Structuring dyadic relationships between export producers and intermediaries

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Abstract: How do export producers and intermediaries structure their dyadic relationships? This study examines the factors that guide the behaviour and relationships between export producer and intermediary dyads. We examine *both* sides of a dyadic transaction and develop an export producer–intermediary behaviour typology by using a grounded theory method through qualitative interviews. We propose three forms of export producer–intermediary dyads based on the degree of information sharing, intensity of price negotiation, level of transaction costs, and partner satisfaction and propensity to export directly. These three forms are as follows: (1) competitive, (2) cooperative and (3) mismatched relationships.

Keywords: exports; export producer; export intermediary; dyads; transaction cost theory; agency theory.

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1 Introduction

Small and Mid-sized Enterprises (SMEs) have the potential to play a major role in national trade deficit reduction and economic development through their contribution to export sales. Among European Union member countries, SMEs account for 52% of the region's employment and their corresponding share of the total number of firms is 99%. However, only approximately 8% of SMEs are engaged in international activities (Eurobarometer, 2007). This low level of engagement in international activities is also found in the USA. Although approximately 20% of the total US export sales are made by SMEs, the number of SMEs that are engaged in export sales are less than 1% of their total number (Wolff and Pett, 2000; Department of Commerce, 2005). Many researchers have suggested that this is because SMEs typically lack the capabilities, resources and knowledge required to develop a customer base in foreign markets (Bello and Gilliland, 1997; Lu and Beamish, 2001; Crick, 2002; Mittelstaedt et al., 2003; Morgan et al., 2003).

Recent literature suggests that SMEs may be able to overcome the impediments of time and resource limitations by partnering with export intermediaries (Peng and Ilinitch, 1998; Peng and York, 2001; Trabold, 2002; Deligonul and Cavusgil, 2006; Peng et al., 2006; Lau, 2008). Export intermediaries are specialised service firms that support domestic producers by connecting them with foreign buyers. They "take title, or assist in transferring title, to the particular good or service as it moves from the producer in one country to the consumer in another country" (Peng, 1998, p.11). Thus, at least in some cases, export intermediaries acting as agents may be able to increase the chances of an SME producer's export success by both providing necessary resources and speeding up their internationalisation process. The potential of export intermediaries is just beginning to be explored in the literature. Thus far, the majority of studies on small producers and export intermediaries have addressed three basic issues: (1) the factors influencing the selection of and commitment to export intermediaries by manufacturers (Peng and Ilinitch; 1998; Gilliland and Bello, 2002; Trabold, 2002; Schroder et al., 2003; Deligonul and Cavusgil, 2006; Peng et al., 2006); (2) the export performance of manufacturers using intermediaries (Bello and Gilliland, 1997; Gencturk and Kotabe, 2001; Bello et al., 2003) and (3) the performance of export intermediaries (Bello et al., 1991; Peng et al., 2000; Balabanis, 2001; Peng and York, 2001).

Despite the diversity of existing studies, one common theme uniting them is that they all tend to focus on a *single* side of the transaction: either that of the export intermediary as agent (Peng and York, 2001) or the producer as principal (Gencturk and Kotabe, 2001; Bello et al., 2003; Deligonul and Cavusgil, 2006). Despite the obvious *dyadic* nature of the export producer–intermediary relationship, most studies fail to consider the potential simultaneous interaction between the two parties. As a result, these studies fail to capture how export producers and intermediaries interact to structure their dyadic relationship and the contextual factors that guide their relationship. To address this issue, several researchers have suggested that surveying export producer–intermediary dyads represents a promising new direction for future research (Peng and York, 2001; Deligonul and Cavusgil, 2006).

The interaction between producers and intermediaries in dyadic relationships is important because agency and transaction cost theories, on which the majority of export producer–intermediary relationship research is based, assume that such relationships are fraught with the potential for non-cooperation. According to Sharma (1997), the possibility of opportunism is likely to be greater in a relationship where both parties are equal and mutually dependent, which is often the case between export producers and intermediaries. While export producers and intermediaries are highly dependent on each other's resources – inventory from the manufacturer's side and either knowledge (Morgan et al., 2003) or financial resources (Schroder et al., 2003) from the intermediary's side – neither party is likely to have full information about the other's resources and intentions. As such, high degrees of information asymmetry and uncertainty (Williamson, 1985) may also be present, which increases the likelihood of self-interested behaviour and raises the transaction costs of obtaining information and monitoring partner performance (Dyer, 1997; Peng et al., 2006).

Cooperation between export producers and intermediaries as well as the usage of outcome-based contracts could conceivably solve the agency problem and result in optimal joint performance (Peng, 1998; Deligonul and Cavusgil, 2006). However, anecdotal evidence suggests that cooperation between the two parties is rare (Frazier and Rody, 1991; Heide and Miner, 1992; Peng, 1998), and that the usage of outcome-based contracts do not necessarily translate into long-term relationships between the two parties (Peng, 1998; Gilliland and Bello, 2002). Despite such importance and emphasis on cooperation and contracts between the two parties, no studies have been conducted on both parties simultaneously. This leads to the following unexplored questions: (1) How do export dyads structure their dyadic relationships? (2) What factors determine their dyadic relationships? Such questions on the relationship between producers and export intermediaries have never been made explicitly studied. This is likely due to the lack of understanding of the dyadic nature between the export producers and the intermediaries.

In the following sections of the paper, we provide a literature review of the theories that have been used to explain the relationships between export producers and intermediaries and point out the inadequacies of such theories. We then describe the grounded theory approach that we used to observe the relationship between export producer and intermediary dyads. This ultimately led to our identification of three forms of relationships: (1) competitive relationships, (2) cooperative relationships and (3) mismatched relationships. Grounded theory research is typically presented with an analysis conducted in ongoing iterations, with the conceptual structures and theory presented last. However, we did not follow this presentation form as such presentation would entail a lengthy, complex and possibly confusing qualitative data presentation, prior to our propositions. Thus we decided to present our concepts and emerging propositions in a more traditional manner. Nevertheless, the theoretical concepts and propositions were grounded in, and emerged from, our observation and data analysis of the dyads and were not derived from any prior theory (Glaser and Strauss, 1967; Locke, 1991; Suddaby, 2006). In the final section, we offer our implications for research, management practice and policy-making.

