Asian Academy of Management Journal, Vol. 18, No. 2, 153–179, 2013

LEARNING ORIENTATION AND TRUST IN SMALL AND MEDIUM ENTERPRISE (SME) EXPORT COMPETITIVE ADVANTAGE

Md Daud Ismail

School of Management, Faculty of Economic and Management,
Universiti Kebangsaan Malaysia
Bangi, 43600 Selangor, Malaysia

E-mail: mddaud@ukm.my

ABSTRACT

Trust in inter-organisational relationships is becoming an increasingly important topic in international business studies. Trusting relationships are even more important to small businesses with limited operational resources, which makes partnerships with foreign importers an important strategic consideration. When exporters pursue these endeavours, they are able to leverage partner company competencies. Organisations gain market knowledge and, thereafter, a greater export competitive advantage. This study examines the antecedents of relationships between small and medium export and import enterprises. This study also investigates the effects of Small and Medium Enterprise (SME) relationships on exporters' competitive advantage. Based on a sample of 228 SMEs, trust positively and significantly affects competitive advantage. In addition, managerial commitment is crucial for SMEs pursuing trusting and beneficial relationships with foreign importers. We conclude this paper with a statement of limitations and recommendations for future research.

Keywords: inter-organisational relationships, trust, learning orientation, SME, export performance

INTRODUCTION

Over the past decade, the international business literature has indicated substantial interest in the study of inter-organisational relationships. Furthermore, the interaction between exporters and importers is also of interest (e.g. Bloemer, Pluymaekers, & Odekerken, 2013; Spyropoulou, Skarmeas, & Katsikeas, 2010; Styles, Patterson, & Ahmed, 2008). From the perspective of Small and Medium Enterprises (SMEs), building relationships with foreign importers is strategically significant in counteracting the challenges of international expansion (Hilmersson & Jansson, 2012). For small businesses operating independently, the lack of resources limits competitiveness and results in a major barrier to internationalisation. A working relationship with foreign importers helps SMEs overcome these barriers by allowing resource transfers. For example, firms gain and develop resources such as information and knowledge that is then channelled via the relationship (Ambler & Styles, 2000). In addition, relationships with foreign firms assist in opportunity recognition (Ellis, 2011) which, in turn, enhances an exporter's ability to compete successfully in the marketplace (Skarmeas, Katsikeas, Spyropouiou, & Salehi-Sangari, 2008). By contrast, many firms rely on partnerships to penetrate overseas markets because of the belief that it is an easier (Skarmeas, et al., 2008) and lower cost method (Lages, Silva, & Styles, 2009). Nevertheless, international relationships are complex and risky, which means that building and managing strong inter-firm relationships is of utmost importance for exporters. This paper examines a relationship that is developed and based on trust.

Trust has been widely accepted in the literature as the foundation of business relationships (e.g. see Bachmann & Inkpen, 2011; Jiang, Henneberg, & Naude, 2011; Liu, 2012; Nes, Solberg, & Silkoset, 2007). In the present study, we discuss trust in inter-organisational relationships with the belief that partner behaviour is honest, sincere, and fair (Leonidou, Katsikeas, & Hadjimarcou, 2002). Dwyer, Schurr, and Oh (1987) believe that understanding buyer and seller relationships in terms of cooperation and planning is closely linked to the concept of trust. Such a concept attests to the influence of trust on consumer attitudes and behaviours toward suppliers. Despite the fact that trust is central to inter-organisational relationships, attention to research in trust is rare (Sengun & Wasti, 2011). Especially relevant for the purposes of this study are the recent calls for additional research on trust across borders (e.g. see Katsikeas, Skarmeas, & Bello, 2009; MacDuffie, 2011; Zaheer & Kamal, 2011), particularly with regard to firm-specific trust building capabilities (Bachmann, 2011).

In light of the above discussion, the present paper proceeds with the notion that developing and maintaining a trusting relationship with importers is essential for export ventures to perform successfully. However, certain business relationships grow stronger as others break down. According to Hult, Hurley, Giunipero, and Nichols (2000) successful marketing is the outcome of an organisation's ability to learn. Likewise, in the context of exporting, learning ability promotes a certain level of competence that mitigates uncertainties and complexities in the international market (Souchon, Sy-Changco, & Dewsnap, 2012). Furthermore, learning allows for continuous improvement, innovation and, therefore, improved customer satisfaction (Lages, Silva, & Styles, 2009). Johanson and Vahlne (2003) emphasised experiential learning in foreign-partner business relationships as a platform from which to enter foreign markets. To a certain extent, learning experiences facilitate the acquisition of foreign market knowledge by internationalising firms, specifically SMEs, (Freeman, Edwards, & Schroder, 2006; Garcia, Avella, & Fernandez, 2012) as learning provides the key element behind absorptive capacity. Such an ability therefore enhances knowledge transfer (Perez-Nordtvedt, Babakus, & Kedia, 2010). In empirical research, Liu (2012) demonstrates that learning is an effective mechanism by which international relationships can form and counteract opportunists.

Although the significance of learning in the realm of international business has been widely accepted, studies regarding learning orientations across borders (Jantunen, Nummela, Puumalainen, & Saarenketo, 2008) and within the context of the exporting domain (Souchon et al., 2012) are scarce. Previous literature (Jerez-Gomez, Cespedes-Lorente, & Valle-Cabrera, 2005) conceptualises the learning orientation construct based on three dimensions: managerial commitment, systems perspective and openness and experimentation. The present study examines the role of each of these dimensions in cross-border relationships.

