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Management of Exporter-Overseas Channel Intermediary Relationships

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ABSTRACT

The relationship between an exporter and its overseas channel intermediary (an agent or direct importer) needs to be carefully managed by the exporter. Research from relationship marketing and agency theory suggest that the performance of an exporter/foreign channel intermediary relationship can be explained by a combination of relationship and control influences. Relational factors in the form of commitment and the development of trust are positive influences on the relationship, and commitment increases along with international experience. Agency theory suggests that the presence of opportunistic behaviour has a negative influence on performance. We test these assertions using data from a sample of Australian exporters using structural equation modelling. We find that goal congruence and experience both have direct effects on perceived relationship performance, and that commitment and trust have an indirect impact on perceived performance through their impacts on monitoring activity and goal congruence.

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1.0 INTRODUCTION

Exporting firms may use independent export channel intermediaries located in the same country as the exporter or those that are located overseas. In both cases, intermediaries link exporting firms to their international markets and perform a role that the exporter is unable or unwilling to perform. A consequence of engaging a foreign channel intermediary (FCI) is that the geo-political and cultural boundaries that separate the exporter and the FCI create an "agency problem" for the exporter. The agency problem is one where the exporter (the principal) needs to motivate the FCI (the agent) to act

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in the interests of the exporter (Jensen and Meckling, 1976), or at least, such that the exporter's interests are not adversely affected.

Since laws concerning agency and distribution are embedded in the web of national and transnational laws (McCall, 1999) exporters face greater uncertainty in international compared with domestic channel relationships. Under these conditions, mechanisms that are available to a domestic manufacturer-channel intermediary to control FCI opportunism and poor motivation are not available or less effective in the case of the exporter-FCI relationship. Rather than resorting to expensive, damaging and often ineffective control influences via enforcement of contractual terms, (Biong and Selnes, 1995) have shown that the use of relationship building influences that create mutual obligations are more effective in creating high performance buyer-seller relationships. This does not mean, however, that contractual elements are unimportant, rather, relational elements built on solid contractual conditions appear to reduce uncertainty and create a positive operating climate (Leonidou, Samiee, Aykol and Talias, 2014).

(Cannon, Achrol, and Gundlach, 2000) have shown that where contracts are administered in an uncertain supplier-manufacturer climate, the relationship between the parties is significantly enhanced if detailed contracts are accompanied by cooperative behaviours aimed at achieving the mutual goals of the contractual parties (see also Mooi and Ghosh, 2010; Poppo and Zenger, 2002). This paper develops and tests a model which shows that exporters facing an agency problem may achieve well-performing channel relationship with their FCI by reducing any opportunistic behaviour that may be inherent and increasing those behaviours that enable the parties to develop congruent goals. This adds to the export performance literature by specifically examining relationship elements as part of an export strategy (Morgan, Katsikeas and Vorheis, 2012). Using structural equation modelling, this model has been empirically examined and supported using responses from a sample of export executives. Despite the influence of these relational elements, trust acts via monitoring as an intervening variable to achieve a state of goal congruence. Therefore, this model proposes that a balance between relationship building actions and control elements are needed to bring about goal congruence.

2.0 MODEL CONCEPTUALISATION

2.01 THE AGENCY PROBLEM

The agency problem, based on agency theory (Bergen, Dutta, and Walker 1992), is suggested as a starting point for analysing the exporter-FCI relationship. The agency problem presents the exporter (the principal) with the difficulty of "inducing an agent to behave as if he were maximizing the principal's welfare" (Jensen and Meckling 1976, p.309). This creates a condition where the task delegation between the principal and the agent has the potential of substantial goal conflict, or a dilution of proprietal control, or both. The agency problem converges on the Exporter-FCI contract which anticipates the opportunistic tendencies inherent in the relationship (Karunaratna and Johnson, 1997). Agency theory posits that a contract that reflects these tendencies is optimised where wealth for the contractual parties is maximised and cost burdens on maintaining the relationship are minimised (Jensen and Meckling, 1976). Such a theoretical maximum is threatened by the propensity of the FCI to behave opportunistically. In such circumstances, members in an exchange relationship tend to pursue parochial rather than collective interests. A relationship in which the contractual parties pursue collective interests where there is mutuality in the relationship expressed by congruent goals may be a pre-condition for a strong long-term exporter-FCI relationship. It may be an expression of a positive operational climate where opportunism is reduced and the contractual relationship is optimised. The following model describes antecedent conditions for achieving such a state.