2 A transaction cost and agency perspective

The relationship between export producers and intermediary dyads has mainly been modelled by transaction cost theory and agency theory. Transaction cost theory is concerned with how to organise efficient economic transaction with minimum costs (Williamson, 1985). In the case of export relationships, transaction cost theory suggests that producers outsource to intermediaries in order to lower export-related transaction costs such as negotiation, monitoring, enforcement as well as bundling product lines of several producers in order to generate product synergies (Lilien, 1979; Peng, 1998; Schroder et al., 2003).

Although insightful, transaction cost theory does not account for several important factors in the relationship between export producers and intermediaries, such as the fact that either party may be interested in repeated transactions and mutual cooperation. Prior research has assumed that some degree of mutual cooperation between producers and export intermediaries is a necessary condition for a high joint performance (Heide and Miner, 1992; Gencturk and Kotabe, 2001; Peng and York, 2001; Deligonul and Cavusgil, 2006). Export producers and intermediaries have a mutual dependence relationship in which the performance of the intermediary depends on the performance of the manufacturer and vice versa. Export intermediaries frequently possess connections, market and customer information, industry expertise and other types of legal and administrative knowledge (Peng, 1998; Morgan et al., 2003). These attributes are resources that are not often found in most small producers because they would be too costly and risky to develop in-house, given the relatively small initial sales volumes that might be garnered from such investments. Producers, on the other hand, contribute the willingness to provide not only a product inventory for export intermediaries to market, but also a multi-year stream of cash flows based on services or sales commissions that export intermediaries generate (Peng, 1998). Thus, while mutual dependence exists (each partner makes uniquely different contributions to the partnership and may have quite different incentives to fully cooperate in their potential repeated transactions), these factors are not accounted for in transaction cost theory.

Agency theory is concerned with exchanges in which a principal delegates tasks to an agent, in which it is assumed that if there is an incongruence of goals and interests, the agents will behave opportunistically (Jensen and Meckling, 1976). In the context of exporting, existing literature has assumed that the producer serves as the principal and the intermediary as the agent (Peng, 1998; Peng and Ilinitch, 1998; Peng and York, 2001).

Within this context, agency costs arise for the export producer, or principal, due to the need for monitoring and providing incentives to the intermediary, or agent (Eisenhardt, 1989a). Mechanisms such as social contracts, institutional selections and economic process have been suggested to support alignment of the goals of the export producer and the agent (Heide and John, 1992; Hunt and Morgan, 1994). Social contracts provide the rules on how transactions and business should be conducted. Institutional selection entails the selection of players that follow the social contracts. Economic process entails selection of players that provide profitability. Existing literature has assumed that these mechanisms are set out by the export producer (principal) in order to ensure that the actions of the export intermediary (agent) actions align with their best interests.

Again, although insightful, in the export literature, agency theory only accounts for the intermediary behaving opportunistically; it does not account for the fact that either party may behave opportunistically. In addition, there have been criticisms on whether cooperative mechanisms used by export producers and intermediaries are actually widely used and whether they are fully effective (Brown and Duguid, 1991; Bello and Gilliland, 1997; Hodgson, 1998).

In summary, the types of relationships and the contextual factors that drive the relationships between export producers and intermediaries are not adequately explained by the previous research using transaction costs and agency theory. More research needs to be explored in more detail in order to determine whether new theories are needed to explain this observed phenomenon.

3 Research methodology

Given that the nature of our research concerns exploring somewhat unchartered territory, we used a grounded theory perspective and collected our information through qualitative interviews with a number of export producer and intermediary dyads. This required us to observe our samples with an unbiased mindset and not overtly test any prior hypothesis (Locke, 2001; Suddaby, 2006). After several rounds of interviews conducted using an inductive approach, clear patterns of relationships emerged, upon which we developed additional questions designed to confirm our findings. In adding these ‘new’ questions, we made sure that we did not move towards ‘forced categories’ which might bias us towards intended categories or subject us to overlook any potential additional emergent observations (Glaser and Strauss, 1967). Methodologically, such interplay of induction and deduction is justified, given the substantial newness of this area of research using data from both sides’ perspectives as dyads (Eisenhardt, 1989b; Yin, 1994; Lee, 1999).

3.1 Sample selection

We chose the softwoods industry in the USA as our sample due to the large extent of export intermediary usage (as compared with direct exporting) as well as the commodity nature of the product in order to eliminate potential differentiated product issues that could bias our study (Chintakananda and York, 2006). This single industry sample allowed us to control for potentially confounding factors that may occur across industries, such as changes in government trade policies, cross-cultural differences and global market shifts. Prior to contacting the producer and intermediary firms, we also consulted with industry experts to gather information about the firms and their intermediary partners, as well as to ensure that the firm chosen were not idiosyncratic to specific situations. Despite our initial selection of samples of firms in the USA that are in operation, we made sure that we included firms that had international partners as well as firms that have been financially successful and unsuccessful with their partners.

Following Dyer (1997), we began the study with four producers that not only were willing to talk with us in detail about their export relationships, but also were willing to give us permission to talk with any of their current or past intermediary partners. Through our subsequent discussions with intermediaries, we were then able to gain the names of other producers, whom we later contacted with the intermediaries’ permission. These initial interviews were conducted between August and December 2003. Once we interviewed the initial set of four dyads, we then proceeded to include more interviews until saturation in our data occurred. These interviews resulted in four additional export producer/intermediary dyads. We also interviewed two dyads in other geographic areas and talked with three industry experts, who provided industry and competitive background information. These industry experts were specialists from the Southern Forest Products Association and the Southeastern Lumber Manufacturers Association, as well as the State of North Carolina Export Trade Association Trade Manager. (These subsequent interviews were conducted between May 2004 and August 2006.) Table 1 provides a brief description of the original export producer/intermediary dyads selected, in which pseudonyms are used in order to ensure anonymity of the sample firms. Although 23 interviews were conducted in total (in order to ensure that category saturation is reached – a necessary condition for grounded theory), only the results from the first five dyads are presented. This is to ensure a clearer presentation and narration of the qualitative data. Nevertheless, the results that are not presented in the exhibits corroborated with the results of the first five dyads presented.

