

# INTERNATIONAL BUSINESS ADAPTATION: A STUDY ON THAI EXPORTERS

by

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## Abstract

*This study uses multiple regression analysis to examine credibility and benevolence of manufacturers as determinants of industrial buyer's commitment which, in turn, leads to this party's business adaptation in an international relationship. Results based on a sample of one hundred Thai industrial exporters reveal positive relationships between hypothesized variables i.e. benevolence, credibility and commitment, commitment and business adaptation. By using split-group analysis and **Chow-test**, moderating effects of environmental volatility and degree of asset specificity on commitment-adaptation, relationships were found.*

## INTRODUCTION

The purpose of this paper is to contribute to a more comprehensive understanding of international buyer-seller relationship by analyzing commitment of supplier in a trusting relationship as a determinant of this party's business adaptation. In defining trust, we follow Doney and Canon (1997) by conceptualizing trust as a multidimensional construct consisting of cognitive (credibility) and behavioral (benevolence) component. The former aspect of trust is derived from the confidence in customer's reliability, integrity and trustworthiness whereas the latter is related to the behavioral intentions and motivations, i.e. goodwill, of the exchange party. Based on previous literature on Social Exchange Theory, we posit that suppliers who trust in their customers will commit to the exchange relationship. Furthermore, by drawing on Transaction Cost Analysis, interfirm business adaptation can be viewed as transaction-specific investments, which require some kind of safeguarding mechanisms. According to this theoretical line of reasoning, therefore, we hypothesize a positive relationship between commitment and interfirm business adaptation. Finally, because interfirm adaptation is a situation-specific investment, we examine a moderating effect of asset specificity and

external uncertainty on commitment-adaptation relationship.

The contribution of this paper is threefold. Firstly, it is the first time that interfirm adaptation is explicitly conceptualized as a consequence of relationship commitment. Secondly, with few exceptions (e.g. Chow and Holden, 1997; Kalwani and Narayandas, 1995), most studies on buyer-seller relationship have focused on the principal or customer whereas this study is conducted from the supplier's perspective. The final contribution is related to the level of analysis of the study. The unit of analysis here is an individual export venture of the firm. That is, exporting of a particular product to a particular customer in a single foreign market. In doing so, the researcher believes that a more precise picture of the decision about business adaptation can be acquired.

## Focal Constructs

**Trust.** As marketing theory and practice have shifted toward building long-term relationships with trading partners (Dwyer, Schurr and Oh, 1987; Kotler, 1991; Webster, 1992), the notion of trust has assumed center stage in this paradigm (Madhok, 1995; Morgan and Hunt, 1994). It is recognized as an essential ingredient for developing and maintaining long-term relationships in a business environment (Morgan and Hunt, 1994; Williamson, 1985;