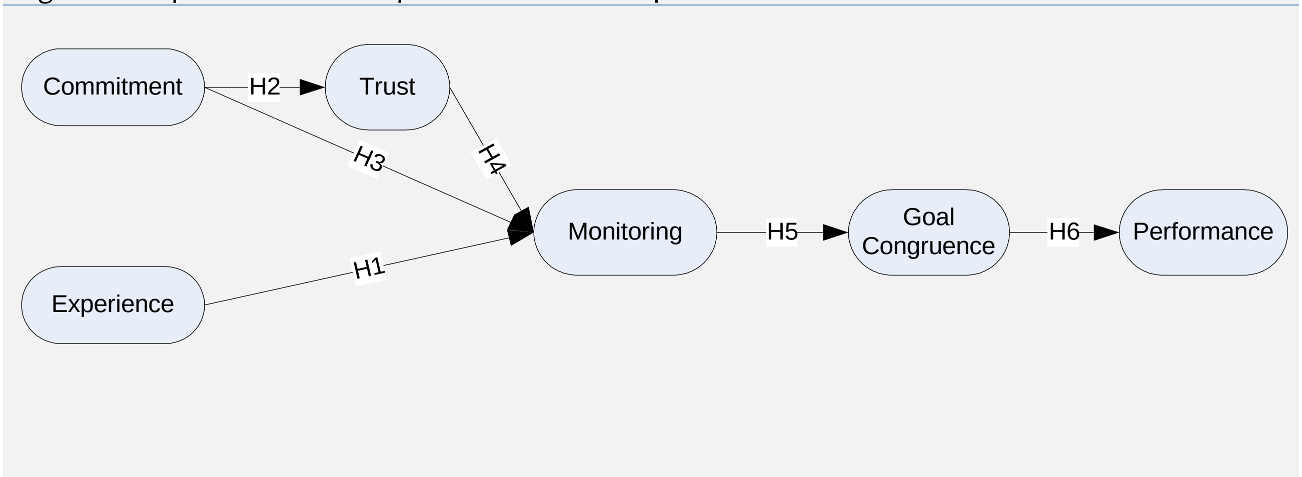
2.02 THE EXPORTER-FCI RELATIONSHIP

Ideally, an exporter-FCI relationship is the result of a negotiated contract that results from a mutually beneficial climate (Nguyen and Nguyen, 2010). This will be considered from the point of view of the exporter and the elements under its control to create an optimal operating climate. An optimal operational climate is defined here as one where the exporter (principal) and FCI (agent) operate with common interests. Where the FCI behaviour is opportunistic, it threatens this mutuality and reduces the performance of the overall exporter-FCI contractual relationship.

Previous research have focused on control as the basis for optimising channel performance (e.g., Rosson, 1984; Anderson and Coughlan, 1987) whereas there is more recent research (Bello, Chelariu, and Zhang, 2000; Lisboa, Skarmeas and Lages, 2011, 2013) that has shifted the emphasis to relational elements of international channel management. Our paper argues that optimal channel governance can be achieved by achieving an ideal balance of relational and control elements, and unlike a "pure" agency based approach that operates on the assumption of bounded rationality on the part of the contractual parties, it is suggested here that control and relational elements are synergistic (Griffith and Dimitrova, 2014).

The present research contributes to this literature by considering the central role of goal congruence which may capture the operational climate and represent a diagnostic of the relationship. Antecedent to goal congruence is five constructs related to control and relational elements of the relationship. It is proposed that channel performance is positively influenced by implementing strategies that improve the mutuality of the relationship (defined as goal congruence). Exporters that are highly committed to the relationship will create trust within the relationship. Goal congruence is also influenced by monitoring which reduces opportunistic behaviour by the FCI (Eisenhardt, 1985; Heide, Wathne and Rokkan, 2007). FCIs who have high international experience are also more capable of monitoring the activities of the FCI and thereby reduce the FCI's propensity to act against the interests of the exporter (Bergen, Dutta, and Walker, 1992). The proposed model is shown in Figure 1.

Figure 1 : Proposed model of exporter-FCI relationship



3.0 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.01 EXPERIENCE

Experience appears to be a key element of an exporting firm's ability to manage most aspects of its international operations. The accumulation of international knowledge increases confidence and competence which becomes a driving force in the firm's internationalisation (penetration of new markets with increasing forward integration) (Johanson and Vahlne, 1990). Firm internationalisation literature shows that behavioural and operational differences are apparent between firms with less experience and those with greater experience. As exporting firms accumulate experience, they demonstrate greater commitment to their markets and relationships as export sales become a greater source of the firm's overall profits. Firms with greater experience with international markets also appear to be more sophisticated in their information acquisition and are highly selective with their information needs and sources, suggesting increasing operational efficiencies with accumulating experience. They also appear to possess internal information sources and retain managers with greater experience and are more proficient at searching and maintaining information sources appropriate for their needs (Cavusgil, 1984). Increasing monitoring capabilities and more effective use of resources suggest that experience may be closely associated with the exporter's ability to control the FCI relationship (Heide, et al., 2007).