Table 1 Five dyadic cases

Dyad	*Producer*	*Intermediary*	*Relationship Type*
1.	**RELUCTANT**	**OPPORTUNIST**	**Competitive**
	Established in 1933, RELUCTANT specializes in producing soft plywood. Never exported directly and relies on export intermediaries that can provide them a good price.	Established in 1950 in the mid-west, OPPORTUNIST works with several manufacturers on a single transaction basis. Specializes in exporting white pine boards and timbers to several European and Asian countries.	OPPORTUNIST had a one time transaction deal with RELUCTANT to export RELUCTANT's plyboard to the Middle East. Both currently produce for or exports for other companies.
2.	**RELUCTANT**	**NEWBIE**	**Competitive**
	Same as above	Established in 2001, NEWBIE specializes in both exporting and importing softwoods between the US and the Far East. Negotiates with several manufacturers to develop plywood for exporting.	RELUCTANT had a one-time transaction deal with NEWBIE to export NEWBIE's plywood to Asia. Both firms continue to negotiate prices, but haven't had any transactions as a result.
3.	**EASYGOER**	**BURNED**	**Mismatched**
	Prior to 1990, EASY GOER was a small lumber company with only domestic sales. Started exporting to Europe in 1990 through intermediaries. Has maintained long-term relations with several intermediaries. Currently starting to export directly.	One of the largest intermediaries for pine products sold in Europe. Maintains long term exclusivity with member producers of different types of products, but have also had short term relationships with other producers as well.	BURNED had exported EASYGOER's pine products to East Asia and Europe. Currently not conducting any export transactions together.
4.	**LONER**	**WITHHOLDER**	**Mismatched**
	Established in 1990, LONER had failed in their numerous attempts to direct export. Was rescued from domestic market extinction through WITHHOLDER and various other intermediaries. Once re-established, LONER started exporting directly again.	A medium sized intermediary that exports to Europe, Australia, and Asia. Focuses on supporting small firms through training and development, and prefers long-term relationships rather than spot transactions.	Initially started out with a mutual agreement of a long-term relationship. However, after five years of partnership, LONER and WITHHOLDER ended their agreement.
5.	**FAMILY**	**PATRIARCH**	**Cooperative**
	Although established for more than 100 years, FAMILY started exporting softwood only 10 years ago through PATRIARCH. Exports now account for one fifth of total sales.	PATRIARCH works with groups of firms as if they were under one umbrella under an exclusive arrangement – each firm offers lumbers of different sizes and PATRIARCH will work exclusively with their lumber producers for the particular product.	Maintains an exclusive relationship and all export products are co-branded FAMILY-PATRIARCH. Products are exported to Europe, Japan, and Latin America.

3.2 Semi-structured interviews

To collect the data on export producer and intermediary dyads, we conducted semi-structured interviews with either the owners of the softwood lumber producers and export intermediaries or the managers in charge of exporting. The semi-structured interviews were partly based on our existing knowledge that the emerging relationships between the dyads might depend on the perceived degree of self-interested behaviour engaged in by each partner (Peng and York, 2001; Chintakananda and York, 2006). However, we made sure to allow any information that might not support our previous knowledge to be observed. This part-inductive, part-deductive approach in developing questions based on existing knowledge allowed us to gain creative insight without reinventing processes or concepts that have been previously found effective (Orton, 1997).

We initially developed a loosely structured interview form consisting of four sections: (1) questions about the firm's history and its decisions to export; (2) the factors that managers believed either supported or detracted from their firm's export performance; (3) the level of satisfaction with the export partner and (4) the level of cooperation or opportunism that the focal firm provided to and received from its export partner. Interview participants were given the freedom to develop their story as they observed it, although probing questions were also asked in order to gain details. Our main goal for the interviews was to elicit fresh understandings about the relationships between the dyads and how these relationships actively constructed reality. We also made sure that we did not stop any interview too early and continued the interview with each dyad partner until we reached 'category saturation' (Strauss and Corbin, 1998). Throughout the interview process, we assured all participating export producers and intermediaries of strict confidentiality and that individual firm identities would be disguised.

3.3 Data analysis

For the analysis of our interview transcripts, we took the approach suggested for qualitative inductive data analysis (Glaser and Strauss, 1967; Miles and Huberman, 1984; Eisenhardt, 1989b; Yin, 1994; Lee, 1999). This process consisted of an iterative approach involving going back and forth between the interview data and the emerging concepts. Then, in the second stage, we used confirmatory data to develop our typology and propositions. We began by comparing the responses of partners within each dyad to ensure consistency in evaluating each producer/intermediary relationship. From the beginning, we found a high level of agreement between respondents of each dyad over such issues as how the relationship developed and the details of the business transaction, which increased our confidence in the validity and reliability of our interview data. We then grouped all quotes and details from the interview transcripts into key thoughts and emergent patterns according to categories, which we deemed pertinent to the context. Once we completed our analysis, we checked to see if any of our results supported or contradicted any existing theory in the export literature. By using this deductive approach until we reached saturation in our data categorisation, and then following up with confirming questions based on an inductive approach (Eisenhardt, 1989b; Yin, 1994), we were able to develop theory-based typologies and propositions, which are discussed in the following section.

4 Results and propositions

Our data analysis suggested that the following four factors were important to the export producer and intermediary dyad relationships: the degree of information sharing, the intensity of price negotiation, the level of transaction costs other than price negotiation, and partner satisfaction and propensity to export directly. Combinations of these four factors resulted three distinct partnership patterns of export producer/intermediary dyads: (1) a short-term *competitive* relationship; (2) a long-term exclusive *cooperative* relationship and (3) a *mismatched* relationship. The details are depicted in Tables 2–5.

4.1 Competitive relationship

In competitive relationships, producers and intermediaries form partnerships to take advantage of temporary market opportunities that may provide short-term unilateral profits. This dyad type, most often assumed in transaction cost and agency-based export literature, is typically a one-time, single sale or 'spot' agreement in which the intermediary negotiates with the producer to manufacture a specified amount of product at an agreed upon price. In competitive relationships, corroborated based on our interviews with two dyads – RELUCTANT (producer) and OPPORTUNIST (intermediary) and RELUCTANT (producer) and NEWBIE (intermediary), the probability that one or both parties will behave in a self-interested way is high, which decreases the likelihood of long-term relationships based on trust.

Table 2 Information sharing

	Producer	*Intermediary*
Competitive	"We don't have much information (on our overseas customers). You may want to talk to OPPORTUNIST, they know." – RELUCTANT on what they know about their customers and on exporting.	"All we do is send the specifications to the producers in non-metric standards." – OPPORTUNIST on what information they provide to their producers. "We've had experience in supporting manufacturers by providing them with the knowledge in the export processing, providing them direct access to their end-customers, and after a while, these manufacturers terminate their relations with us and export directly to their own end-customers." – OPPORTUNIST why they do not provide detailed information about sales to their manufacturers. "I gave them all the specifications so they could cut accordingly to the overseas customers' needs, and then they provided me with a sample so I can verify with the customers. Everything is done through me." – NEWBIE on what information they provide to reluctant.

