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International Exchange Partner Identification: Methods, Antecedents and Consequences

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Certificate of Originality

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Abstract

The internationalization of the firm is the cumulative result of the firm's entry into, and penetration, of foreign markets. The identification of international exchange partners – foreign agents, distributors, joint venture partners – is critical in this process. An extensive review of the international business, international marketing, and international entrepreneurship literatures reveals several knowledge gaps surrounding partner search. These gaps provide the rationale for the current study. By drawing from managerial decision-making and information economics theories, I develop a number of hypotheses pertaining to the antecedents and outcomes of various methods for international exchange partner identification. Based on findings from a pilot study, I identify and define four mutually exclusive methods for partner search; tie-based search, fair-based search, advertising-based search, and formal search. Hypotheses are tested using primary data pertaining to 546 partner searches made by 222 Chinese textile-makers. The results of this study reveal that social ties are more likely to be used by entrepreneurs searching for partners in political risky markets; trade fairs are preferred by uncertainty avoiding entrepreneurs; and advertising-based search is more likely to be adopted by inexperienced entrepreneurs. The results further reveal that trade fair-based searches lead to exchanges characterized by better sales growth, while exchanges arising from tie-based search tend to be characterized by lower levels of linguistic distance and higher levels of trust and satisfaction. The substantive significance of the study's findings is interpreted with reference to the underlying effect size estimates and a number of implications for managers and researchers are identified. Collectively the results of

this study provide rich and original insights into an important, but previously under-studied part of the larger internationalization process.

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Chapter 1 Introduction

The internationalization process of the firm is the cumulative result of managerial decisions leading to foreign market entry (FME). FME decisions, which pertain to market selection and modes of control, have been well studied in the international business domain (e.g., Agarwal and Ramaswani, 1992; Anderson and Gatignon, 1986; Buckley and Casson, 1998; Douglas, Craig and Keegan, 1982; Dunning, 1998; Kogut and Singh, 1988). However, relatively little is known about the means by which managers search for, and come to identify, exchange partners in foreign markets. The identification of specific partners is crucial to FME for without a foreign customer, distributor, or agent, no exchange can take place.

Partner identification often results from managerial search. Partner search has been defined as an activity that involves scanning and transmitting supply-demand signals pertaining to the object of potential exchange (Rangan, 2000a). Building on this definition, partner search in the context of international exchange may be defined as scanning and transmitting supply-demand signals between a seller and a buyer located in separate countries. In extant research, the search for international exchange partners had received little direct attention. Scholars have generally focused on the search for, and evaluation of, *markets* perhaps assuming that partner search is of secondary importance. No such assumption is made in this study. While information about foreign markets can be collected from publicly available sources, suitable exchange partners are relatively more difficult to identify. Although a number of search alternatives have been identified in the literature, virtually no evidence has been collected explicitly examining actual search practices or the trade-offs inherent to different methods of partner identification. In view of this knowledge

gap, this study aims to investigate partner search by drawing from managerial decision-making and information economics theories. Two research questions are addressed: What factors influence the selection of different methods for partner search? What outcomes arise from the adoption of different types of partner search?

Scope of the Study

The phenomenon of interest in this study is the identification of international exchange partners. Partner identification can be distinguished from subsequent partner evaluation (Rangan, 2000a). Evaluation involves the examination of the quality of known partner alternatives, while partner identification concerns the prior transmission of supply and demand information to find potential exchange partners. Although both partner identification and evaluation are critical to the larger selection process, partner evaluation has been well-studied in the literature (e.g., Beamish, 1987; Geringer, 1991; Roy and Oliver, 2009). Consequently, the conceptual boundaries of this study are limited to the relatively under-studied aspect of partner identification.

Firms entering foreign markets have multiple entry mode options including direct investment, joint venture formation, franchising, licensing, and exporting. While many of these governance modes involve transactions between partners, in this study I focus exclusively on exchange partners involved in direct exporting exchanges. Compared to equity-based modes of exchange, where numerous factors affect the selection of partners, exporting is a relatively low-risk entry mode. This makes exporting particularly suited to the aims of a study that is uniquely concerned with partner identification.

Following Cavusgil and Zou (1994), the unit of analysis in the study is the individual FME venture, defined as the exporting of a specific product to a specific foreign market. Exporting the same product to two different markets or exporting two different products to the same market is considered two separate FME ventures. This unit of analysis reflects the aim of this research which is to investigate partner search in the first entry of a specific foreign market.

Within the international entrepreneurship literature, there is a growing stream of research investigating opportunity recognition (e.g. Butler, Doktor and Lins, 2010; Chandra, Styles and Wilkinson, 2009; Kontinen and Ojala, 2010). This research, which has direct bearing on the phenomena being examined here, is new and mostly limited to a handful of studies conducted in the mature economies of the West. This study is set in China. It will be interesting to learn whether Chinese managers differ from their western counterparts in their use of search methods. Given that China is the world's second largest exporting nation, it is surprising to find that the FME practices of Chinese exporters' have been somewhat neglected in the international business literature.

Contributions

This study makes several contributions to the FME literature. First, the study sheds light on an important and under-researched aspect of FME, namely, the partner search process. Second, a conceptual framework is developed to account for search antecedents and outcomes on the basis of managerial decision-making and information economics theories. Third, by examining the search behavior of managers within a transition economy, this study complements an extant focus on the more advanced economies of the West.

Outline of the Dissertation

The dissertation is organized into eight chapters, the first of which is this introduction. In Chapter 2 the relevant literature is reviewed. In Chapter 3 the data collection process and findings of a pilot study are reported. Based in part on the findings of the pilot study, a conceptual framework linking search methods with antecedents and outcomes is developed in Chapter 4 and this culminates in the articulation of six hypotheses. The methods used to collect quantitative data from a sample of exporters are described in Chapter 5. In Chapter 6 I report the results of the hypothesis tests. The substantive significance of the results is discussed in Chapter 7, and in the final chapter I discuss the implications for scholars and managers.

Chapter 2 Literature Review

The internationalization process of the firm has been characterized in terms of incremental stages (Johanson and Vahlne, 1977), the adoption of an innovation (Bilkey and Tesar, 1977), and an act of international entrepreneurship (Oviatt and McDougall, 1994). While the first two approaches view internationalization as a learning process developing sequentially (Andersen, 1993), the latter approach claims that entrepreneurs of international new ventures behave proactively with significant involvement in foreign markets from inception in terms of entry modes and geographic scope (Keupp and Gassmann, 2009; Oviatt and McDougall, 1994; Zahra, 2005). All three views of internationalization, however, share the common view that individual FME decisions are critical to the international expansion process of the firm. Consequently, research relevant to the present topic will be reviewed in this chapter under two broad labels; foreign market entry research and partner search.

Foreign Market Entry Research

FME is an action of establishing new positions in foreign markets during the process of internationalization (Axelsson and Johanson, 1992; Johanson and Vahlne, 1992). At least four aspects of FME have been examined in the literature: (i) the motives leading to FME (Simpson and Kujawa, 1974), (ii) the selection of specific foreign markets to enter (Douglas et al., 1982; Dunning, 1998), (iii) the selection of control modes used to coordinate activities in foreign markets (Agarwal and Ramaswani, 1992; Buckley and Casson, 1998), and (iv) the subsequent performance of foreign market ventures (Cavusgil and Zou, 1994).

Search-related issues have a direct bearing on all four aspects of FME. First, in terms of motives, there is evidence to show that the prior identification of a potential exchange partner may spur a firm to consider entry into a new market (Ellis and Pecotich, 2001; Liang and Parkhe, 1997; Simpson and Kujawa, 1974). Second, the literature on market selection is relatively silent on issues of partner selection (e.g., Cavusgil, Kiyak and Yeniyurt, 2004; Douglas et al., 1982; Papadopoulos and Denis, 1988; Rahman, 2006). Yet export markets cannot be entered until exchange partners within those markets – distributors, agents, customers – have been identified. Thus partner- and market selection are inextricably linked. Third, the types of partners selected will affect the modes of control adopted to coordinate activities in the foreign market and vice versa. For example, in their study of twelve FME ventures, Crick and Spence (2005, p.172) found that the adoption of a new entry mode was triggered by "a potentially viable contact" and "negotiation with a person offering a type of collaboration that was not previously thought about." Fourth, in the relationship marketing and channel management literatures there is evidence linking exchange performance with various relational factors such as commitment, trust, relational norms and relationship-specific investments (e.g., Bello and Gilliland, 1997; Heide and John, 1990; Morgan and Hunt, 1994; Palmatier, Dant and Grewal, 2007). A critical but relatively under-explored factor is that good relationships are often built on good matches. The initial identification of an exchange partner is likely to have a significant impact on subsequent exchange performance. Search-related issues are clearly integral to FME, but remain relatively unexamined within that literature. The limited literature on partner search is reviewed in the next section.

Partner Search

In the context of FME, partner search involves "acts involved in identifying potential exchange partners" (Rangan, 2000b, p.207). To identify foreign exchange partners, managers first need to search for information pertaining to potential partners. Managers can choose from different search methods, each involving different costs and likely leading to different outcomes. Although the question of how managers choose among different search alternatives is the subject of this study, past research has examined different aspects touching on search methods, antecedents and outcomes.

Search methods: Past findings

Exchange partners represent the objects of search and may be found by using one or a set of alternative search methods. Several search methods have been identified in the literature, including market research (e.g., Root, 1977; Young et al., 1989), search via official agencies (e.g., Seringhaus and Botschen, 1991; Kotabe and Czinkota, 1992), search via network ties (e.g., Ellis, 2000; Ellis and Pecotich, 2001), search via trade fairs (e.g., Bonoma, 1983; Kirchgeorg et al., 2005), search via trade missions (e.g., Seringhaus, 1989; Seringhaus and Rosson, 1989), search via business publications (e.g., Vanderleest, 1996), and online search (e.g., Dou, Nielsen and Tan, 2002; Hamill, 1997; Hamill and Gregory, 1997). In the following paragraphs I will briefly introduce and summarize the evidence pertaining to these different search methods.

Market Research. Market research has been defined as "the systematic collection, analysis and interpretation of information relevant to marketing decisions" (Hague, 2002, p.9). In the context of international partner search, this

might involve the collection and analysis of data following systematic procedures, such as screening foreign markets, estimating the potential demand in each market, forecasting sales, identifying target markets, and designing an appropriate marketing mix (Root, 1977). This formal approach is sometimes labeled in literature as "foreign market opportunity analysis" (Cavusgil, 1984), "market grouping and estimation" (Papadopoulos and Denis, 1988), or conducting "market feasibility studies" (Samiee, Walters and DuBois, 1993).

Although market research is widely promoted in textbooks (e.g., Root, 1977; Young et al., 1989), it does not seem to be widely used in practice (Axelsson and Johanson, 1992; Johanson and Vahlne, 1992; Papadopoulos and Denis, 1988). For example, among the 70 US exporters interviewed by Cavusgil (1984), only eight conducted foreign market opportunity analysis. Out of 133 US exporters surveyed by Samiee et al. (1993), eighteen conducted market feasibility studies. Only ten percent of the 46 Dutch exporters surveyed by Nijssen, Douglas and Calis (1999) had "well-developed procedures" for trade partner identification. No role for market research was found in either the 133 FMEs investigated by Ellis (2000), or the 31 FMEs examined by Ellis and Pecotich (2001). Similarly, no evidence was found in the twelve exporters interviewed by Crick and Spence (2005), and in the 32 FMEs investigated by Zain and Ng (2006).

Search via Official Agency. Foreign partners may be identified via official agencies such as chambers of commerce, trade development councils, trade commissions, industry associations and export development corporations (Seringhaus and Botschen, 1991; Wu, 2004). Export promotion activities provided by these agencies typically include (1) export service programs such as export consulting, export training and education, export financing and credit information,

and (2) market development programs such as the dissemination of sales leads, international bidding and contract opportunities, market research, planning for export information and data bank on global trade (Cuyvers et al., 1995; Kotabe and Czinkota, 1992; Lesch, Eshghi and Eshghi, 1990; Seringhaus and Botschen, 1991).

Services provided by official agencies were used by twelve out of the 70 US exporters studied by Cavusgil (1984). Among the 89 small firms surveyed by Reid (1984), 33 percent used the programs of the Publicity Branch of the Canadian Department of Industry, Trade and Commerce, while 24 percent collected information from the Export Development Corporation. Thirty-four of the 133 US exporters surveyed by Samiee et al. (1993) collected export information from state agencies. Ellis (2000) found only two cases out of 133 FMEs in which foreign partners were identified through the Hong Kong Trade Development Council. In their study of small and medium-sized Canadian high-technology firms, Francis and Collins-Dodd (2004) found that 19 and 33 percent of 175 firms used services offered by Canadian International Development Agency and Export Development Corporation respectively. Among the twelve FME ventures conducted by UK high-tech small and medium-sized firms studied by Crick and Spence (2005), only one was facilitated by government assistance.

Search via Social Ties. Information about international exchange partners can be acquired through individuals' ties with others. This search method makes use of existing personal relationships with family members, friends, colleagues, customers, suppliers, former employers and employees (Ellis, 2000; Ellis and Pecotich, 2001). Interpersonal ties have been variously labeled in the literature as "network relationships" (Coviello and Munro, 1997; Zain and Ng, 2006), "informal/personal contacts" (Nijssen et al., 1999), "social ties" (Ellis, 2000; Ellis and Pecotich, 2001;

Wong and Ellis, 2002), "social networks" (Komulainen, Mainela and Tahtinen, 2006), "personal or business connections" (Meyer and Skak, 2002), "family/friend or business networks" (Coviello, 2006; Riddle and Gillespie, 2003), and "social/personal or business relationships" (Harris and Wheeler, 2005). In this study the wide variety of interpersonal ties will be simply described as social ties.

The use of social ties in the search for exchange partners is well-documented in the internationalization literature. For example, in their study of 28 FMEs made by small software developers, Coviello and Munro (1997) found that in seventeen cases foreign partners were identified via social ties. In Nijssen et al.'s (1999) survey, 54 percent of Dutch respondents identified informal sources such as acquaintances as useful in their search for trading partners. Social ties accounted for 41 percent of the FMEs in Ellis's (2000) study of Hong Kong toy makers and 93 percent of the FMEs in Ellis and Pecotich's (2001) study of Australian exporters. Among the 36 FMEs by small Danish firms interviewed by Meyer and Skak (2002), six were the result of social ties. In their study of 250 Turkish clothing exporters, Riddle and Gillespie (2003) found that 161 and 39 used business contacts and friends/relatives respectively as sources of information about potential foreign buyers. Harris and Wheeler (2005) observed that foreign partners were identified through social ties in ten of eleven FMEs. In their study of high-tech SMEs in the UK, Crick and Spence (2005) found that nine of twelve FMEs resulted from social ties among managers.

Search via Trade Fairs. A trade fair or trade show is an event where "a large number of buyers (attendees) and sellers (exhibitors) interact for the purpose of purchasing displayed goods and services, either at the time of presentation or at a future date" (Kirchgeorg et al., 2005, p.ix). A trade fair enables exporters to learn about present and potential customers, products, markets and competitors, and to

establish or improve the firm's image in international markets (Bonoma, 1983; Hansen, 1996; Munuera and Ruiz, 1999; Rice, 1992; Rosson and Seringhaus, 1995; Smith, Hama and Smith, 2003). Among the 89 small Canadian exporters surveyed by Reid (1984), 35 percent reported taking part in trade fairs at least once a year. Forty-four percent of the 108 Turkish exporters studied by Karafakioglu (1986) participated regularly in trade fairs. In their study of Dutch exporters, Nijssen et al. (1999) reported that 43 percent of managers used trade fairs to gather information about foreign trade partners. Trade fairs were used to identify partners in 32 percent of the 133 FMEs recorded by Ellis (2000). Among the 36 FMEs by small Danish firms interviewed by Meyer and Skak (2002), eleven entries were via trade fairs. 66 percent of 175 Canadian high-tech firms studied by Francis and Collins-Dodd (2004) had experience in participating trade fairs.

Search via Trade Missions. While a trade fair is a place where buyers come to visit sellers, a trade mission is a group of sellers or buyers visiting foreign markets. This method can be broadly divided into two types: potential buyers from a foreign country visit exporters in the host country or exporters travel to a foreign market to meet with potential buyers (Seringhaus, 1989). Trade missions allow exporters to learn (1) how business is conducted overseas; (2) what services and products are available; (3) the receptivity of potential buyers; (4) the extent of the commitment and resources required for selling overseas; and (5) about foreign markets and export process (Seringhaus and Rosson, 1989, p.176). Trade missions were used by eight percent of the 777 US small and medium-sized manufacturers surveyed by Naidu and Rao (1993). In the twelve FME ventures studied by Crick and Spence (2005), two were initiated through sellers' participation of trade missions.

Search via Business Publications. While trade fairs and missions are

characterized by interaction between buyers and sellers, advertisements in business publications are a form of impersonal promotion. Managers search business publications to collect and respond to the advertisements of potential exchange partners, for example, by making cold calls. In Hong Kong, the Trade Development Council, or HKTDC, and InvestHK produce a range of business publications including product magazines, reports on global economies and opportunities, business guidebooks, papers on topical trade issues, and various regular newsletters such as *Investment Update*, *Hong Kong Business Link*, *Business Alert – China*, *Business Alert – US*.

The use of business publications as a method for identifying exchange partners has been documented in the FME literature. In his study of 89 Canadian small firms, Reid (1984) found that 28 percent of managers read *Canada Commerce*; other business publications included *Canadian Courier* (17%), *Markets of Canadian Exporters* (39%), *Statistical Export Data* (44%), and *Bulletin on Export Opportunities Abroad* (61%). Thirty nine percent of US exporters surveyed by Samiee et al. (1993) collected export information through business publications. Eighty percent of Canadian exporters surveyed by Francis and Collins-Dodd (2004) used newsletters published by Industry Canada and the Department of Foreign Affairs and Trade (DFAIT).

Online Search. Compared with other communication methods such as post, telephone and fax, the internet provides a flexible, low-cost method of communication, especially with distant markets (Poon and Jevons, 1997; Xie and Wang, 2007; Wei, 2005). The internet was rated as a useful means of disseminating company information and conducting sales promotion by 60 per cent of the SMEs surveyed by Hamill (1997), and 17 per cent of them used internet to capture

customer data. Of the 148 UK exporters with their own websites studied by Bennett (1997), just 8 per cent advertised on the Web. Among the 70 Ghana exporters surveyed by Sorensen and Buatsi (2002), 43 were internet users. Of this group 34 percent used the internet for publicity/promotion while 23 percent used it for foreign partner search.

In summary, two levels of evidence pertaining to partner search methods can found in the FME literature: (i) broad, descriptive evidence pertaining to the overall experience of using a particular search method (e.g., Nijssen et al., 1999; Riddle and Gillespie, 2003), and (ii) typically case-based evidence linking specific search methods with specific instances of partner identification (Crick and Spence, 2005; Ellis, 2000; Ellis and Pecotich, 2001; Zain and Ng, 2006).

A taxonomy of search methods

Although many types of partner search have been identified in the literature, there have been very few attempts to systematically classify the full range of search alternatives available to internationalizing managers. A common practice is to group search methods dichotomously by comparing, for example, active versus reactive search (Meyer and Skak, 2002), planned versus unplanned strategies (Crick and Spence, 2005; Yip, Biscarri and Monti, 2000), rational versus non-rational methods (Lee and Brasch, 1978), and textbook versus network methods (Axelsson and Johanson, 1992). However, these dichotomous comparisons are too coarse-grained to capture various types of search used in practice. For example, “planned” search is usually equated with market research with the implication that other types of searches are unplanned or ad hoc. But the quality of being planned may be applied to any type of search.

Without a comprehensive classification of partner search, any effort in theory building will be hampered. Before proceeding to the literature review of search antecedents and outcomes, the mass of search methods reported in literature should be refined. To this end, a search taxonomy is adopted in this study.

A comprehensive taxonomy of search methods for FME was developed by Ellis (2008) who proposed that search can be classified into four types (tie-based search, trade fair-based search, advertising-based search, and formal search) and three initiators (buyers, sellers and third parties). Following Ellis's definitions, formal searches are those which rely on the evaluation of information acquired either from formal sources (e.g., official agencies) or via formal methods (e.g., market research). Tie-based searches are defined as those which draw upon pre-existing, inter-personal connections linking both exchange partners directly or indirectly through mutually-related third parties. Trade-fair based searches take place at trade fairs and other market-like settings formed with the express purpose of promoting trade (e.g., trade missions, exhibitions and conventions). Advertising-based searches are defined as those conducted via impersonal media (e.g., advertising, websites, sponsorships and publicity) (Ellis, 2008).

As the four search types defined by Ellis (2008) are mutually exclusive and exhaustive, his search taxonomy will be used for classifying search in this study. Unlike the coarse and simplistic dichotomies used by others, these four search types are sufficient to capture the full variety of specific search methods, as shown in Table 2.1. For example search via either formal trade-promoting agencies or formal procedures (e.g., market research and active search) can be termed as formal search. Search based on social networks, ethnic ties or business ties all share the same feature of being tie-based. Trade fairs are conceptually similar to trade missions in

the sense that both methods involve face-to-face meetings between buyers and sellers. In contrast, online search and search via business publication rely on impersonal media and can thus be considered variants of advertising-based search.

