in the suppliers' home market. Evidence collected from 200 exchange relationships revealed that transition economy suppliers can learn marketing from their buyers and that the degree of learning is enhanced by a learning oriented culture and by high quality relationships with their buyers. The benefits of quality relationships are enhanced to the degree that they are with buyers from culturally distant countries. These capabilities will, in turn, enhance transition economy suppliers' market performance, product performance, and overall performance.

There are two main takeaways from this study. First, the study shows that even when domestic markets are under-developed, transition economy managers who are good at marketing will enjoy superior performance relative to local rivals. Second, transition economy managers were found to be able to learn marketing capabilities without leaving home. This is an original and important finding as the majority of

manufacturers in transition economies are unlikely to have direct linkages with buyers in foreign markets. Having signalled the learning opportunities inherent within key channel relationships within transition economies, the limitations of this study indicate a number of potentially interesting areas for further work on this important topic.

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Appendix 1a. Solicitation Letter from the Bureau of Foreign Trade and Economic of the Guangzhou Municipality (The Original Chinese Version)

广州市对外贸易经济合作局

关于请配合香港理工大学开展问卷调查工作的函

各有关企业:

为提高企业在外贸方面的营销能力和业绩，香港理工大学管理及市场学系正在开展关于内地外贸企业的研究。其间，该校的博士研究生王晓勤及战歌将发放内地制造商调查问卷并开展相关调研。请各有关企业给予接洽并配合问卷调查。

此 函。

广州市对外贸易经济合作局

二〇〇八年六月十二日

Appendix 1b. Solicitation Letter from the Bureau of Foreign Trade and Economic of the Guangzhou Municipality (Translated version)

Bureau of Foreign Trade and Economic of the Guangzhou Municipality

Please support the survey activities of the
The Hong Kong Polytechnic University

Dear Entrepreneurs,

To enhance the marketing capabilities and business performance of enterprises' international trade activities, the Department of Marketing and Management of the Hong Kong Polytechnic University is now conducting a research about the international trade activities of Chinese enterprises. Meanwhile, that university's PhD students, namely, Wong Hiu Kan and Zhan Ge, are going to distribute questionnaires of this research and carry out related survey activities. Please kindly assist and cooperate with them to complete the survey.

Regards,
Bureau of Foreign Trade and Economic of the Guangzhou Municipality

12 June 2008

Appendix 2. Questionnaire of this Study

THE HONGKONG
POLYTECHNIC UNIVERSITY

香港理工大学

Please return this questionnaire to 请回复此问卷至:
Department of Management & Marketing,
The HK Polytechnic University, Hung Hom, Kowloon.
香港理工大学管理及市场学系
Miss Ada Wong 王晓勤小姐 (Tel 电话): +852 6023 / +852 27667131
E-mail 电邮: ms.ada@ Fax 传真: +852 27650611

Survey of Chinese Manufacturers
内地制造商问卷调查

Strictly Confidential
绝对保密

NOTE: If there is any discrepancy between the English and Chinese translations below, please follow the English version.
注意: 如中英文版有任何异议, 请以英文版为准

PART A: Company Background
第一部份: 公司背景

A.1 Where is your company's head office located? *(Please tick one)*
贵公司的总部在: *(请选一项)*

1☐ Mainland China 中国内地 2☐ Hong Kong 香港 3☐ Macau 澳门 4☐ Taiwan 台湾

5☐ Elsewhere (Please specific) 其它地方 (请注明 _____)

A.2 The number of employees currently works directly for your company:
现有雇员数目:

number of full-time employee
全职雇员数目 _____ People/人

number of part-time employee
兼职雇员数目 _____ People/人

A.3 When did your company FIRST begin operation?
贵公司于何时开始营业? _____ Year/年 Month/月

A.4 When did your company FIRST begin exporting?
贵公司于何时开始出口? _____ Year/年 Month/月

A.5 Which of the following best describes the ownership of your company? *(Please tick one)*
以下哪一项最能反映贵公司的所有权? *(请选一项)*

State-owned enterprise 国有企业 1( )

Collectively-owned enterprise 集体所有制企业 2( )

Privately-owned enterprise 私营企业 3( )

THE HONGKONG
POLYTECHNIC UNIVERSITY
香港理工大学

Department of Management & Marketing,
HK Polytechnic University, Hung Hom, Kowloon.
香港理工大学管理及市场学系

A.6 What is the proportion of your company's total sales in the following areas?
以下几方面各占贵公司总销售额的百分之几?

