Master's degree thesis

LOG950 Logistics

Exploring Relational Drivers of Supplier Satisfaction: An Empirical Study of Footwear Producers of Ethiopia

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Number of pages including this page: 123

Molde, 24.05.2016

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Acknowledgement

First and foremost, I would like to thank Almighty God for His blessing and giving me the inspiration to start and the patience to complete this work. He has always been with me, led and helped me to achieve my goals.

My profound thanks goes to Prof. Arnt Buvik, my supervisor, for his valuable advice, constant support, encouragement, precious guidance, creative suggestions and critical comments, and for being there for me whenever I needed his advice from the beginning to the end of this work. I was very fortunate to be under his supervision. Thank you so much for all that you did.

I extend my sincere gratitude to the Norwegian Government for the opportunity and financial support through State Education Loan Fund (Lånakassen).

I would also like to acknowledge Tefera Dargie for his constructive comments and invaluable academic suggestions.

Thanks also go out to Yonas Kassa and Kiros Gebrearegawi who helped me in the data collection stage. I also thank all the respondents involved in the survey and managers in EIFCCOS and LIDI for their cooperation during the data collection process.

Finally, but not least importantly, I would like to thank my father, mother, brothers and all my family members, thank you so much for your encouragement and prayers.

Table of Content

List of Tables

List of Figures

List of Abbreviations

AGFI	Adjusted Goodness-of-fit Index
AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CLalt	Comparison Level for Alternatives
EFA	Exploratory Factor Analysis
EIFCCOS	Ethio International Footwear Cluster Cooperative Society
ENA	Ethiopian News Agency
FeMSEDA	Federal Micro and Small Enterprise Development Agency
GoF	Goodness of Fit Index
IFI	Incremental Fit Index
KMO	Kaiser-Meyer-Olkin
LIDI	Leather Industry Development Institute
MOT	Ministry of Trade
MSA	Measure of Sampling Adequacy
RMSEA	Root Mean Square Error of Approximation
SET	Social Exchange Theory
TLI	Tucker-Lewis Index
UK	United Kingdom
UNIDO	United Nations Industrial Development Organization
US $	United States Dollar
USA	United State of America
VIF	Variance Inflation Factor

Abstract

Purpose: To investigate the impact of social bonds, trust, relationship duration, supplier dependence on supplier satisfaction in the micro and small leather footwear producer-wholesaler dyadic relationship.

Design/methodology/approach: The population of this study was micro and small leather footwear producers located in Addis Ababa. 165 questionnaires were administered using stratified sampling technique. A total of 159 questionnaires were filled correctly that represents 96% response rate. Hierarchical multiple regression was used to test the hypotheses.

Findings: Social bonds are crucial in enhancing satisfaction. Likewise, the role of social bonds in inducing supplier satisfaction heightens overtime. However, the positive association between wholesaler trustworthiness on supplier satisfaction works in high degree of dependence situation.

Research limitations/implications: The sample was comprised of micro and small leather footwear producer located in Addis Ababa Ethiopia. This may limit the ability to generalize findings to medium and larger firms. In addition, the study was based on the report on monadic data and cross-sectional design. Future studies should adopt longitudinal design to overcome the shortcomings.

Theoretical implications: This study strengthen the claims of social exchange theory that argues social bonds are critical drivers of supplier satisfaction. Overtime as the relationship evolve there is a rise in closeness in the feelings and attachment between the exchange partners. Moreover, in high dependence context, trustworthiness of the wholesaler may bring the expected positive reaction from the footwear producers. However, trust alone may not be strong enough to enhance supplier satisfaction under low degree of dependence.

Managerial implications: This study acclaimed a relationship driven approach as the best choice for those producers aspire to build a satisfied relationship with the wholesalers. Managers should understand how and when to develop a strong social relationship with their trading partners and recognise the situations in which to deal with honest and fair business partner in exchange relationship. Micro and small footwear producers should also understand the importance of the availability of other alternative means of distribution and its implication in building trust and improve their relationships.

Key words: Social Exchange Theory, Social Bonds, Trust, Relationship Duration, Supplier Dependence, Supplier Satisfaction

CHAPTER ONE

INTRODUCTION

This chapter provides an overview on the background of the study focusing on the Ethiopian leather footwear sector. In addition, it covers the problem statement, research questions, objectives of the study, justification of the study, scope of the study and finally organization of the study.

1.1 Background Information

The Ethiopian leather footwear and leather products sector accounted for 7.0 percent of the country‘s industrial production and comprised 2.8 percent of the country‘s total exports (MOFED 2010). The footwear manufacturing sector is one of the leading industry prioritized by the Ethiopian government through increased production and earnings from the sector (NPC 2015). The development of this sector primarily initiated based on developing micro and small scale producers that contribute in the creation of employment opportunities. The Ethiopian footwear sector has installed capacity of more than seven million pairs per year. This output is equally divided between the mechanized large and medium firms and the micro and small enterprises.