Firms with greater experience in international markets therefore may be better able to locate FCIs that have greater commonalities with the exporter and are more adept at managing their relationships compared with less experienced exporters. Although the accumulation of experience has been described in terms of the exporter, (Rosson and Ford, 1982) suggest that both exporters and FCIs benefit from the accumulating experience and (Ford, 1980) states that this happens through repeated transactions that build trust and familiarity, resulting in a strong commitment to the exporter-FCI relationship. Therefore it may be proposed:

Ho 1: Increasing experience will be positively associated with greater monitoring capabilities.

3.02 COMMITMENT

(Aaby and Slater, 1989), in their review of management influences on successful export ventures, cited several studies that show a positive relationship between management willingness to commit resources and export performance. Underlying management commitment is a realistic set of expectations about the likely outcomes from committing resources to sustain an export venture. The importance of commitment has been highlighted by (Cavusgil and Nevin, 1981) and (Bello, Chelariu, and Zhang, 2000) who reported that infusion of inadequate resources into the channel relationship actually had a negative material influence on the exporter-FCI performance. Exporters committed to export ventures appear to provide a high level of support for their foreign distributors in the form of sales-force training, support, technical training and so on. Such support activities have been demonstrated to be positively associated with greater performance (Cavusgil and Zou, 1994).

(Yip, Biscari, and Monti, 2000) showed that commitment in the form of human resources, organisational structure and marketing strategies in internationalised firms have a direct and positive influence on exporter performance. Commitment appears to have symmetrical influences between the exporter and the FCI. (Skarmeas, Katsikeas and Schlegelmilch, 2002) showed that transaction specific investments by an importer in its overseas supplier relationships were positively associated with importer commitment to the relationship. They state that investments that are unique to a particular exporter-importer dyad create stabilising influences on the relationship and generate expectations of continuing future exchanges. These findings suggest that the FCI becomes reliant on the exporter for support and a steady stream of products and needs to be attentive to the demands of the exporter as transaction specific investments are built-up over time. The exporter's increasing levels of commitment, therefore, may be reciprocated by the FCI, thereby creating a state of mutual dependence.
Trust

Trust is arguably one the most important ingredients of a long-term relationship (Robson et al, 2008). Where the risks between the exporter and its market are perceived to be great, trust is likely to have a powerful modulating influence in the exporter-FCI relationship. (Morgan and Hunt, 1994 p.23) conceptualised that trust as "when one party has confidence in an exchange partner's reliability and integrity". A trust based principle-agent relationship takes place where each party believes that the actions of the other result in positive outcomes and avoid negative outcomes (Anderson and Narus, 1990). Research by (Kim and Oh, 2002) showed that the connection between trust and commitment applies equally well in the supplier-distributor context. (Dyer and Chu, 2000) conceptualise a trust-based relationship where the relationship is based on reliability, fairness and goodwill. Hence, in the context of the mutual obligations set out in a contractual relationship, trust is seen as a non-contractual relationship management mechanism resulting in a reduction of transaction costs and opportunistic behaviour.

Ho 2: Commitment building behaviour by the exporter will be positively associated with trust.

3.03 MONITORING

Agency theory predicts that monitoring reduces the FCI's propensity to act opportunistically. (Wilson, 1995) has pointed out that a powerful channel partner may be able to extract concessions from the other party, but at the expense of trust and cooperation which are key components of goal congruence and coordination. Monitoring appears to be highly effective in improving channel performance when manufacturers monitored specific outcomes of distributor activities and distributor results (Bello and Gilliland, 1997). Information exchange and non-intrusive monitoring may be more effective in reducing FCI opportunism rather than forcing the FCI to accede to demands for information) see also (Bello, Katsikeas and Robson, 2010).

While monitoring was conceptualised as a one-way information flow, a two-way flow may bring about a convergence of goals between the two parties, akin to building up shared values through greater communication that is more a relational than a control based approach. Monitoring, therefore, appears to contribute to a convergence of goals between the exporter and the FCI partnership by (a), reducing opportunistic behaviour and (b) by the exporter being able to adjust support mechanisms to meet the needs of the FCI. Therefore, where monitoring is operated in a relational context (where trust is high), the exporter is more likely to achieve a state of goal congruence. This suggests monitoring may be manifest via control mechanisms or an indirect mechanism via trust. Hence:

Ho 3: Commitment related activities by the exporter will be positively associated with greater monitoring of the FCI.