Many countries rely on export activities to achieve greater economic development (Sousa, Ruzo, & Losada, 2010). Indeed, internationalising firms unambiguously choose export as the mode of entry into foreign markets (Souchon, et al., 2012). Export strategies are most attractive for SMEs (Hultman, Robson, & Katsikeas, 2009) because of the relative ease and swiftness of access to the foreign market (O'Cass & Weerawardena, 2009). In the context of this paper, the export sector has long been a major contributor to the gross domestic product (GDP) of Malaysia. For example, a report by Malaysia's Ministry of International Trade and Industry (MITI) (2012) shows that Malaysia's external trade in 2012 recorded an export value of RM 702 billion. This export value constitutes 94.42 percent of total GDP in the same year. In addition, the export value in 2012 almost doubled in comparison to the export value in 2000. Hence, as an export-oriented nation, a study on Malaysian firms' competitive advantage in exports is timely and crucial in helping the nation to further develop and sustain its competitiveness in export markets.

Moreover, exporting is always key to strategic decisions aimed at increasing revenue and profit (Hill, Wee, & Udayasankar, 2012). Along these lines, exports are also crucial for a firm's overall performance and survival (Hultman, et al., 2009). Performance in export markets, however, is a function of competitive advantage (Navarro, Losada, Ruzo, & Diez, 2010; Piercy, Kaleka, & Katsikeas, 1998), which in turn is achieved when the customer value offered by a firm is greater than the customer value offered by its competitors (Kaleka, 2002). Despite its importance, the literature on competitive advantage in the context of export markets is relatively limited, and researchers have echoed the call for greater understanding of export competitive advantage (Fahy, 2002; Navarro, et al., 2010). This insight implies that examining factors antecedent to competitive advantage is beneficial for academicians, practitioners, and institutions that promote exports. In the present study, we uphold the idea that identifying the motivations for competitive advantage outcomes is a priority. In particular, this study investigates the effect of organisational learning and trust across borders on the competitive advantage of SMEs. This study is important given the relatively limited resources of SMEs and the high risk involved in foreign market ventures.

The main purposes of this study are to fill research gaps and to advance knowledge in cross-border inter-organisational relationships. This paper aims to achieve three objectives that supplement the research gaps identified a priori. First, this paper seeks to develop an inter-organisational learning function and trust model for export market competitive advantage. Second, this paper empirically investigates the effect of trust on competitive advantage. Third, this paper also examines the individual effects of each of the dimensions of learning orientation–managerial commitment, system perspective, and openness and experimentation–on trust.

THEORETICAL FOUNDATION

We rely on two prominent international business theories to develop a theoretical framework (Lages, Silva, & Styles, 2009; Matanda & Freeman, 2009): the relational exchange model and the organisational learning capability of the resource-based view (RBV). This approach is consistent with the pursuit of integrating several theories in international business research (e.g. Ambler & Styles, 2000) and recent study practice (e.g. Abosag & Lee, 2013; Styles, et al., 2008; Yi & Wang, 2012).

The relational approach advances the notion that export requires relationships between partners (Bloemer, et al., 2013). The relational exchange theory is based on early work in social exchange (Emerson, 1976). Morgan and Hunt (1994) assert that full comprehension of the relational exchange relies on identifying the distinctions between discrete transactions and relational transactions. Discreteness in a relationship, as defined by MacNeil (1980, p. 10), "...is one in which no relation exists between the parties apart from the simple exchange of goods." Discrete exchange separates the transaction from all other factors involved in the exchange process, such as the participants, the history of the transaction, and the anticipated future. Dwyer et al. (1987) relied on MacNeil (1980) to explain that relational exchange transpires over time. In lieu of such a proposition, a transaction must be viewed in terms of both its history and anticipated future.

The literature demonstrates that the development and maintenance of relationships transpire in a cooperative climate and a relational closeness built upon trust (Dimitratos, Lioukas, Ibeh, & Wheeler, 2009; Jiang, et al., 2011;

Thorgren & Wincent, 2011). However, trust is a complicated variable in the international exchange environment (Katsikeas, et al., 2009). Trust can be eroded by "...a misplaced comment" (Arnott, 2007, p. 983). In using the *relational exchange theory*, the present paper focuses on the development of trust in the past and the perceptions and intentions of each involved party in the future (Styles, et al., 2008).

Reciprocal expectations (Rus & Iglic, 2005) and repeated partner exchanges (Jiang, et al., 2011) are the essence of long-term relationships within the relational exchange theory framework. With regard to reciprocal expectations, MacDuffie (2011) maintains that relationships develop based on past fulfilment of expectations. Firms commit specific resources or make transaction–specific investments to meet partner expectations (Bianchi & Saleh, 2010). Partners are deemed to be efficient, trustworthy, and impartial when their behaviour is predictable (Katsikeas, et al., 2009). This commitment therefore leads to the development of trust. In a trusting relationship, firms are more willing to take risks. Hence, greater resource commitments improve the conditions for exchange and cooperation, and trust is strengthened as well (Thorgren & Wincent, 2011). This phenomenon is consistent with the assertion that trust is developed over time and, thereafter, increases via the accumulation of partner interactions (Ring & Van De Ven, 1992).