The leather footwear supply chain comprises of raw material producers, hide and skin collectors, suppliers, tanneries, shoe manufacturers, wholesaler, retailers and customers. Some of the raw materials such as some type of soles and leather are locally produced and are made available through retail shops but the remaining raw-materials such as insole materials, adhesives, counters, eyelets, locks and laces are imported from abroad and made available through the sales outlets of the importers (Birru 2011, Yiheyis 2014b). The finished footwear products have been distributed through a channel that uses wholesalers and retailers to reach the customers.

The distribution of footwear products is dominated by few large wholesalers which in turn dispatch the products to retailors found in Addis Ababa and regional towns. The trade practice between the footwear producers and the wholesalers is based on relational governance arrangements. These micro and small footwear producers seldom sell their products on cash basis. Instead, the wholesalers agree on negotiated price and obtain the items from the footwear producers on credit basis. Then, the payment to the producers is made based on the agreed price and done after shoes are sold to retailers. In some cases, footwear producers are paid partial

payment by the wholesalers in during the initial transaction. According to the normal practice, the shoe that is sold to the wholesalers could be returned in case the shoes fails to attract retailers in quality and price (Duki 2006). In the downstream of the supply chain, wholesalers have more power than producers in manipulating the exchange relationship through price setting, design and production decision. Since the majority of micro and small footwear producers receive orders from their wholesalers with stipulated volume, quality and/or design, the governance within the exchange relationship seems to be more like buyers driven relationship rather than producers driven.

The micro and small leather footwear producers have been characterized by low productivity, weak relationship with customers and suppliers and high transaction costs resulting from poor economic infrastructure and inefficient bureaucratic structures (Yiheyis 2014b). Moreover, increasing competition from foreign country products (such as China and Turkey) have made the producers to rely heavily on their wholesaler in order get market access of their products (Gebre-egziabher 2007). The success of getting market access depends on the strength of the relationship the footwear producers have with their wholesaler (Wilson, 1995). Hence, it is a key issues for many micro and small scale footwear producers to understand their relationship with the wholesaler along with achieving a high level of satisfaction from the relationship.

A close relationship with buyers has a critical role to improve marketing productivity and create benefits for exchange partners by improving their marketing effectiveness and efficiencies (Sheth, Parvatiyar, and Sinha 2015). Among the various constructs in social exchange theory, satisfaction is one of the most popular variable to be emphasized in exchange relationship studies (Palmatier et al. 2006). The satisfaction construct is the fundamental variable to understand exchange relationships (Geyskens, Jan-Benedict, and Kumar 1999).

Hence, this calls for studies exploring supplier satisfaction from the point of view of social exchange theory in Ethiopian micro and small scale footwear producers–wholesaler relationship. In addition, past researchers have recommended that future work focuses particularly on the relational drivers of supplier satisfaction (Hutchinson et al. 2011). Therefore, this study addresses the relational drivers affecting the satisfaction of micro and small scale footwear producers in their relationship with wholesalers.

1.2 Problem Statement

Just as 'no man is an island' (Flap, 2002), no firm can survive independently (Morgan, 1997) rather need to interact with other trading partners in the supply chain. Exchange relationships can takes place when at least two organizations transact resources with each other (Ven 1976). Several firms are involved in manufacturing a product and delivering the finished product to the end user in a supply chain dealing with input suppliers, producers, wholesalers, retailer merchants and transportation companies (Christopher 2011); all considered as actors in the supply chain. The alignment of these actors in supply chain is important in order to bring products or services to market (Mentzer et al. 2001).

Building interdependent and close relationship with trading partners is a prevalent phenomenon due to its positive effect on the success of the organizations (Golicic, Foggin, and Mentzer 2003). Interorganizational relationships are crucial for the success of individual firms as well as other actors involved in the supply chain. Successful interorganizational relationships improves firms' financial performance, enhances sales and profits, expedite innovation, expand markets, and reduce costs (Palmatier, Dant, and Grewal 2007). To reap the benefits of interorganizational relationship, it is decisive to know and understand the pertinent variables that affects the success interorganizational relationship (Cheng, Lee, and Chen 2014).

In Ethiopian footwear market, increasing competition from imported shoes have enabled wholesalers to switch from one producer to another in search of better dealing and pushing large number of micro and small footwear producer to compete for wholesaler to get market access (Gebre-egziabher 2007). In addition, micro and small scale footwear producers complained that wholesalers favour to hold and sale imported shoes than local once because they may be more satisfied with price and other offers made available to them by foreign producers. This implies micro and small scale footwear producers should develop a strong tie with the wholesaler and other actors in the supply chain. As a result, the most important issues for micro and small scale footwear producers is to understand their exchange relationship with large wholesalers along with realising a high degree of satisfaction. This issue has created concern among footwear producers causing a need to investigate the micro and small scale footwear producer-wholesaler relationship in Ethiopian footwear supply chain.