Table 2 Information sharing (continued)

	Producer	*Intermediary*
Cooperative	"We are like a family (with PATRIARCH), we trust each other…To get the skills and contacts, we had to rely on them and they provide it to us." – FAMILY on what they learn from PATRIACH.	"All transactions are clean – the mills will know the pricing sold to customers...everything is completely open." – PATRIARCH on their manufacturing members "The main problem in managing the consortium is how to allocate demand and keep everyone happy. Softwoods are cut in quarters, and sawmills want to cut 16 quarters because this size allows them to get the most out of their logs. In order to provide fairness to all manufacturers within the group, we have a sharing scheme with manufacturers in which manufacturers take turns cutting 16 quarter wood." – PATRIARCH
Mismatched	"WITHHOLDER just sold to big warehouses overseas, but we never met the end-customers." – LONER on their end-customers "We've had the chance to travel extensively in Europe to meet our own customers. By doing so, we were able to better understand our customers' needs and their customers' usage of yellow pine wood. This includes not only large customers, but also end-customers. This understanding of customer needs, especially end-customers, has led to our firms' biggest change…we were able to tailor their products according to customers' usage, increasing our product mix." – EASY GOER on getting information on their customers	"We've been screwed several times! However there is not much we can do about it. The only way is to tell them enough, but not tell them everything." – BURNED on why they don't provide sales information to the manufacturers

4.1.1 Information sharing

Given the instability of the relationship and potential for opportunism between firms in competitive relationships, both producers and intermediaries are discouraged from sharing information for long-term mutual gain. Knowledge of sales opportunities in foreign markets and the ability to develop products that meet foreign customers' needs reside primarily with the export intermediaries (Peng, 1998; Morgan et al., 2003). Unlike producers like RELUCTANT, who tend to be relatively isolated when it comes to export information and seem to like it that way, export intermediaries such as OPPORTUNIST and NEWBIE obtain such knowledge from their repeated interactions with foreign customers as well as from other producer clients to which producers have little or no access. This behaviour is consistent with literature on agency theory which states that agents have incentives to withhold certain information.

Table 3 Price competition

	Producer	***Intermediary***
Competitive	"We were able to provide (our wood) at the price they wanted." – RELUCTANT on their transaction with OPPORTUNIST	"If the price is too high, we would look around for something cheaper." – OPPORTUNIST on how they choose their manufacturers
	"We've had some discussion with other export intermediaries, however, it hasn't worked out yet." – RELUCTANT on negotiating the price with other intermediaries	"We contacted RELUCTANT for potential exporting to other countries. However, we did not end up transacting [with them] because they could not meet the needs in terms of volume and price. There were cheaper manufacturers located in Tennessee/Colorado." – NEWBIE on not working on a particular transaction with RELUCTANT
Cooperative	"PATRIARCH gets percentage bonuses based on the prices that they can get for us." – FAMILY on their pricing with PATRIARCH	"We do not have contracts or purchase orders with our manufacturers, they're all hand shakes….profits are shared based on a percentage of sales… we're like a coop in reverse…" – PATRIARCH
		"We work with groups of firms as if they were under one umbrella – each firm offers lumbers of different sizes and works exclusively with us. In the same respect, we will work exclusively with them for the particular product. We never work with (other) sawmills that cut the same specs in order to avoid conflicts within the group….our goal is to offer everything in the export market and use our partnerships with lumber manufacturers to compete against competitors in Europe and Japan." – PATRIARCH
		"(We) never charge more than the value we add (to the producer)." – PATRIARCH
Mismatched	"There is a negotiated price for each sale, sort of based on Random Lengths published market prices for international products." – LONER	"Prices move constantly, so a price that was agreed on directly by the manufacturer and buyer may be just a pinpoint in time, not a long term price agreement." – BURNED
	"We provide them [export intermediaries] sales based commissions ranging from 2.5% to 5%." – EASY GOER	"Manufacturers would like higher prices and think that they can gain higher prices through dealing directly. However, what they don't know is that such direct dealing will not bring higher overall profits." – WITHHOLDER on losing manufacturers

Table 4 Transactions cost

	Producer	***Intermediary***
Competitive	"(Prior to transacting with OPPORTUNIST), we've had some discussion with other export intermediaries (to supply our boards), however, it [pricing] hasn't worked out yet." – RELUCTANT "If we knew that there were continuous demands [from our customers], it [direct exporting] might be worthwhile." – RELUCTANT	"It's the nature of these small manufacturers to gain as much profit as they can. They all come and go. There's nothing we can do about it." – OPPORTUNIST However, if they (RELUCTANT) could not meet our criteria to produce enough boards of the required size right away, we'd switch to others so as not to have issues with sourcing from too many manufacturers in small quantities.… It wasn't difficult as these were standard boards that did not require customization. We ended up contracting with eight firms, including RELUCTANT, that could meet our criteria at that time." – OPPORTUNIST "Since then, we've never worked with that company [RELUCTANT] again and never will because we feel that our own reputation is important." – NEWBIE on not gaining full attention in product quality
Cooperative	"We talk constantly (with PATRIARCH), but spend no time negotiating or enforcing or monitoring." – FAMILY	"On average, we are approached by two to three firms a month seeking to join the consortium, but we only adopt one company every 24 months…These are firms that can cut wood at a needed specification that current members within the consortium can't. Careful selection makes it possible to maintain a low level of conflicts." – PATRIARCH
Mismatched	"We used to think that the advent of e-mail would eliminate the need for agents … (but) when we tried to go direct .., the paperwork and quality issues nearly killed us." – EASYGOER	"First, the manufacturers' product line is not large enough, so they don't see the whole spectrum. Second, the difference they get between doing it themselves and having us exporting for them is only three percent. The manufacturers who opt to go direct may find better prices through their direct contacts; however these cases are small demands and once they sell at these prices, they damage the overall market. … we also provide other services that help reduce hidden costs to the manufacturers, such as carrying the receivables and training them to cut export grade lumber." – BURNED on how intermediaries can reduce cost if understood by manufacturers

4.1.2 Price competition

In competitive export dyads, deal completion depends on the ability and willingness of the producer to provide the specific grade and size of lumber at the time required and the willingness of both partners to agree on a mutually satisfactory price. Because competitive relationships are based on one-time agreements, producers wishing to export actively seek and are willing to switch to export intermediaries that can provide them the best unilateral, short-term profits. Typically, producers who enter one-time, competitive export relationships, such as RELUCTANT, are not committed to exporting over the long term; rather, they may be interested in exports only when domestic markets enter a recession and export markets are relatively more attractive or when they are able to export exactly the same products that they are currently producing for domestic markets. In such cases, producers will search for and attempt to negotiate the best single period price. For example, before transacting with OPPORTUNIST, RELUCTANT had also been in discussion to supply its products to other intermediaries as well. Like many other small softwood lumber manufacturers, RELUCTANT has the capacity to cut a limited number of wood dimensions. Because RELUCTANT needs to ensure a continuous stream of demand, it is willing to offer the same product to several export intermediaries at the same time, with their supply going to the highest bidder.