Table 2.1 Search Methods Sorted by 4-Search-Type Taxonomy

Taxa	Formal Search	Tie-Based Search	Trade Fair-Based Search	Advertising-Based Search
Examples	Market research	Social networks	Trade fairs	Business publication
	Search via formal agencies	Social ties	Trade missions	Internet
		Business ties	Exhibitions	Cold calls
			Conventions	

Operational definitions for each search type are as follows:

i. Formal searches rely on the evaluation of information acquired either from formal sources (e.g., official agencies) or via formal methods (e.g., market research).
ii. Tie-based searches rely on information gleaned from pre-existing, inter-personal connections linking both exchange partners directly or indirectly.
iii. Trade-fair based searches rely on meetings which take place at trade fairs and other market-like settings formed with the express purpose of promoting trade (e.g., trade missions, exhibitions, conventions).
iv. Advertising-based searches rely on information gleaned from impersonal media (e.g., advertising, sponsorships, publicity)

Source of definitions: Ellis (2011).

Search antecedents

Why do managers opt for one search method over another? In the scant literature on this question, a number of managerial, firm and market characteristics have been suggested to influence the choice of search type. It is worth reiterating though, that many of these conjectures remain unsupported by evidence. A summary of search antecedents identified in prior research is provided in Table 2.2. As shown in the Table, the use of market research and official agency has been proposed to be related to firm size. Large firms possess, and are able to devote, substantial resources to

international market research, while small firms may rely on less costly methods such as business publications (Douglas, Craig and Keegan, 1982).

Table 2.2 A Summary of Antecedents and Consequences of Search Types

Search type	Antecedent	Consequence
Formal search	- Firm size (+) (Douglas et al., 1982)	- Market position (+) (Gencturk & Kotabe, 2001)
Fair-based search	- Medium-sized firms (+), large or small firms (-) (Ellis, 2000)	- Trading agents (+) (Ellis, 2000) - Number of buyer contacts (+) (Zain & Ng, 2006)
Tie-based search	- Firm size (+) (Ellis, 2000) - Economic development of foreign market (-) (Ellis, 2000)	- Merchant distributors (+) (Ellis, 2000)
Advertising-based search	- Firm size (-) (Douglas et al., 1982)	- Agent distributors (+) (Ellis, 2000)

Firm size has also been found to be related to a preference for trade fairs. Ellis (2000) found trade-fair based search in 29 percent of small firms, 56 percent of medium-sized firms, and 27 percent of large firms. He argued that the cost incurred in trade fairs may discourage small firms, and large firms are able to conduct partner search via social ties and have less of a need to attend trade fairs. The tendency to use this search method seems to be more evident for medium-sized enterprises (SMEs) (Ellis, 2000).

The use of social ties may relate to firm size and economic development of foreign markets. For example, social ties may be used more by large exporters since they have wider and more diversified networks (Ellis, 2000). For instance, in Ellis's (2000) study tie-based search was used by 64 percent of large firms and 35 percent of small firms. Developed-economy importers may prefer social ties in their identification of developing-economy suppliers because social bonds play an

important role in lowering transaction risk and providing access to foreign market information (Ellis, 2000).

Search outcomes

Do different search methods lead to different search outcomes? Prior research suggests that search methods may have implications for the quantity and quality of partners identified and venture performance. Table 2.2 summarizes the literature pertaining search outcomes.

The effectiveness of trade missions was indicated in Zain and Ng's (2006) study in which a Malaysian battery-maker found buyers in 23 different markets through its trade mission-participation. In terms of the quality of partners identified, Ellis (2000) found that searches based on social ties were two times more likely to lead to the identification of better quality partners (defined as merchant distributors as opposed to commission-based agents) than searches based on other methods. Conversely, searches based on trade fairs and advertisements were five times as likely to result in exchanges being formed with inferior partners (i.e., agent distributors). In their study of 162 US exporters, Gencturk and Kotabe (2001) found that the use of services offered by official agencies, including market research, introductions to foreign buyers and export consultation etc., was positively related to a firm's competitive position in foreign markets.

Unresolved search issues

The review of past relevant research reveals that while a variety of search methods have been identified in previous studies, almost nothing is known about those factors

that lead managers to opt for one search type over another, and the outcomes that result from these choices. A handful of studies examining specific entry decisions collectively provide a rich description of how exchange partners are identified, but this body of work is small and limited in scope. A number of conjectures linking search types with various antecedents and outcomes have been made by scholars working in the area, but the evidence is virtually non-existent. As a first step towards remedying this situation, the following chapter reports on the results of a pilot study.

Chapter 3 Pilot Study

One aim of this study is to investigate the methods used by internationalizing managers to identify exchange partners in foreign markets. The review of the literature in the preceding chapter revealed an almost complete lack evidence regarding those factors which influence the choice of different methods and the outcomes arising from their adoption. In view of the limited evidence, a pilot study was conducted to generate insight into the partner search process and to assess the utility of Ellis's (2008) search taxonomy. This chapter describes the methods used to conduct the pilot study and the findings which arose from it.

Data Collection

In the pilot study, interviews were held with senior- and department-level managers of sixteen internationalizing firms based in China. During the interviews, managers were asked to describe the methods used to identify potential exchange partners during their internationalization process. Six interview questions were asked, including: what methods did you use to search for partners in your first foreign market entry and why did you choose those search methods? (Appendix 1 contains the full list of questions used in the pilot study.)

The sixteen interviews lasted an average of 30 minutes and all were recorded by note-taking. Six managers were interviewed on 15 and 16 April 2007 at the Hong Kong Electronics Fair (Spring Edition) held at the Hong Kong Convention and Exhibition Centre; three managers were interviewed on 19 June 2007 at the International Electronic Equipment and Components Exhibition held in Shenzhen; and four managers were interviewed on 5 July 2007 at the Gifts, House-ware and

Toys Fair at the Hong Kong Convention and Exhibition Centre. Three supplementary interviews were also conducted between April and August of 2007 through personal connections (see Table 3.1). Interviews were held at trade fairs because a major function of an international trade fair is to provide a venue where managers search for international exchange partners. Since managers participating trade fairs were most likely those in charge of partner search activities within their firms, the choice of trade fairs as an interview setting was also expected to lead to the collection of good quality data.

Table 3.1 The Pilot Study Interviews

Interview source	**Electronics Fair[1]**	**Electronic Equipment and Components[2]**	**Gifts, House-ware and Toys[3]**	**Personal Contacts[4]**
Location	Wanchai, HK	Shenzhen, PRC	Wanchai, HK	Shenzhen & HK
Date	15-16 April 07	19 June 07	5 July 07	April-August 07
Interviews (*N*)	6	3	4	3
FMEs (*N*)	14	6	8	7

Notes:
[1]The Hong Kong Electronics Fair organized by the HK Trade Development Council
[2] The International Electronic Equipment and Components Exhibition organized by the Shenzhen Convention and Exhibition Center
[3] The Gifts, House-ware and Toys Fair organized annually by the HK Trade Development Council
[4] Two interviews were in person and two were telephone-based.

Data collected during the pilot-study interviews were arrayed using tabular displays as described by Miles and Huberman (1994). Table 3.2 presents summary data describing the sixteen firms sampled. The firms came from many different provinces within China; from Shanxi in the west to Shandong in the east, and from Jilin in the north, to Guangdong in the south. The 16 firms ranged in size from small to large and their products included: plastics, rubbers, timber, textiles, toys, hotel supplies, TVs and electronic gear. Six managers had experience in selling, working or

studying outside China before founding or joining their firms. Ten firms started exporting after 2000, and in five cases interviewees could not remember their first year of exporting.

Table 3.2 Description of Pilot Study Firms

Firm	Headquarter Location	Firm Size[1]	Product	International Experience[2]	Exporting Since
1. Dream	Guangzhou	Small	Digital design	Yes	1997
2. Jiahong	Guangzhou	Medium	Animation film	Yes	-
3. Wanbao	Guangdong	Small	Electric appliance	Yes	2000
4. Yiqun	Zhengzhou	Small	Textiles	Yes	-
5. Waterproof TV	Shenzhen	Small	TVs	Yes	2005
6. Forest Industry Group	Jilin	Large	Timber	No	1999
7. Real toys	Guangzhou	Medium	Plastic toys	No	2001
8. Sanwei	Shenzhen	Small	Anti-static wearing	No	-
9. Puyuan	Beijing	Medium	Digital oscilloscopes	No	-
10. Longli	Shandong	Small	Electric appliances	No	2001
11. Yili	Shenzhen	Small	Logistic equipment	No	2007
12. Zhenhui	Shenzhen	Small	Silicon rubber mold	No	2002
13. Shangyu Beier	Shenzhen	Small	Printers	No	2002
14. Yongfu	Guangdong	Small	Electrical appliance	No	-
15. Jingcheng	Ningbo	Medium	Plastic covers	No	2004
16. Enping Yixing	Guangdong	Small	Microphones	No	2002

[1] Interviewees' own definition

[2] Whether managers had personal experience in studying, living abroad, or doing other internationally oriented jobs before conducting FME ventures.

Pilot Study Findings

Descriptive data pertaining to 35 separate FMEs were recorded during the pilot study. The main point of interest was learning how the managers first identified their

exchange partners in foreign markets. Table 3.3 summarizes the different methods used to identify international exchange partners for each of the 35 FMEs. The specific methods described by interviewees are shown in the middle column of the Table. The findings reveal that interpersonal ties were used most often by Chinese managers in their partner search (34 percent). For example, Yiqun, a textile manufacturer, entered Hong Kong as a direct result of a prior friendship between the CEO and their Hong Kong buyer. The two exchange partners first met when the CEO of Yiqun was working in the textile department of Zhengzhou Trading Corporation. In that role he regularly had dealings with this Hong Kong buyer. Later, this buyer became Yiqun's first customer in Hong Kong. Similarly, knowing the importance of social capital for his business, the CEO of WTV Technology, a manufacturer of Waterproof TV, recruited an experienced manager with existing contacts in foreign markets. One of these contacts became WTV's first buyer in Germany.

The use of trade missions was not evident in the sample. Trade fairs, however, were used by twenty nine percent of Chinese managers interviewed in the pilot study. For example, managers from Puyuan, a Beijing-based producer of digital oscilloscopes and multimeters, found both of their foreign partners via trade fairs held in China. A common scenario observed in the case of Puyuan and other trade-fair participants was that the potential buyer came to see the sample products exhibited, exchanged name cards, picked up a catalogue, and asked for information about price. If a deal was made, either during or after the fair, the result was a new FME for the Chinese exhibitor.

Table 3.3 Search Methods Used in the Sample (Pilot Study)

Firm	Search Activity as Described by Interviewee	Search Types
1. Dream	S saw advertisement on internet and made cold call to B	Advertising
	S saw advertisement on internet and made cold call to B	Advertising
2. Jiahong	B was a friend of S	Tie-based
	S identified B through client referral	Tie-based
3. Wanbao	B was referred by existing client of S	Tie-based
	Business friend of S had prior relationship with B and introduced them	Tie-based
4. Yiqun	B was a prior friend of S	Tie-based
	B was a prior friend of S	Tie-based
5. Waterproof TV	S recruited an experienced manager with existing contacts, and one of these contacts became B	Tie-based
	B was previously a client of S in China	Tie-based
	S & B met at trade fair	Trade fair
6. Forest Industry Group	B was introduced to S by mutual friend	Tie-based
	B saw advertisement in a business publication and made cold call to S	Advertising
7. Real toys	S & B met at trade fair	Trade fair
	B was previously an indirect customer linked by a trading firm used by S in China	Tie-based
8. Sanwei	S & B met at trade fair	Trade fair
	S & B met at trade fair	Trade fair
	B responded to S's advertisement in an industrial magazine	Advertising
9. Puyuan	S & B met at trade fair	Trade fair
	S & B met at trade fair	Trade fair
10. Longli	S & B met at trade fair	Trade fair
	B responded to S's advertisement on Alibaba.com	Advertising
11. Yili	B responded to S's advertisement on Alibaba.com	Advertising
12. Zhenhui	B responded to S's advertisement on Alibaba.com	Advertising
	S was introduced to B by mutual friend	Tie-based
	S saw B's advertisement in a business publication and made cold calls to B	Advertising
13. Shangyu Beier	B responded to S's advertisement on Alibaba.com	Advertising
	B was previously an indirect customer linked by a trading firm in China	Tie-based
	S & B met at trade fair	Trade fair
14. Yongfu	S saw B's advertisement in a business publication and made cold calls to B	Advertising
15. Jingcheng	B responded to S's advertisement on Alibaba.com	Advertising
	S & B met at trade fair	Trade fair
16. Enping Yixing	S & B met at trade fair	Trade fair
	B responded to S's advertisement on Alibaba.com	Advertising
	B responded to S's advertisement on Alibaba.com	Advertising

Notes: B=buyer, S=seller.

Among all forms of advertising, online advertising, and particularly Alibaba.com, played a dominant role in the search activities of interviewees in the pilot study. A typical method for finding foreign partners via Alibaba.com was described by the manager of Yili, a manufacturer of logistic equipment:

> "We opened a supplier account (with Alibaba.com), uploaded product pictures…the buyer saw our contact information, and faxed us. Then we became business partners."

Similarly, madeinchina.com, another B2B e-commerce company, was also used by Chinese manufacturers to attract foreign buyers, as mentioned by the CEO of WTV.

None of the sixteen managers interviewed in the pilot study conducted market research when searching for international exchange partners. Neither did they use official agencies to aid their search. The China Council for the Promotion of International Trade (CCPIT) and its sub-councils were identified by some of the interviewees as official trade-promoting agencies, but the services offered by these agencies were perceived as "hopeless" and "inefficient". Instead, managers generally preferred searches via ties, trade fairs, and on-line advertising.

In terms of the search methods used at different stages of internationalization, it was observed that later entries tended to be based more on personal ties and trade fairs and less on advertising (e.g., in the cases of Jingcheng, Shangyu Beier, and Zhenhui). One possible reason could be that inexperienced managers, lacking resources and contacts overseas, were compelled to use relatively inexpensive, search methods such as advertising. But over time, as they became better-resourced and connected, personal ties and trade fairs were preferred.

In the final column of Table 3.3 the various methods for partner identification are reduced into one of the four broad search types devised by Ellis (2008). Across the 35 FMEs, there were 13 instances of advertising-based search, 12 instances of tie-based search, and 10 instances of fair-based search. In none of the cases study was an FME the result of a formal search.

The literature review in Chapter 2 revealed just four prior studies that report the frequencies of use of various search methods. The number of FMEs for each type of search in this pilot study, combined with the evidence found in those four studies, is illustrated in Table 3.4. Collectively the five case-based studies describe 243 separate FMEs made by internationalizing managers in five separate settings. All these FMEs can be classified into four types of search proposed in the search taxonomy. These findings show that tie-based method is most widely used, while formal search is rarely adopted in practice.

Table 3.4 Prior Findings on the Use of Search Methods for Partner Identification

	Ellis (2000) ***N*** **(%)**	**Ellis & Pecotich (2001)** ***N*** **(%)**	**Crick & Spence (2005)** ***N*** **(%)**	**Zain & Ng (2006)** ***N*** **(%)**	**This Pilot Study (2007)** ***N*** **(%)**
Research setting	Hong Kong	Australia	U.K.	Malaysia	China
Search methods					
1. Formal search	2 (1.5)	2 (6.5)	1 (8.3)	0 (0)	0 (0)
2. Tie-based	55 (41.4)	27 (87.0)	9 (75.0)	9 (28.0)	12 (34.3)
3. Trade fair-based	43 (32.3)	2 (6.5)	2 (16.7)	23 (72.0)	10 (28.6)
4. Advertising-based	33 (24.8)	0 (0)	0 (0)	0 (0)	13 (37.1)
Sample size (FMEs, %)	133 (100.0)	31 (100.0)	12 (100.0)	32 (100.0)	35 (100.0)

Collectively the descriptive data in this set of case-based studies provide a good overview of the different search options available to internationalizing managers. What remains unknown, however, are the reasons or circumstances under which one

search method will be chosen over another. Also unknown are the FME outcomes arising from the different search methods. A conceptual framework addressing some of these issues is developed in the next chapter.

Chapter 4 Conceptual Framework and Hypothese

Little is known about how internationalizing managers come to identify potential exchange partners in foreign markets. The pilot study in the previous chapter revealed that although Chinese managers typically identify partners in a variety of ways, these diverse approaches can be classified in terms of a small but comprehensive set of search types. In this chapter my aim is to develop a conceptual model accounting for those factors which lead managers to choose one search type over another, and to predict outcomes which arise from these choices. I do this by integrating the findings of past research with the insights generated in the pilot study. I first review several economic models of partner search. I then discuss partner search from a managerial decision-making perspective. In the main part of the chapter I develop a number of testable hypotheses.

Economic models of partner search

Prior theories of search have emphasized the search for products, brands or prices, and were developed within the tradition of information economics (Moorthy, Ratchford and Talukdar, 1997; Stigler, 1961; Wilde, 1980). A basic premise of these theories is that individuals search until the cost of doing so exceeds the expected marginal benefit (Stigler, 1961). That is, optimal search occurs when a searcher obtains higher return at lower cost. Such cost may include both monetary and time costs incurred in search. Viewed from this perspective, a particular search method will generally be preferred if it is better than alternatives in terms of generating returns (e.g., export sales growth) and/or saving costs. However, economic optimization is hard to realize and verify (Moorthy et al., 1997), particularly in

highly uncertain settings such as international markets where returns and costs can only be assessed during or after the search. Economic-based models also overlook behavioral factors that influence managerial action (Donaldson, 1990). But economic and management approaches are complementary in nature and may be combined to explore search antecedents and outcomes. Managerial characteristics and discretion are discussed in following paragraphs by drawing from a managerial decision-making perspective.

A managerial decision-making perspective of partner search

The issue of search is central to the behavioral theory of decision making (Simon, 1955). This theory views partner search as a complex process whereby managers rarely consider all search options and their consequences simultaneously when selecting search solutions. They may conduct a type of search which is individually preferable or satisfactory (Cyert and March, 1963; March and Simon, 1958). That is, some types of search may be considered when searching and the one that satisfies minimum criteria will be used, rather than working out an optimal option.

Some criteria that may be adopted when choosing search methods for the identification of international exchange partners were identified in the pilot study and include; minimizing foreign market risks, boosting export sales, and forging exchanges with reliable partners. Therefore, a search method will be preferred if managers believe that it helps them achieve one or more of these benefits. Since each search method represents a unique way to approach potential partners and has certain merits, different search methods may be preferred by managers of different kinds. Three factors pertaining to managers are investigated in this study, including

network size, uncertainty avoidance, and experience. Testable implications are derived from these characteristics and outlined in the following section.

Search antecedents

International exchange, which typically involves two exchange partners located in different countries, is influenced by a number of environmental considerations (Toyne, 1989). In the international business literature, political risk is recognized as one of the more important environmental considerations (Butler and Joaquin, 1998; Kobrin, 1979; Tallman, 1988). Political risk is derived from political changes that are difficult to anticipate and have the potential for significantly affecting business goals (Robock, 1971). Political risk is affected by wars, revolutions, coup d'états, expropriation, taxation, devaluation, exchange controls and import restrictions (Root, 1972, p.355). Other things equal, a stable and liberal political environment (low risk) will attract new market entries, while an unstable political environment (high risk) will discourage them (Kobrin, 1979).

Government policies in foreign markets are beyond the control of most market entrants. However, managers may reduce these sorts of uncertainty by restricting their search to potential exchange partners whom they already know and are personally connected with (Podolny, 1994). A straightforward explanation derived from the Carnegie School literature on "satisficing" search behavior may be that in a context of high uncertainty managers consider first potential partners whom they know best (Cyert and March, 1963; March and Simon, 1958). Existing evidence in internationalization research reveals the benefits of social ties in overcoming the obstacles in foreign market development (Luo, 2001; Peng and Luo, 2000). It is

likely that the higher the political risk which managers are exposed to, the more likely they may use tie-based search.

The potential of social ties in generating exchange opportunities is confined by network size. In social network literature, network size has been conceptualized as the extent to which people are constrained to a limited number of contacts (Burt, 1997). Larger networks are less constraining and provide more opportunities for partner identification. The identification of exchange partners in foreign markets via social ties requires at least that the manager's network is big enough to extend beyond national borders (Ellis and Pecotich, 2001; Wong and Ellis, 2002). The identification of international exchange partners via social ties may be therefore an outcome of larger network size. Thus,

H1: The use of tie-based searches for partner identification will be (a) preferred in exchange settings characterized by higher levels of political risk, and will be (b) positively correlated with the managers' network size.

Fair-based search may be distinguished from other types of search by providing a learner-friendly environment. That is, trade fairs and trade missions provide managers with a frame of reference for learning how to interact with potential exchange partners (Hansen, 1996; Munuera and Ruiz, 1999; Rosson and Seringhaus, 1995). This search method may thus be preferred by uncertainty-avoiding managers unfamiliar with the experience of meeting and negotiating with potential exchange partners. Uncertainty-avoidance reflects the extent to which people feel threatened by ambiguous situations (Hofstede and Bond 1984, p.418). Uncertainty-avoiding managers will have stronger feelings of anxiety and risk, and lower tolerance for

ambiguity than uncertainty-accepting managers. The desire to avoid uncertainty may prompt uncertainty-avoiding managers to look to others for cues on how to act and be manifested as a preference for fair-based search. By participating at a fair or exhibition, uncertainty-avoiding managers may find themselves in the company of seasoned exporters giving them a unique opportunity to engage in both learning-by-doing and learning-by-imitation.