Ho 4: Trust will be positively associated with monitoring activities

3.04 GOAL CONGRUENCE

Goal congruence is derived from the agency theory literature and is seen as a diagnostic of the exporter - FCI relationship status. (chrol and Etzel, 2003) have developed a typology of three types of channel reseller goals: productivity goals (to contain operating costs and improving revenue flows), adaptation goals (importance of developing strategies to distinguishing the firm from competitors and strong customer focus), and integration goals (importance for strengthening the structural and relational ties between the buyer and seller). (Achrol and Etzel, 2003) were one of the first to recognise the importance and the contextual nature of goals within the channel context and they have shown a clear relationship between these types of goals and firm performance. In the international context, the problems of goal congruence are exacerbated by environmental exigencies. Agency theory predicts that non-aligned goals between principals and agents lead to opportunistic problems inherent in the international channel relationship between the exporter and FCI (Karunaratna and Johnson, 1997). Acting against the achievement of goal congruence between the exporter and the FCI is a fundamental aspect of the exchange relationship between two independent parties: both have different requirements from the relationship. Underlying the FCI's goals is its nature as: "a company that is independent of the manufacturer, and the goals and interests of independent companies seldom mesh exactly" (Rosson and Ford, 1982 p.57). The exporter may have less realistic goals than the FCI. Such a condition of goal incongruence results when one channel member's goals conflict with the other from reaching its goals (Brown, Luscho and Smith, 1991).

Incompatible goals among channel members have been identified as a major cause of conflict between channel members (Stern, 1969) where each party pursues individual goals, and competitive behaviour may result in opportunistic behaviour (Eisenhardt, 1989). In the cross-national context as in this study, such a divergence of preferences is exacerbated by geographical, legal, political and cultural differences between the exporter and the FCI. By contrast, such natural tendencies of trading parties can be overcome by building a relationship where there is an overlap of preferences. The concept of goal congruence has been described by (Heide and John, 1992) in a relational context as, where both parties have mutual goals that are based on stewardship behaviour, and mutual interests enhance the well-being of the relationship as a whole. A relationship based on congruent goals is based on an agreed-upon set of mutual goals and objectives leading to social bonding and trust as the governing principles of the relationship (Wilson, 1995). From the results of their study, (Anderson and Weitz, 1992) have shown that harmonious relationships between channel partners are associated with increased information exchange which dampens conflict, increases trust and improves coordination.

In managing a channel relationship, the exporter may bring about goal congruence in two ways, namely by curbing a FCI's tendency to behave opportunistically by monitoring, and by incentive and support systems that addresses the FCI's bounded rationality (Eisenhardt, 1989). Hence, where there is goal congruence between the exporter and the FCI, lower opportunistic behaviour is more likely due to a mutual hostage condition created by high asset specificities. Where this is sustained over a long term, the exporter may reduce its monitoring expenditure due to a free exchange of information between the parties. Hence, monitoring may manifest in information exchange and not be based on exporter demands. Such reduction in transaction costs is likely to lead to greater channel performance in the form of increased profitability resulting from lower costs and greater market share. Such an outcome is likely to meet the goals of both parties and result in a condition of greater channel performance.

Hypothesis 5: Monitoring by the exporter will be positively associated with goal congruence between the exporter and the FCI

3.05 PERFORMANCE

Performance represents the subjective and objective success of the exporter-FCI relationship. In the most generalised context of export performance. (Shoham, 1998) showed empirically that export performance is a combination of a firm's international sales where this includes export sales, export profitability, and export growth, where each of these components are based on objective criteria and subjective elements of managerial judgement. Further, (Shoham, 1998) suggests that the subjective aspects of performance may be differently operated by different individuals within the organisation. (Stern and El-Ansary, 1988) describe economic performance in a channel as efficiency, profitability and effectiveness. Performance is also negatively associated with conflict (Rosson and Ford, 1982) and likely to be an outcome of greater trust through a sense of mutual dependence (Blau, 1964) and therefore a positive influence on the relationship. (Noordewier, John and Nevin, 1990) have defined performance from a transaction cost analysis point of view as the minimisation of purchasing costs which is a desirable goal for the FCI. Under such conditions, each party pursues individual goals, and competitive behaviour may result in a climate of conflict due to opportunistic behaviour (Eisenhardt, 1989). Such a condition of goal incongruence results in one channel member's goals impeding the ability of another to reach its goals (Brown, Lusch and Smith, 1991). The relationship between goal congruence and performance appears to be somewhat complex. In their study on goals and performance, (Achrol and Etzel, 2003) showed that goals with higher priority have a greater influence on a franchise channel performance but the influence of this hierarchy of goals on performance is dependent on market conditions of growth, dynamism and stability. They have also suggested that goals can act in a hierarchy of secondary and tertiary effects where a second set of goals acts to complement the primary goals. Although the present study has not considered such a hierarchy of influences, the relationship between goal congruence and performance appears to be well supported. Hence:

Hypothesis 6: Greater goal congruence between the exporter and FCI will be positively associated with greater performance.