Table 5 Partner satisfaction

	Producer	***Intermediary***
Competitive	"A bad experience is our worst nightmare, having a container delivered that something is wrong with, is no good, and so the customer won't pay for it. If we do it ourselves, we have to get on a plane…" – RELUCTANT on their common problems with export intermediaries "We change agents according to those who can give us the best prices …" – RELUCTANT	"We prefer to work with firms that let us handle everything but production." – OPPORTUNIST on the type of firms that they prefer to work with "It's the nature of these small manufacturers to gain as much profit as they can. They all come and go. There's nothing we can do about it. In order to escalate our relationships with manufacturers to longer term relationships, we now search for end-customers who have unique requirements and specifications so that a manufacturer that will agree to work with us will stay with us. We will also gain a higher price from this type of differentiated product." – NEWBIE on short term relations
Cooperative	"PATRIARCH has networks in Europe like the CIA; they would know if anyone of their [producer members] were cheating. I've seen it happen in other relationships, but never with PATRIARCH." – FAMILY "We've been with them (PATRIARCH) since 1990 (14 years)….we credit them for helping us survive." – FAMILY	"Others (firms not in our network) have labeled us as stupid for doing this, but this is our strategy, and it is working well for both of us." – PATRIARCH on their co-branding strategy "We've never booted a company nor has there been a company that has left us..we've never had a problem with cheating...once we've considered somebody, we stick with them…. in everything we ship, we have to add value (to the manufacturer), if we don't add value, we don't charge the manufacturer." – PATRIARCH

Table 5 Partner satisfaction (continued)

	Producer	***Intermediary***
Mismatched	"We used to travel jointly with WITHHOLDER [to visit our end-customers]. However, after a period of working with them, we wanted to sell our yellow pine wood to other customers who were farther down the value chain (which would provide higher margins), but WITHHOLDER disagreed. This inflexibility made us decide to go on our own. We told them that 'Your head is hard like oak, but ours is soft like yellow pine!" – LONER We've had experience with exclusivity shirking by agents once. One agent had previously been engaged to working exclusively with us and had represented us well. However, during the duration of the relationship, this agent took up another relationship with another manufacturer and put more emphasis this new manufacturer. Thus, we terminated the relationship. We prefer to have exclusivity for our yellow pine products "what matters is that they treat us as No. 1." – EASYGOER	"We've had some who are not committed." – BURNED on dissatisfaction in manufacturers "We've worked with EASYGOER for six to seven years. We work with them well…EASYGOER has always upheld their promise in the past." – BURNED "..some (producers) just don't understand us (our value) and leave us." – BURNED "Many of them appear to be committed to the deal...we invest in them and they move on… they don't see the long-term value." – WITHHOLDER

4.1.3 Transaction costs

The need to constantly seek and negotiate with different intermediaries increases the transaction costs of competitive export partnerships. Both producers like RELUCTANT and intermediaries like OPPORTUNIST were able to quickly rattle off more than a dozen partners each with whom they had negotiated over the last five years. NEWBIE in particular mentioned the constantly changing producers with whom he had dealt with. Monitoring and enforcement costs of contracts in competitive dyads are quite high, due to problems with quality, delivery times and accounting.

4.1.4 Overall satisfaction

Despite low information sharing, price-based competition and potentially high transaction costs, competitive dyads seem relatively successful in terms of both producer and intermediary satisfaction and their willingness to engage in similar transactions in the future. Many producers simply are neither interested in learning how to export themselves nor are they willing to handle the types of problems that can arise in often complex transactions with geographically remote customers. Despite failing to reach recent agreements with RELUCTANT, for example, both NEWBIE and OPPORTUNIST expressed an interest in working with the producer again, should the occasion arise. Thus:

Proposition 1a: *In competitive dyads, information sharing is relatively low, price competition is relatively more frequent and transaction costs such as search and monitoring costs are relatively high*.

Proposition 1b: *In competitive dyads, failure rates are moderately low and partner satisfaction rates are moderately high*.

4.2 Cooperative relationship

In cooperative relationships, producers and intermediaries form long-term, multi-year partnerships based on expectations of mutual trust and joint economic prospects over time. Interestingly, such relationships tended to be cooperative from the beginning and involved substantial give and take between partners. The trust engendered in cooperative relationships often induces partners on both sides to take such transaction and agency cost-lowering actions as sharing profits and operating without written agreements. In our sample, we observed a cooperative relationship between FAMILY (producer) and PATRIARCH (intermediary). PATRIARCH's processes differed substantially from those typically found in competitive relationship. Fifteen years ago, PATRIARCH began carefully assembling a collection of firms that did not produce competing products and thus who were willing to enter exclusive export sales relationships with PATRIARCH. PATRIARCH limits the number of member firms that it allows into the network, so that all members will experience stable revenues even if demand fluctuates. The metaphor of 'family' comes up repeatedly, which accounts for the nickname we gave the producer partner associated with this intermediary. PATRIARCH and FAMILY are not just business partners; they are also social partners, celebrating personal milestones such as weddings, funerals, christenings and graduations with each other as well.

4.2.1 Information sharing

In cooperative dyads, while FAMILY tended not to share information with other producers in the PATRIARCH network, it will share information with PATRIARCH, which then sanitises the source of the information and passes it along within the network so that all members within the group can benefit. As such, PATRIARCH serves as a sort of information clearing house for FAMILY. Additionally, unlike intermediaries in competitive partnerships, PATRIARCH frequently takes FAMILY to visit end customers, not only to reinforce pride in quality, but also so that FAMILY can see for itself how their products are being used so that better service and innovation can result.