There are a number of benefits in the use of fair-based search, but attending a trade fair incurs nontrivial cost of time and money (Gopalakrishna et al., 1995; Kirchgeorg et al., 2005). This type of search may be not appropriate for entrepreneurs who deal in markets where buyers are readily identified. For example, in markets for commodities and raw materials, buyers and sellers usually deal through automated exchanges (Jain, 1981). Product inspections and demonstrations are seldom necessary. The implication is that fair-based search may be less desirable for manufacturers of basic or raw materials than manufacturers of finished products. Thus,

> H2: The use of trade fair-based searches for partner identification will be positively correlated with (a) managers' degree of uncertainty-avoidance and (b) product type.

Novice exporters face considerable obstacles when searching for potential exchange partners in foreign markets. Typically they lack both network connections to foreign markets (Ellis, 2000), and the skills required to conduct formal search. They may also lack the resources required to exhibit at trade fairs. Their all-round lack of experience may make them vulnerable to failure and risk-averse (Desai, 2008;

Zagonari, 1995). This, in turn, will prompt them to adopt low-cost, low risk search methods such as advertising. In the modern world, online search is arguably the least costly method of partner search owing to the efficiency of internet advertising (Cheong, De Gregorio and Kim, 2010; Hamill, 1997; Poon and Jevons, 1997). This suggests that advertsing-based search will be preferred by inexperienced managers. Thus,

H3: The use of advertising-based searches for partner identification will be inversely correlated with managerial experience.

Search outcomes

Do different types of search have implications for exchange performance? This question motivates the investigation of various search outcomes such as the linguistic distance separating the exchange partners, the need for contractual safeguards, and various relational outcomes such as trust, commitment, satisfaction, opportunism and cooperation. Several testable conjectures are made linking these constructs with different search types.

Classical economic models suggest that non-tie based exchanges are more efficient than tie-based exchanges in promoting economic performance (Blaug, 1962). Compared with tie-based search, trade fair-based search takes place in a more market-like setting which is close to a situation noted by Hirschman (1982, p.1473) as “large numbers of price-taking anonymous buyers and sellers supplied with perfect information… the various operators that contract together need not enter into recurrent or continuing relationships as a result of which they would get to know each other well”. By attending trade fairs managers will have good opportunities to

learn buyer, product, market, and competitor information (Hansen, 1996; Munuera and Ruiz, 1999; Rosson and Seringhaus, 1995; Smith et al., 2003). While tie-based search will naturally limit the scope of exchange opportunities to a small number of existing contacts, trade fair-based search does not have such constraints. A testable claim will be that the use of trade fair-based search leads to better economic performance. Thus,

> H4: The use of trade fair-based searches for partner identification will be positively correlated with economic performance.

Tie-based search is constrained by network horizons which reflect barriers to long-distance communication. A major obstacle to the transmission of information in international exchange will be the language used for communicating between the exchange partners (Griffith, 2002). The dissimilarity of languages spoken by exchange partners has been noted in international business literature as linguistic distance (Dow and Karunaratna, 2006; West and Graham, 2004). Social networks may limit the search to potential exchange partners speaking the same or similar languages (Burt, 1997; Rauch, 2001; Redding, 1995). The implication is that tie-based search will be more likely to lead to exchanges characterized by shorter linguistic distance relative to other search methods.

The distinguishing characteristic of a tie-based search is that the identified partner will either be known to the searcher, or can be vouched for by a known third-party. While the other search methods will lead to arms-length transactions with strangers, exchanges built around antecedent ties come primed with initial knowledge and trust of an exchange party's qualities (Granovetter, 1985; Podolny, 1994; Uzzi, 1996, 1997). The testable implication is that exchanges based on tie-

based search will be characterized by higher levels of trust than exchanges based on other search methods.

Tie-based search may also be used to avoid or alleviate partner opportunism. Partner opportunism, either in the form of misrepresentation or in the form of cheating (Akerlof, 1970), tends to occur when partners seek self interests and pursue immediate gains at the cost of the other party (John, 1984). In general, foreign buyers such as distributors have more and better information about their home markets than exporters do. This provides an opportunity for foreign distributors to engage in opportunistic behavior. Managers using tie-based search have better knowledge on their exchange partners through prior interactions than managers using other types of search. The initial stock of knowledge reduces both the information gaps between exchange partners and the consequent threat of partner opportunism (Uzzi, 1996, 1997).

Commitment has been defined as an enduring desire to maintain a relationship (Morgan and Hunt, 1994). Compared with other types of exchanges, exchanges based on social ties tend to involve relaitonal specific investments (Anderson and Weitz, 1992; Skarmeas, Katsikeas and Schlegelmilch, 2002). By making these investments, a seller/buyer creates an incentive to maintain the partner relationship. Tie-based search may therefore lead to a higher level of commitment.

Another possible outcome of using tie-based search is cooperation between exchange partners. Partner cooperation involves the communication of fine-grained information and some joint problem-solving arrangements (Cannon and Perreault, 1999). These attributes tend to be found in exchanges based on social ties compared with exchanges of other types (Uzzi, 1997). The use of tie-based search may therefore result in a higher level of cooperation between exchange partners.

Satisfaction reflects a positive affective state resulting from the appraisal of a partnership (Anderson and Narus, 1984; 1990). While it may sometimes happen to the other types of exchanges that exchange partners feel frustrated and unpleasant about the partnership when facing conflicts, exchanges based on social ties are less likely to have such problems. Tie-based search may therefore lead to greater satisfaction. Taken together, a number of testable hypotheses on the outcomes of tie-based search can be developed as follow.

H5: The use of tie-based searches for partner identification will be correlated with (a) linguistic distance (-), (b) trust (+), (c) opportunism (-), (d) commitment (+), (e) cooperation (+), and (f) satisfaction (+).

In contrast with other search methods, advertising-based search offers fewer *a priori* grounds for identifying and learning about potential exchange partners. Potential partners identified via tie-based search are either already known or vouched for; potential partners met at trade fairs can be partially evaluated in that first meeting; but potential partners identified via the impersonal medium of advertising remain largely unknown. Thus the risk of making a bad match and dealing with a potentially opportunistic partner is greater for advertising-based search. Unlike tie-based searchers who may avoid or reduce partner opportunism via relational mechanisms, advertising-based searchers have few options. One possible option is to draft detailed contracts with exchange partners in order to safeguard the venture (Gong et al., 2007; Luo, 2005; Wuyts and Geyskens, 2005). Thus, advertising-based search is expected to result in exchanges characterized by a higher level of contractual safeguards.

H6: The use of advertising-based searches for partner identification will be positively correlated with the need for contractual safeguards.

In summary, the hypotheses are developed on the basis of both economic and management perspectives. Specifically, a number of search antecedents and outcomes are identified and their relationships with search methods are explained. These hypotheses were tested using survey data collected in mainland China. In the next chapter, the methods used for this study are presented.

Chapter 5 Methodology

Previous research investigating partner identification has generally adopted a case-based approach involving small numbers of firms (Crick and Spence, 2005; Ellis and Pecotich, 2001; Zain and Ng, 2006). This work has resulted in a rich description of the different ways in which international exchange partners are identified. Building on this prior research, the current study aims to develop and test several hypotheses explaining why managers select a particular type of search and what outcomes arise from using their choices. To assess the hypothesized relationships presented in the previous chapter, this study adopts a large *N* hypothesis-testing approach. The choice of research setting and the methods used to collect the data are described in this chapter.

Research Setting

In this study primary data were collected from 225 textile manufacturers located in 24 of China's 34 provinces and municipalities. Both economically developed (e.g., Shanghai, Guangdong, Zhejiang) and developing regions (e.g., Qinghai, Gansu, Xinjiang) were covered to provide a comprehensive picture of the Chinese managers' search practices.

China offers a number of unique advantages for a study of this nature. The Chinese government has been actively promoting exports since the initiation of economic reforms in 1978 (Li, 1996; Wei and Shen, 2009). The programs and organizations designed to promote export include trade fairs, exhibitions, trade missions, overseas offices representing foreign trade organizations and embassies in foreign markets etc. (Terpstra, 1988). In recent years, China has been remarkably

successful in boosting trade fairs and exhibitor groups. In 2010 there were fourteen Chinese trade fairs ranked in the world's top 100 trade fairs, up from only four Chinese fairs in 2008 (Imp-Exp Executive Magazine, 2010). Alibaba, a Chinese enterprise listed on the Hong Kong Stock Exchange, is arguably the largest online business-to-business e-commerce provider in the world. As commented by many of my interviewees, Alibaba.com is a frequently used website for advertising-based search. China is now undergoing economic reforms both from a command economy to a market economy and from an agricultural economy to an industrial economy (Cheng, 2010). The economic transition is characterized by regional inequality between coastal and interior regions and the dominance of state-owned firms. The environment in China therefore poses considerable challenges to, and opportunities for, our understanding of partner search by various types of entrepreneurs.

China's exports grew at an annual average pace of 20.5 percent from 2000 to 2008, propelling China into the number two ranked exporting nation in the world (World Trade Organization, 2009). Given this rapid rise, it is surprising to learn that the export practices of individual Chinese firms have been somewhat neglected in the international business literature.

Sampling frame

China's external trade consists of both processed exports (made predominantly from imported components) and general or "ordinary" exports (made predominantly from locally produced components). Although there are many exceptions, foreign-funded enterprises within China tend to be engaged in processing trade whereas indigenous firms tend to be engaged in ordinary trade (Lemoine and Unal-Kesenci, 2004). As the export decisions for many foreign-funded firms are likely to be made by

managers located outside China, only indigenous Chinese-owned firms were included in this study.

The textiles industry is China's largest exporting industry. This industry is dominated by domestic manufacturers engaged in ordinary trade (see Table 5.1). Accordingly, the study population was defined as all Chinese textile-makers engaged in ordinary trade. The proportion of ordinary exports in China's textiles sector grew from 71.2% to 74.1% from 2003-2008. Over the same period, the proportion of processed exports shrank from 27.3% to 21.5% (China Customs, 2009). This reflects an ongoing trend in this industry away from processing trade and an increasing proportion of firms engaging in ordinary trade. As China's biggest exporting industry, and given the high and growing proportion of ordinary trade, the textiles industry is arguably the best choice for a study of this nature.

Table 5.1 China's Exports by Firm- and Trade- Type, 2003 (US$b)

	Ordinary Exports			Processed Exports		
	Chinese	**JV**	**WF**	**Chinese**	**JV**	**WF**
Textiles	21.6	3.6	1.9	3.4	3.3	3.4
Wearing apparel	21.0	3.2	2.0	4.6	4.6	4.7
Chemicals & chemical products	11.9	2.1	0.8	1.4	1.8	1.9
Machinery	11.5	2.2	1.5	3.8	4.7	5.7
Metal products	7.2	1.5	0.8	1.3	1.0	2.1
Food products & beverages	4.6	2.6	1.4	1.2	1.4	0.8
Tobacco products	0.2	0	0	0	0	0
Leather	6.7	0.9	0.5	2.6	2.6	4.7
Electrical machinery	6.2	1.5	0.8	3.6	3.1	9.4
Basic metals	5.5	0.7	0.2	2.4	0.8	0.6
Non-metallic mineral products	4.0	1.2	0.6	0.2	0.6	0.5
Radio, TV & communication equipment	3.3	1.3	1.4	8.1	18.9	24.4
Rubber & plastic	2.7	0.5	0.5	2.5	1.5	3.4
Wood & of products	2.1	0.7	0.4	0.3	0.2	0.4
Motor vehicles, trailers & semi-trailers	1.8	0.5	0.3	0.3	3.3	1.2
Medical, precision & optical instruments	1.6	0.4	0.3	1.5	1.7	5.0
Pulp, paper & paper products	0.5	0.1	0.2	0.3	0.4	0.4
Office machinery & computers	0.3	0.1	0.1	5.3	9.3	45.6
Publishing, printing & reproduction of recorded media	0.2	0.1	0.1	0.3	0.2	0.5
Total Manufacturers	*113.9*	*23.5*	*13.8*	*43.1*	*59.5*	*114.7*

Source: Lemoine, 2007, personal correspondence

Notes: Chinese = Chinese-owned firm, JV = joint venture, WF = wholly-foreign owned firm. Ordinary exports are predominantly made from domestically product components. Processed exports are made from imported materials and components (China Customs Statistical Yearbook, 2009).

I estimated the target sample size by running a prospective analysis of statistical power midway through the data collection period (Brock, 2003).[1] That is, I estimated *N* using conventional levels of alpha (α) and power ($\beta - 1$) and estimates of the likely effect sizes derived from the data already collected during the first half of the data collection period. Although this analysis was based on the somewhat risky assumption that the sample based estimates of the effect size are identical to the population effect size, limited previous work in the area meant I had few other options for anticipating the likely size of effects. The results in hand midway through the study suggested that the smallest expected effect size was equivalent to $d = 0.24$. Using the freeware program GPower3 (Faul et al., 2007), I determined that I would need a minimum sample size of 562 FME ventures to detect effects of this size or larger given conventional levels of alpha (0.05) and power (0.80). Knowing roughly how many FME ventures I needed to detect the effects of interest, the next question was to determine the minimum number of firms required to get the required venture-level data.

Prior research on international exchange partner identification has typically reported data pertaining to multiple FMEs for individual firms. For example, Ellis (2000) studied 133 FMEs made by 42 firms, Ellis and Pecotich (2001) examined 31 FMEs made by eleven firms, and Zain and Ng (2006) studied 32 FMEs made by four firms. These studies indicate that it would be reasonable to expect data on about

[1] Statistical power is the probability of rejecting a false null hypothesis (a Type II error). For any given significance level (α), sample size is jointly determined by the expected effect size and the desired statistical power. Researchers typically aim for statistical power levels of at least .80 (Cohen, 1988, 1992). A test with this level of power has an 80% chance of detecting an effect when there is an effect there to be detected.

three FMEs per firm.[2] Therefore in order to gather 562 FMEs, a minimum of 187 firms would be required.

In this study I collected data using personal interviews. (The data collection procedures are described fully below.) In a Chinese research context, personal interviews have been found to generate response rates of 39.6% (Ogunmokun and Li, 2004), 47.3% (Brouthers and Xu, 2002), 53.9% (Deng, Menguc and Benson, 2003), and 75% (Zou, Fang and Zhao, 2003). Based on these data, I anticipated a likely response rate of at least 40%. Given that response rate I calculated that I would need to approach at least 468 firms (187/40%) to achieve targeted levels of statistical power given the other assumptions about effect size and the number of FMEs per firm.

Measurement

The variables in the hypotheses were defined and measured at two levels: the firm level, which included firm characteristics and managerial characteristics; and the venture level, which included the types of search, product characteristics, market characteristics and partner characteristics. Firm- and respondent-level data were collected in the first part of each interview. After providing general information about themselves and their firms, managers were asked to list all of their export markets in order of importance. Having recorded these markets, I then asked respondents to provide detailed information pertaining to each FME venture.

Wherever possible, measurement was based on previous sources. A full list of measures is contained in Appendix 2. The four *search types* were measured by

[2] Three FMEs per-firm in Ellis's (2000) study (133/42=3.2) and Ellis and Pecotich's (2001) study (31/11=2.8), one FME per-firm in Crick and Spence's (2005) study (12/12=1), and eight FMEs per-firm in Zain and Ng's (2006) study (32/4=8).

asking interviewees “how did you first identify your customer in this foreign market” and then coding their answers into one of the ten search options used in Ellis (2008). Since this study focused on the search methods that actually led to the formation of exchange agreements with new customers in new foreign markets, searches that did not lead to the identification of exchange partners were not considered. Five items were used to indicate tie-based search; two items were used to indicate formal search; and the remaining items were used to indicate trade fair-base search, advertising-based search and “I don’t remember”.

Political risk, which attempts to capture the political stability of foreign markets (Buckley et al., 2007), was captured using existing measures provided by the Political Risk Services Group’s International Country Risk Guide (PRS, 2009). The measure was calculated by the sum of twelve risk components: government stability (12 points), socioeconomic conditions (12 points), investment profile (12 points), internal conflict (12 points), external conflict (12 points), corruption (6 points), military in politics (6 points), religious tensions (6 points), law and order (6 points), ethnic tensions (6 points), democratic accountability (6 points), and bureaucracy quality (4 points). The original 100 score scale was reversed to facilitate interpretation. Thus, higher scores indicate higher political risk.

The *linguistic distance* separating the exchange partners was assessed by asking interviewees to indicate the languages spoken both at home and with their specific foreign exchange partner in each venture. If respondents spoke in their native language when communicating with their exchange partner, then this would indicate zero linguistic distance. Traditionally linguistic distance has been measured as a dummy variable based on whether parties speak common language (Arora and Fosfuri, 2000; Davidson and McFetridge, 1985; Srivastava and Green, 1986).

However, a multi-item measure adapted from Dow and Karunaratna (2006) was adopted in this study. Specifically, the distance between home language and the language spoken with the exchange partner was coded using a five point scale ranging from 1 (same language) to 5 (different language family). For example, the linguistic distance was scored as one if both partners spoke Mandarin and two if one spoke Mandarin and the other spoke Cantonese (as Mandarin and Cantonese are sub-branches of a common Chinese language "family"). The distance between Chinese and Japanese was scored five since they belong to different families of language. Appendix 3 provides a detailed classification system of language families and branches.

Network size was measured following prior social network research by counting the number of contacts with existing network actors (Burt, 1997; Carroll and Teo, 1996; Ellis, 2007). Traditionally network size has been used in organization studies to reflect size on friendship and membership. As this study was conducted in a setting of sellers' search for buyers, respondents were asked to count the number of buyers with whom they had personal contacts in previous exchanges.

Uncertainty avoidance was measured using three items from Erdem, Swait and Valenzuela (2006), with responses scored on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). This measure is intended to capture managers' degree of uncertainty about security, life and decision making. The items were originally sourced from modification of Hofstede's (1980) organizational values survey items and adapted to improve their applicability to a marketing context. Erdem et al.'s (2006) measure, which has been used in a setting of consumer information search, was considered more appropriate for this study.

Product type was assessed by categorizing textile products into two categories: textile materials (coded as 0) and finished products (coded as 1). Appendix 4 contains a full list of the materials and finished goods observed in this study. The list was adapted from Guangdong Statistical Yearbook (2007, p. 455) with reference to the product classification system used in Customs Statistics.

Managerial experience captures the extent to which managers have been involved in exporting. Respondents were asked to indicate the time in years that they have been personally engaged in selling to markets outside mainland China. Longer exposure to exporting was presumed to indicate greater managerial experience.

Search outcomes were captured by both performance and relational outcomes. As Chinese entrepreneurs may be unwilling or unable to provide sales and profitability information (Brouthers and Xu, 2002; Peng, 2000), *economic performance* was assessed by asking respondents to indicate their firms' export sales growth over past financial year for each export venture on a seven-point scale ranging from 1 (for "decline") to 7 (">20% growth").

Measures for the various relational outcomes indicators were all assessed using seven point scales ranging from 1 = strongly disagree to 7 = strongly agree. *Trust*, which is defined as sellers' beliefs in the buyers' honesty and benevolence, was measured using seven items adapted from Doney and Cannon (1997). *Opportunism* captures sellers' perceptions of buyers' opportunistic actions such as withholding or distorting information and avoiding or failing to fulfill promises or obligations. This was measured using six items sourced from John (1984). *Commitment* captures sellers' perceptions of buyer loyalty, expectation of relationship continuity, willingness to invest in the relationship, and willingness to make short-term sacrifices for long-term benefits. Six items adapted from Anderson

and Weitz (1992) were used to measure commitment. *Cooperation*, which reflects the extent to which buyers and sellers expect to work together to achieve mutual and individual goals jointly, was assessed by using five items from Cannon and Perreault (1999) and one item from Heide and Miner (1992). *Satisfaction,* which captures the emotional state resulting from sellers' appraisals of buyers, was assessed using five items from Cannon and Perreault (1999).

One important behavioral outcome arising from partner search is the identification of suitable exchange partners. When partner trust cannot be gauged in advance, the need for contractual safeguards rises. *Contractual safeguards* describe the need for drafting detailed contracts in advance. In past research this construct has been assessed using a single-item measure (Crocker and Reynolds, 1993; Poppo and Zenger, 2002). However, this study follows Gong et al. (2007) and Wuyts and Geykskens (2005) approach by using a multiple-item measure covering four dimensions: the role, responsibility and action of each party and the procedures for handling unplanned events. Four items were adapted from Wuyts and Geykskens (2005). Respondents were asked to indicate the degree of contract specification on a scale ranging from 1 (very strongly disagree) to 7 (very strongly agree).

Data for ten control variables were also collected. Since large and well established firms may be better resourced in terms of financial assets, social connections and reputation, firm size and firm age were controlled. *Firm size* was measured by the number of full time workers currently employed, as the sample was drawn from textile industry which is relatively labor-intensive. *Firm age* was calculated as 2009 minus the founding year.