Satisfaction is a key factor in developing exchange relationships between trading partners (Hutchinson et al. 2011). Available literatures have confirmed that satisfaction appears to have a stronger influence on the long-term success of exchange relationship between the trading

partners (Bolton 1998). In addition, satisfaction increases long-term orientation (Ganesan 1994), increases expectation of relationship continuity (Abdul-Muhmin 2005), encourages better relationship performance (Yen and Barnes 2011), increases trust and commitment (Ha and Muthaly 2008, Moliner et al. 2007), ensures shelf-space allocation of products (Amrouche and Zaccour 2007), warrants product availability for end consumers (Chiou, Wu, and Chuang 2010), and portrays more agreement with channel actors (Merrift 1987). This wide implications of satisfaction in exchange relationship marks the construct to gain more importance in both theoretical literature and in practice. Therefore, it is worthwhile to study the drivers that bring the important variable of satisfaction in exchange relationship.

There are various theories associated with interorganizational relationship that suggest the antecedents of satisfaction. Transaction cost theory claim that the satisfaction of an exchange are influenced by the level of the exchange partners' specific investments (Ghijsen, Semeijn, and Ernstson 2010), environmental uncertainty (Geyskens, Steenkamp, and Kumar 1998) and opportunistic behaviours (Chao 2014). Relational contract theory focuses on a set of relational norms determine the interaction that occurs in exchange relationship and propose that a strong relational norms positively affect interorganizational relationship (Ivens and Blois 2004). Social exchange theory argues that a partner's commitment, relationship bonds and trust in exchange influence satisfaction (Morgan and Hunt 1994, Graca, Barry, and Doney 2015).

Previous research has revealed that firms in Ethiopian footwear sector cooperate with other actors in supply chains (Shibre 2003, Birru 2011, Megento 2010). Notwithstanding from this fact, there are no or little empirical studies that have looked thoroughly the exchange relationships and its implication on satisfaction in Ethiopia leather footwear sector particularly on micro and small leather footwear producers.

Despite the significance of social bonds in building exchange relationships, these interpersonal factors have been under researched by academics (Barnes et al. 2015). There are few studies that investigated social bonds and trust as an antecedent of satisfaction. In addition, there is a research gap with respect to how these relational variables leads to higher level of satisfaction. This study investigated the relational drivers' affecting supplier satisfaction from social exchange theoretical perspectives. This study also explored the moderating effect of length of relationship and dependence on the relationship between social bonds and trust on supplier satisfaction respectively.

This study deals with micro and small scale footwear producers and wholesaler relationship in Ethiopia leather footwear subsector. The research is based on the theoretical framework of Social Exchange Theory (SET) and intends to address the following research question.

- How does the social bond exist between footwear producers and wholesaler affects the footwear producers' satisfaction in their relationship with wholesaler?
- Does duration of the relationship play a significant role in enhancing the relationship between social bonds and supplier satisfaction?
- Does dependence play a significant role in strengthening the relationship between wholesaler trustworthiness and supplier satisfaction?

1.3 Objectives of the Study

The main aim of this study is to explore the relational drivers of micro and small footwear producers' satisfaction in Ethiopian leather footwear sector. In particular, the relationship between micro and small scale footwear producers and their wholesalers forms the unit of analysis in this study. Thus the specific objectives are:

- Examine the effects of social bonds exist between footwear producers and wholesaler on satisfaction of micro and small footwear producers
- Examine the moderating role of length of relationship in the association between social bonds and satisfaction of micro and small footwear producers
- Examine the moderating role of dependence in strengthening the relationship between wholesaler trustworthiness and the satisfaction of micro and small footwear producers

1.4 Justification for the Study

The leather footwear production in Ethiopia was started in the late 1930s with the focus of meeting the demand of local market. In recent years, the sector has developed substantially due to the attention given by the Ethiopian government. Consequently, there is an exponential growth in the number firms entering into the footwear sector and it resulted in the creation new relationships with the actors in the industry. However, most of micro and small scale footwear producers are not performing adequately and characterized by weak relationship with customers and suppliers, low productivity and low level of profitability (Yiheyis 2014b). The challenges and growth in complexity of the footwear supply chain, stimulated the need to

research the relational drivers of micro and small footwear producer satisfaction in relationship with their wholesalers. However, interorganizational relationship studies have not been done adequately and only few studies have been conducted to identify the drivers of footwear producer satisfaction in the leather footwear sector. Therefore, this paper plays a role in investigating the enablers of high level of supplier satisfaction for micro and small footwear producers in Ethiopia. In addition, this study is significant to all actors involved in Ethiopian footwear supply chain. it enriches the knowledge of operators of footwear producers and policy makers on factors that can improve exchange relationship between micro and small footwear producer and wholesaler.