4.2.2 Price competition

In contrast, price competition in cooperative dyads is virtually non-existent. PATRIARCH and FAMILY price products using a widely recognised published industry source at a given point in time rather than negotiate prices separately for each transaction. At the end of the year, all of PATRIARCH's network members, such as FAMILY, share in its profits. As such, negotiating costs are much lower in cooperative partnerships than in the competitive case. These solutions are consistent with Li and Rowley (2002) in which while firms prefer balance, they do not automatically disqualify past partners that have received more benefits than they gave to the other firm. Because pricing is not a contentious issue, PATRIARCH is able to allocate orders sequentially to its network members such as FAMILY and keeps transparent records to back up its claims of equal treatment.

4.2.3 Transaction costs

Cooperative dyads have lower transaction costs for a number of reasons. In addition to the savings in negotiating costs due to the lack of price-based competition and not having to constantly adjust to working with new partners, PATRIARCH even co-brands its products with its family members, ensuring that each partner's brand becomes well known. This engenders a sense of pride in quality, which in turn makes monitoring and enforcement less of an issue. PATRIARCH works out the 'kinks' by trying out new potential family members on a spot basis, often asking them to meet more stringent requirements in order to test the quality of their potential partnership.

4.2.4 Overall satisfaction

In cooperative dyads such as PATRIARCH's, the loyalty of family members so far has been absolute. If a family member is approached by export customers to sell directly, it routes the sale through PATRIARCH, which takes only a small administration/referral fee. PATRIARCH notes that they have never had a firm leave the family for any reason; rather, they are approached by several firms each month hoping to join the group. As a result, PATRIARCH's market share has grown, over time, to account for nearly half of all softwood lumber export sales in Europe. Thus:

Proposition 2a: *In cooperative dyads, information sharing is relatively high, price competition is relatively rare and transaction costs such as search and monitoring costs are relatively low*.

Proposition 2b: *In cooperative dyads, failure rates are very low and partner satisfaction rates are very high*.

4.3 Mismatched relationship

In addition to the competitive and cooperative dyad forms, we also found a third, mismatched form – in which one partner appeared to be seeking a competitive form, whereas the other partner appeared to be seeking a cooperative form. Examples of the mismatched relationship in our export sample are the EASYGOER (producer) and BURNED (intermediary) dyad, and the LONER (producer) and WITHHOLDER (intermediary) dyad. While discerning motives of potential partners can always be difficult, our interviews with these dyad partners suggest that doing so within an export context may be particularly hard. The lack of information about small, private producers and intermediaries, as well as the tendency of most firms to engage in single period, spot market, and opportunistic transactions, both contribute to the information asymmetry and conflicting goals found in mismatched partnership forms.

4.3.1 Information sharing

The mismatched form appears to have combined factors of the competitive form and the cooperative forms in terms of information sharing. For example, WITHHOLDER initially operated in good faith, rescuing LONER from domestic market extinction. WITHHOLDER taught LONER how to produce for export markets, with special attention paid to operations such as metric cutting, sorting, grading, drying, branding and packaging. However, as the relationship progressed, LONER began to chafe at the tight customer information controls exercised by WITHHOLDER. According to LONER, WITHHOLDER was unwilling to bring it face to face with end customers and was unwilling to work hard to find end customers that would pay the highest prices for LONER's high-quality products. For several years, LONER operated in good faith, honouring its exclusive relationship with WITHHOLDER. However, as LONER became more comfortable doing business overseas, eventually it came to believe that more profits were to be had by cutting out the intermediary in the transaction, and thus LONER started exporting directly. This tendency to 'bite the hand that fed it' left a sour taste in the mouths of other intermediaries, such as BURNED, which had also worked with LONER at one time.

4.3.2 Price competition

The mismatched form also appears to have combined factors on the price dimension. BURNED tends to conduct a series of one-time but often repeated transactions with firms like EASYGOER. More competitive than cooperative in this regard, transactions tend to be based each time on a negotiated price and the producer's ability to deliver. BURNED suggested that producers' distrust of intermediaries' pricing and their willingness to jump ship for a higher offer stemmed from their lack of understanding about the value that export intermediaries provide (although it should be noted that during the same period that BURNED had a relationships with EASYGOER, BURNED did have some exclusive relationships with a few other producers).

4.3.3 Transaction costs

LONER and WITHHOLDER are probably the best examples of the one-sided opportunism that can characterise partner behaviour in mismatched relationships. In this mismatched dyad, as Jensen and Meckling (1976) would predict, WITHHOLDER, the agent/intermediary, did not exert the maximum effort to gain the highest prices on behalf of its partner LONER. Export intermediaries must at least appear to exert some effort in order to be retained by the producers; otherwise, they risk losing their clients to a competing export intermediary or to firms attempting to go it alone. In the end, in order to avoid the large transaction costs required to assure that its agent was operating in its best interests, LONER chose to unilaterally not cooperate, eventually ending the partnership and choosing to export directly.

4.3.4 Overall satisfaction

Unlike the combined factors mentioned above, the mismatched form provides export dyads with the lowest level of satisfaction. Mismatched dyad partners such as BURNED often yearn for an experience closer to PATRIARCH's cooperative type, which further suggests that PATRIARCH had the most successful export partnership in the industry.

However, because BURNED does not offer its partners the same sorts of protections, including profit sharing, allocation equity and a steady demand stream, it seemed destined to achieve the overall worst performance and satisfaction of the three dyad types. (This was corroborated in many of our subsequent interviews with other mismatched dyads: all partners with mismatched goals had at least one side that was as not as financially successful in their exports as they had yearned for.) While it would seem that mismatched partners such as WITHHOLDER, that fail to share information and include partners in export activities, are doomed to losing the relationship and especially to having producers such as LONER begin exporting directly, the results might be interpreted differently. WITHHOLDER initially did share information, at least about production techniques, with LONER. LONER's choice to reconfigure its entire production for export and its constant angling for information about end customers may have signalled from the beginning that its long-term interest was in direct export. Thus, from the description above:

Proposition 3a: *In mismatched dyads, information sharing is relatively one-sided, price competition is relatively more frequent in mismatched export dyads, and transaction costs such as search and monitoring costs are moderate*.

Proposition 3b: *In mismatched dyads, failure rates are very high and partner satisfaction rates are very low*.

Table 6 depicts the level of satisfaction of dyads in a mismatched relationship, compared to dyads within a competitive and cooperative relationship.