China's economic transition has given rise to disparities in economic performance and information access across ownership types and regions (Park, Li

and Tse, 2006; Peng and Luo, 2000). State-owned firms located in coastal provinces may be better placed in terms of access to foreign connections than private firms located in interior provinces. To control for the effects of *ownership*, a dummy variable was used to reflect state-owned and collectively-owned firms (coded as 1) and privately-owned firms (coded as 0). The *location* of sampled firms was also measured with coastal regions coded as 0 and interior regions coded as 1.

Export venture performance may be influenced by the amount of resources committed to exporting activities (Cavusgil and Zou, 1994; Morgan, Kaleka and Katsikeas, 2004). This was captured by controlling for *export intensity*, or the proportion of direct exports to total sales. In addition, firms' international experience may influence both their performance in foreign markets (Zhou, Wu and Luo, 2007) and their partner search methods. To control for this possibility, *international experience* was measured as the time, in years, separating the FME venture from the firm's first export venture (Erramilli, 1991). Consequently, a firm's first FME would be scored as zero, indicating no prior international experience. Conversely, a foreign market first entered 10 years after the firm had begun exporting (to other markets) would be scored as 10. Managers' search methods may also be affected by their level of education. Thus *managerial education* was assessed using a five point scale adapted from Klein et al. (2004) and Trevor (2001) with anchor points ranging from 1 = primary/elementary to 5 = post-graduate.

Other venture level factors were also controlled for in the data analysis. *Dependence* was included to gauge the importance of individual exchange partners, as this factor may influence relational outcomes. This was measured as firm's total export sales accounted for by the international exchange partner in question. The economic environment in foreign markets may have a strong impact on venture

performance, so both GDP per capita and GDP growth were included. *GDP per capita* was measured in US dollars in the year 2008. *GDP growth* was measured as the percentage increase or decrease in GDP over 2008 at constant 1990 prices. The economic data were from International Country Risk Guide (PRS Group, 2009).

Translation

The questionnaire was originally prepared in English and then translated into simplified Chinese. The Chinese version was then back-translated into English by a senior PhD student. The back-translated English version was then compared with the original version by the author and his supervisor. Inconsistencies in the original and back-translated versions were then resolved through discussions with both translators.

Pre-test

A pre-test of the questionnaire was conducted to examine the adequacy of the measurement and translation procedures. Fifteen pre-test interviews were held with CEOs and department managers in Shenzhen and Guangzhou from February 19th to June 11th 2008. Both personal connections and trade-fair visits were used to identify interviewees. Each interview lasted approximately half an hour. Prior to the pre-test, managers were asked to answer screening questions such as "Has your firm exported in recent years?" and "Are you responsible for the export activities in your firm?" If managers answered yes to both questions, they were then asked to answer the questions in the questionnaire. At the end of each interview, managers were asked to provide comments and suggestions on the measures and the questionnaire design.

Comments raised during the pre-tests led to some minor changes in the measures. For example, a subjective measure of institutional risk was perceived as ambiguous by some interviewees. This measure was replaced by the more comprehensive measure of political risk described above. An earlier measure of uncertainty avoidance based directly on Hofstede's (1980) measure, also confused many interviewees. Many found these items difficult to grasp, as it was originally developed in an organizational study and may not applicable to a individual-level context. An alternative measure from Erdem, Swait and Valenzuela (2006) was adopted instead and respondents had no problems with this version. Ten measurement items originally used to capture "commitment" were reduced to six on the basis of interviewees' comments. For example, the item "this buyer is continually on the lookout for a supplier to replace us" was deleted because many of the pre-testees took this as an extreme situation that was unlikely to happen. The final version of the questionnaire is found in Appendix 5.

Data Collection

China provides a number of obstacles to the collection of good quality primary data. Managers are sometimes reluctant to talk openly about their businesses; it is often difficult to solicit interest in studies which managers fear may be used by officials to monitor their organizations; and the size of the country hinders nationwide representation. I responded to these obstacles by conducting interviews in trade fairs held in diverse locations around China. This proved to be a very effective basis for soliciting targeted participants' interest in the study and getting good quality data from internationalizing managers. However, conducting interviews at trade fairs inevitably leads to the over-representation of fair-based searches in my sample. As I

made no predictions regarding the frequency or prevalence of particular search types, this was not a major concern. A list of trade fairs was collected from GlobalTextiles.Com, ChinaTexNet.com, and Expo-China.com.

Questionnaire data were collected using face-to face interviews held at thirteen trade fairs across China. Data collection ran from March 5th 2009 to November 4th 2009. During that time, 433 senior and department-level managers were approached to participate in the study. Of this number 411 were found to be eligible for the study of this number 236 agreed to be interviewed. Questionnaires that did not have an answer to the question: "How did you identify your first customer in this export market?" were considered incomplete. 13 incomplete questionnaires were discarded. This lead to the collection of 223 useable questionnaires collected. This indicates a response rate of 54% (or 223/411).

To encourage participation in the study, each manager was provided with a token gift before the interview. The gift was a small booklet containing updated contact information of potential foreign textile buyers compiled from the online directory, made-in-china.com. Each interview lasted an average of 35 minutes. During the interviews, managers were asked to indicate whether they had been personally involved in setting up exchange-ventures. The validity check was to ensure that the managers had first-hand knowledge on each FME venture (Huber and Power, 1985). Data were only recorded for those FMEs where the manager had been personally involved in the search for exchange partners.

Scale validity

A scale is deemed valid when a set of measures all reflect the same characteristic that one intends to measure and nothing else (Churchill, 1979; Hattie, 1985).

Evidence of scale validity is provided by the extent to which the measures used for a construct correlate with one another, or convergent validity, and the extent to which each measure represents a unique contribution to the scale, or discriminant validity (Churchill, 1979). Although there are different methods for checking scale validity, confirmatory factor analysis (CFA) provides a stricter assessment (Gerbing and Anderson, 1988). AMOS 6.0 was used to conduct CFA.

Several model fit indicators were used for the interpretation of CFA results: the comparative fit index (CFI), the root mean square error of approximation (RMSEA), and the chi-square value (χ^2). Good model fit is normally indicated by a CFI value of 0.90 or greater (Hu and Bentler, 1999), a RMSEA value of 0.10 or lower (Browne and Cudeck, 1993, p. 144), and a small chi-square value relative to the degrees of freedom which are statistically nonsignificant (Long, 1983, p. 64). The patterns of the correlations between item scores should also be assessed by using the measure of sampling adequacy (MSA) which is calculated in the evaluation of factorability both for the overall measurement model and individual items (Hair et al., 2010, p.132). A low level of MSA (below 0.50) with an item indicates inappropriateness for the measurement model (Hair et al., 2010, p.132; Kim and Mueller, 1978, p.54).

Trust. An initial test of the measurement model did not show a particularly good model fit for this construct ($\chi^2 = 226.31$, 14 d.f., $p < 0.01$; CFI = 0.96; RMSEA = 0.15) and deleting individual items did not result in any substantial improvement. However, as the MSA values for the items used were above 0.5, the decision was made to retain all of the original items. It was felt that the benefits of including a potentially substandard measure of trust were greater than dropping it. However, the

results pertaining to the effects of trust need to be interpreted with this limitation in mind.

Opportunism. Opportunism was measured by a six-item model. The scale has achieved an acceptable level of model fit (χ^2 = 42.04, 9 d.f., $p < 0.01$; CFI = 0.99; RMSEA = 0.08). MSA values associated with all the items were above 0.90, well above the minimum threshold.

Commitment. The original measurement model for commitment did not fit the data well (χ^2 = 87.01, 9 d.f., $p < 0.01$; CFI = 0.98; RMSEA = 0.12). Item six which showed the lowest MSA value was therefore dropped. An acceptable model fit was achieved after the reduction (χ^2 = 21.72, 5 d.f., $p < 0.01$; CFI = 0.99; RMSEA = 0.07).

Cooperation. The original measurement model did not fit the data well (χ^2 = 126.57, 9 d.f., $p < 0.01$; CFI = 0.91; RMSEA = 0.14). Low levels of MSA were observed in items two and five. The elimination of the two items resulted in a satisfactory model fit (χ^2 = 4.13, 2 d.f., $p = 0.13$; CFI = 0.10; RMSEA = 0.04).

Satisfaction. The scale used for relational satisfaction did not provide a satisfactory model fit (χ^2 = 139.79, 5 d.f., $p < 0.01$; CFI = 0.96; RMSEA = 0.21). The model fit did not improve after item reduction. However, as all MSA values were acceptable the decision was made to retain the measurement model. It was likely that the benefits of retaining the model outweighted the costs of changing it. Nevertheless, results on this relationship should be interpreted with caution.

Contractual safeguards. The four-item model produced the following model fit: χ^2 = 75.08, 2 d.f., $p < 0.01$; CFI = 0.98; RMSEA = 0.24. All MSA values were above 0.80. The model fit has not been significantly improved after item reduction.

Uncertainty avoidance. The CFA results for *uncertainty avoidance* indicated that the measurement model fitted well with the data (χ^2 = 0.00, 0 d.f., p = N.A.; CFI = 1.00; RMSEA = 0.09). All the three items used to measure uncertainty avoidance achieved an acceptable level of MSA.

Scale reliability

A necessary condition for scale validity is reliability which describes the extent to which the results produced by different measures are consistent with each other (Peter, 1979). The reliability of multi-item measures can be indicated by the internal consistency of a scale which is typically measured using Cronbach's alpha (α). A satisfactory level of alpha is assumed to exceed 0.70 (Murphy and Davidshofer, 1988, p.89; Peterson, 1994), although Nunnally (1967, p.226) has made a case for adopting less stringent alphas of 0.50. However, this cutoff value should be used with caution in that alpha levels may vary across research designs and acceptable alpha values depend on the purpose of the research (Churchill, 1979; Nunnally and Bernstein, 1994, p.265).

Table 5.2 presents the alpha levels of the constructs measured in this research along with the item-to-total correlations. Item-to-total correlations indicate how much any item is correlated with the underlying scale. A correlation value less than 0.3 indicates a weak correlation. The measures for all but one of the constructs were found to be reasonably reliable: trust (α = 0.98), opportunism (α = 0.95), commitment (α = 0.94), cooperation (α = 0.78), satisfaction (α = 0.96), and contractual safeguards (α = 0.98). Item-to-total correlations of these measures were also found to fall within a satisfactory range from 0.43 to 0.98. The measures for uncertainty avoidance yielded an alpha level at 0.48, and item-total correlations

ranging between 0.13 and 0.40. Since the alpha level is quite close to the minimum score (0.50), the benefits of retaining uncertainty avoidance may outweigh the cost of dropping it. As previous studies show, uncertainty avoidance is tricky to measure. In their examination of the measures used in Hofstede's cultural framework, Blodgett, Bakir and Rose (2008) found that the alpha level of uncertainty avoidance was among the lowest across four cultural dimensions with an alpha level of 0.35. For low alpha levels, additional attention should be paid to the potential for underestimating the relationships between uncertainty avoidance and the variable of interest (the use of trade fairs in this study) (Schmitt, 1996).

Table 5.2 Reliability Analyses

Items	Cronbach's Alpha	Item-to-Total Correlation
Trust	0.98	
This buyer has been frank in dealing with us.		0.93
This buyer does not make false claims.		0.94
We do not think this buyer is completely open in dealing with us.		0.92
This buyer is only concerned about himself/herself.		0.86
This buyer does not seem to be concerned with our needs.		0.87
The people at my firm do not trust this buyer.		0.91
This buyer is not trustworthy.		0.94
Opportunism	0.95	
They have always provided us a completely truthful picture of their business.		0.75
Complete honesty does not pay when dealing with this buyer.		0.87
Sometimes this buyer alters the facts slightly in order to get what they need.		0.85
The buyer carries out their duties even if we do not check up on them.		0.86
This buyer has sometimes promised to do things without actually doing them later.		0.87
This buyer seems to feel that it is OK to do anything within their means that will help further their firm's interests.		0.88
Commitment	0.94	
This buyer defends us when others criticize us		0.87
This buyer has a strong sense of loyalty to us.		0.90

This buyer expects us to be working with them for a long time		0.81
If another supplier offered better sales support, this buyer would most certainly take them on, even if it meant dropping us.		0.87
This buyer is patient with us when we make mistakes that cause them trouble.		0.75
Cooperation	0.78	
No matter who is at fault, problems are joint responsibilities.		0.43
One party will not take advantage of a strong bargaining position.		0.63
Both sides are willing to make cooperative changes.		0.72
We do not mind owning each other favors.		0.66
Satisfaction	0.96	
Our firm regrets the decision to do business with this buyer.		0.84
Our firm is not completely happy with this buyer.		0.90
Overall, we are very satisfied with this buyer.		0.90
We are very pleased with what this buyer does for us.		0.90
If we had to do it all over again, we would still choose to use this buyer.		0.86
Contractual safeguards	0.98	
In dealing with this buyer, our contract precisely defines the role of each partner.		0.97
Our contract precisely defines the responsibilities of each partner.		0.98
Our contract precisely states how each party is to perform.		0.98
Our contract precisely states what will happen in the case of events occurring that were not planned.		0.91
Uncertainty avoidance	0.48	
Security is an important concern in my life.		0.40
Life is so uncertain that one must continuously be on the alert so as not to be caught at a disadvantage.		0.39
It is important to consider different views when making personal and social decisions.		0.13

Chapter 6 Results

The aim of this study was to investigate the antecedents and outcomes associated with different methods of partner search. In this chapter, the results of the data analysis are presented in four parts. In part one, descriptive statistics pertaining to the sample of firms and FMEs are provided. In part two, the results of tests of the assumptions underlying robust multivariate regression are reported. The results of the hypothesis tests pertaining to search antecedents and search outcomes are reported in the third and fourth parts of the chapter respectively. The results of all the hypothesis tests are discussed in full in Chapter 7.

Descriptive statistics

Partner identification data were collected from 223 Chinese textile manufacturer-exporters. As this sample accounted for only one percent of the total number of firms in the industry (223/23,206 = 0.96%), a legitimate question to ask is whether this sample adequately represents the broader population of Chinese textile-makers? Table 6.1 provides a comparison between the sampled firms and the larger population of Chinese textile manufacturers. As can be seen in the Table, large and state-owned firms are over-represented in the sample. This may be attributable to the nature of the data collection method chosen with larger-firms better resourced to exhibit at trade fairs than smaller firms. Although the effects of firm size and ownership type were controlled for in the analysis, the relative under-representation of small and privately owned firms is a limitation that needs to be kept in mind when generalizing the results to wider settings.

Table 6.1 The Sample and Population Compared

	Chinese Textile Manufacturers	
	The population	**This sample**
Average size (no. employees)	145	692
Proportion state-owned (%)	2.8	10.8
Proportion coastal (%)	83.0	75.2
Total no. of firms	23,206	223

Note: Textiles industry data came from China data online (2008).

Tables 6.2 and 6.3 describe the sample of firms and the subsample of FMEs respectively. As can be seen in Table 6.2, textile makers located in China's interior provinces were generally older and more export-intensive than those located in the coastal provinces. Firms in the two regions also differ in terms of ownership type: state- and collective-owned firms accounted for 5 percent in the coastal group and 27 percent of the interior group. Although the groups were reasonably similar in many respects, firms in the interior provinces tended to be older and have higher export intensity. Managers from the interior provinces were also found to have nearly twice as much export experience than managers from the coastal region. These differences were somewhat surprising and may be attributable to the greater representation of international new ventures in the coastal group.

Table 6.2 Descriptive Summary of the Firms and Respondents

	The Sample			Assessing the differences		
	Pooled sample	**Coastal provinces**	**Interior provinces**	***t***	***p***	**Hedges' *g***
Number of firms*	222	167	55			
Average no. of FMEs	2.45	2.44	2.47			
Firm size (no. employees)	692.18	574.15	1037.84	-1.74	0.08	0.26
Firm age (years)	13.44	11.61	18.93	-3.84	0.00	0.60
Years exporting	3.60	3.27	4.49	-1.95	0.05	0.19
Export intensity (%)	60.30	57.68	69.05	-2.46	0.02	0.38
Product type (*N* ventures)						
- materials	139 (63.47)	103 (62.80)	36 (65.45)			
- finished goods	73 (33.33)	54 (32.93)	19 (34.55)	0.70	0.48	0.06
- both	7 (3.20)	7 (4.27)	0 (0.00)			
Total N (%)	*219 (100.00)*	*164 (100.00)*	*55 (100.00)*			
Ownership type (*N* firms)						
- state-owned	16 (7.21)	3 (1.80)	13 (23.64)			
- collectively-owned	8 (3.60)	6 (3.59)	2 (3.64)	-4.74	0.00	0.74
- privately-owned	198 (89.19)	158 (94.61)	40 (72.73)			
Total N (%)	*222 (100.00)*	*167 (100.00)*	*55 (100.00)*			
Managerial characteristics (means)						
- export experience (years)	5.50	4.67	8.05	-4.97	0.00	0.77
- level of education	3.48	3.42	3.66	-2.10	0.04	0.32

* One questionnaire had missing data for firm location.

Table 6.3 Summary of the FMEs in the Sample

Rank		Tie-based search	Fair-based search	Advertising-based search	Formal search	Totals
1	United States	20	55	15	1	91
2	Japan	19	20	4	1	44
3	South Korea	12	13	5	1	31
4	Germany	3	19	5		27
4	Italy	4	16	7		27
5	France	1	24	1		26
5	Russia	7	16	2	1	26
6	United Kingdom	9	13	3		25
7	India	4	10	9		23
8	Spain	3	11	3		17
9	Bangladesh	6	4	3		13
9	Hong Kong	5	6	2		13
9	Turkey	6	5	2		13
10	Argentina	2	6	2		10
10	Brazil	1	8	1		10
10	Canada	3	5	2		10
10	United Arab Emirates	1	9			10
11	Australia	2	5	2		9
12	Thailand	1	6			7
13	Malaysia	1	3	2		6
13	South Africa	2	2	2		6
13	Taiwan	3	3			6
13	Vietnam	2	4			6
14	Mexico		4		1	5
14	Netherlands		4	1		5
14	Poland		4	1		5
15	Belgium		4			4
15	Cambodia	4				4
15	Denmark	2	2			4
15	Indonesia	1	2	1		4
15	Singapore	1	3			4
16	Chile		3			3
16	Colombia		3			3
16	Egypt		3			3
16	Greece	1	1	1		3
16	Iran		1	2		3
16	Kuwait	1	2			3
16	Philippines	1	2			3
16	Saudi Arabia	1	1	1		3
16	Syria		1	2		3
17	Finland	1	1			2
17	Morocco		2			2
17	Pakistan		2			2
17	Ukraine		2			2
18	Albania		1			1
18	Algeria		1			1

18	Austria		1			1
18	Bolivia		1			1
18	Ecuador	1				1
18	Ethiopia			1		1
18	Laos	1				1
18	Lebanon		1			1
18	Lesotho	1				1
18	New Zealand		1			1
18	Nigeria		1			1
18	Norway		1			1
18	Oman		1			1
18	Paraguay		1			1
18	Peru		1			1
18	Portugal		1			1
18	Qatar			1		1
18	Romania				1	1
18	Sri Lanka		1			1
18	Sweden		1			1
18	Switzerland	1				1
18	Tunisia		1			1
18	Uruguay		1			1
18	Venezuela		1			1
	Total	*136*	*327*	*83*	*6*	*552*

Note: Two FMEs involved exchange-ventures with African buyers of unspecified nationality. These two ventures were excluded from the analysis.

Table 6.3 reveals that the sample of FMEs contained 552 partner searches involving 68 separate countries. This sample included 327 trade-fair based searches, 136 tie-based searches, 83 advertising-based searches, and just 6 formal searches. In this study formal searches accounted for only one percent of the total number of FMEs observed. This low proportion is consistent with other research where formal search has been found to account for between zero (Zain and Ng, 2006; 0 out of 32 FMEs) and 1.5 percent (Ellis, 2000; 2 out of 133 FMEs) of partner search methods. Given the limited data on formal search, the six FMEs based on this search method were excluded from the analysis. These formal searches came from five firms. One of them has only formal search. The sample size retained for analysis consisted of 546 FMEs made by 222 firms.

Table 6.4 presents descriptive statistics and correlations for all the variables examined in this study. The typical Chinese textile manufacturer in this study had 692 employees, was privately-owned, located in a coastal province, had operated for thirteen years and generated 60 percent of its sales from exporting activities. The average manager interviewed in the study had received post-secondary education and been engaged in exporting for five and a half years.