1.5 Scope of the Study

The Ethiopian Leather footwear subsector is comprised of large, medium, small and micro footwear producers. The footwear production is equally divided between the mechanized large and medium producers and micro and small producers (Yiheyis 2014a). The present study focused entirely on micro and small footwear producers located in Addis Ababa city where almost 95% of the firms are located (Habtegebrial 2015). It primarily emphasis on the dyadic relationship exist between micro and small footwear producers and footwear wholesalers in the supply chain, with data collected from one side of the dyad i.e. from footwear producers. This study address exchange relationship exists between the footwear producers and wholesaler focusing on social bonds and trust which are expected to enhance supplier satisfaction. In addition, this study investigated the role of dependence and relationship duration in the context of the footwear producers and wholesaler relationship. In connection with this, the study extends the social exchange theory in Ethiopian leather footwear supply chain.

1.6 Organization of the Study

This thesis consists of nine chapters. Chapter one describes the background and research problems together with its objectives, justifications and scope. The second chapter presents the Ethiopian leather footwear industry and the actors involved in the supply chain. Chapter three elucidates the theoretical framework of this study and also a systematic review of the social exchange theory where this study is based. Chapter four presents conceptual framework for this study which is developed based on the social exchange theory reviewed in the previous chapter. Moreover, this chapter states the research hypotheses developed to be tested in this study. Chapter five describes research design and the methodology used in this study including

sampling techniques and data collection methods. Chapter six presents definitions and operationalization of the research variables. Chapter seven discusses data examination and validation process where screening, validity and reliability tests were carried out using EFA and CFA. Chapter eight presents estimation of the regression model and tests of hypotheses in this study. Finally, chapter nine presents discussions of findings of the study, limitations, theoretical and practical implications. In addition, it recommends future research directions.

1.7 Chapter Summary

This chapter has covered the background to the study area followed by the problem statement, objectives, justification of the study, scope of the study, limitations of the study and an organization of the thesis. This study is initiated due to the limited studies conducted in footwear producers-wholesaler dyadic relationships in the context of developing world. The next chapter presents the background of the industry and country in which the study was conducted.

CHAPTER TWO

LEATHER FOOTWEAR SECTOR IN ETHIOPIA

2.1 Introduction

This chapter gives a detailed overview of the Ethiopian leather footwear sector. It includes four main parts. The first part addresses the overview of global leather industry in brief. The second part discusses the actors involved in the Ethiopian leather footwear supply chain and the next part is about the leather footwear sector in Ethiopia. The last part justifies the relevance conducting this study in Ethiopian footwear sector.

2.2 The Global Leather Footwear Industry

The leather and leather products industry is one of the ancient and largest industries (Goel 2014) that occupy a place of prominence in the global economy in view of its massive potential for employment, economic growth and exports (Ashebre, Kahsay, and Berhe 2013). It is one of the most widely traded commodities in the world with an estimated annual global trade value of more than US$100 billion (UNIDO 2010). The world demand for the leather and leather products was USD 24.3 billion in the 2001 and it stood at USD 68.57 billion in 2003 and then has risen steeply to USD 347.50 billion in 2010 (Ashebre, Kahsay, and Berhe 2013). The main reason behind for the increase in demand is that leather and leather products continue to be consumed in large volumes in developed countries such as USA, Europe, Australia and Japan (UNIDO 2010). China is the largest producer, consumer and exporter of leather and leather products in the World with annual production around 800 million square meters (CLIA 2015); accounting for over 20% of total global production of leather and leather products.

The leather and leather products sector includes the production of finished leather, footwear, leather and textile goods, leather goods, handbags, gloves and saddler (Lakew 2015a). The leather footwear sector is the largest component of leather production in the global market which accounts for more than 65 percent of the global leather consumption (Mwinyihija 2015). Various industry data revealed that the distribution of the leather footwear production has been radically skewed to the Asia continent; china leading the race in terms of leather footwear

production output (APICCARS 2015). The production and consumption of leather footwear products have amalgamated in the last ten years into broad geographic groups. The production takes place in the east and consumption takes place in the western world. Subsequently, worldwide production of leather footwear production and exports has quadrupled and relocated from the developed nations of the west to the developing countries of the east (Yiheyis 2014a).

The total value of exported leather footwear sales for the year 2014 was estimated to be US$60.4 billion. Among the top exporters, European countries accounted for the highest proportion of leather shoes exports during 2014 with exports amounting to $29.2 billion or 48.4% of worldwide export sales for leather shoes products. Asian countries followed closely behind, exporting $28.4 billion worth or 47% of the global total export. Among the exporting countries, the fastest rise in leather shoes export recorded since 2010 was in Vietnam with its 150% gain in value of export since 2010. In second place was India (up 58.6%), succeeded by France (up 52.2%), United Kingdom (up 44%) and Spain (up 42%). The listed top ten countries exported 73.6% of all leather shoes exports recorded in 2014 (Workman 2015).