By contrast, the relationship exchange between partners warrants the coordination of trading partner resources and capabilities (Katsikeas, et al., 2009). This exchange implies a repeated series of further exchange. SMEs focus on organisational routines and processes along these lines (Knight & Cavusgil, 2004). Hutzschenreuter and Horstkotte (2013) assert that the adaptation of structures, systems and processes is necessary for expansion into new landscapes. In simple terms, internal adjustment and the adaptation of a firm's organisational process is vital to meeting requirements (Hallen, Johanson, & Seyedmohamed, 1991) and aligning with exchange-partner expectations (Bachmann & Inkpen, 2011). Research has shown that institutionalised routines and processes are important elements in creating partner trust (Zaheer & Kamal, 2011) and long-lasting relationships (MacDuffie, 2011). These processes reflect how organisational members routinely conduct their work in a firm setting (Yu & Zaheer, 2009). Meeting partner expectations by adaptation entails developing and learning new routines. For adaptation to be productive and for learning new routines to be effective, old and already embedded routines must be unlearned (Knight & Cavusgil, 2004). The second theory adopted for this study, namely, the *learning capability theory* of RBV, is useful. This theory is explained in the following paragraphs.

Based on advances in RBV, a competitive advantage results from the unique resources specific to a firm (Barney, 1991). Relationship building capabilities are an example of such a resource. This attribute pertains to the ability to develop and maintain close customer relationships (Kaleka, 2002; Lu, Zhou, Bruton, & Li, 2010) by being more responsive to customer requirements (Lages, Silva, Styles, & Pereira, 2009). For small businesses, however, the lack of tangible resources leads firms to focus on intangible capabilities. In this regard, scholars assert that organisational learning capabilities help partners forge relationships (Lai, Pai, Yang, & Lin, 2009). Organisational learning capabilities also further the acquisition of export market knowledge (Garcia, et al., 2012). In turn, such abilities are critical to competitiveness (Jantunen, et al., 2008; Jerez-Gomez, et al., 2005). Accordingly, we emphasise that the development of trust is intimately tied to a firm's *learning orientation*.

Organisational learning responds to changes in both internal and external environments. Learning in organisations is '...a routine-based activity that is embedded in a particular institutional setting' (Saka-Helmhout, 2010, p. 41). Firms need to unlearn existing routines and learns new ones for learning to be highly effective (Knight & Cavusgil, 2004). From the cultural perspective, Nasution, Mavondo, Matanda, and Ndubisi (2011) identified learning as an organisational process that is meant to improve insights, knowledge and understanding. In a similar vein, Kreiser (2011) suggested that learning is the outcome of the process of knowledge acquisition and the integration of this knowledge into organisational practice. Saka-Helmhout (2010) referred to Kresier's suggestion with regard to the routinisation of firm practices. In addition, learning helps organisations to continually acquire, assimilate, and renew their knowledge in addressing environmental changes (Amit & Schoemaker, 1993). Hence, for there to be a long-term effect, learning is essential.

Environmental changes include shifting partner expectations that are critical to long-term relationship survival within a trusting environment. Learning orientation influences knowledge sharing between partners in inter-firm relationships (Lai, et al., 2009). Knowledge is then embedded into the organisational process and, subsequently, causes changes in organisational behaviour and routines. Developing a new routine enhances a firm's ability to create value (Nielsen & Nielsen, 2009) and meet partner expectations. Development may occur over time during a series of exchanges. In these exchanges, expectations may change as the relationship becomes stronger and closer. The behavioural changes and routinisation of firm practices also imply the firm's commitment to the relationship. Such manifestations demonstrate trustworthiness. Thus, we believe that the culture of learning assists exporters in the creation of trusting relationships with importers, which in turn enhances the exporter's competitive advantage.

LITERATURE REVIEW AND HYPOTHESES

Competitive Advantage

A firm is said to have achieved a competitive advantage when, through its offering[s], it creates more value for customers in comparison with its competitors. Kaleka (2002) compares competitive advantage to cost advantage and differentiation advantage. Cost advantage is defined as the firm offering its product/service at a lower price. Differentiation advantage, however, represents the customer perceiving a consistent difference in important attributes between a firm's offerings and those of its competitors. As mentioned previously, firms' resources and capabilities are the source of value that create strategy (Barney, 1991). Correspondingly, following Kaleka (2002), our view is that relationship-building capabilities are a pertinent variable in the development of SMEs' export competitive advantage primarily because, in light of export market competitive advantage, a partnership is seen as a strategic undertaking (Theoharakis, Sajtos, & Hooley, 2009) to overcoming the resource limitation of small businesses, and this method implies lower cost (Lages, Silva, & Styles, 2009).

As SMEs cannot be presumed to be well endowed with tangible assets, knowledge is the most critical resource (Gassmann & Keupp, 2007). In a related view, exporters' attainment of competitive advantage depends upon their ability to produce the right products (Chryssochoidis & Theoharakis, 2004). As importers greatly value product and operational quality, a lack of exporter performance in these areas will exacerbate international buyers' perceived risk and will reduce any firm's competitive advantages. In confronting this issue, firms rely greatly on local market knowledge to make the right products in the market. Accordingly, converging around the sphere of knowledge resources, it has been generally recognised among established theories that cross-border activities demand critical resources, which is none other than foreign [local] market knowledge (e.g. see Johanson & Vahlne, 1977, 2009).