4.0 CONSTRUCT DEVELOPMENT AND DATA COLLECTION

The constructs proposed above were measured using a combination of scales adapted from previous studies and those developed specifically for this study. In each case, the scales were tested for face and construct validity. Concepts from the model developed from the literature were tested via depth interviews with executives from 12 exporting firms conducted either by phone or face to face. In a separate exercise to develop face valid constructs, 10 academic judges selected from a list of conference attendees from an Academy of International Business regional conference were asked to match the items with conceptual definitions for each of the concepts from the theoretical model. We attempted to keep the number of items for each construct deliberately low in order to ease the administration of the survey. These items were compiled into a self-administered questionnaire which was initially tested on 11 executives from exporting firms from a random sample of 50 firms listed in a commercial database of Australian exporters. Each of the 11 executives was contacted individually and interviewed regarding the wording and content of the questionnaire, and this was followed by minor changes to wording and order of questions. Then from the remaining firms in the database, a random sample of 800 firms was mailed the final instrument with a reply paid envelope. The initial mail-out was followed up with a phone reminder two weeks later and those that had not responded were sent a further questionnaire. From the first and the second round, 227 questionnaires were returned, of which 192 were considered usable. The overall response rate was therefore 28.3% with a 24% usable response rate. All questions were seven point Likert-scaled. For each of the items in the questionnaire, respondents were asked to respond from the point of view of the FCI with whom they were most familiar. Negatively worded items were reversed prior to further analysis.

4.01 RESPONDENTS

The majority of respondents were classified as senior executives (58.5%), 35.9% were middle level senior executives with responsibility for export related activities and 4.2% of respondents were non-executive but involved with export decision making. The mean level of international business experience within these respondents was 12.6 years indicating that key informants were well qualified to respond to this study. The majority of firms represented in the sample were classified as manufacturing operations (78%) and the remainder were from services, agriculture, general construction and mining firms. About two-thirds of the FCIs that were chosen by respondents were in the Asia-Pacific region.

4.02 CONSTRUCT DEVELOPMENT

Construct development was carried out according to a two-stage procedure suggested by (Anderson and Gerbing, 1988). Using confirmatory factor analysis, measurement models were estimated for each construct using the items retained in the questionnaire that described the domain of the construct. Following examination of the regression coefficients for each item loading on the latent variable, items with non-significant coefficients were removed and the measurement models were re-estimated. This procedure was repeated for each construct and the results of this procedure are shown in Table 2. In addition, internal reliability was estimated for the items retained within each of the measurement models.

The items for the constructs trust and monitoring have disappointingly low reliability (α) coefficients. Appendix 1 shows that the items in the measurement models are statistically significant at $p \leq 0.05$. Commitment, presented in the theoretical model as a single construct separated into two components with exploratory factor analysis and was therefore defined as a commitment strategic and commitment tactical. Trust is based on the perception of the FCI's trust in the exporter (Morgan and Hunt, 1994) and based on sharing of long-term strategic information and the exporter's willingness to make long-term investments. Despite statistically significant coefficients for the measurement model, the reliability coefficient was below acceptable levels. However this construct was retained due to its significant contribution to the overall model and its theoretical significance. Monitoring (Bergen, Dutta, and Walker, 1992) and goal congruence (Eisenhardt, 1989) were both developed de novo from the agency theory literature and have not been previously tested. The reliability coefficient for monitoring is also lower than would be considered acceptable but was retained for the same reason as for trust. Overall the scales used and reported in Table 1 show that of the seven, two have coefficient alphas (Cortina, 1993) of less than 0.60 and are of questionable reliability. However, measurement models tested in each case demonstrate acceptable model fits.