Table 2.1 Top Footwear Exporting Countries in 2015

Country	Export Value	% of World Total
China	$10.9 billion	20.10%
Italy	$7.7 Billion	14.20%
Vietnam	$6.1 Billion	11.20%
Indonesia	$2.7 Billion	5.00%
Germany	$2.5 Billion	4.50%
Hong Kong	$2.5 Billion	4.50%
Spain	$2.1 Billion	3.90%
Belgium	$2.0 Billion	3.60%
India	$1.9 Billion	3.50%
Portugal	$1.8 Billion	3.40%

Source: (World Factbook, 2016)

2.3 Ethiopian Leather Footwear Industry

Ethiopia is endowed with the largest livestock population in Africa with an estimated number of about 54 million cattle, 25.5 million sheep and 24.06 million goats (Leta and Mesele 2014). However, these resource is not utilized sufficiently and only 3.7 million hides, 8.7 million sheep skins and 8.1 million goat skins are sold annually in the market (Belete 2015). Ethiopia has a comparative advantage in the production of leather and leather products because of its large supply of livestock resources readily available at competitive rate (Gonfa 2012); but it has not yet been turned into a competitive advantage in the global market (Jote 2015). This indicates that the leather industry still has room to grow further by optimizing the abundance of the livestock resources (Yiheyis 2014a).

The Ethiopian leather and leather products sector occupies a distinctive place in the Ethiopian economy due to its strong linkage with the national resource base i.e. hides and skins. The Ethiopian leather and leather product sector produces a range of products from various semi-processed leather products to processed leather products such as shoe uppers, leather garments, stitched upholstery, industrial gloves, school bags, handbags, and finished leather (Jote 2015). Such leather products have been consumed by both the domestic market and also exported to markets in foreign countries (DSA 2008).

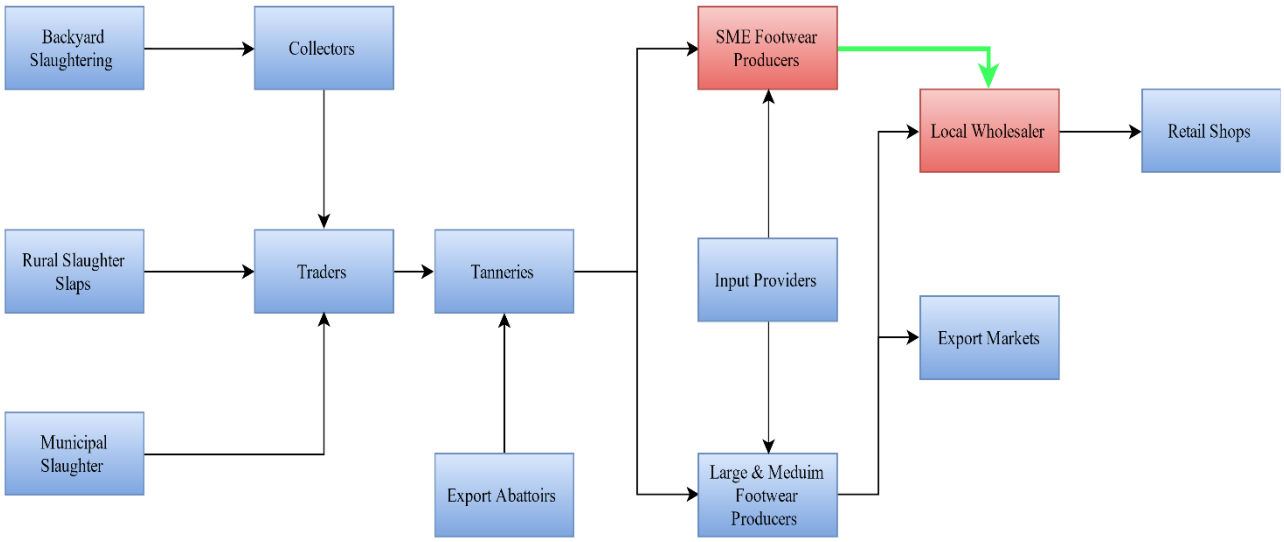
The industry is the fifth largest foreign exchange generating sector from the export activities of the country. The leather sector comes as the leading exporter, within the manufacturing sector, accounting for, on average, up to 67% of the total manufacturing export (Lakew 2015b). In 2014, there are 29 tannery factories, 21 footwear factories, 3 glove factories, 10 leather goods and garment factories (MOT 2015). In addition, there are large number of medium, small and micro leather and leather product manufacturing firms (Yiheyis 2014a).

The Ethiopian Leather Industry occupies a place of prominence in the Ethiopian economy in view of its substantial export earnings, employment generation and growth in recent years (Lakew 2015b). According to leather industry development institute 2014/15 annual export report the sector contributes 171.22 million USD for the country (ENA 2015). The major export destinations countries are Italy, UK, USA, Canada, China, Japan and Middle East countries (DSA 2008).