Central to the origins of competitive advantage is the question of how firms can acquire valuable resources [knowledge] at a cost less than the same amount of value they could create independently (Adegbesan, 2009). Experiential resources of foreign market operation and acquisition of information on a market are costly to build using internal resources; thus, SMEs must therefore depend on resources outside the company. Typically, the main source is a firm's customers. Within the export marketing context, this view is supported by evidence from empirical studies in which Lages, Silva, and Styles (2009) found that when firms build on the establishment of solid relationships with their importers, they are more likely to realise their product's full market potential. This phenomenon occurs because local importers have the best local market knowledge, and acquisition of such knowledge helps exporters align their outputs with the export market's requirements.

Trust and Competitive Advantage

The literature is rather limited in terms of empirical investigation on the relationship between trust and export competitive advantage. Nevertheless, previous studies, such as Cryssochaidis and Theoharakis (2004), have found no significant effect of trust on competitive advantage. However, a review by Robson and colleagues (2008) revealed mixed findings regarding the trust-performance relationship. Indeed, several studies found that trust does not have significant relationship with performance (Aulakh, Kotabe, & Sahay, 1996; Sarkar, Echambadi, Cavusgil, & Aulakh, 2001; Zaheer, McEvily, & Perrone, 1998). Other studies, however, suggest a significant relationship between the two constructs (Katsikeas, et al., 2009; Silva, Bradley, & Sousa, 2012). As performance is intimately related to competitive advantage, the present paper proposes a positive effect of trust on export competitive advantage. Arguments in support of this notion are presented in the following paragraphs.

Customer relationship capability is a source of competitive advantage (Theoharakis, et al., 2009). Trust has been found to be an important element in relationship building (Evans & Krueger, 2011; Hoejmose, Brammer, & Millington, 2012). This attribute is also significant in the process of forging cross-border relationships (MacDuffie, 2011; Silva, et al., 2012). In Asia, relationships largely depend on trust because formal contracts are deemed inadequate to guarantee the exchange process (Ramstrom, 2008). Despite the importance of trust, empirical findings regarding the effect of trust on relationship outcomes are rare (Jiang, et al., 2011).

Cultural differences are always viewed as harmful to SMEs in the international context. Trust is believed to mediate and/or counterbalance the potential effects of such cultural differences (Nevins & Money, 2008). Trust eases the rigidity and complexity of tasks (Bianchi & Saleh, 2010). Trust therefore enhances exporters' competencies in order to capitalise on local market opportunities and to effectively curtail distributors' opportunism (Wu, Sinkovics, Cavusgil, & Roath, 2007). Trust has been regarded as an alternative to authority and monetary exchanges in relationship governance (Bradach & Eccles, 1989). For example, trust is the most effective mechanism to manage opportunism (Wathne & Heide, 2000), particularly in export markets (Cavusgil, Deligonul, & Zhang, 2004). The likelihood of foreign distributor opportunism is reduced by increasing the costs of engaging in such behaviour (Hill, 1990).

Companies are more likely to disclose information in a trusting atmosphere than under other circumstances (Gripsrud, Solberg, Ulvnes, & Carl Arthur, 2006). Such relationships allow for increased sharing of knowledge between partners (Janowicz-Panjaitan & Noorderhaven, 2009). Jackson and Crockenberg (1998) suggest that open and honest information exchange between two parties is positively associated with the level of trust between them. Elsewhere, Siguaw, Simpson and Baker (1998) argue that individuals trust organisations that allow for open communication and opportunities to participate. A partner's access to valid information is greater when a greater level of trust is also present. The literature has shown that increased knowledge sharing is positively related to performance (Nielsen & Nielsen, 2009).

Trust positively affects exporter competitiveness in foreign markets (Zhang, Cavusgil, & Roath, 2003). The need for less formal and costly relationship governance increases in the presence of high trust (Gulati & Nickerson, 2008). Transaction costs are subsequently reduced (Bachmann & Inkpen, 2011). In addition, a trusting importer is more willing to undertake the joint promotion of products, which thus reduces marketing costs. Furthermore, the exponential growth of knowledge sharing between partners increases the ability to create value and therefore results in greater perceived service quality by customers (Theoharakis, et al., 2009). Based on these arguments, we assert that trust will most likely positively affect export competitive advantage. Hence, we propose the following hypothesis:

H1: Trust is positively related to competitive advantage.

Learning Orientation

Previous literature indicates that learning is critical to a firm's success in international markets. For example, a recent study by Souchon and colleagues (2012) found a positive relationship between learning and export growth. In addition, Hult and colleagues (2000) viewed an organisation's ability to learn as critical to achieving competitive advantage. Learning orientation helps small firms to develop the ability to compete and survive in the market (Rhee, Park, & Lee, 2010). Learning is viewed as the tool behind relationship governance in inter-organisational relationships (Liu, 2012). Learning is an important element for international strategic alliance innovation (Nielsen & Nielsen, 2009). Nevertheless, careful investigation concerning learning is scarce, especially in the context of export marketing (Souchon, et al., 2012) and performance effects (Jantunen, et al., 2008).