Table 1: Constructs developed and included in the empirical model

Construct	Description and Source of Items	No. of Items	Reliability α
Experience	The exporter's ability to find and manage its relationship with its FCI at the current stage of internationalisation (Cavusgil, 1984).	4	0.646
Commitment-Strategic	Strategic commitments are made by the exporter with a long term view where the exporter views the relationship as a long term alliance and expresses a willingness to dedicate resources to build sales for the FCI in the long term.	3	0.774
Commitment-Tactical	Investing in tactical support such as providing sales training, promotional assistance and technical assistance, to the FCI which are resources specific to their short-term operational needs. Items included here are support and incentives for implementation of the marketing mix elements needed by the FCI	2	0.622
Trust	The degree to which the exporter provides confidential and proprietary information such as plans for advertising and promotion, new RandD projects, brand names and product designs and the exporter's (Gundlach, et al., 1995) willingness to provide investments that may take a long term to pay-off.	3	0.483
Monitoring	The degree to which the exporter has physical access to the FCI with visits and formal responses to queries regarding performance and ease of access to intermediaries records (Bergen, Dutta, and Walker, 1992).	3	0.532
Goal Congruence	The mutual recognition is given to sustaining a long-term trading relationship with minimised conflict, a mutual commitment to the relationship and reduced opportunistic behaviour (Eisenhardt, 1989).	4	0.660
Performance	Sales trends and annual sales levels (Rosson and Ford, 1982), rate of sales growth over past five years and ratio of export sales to total sales (Kirpalani and Macintosh, 1980). Performance accounts for the extent to which the initial strategic goals of management were achieved, the mean annual growth rate of export sales, profitability over five years and management's perceived success of the venture.	4	0.823