Table 6 Comparison of partner satisfaction

		Export producer	
		Competitive	Cooperative
Export intermediary	Competitive	High partnership satisfaction	Low partnership satisfaction
	Cooperative	Low partnership satisfaction	High partnership satisfaction

4.4 Findings that contradict theoretical predictions

While our findings detailed in the previous section are supported by certain assumptions and predictions of transaction cost and agency theory (see Table 7 for a summary), our interviews uncovered several themes concerning export producer and intermediary relationships that run counter to commonly held beliefs in both research and practice communities.

Table 7 Summary of export partnership configurations

Proposition	*Competitive*	*Cooperative*	*Mismatched*
Degree of information sharing	Low	High	1-Way
Intensity of price competition	High	Low	High
Level of transactions cost	High	Low	Moderate
Partnership satisfaction	High	High	Low

4.4.1 Transaction initiation can be two-sided

The first finding that contradicted existing literature involves which party is responsible for initiating export transactions. Both the agency and transaction cost perspectives assume that producers seeking outlets for their goods instigate the export transaction because they are seeking non-domestic customers (Cavusgil and Zou, 1994). Transaction cost theory assumes that the producer has decided not to internalise the transaction by exporting directly and thus will try to minimise the possibility of self-interested behaviour on the part of their agent, the export intermediary, through incentive systems and governance mechanisms (Peng, 1998). The theory does not account for reverse situations in which export intermediaries actively need and seek producers to develop products for their potential overseas customers. In contrast, our results suggest that both producers and intermediaries actively seek and engage each other and that they do so for all types of relationship configurations.

The possibility of this reverse relationship creates a need to take into account the potential opportunistic behaviour by the producer as well the intermediary, as either the producer or the intermediary could be principal or agent and act opportunistically. In the case of competitive dyads, producers like EASYGOER and RELUCTANT were contacted by BURNED, NEWBIE and OPPORTUNIST (intermediaries). Competitive relationships initiated by intermediaries may occur when the intermediary is able to identify a partner to meet special one-time market demands, such as when a customer has needs that exceed what its regular producers can provide, or when an intermediary identifies an opportunity to switch to a producer that can provide higher margins, such as in the case of OPPORTUNIST's dealings with RELUCTANT.

Both intermediaries and producers also initiate long-term cooperative relationships. PATRIARCH, for example, chooses potential partners carefully, testing them out in single period transactions prior to bringing them into their export family. This process allows PATRIARCH to determine whether the producer can meet timing and quality requirements as well as whether the firm's management has similar goals and the type of character with which PATRIARCH wants to do business over the long term. Producers also seek membership in PATRIARCH's export family. In this case, to paraphrase an old saying, 'many call, but few are chosen', because to keep the family organisation functioning smoothly and to provide member firms with adequate profits over time, PATRIARCH includes only enough partners to supply base demand. Excess demand is first handled by member firms and then by one-time 'spot' transactions, typically with firms that wish to 'try out' for future openings in PATRIARCH's group.

Table 8 below provides quotes that support the following proposition:

Proposition 4: *Contrary to prior research findings, export transactions may be initiated by either producers or intermediaries – not just producers.*

Table 8 Transaction initiation

	Producer	*Intermediary*
Competitive	"(They (OPPORTUNIST) contacted us for an export to the Middle East." – RELUCTANT on how they started working with OPPORTUNIST	"We started working with RELUCTANT two years ago when we were contacted by a large foreign customer in the Middle East to supply them one million boards. We first contacted a number of firms we had used before." – OPPORTUNIST
Cooperative	"We approached PATRIARCH about working with them in 1990." – FAMILY on how they started working with PATRIARCH	"We purchase 20 percent (of our wood) from outside the family; we regard this as 'teenage dating' that allows us to get to know more firms and test them to see whether we can trust them long-term. We see whether these firms can produce according to the given specs, and we evaluate how committed they are. This is important in determining whether they will stick with us." – PATRIARCH on how they develop their relationships with producers
Mismatched	"(We) find them (intermediaries) at meetings at various trade groups or the intermediaries contact us with offers, as in the case of BURNED." – EASYGOER on how they find export intermediaries	"We work with several manufacturers at the same time. This is because, for example, if EASYGOER only has the capability to cut 5¼ wood, we must find other sources to complete our portfolio of woods." – BURNED

4.4.2 Asset-specific investments are not required

The second finding that contradicted existing literature involves the requirement of asset-specific investments to reduce opportunism. Both agency and transaction cost literature has shown that principals can reduce the hazards of opportunism by requiring agents to invest in assets that are idiosyncratic to the exchange (Dyer, 1997; Sharma, 1997). This is because agents who have developed specialised assets cannot redeploy these assets without sacrificing their productive value, if the transaction relationship should be terminated (Williamson, 1985). Prior export research has confirmed this perspective, suggesting that both intermediaries (Peng, 1998) and producers (Cunningham, 2003; Deligonul and Cavusgil, 2006) need to make substantial asset-specific investments to succeed in producing and negotiating within an international export context. However, our research suggests this is not necessarily the case.

While researchers agree that unique resources, capabilities and knowledge are required for export success (Morgan et al., 2004; Morgan et al., 2006), until the focus shifted to the source of these skills (Peng and York, 2001; Trabold, 2002), most researchers and practitioners alike assumed that such capabilities had to exist within the producer firms. Many small firms typically do not have the resources to develop the capabilities to implement direct exporting, and even if they have the resources and commitment to consider it, producers fear that if they make one-time investments in new processes and routines that are specifically tailored for export markets, these investments will hamper their ability to produce for domestic markets if the export opportunity is short-term.

Our findings suggest that, in many cases, there is no need for producers to develop in-house export-specific knowledge and capabilities. In the RELUCTANT and OPPORTUNIST dyad, the dimensions of softwood lumber to be exported were the same as those which RELUCTANT had been producing for domestic markets. This was also evident in the way PATRIARCH works with their producers. PATRIARCH searches for producers who can meet the needs of export customers, saying "if our producers will focus on producing the quality we need and keep the wood dry, we can handle everything else". However, some producers such as LONER, which committed 100% of its production to export markets from the beginning with the help of WITHHOLDER and ended up exporting directly, benefit from making new investments and learning new production, packaging and marketing techniques.

Our analysis suggests that the percentage of exports a producer plans to undertake dictates the degree to which it is willing to invest in new, export-specific equipment and processes. However, such investments are less likely to result in a cooperative partnership. In fact, they are likely to lead to opportunistic behaviour such as the dissolution of the partnership and direct exporting. Table 9 below provides quotes that support the following proposition.