Learning orientation is the manifestation of an organisation's propensity to learn and adapt accordingly (Mavondo, Chimhanzi, & Stewart, 2005). Learning orientation has been conceptualised as a cultural context dimension (Nasution & Mavondo, 2008). Sinkula and colleagues (1997, p. 309) suggest that learning orientation "...gives rise to that set of organisational values that influence the propensity of the firm to create and use knowledge." Meanwhile, Baker and Sinkula (1999, p. 413) referred to learning orientation as "...an organisational characteristic that affects a firm's propensity to value generative and double loop learning." At the heart of the learning orientation concept is a set of values that guide firms to unlearn obsolete market knowledge. Such unlearning is achieved by "thinking outside the box." Questioning organisational learning norms that may have created biased learning processes and proactively replacing norms with new perspectives, systems, and procedures furthers the learning orientation concept (Baker & Sinkula, 1999).

Learning orientation is also an organisational capability in which resources are deployed to create customer value and to achieve higher performance (Nasution & Mavondo, 2008). In a similar vein, Calantone, Cavusgil, and Zhao (2002) maintain that learning orientation pertains to an organisation-wide activity of creating and using knowledge to enhance competitive advantage. Such activities includes obtaining and sharing information about customer needs, market changes, competitor actions, and the development of new technologies and products that are superior to those of competitors. Thus, a firm needs to consider learning orientation as a key factor in obtaining superior performance.

Learning orientation is a multidimensional construct. Mavondo et al (2005) suggest that several key characteristics of learning orientation include the transfer of learning from individuals to groups, the commitment to learning, the openness to the outside world, the overall commitment to knowledge, the systems for developing learning, and the mechanisms for renewing the organisation. Jerez-Gomez and colleagues (2005) propose that an organisation should demonstrate a high degree of learning in all of the dimensions defined. These dimensions are managerial commitment, systems perspective, openness and experimentation, and knowledge transfer and integration. Proficiency with regard to the aforementioned dimensions would signify a firm's high learning capabilities.

Managerial commitment refers to management's recognition of the relevance of learning, which develops a culture that promotes the acquisition, creation, and transfer of knowledge as fundamental values (Jerez-Gomez, et al., 2005). Commitment to learning identifies the fundamental values an organisation holds toward learning. Learning is almost impossible if it is considered to hold little value (Farrell & Mavondo, 2004) or is barely desired by organisations (Senge, 2006). However, learning is the outcome of behavioural change (Souchon, et al., 2012). Because top management is responsible for change and strategic decision making (Hutzschenreuter & Horstkotte, 2013), its commitment therefore fosters the cultural values and behaviours that are conducive for learning within the organisation. This change, which takes place with the purpose of better serving customers, helps develop stronger customer relationships (Pelham, 2010). Consequently, foreseeable and predictable behaviour augments customer trust (Katsikeas, et al., 2009). Hence, managerial commitment to learning is likely to enhance importer trust. Accordingly, we propose the following hypothesis:

> H2: Commitment to learning is positively related to trust between exporters and importers.

Systems perspective entails bringing a firm's various members together to form a shared identity and to attain a clear vision of the organisation's objectives (Jerez-Gomez, et al., 2005). Within this perspective, a firm is viewed as a system built upon relationships among individuals and departments. A shared vision provides individuals—as learning agents—with the organisational expectations and outcomes to be measured and with the theories to be utilised (Wang, 2008). In turn, focusing on what to learn is difficult, even if individuals are motivated to do so without a stated and shared vision (Calantone, et al., 2002). Individual learning at an early level is later extended to organisational-level learning (Nasution, et al., 2011). Individuals and departments that work collaboratively share knowledge, perceptions and beliefs (Jerez-Gomez, et al., 2005). In such environments, knowledge about customers is shared among individuals and departments, thus facilitating better customer service and satisfaction. Such a system is consistent with the belief that learning orientation provides a firm with the ability to create customer value (Nasution & Mavondo, 2008). In addition, when knowledge is disseminated and shared among individuals and departments, they behave in a predictable manner that is evident to the customer. Less behavioural uncertainty creates greater trust (Dyer & Chu, 2011). Accordingly, we propose that:

> H3: System perspectives are positively related to trust between exporters and importers.

Openness and experimentation are required to ensure a climate of openness to new ideas and points of view. Learning is a process of change in organisational behaviour (Perez-Nordtvedt, et al., 2010). In such a process, existing routines are unlearned and replaced with new ones (Saka-Helmhout, 2010). Openness allows for the constant renewal and improvement of knowledge (Jerez-Gomez, et al., 2005) in lieu of new routines. Sinkula et al (1997) identify these components as organisational values associated with a firm's predisposition to learn. Two fundamental concepts to learning orientation in an organisation include [1] the ability to unlearn existing knowledge (Farrell & Mavondo, 2004) and [2] the organisational value of open-mindedness that may be necessary for unlearning efforts to transpire (Sinkula, et al., 1997). These concepts are highly important in the face of the market's changing nature. A firm is able to develop new routines that conform to and with a partner's requirements. Accordingly, it is suggested that a partner behaves in a trustworthy manner (Dyer & Chu, 2011). Experimentation is the process of discovering innovative solutions to current and future problems. Experimentation is important for generative learning (Jerez-Gomez, et al., 2005). As a firm gains new knowledge and perspectives, the inclination to search for alternatives and innovate is enhanced (Nielsen & Nielsen, 2009). Accordingly, experimentation facilitates value creation and customer satisfaction. Partner trust will grow when there is open-mindedness and experimentation within an organisation's culture. Thus, the following hypothesis is proposed:

> H4: Openness and experimentation are positively related to trust between exporters and importers.