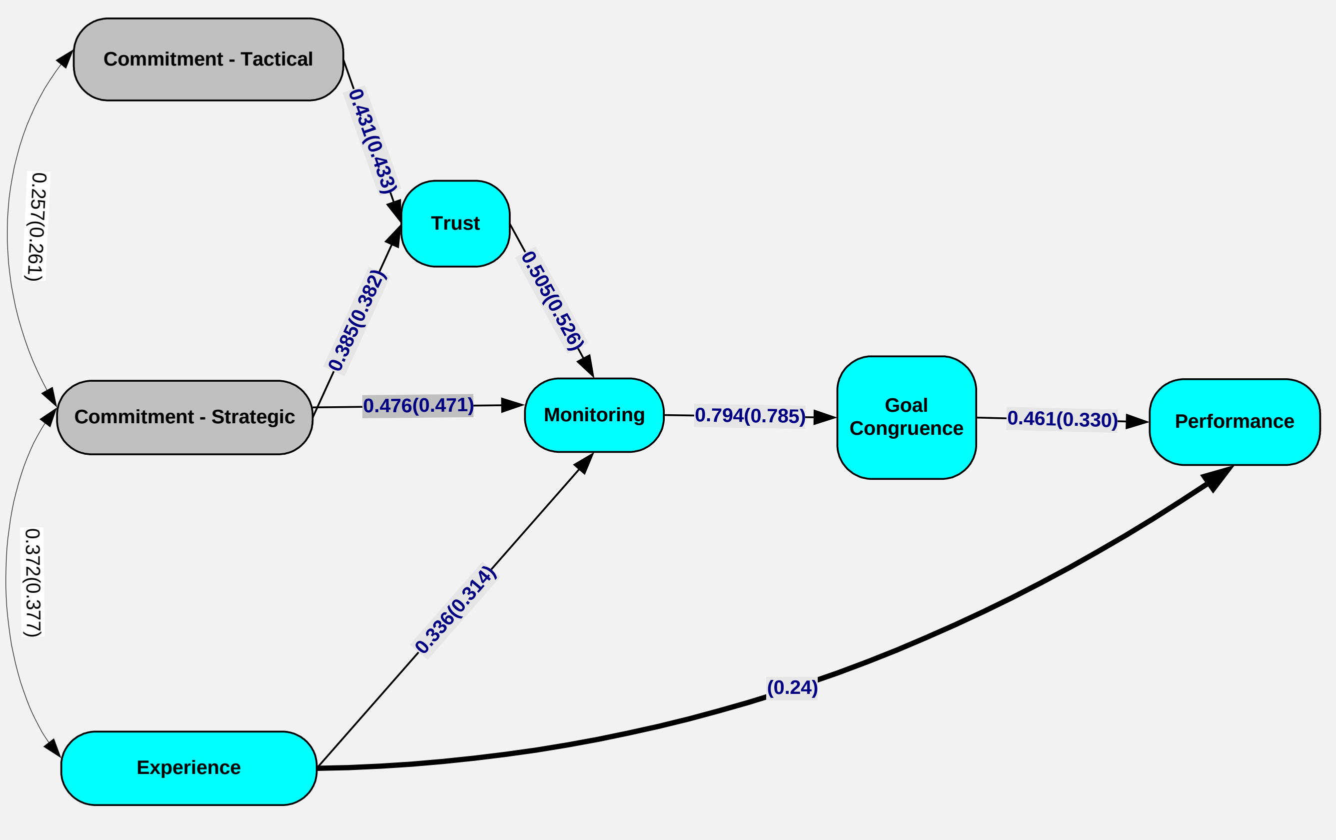
5.0 RESULTS AND DISCUSSION

The model proposed in Figure 1 was tested using structural equation modelling and the results are reported in Figure 2. The model shows the relationship between the constructs described in Table 2 and the strength of influence of each construct proposed in the theoretical model. The empirical model shown in Figure 2 has two modifications from the proposed model. It is argued that strategic commitment is associated with a managerial attitude that accompanies accumulating experience within the firm, which, in-turn, is accompanied by their willingness to commit specific resources such as training, advertising and technical assistance to the firm. As these attitudinal changes happen concurrently, it is argued that commitment is accompanied by accumulating experience and both are therefore covariates. Tactical commitment, in particular, may be closely associated with asset specificity where the firm is involved with technically complex products and its influence on trust may be more critical in this context.

Table 2: Summary of hypotheses and their parameter estimates, all significant at p<0.05

Hypothesis (supported Yes/no)	Independent Variable	Dependent Variable	Parameter
1 Yes	Experience	Monitoring	0.314
2 Yes	Commitment - Strategic	Trust	0.382
2 Yes	Commitment - Tactical	Trust	0.433
3 Yes	Commitment - Strategic	Monitoring	0.471
4 Yes	Trust	Monitoring	0.526
5 Yes	Monitoring	Goal Congruence	0.785
6 Yes	Goal Congruence	Performance	0.330

Figure 2 : Empirical model (modified parameters in parentheses)



The results show that all hypotheses are supported as proposed in the theoretical model. All pathways shown in Figure 2 are significant at p≤0.05. The goodness of fit indicators for the model shown in Figure 2 are based on robust procedures (EQS 6.1) and are reported to perform better where errors are non-normally distributed (Chou, Bentler, and Satorra, 1991). Fit indicators are as follows: CFI = 0.860, χ^2 = 348.32 (220 df), p = 0.00 which shows that the theoretical model as tested here was below an acceptable level of CFI (≥ 0.9) (Byrne, 1994) and explains only 86% of the total variance.

A modified model was developed and tested which included the influence of experience on performance (shown by the heavy line on Figure 2). This resulted in modified parameters (shown in parentheses) as shown in Figure.2. This resulted in goodness of fit indicators of CFI = 0.945 and χ^2 = 296.86 (219 df) p= 0.01

which is an improvement. Given that all proposed hypotheses are supported, the following will discuss the modified model. Considering the strength of the relationships between the factors, there are direct and indirect influences on trust, monitoring and performance (see Table 2).

Commitment strategic has a strong influence on monitoring, whereas commitment tactical has a strong combined influence on trust. Trust, therefore, needs both short and long term commitments to facilitate monitoring. Monitoring is also moderately influenced by experience which suggests that accumulating experience is associated with a physical presence and requests for information. From the exporter's point of view, this may indicate that management gains confidence and trust in the FCI when they are physically present and reduces the possibility of adverse selection and moral hazard. Greater confidence appears to be associated with greater commitment as trust is developed, and monitoring enables the exporter to fine tune its relationship so that the exporter's goals have greater congruence with those of the FCI, thereby improving operational efficiencies. A significant aspect of goal congruence is that it embodies the cooperation, the ability to bridge cultural differences and the ability to re-adjust to changing conditions. This implies that goal congruence captures a dynamic aspect of the exporter-FCI relationship and may be key pre-requisite for a successful long-term relationship.

Although the influence of exporter experience on performance was not proposed in the theoretical model, the modified result which included this link can be interpreted as experienced exporters are more able to effectively monitor the activities of the exporter and may have the management skills to bring about greater channel performance in a more general sense. The influence of monitoring on bringing about a state of goal congruence in the relationship appears to be as strong as the influence of commitment and trust on monitoring. The coefficient of monitoring and goal congruence is 0.785 ($p<0.05$) which suggests that regular information exchange between the parties is vital if both parties wish to shape their behaviours so that a mutually beneficial performance is achieved. The coefficient of goal congruence and performance is moderately strong and significant (0.33, $p<0.05$) indicating the strong contribution of goal congruence to the relationship performance.

Despite the limitations of this model which requires further refinement and testing of other empirical models and other theoretically valid pathways, some tentative conclusions may be drawn. This study presents an exporter-FCI management model that is an extension of previous conceptual work (e.g., (Karunaratna and Johnson, 1997) and adds to the findings of de (Mortanges, Pahud and Vossen, 1999) who describe the combined influence of control and relational elements in the international channel. For established exporters, this suggests that experience is worth retaining and for firms new to exporting activities; rapid acquisition of experience is a key element of their international operational capabilities. The key is to implement a solid export strategy (Morgan, Katsikeas and Vorhies, 2012) aimed at building trust (Robson, Katsikeas and Bello, 2008).