2.4 Ethiopian Leather Footwear Supply Chain

The Ethiopian leather footwear supply chain ranges from raw materials (animals, hides and skin) through manufactured leather products (shoes, bags, upholstery and accessories) to the final consumers. It includes farmers, rural and municipality, slaughter houses, export abattoirs, collectors, small traders, big traders, tanners and customers. The figure below depicts the actors involved in the leather footwear supply chain.

Figure 2.1 Ethiopian Leather Footwear Supply Chain



Source: Author compilation (2016)

The first tier in Ethiopian leather footwear supply chain are husbandries. The main actors in this tier are farmers and pastoralists. The next actor in the supply chain is slaughtering. The slaughtering is mostly done in the backyard of every household in Ethiopia. Next, hide and skin collection is done by individual hides and skins collectors' mostly small traders and also transporters that carry the hide and skin from the traders to the tanneries. There are about one thousand five hundred registered private traders dealing in raw hides and skins business. They are an important force in the industry through the operation of rural network supplying raw hides and skins through the chain to the tanneries in the country. Tanneries uses the inputs from hides and skin traders and different suppliers of chemicals and spare parts that are located in country as well as abroad (Lakew 2015a). The tannery industry in Ethiopia produces and exports all types of finished leather from hides, sheep skins and goat skins. Currently, there are 29 tanneries operating in the country (MOT 2015).

The footwear producers obtain semi processed leather products, chemicals and other supplies from foreign and local suppliers to produce leather footwear. Footwear production is a promising option to increase the value obtained from the leather supply chain to make use of Ethiopia's low labour costs (Lakew 2015b). The footwear sector has installed capacity amounts seven million pairs per year and the output is equally divided between the mechanized large and medium firms and micro and small footwear producers (Yiheyis 2014a). The micro and small scale leather footwear producers sell their final products to wholesalers that are also located around Addis Ababa. These wholesalers hand out these shoes to retailors and then the shoes will reach to the final consumers.

2.5 Ethiopian Leather Footwear Sector

The leather footwear sub-sector accounts for 72 percent of all leather and leather products enterprises in Ethiopia (Jote 2015). The production of leather shoes in Ethiopia dates back from the late 1930s when Armenian merchants founded two shoe factories in Addis Ababa namely Tikure Abay and Anbessa Shoe factories. These were nationalized by the military government in 1974 and remained the largest and second largest shoemakers in Ethiopia. These factories nurtured a number of shoemakers, who opened their own factories in Addis Ababa and trained their workers (Yiheyis 2014a). Since the beginning of 1990's, Ethiopia has been moving towards a liberalized regime. This reform had a significant impact on the leather footwear sector resulting of outpouring in the number of footwear producers in Addis Ababa. Currently, the number of firms jumped from 500 prior to 2000s to the current estimation of more than 1,700 (Wassie 2015).

Ethiopia is emerging as one of the leading footwear exporters in sub-sahara Africa along with South Africa (Workman 2015). However, Ethiopia's share in the global footwear market is lower than its place in leather trade (Lakew 2015b). In the year 2015, Ethiopia accounted for 0.02% of the total world export while China and Italy, the two dominant producers, accounted for 20.1% and 14.2 % of the global export respectively(Workman 2015). Ethiopian leather footwear products are destined to Europe, Africa, Asia and North America. The top five export destinations for Ethiopian footwear products are Germany (28%), Italy (24%), Sudan (15%), Uganda (12%) and USA (5%) (Yiheyis 2014a). The table below depicts the revenue obtained from the export of footwear product from the year 2009 to 2014.

Table 2.2 Ethiopian Leather Footwear Export Revenue

Year	Export
2009	$ 5.7 Million
2010	$ 8.6 Million
2011	$ 10.2 Million
2012	$ 19.2 Million
2013	$ 30.5 Million
2014	$ 108.7 Million

Sources: (LIDI 2014) and (ENA 2015)

There are several micro and small scale enterprises producing leather products with small capital ranging from 2000 ETB to 220,000 ETB in different regions of the country. Majority of the producers are located around Addis Ababa. The exact number of these enterprises is not known exactly but past studies have estimated that there could be up to 1,700 micro and small scale producers (Wassie 2015). Together, these companies are estimated to produce 12,000 pairs of shoes per day, which is approximately the same amount as the medium and large footwear producers output. These footwear producers enjoy significant international comparative advantages owing to its abundant and available raw materials, highly disciplined workforce and cheap prices. However, they face lot of challenges and problem in leather sector that tentatively poses the threat for expansion of leather footwear export to foreign market. The Ethiopian government has adopted numerous incentive and industrial policies to overcome the constraints faced by these leather footwear sector (Abtew 2015).

2.6 Relevance of Ethiopia as a Research Setting

Ethiopia is one of the fastest growing economy with comparative advantage in the leather footwear production due to the existence of attractive business condition, cheaper labour, availability of raw materials and market proximity to Europe and Middle East countries (Oqubay 2015). However, all these opportunities are not well exploited and the sector is not performing well because of many unresolved issues and constraints that restrain the development of the footwear sector (Lakew 2015a).