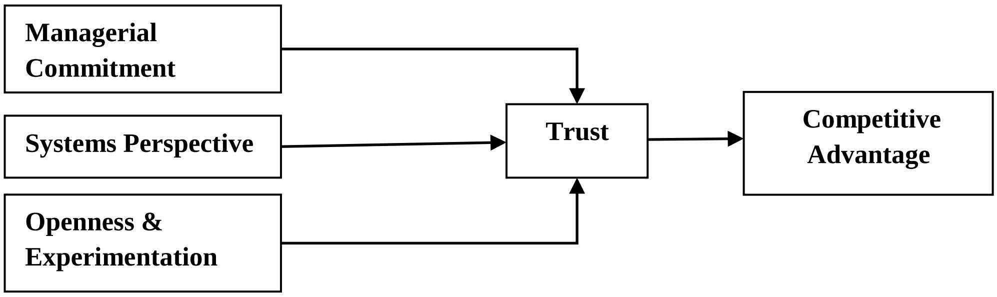

Figure 1. Conceptual framework

METHODOLOGY

Sample and Data Collection

The sample for this study was derived from the directory of the Federation of Malaysian Manufacturers and the Malaysian External Trade and Development Corporation. The population consisted of Malaysian SMEs. SMEs having between 20 and 250 employees were selected. This minimum cut-off number of employees was implemented to capture an appropriate measure of constructs. A firm's analytical unit consisted of the key informant: the managing director or chief executive director.

We used a combination of data collection methods. These methods included a drop-off, mail survey and use of a local research company. We compared the different methods of data collection and found no significant difference. The results of the analysis of variance (ANOVA) indicated that a respondent's position ($F = 1.76$), business types ($F = 1.47$), number of employees ($F = 1.15$), number of export countries ($F = 0.21$), industry ($F = 0.26$), and confidence level ($F = 0.92$) were not significant.

We compared early respondents (60%) and the late respondents (40%) to check for non-response biases. No significant differences were found, which suggested that response bias was not significant in the present study. The test of ANOVA was not significant in relation to a respondent's position ($F = 1.42$), business types ($F = 0.83$), number of employees ($F = 0.05$) and confidence level ($F = 1.96$).

Finally, 851 firms in total fulfilled the criteria. The survey questionnaires were delivered by mail. We then followed up on non-respondents via telephone. Ultimately, 45 firms refused to participate, and 23 firms were inaccessible or had closed down. A second wave of mail surveys was sent to the remaining 783 firms. A total of 228 firms participated in the survey. The effective response rate was 29.12 per cent (228/783).

Scale

The survey instrument was based on pre-existing scales identified in the literature review. The scales were modified to suit the research purpose and particular context of the study. The final scales are shown in the Appendix. The instrument was pre-tested in two stages. The first stage referred to the personal interviews conducted with 10 experts from academic institutions, industrial associations, and SMEs. The feedback was then used to revise the questionnaire. The second stage involved a pilot study on a sample of 10 SMEs. An appropriate revision was made based on the results of the pilot study with regard to the interpretability of the measure, instructions, and response formats.

The measure undertaken for *learning orientation* was primarily based on the work of Jerez-Gomez et al (2005). Some items were revised and adapted from Sinkula et al (1997) and Nasution and Mavondo (2008). The scales for *trust* were revised and adapted from Leonidou, Katsikeas, and Hadjimarcou (2002) and Skarmeas et al (2008). The scales for *competitive advantage* were revised and adapted from Kaleka (2002) and Chryssochoidis and Theoharakis (2004) and consist of items grouped into three dimensions: cost advantage, product advantage, and service advantage. The measures for all constructs are presented in the Appendix.

The measurement model for each of the constructs was estimated. The model operationalised the conceptual construct. Such a model also depicted how the variables in a given scale were represented by the same latent construct. The measurement model focused on the goodness-of-fit measure. The results are presented in Table 1. Overall, the analysis revealed a good fit.

Table 1
Confirmatory factor analysis results

Model	χ^2	df	RMSEA	GFI	AGFI	CFI
Manager Commitment	9.837	4	0.080	0.983	0.937	0.990
Systems Perspectives	2.163	4	0.000	0.996	0.986	1.000
Open & Experimentation	8.995	4	0.074	0.985	0.942	0.994
Trust	11.181	8	0.042	0.984	0.957	0.993
Competitive Advantage	175.298	84	0.075	0.908	0.868	0.965

Notes: RMSEA = root mean square error of approximation; GFI = goodness of fit index; AGFI = adjusted goodness of fit index; CFI = comparative fit index

Validity and Reliability

Convergent validity exists when the correlation among the scores, obtained from two different instruments measuring the same concept, is significant. For a multidimensional construct, specifically competitive advantage, the scales for each dimension were operationalised as the sum of items using the partial aggregation method, as suggested by Bagozzi and Heatherton (1994). The results indicated that all standardised factor loadings were above 0.60. The values were well above the minimum level of 0.50 and, thus, confirmed the existence of convergence validity. Following Fornell and Larcker (1981), we used average variance extracted (AVE) to assess discriminant validity. Table 2 shows the values for AVE. In all cases, AVE was greater than the values for correlation. In turn, AVE indicated discriminant validity. Scale reliability was assessed using internal consistency. Table 2 shows the results for the coefficient of constructs. All scores were well above the threshold of 0.77 (competitive advantage).