Table 6.4 Descriptive Statistics and Correlations

	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
1.Firm size	1.00																									
2.Firm age	0.42	1.00																								
3.Ownership	0.24	0.53	1.00																							
4.Location	0.11	0.27	0.30	1.00																						
5.Export intensity	-0.08	-0.02	-0.05	0.19	1.00																					
6.International experience	0.14	0.55	0.36	0.08	0.09	1.00																				
7.Managerial education	0.08	0.13	0.15	0.13	0.08	0.14	1.00																			
8.GDP per capita (USD'000)	-0.02	0.06	0.08	-0.03	0.14	0.00	0.02	1.00																		
9.GDP growth	0.03	-0.00	-0.06	-0.01	-0.01	0.05	0.02	-0.31	1.00																	
10.Political risk	-0.04	0.04	0.08	-0.04	0.08	-0.01	-0.01	0.78	-0.41	1.00																
11.Linguistic distance	-0.01	-0.01	0.04	0.09	0.17	0.09	0.13	0.08	0.19	-0.06	1.00															
12.Network size	0.14	0.04	-0.07	-0.08	-0.07	0.06	-0.03	0.04	0.00	0.05	0.08	1.00														
13.Uncertainty avoidance	-0.08	-0.10	-0.06	-0.04	-0.08	-0.00	-0.02	-0.01	0.08	-0.03	0.01	0.08	1.00													
14.Product type	-0.15	-0.04	0.04	-0.03	0.20	-0.01	-0.03	0.17	-0.09	0.21	0.02	0.15	-0.09	1.00												
15.Managerial experience	0.09	0.25	0.13	0.35	0.13	0.10	-0.06	0.11	-0.09	0.14	0.05	0.09	-0.07	0.07	1.00											
16.Tie-based	0.01	0.03	-0.01	-0.12	-0.07	0.07	-0.09	-0.01	-0.08	-0.02	-0.23	-0.08	0.02	-0.11	-0.02	1.00										
17.Fair-based	0.01	-0.05	-0.02	0.17	0.21	-0.07	0.10	0.06	-0.04	0.04	0.19	0.05	0.02	0.07	0.12	-0.70	1.00									
18.Advertising-based	-0.03	0.04	0.04	-0.08	-0.20	0.01	-0.03	-0.07	0.15	-0.04	0.01	0.02	-0.05	0.03	-0.14	-0.24	-0.52	1.00								
19.Dependence	0.01	-0.07	0.06	-0.03	-0.07	-0.12	-0.04	0.08	-0.09	0.06	-0.09	-0.09	0.04	0.01	0.06	0.21	-0.15	-0.05	1.00							
20.Export sales growth	0.08	-0.10	-0.09	-0.11	0.05	-0.01	0.00	-0.16	0.15	-0.16	0.03	0.08	-0.03	0.01	-0.08	-0.11	0.11	-0.02	0.03	1.00						
21.Trust	0.03	-0.07	-0.05	-0.10	-0.09	-0.03	-0.08	-0.09	0.04	-0.12	-0.06	0.01	-0.07	-0.02	-0.12	0.12	-0.13	0.04	-0.02	-0.04	1.00					
22.Commitment	-0.01	-0.07	-0.00	-0.13	-0.03	-0.02	-0.01	-0.13	0.07	-0.18	-0.05	0.01	-0.04	0.03	-0.10	0.03	-0.05	0.03	-0.04	-0.06	0.64	1.00				
23.Opportunism	0.04	-0.02	-0.06	-0.06	-0.09	-0.01	0.04	-0.16	0.14	-0.18	-0.05	-0.02	-0.01	-0.09	-0.06	0.04	-0.07	0.05	0.00	-0.01	0.53	0.54	1.00			
24.Satisfaction	-0.00	-0.01	-0.01	-0.13	-0.09	0.00	-0.02	-0.15	0.11	-0.16	-0.06	-0.04	-0.08	0.00	-0.13	0.11	-0.16	0.08	-0.06	-0.08	0.66	0.69	0.58	1.00		
25.Cooperation	0.03	-0.09	-0.11	-0.11	-0.06	-0.05	-0.00	-0.08	0.02	-0.08	0.00	0.00	-0.09	-0.00	-0.00	0.05	-0.03	-0.02	-0.10	-0.12	0.37	0.41	0.28	0.44	1.00	
26.Contractual safeguards	-0.11	-0.03	-0.06	0.07	0.09	0.03	-0.04	0.05	-0.03	0.10	0.08	-0.05	0.04	0.04	0.02	-0.10	0.07	0.02	-0.02	0.04	-0.18	-0.12	-0.14	-0.16	-0.11	1.00
Mean	692.18	13.44	0.11	0.25	60.30	3.60	3.48	29.40	-2.11	7.54	4.54	55.49	4.58	0.36	5.50	0.25	0.60	0.15	24.51	2.24	0.44	0.52	3.50	0.42	0.46	5.03
Standard deviation	1775.25	12.58	0.31	0.43	30.10	6.29	0.77	18.85	3.50	0.97	1.24	99.86	1.07	0.48	4.60	0.43	0.49	0.36	21.07	1.54	0.20	0.17	1.44	0.19	0.12	1.36
Minimum value	4	0.0	0.0	0.0	5.0	0.0	1.0	0.1	-10.8	4.6	1.0	1.0	1.3	0.0	1.0	0.0	0.0	0.0	0.5	1.0	0.0	0.1	1.0	0.0	0.1	1.0
Maximum value	20,000	86.0	1.0	1.0	100.0	74.0	5.0	86.7	15.2	9.2	5.0	1,000	7.0	1.0	30.0	1.0	1.0	1.0	100.0	7.0	0.9	0.8	7.0	0.9	0.8	7.0

Note: Mean scores for dummy variables reveal the proportion of cases in the category coded 1

Assumption tests underlying robust multivariate regression

The analysis was done in two parts – antecedents and outcomes. To test the hypotheses linking the various search antecedents with the three search methods (i.e., tie-based search, fair-based search and advertising-based search), logistic regression was used. Logistic regression coefficients, which are calculated using a maximum likelihood procedure, can be used to predict the probability of occurrence of an event, such as the choice of a particular search method. Unlike linear regression, logistic regression does not require that data are normally distributed, homoscedastic, or linearly related (Hair et al., 2010, p.323). But logistic regression does require low levels of multicollinearity and linearity in the logit (Menard, 2002, p.90). Linearity in the logit means that the change in the logit(Y) for a one-unit change in X is equal to the logistic regression coefficient. To detect nonlinearity, a Box-Tidwell transformation was used. This was performed by adding a new variable of the form (X)ln(X) (X multiplied by the natural logarithm of X) to the logistic regression equation (Menard, 2002, p.70). A statistically significant coefficient for this variable reveals nonlinearity in the relationship between the logit(Y) and X. No statistically significant coefficient was found in this study, indicating linearity in the logit.

To test the hypotheses linking the search methods with various outcomes, ordinary least squares (OLS) regression was used. OLS regression is appropriate when the dependent variable is measured using a metric scale. Assumptions underlying OLS regression analysis include: (1) normality, (2) homoscedasticity, (3) linearity, and (4) low multicollinearity. Data normality was assessed by calculating the values of skew and kurtosis. Ideally, these values should be close to zero. If the values of skewness and kurtosis exceed two, the distribution of residuals warrants

concern (Miles and Shevlin, 2001, p. 74). Variables that were found to be not normally distributed included managerial experience, network size, international experience, firm age, and firm size. Consequently a ln transformation was used to improve the normality of these variables. The values of skewness and kurtosis before and after transformation are shown in Table 6.5.

Table 6.5 Normality Test and Data Transformation

	Before Transformation		After Transformation	
	Skewness	Kurtosis	Skewness	Kurtosis
Firm size	7.12	67.48	0.04	-0.31
Firm age	2.37	7.18	-0.18	0.12
International experience	5.23	42.21	0.55	-0.40
Network size	5.67	42.23	0.17	0.98
Managerial experience	1.88	4.53	0.06	-0.59

Homoscedasticity is an assumption of constant variance of residuals at every set of values for an independent variable (Hair et al., 2010). The variance of residuals was examined by drawing scatter plots and performing Brown–Forsythe tests. The Brown–Forsythe test is based on a *t*-test with the null hypothesis that the population variances are equal (Brown and Forsythe, 1974). The null hypothesis was rejected in the tests for trust, commitment, relational satisfaction and cooperation. Observations on these four variables were transformed by using a procedure suggested by Pallant (2007, p.89).[3] Results of the Brown–Forsythe tests showed that the variance of residuals for each of the transformed variables was equal.

Linearity assumes a linear relationship between the independent variable and the dependent variable. This assumption was diagnosed by drawing partial regression plots for the coefficients of search methods on search outcomes with other

[3] Because the distribution of these observations was skewed left (the tail was on the left side), the four variables were transformed using the formula: New variable = log10 (largest possible value + 1 – old variable), where the largest possible value was 7 for these variables (scored 1-7) (Pallant, 2007, p.89).

variables controlled (Velleman and Welsch, 1981). Examination of the partial regression plots indicated that all the relationships sketched were linear.

Multicollinearity refers to the situation in which two or more predictor variables in a regression model are highly correlated. This was checked by examining the variance inflation factor of each regression coefficient (VIF). VIF values in excess of 10 indicate harmful collinearity (Kennedy, 1992, p.183), while values in excess of 5 are cause for concern (Menard, 2002, p.76). The VIF of every coefficient in this study was below 3 which is an acceptable level.

Another assumption underlying OLS regression is independence of observations (Hair et al., 2010, p.149). However, the observations in this study were not independent as multiple FMEs were reported for each firm. To compensate for the non-independence of observations, robust standard errors were calculated (Andersen, 2008, p.1; Fox, 2008, p.530; Hamilton, 2006, p.239) . Specifically, the determination of statistical significance was based on robust standard errors calculated using Stata 11.[4]

Hypothesis testing for search antecedents

The hypothesized relationships linking search antecedents with specific search methods were tested using logistic regression. Robust standard errors were used for the determination of *p* values and to inform judgments about statistical significance. (The substantive, as opposed to statistical, significance of results is discussed in Chapter 7.) Each of the search methods was dummy coded: tie-based search (coded 1) vs. other search methods (coded 0); fair-based search (coded 1) vs. other search

[4] The command used was regress Y X, vce(robust).

methods (coded 0); and advertising-based search (coded 1) vs. other search methods (coded 0).

The results of the logistic regression are reported in two models for each search method (see Table 6.6). In each case, the first model includes only the control variables. The second model includes both the control variables along with the hypothesized independent variables.

Hypothesis 1 predicts that the use of tie-based search methods will be linked with: (a) the political risk surrounding the exchange (+) and (b) the manager's network size (+). The results of these tests are reported in Model 2 of Table 6.6. The relationship between political risk and tie-based search is positive as predicted, but statistically nonsignificant (β= 0.01, $p > 0.05$). Thus, Hypothesis 1a is not supported. Hypothesis 1b predicts that tie-based search will be positively related to managers' network size. Although the coefficient for network size was found to be statistically significant, the sign was in the wrong direction (β= -0.40, $p < 0.001$). Thus, H1b is not supported.

Hypothesis 2a and 2b predict that trade fairs will be preferred by uncertainty-avoiding managers selling finished products. The results are reported in Model 4 of Table 6.6. Model 4 shows a positive and statistically significant relationship between uncertainty avoidance and the use of trade fairs (β= 0.17, $p < 0.05$), supporting Hypothesis 2a. The link between product type and fair-based search was found to be positive but statistically nonsignificant (β= 0.20, $p > 0.05$). Thus, H2b is not supported.

Hypothesis 3 predicts that managerial experience will be negatively related to the use of advertising-based search. The results of this test, which are reported in

Model 6 of Table 6.6, reveal a negative and statistically significant relationship (β= -0.60, $p < 0.01$) as predicted. Thus, Hypothesis 3 is supported.

Table 6.6 Search Antecedents: Logistic Regression Coefficients

	Tie-based		Fair-based		Advertising-based	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	0.03 (0.69)	2.37 (1.38)	-1.14 (0.63)	-2.07 (0.77)**	-0.81 (0.90)	-0.16 (0.96)
Firm size (ln)	-0.19 (0.10)	-0.17 (0.09)	0.06 (0.08)	0.06 (0.08)	0.18 (0.09)*	0.17 (0.09)
Firm age (ln)	0.38 (0.21)	0.46 (0.21)*	-0.21 (0.18)	-0.18 (0.19)	-0.20 (0.25)	-0.07 (0.25)
Ownership	0.24 (0.43)	0.11 (0.45)	-0.52 (0.39)	-0.54 (0.39)	0.64 (0.52)	0.57 (0.49)
Location	-0.68 (0.29)*	-0.59 (0.30)*	0.82 (0.25)***	0.85 (0.26)***	-0.73 (0.36)*	-0.48 (0.36)
Export intensity	-0.00 (0.00)	-0.00 (0.00)	0.01 (0.00)***	0.01 (0.00)***	-0.02 (0.00)***	-0.02 (0.00)***
International experience (ln)	-0.06 (0.14)	-0.07 (0.15)	-0.01 (0.12)	-0.03 (0.13)	0.12 (0.17)	0.12 (0.18)
Managerial education	-0.20 (0.15)	-0.30 (0.15)*	0.21 (0.14)	0.22 (0.14)	-0.09 (0.19)	-0.16 (0.20)
GDP per capita	-0.01 (0.01)	0.00 (0.01)	0.01 (0.01)	0.01 (0.01)	-0.09 (0.19)	0.00 (0.01)
GDP growth	-0.05 (0.03)	-0.04 (0.03)	-0.03 (0.03)	-0.03 (0.03)	0.11 (0.04)**	0.11 (0.04)**
Political risk		0.01 (0.02)				
Network size (ln)		-0.40 (0.11)***				
Uncertainty avoidance				0.17 (0.09)*		
Product type				0.20 (0.21)		
Managerial experience (ln)						-0.60 (0.20)**
Log pseudo likelihood	-273.23	-258.92	-327.57	-324.62	-202.20	-196.62
Pseudo R^2	0.03	0.05	0.05	0.06	0.08	0.10
Wald chi^2	16.81	30.73**	33.04***	36.82***	36.75***	39.74***
d.f.	9	11	9	11	9	10
N	520	512	520	519	520	518

Notes: Robust standard errors are in parentheses.
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Hypothesis testing for search outcomes

Multiple regression analyses with robust standard errors were used to test the hypotheses pertaining to the various search outcomes and the results are reported in Table 6.7. Two models are reported for each of the seven search outcomes. In each case, the first model reports the results of the control variables, while the second model adds the regression coefficient for the relevant search method being examined. To facilitate interpretation (done in Chapter 7), unstandardized regression coefficients are reported.

Hypothesis 4 predicts that fair-based searches will be positively related with export sales growth. Model 2 in Table 6.7 reveals a positive and statistically significant relationship between fair-based search and export sales growth (β= 0.37, $p < 0.05$), as predicted. Thus, Hypothesis 4 is supported.

Hypothesis 5 predicts that tie-based search will culminate in exchange relationships characterized by lower levels of linguistic distance and partner opportunism and higher levels of trust, commitment, cooperation and satisfaction. The findings in Table 6.7 suggest that the tie use has a negative and statistically significant relationship with linguistic distance (β= -0.59, $p < 0.001$) and positive and statistically significant relationships with trust (β= 0.04, $p < 0.05$) and satisfaction (β= 0.05, $p < 0.05$). These results support H5a, 5b and 5f. However, tie use was not found to have a statistically significant relationship with opportunism (β= 0.03, $p > 0.05$), commitment (β= 0.00, $p > 0.05$), or cooperation (β= 0.02, $p > 0.05$). Thus, Hypotheses 5c, 5d and 5e are rejected.

Hypothesis 6 predicts that the use of advertising-based search will lead to exchanges that are characterized by higher levels of contractual safeguards. The

coefficient for this test (Model 16) is positive but statistically nonsignificant (β= 0.10, $p > 0.05$). Thus, Hypothesis 6 is rejected.

Summary

In summary, fair-based search was found to be related to managers' uncertainty avoidance, while advertising-based search was found to be negatively related to managerial experience. In terms of outcomes, fair-based search was found to be positively related to export sales growth, while tie-based methods were found to be negatively linked to linguistic distance, and positively linked to trust and satisfaction. These results are interpreted and discussed in full in the next chapter.

Table 6.7 Multiple Regression Coefficients

	Economic Performance		Linguistic Distance		Trust		Opportunism	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Constant	2.25 (0.49)***	2.13 (0.48)***	3.84 (0.41)***	4.06 (0.40)***	0.61 (0.06)***	0.59 (0.06)***	3.74 (0.46)***	3.73 (0.46)***
Firm size (ln)	0.02 (0.05)	0.01 (0.05)	-0.03 (0.05)	-0.04 (0.05)	-0.00 (0.01)	-0.00 (0.01)	0.01 (0.05)	0.01 (0.05)
Firm age (ln)	-0.31(0.12)**	-0.29 (0.12)*	-0.20 (0.10)	-0.15 (0.10)	-0.00 (0.02)	-0.01 (0.02)	-0.01 (0.13)	-0.02 (0.13)
Ownership	-0.15(0.24)	-0.13 (0.24)	0.05 (0.22)	0.05 (0.22)	0.00 (0.03)	0.00 (0.03)	-0.27 (0.27)	-0.27 (0.27)
Firm location	-0.28 (0.16)	-0.34 (0.16)*	0.22 (0.13)	0.15 (0.13)	-0.03 (0.03)	-0.03 (0.03)	-0.05 (0.17)	-0.05 (0.17)
Export intensity	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)*	0.00 (0.00)*	-0.00 (0.00)*	-0.00 (0.00)*	-0.00 (0.00)	-0.00 (0.00)
Dependence	0.01 (0.00)	0.01 (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
International experience (ln)	0.23 (0.09)*	0.23 (0.09)**	0.19 (0.08)*	0.19 (0.08)*	0.01 (0.01)	0.01 (0.01)	0.07 (0.09)	0.07 (0.09)
Managerial education	0.10 (0.12)	0.07 (0.12)	0.21 (0.09)*	0.18 (0.09)*	-0.02 (0.01)*	-0.02 (0.01)	0.08 (0.10)	0.09 (0.10)
Product type	0.06 (0.15)	0.05 (0.15)	0.01 (0.12)	-0.03 (0.12)	0.02 (0.02)	0.02 (0.02)	-0.11 (0.14)	-0.11 (0.14)
GDP per capita	-0.01 (0.00)*	-0.01 (0.00)*	0.01 (0.00)***	0.01 (0.00)***	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.00)	-0.01 (0.00)
GDP growth	0.02 (0.02)	0.03 (0.02)	0.08 (0.02)***	0.08 (0.02)***	0.00 (0.00)	0.00 (0.00)	0.06 (0.02)**	0.06 (0.02)**
Fair-based		0.37 (0.15)*						
Tie-based				-0.59 (0.16)***		0.04 (0.02)*		0.03 (0.16)
R^2	0.06	0.08	0.12	0.16	0.04	0.05	0.06	0.06
F	3.20***	3.26***	4.15***	4.59***	1.88*	2.00*	2.84**	2.60**
N	469	469	487	487	473	473	473	473

Note: Unstandardized coefficients are shown with robust standard errors in parentheses.
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Table 6.7 (Continued)

	Commitment		Cooperation		Satisfaction		Contractual Safeguards	
	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
Constant	0.61 (0.05)***	0.60 (0.05)***	0.52 (0.04)***	0.52 (0.04)***	0.51 (0.06)***	0.50 (0.06)***	4.92 (0.44)***	4.89 (0.44)***
Firm size (ln)	-0.00 (0.01)	-0.00 (0.01)	0.01 (0.00)	0.01 (0.00)	-0.00 (0.01)	0.00 (0.01)	-0.01 (0.05)	-0.02 (0.05)
Firm age (ln)	-0.01 (0.01)	-0.01 (0.01)	-0.02 (0.01)	-0.02 (0.01)*	0.01 (0.02)	0.01 (0.02)	0.01 (0.11)	0.01 (0.11)
Ownership	0.04 (0.03)	0.04 (0.03)	-0.04 (0.02)*	-0.04 (0.02)*	0.01 (0.03)	0.01 (0.03)	-0.53 (0.27)*	-0.54 (0.27)*
Firm location	-0.05 (0.02)*	-0.05 (0.02)*	-0.01 (0.01)	-0.01 (0.01)	-0.05 (0.02)*	-0.04 (0.02)	0.21 (0.16)	0.21 (0.16)
Export intensity	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Dependence	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
International experience (ln)	0.00 (0.01)	0.00 (0.01)	0.01 (0.01)	0.01 (0.01)	-0.00 (0.01)	-0.00 (0.01)	0.18 (0.09)*	0.18 (0.09)
Managerial education	0.00 (0.01)	0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.01)	-0.00 (0.01)	-0.10 (0.09)	-0.10 (0.09)
Product type	0.02 (0.02)	0.02 (0.02)	0.01 (0.01)	0.01 (0.01)	0.02 (0.02)	0.02 (0.02)	0.10 (0.13)	0.10 (0.13)
GDP per 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)*	0.00 (0.00)	0.00 (0.00)
GDP growth	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.01 (0.00)*	0.01 (0.00)*	-0.03 (0.02)	-0.03 (0.02)
Ties-based		0.00 (0.02)		0.02 (0.01)		0.05 (0.02)*		
Advertising-based								0.10 (0.17)
R^2	0.05	0.05	0.05	0.05	0.06	0.07	0.04	0.04
F	2.22*	2.04*	2.33**	2.45**	3.00***	3.32***	1.64	1.51
N	473	473	473	473	473	473	473	473

Note: Unstandardized coefficients are shown with robust standard errors in parentheses.
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Chapter 7 Discussion

What factors affect the choice of partner search methods, and what outcomes arise from those choices? Based on data obtained from 223 Chinese exporters, several answers to these questions were provided in the last chapter. This purpose of this chapter is to discuss and interpret the substantive significance of these findings. To that end, the effect sizes observed in the sample are interpreted in light of effect size estimates obtained from other studies. Plausible explanations for unsupported hypotheses are also provided. This chapter is organized into two parts. In the first part, I discuss the research findings pertaining to the search antecedents. In the second part, I discuss the results pertaining to the search outcomes.