Nowadays, the sector is developing due to the attention given by the Ethiopian government (Abtew 2015). Consequently, there is an exponential growth in the number firms entering into the footwear sector and it resulted in the creation new relationships with the actors in the

industry. However, most of micro and small scale footwear producers are not performing adequately and characterized by weak relationship with customers and suppliers, low productivity and low level of profitability (Yiheyis 2014b). The challenges and growth in complexity of the footwear supply chain, aroused the need to research on interorganizational relationship between micro and small footwear producer and wholesaler. Moreover, there are limited empirical studies conducted to investigate exchange relationships and its implication on satisfaction in Ethiopia leather footwear sector.

2.7 Chapter Summary

This chapter has addressed the global footwear sector including the dominant players in the sector. The remaining parts covered the Ethiopian leather footwear supply chain and the role of micro and small scale leather footwear producers in the whole sector. The next chapter presents the theoretical framework of this study.

CHAPTER THREE

THEORETICAL REVIEW

3.1 Introduction

In the previous chapter the background of the Ethiopian leather footwear sector was presented. This chapter presents the theoretical grounding used in this study. The theory described in this chapter is the social exchange theory. Social exchange theory has been used as framework to study the development of successful exchange relationship. Moreover, it provides constructs and proposed relationships necessary to explain the relational drivers of supplier satisfaction.

3.2 Social Exchange Theory

Social exchange theory (SET) has emerged from sociological and social psychology to analyse the people's social behaviour in terms of exchange of resources (Emerson 1976). It was founded by George Homans to study the interaction exist between individuals in exchange of goods. SET argues that individuals get involved in social exchange because of a scarcity of resources and the need to obtain them from other parties (Contractor and Lorange 2002). Homans (1958) claimed that relationships are established based on the use of cost benefit and comparison of alternatives by the parties involved in the exchange. It assumes that exchange partners seek to maximize profits for themselves when interacting with other parties.

Blau (1964) narrated social exchange as a voluntary action of individuals motivated by the reward they expect to gain from others. This means that an individual who needs resources from other, voluntary provides rewarding services to the other and obligates the other party to furnish with benefits in return. The parties continues the exchange with the expectation that doing so will be rewarding (Lambe, Wittmann, and Spekman 2001). Thus, social exchange becomes an ongoing reciprocal process in which socially embedded voluntary actions are dependent on rewarding reactions from the other party (Luo 2007). Prominent contributor of social exchange theory includes Homans (1958), Blau (1960, 1964), Emerson (1976, 1962), Thibaut and Kelley (1959).

SET argues that no firm is self-sufficient, they have to interact with other firms to get needed resources (Ali 2013). So, the need of resources is the main motive for exchange parties to engage in social exchange. Lambe, Wittmann, and Spekman (2001) identified four common premises governing SET: exchange interactions result in economic and social outcomes (Deepen 2007); these social and economic outcomes are compared over time to other alternatives to determine dependence on the exchange relationship (Gottschalk 2006); positive outcomes over times increase trust to the exchange relationship (Chew and Gottschalk 2009); and positive exchange interactions over time produce relational exchange norms (Lambe, Wittmann, and Spekman 2001).

SET has been applied extensively to study interpersonal relationships. Moreover, it has been utilized to explain interactions in relationship marketing and buyer seller relationships (Lambe, Wittmann, and Spekman 2001, Hawkins, Wittmann, and Beyerlein 2008). Scholars have suggested a number of models in an attempt to explain the development of a relationship between exchange partners that facilitates relational exchange (Lambe, Wittmann, and Spekman 2001). Social exchange theory has been used extensively to explain how antecedents contribute to exchange governance structure characterized as relational exchange (Nevin 1995). In addition, SET has been employed to examine interactions in buyer seller relationships using various variables. Trust, commitment, satisfaction, bonds and dependence are amongst the most cited variables (Mohd Noor, Perumal, and Goaill 2015, Lambe, Wittmann, and Spekman 2001). These variables have been identified and tested by researchers as a significant drivers of exchange relationship outcomes.

Trust is one of the key constructs used to explain exchange outcomes by social exchange theorist (Morgan and Hunt 1994). Trust is *a willingness to rely on an exchange partner in whom one has confidence*(Moorman, Zaltman, and Deshpande 1992). Trust has been defined as the conviction on exchange partner's reliability and integrity (Morgan and Hunt 1994), the possession credibility and benevolence (Ganesan and Hess 1997), and the confidence that an exchange partner's word is reliable and fulfils its obligation (Blau 1964). Social exchange requires trusting other partner due to the risk involved in reciprocity (Bachmann 2001). If the trading partner discharge its obligations, then this prove its trustworthiness and initiates exchange relationship. This gradual expansion of mutual exchange is accompanied by parallel growth of mutual trust (Blau 1964). In other words, voluntary actors need trust each other to get involved in reciprocal exchange of resources, and this trust is further promoted when reciprocal exchange becomes ongoing relationship (Ali 2013, Blau 1964). The development of

trust is crucial in SET because it allows actors to advance a discrete transactions to relational exchange (Ali 2013). Therefore, trust is considered as superficially important construct to understand exchange relationship outcomes (Palmatier, Dant, and Grewal 2007).