RESULTS

We tested the hypotheses using structural equation modelling. Table 3 reports the estimation results (standardised coefficient, t-values, and significant level) for the significant structural path. The model fit indices (χ^2 = 422.911, df = 218, NFI = .882, TLI = .928, CFI = .938, RMSEA = .060) indicated a good fitting model.

Overall, the results showed that two of the four hypotheses proposed in study were supported. In Hypothesis 1, we predicted that the relationship between trust and competitive advantage would be positive. The results indicated that Hypothesis 1 was fully supported (β = 0.732, p <0.001). In Hypothesis 2, we expected a positive relationship between managerial commitment and trust. The results (β = 0.313, p <0.05) showed that H2 was fully supported.

Contrary to H2, system perspectives had no significant effect on trust. Thus, H3 was not supported. Finally, openness and experimentation was hypothesised (H4) to significantly affect trust. However, the findings did not support H4.

Table 2
Internal consistency, average variance extracted (AVE) and correlations of constructs

Construct	1	2	3	4	5
1. Managerial Commitment	.80				
2. Systems Perspective	.72**	.81			
3. Openness & Experimentation	.75**	.77**	.83		
4. Trust	.46**	.43**	.45**	.64	
5. Competitive Advantage	.49**	.48**	.45**	.47**	0.73
Internal consistency	.87	.88	.92	.81	0.77
Mean	5.36	5.26	5.29	5.23	5.38
Standard deviation	.98	.97	1.01	.80	0.75

Notes: ***Correlation is significant at the 0.001 level (1-tailed); ** Correlation is significant at the 0.01 level (1-tailed); * Correlation is significant at 0.05 level (1-tailed). Average Variance Extracted (AVE) value is shown in diagonal.

Table 3
Results of Analysis

Construct and Predicted Influence	Prediction	β	t-value	Conclusion
Trust → Competitive Advantage	+	0.732	5.968***	Supported
Managerial Commitment → Trust	+	0.313	1.997*	Supported
System Perspectives → Trust	+	0.024	0.209	Not Supported
Openness and Experimentation → Trust	+	0.029	0.262	Not Supported

DISCUSSION AND CONCLUSION

Existing studies demonstrate that partnering with foreign firms is increasingly found to be the core component behind the success of export ventures (Bloemer, et al., 2013; L. C. Leonidou, et al., 2002). Partnership is particularly useful for SMEs (e.g. Dimitratos, et al., 2009; Zhou, Wu, & Luo, 2007). The underlying notions in the literature imply that cross-border ventures are resource-demanding activities. Consequently, small businesses have limited competitive capabilities and have equally limited resources. Such firms, therefore, depend on partner resources to bolster their competitive capabilities. Through the small business partnership with exporters SMEs gain valuable resources (Perez-Nordtvedt, et al., 2010). Otherwise, it is difficult and costly to obtain resources, such as foreign market knowledge, independently. In summary, establishment of a relationship with foreign importers is seen as a key strategic decision.

Furthermore, the element of trust is fundamental to the inter-organisational relationship. Trust across borders has been conceptualised and empirically examined in the SME context as an important topic in inter-organisational study (Liu, 2012; Silva, et al., 2012). Trust has been shown to form the foundation of business relationships (Jiang, et al., 2011). The very quality of trust is also a central concept in explaining organisational behaviour (Bachmann & Inkpen, 2011). Trust is process-oriented and takes time to develop. A series of interactions, developed through past obligatory fulfilments and future commitments between partners, results in trust. As a result of commitment, a firm's predictable behaviour increases a partner's trust. Within international business circles, commitment is intimately related to a firm's past learning experiences (Johanson & Vahlne, 2003). Hence, commitment emphasises the importance of learning posture. Nevertheless, a review of the existing literature indicates a scarcity of empirical investigation. Our understanding is then limited with regard to cross-border trust (MacDuffie, 2011) and learning within the export function (Souchon, et al., 2012).

This paper primarily intends to contribute to the literature on the topic of trust and learning orientation in the export competitive function. Accordingly, in this paper, a conceptual model was developed and empirically examined. This model linked the three dimensions of learning orientation with trust, which in turn linked trust to export competitive advantage. We then adopted two theories, namely, the relational exchange model and learning orientation. The structural model was then tested on a sample of 228 SME exporters. This approach resulted in the present study's original contribution to understanding the role of learning orientation and trust in SMEs' export competitive advantage.

In this study, the first hypothesis concerns the trust and competitive advantage relationship. The existing research is brimming in terms of theory development (Morgan & Hunt, 1994; Wu, et al., 2007) but is rather lacking in its empirical examination of the trust-competitive advantage relationship. Nevertheless, this study found a positive relationship between trust and competitive advantage. The findings are in contrast to Chryssochoidis and Theoharakis (2004) who found no significant effect of exporter-importer trust on competitive advantage. The finding of the present study lends support to the notion that trust is essential to SME competitive advantage. That result, therefore, greatly enhances our understanding of the trust-competitive advantage relationship within the export function. For exporters, customers are a major source of information (Julien & Ramangalahy, 2003). Hence, partnerships allow exporters to have resource leverage over importers. These resources may include new product ideas and information about foreign markets (Leonidou, Leonidou, Coudounaris, & Hultman, 2013). These resources are then crucial for building competitive capability in international markets (Liesch & Knight, 1999) as they allow exporters to meet customers' product needs, resulting in customers perceiving a superior value offering and therefore enhanced competitive advantage.