6.0 MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH

While the concept of goal congruence has been developed in the context of the exporter-foreign channel intermediary, it is conceivable that this concept would have valid applications within the context of strategic alliances, joint ventures and any relational context where opportunistic tendencies are likely to arise. Future research could further resolve the context of goal congruence in other market entry settings and develop measures that capture the informational influences of the relationship. These could use mechanisms that supplement a physical presence of the exporter such as the use of web based order placement activities that monitor sales performance against contractual targets, making training and support services available to the intermediary via the web, and via email and providing dedicated account management personnel for the FCI which demonstrates a strong commitment to the relationship. For exporters who have highly technical products, these influences may enable the exporter to switch channel intermediaries where there is a lack of goal congruence and a breakdown of the relationship by reducing transaction costs, and re-establish a new relationship more rapidly, by using more efficient search mechanisms by applying criteria suggesting a greater congruence of goals between the exporter and the new FCI. The same idea may be used when searching and identifying a new channel intermediary when making market entry decisions. Future research could focus on developing criteria that are able to identify the goals of each party. It is likely that these may vary depending on the experience levels of each of the negotiating parties.

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Appendix 1: Items and regression coefficients (Fit statistics provided for constructs with four measurement items)

Experience

Item	Regression Coefficient (p<0.05)	Mean Value of Responses (1-7)
Export has always been part of our firm's growth strategy.	0.20	5.75
At this stage of our growth we are unsure about how to find a suitable overseas intermediary (reversed)	0.77	5.79
Finding a good overseas intermediary presents a major problem for us now (reversed).	0.90	5.45
We are now much more confident in our dealings with foreign intermediaries than when we first commenced export.	0.19	5.89
χ^2 = 1.687 (p=0.430); NFI = .988)		

Commitment - Strategic

Item	Regression Coefficient (p<0.05)	Mean Values of Responses (1-7)
We see our relationship with this intermediary as a long term alliance	0.98	6.28
We are willing to dedicate whatever resources are needed to help increase sales for them.	0.77	5.26

Commitment – Tactical

Item	Regression Coefficient (p<0.05)	Mean Value of Responses (1-7)

We provide extensive technical assistance to this intermediary.	0.52	4.42
We provide extensive sales training for this intermediary's sales force.	1.00	4.55
We provide extensive promotional and/or advertising support for this intermediary.	0.52	5.80

Trust

Item	Regression Coefficient ($p<0.05$)	Mean Value of Responses (1-7)
We often provide confidential information about our firm's planned advertising and/or promotional strategies to this intermediary.	0.57	4.74
We seldom provide proprietary information about our firm's decisions and strategies such as brand names, design intentions, RandD projects.(reversed)	0.50	4.76
We are not willing to make investments that may take a long time to pay-off (r)	0.39	4.01

Monitoring

Item	Regression Coefficient ($p<0.05$)	Mean Value of Responses (1-7)
We rely on frequent visits to this intermediary to see how they are performing	0.53	5.45
Monitoring of this intermediary is informal and consists only of responses to our specific queries	0.53	3.73
We do not have easy access to this intermediary's company records to keep us informed of their performance (r)	0.52	3.32

Goal Congruence

Item	Regression Coefficient ($p>0.05$)	Mean Value of Responses (1-7)
Our mutual objectives are likely to be achieved by cooperating with this intermediary	0.83	5.99
Despite the cultural differences between our countries, we have many long term interests with this intermediary	0.64	5.94
This intermediary's breach of formal or informal agreements to their own benefit indicates a lack of common ground between us (r)	0.44	5.74
The presence of common mutual objectives is shown by the lack of conflict whenever re-adjustments to the relationship are needed	0.50	5.40
χ^2 = 4.650 (p=0.097); NFI = .966)		

Performance

Item	Regression Coefficient ($p>0.05$)	Mean Value of Responses (1-7)
This intermediary has achieved a lower than expected level of market share for our company	0.79	4.64
This intermediary has rapidly generated sales for new products from our company	0.50	4.17
The growth goals achieved by this intermediary set for the last five years (or the entire period of the operation if less than five years) has been worse than expected (r)	0.77	4.91
Compared with our domestic intermediaries, this intermediary has generated lower than expected dollar sales (r)	0.82	4.80
χ^2 = 5.000 (p=0.082); NFI = .982)		