Proposition 5: *Producers do not have to change production practices or invest in other export transaction specific in order to export successfully. Rather, intermediaries can provide such resources*.

Table 9 Asset-specific investments

	Producer	***Intermediary***
Competitive	"We're typically not interested in overseas sales that require large changes to our existing process. Normally customization for a specific customer requires large changes in terms of standards and lumber sizes. Changing the size of the lumber cut may result in large portions of unused woods, resulting in overall less profitable sales. Also, it will not be easy to revert to our existing procedures. We've had several discussions with other export intermediaries, but the deals didn't work out because most of them wanted odd ball products they we just couldn't make." – RELUCTANT	"Motivation and commitment is required to be able to change from the traditional mindset of US standards to explore and switch to new methods of cutting…this 1x4 size is regarded as standard, so training of the manufacturers was not necessary – all we had to do was send the specs to the manufacturers in the non-metric system." – OPPORTUNIST

Table 9 Asset-specific investments (continued)

	Producer	*Intermediary*
Cooperative	"Our production schedule is based on PATRIARCH – they tell us what they need and we make it – we are very flexible. We were given the choice at the beginning to choose the high, mid, or low end market by PATRIARCH and we chose high." – FAMILY	"This is the way we work together. All they (producers) do is produce; we do all the contacts and complicated stuff for them….these people (producers) pride themselves on not having to use email or computers. If they will send me their standard products on time and keep the wood dry, then I can do everything else that's needed. Their accounting doesn't even have to be completely accurate." – PATRIARCH "PATRIARCH (intermediary) spends about 50% of its time understanding customer needs and then finding producers that are already able to meet those needs. Thus, instead of having to make changes to existing procedures, producers are able to just keeping doing what they've always done." – BURNED (talking about PATRIARCH)
Mixed	"Part of our advantage over our competitors is that we have a good saw mill. Other mills are geared toward standard production, not quality. To be successful, it is necessary to throw out old customs and develop new ways, in which most small lumber mills haven't conducted. Although our sawing process provides lower yields and requires higher labor costs, we can make up for this with higher prices. Obtaining these higher prices would not be possible without such good sawing." – LONER	"When we first met EASYGOER, EASYGOER had never exported before and had to adjust their lumber cutting methods for thicker woods. Typically for a manufacturer exporting for the first time, we will go and look at the mills and see if it can be modified to meet the customers' needs and then train them. Therefore, it is important to have an understanding of the whole spectrum, but some just don't understand and leave us." – BURNED

5 Contributions and implications

To the best of our knowledge, this research is the first to focus on *both* sides of export dyads by examining producer–export intermediary relationships. Previous research predominantly has applied agency and transaction cost theory to explain such relationships, but these theories do not fully capture the potential simultaneous interaction of cooperation or non-cooperation of both the export producer and the intermediary. By analysing both sides of the simultaneous and reciprocal transactions, we were able to model the dyadic relationship as well as find several themes that run counter to commonly held beliefs of transaction cost economics and agency theory.

Our findings provide several implications for researchers, managers and policy-makers. First, from a future research perspective, those interested in studying export success and failure would benefit from examining both sides of export dyads in order to understand the motivation and factors affecting partnership form and success (Peng and York, 2001). Such motivations and factors could differ among and within the dyads, leading to different relationship structures. In addition, our findings provide new insights into dyadic behaviours between firms in terms of potential opportunism and transaction cost-reducing opportunities.

From a practitioner's perspective, our study provides export producers and intermediaries with a contingency approach to decisions such as under what conditions would firms tend to choose cooperative vs. competitive relationship? Our study also provides guidelines for selecting export partners based on the potential for positive dyadic interactions and joint economic prospects. Based on their goals for the partnership, producers and intermediaries can select the form of partnership that will maximise their chance of success. For example, producers that would like to test export markets, minimise inventories or reap short-term gains from favourable market conditions should seek competitive relationships. On the contrary, producers that are uninterested in developing in-house exporting skills and that prefer to concentrate on manufacturing quality products, but that have a preference for long-term stable partner should seek a cooperative relationship. Turning to the other side of the dyad, intermediaries that engage in competitive relationships need to have the structure and personnel to support negotiating and monitoring their relationships, whereas both parties in cooperative relationships must focus on effective logistics management, ensuring fair processes and developing products with consistently high quality in order to maximise performance.

6 Limitations

The results of this study must be assessed in the context of its limitations. First, our sample is limited to firms that are currently in operation. Despite extensive interviews with industry players and experts that confirmed the consistency of our findings, we may have missed some factors that contribute to export partnership failure as only firms that are in existence were observed.

Second, as our main sample was based on the softwood lumber industry, it is possible that our findings are idiosyncratic to this industry. Although the degree of export intermediary usage by producers may differ across countries and products (Schroder et al., 2003), we have gathered anecdotal evidence that our results may generalise at least to other commodity-based industries.

Third, as with any study based on interview data, some bias based on retrospective sense-making on the part of our interviewees may be present. However, this problem is less critical than in some one-way studies because we interviewed both sides of the dyads separately, compared the responses and found a very high level of consistency on important issues that determined our propositions and typology.

Finally, while limiting our sample to firms within one country (the USA) helps control a variety of cultural, institutional and environmental factors, whether our findings are generaliseable in other countries remains to be seen. The need for SME producers to cooperate with export intermediaries may be stronger for SMEs based in emerging economies that are eager to 'get their feet wet' overseas, but do not have the in-house capabilities to do so (Lau, 2008; Yamakawa et al., 2008).

7 Future research directions

Several important directions for future research emerge. First, on the theoretical side, having provided evidence that in dyadic relationships, transaction initiation can be two-sided and that export producers do not have to invest in export transaction specifics, future research can address the factors that support or hinder the effectiveness of such context or behaviour. For example, researchers could consider how the size of the transaction and power of the players determines the transaction initiation. Also, researchers could measure how the effectiveness of opportunism control varies with the different type and level of asset-specific investments of the dyads. In addition, it is important to understand how the form of relationship that the dyads choose may transform their behaviour with other partners.

Second, from the methodological side, having provided evidence that comments from both export producers and their intermediary partners are reliable and consistent, researchers with large numbers of observations can address intermediaries and producers separately after some initial matching with their dyad partners.

Finally, our findings could also be extended to include the influence of personal characteristics of the producer and intermediary owners on their choice of partners and degree of cooperation. Also, information not reported in this study suggested that the social networks of producers and intermediaries as well as international comparisons are interesting and worthy of more in-depth study.

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