Search antecedents

The hypotheses pertaining to the search antecedents were tested using logistic regression. As the coefficient (β) in logit models can not be interpreted directly, additional procedures were needed to facilitate the interpretion of the effects being estimated. It has been suggested in the strategic management literature that the results of logit models should be evaluated using a relevant effect size metric such as an *odds ratio* or *the difference in probability*, ideally with graphical interpretations (Hoetker, 2007; Wiersema and Bowen, 2009). The odds ratio describes the relative likelihood of an event occurring for one group as opposed to the odds of it occuring for another. The odds ratio was used in this study to facilitate the interpretation of effects involving dummy predictor variables (e.g., product type). The effects of continuous predictor variables (e.g., political risk) were interpreted in terms of the difference in probability.

Odds ratios can be calculated as e^b and the percentage change in odds can be obtained using the following equation (Long, 1997, pp.80-81; Pampel, 2000, p.23):

$$\%\Delta = (e^b - 1) * 100$$

where e^b is the exponentiated coefficient (also known as the antilog of the logit coefficient), and $\%\Delta$ indicates the percentage change in the outcome attributable to a one-unit change in the predictor variable.

The probability of using a particular search type can be estimated using the following equation (Fox, 2008, p. 347; Long, 1997, p. 49; Pampel, 2000, p. 17):

$$P = 1 / (1+\exp[-(\alpha + \beta_i X_i)])$$

where P is the probability of having 1 (the use of a particular search method), α is the intercept, β_i represents the coefficients of the variables in the logit regression, and X_i indicates the variables of the logit regression. As the values of α and β_i are provided in logistic regression models, P is a function of an individual predictor (e.g., Brock et al., 2008; Haas and Hansen, 2005; Hoang and Rothaermel, 2005). The difference in probability can then be calculated by giving a range of meaningful values to the predictor with other variables set at their means.

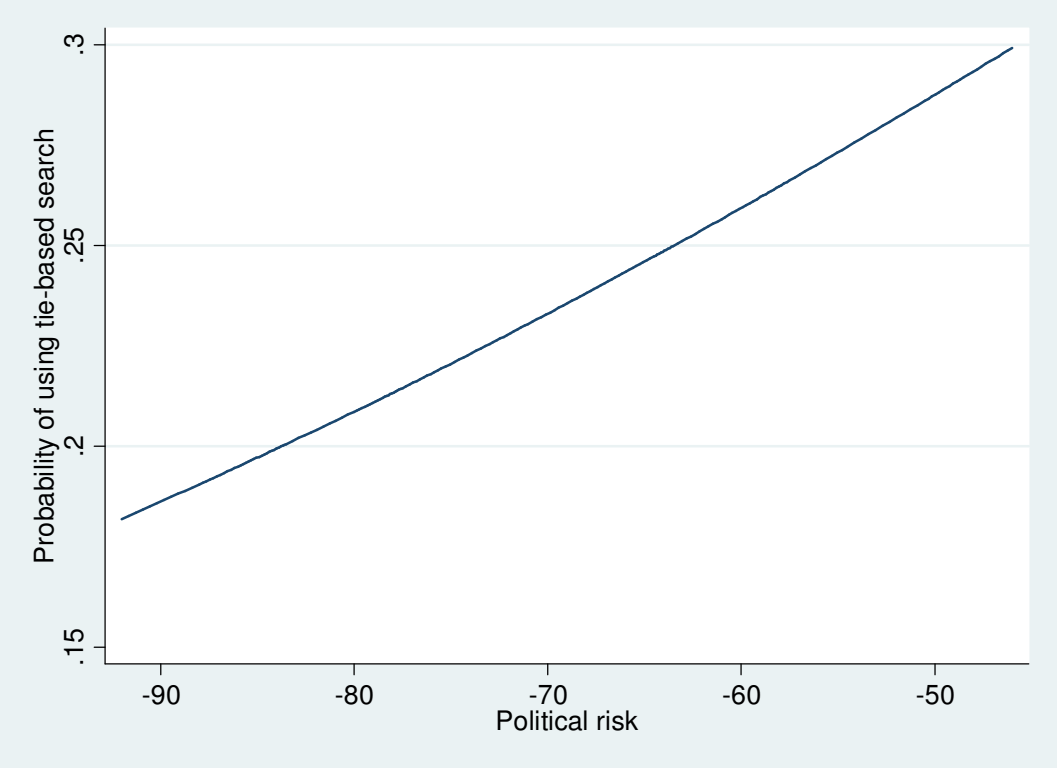
For the purpose of interpreting and comparing effect sizes, the difference in probability can be calculated by giving values to X_i at its mean and one standard deviation (SD) above and below the mean. One way to interpret differences in probability, then, is to compare the probability increase obtained for one SD difference in predictors. With reference to differences in proportions, Cohen (1988,

pp.184-185) has argued that effect sizes can be judged as small, medium and large when they fall in the following ranges respectively: 5-10%, 20-25% and 35-39%. Since proportion is synonymous with probability, small, medium and large effect sizes is defined in this study as 5-10%, 20-25% and 35-39% differences in probability respectively.

The use of ties in the search for international exchange partners was not found to be have a statistically significant relationship with the political risk of the potential partners' host markets. The difference in the probability of using-tie-based search for political risk can be calculated using the logistic regression coefficients obtained from model 2 in Table 6.5 and holding all other factors constant at their mean values.[5] The probability of tie-use is plotted for a meaningful range of tie-use values in Figure 7.1. This figure clearly indicates a positive relationship between political risk and the probability of using tie-based search. However, the effect of political risk on tie-use is small. A one SD (9.69) difference of political risk from the mean (-75.41) equates to a difference in the probability of using tie-based search of just 2.2%. To put this in practical terms, entrepreneurs will be nearly 9% more likely to use ties when searching for partners in politically risky markets such as Pakistan and Venezuela (political risk scores -46.0 and -48.5 respectively) compared with lower-risk countries such as Canada and US (political risk scores -86.0 and -84.5

[5] The equation for the plot is: $P = 1 / (1+ e^{-[2.37-0.17\times5.22+0.46\times2.35+0.11\times0.11-0.59\times0.25-0.00\times60.30-0.07\times1.04-0.3\times3.48+0.00\times29.40-0.04\times(-2.11)+0.01\times\text{Political risk}-0.4\times3.39]})$.

Figure 7.1 Effect of Political Risk on the Probability of Using Tie-based Search

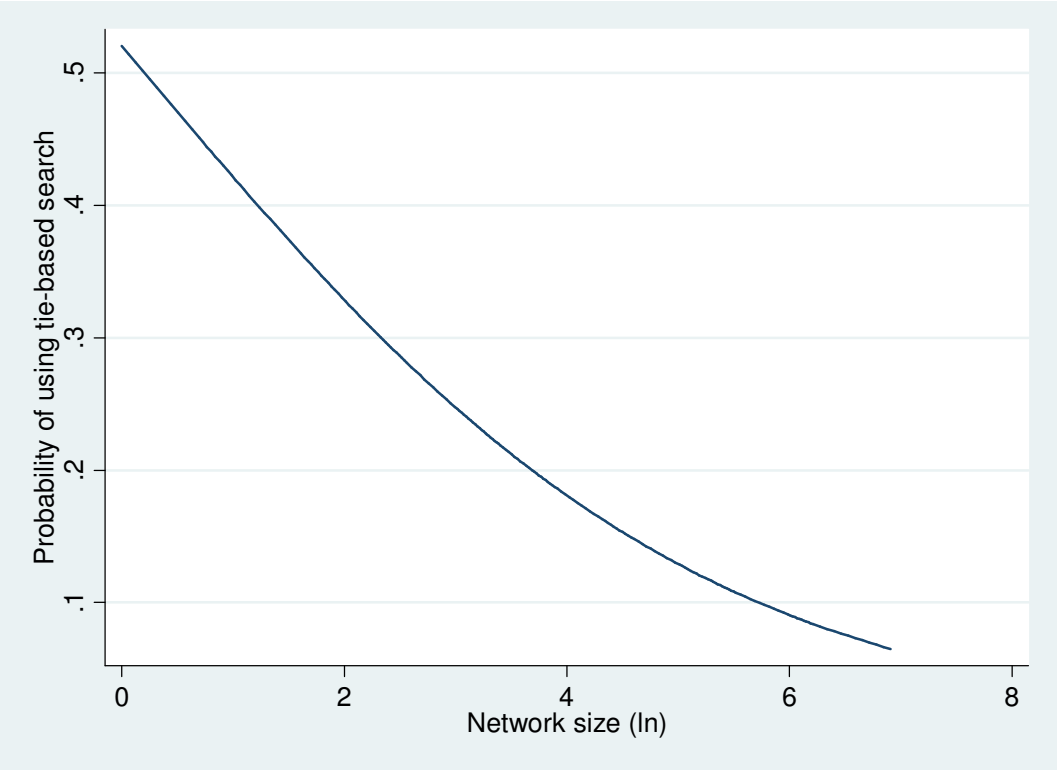


respectively). In other words, there is an effect but it is small and statistically nonsignificant given the parameters of this study. This finding provides only modest support for the conclusions of others who have found that managers rely more on ties when doing business in politically risky environments (Luo, 2001; Peng and Luo, 2000).

Network size was found to have a statistically significant relationship with tie-use ($p < 0.01$), but in an unexpected direction. Figure 7.2 plots the negative relationship between network size and the probability of using tie-based search. For one SD (1.05) difference of network size from its mean (3.39), the probability

difference for tie-use is 8.53% with other factors controlled at their means.[6] This effect sounds bigger than it is on account of the

Figure 7.2 Effect of Network Size on the Probability of Using Tie-based Search



underlying data transformation (done to adjust for nonnormal distribution). In real terms, a network of size $\bar{x}$ + 1SD will be more than eight times greater than a network of size $\bar{x}$ – 1SD. If we consider a more realistic size difference of 10 network connections, then the change in probability of tie-use will be just 1.3%. If there is an effect here, it is tiny. As such, and given that others have good reasons to believe to believe that network size has a positive effect on opportunity recognition

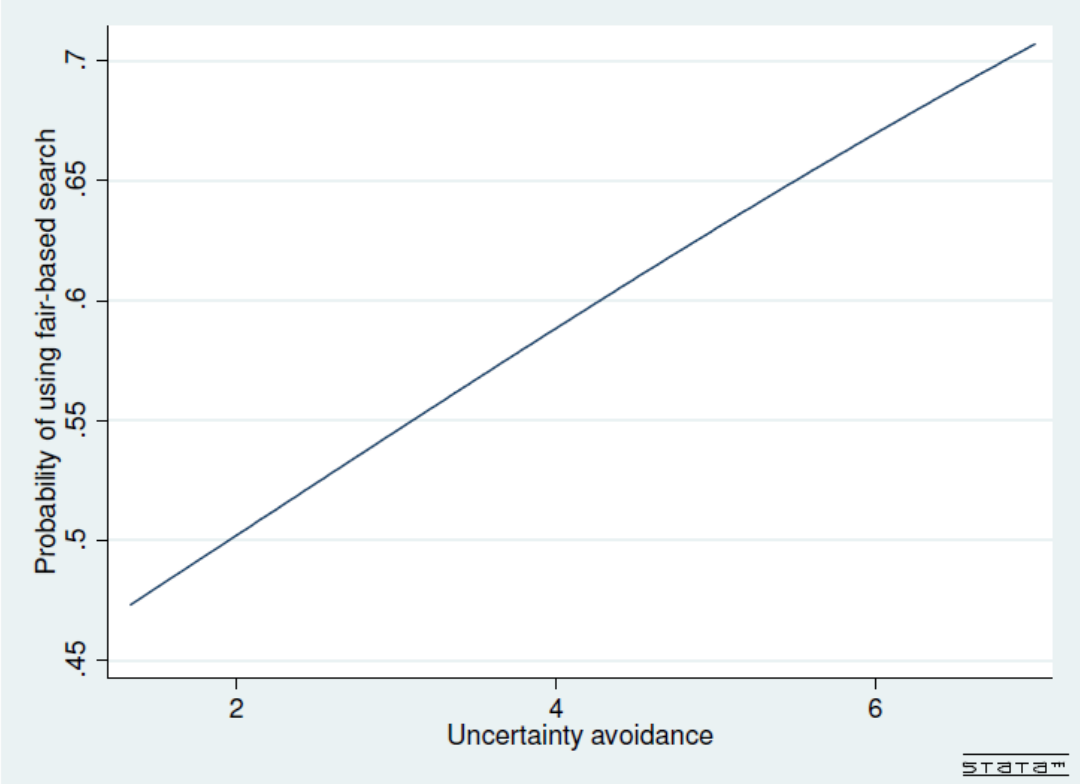
[6] Using estimates from Model 2 in Table 6.5 and holding other variables constant at their mean value, the equation for the plot is: $P = 1 / (1+ e^{-[2.37-0.17\times5.22+0.46\times2.35+0.11\times0.11-0.59\times0.25-0.00\times60.30-0.07\times1.04-0.3\times3.48+0.00\times29.40-0.04\times(-2.11)+0.01\times(-75.41)-0.4\times\ln(\text{Network size})]})$.

(Kiss and Danis, 2010; Peng and Heath, 1996), I am reluctant to conclude that any effect is negative.

The hypothesis tests revealed that uncertainty-avoiding entrepreneurs prefer trade fairs to other search methods, as predicted. By attending trade fairs, entrepreneurs may alleviate their uncertainties by observing how other exporters interact with potential buyers. This relationship is plotted in Figure 7.3. The difference in the probability of using fair-based search is 4.15% for a one SD (1.07) difference of uncertainty avoidance from its mean (4.58) holding other variables constant at their means.[7] Recall that in the original scale a score of 1 indicated the lowest level of uncertainty avoidance and a score of 7 indicated the highest level of uncertainty avoidance. For an uncertainty avoiding manager (defined as one who scored 6 or above on the original scale), the probability of fair-based search will be 20% higher than for an uncertainty accepting manager (defined as one who scored 2 or below). This is a medium-sized effect according to Cohen's (1988) size conventions. This finding is consistent with prior research showing that managers attend trade fairs with non-selling objectives such as observing other exhibitors, particularly competitors, and gathering information about products, technology and industry (Hansen, 1996; Rosson and Seringhaus, 1995).

[7] Using estimates from Model 4 in Table 6.5 and holding other variables constant at their mean value, the equation for the plot is: $P = 1 / (1+ e^{-[-2.07+0.06\times5.22-0.18\times2.35-0.54\times0.11+0.85\times0.25+0.01\times60.30-0.03\times1.04+0.22\times3.48+0.01\times29.40-0.03\times(-2.11)+0.17\times\text{Uncertainty avoidance}+0.20\times0.36]})$.

Figure 7.3 Effect of Uncertainty Avoidance on the Probability of Using Fair-based Search

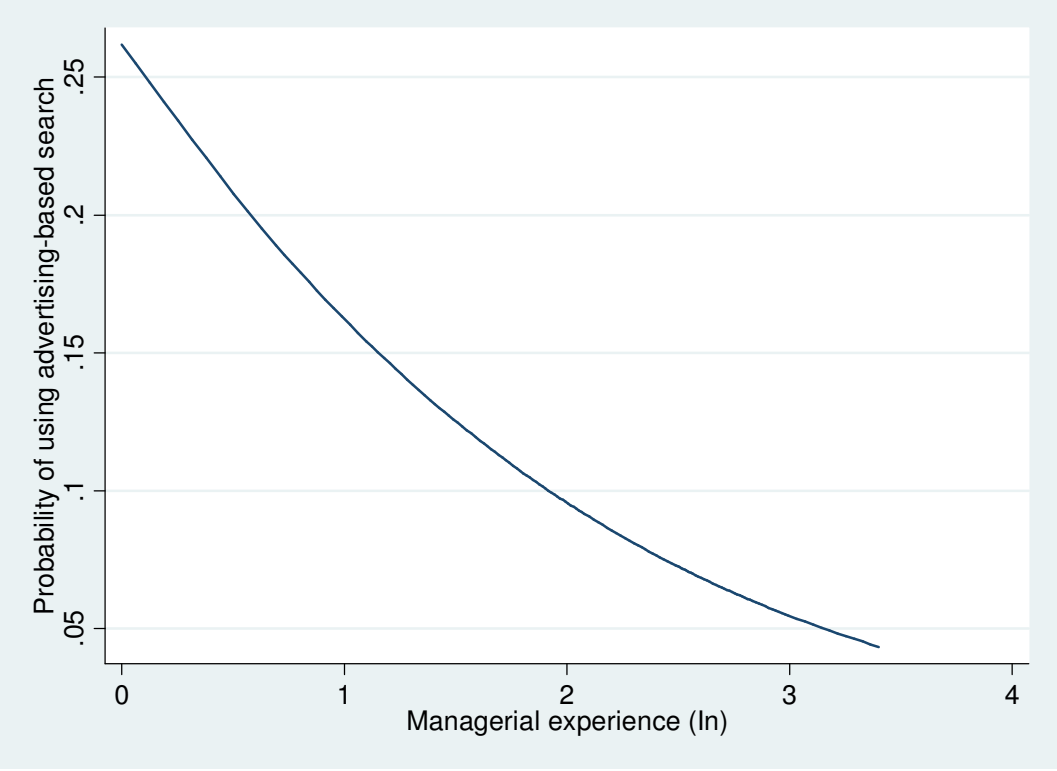


In this study the use of fair-based search was not found to be statistically significantly related to product type. However, the odds of fair-based search are 22.4% higher (or ($e^{0.202}$ – 1) * 100) for finished-goods manufacturers than the odds for material manufacturers. This odds ratio ($e^{0.202}$ or 1.22) can be converted into a probability using the equation from Fleiss (1994, p.251): $p = odds / (1 + odds)$. In probability terms, finished-goods manufacturers were 55% (or 1.22 / (1+1.22)) more likely to use fair-based search than materials manufacturers. By any metric this is a substantial difference. However, the lack of a statistically significant result leads me to conclude that the effect is spurious, that any link between product type and fair use is accounted for by variation in the control variables.

Inexperienced managers were found to prefer advertising-based search. Figure 7.4 presents the relationship between managerial experience and the

probability of advertising-based search. The difference in the probability of using advertising in the search for exchange partners is 4.77% for a one SD (0.75) difference of managerial experience from its mean (1.42) holding other variables constant at their means.[8] Alternatively, if we compare inexperienced managers (defined as those with no more than one year of export experience) with experienced managers (defined as those with ten or more years export experience), then the former are 14% more likely to use advertising-based search than the latter. This may be a slightly exaggerated comparison, but it serves to highlight what is a genuine, if somewhat small effect. Advertising-based search may be selected by inexperienced managers because it requires less resource commitment compared with other types

Figure 7.4 Effect of Managerial Experience on the Probability of Using Advertising-based Search



[8] Using estimates from Model 6 in Table 6.5 and holding other variables constant at their mean value, the equation for the plot is: $P = 1 / (1+ e^{-[-0.16+0.17\times5.22-0.07\times2.35+0.57\times0.11-0.48\times0.25-0.02\times60.30+0.12\times1.04-0.16\times3.48+0.00\times29.40+0.11\times(-2.11)-0.60\times\ln(\text{Managerial experience})]})$.

of search. This interpretation is consistent with the Uppsala-model of firm internationalization whereby managers make only gradually increasing resource commitments that reflect their limited knowledge of foreign markets in early stages of internationalization (Johanson and Vahlne, 1977, 1992; Johanson and Wiedersheim-Paul, 1975).

Three control variables were found to have a substantial impact on the use of search methods. The odds ratio of the effect of location on fair-based search is 2.342 (or $e^{0.851}$). The implication is that entrepreneurs from interior regions are at least two times more likely to use fair-based search than entrepreneurs from coastal regions. In probability terms this means that entrepreneurs from China's interior are 70% more likely to rely on fair-based search than their coastal counterparts (or 2.34 / (1+2.34)). This may reflect the lack of overseas connections for interior entrepreneurs or the historically significant role that foreigners have played in China's coastal regions.

Export intensity was found to influence both fair-base search and advertising-based search. The differences in the probability of using fair-based search and advertising-based search are 7.26% and 6.77% for one SD (30.1) difference of export intensity from its mean (60.3) holding other variables constant at their means.[9] Light exporters (with no more than 5% of their total sales accounted for by export sales) are 18% less likely to use fair-based search and 18% more likely to use advertising-based search than heavy exporters (those earning 80% or more of their income from exporting). Advertising-based search may be preferred by light exporters because they are less experienced than heavy exporters. Fair-based search

[9] Using estimates from Model 4 and 6 in Table 6.5 and holding other variables constant at their mean value, the equations for the plot is: $P = 1 / (1+ e^{-[-2.07+0.06\times5.22-0.18\times2.35-0.54\times0.11+0.85\times0.25+0.01\times\text{Export intensity}-0.03\times1.04+0.22\times3.48+0.01\times29.40-0.03\times(-2.11)+0.17\times4.58+0.20\times0.36]})$; and $P = 1 / (1+ e^{-[-0.16+0.17\times5.22-0.07\times2.35+0.57\times0.11-0.48\times0.25-0.02\times\text{Export intensity}+0.12\times1.04-0.16\times3.48+0.00\times29.40+0.11\times(-2.11)-0.60\times1.42]})$.

would be preferred by heavy exporters because they may hold that trade fairs are effective in boosting export sales.