Original Equipment Manufacturing (OEM) (i.e., manufacture the products based on the designs provided by the customer) 原始设备制造商 (即: 按照客户提供的设计为他们生产)	%
Original Design Manufacturing (ODM) (i.e., design and manufacture the products for the customer) 原始设计制造商 (即: 向客户提供设计并为他们生产)	%
Original Brand Manufacturing (OBM) (i.e., manufacture the products which carries your company's brand) 自有品牌 (即: 生产自己公司品牌的产品)	%
TOTAL / 共	**100%**

A.7 What is the proportion of your company's total sales in the following areas?
以下几方面各占贵公司总销售额的百分之几?

Direct export to foreign firms outside China 直接出口到国外的外国企业	%
Sales to **foreign firms based in China** (including HK and Taiwanese companies) 销售予**在国内营业的外资企业** (包括港资或台资公司)	%
Sales to **local firms in China** (including Chinese trading companies) 销售予**本土企业** (包括中国内地的贸易公司)	%
TOTAL / 共	**100%**

A.8 Among your customers in China, what is the nationality of your **most important foreign customer?**
在贵公司的国内客户里, 对贵公司**最重要的一个外资客户**的国籍是甚么? _____

A.9 With reference to the previous question, what is the percentage of total sales of your company coming from this foreign customer?
承上题, 这个外资客户占贵公司总营业额的百分之几?

_____ %

A.10 When did your company start doing business with this foreign customer?
贵公司与这个外资客户于何时开始合作?

_____ Years /年 _____ Months /月

Please answer the questions in the next section with reference to this foreign customer.
就这个外资客户, 请回答下一个部分的有关问题.

PART B: Business Relationship with this foreign customer
第二部份:贵公司与这个外资客户的商业关系

B. Please indicate how well each of the following statements describes **the business relationship between your company and this foreign customer**:
请指出以下句子形容贵公司**与这个外资客户的商业关系**之合适程度:

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度，**不要漏答:**	**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly agree** 非常同意
(1) This customer keeps promises made to our firm 这个客户会履行对本公司作出的承诺	1	2	3	4	5	6	7
(2) This customer is always frank in dealing with us 这个客户对我们是坦率的	1	2	3	4	5	6	7
(3) We believe the information that this customer provides us 我们信任由这个客户提供的信息	1	2	3	4	5	6	7
(4) This customer is genuinely concerned with our business performance 这个客户会真正的为我们的业绩设想	1	2	3	4	5	6	7
(5) When making decisions, this customer considers our welfare as well as their own 做决定时, 这个客户会为我们双方的利益设想	1	2	3	4	5	6	7
(6) This customer is trustworthy 这个客户是可信的	1	2	3	4	5	6	7
(7) We regret the decision to do business with this customer 我们后悔与这个客户做生意	1	2	3	4	5	6	7
(8) Overall, we are very satisfied with this customer 大体来说,我们对这个客户很满意	1	2	3	4	5	6	7
(9) We are very pleased with what this customer does for us 我们对这个客户为我们所做的感到很高兴	1	2	3	4	5	6	7
(10) If we had to do it all over again, we would still choose to do business with this customer 如果我们必须重头再来,我们还会选择与这个客户做生意	1	2	3	4	5	6	7
(11) This customer exaggerated needs to get what they desired 这个客户为了满足自己的渴望而夸大需要	1	2	3	4	5	6	7
(12) This customer is not always sincere 这个客户并非经常都真诚的	1	2	3	4	5	6	7
(13) This customer altered facts to get what they want 这个客户为了满足自己的需求而改变事实真相	1	2	3	4	5	6	7
(14) Good faith bargaining has been a hallmark of this customer's negotiation style 有信用的协议是这个客户的协商作风	1	2	3	4	5	6	7
(15) This customer provided a completely truthful picture when negotiating 这个客户完全坦诚地与我们协商	1	2	3	4	5	6	7
(16) This customer has breached formal or informal agreements to their benefit 这个客户曾经为了自己的利益而破坏正式及非正式的协议	1	2	3	4	5	6	7
(17) We expect our relationship with this customer to last a long time 我们预期与这个客户的商业关系是持久的	1	2	3	4	5	6	7
(18) We assume that renewal of agreements with this customer will generally occur 我们认为与这个客户在一般情况下是会续约的	1	2	3	4	5	6	7
(19) We make plans for the continuance of our relationship with this customer, and not only for individual orders 我们为与这个客户发展持久的商业关系作打算, 而不只局限于单一订单	1	2	3	4	5	6	7