In addition to the above findings, our results unsurprisingly demonstrated that the commitment of management to learning was central to the development of trust in inter-organisational relationships. This result supported the second hypothesis that was posited. We found that managerial commitment significantly and positively affected trust. The results agreed with the notion that management should recognise learning, articulate strategic views of learning, ensure that employees understand the importance of learning, and drive the process of change (Jerez-Gomez, et al., 2005). The results also highlighted the central role managers play in the strategic decision-making process of small businesses.

Moreover, the other hypotheses were not supported and, therefore, warrant further explanation. We hypothesised that system perspectives were positively related to trust. Such a hypothesis, however, was found to be insignificant to this study. Similarly, the effect of openness and experimentation was insignificant; therefore, that hypothesis is rejected. This finding is possibly a result of the inertia embedded within family businesses. Family inertia is prevalent among SMEs because most are family-owned businesses (Westhead & Howorth, 2007). Family inertia tends to develop excessive interference in employee decisions and autonomy. Such conflict results from a culture of paternalism. Consequently, employees' freedom to express ideas is restricted (Chirico & Nordqvist, 2010). Therefore, in the present study, family-owned SMEs seem to reject the idea of openness. Family business owners do not see the importance of openness in developing trust with importers.

Managerial Implications

Of interest to SME managers is the fact that this study's results provide some interesting implications for successful export ventures. International business is a resource-demanding activity and, therefore, curtails any expansion plans for independently operating SMEs. However, this paper suggests that forging a trusting relationship with importers in foreign markets greatly benefits small business and at low costs (Lages, Silva, & Styles, 2009). Such a relationship generates knowledge-based resources and effectively wards off opportunism. The finding of this study explicitly provides support for greater competitive advantage effects resulting from exporter-importer relationships. In this case, building trust-based relationships should be viewed as a major strategic plan and priority in international business-related managerial decision making.

Furthermore, small business managers should consider the fact that commitment to organisational learning orientation is fundamentally behind the building of relationships. Thus, establishing a culture of learning within an organisation is a vital managerial responsibility. Commitment to learning orientation is a prerequisite for the development and maintenance of a trusting relationship. Because cross-border relationships are complex and difficult to maintain, these findings present a timely guide. SMEs can then pursue success in the field of international business, particularly in the export market.

LIMITATIONS AND FUTURE RESEARCH

This study is characterised by several limitations. The first limitation is presented by the methodology. A relationship comprises interactions between partners involving more than two parties. However, in this study, responses were obtained from only the exporter side of the relationship. Therefore, the sample was biased in the design. Such a method was applied because of the difficulty in gathering information from both exporters and importers at the same time. In addition, other factors such as cost, time, and confidentiality were also major constraints. Although this method was consistent with existing research in similar contexts (Athanassopoulou, 2009), responses from both sides of the relationship will more likely produce a more accurate statement of a relationship's status. Future studies might examine the possibility of gathering information from exporters and importers at the same time.

Additionally, the sample for this study was derived from the manufacturing sector. Hence, generalisations were less likely to be applied to other industries such as the service sector. The existing study could therefore be extended to the service sector in future research. Finally, SMEs operate in the increasingly volatile environment of global markets. Such an environment affects the exporter-importer relationship (Matanda & Freeman, 2009). The model developed and tested in this study, however, did not examine the influence of environmental factors such as environmental uncertainty in a relationship. Further study in this field might focus on the role of environmental uncertainty in explaining learning, trust, and performance in the export function.

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APPENDIX

Learning orientation, relationship quality and export performance scales

Construct	Items
Learning Orientation	
Commitment to learning	Managers involve their staff in important decision making processes.
	Management seeks to keep ahead of new environmental situations.
	Employee learning is considered a key factor in this firm's success
	In this firm, innovative ideas are rewarded.
	Managers agree that our ability to learn is the key to our competitive advantage.
Systems Perspective	All employees have knowledge regarding this firm's objectives.
	Every department, sections, work team, and individual in this firm is aware of how they contribute to achieving the overall objectives.
	All our departments work in a coordinated fashion.
	Every person in this firm is aware of long term vision of the firms.
	There is an agreement in our business unit's vision.
Openness and Experimentation	We promote experimentation as a way of improving the work processes.
	We adopt the practices and techniques of other firms believed to be useful.
	We consider experiences and ideas provided by external sources [advisors, customers, training firms etc.] useful for learning.
	Our employees can express their opinions and make suggestions regarding the procedures and methods in place for carrying out tasks.
	We value employees' ideas that may increase firm 's success.
Trust	This importer has been frank in dealing with our firm.
	Promises made by this importer are reliable.
	This importer is knowledgeable about the product.
	This importer has made sacrifices for us in the past.
	This importer cares for my firm's welfare.
	This importer is like a friend.
	This importer does not make false claim.

(continued on next page)

(continued)

Construct	Items
Competitive Advantage	
Cost advantage	Cost of production.
	Cost of goods sold.
	Selling price to overseas customer.
	Transport cost to overseas markets.
	Credit facilities to overseas importers.
Product Advantage	Product quality.
	Packaging.
	Design and style.
	Provision of warranty.
	Range of product offered.
Service Advantage	Ease of ordering the product.
	After-sales service.
	Reliable product delivery.
	Highly experience staff.
	Staff capable of handling unusual order.