GDP growth in foreign markets was found to exert some influence on entrepreneurs' choice of search methods. The difference in the probability for of using advertising-based search is 4% for one SD (3.50) difference of GDP growth from its mean (-2.11) holding other variables constant at their means.[10] A mean score below zero reflects declining GDP (a score of -2.11 indicated a GDP decline by 2.11%). To put this result in context, entrepreneurs exporting to modestly growing countries such as India (with a GDP growth rate of 5.2% at the time of data collection), were 7.5% more likely to use advertising-based search than entrepreneurs exporting to countries with no GDP growth.

Search outcomes

What outcomes arise from the adoption of different types of partner search? The results reported in Chapter 6 reveal a number of statistically significant relationships. Of greater interest, however, is the size and meaning of the underlying effects. Knowing that tie-based search has some effect on satisfaction is one thing; knowing how big that effect is, is another.

Effect size indexes associated with multiple regression analysis include standardized beta coefficients, R^2, ΔR^2s and part correlation coefficients (Ellis 2010). In this study the effect of individual predictors was ascertained by calculating semipartial or part correlation coefficients (Hair et al., 1998, p.145). A part correlation coefficient measures the strength of the relationship between a dependent

[10] Using estimates from Model 6 in Table 6.5 and holding other variables constant at their mean value, the equations for the plot is: $P = 1 / (1+ e^{-(-0.16+0.17\times5.22-0.07\times2.35+0.57\times0.11-0.48\times0.25-0.02\times60.30+0.12\times1.04-0.16\times3.48+0.00\times29.40+0.11\times\text{GDP growth}-0.60\times1.42)})$.

variable and an independent variable with the predictive effects of the other independent variables removed. Correlations greater than .10, .30 and .50 are conventionally judged small, medium and large following Cohen's (1988, pp.79-80) recommendations. A part correlation coefficient can also be used as an input in a binomial effect size display (BESD), as a further aid to interpretation. Introduced by Rosenthal and Rubin (1982), a BESD is a contingency table with dichotomous independent variables shown in rows and outcomes shown in columns. The probability of having different outcomes can be calculated as (0.5 + *r*/2) and (0.5 – *r*/2).

Are exchanges based on trade fairs characterized by higher export sales? The part correlation coefficient for the relationship between fair-based search and export sales is 0.115, which is a small effect according to Cohen's conventions (1988). However, this small effect may represent a substantive difference in practical terms. The unstandardized regression coefficient indicates that the predicted export sales growth for fair-based search is 0.37 scale units higher than the predicted growth for non-tie based search with other factors controlled. For an average exporter, the use of fair-based search would lead to a total growth rate equivalent to 2.50 scale units ($b_0 + b_1$ or 2.13 + 0.37) in contrast with a growth rate of 2.13 units for other types of search. Referring back to the original scale, a score of 2.13 corresponded to a value equivalent to virtually no growth in export volumes. (In the original scale a score of 1 indicated decline, a score of 2 indicated 0% growth, and a score of 3 indicated growth in the range of 1-5%.) A mean score around 0% growth is not unexpected given that the data were collected during the height of the 2008-09 global financial crisis. However, the growth rate for fair-based exchanges (2.50) is to the right of the critical threshold. Specifically, 2.50 units may correspond to growth in the range of

0.50-2.50% (or (1-5%)/2). Thus the effect size, though small, accounts for qualitatively different performance outcome. In essence, it is the difference between growing sales and no growth for the exporters in this study.

The results also reveal that tie-based searches are limited in terms of their reach. Specifically, tie-based searches tend to connect entrepreneurs with those who speak the same or similar languages. The part correlation coefficient for the relationship between tie-based search and linguistic distance is -0.193. The negative sign indicates the negative relationship between tie-use and linguistic distance. In BESD terms this works out to a 40% (0.5+ (-0.193)/2) likelihood for using non-tie based search to identify foreign buyers within the same language branch and a 60% (0.5- (-0.193)/2) likelihood for using tie-based search to identify foreign buyers within the same language branch (see Table 7.1). In terms of the difference in probability, this means that entrepreneurs using tie-based search are 20% (or 60%-40%) more likely to identify exchange partners speaking the same or similar languages than entrepreneurs using non-tie based search. In his investigation of Chinese entrepreneurs, Ellis (2011) also found that the use of social ties relates to a higher likelihood of having Chinese-speaking buyers identified, but at a lesser magnitude of 12% difference in probability. The difference in effect size found might be attributable to the different measures used to capture linguistic distance. These findings are also in line with the evidence that overseas ethnic groups promote bilateral trade by exploiting their social connections in home countries such as China (Rauch, 2001; Rauch and Trindade, 2002; Redding, 1995), India (Saxenian, 1999) and South Korea (Min, 1990). While overseas social connections provide trading opportunities, relying solely on these connections may constrain the collection of exchange opportunities and market information available in other ethnic groups.

Tie-based search was found to be positively related to exporters' levels of trust, satisfaction, and cooperation with their exchange partners. The part correlation coefficients are 0.09, 0.10 and 0.07 for trust, satisfaction and cooperation respectively. The probabilities associated with high and low levels of trust and other aspects of partner relationships are shown in Table 7.1. The difference between tie-based search and non-tie based search on trust, satisfaction and cooperation in BESD terms is 8% (or 54%-46%), 10% (or 55%-45%) and 6% (or 53%-47%) respectively. The conclusion that I draw from this is that tie-based exchanges are better than other exchanges in terms of these relational dimensions, but the effects are small to trivial in size.

Interestingly, exchanges based on ties were not found to be characterized by higher levels of commitment or lower levels of opportunism in comparison with exchanges based on other search methods. The part correlation coefficients for these two variables are both just 0.01. As presented in Table 7.1, the difference between tie-based search and non-tie based search on commitment and opportunism in BESD terms is just 2% (or 51%-49%) and 0 (or 50%-50%). This suggests that although tie-based searches may lead to exchanges characterized by higher levels of trust, satisfaction and cooperation, they have no appreciable effect on partner commitment or opportunistic behavior, at least when these outcomes are being judged by exporters. Another interpretation is that entrepreneurs who search via their ties with others have higher and harder-to-meet expectations regarding their exchange partners. Exporters dealing with strangers, in contrast, may not expect the same level of commitment from their foreign partners and are thus harder to disappoint. This suggests an opportunity for further exploration, as discussed in the next chapter.

Table 7.1 The Binomial Effect Size Display on Tie-based Search

	Linguistic distance			Trust		
	Different language branches	Same language branch	Total	High	Low	Total
Tie-based search	40	60	100	54	46	100
Non-tie based search	60	40	100	46	54	100
Total	100	100	200	100	100	200
	Commitment			Opportunism		
	High	Low		High	Low	
Tie-based search	51	49	100	50	50	100
Non-tie based search	49	51	100	50	50	100
Total	100	100	200	100	100	200
	Satisfaction			Cooperation		
	High	Low		High	Low	
Tie-based search	55	45	100	53	47	100
Non-tie based search	45	55	100	47	53	100
Total	100	100	200	100	100	200

The findings of this study fail to support the hypothesized link between advertising-based search and contractual safeguards; the part correlation coefficient is just 0.03. Table 7.2 indicates that the use of advertising-based search only makes a difference of 2% (or 51%-49%) on the likelihood of having more detailed contracts in comparison with other search methods. Contractual safeguards are appreciated by all in the sample (mean score = 5.03 out of 7). This suggests that detailed contracts are always desirable in highly uncertain settings such as international markets (Gong et al., 2007; Luo, 2005), regardless of the methods used for partner search.

Table 7.2 The Binomial Effect Size Display on Advertising-based Search

	Contractual safeguards		
	More detailed	Less detailed	Total
Advertising-based search	51	49	100
Non-advertising-based search	49	51	100
Total	100	100	200

Summary

In summary, the findings have been interpreted in terms of the magnitude of the relationships and their practical significance. The estimated effect sizes underlying the hypothesized relationships, and the conclusions drawn from them, are summarized in Table 7.3. These results have clear implication for the international business and marketing literature, the most obvious of which are the findings on uncertainty avoidance, export sales growth, linguistic distance and relational outcomes. The implications of this study for theory and managerial practice are discussed in the following chapter.

Table 7.3 Summary of Results

Hypothesis	*p*	ES	Conclusion
1a. political risk → ties	NS	P^a = 9%	small effect
1b. network size → ties	< .001	*P* = 8.5%	trivial effect
2a. uncertainty avoidance → fairs	< .05	P^b = 20%	medium effect
2b. product type → fairs	NS	P^c = 55%	large but spurious effect
3. managerial experience → advertising (-)	< .01	P^d = 14%	small effect
4. fairs → export sales growth	< .05	*r* = .12	small but important effect
5a. ties → linguistic distance (-)	< .001	*r* = -.19	small effect
5b. ties → trust	< .05	*r* = .09	trivial/small effect
5c. ties → opportunism (-)	NS	*r* = .01	no effect
5d. ties → commitment	NS	*r* = .01	no effect
5e. ties → cooperation	NS	*r* = .07	trivial effect
5f. ties → satisfaction	< .05	*r* = .10	small effect
6. advertising → contractual safeguards	NS	*r* = .03	no effect

Note: *P* = difference in probability of the outcome between the mean and 1 SD for the predictor. P^a = difference between politically risky and non-risky countries. P^b= difference between uncertainty avoiding and uncertainty accepting managers. P^c = difference between finished good manufacturers and textile-makers. P^d = difference between inexperienced (=< 1 year exporting experience) and experienced (>= 10 years exporting experience).

Chapter 8 Conclusions

The internationalization process of the firm is based, in part, on the identification of exchange partners in foreign markets. The identification of exchange partners is crucial because without a foreign customer, distributor, or agent, no exchange can take place. Partner search is a precursor to partner identification. The aim of this study was to examine different methods for partner search as well as factors antecedent to, and outcomes arising from, those methods. A number of different search methods were identified in the pilot study (16 firms, 35 FMEs), while hypotheses pertaining to search antecedents and outcomes were tested in the larger study (223 firms, 552 FMEs). The results of this study reveal a number of insights pertaining to the international exchange partner identification process. In this final chapter, the main contributions of this study are summarized and a number of implications for managers and policy makers are identified. In light of the limitations and findings of the current study, several suggestions for future research are also provided.

Contributions of this study

The aims of this study were to identify those factors that influence the selection of partner search methods and to examine the outcomes that arise from the adoption of different types of search. In addressing these aims, this study makes several contributions to the international business literature. First, this study provides one of the first assessments of the comprehensive search classification taxonomy developed by Ellis (2008, 2011). The findings of the pilot study reveal that the four search taxa provide a more comprehensive accounting of the variety of search methods used by

managers than coarse dichotomous classifications. The pilot- and larger study also revealed that tie-based search accounts for a substantial proportion of the international exchanges forged by Chinese exporters. This finding is consistent with an emerging stream of research showing the importance of social ties when entering foreign markets (Crick and Spence 2005; Ellis 2000; Harris and Wheeler 2005; Riddle and Gillespie 2003). In terms of search antecedents, the findings suggest that managers will prefer ties when searching for exchange partners in politically risky markets; that uncertainty-avoiding managers will favor trade fairs over other forms of search, especially when dealing with finished goods; and that inexperienced managers will prefer advertising based search.

Second, this study contributes to the export marketing literature by highlighting a new and important predictor of export performance, namely, partner search. While prior research on export performance has examined various internal and external predictors (Zou and Stan, 1998; Morgan, Kaleka and Katsikeas, 2004), no study to date has fully investigated the effect of search methods on export performance. The current findings suggest that fair-based search will lead to higher export sales growth in comparison with other search types. By considering search methods as marketing tools that link exporters to external environment, the framework presented in this study has the potential to influence current knowledge on the predictors of export performance: both internal resources and search methods may shape export performance; external environment is likely an outcome of partner search and can be approached strategically via partner identification.

Third, this research contributes to the export channel literature by showing that the use of different search methods has implications to channel relationships. Prior studies on channel relationships have generally adopted a post hoc approach

based on relational, transactional or contractual arrangements (Anderson and Coughlan, 1987; Bello and Gilliland, 1997; Cavusgil, Deligonul and Zhang, 2004). This study provides one more option by focusing on partner search which comes before these arrangements. The results indicate that tie-based search tends to promote exporters' trust and satisfaction with buyers and buyers' cooperation with exporters.

Finally, this study makes an important contribution to our understanding of the exporting practices of Chinese manufacturers. Although considerable research has been done on China's trade, much of that research is based on the analysis of secondary data obtained from official sources. Secondary data is accessible but offers, at best, a distant look at firm-level and managerial practices. To date relatively few studies have reported results obtained from primary data collected from China's internationalizing managers. This study thus complements an extant focus on Western exporters by reporting on the export practices of firms in the world's second largest trading nation.

Implications for managers

A critical implication arising from this research is that the selection of an appropriate partner search method may be no less important than other strategic choices made by internationalizing managers. Each search method provides a unique set of advantages and disadvantages that may affect search outcomes and subsequent export performance. The benefits and costs involved in partner search should be deliberately examined before making search method decisions.

The findings suggest that the use of search methods may lead to multidimensional outcomes. This implies that the framework could be used as a

basis for reevaluating prior searches and assessing the performance of the management team. These assessments in turn could provide insightful inputs for future decision making on the selection of search methods. For example, managers could evaluate the number of partners identified via each search method, and the costs incurred in the identification of each partner. They can go further to trace sales and profits generated from each partner search. This can be done on a yearly basis because current search may not pay off in the short run and good search outcomes may emerge in coming financial years.

Based on the analyses of both search antecedents and outcomes, a number of practical suggestions for appropriate use of search methods are now outlined. When dealing with politically risky markets, managers should not simply walk away and give up exchange opportunities. They may try a more proactive approach by considering the use of tie-based search. Consistent with the findings of others, social ties reduce the risk associated with searching for partners in volatile markets. When looking to enter such markets, managers would do well to explore their connections with known others. This might lead both to new exchanges or referrals to potential exchange partners. In this study, no relationship was found between network size and tie-use. This implies that merely boosting network size does not lead to a corresponding increase in exchange opportunities. In terms of facilitating tie-based search, large networks seem to offer no more benefits than small networks. Managers with small networks should not hesitate to capitalize on their social capital.

Many managers may feel uncertain about the usefulness of attending a trade fair. To these managers, a trade fair is merely a place where they meet potential buyers. In fact, exhibiting at fairs offers advantages that go beyond deal-making. Specifically, fair-based search offers learning advantages in terms of observing how

other exporters interact and negotiate with potential exchange partners. Managers who are sensitive to uncertainties would be well advised to pursue fair-based search.

Inexperienced managers in this study exhibited a preference for advertising-based search. The implication may be that advertising is preferable at the early stages of internationalization, and that as managers acquire experience they ought to be more proactive in pursuing tie-based and fair-based searches. These types of search offer more advantages than advertising in terms of learning opportunities about exchange partners and business practice.

An important question that managers may want to ask is what will be the outcome if a particular type of search is used? The lacking of an answer to this question makes managers hesitate to decide which search method to use and how much to invest for the search method. The findings suggest that when sales growth is desirable, fair-based search may have an edge over other search methods. Tie-based search will be preferable, when managers aim to identify buyers that they can trust, and aim to build satisfactory partner relationship. The downside to ties, however, is that they limit managers to exchange opportunities within their own language group. If target markets are linguistically distant, other search methods will be needed.

Limitations and directions for further research

This research has several characteristics which both limit the generalizability of the findings and suggest directions for further research. Formal search was excluded from the analysis as it was found to be rarely used both in this study and in others (Ellis, 2000; Zain and Ng, 2006). However, formal search may represent a more systematic method for reducing environmental uncertainties in comparison with the other search methods (Root, 1977; Young et al., 1989). For example, by evaluating

data acquired from public sources or via proprietary market research, managers could systematically eliminate unsuitable countries and partners from their consideration set. Formal search should therefore lead to optimal partner choices and better export performance. Further research is clearly needed to test this claim and to reveal why managers tend to avoid this search method.

Future research might also explore network structure where exchange opportunities are generated. In this study network size was not found to be related to tie-based search. It may be that other factors, such as network diversity and the number of structural holes, provide a better correlation with the tie-use (Burt, 1992; Uzzi, 1997). Further studies could also offer additional tests of the hypothesis linking network size and tie-based search and alternative theory explaining the link.

In this study a number of relational outcomes – trust, satisfaction, cooperation, opportunism and commitment – were measured from the exporter's point of view. A better approach, that could be adopted in follow-up work, would be to measure these outcomes from both sides of the exchange dyad. The lack of data from the buyer's side inevitably biases the results of this study. Future research could approach distributors and trade intermediaries and ask about their views of oversea suppliers.

Relatedly, the test of the measurement model did not show a good model fit for trust, satisfaction and contractual safeguards. Nevertheless, these constructs were retained because of their potential in aiding the explanation of partner search. Yet the results – small effects were observed for both trust and satisfaction, no effect on contractual safeguards – are inconclusive. Are effects genuinely small/absent, or were they missed because of poor measurement? To better detect hypothesized effects, further studies would need to consider alternative methods of measurement.

Further research might also investigate partner identification in other entry modes. For strategic alliance, mergers and acquisitions in foreign markets, search method selection could play a more significant role in influencing venture performance. Some of these settings involve substantial equity exchanges, so it will be interesting to explore how the partners are initially identified.

Finally, the sample used in this study was under-represented in terms of small, privately-owned enterprises. As explained in Chapter 6, this was a direct consequence of the data collection method. Insofar as China's future in world markets will be shaped by nimble, privately-owned enterprises, this under-representation signals an opportunity for more comprehensive sampling in subsequent research.

Summary

In summary, this research investigates a key element of the larger internationalization process of the firm, namely the way in which international exchange partners are identified. The findings reveal insights into those antecedents and outcomes which influence, and arise from, the partner search process..It is hoped that this study will provide managers with a better understanding of partner search methods as well as signal a number of promising directions for further research into this little-explored aspect of firm internationalization.

Appendix 1: Interview Questions in the Pilot Study

1. When did your firm start to export?
2. What is the size of your firm?
3. What methods have you used to identify partners in your first foreign market entry? What about recent entries?
4. What methods have you used to identify partners in more recent entries?
5. By which method most satisfactory partners were found? Most profitable partners?
6. What official trade-promoting agencies are able to help you? What match making services do they provide? How do you evaluate those services?