PART C: Marketing Capability
第三部份: 营销能力

C. Please rate your company's marketing capabilities relative to your major competitors in the following areas:
相对于主要竞争对手, 阁下怎样评价贵公司的市场营销能力?

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**		**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly agree** 非常同意
	Pricing 定价能力							
(1)	We use pricing skills to respond quickly to market changes 我们能迅速地因市场的变化来调节定价	1	2	3	4	5	6	7
(2)	We are familiar with competitors' pricing tactics 我们非常了解竞争对手的定价方法	1	2	3	4	5	6	7
(3)	We do an effective job of pricing our products 我们在产品定价方面做得很好	1	2	3	4	5	6	7
(4)	We monitor our competitors' prices and price changes 我们经常监察竞争对手的价格及其变化	1	2	3	4	5	6	7
	Product development 产品开发能力							
(5)	Our new product development ability is high 我们开发新产品的能力很高	1	2	3	4	5	6	7
(6)	We develop new products to exploit R&D investment. 我们利用在研究与发展上的投资来开发新产品	1	2	3	4	5	6	7
(7)	We launch new products successfully 我们成功地推出新产品	1	2	3	4	5	6	7
(8)	We ensure that product development efforts are responsive to customer needs 我们确保产品开发的努力能反应顾客的需要	1	2	3	4	5	6	7
	Channel management 渠道管理能力							
(9)	We maintain good relationships with our distributors 我们与分销商保持良好的关系	1	2	3	4	5	6	7
(10)	We can attract and retain the best distributors 我们能吸引并留住最好的分销商	1	2	3	4	5	6	7
(11)	We add value to our distributors' business 我们会为分销商增加商业价值	1	2	3	4	5	6	7
(12)	We provide a high level of service support to distributors 我们会为分销商提供高质量的服务支持	1	2	3	4	5	6	7
	Marketing communication 市场开发宣传能力							
(13)	We develop and execute our advertising programs effectively 我们能有效地发展与实施广告项目	1	2	3	4	5	6	7
(14)	Our advertising management and creative skills are good 我们的广告管理和创作技巧都做得很好	1	2	3	4	5	6	7
(15)	We have good public relations skills 我们的公关技巧很好	1	2	3	4	5	6	7
(16)	Our brand image management skills are good 我们品牌形象管理的技巧很好	1	2	3	4	5	6	7
(17)	We manage our corporate image and reputation effectively 我们有效地管理自己的形象和声誉	1	2	3	4	5	6	7

PART C: Marketing Capability (Continued)
第三部份: 营销能力 (续)

C. Please rate your company's marketing capabilities relative to your major competitors in the following areas:
相对于主要竞争对手, 阁下怎样评价贵公司在市场营销能力方面的表现?

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**		**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly agree** 非常同意
	Selling 销售能力							
(18)	We give our salespeople the training they need to be effective 我们给销售员提供他们所需的培训，以使其有效地工作	1	2	3	4	5	6	7
(19)	We have good sales management planning and control systems 我们销售管理的策划和监控的能力很好	1	2	3	4	5	6	7
(20)	The selling skills of our salespeople are good 我们销售员的推销技巧很好	1	2	3	4	5	6	7
(21)	We have good sales management skills 我们销售管理的技巧很好	1	2	3	4	5	6	7
(22)	We provide effective sales support to our sales force 我们为销售团队提供有效的支持	1	2	3	4	5	6	7
	Market information management 市场信息管理							
(23)	We gather information about customers and competitors 我们会收集顾客和竞争对手的信息	1	2	3	4	5	6	7
(24)	We use market research skills to develop effective marketing programs 我们会运用市场调研技巧去开发有效的市场营销项目	1	2	3	4	5	6	7
(25)	We track customer wants and needs 我们会追踪顾客的期望和需要	1	2	3	4	5	6	7
(26)	We make full use of marketing research information 我们能充分利用由市场调研所得到的信息	1	2	3	4	5	6	7
(27)	We analyze our market information 我们会分析我们的市场信息	1	2	3	4	5	6	7
	Marketing planning 营销策划能力							
(28)	We have good marketing planning skills 我们营销策划的技巧很好	1	2	3	4	5	6	7
(29)	We can effectively segment and target market 我们能有效地划分和瞄准市场	1	2	3	4	5	6	7
(30)	Our marketing management skills and processes are very good 我们营销管理的技巧和流程都很好	1	2	3	4	5	6	7
(31)	We have thorough marketing planning processes 我们营销策划的流程很全面	1	2	3	4	5	6	7
	Marketing implementation 营销计划的执行能力							
(32)	We allocate marketing resources effectively 我们能有效地分配市场营销的资源	1	2	3	4	5	6	7
(33)	We organize to deliver marketing programs effectively 我们能有效地组织实施各种市场营销项目	1	2	3	4	5	6	7
(34)	We translate marketing strategies into action 我们能将市场营销策略转化为实际行动	1	2	3	4	5	6	7
(35)	We execute marketing strategies quickly 我们能迅速地执行市场营销策略	1	2	3	4	5	6	7

PART D: Learning Orientation
第四部份: 学习倾向性

D. Please indicate how well each of the following statements describes **your company's learning orientation**:
请指出以下句子形容**贵公司的学习倾向性**之合适程度:

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**		**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly Agree** 非常同意
(1)	Managers basically agree that our organization's ability to learn new knowledge and/or skills is the key to our competitive advantage 本公司的经理基本上都同意企业学习新知识的能力/技巧是本公司取得竞争优势之关键	1	2	3	4	5	6	7
(2)	The basic values of this organization include "learning as key to improvement" 在本公司的基本价值观里包括了 "学习是取得进步的关键"	1	2	3	4	5	6	7
(3)	The sense around here is that employee training is an investment, not an expense 在本公司, 雇员的培训被视为一项投资, 而非支出	1	2	3	4	5	6	7
(4)	Learning in my organization is seen as a key commodity necessary to guarantee organizational survival 在本公司, 学习被视为是本公司的生存之道	1	2	3	4	5	6	7
(5)	All employees are committed to the goals of this organization 所有雇员都朝着本公司的目标努力	1	2	3	4	5	6	7
(6)	Employees view themselves as partners in charting the direction of the organization 本公司的雇员都把自己视为策划公司未来方向的伙伴	1	2	3	4	5	6	7
(7)	Personnel in this enterprise realize that the very way they perceive the marketplace must be continually questioned 本公司的雇员都明白, 他们用来理解市场的方式必须被不停的质疑	1	2	3	4	5	6	7
(8)	We rarely collectively question our own biases about the way we interpret customer information. 本公司很少全面地质疑我们用于分析客户资讯的方法是否存有误差	1	2	3	4	5	6	7