Appendix 2: Measurement Sources

Variable	Measure	Indicative Sources
Search methods	How did you first identify your customer in [market name]:	Ellis (2010)
Tie-based search	1) They are a relative or "old friend" 2) Through personal contacts (eg: friend/acquaintances) 3) We knew them from previous job/business 4) Referral from an existing client 5) They are a former classmate/neighbor	
Formal search	6) Through market research/formal search 7) Through government/other official agency	
Fair-based	8) We met at a trade fair/exhibition	
Advertising-based	9) In response to an advertisement	
Unclassifiable	10) Unknown/can't remember	
Search antecedents		
Political risk	Total score 100 including twelve components: Government Stability (12 points), Socioeconomic Conditions (12 points), Investment Profile (12 points), Internal Conflict (12 points), External Conflict (12 points), Corruption (6 points),Military in Politics (6 points), Religious Tensions (6 points), Law and Order (6 points), Ethnic Tensions (6 points), Democratic Accountability (6 points), Bureaucracy Quality (4 points).	Buckley et al. (2007)
Linguistic distance	1 Same language 2 Same sub-branch at the first level but different at the second level 3 Same branch but different at the first sub-branch level 4 Same family but different branches 5 Different families	Dow and Karunaratna (2006)
Uncertainty avoidance	Please indicate your attitude to following statements: 1. Security is an important concern in my life. 2. Life is so uncertain that one must continuously be on the alert so as not to be caught at a disadvantage. 3. It is important to consider different views when making personal and social decisions.	Erdem, Swait and Valenzuela (2006)
Network size	Number of customers, past and present, personally listed in the firm's books	Ellis (2007)
Education	Ranging from 1 = primary/elementary school to 5 = post-graduate	
Firm size	Number of full time workers currently employed	
International experience	Number of years the firm has been involved in exporting	Erramilli (1991); Cadogan, Diamantopoulos and Siguaw (2002)

Product type	1 = Textile materials vs. 0 = final products (see Appendix 4)	GSY (2007, p. 455)
Venture performance	How satisfied are you with this export venture in the last three years in the following areas? (a) Sales growth (b) Return on invested capital (c) Our profits	Ellis (2007); Knight and Cavusgil (2004)
Relational performance	How would you characterize your relationship with this (country name) buyer?	
Trust	(a) This buyer has been frank in dealing with us. (b) This buyer does not make false claims. (c) We do not think this buyer is completely open in dealing with us. (d) This buyer is only concerned about himself/herself. (e) This buyer does not seem to be concerned with our needs. (f) The people at my firm do not trust this buyer. (g) This buyer is not trustworthy.	Doney and Cannon (1997)
Commitment	(a) This buyer defends us when others criticize us (b) This buyer has a strong sense of loyalty to us. (c) This buyer expects us to be working with them for a long time (d) If another supplier offered better sales support, this buyer would most certainly take them on, even if it meant dropping us. (e) This buyer is patient with us when we make mistakes that cause them trouble. (f) This buyer is willing to dedicate whatever people and resources it takes to grow our sales.	Anderson and Weitz (1992)
Opportunism	(a) They have always provided us a completely truthful picture of their business. (b) Complete honesty does not pay when dealing with this buyer. (c) Sometimes this buyer alters the facts slightly in order to get what they need. (d) The buyer carries out their duties even if we do not check up on them. (e) This buyer has sometimes promised to do things without actually doing them later. (f) They seem to feel that it is OK to do anything within their means that will help further their firm's interests.	John (1984)
*S*atisfaction	(a) Our firm regrets the decision to do business with this buyer. (b) Our firm is not completely happy with this buyer. (c) Overall, we are very satisfied with this buyer. (d) We are very pleased with what this buyer does for us. (e) If we had to do it all over again, we would still choose to use this buyer.	Cannon and Perreault (1999)
Cooperation	(a) No matter who is at fault, problems are joint responsibilities.	Cannon and

	(b) Exchange of information in this relationship takes place frequently and informally and not only according to a pre-specified agreement. (c) One party will not take advantage of a strong bargaining position. (d) Both sides are willing to make cooperative changes. (e) We must work together to be successful. (f) We do not mind owning each other favors.	Perreault (1999); Heide and Miner (1992)
Contractual safeguards	(a) In dealing with this buyer, our contract precisely defines the role of each partner. (b) Our contract precisely defines the responsibilities of each partner. (c) Our contract precisely states how each party is to perform. (d) Our contract precisely states what will happen in the case of events occurring that were not planned.	Wuyts and Geykskens (2005)
Control variables		
Firm age	Number of years operating	
Ownership	State-owned, collective or private enterprise	
Location	Northern vs. southern China	

Appendix 3: Language Families and Branches

Families	Branches	First level sub-branches	Second level sub-branches	Selected languages within sub-branches
Sino-Tibetan	Chinese			Mandarin, Min Nan, Yue
	Tibeto-Burman	Baric		Jingpho
		Bodic		Tibetan
		Burmese-Lolo		Burmese
Japanese	Japanese			Japanese
	Ryukyuan			Okinawan – Central
Korean				Korean
Niger-Congo	Atlantic-Congo	Atlantic		Themne
		Volta-Congo	Benue-Congo	Swahili, Tonga, Yoruba, Zulu, Igbo
	Mande			Mende
Uralic	Finno-Ugric	Finno-Permic		Finnish
		Ugric		Hungarian
Diac	Kadai			Lati
	Tai	Central		Tay
		Northern		Zhuang – Northern
		Southwestern	East Central	Thai, Tai – Northeastern, Tai – Northern
Austronesian	Malayo-Polynesian	Central-Eastern	Central M-P	Dobel
			Eastern M-P	Fijian, Samoan, Tongan, Kiribati
		Western Malayo-Polynesian	Borneo	Lawangan
			Chamorro	Chamorro
			Meso Philippine	Tagalog
			Sundac	Javanese, Indonesian, Malay, Malay – Pattani
Afro-Asiatic	Chadic			Hausa
	Cushitic			Somali
	Egyptian			Coptic
	Semitic	Central	Aramaic	Chaldean Neo-Aramaic
			South	Arabic – Mesopotamian, Arabic – Standard, Hebrew
		South		Amharic
Altaic	Mongolian			Mongolian – Halh
	Tungus			Manchu
	Turkic	Bolgar		Chuvash
		Eastern		Uzbek – Northern
		Southern	Azerbaijani	Azerbaijani South
			Turkish	Turkish
	Albanian			Albanian – Tosk
	Baltic			Latvian, Lithuanian
	Celtic	Insular	Brythonic	Welsh
			Goidelic	Gaelic – Irish, Gaelic – Scots
	Germanic	East		Gothic
		North	East Scandinavian	Danish, Swedish
			Transitional Scand'n	Norwegian – Bokmal
			West Scandinavian	Icelandic
		West	Continental North Sea	German – Standard, Schwyzerdutch, Dutch English, Frisian – Northern
	Greek	Attic		Greek
		Doric		Tsakonian
Indo-European	Indo-Iranian	Indo-Aryan	Central Zone	Hindi, Urdu
			Eastern Zone	Bengali
			Northern Zone	Nepali
			Northwestern Zone	Panjabi – Western, Sindhi
		Iranian	Eastern	Pashto – Eastern
			Western	Kurdi, Farsi – Western

Families	Branches	First level sub-branches	Second level sub-branches	Selected languages within sub-branches
	Italic	Latino-Faliscan		Latin
		Romance	Eastern	Romanian
			Italo-Western	Italian, French, Spanish, Portuguese
	Slavic	East		Russian, Ukrainian
		South	Eastern	Bulgarian
			Western	Serbo-Croatian
		West	Czech-Slovak	Czech, Slovak
			Lechitic	Polish

(Adapted from Dow and Karunaratna, 2006)

Appendix 4: Types of Textile Products

Textile Materials	Final Products
Natural silk	Carpets & related woven products
Wool, animal hair, woolen yarn & woven fabrics	Special woven fabrics, woven ornaments, embroidery
Cotton	Impregnated, coated, covered or laminated textile products
Other textile fibers, yarn & related woven fabrics	Knit wear & crocheted fabrics
Chemical fiber, continuous filament	Knitted or crocheted garments & clothing accessories
Chemical fiber, staple fiber	Garments not knitted or not crocheted & clothing accessories
Wadding, felt & adhesive-bond fabrics, special yarn, threads, ropes, cables	Other textile products

Source: Guangdong Statistical Yearbook, 2007, p.455

Appendix 5: Questionnaire

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

Interview start time:
访问开始时间 _____

Interview finish time:
访问结束时间 _____

Duration:
持续时间 _____ (分 mins)

Interview date:
访问日期 _____

Interview location:
访问地点 _____

Company Name:
公司名称 _____
(省/市 province/city)

Address:
地址 _____

Questionnaire check date:
问卷检查日期
_____

Remarks:
备注

Staple interviewee's business card here (or provide FULL contact details INCLUDING PHONE NO.):
请在此钉上公司名片（或提供详细联络资料包括电话号码）

Screening questions:
测试问题：
Do you export?
您的公司出口吗？
1❑ Yes / 有 2❑ No / 无
Are you responsible for export activities in your firm?
请问您负责出口业务吗？
1❑ Yes /是 2❑ No / 不是 (please redirect 请转发)
What proportion of your total sales is sold via direct export?
直接出口占贵公司总销售量的比重是
_____%

PART A: General Information about the Respondent and Company
第一部分: 有关被访者和公司的概要信息

A.1 Which of the following best describes this enterprise:
以下哪项最能反映贵公司情况？

1( ) Wholly-owned Chinese firm 全资中资企业→	1( ) state-owned enterprise / holding company 国营企业 / 国有控股公司
	2( ) collectively-owned township /village enterprise 集体所有制乡镇/村办企业
	3( ) private enterprise fully owned by PRC nationals 中国公民全资拥有的私营企业
2( ) Wholly-owned foreign firm (incl. HK, Macau & Taiwan) 外商独资企业 (包括港澳台)	
3( ) A joint venture between a Chinese & foreign firm 中外合资企业	other foreign share _____ 其他 _____% 外资比重

A.2 What is your position in the firm? *(Please tick the best one)*
阁下在公司的职位? *(请选择最恰当的一项)*

1( ) Owner / Chairman 所有者 / 主席
2( ) CEO / General Manager 首席执行官 / 总经理
3( ) Managing Director 董事长
4( ) Department Head / Manager 部门主管 / 经理
5( ) Employee/other *(please specify)* 员工/其它 (请注明)_____

A.3 What year did this enterprise FIRST begin operation?
贵公司于何年开始营业: _____ Year / 年

A.4 How many (full-time equivalent) workers are currently employed in this enterprise?
目前贵公司雇佣了多少名(全职)员工:
_____ 名 (no.)

A.5 What is your highest level of education attained? *(Please tick the highest level)*
阁下完成的最高学历 ? *(请选择最恰当的一项)*

1( ) Primary/elementary school 小学
2( ) High school / secondary 高中 / 中学
3( ) Post-secondary 大专
4( ) University 大学
5( ) post-graduate 硕士及以上

A.6 What language do you speak at home (your mother tongue)?
阁下在家中所常用的语言/ 方言 (阁下的母语是甚么)?

1( ) Putonghua/ Mandarin 普通话
2( ) Cantonese 广东话
3( ) Fujian/ Minnam 闽南话
4( ) Chaozhou/ Teochew 潮州话
5( ) English 英语
6( ) other 其他 _____

A.7 (a) How long have you personally been involved in selling outside mainland China? *[Year]*
阁下已经亲自参与出口到中国大陆以外地区多久了:
_____年

(b) How long have you worked or studied outside mainland China? *[Year]* Where? *[Country/region]*
阁下曾在中国大陆以外地区工作或学习多久了: _____年
_____地区/国家

A.8 Please indicate the extent of your agreement, where 1-7 represents strongly disagree/strongly agree:
请表达您对下列陈述同意的程度,1-7 表示非常不同意/非常同意:

	Strongly Disagree 非常不同意			**Neither Agree nor Disagree 无意见或中立**			**Strongly Agree 非常同意**
(a) Security is an important concern in my life. 在生活中我会很担心安全。	1	2	3	4	5	6	7
(b) Life is so uncertain that one must continuously be on the alert so as not to be caught at a disadvantage. 生活是很不确定的所以一个人必须小心保持警惕从而避免损失。	1	2	3	4	5	6	7
(c) It is important to consider different views when making personal and social decisions. 在做出有关个人和社群的决定时考虑不同观点很重要。	1	2	3	4	5	6	7

A.9 How many **Customers** are you actively selling to at present? Count only those customers with whom you are currently trading (ie: Box B in diagram).
您目前销往多少间**客户**公司？请只数出您正与之交易的客户数量（即图中方框 B）：
_____ (公司数 number of firms)

Among all the firms that you have sold to so far, how many active and inactive customers are known to you personally? Count only those firms where you have had some previous contact.
迄今为止，您曾销往的所有客户公司之中，包括正在和不再来往的客户，其中多少为您个人所了解?只数出过去与您曾有过联系的公司：_____ (公司数 number of firms)

A.10 What year did your firm FIRST begin exporting?
贵公司于何年开始出口：_____ Year / 年

A.11 How many foreign countries does your firm currently export to?
贵公司目前出口到多少个国家：_____ (国家总数 number of countries)

A.12 Please list all your export markets in order of importance. You may include export markets where your firm is no longer active. (Make a note of markets in table shell at the last page) 请根据重要性列出阁下现在或过往的所有出口市场。(注意：请往资料表填写作答，在最后一页)

PART B: Specific Information about Foreign Market Entry
第二部分: 有关国外市场详细资料

B.0 *How* do you sell to this export market? What is the firm's primary mode of activity in *<market name>*?
[See list of alternative entry modes.]
贵公司是*怎样*把产品卖到该出口市场的? 贵公司主要以什么形式在<*市场名称*>经营?
(请看进入形式的表列)

* Choose from the following ***entry modes*** / 请选择下列进入形式

1. export 出口	**2.contractual 合约形式**	**3. equity joint ventures 股权式合营企业**	**4. subsidiary (wholly-owned) 附属公司 (全资拥有)**
(a) to a foreign firm (eg: distributor) 给外国公司 (如: 批发家)	(a) licensing 牌照	(a) minority EJV 少量	(a) acquisition of existing facilities 拥有现有的设施
(b) to your own foreign subsidiary 给您的外国附属公司	(b) alliances 联营	(b) 50/50 EJV 一半	(b) Greenfield (starting from scratch) 自己发展未开发的地区 (由头开始)
(c) indirect exporting via PRC intermediary 透过中国大陆中间人作非直接出口	(c) joint venture 合资	(c) majority EJV 大量	(c) others (specify) 其它 (列明)_____
(d) other 其它; (列明) _____			

B.1 In the case of *<market name>* were you personally involved in setting up this export arrangement (if no, pick next market in the country list):
有关于<*市场名称*> 阁下个人有否参与创建该出口安排(如果否，选择列表里的下一个国家):
1( ) Yes / 有 2( ) No / 无

B.2 What is the nature of your exports to <*market name*>? (Tick best answer)
贵公司去年在<*市场名称*>这市场的出口性质是以下哪一种？

Ordinary exports (ie: exports are made predominantly of Chinese-sourced components)

1( ) 一般出口（即：中国本土零部件是出口产品的最大组成部分）

Assembly/processing exports (ie: goods made predominantly of imported components/inputs)

2( ) 组装/加工出口（即：进口零部件是产品的最大组成部分）

B.3 Product sold in this export market 出口到该国的产品是: _____

B.4 *Who* first established contact between you and your customer in <*market name*>:
是*谁*首先建立您和这个<*市场名称*>客户之间的联系的：

We approached them 1( ) 我们找他们	We were introduced by a mutual associate/acquaintance 4( ) 通过中间朋友介绍认识
They contact us 2( ) 他们找我们	Don't remember 5( ) 忘记了
We met at a trade fair/exhibition 3( ) 我们在贸易展会认识	

B.5 How did you identify your first customer in this export market: *(Please indicate one answer that best applies)*
在这个出口市场您是如何找到第一个买家的: *(请选最贴切一项)*

1( ) they are a relative or "old friend" 是亲戚 /老朋友
2( ) through personal contacts (eg: friends/acquaintances) 通过私人联系 (如朋友/熟人)
3( ) we knew them from previous job/business 之前的商务或工作中已认识
4( ) referral from an existing client 现有客户推荐
5( ) they are a former classmate/neighbour 是旧同学 / 邻居
6( ) in response to an advertisement 响应广告
7( ) through market research/formal search 通过市场调研 / 正式搜寻
8( ) through government/other official agency 通过政府/其他官方机构
9( ) we met at a trade fair/exhibition 在贸易展会相遇
10( ) unknown/can't remember 不知道/记不起

B.6 In what language did you initially communicate with the buyer in <*market name*>?
阁下首次与这个<*市场名称*> 采购员沟通时是用哪种语言的?

1( ) Mandarin 普通话 2( ) Cantonese 广东话 3( ) English 英语 4( ) other *(please specify)* 其它 (请注明)_____

B.7 Please indicate your firm's export sales growth in <*market name*> over the past financial year.
请指出贵公司在<*市场名称*>过去一个财政年度出口销售额增长:

Decline 下降	Stable 不变	1-5%	6-10%	11-15%	16-20%	>20%
1	2	3	4	5	6	7

B.8 How satisfied are you with the performance in <*market name*> in the past financial year in terms of:
在以下方面，阁下对出口到<*市场名称*>在去年的业绩满意程度如何?

	Highly Dissatisfied 非常不满意	Moderately Dissatisfied 不满意		Neither Satisfied Nor Dissatisfied 并无不满或满意	Moderately Satisfied 满意		Highly Satisfied 非常满意
(a) sales growth 营业额的增长	1	2	3	4	5	6	7
(b) cash flow 现金流	1	2	3	4	5	6	7
(c) gross profits 毛利润	1	2	3	4	5	6	7
(d) return on invested capital 资本回报	1	2	3	4	5	6	7

Please answer the following questions for each export market, beginning with your most important export market. (Enter data into attached table) 下列问题有关各个出口市场，由最重要的出口市场开始。（把答案填入附表）

How would you characterize your relationship with this <*market name*> buyer?
请描述贵公司和这个<*市场名称*>买家的关系：

Very Strongly Disagree 非常不同意	Strongly Disagree 很不同意	Disagree 不同意	Neither Agree Nor Disagree 无意见或中立	Agree 同意	Strongly Agree 很同意	Very Strongly Agree 非常同意
1	2	3	4	5	6	7

B.9	(a) This buyer has been frank in dealing with us. 这个买家对我们是坦率的.	1	2	3	4	5	6	7
	(b) This buyer does not make false claims. 这个买家没有提出虚假的要求.	1	2	3	4	5	6	7
	(c) We do not think this buyer is completely open in dealing with us. 这个买家没有对我们完全坦诚.	1	2	3	4	5	6	7
	(d) This buyer is only concerned about himself/herself. 这个买家只关心他/她自己.	1	2	3	4	5	6	7
	(e) This buyer does not seem to be concerned with our needs. 这个买家看起来不关心我们的需要.	1	2	3	4	5	6	7
	(f) The people at my firm do not trust this buyer. 我们公司的员工不信任这个买家.	1	2	3	4	5	6	7
	(g) This buyer is not trustworthy. 这个买家不值得信任.	1	2	3	4	5	6	7
B.10	(a) This buyer defends us when others criticize us 这个买家当别人批评我们时,帮我们辩护	1	2	3	4	5	6	7
	(b) This buyer has a strong sense of loyalty to us. 这个买家对我们很忠诚.	1	2	3	4	5	6	7
	(c) This buyer expects us to be working with them for a long time 这个买家期望我们和他们一起长期工作.	1	2	3	4	5	6	7
	(d) If another supplier offered better sales support, this buyer would most certainly take them on, even if it meant dropping us. 如果其他供应商提供更好的销售支持,这个买家肯定会和他们合作,尽管这意味着放弃我们.	1	2	3	4	5	6	7
	(e) This buyer is patient with us when we make mistakes that cause them trouble. 当我们做错事给他们带来麻烦时, 这个买家耐心地对我们.	1	2	3	4	5	6	7
	(f) This buyer is willing to dedicate whatever people and resources it takes to grow our sales. 这个买家愿意提供任何所需的人力物力来增加我们的销售.	1	2	3	4	5	6	7
B.11	(a) They have always provided us a completely truthful picture of their business. 这个买家经常向我们毫无保留地介绍他们的生意.	1	2	3	4	5	6	7
	(b) Complete honesty does not pay when dealing with this buyer. 和这个买家做生意时,彻底地诚实没什么好处.	1	2	3	4	5	6	7
	(c) Sometimes this buyer alters the facts slightly in order to get what they need. 有时这个买家为了满足自己的需求轻微地改变事实真相.	1	2	3	4	5	6	7
	(d) The buyer carries out their duties even if we do not check up on them. 即使我们不检查他们，这个买家也会履行他们的职责.	1	2	3	4	5	6	7
	(e) This buyer has sometimes promised to do things without actually doing them later. 这个买家有时答应了我们做某些事情,其实后来却没做.	1	2	3	4	5	6	7
	(f) This buyer seems to feel that it is OK to do anything within their means that will help further their firm's interests. 这个买家看起来觉得为达目的不择手段没什么.	1	2	3	4	5	6	7
B.12	(a) Our firm regrets the decision to do business with this buyer. 我们公司后悔同这个买家做生意.	1	2	3	4	5	6	7
	(b) Our firm is not completely happy with this buyer. 我方对这个买家不太满意.	1	2	3	4	5	6	7
	(c) Overall, we are very satisfied with this buyer. 大体上说来,我们对这个买家很满意.	1	2	3	4	5	6	7
	(d) We are very pleased with what this buyer does for us. 我们对这个买家为我们所做的感到很高兴.	1	2	3	4	5	6	7
	(e) If we had to do it all over again, we would still choose to use this	1	2	3	4	5	6	7

	buyer. 如果我们必须重头再来,我们还会选择这个买家.							
B.13	(a) No matter who is at fault, problems are joint responsibilities. 无论是哪一方的错,双方都对问题负有责任.	1	2	3	4	5	6	7
	(b) Exchange of information in this relationship takes place frequently and informally and not only according to a prespecified agreement. 合作双方能够经常自由地交流信息,而不仅是因为这是事先的协议.	1	2	3	4	5	6	7
	(c) One party will not take advantage of a strong bargaining position. 任何一方都不会滥用自己强大的议价话语权.	1	2	3	4	5	6	7
	(d) Both sides are willing to make cooperative changes. 双方都愿意为合作做出相应改变.	1	2	3	4	5	6	7
	(e) We must work together to be successful. 我们必须共同合作才能成功.	1	2	3	4	5	6	7
	(f) We do not mind owning each other favors. 我们不介意对方帮忙.	1	2	3	4	5	6	7
B.14	(a) In dealing with this buyer, our contract precisely defines the role of each partner. 在和这个买家做生意时,我们的合约准确地限定双方的角色.	1	2	3	4	5	6	7
	(b) Our contract precisely defines the responsibilities of each partner. 我们的合约准确地限定双方的责任.	1	2	3	4	5	6	7
	(c) Our contract precisely states how each party is to perform. 我们的合约准确地陈述了任何一方应该怎么做.	1	2	3	4	5	6	7
	(d) Our contract precisely states what will happen in the case of events occurring that were not planned. 我们的合约准确地陈述了会如何处理意外事件.	1	2	3	4	5	6	7

End of interview. Thank you for your participation. 问卷完毕，多谢参加。

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