PART E: Business Environment
第五部份: 营商环境

E. How well each of the following statements describes your company's **business environment in China**?
请指出以下句子形容贵公司在中国之**营商环境**的合适程度:

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**	**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly agree** 非常同意
(1) Our competitors are relatively weak. 对手相对上比我们弱小	1	2 3 4			5	6	7
(2) Competition in our industry is cutthroat. 本行业竞争十分激烈	1	2	3	4	5	6	7
(3) There are many "promotion wars" in our industry. 本行业经常有"推广战"	1	2 3 4			5	6	7
(4) Anything that one competitor can offer, others can match readily. 无论对手提供什么给顾客，行家都能即时提供相同的条件	1	2	3	4	5	6	7
(5) Price competition is a hallmark of our industry. 价格竞争在行内十分普遍	1	2 3 4			5	6	7
(6) One hears of a new competitive move almost every day. 本行差不多每天都有新的竞争招数	1	2	3	4	5	6	7

PART F: Overall Firm Performance
第六部份: 贵公司业绩

F.1 Please evaluate the performance of your company over the **in the last year** relative to your major competitors.
请指出**过去一年**贵公司相对于市场主要竞争对手的表现:

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**	**Much worse than competitors** 较对手差很多	**Worse than competitors** 较对手差	**Somewhat worse than competitors** 较对手差一点	**Same as competitors** 与对手一样	**Somewhat better than competitors** 较对手优胜一点	**Better than competitors** 较对手优胜	**Much better than competitors** 较对手优胜很多
(a) Our company's market share 本公司的市场占有率	1	2	3	4	5	6	7
(b) Our sales growth 我们的销售额增长	1	2	3	4 5		6	7
(c) Acquiring new customers 取得新客户	1	2	3	4	5	6	7
(d) Increasing sales to our existing customers 我们现有客户的销售增长	1	2 3		4 5		6	7
(e) Our product quality and reliability 我们的产品质量和可靠性	1	2	3	4	5	6	7
(f) Our product design and performance 我们的产品设计和表现	1	2 3		4 5		6	7
(g) Value for money 物有所值	1	2	3	4	5	6	7
(h) Our manufacturing capabilities 我们的生产能力	1	2 3		4 5		6	7

PART F: Overall Firm Performance (Continued)
第六部份: 贵公司业绩 (续)

F.2 Please indicate how well each of the following statements describes the performance of your company **in the last year**.
请指出以下句子形容贵公司在**过去一年**的业绩之合适程度:

Please circle the response that best fits, **do not miss out any question:** 请圈出最合适的程度 , **不要漏答:**	**Strongly disagree** 非常不同意	**Disagree** 不同意	**Somewhat disagree** 有点不同意	**Neither agree nor disagree** 很难说	**Somewhat agree** 有点同意	**Agree** 同意	**Strongly agree** 非常同意
(a) Our overall performance exceeded expectations last year 本公司的总体业绩超过去年的预期	1	2	3	4	5	6	7
(b) Our overall performance last year exceeded that of our major competitors 本公司的总体业绩超过主要竞争对手	1 2		3 4 5			6	7
(c) Top management was very satisfied with the overall performance last year 高级管理层非常满意去年的总体业绩	1	2	3	4	5	6	7

PART G: General Information About Yourself
第七部份: 个人资料

G.1 Your sex / 性别: ☐ Male / 男 ☐ Female / 女

G.2 What is the highest level of education you have achieved? (Please tick one)
阁下的最高学历 (请选一项):

☐ Primary school/ lower 小学 / 以下 ☐ Secondary school 中学 / 中专 ☐ Post-secondary 大专 ☐ University degree/higher 大学 / 以上

G.3 What is your position in this firm?
阁下在这公司的职位?

☐ Top-level manager /owner 高级经理 / 雇主 ☐ Middle-level manager 中级经理 3(Lower-level manager / employee 低级经理／雇员

Thank you for your time to complete this questionnaire.
多谢您完成这份问卷。