Trust is highly associated with vulnerability or uncertainty (Moorman et al. 1993). Vulnerability exists when there is a perceived dependence on another party. Therefore, an appropriate condition for testing the dimensions of trust is under a condition of relational dependence (Lambe, Wittmann, and Spekman 2001). Social exchange theory has recognized trust and dependence as outcomes of relational exchanges (Emerson 1962, Blau 1964).

According to Emerson (1962) dependence of firm A on firm B in an exchange relationship is *"(1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation*." The degree of firm's dependence is measured based on the extent to which rewards sought and realised from the relationship are not available outside of the relationship (Thibaut and Kelley 1959). SET has been used dependence as a construct of relational exchange in which outcomes are compared to alternatives (Lambe, Wittmann, and Spekman 2001).

Thibaut and Kelley (1959) has introduced the concepts of comparison level of alternatives (CLalt) to provide conceptualization to compare rewards with alternative arrangements in exchange relationship. CLalt is the lowest level of rewards that a firm may receive from a relationship in light of available alternatives to explain firms' decisions to continue, expand, or dissolve a relationship (Lambe, Wittmann, and Spekman 2001). The CLalt is associated with the experience of dependence. CLalt operationalizes dependence based on a measure that captures the degree to which one firm relies on another trading partner (Anderson and Narus 1990). Thibaut and Kelley (1959) suggest that given that rewards exceed CLalt for a given exchange relationship, the firm in question may have a degree of dependence on the relationship.

Heide and John (1988) argued that degree of dependence can be determined through four means: magnitude, munificence, opportunity for other partners, and partner expertise. Magnitude refers to the amount of business gained from an exchange partner (Kumar, Scheer, and Jan-Benedict 1995). A manufacturer is highly dependent upon wholesaler, when a wholesaler contributes the largest percentage of sales revenue. Secondly, dependence is measured in term of the availability of critical resources and its increases when there are fewer alternate sources. Thirdly, a firm is highly dependent upon its partner when there are fewer

alternative source of exchange partners. A firm is highly dependent on the exchange partner when there is only one firm that provides that potential for partnership. Finally, dependence increases because of partner expertise. Accordingly, a producer is highly dependent upon wholesaler, when it offers the best alternative for job completion or when it is the only firm that can accomplish a task (Lambe, Wittmann, and Spekman 2001).

Social exchange theory is also used to explain the personal relations in exchange relationships. SET argues that the exchange of resources is incumbent upon personal interaction between the trading partners (Cook and Emerson 1978). These people engage in exchange relationship with the aim of minimizing costs and maximizing rewards (Thibaut and Kelley 1959). Accordingly, social bonds occur in relation to acquired rewards or in expectation of gaining reward from the exchange relationship. Social exchange theory suggests that social bonds are developed through a series of continuous personal interactions. These interaction are a cement for the exchange relationship and provide foundation that brings and keeps the exchange partners together and shape the relationship (Barnes et al. 2015). Moreover, social bonds reduce the risk inherent in voluntary exchange relations and provide a foundation for decent exchange relationships (Awwad and AL-Qralleh 2014). As a result, social bonds are critical components and serve as catalysts for facilitating relational exchange.

Social bonds are recognized as an element of the social exchange theory which leads to reward in a pleasant exchange relationship (Krolikowska-Adamczyk 2013). Smith (1998), Rodríguez and Wilson (2002), Mavondo and Rodrigo (2001) developed social bonds scale underpinned on social exchange theory. These social bonds can help strengthen and maintain an exchange relationship and also positively influence relational outcomes (Awwad and AL-Qralleh 2014). Social bonds are particularly valued among the Ethiopian business community for initiating and nurturing relational exchange thus it is considered as the main variable of this study.

The behavioural dimensions of exchange relationship tend to change according to the length of the association between the partners. Dwyer, Schurr, and Oh (1987) argued that the length of relationship often has a role to play and has a crucial impact on relationship outcomes. The early period of an exchange relationship are typically characterized by high uncertainty, which makes the exchange partners to act in a more suspicious and cautious manner (Ford 1980). In the initial period, exchange relationships may involve relatively small transaction or carry low risk. As the benefits gained from transactions are realized, the partners increase the size of their transactions and offer greater benefits to exchange partners (Lambe, Wittmann, and Spekman 2001). As one party increases the reward it provides for the other partner, in return the recipient

must reciprocate and benefit increases too (Homans 1958). Over time, reciprocal behaviours including social exchange allow the relationship to develop (Blau 1964, Thibaut and Kelley 1959, Cropanzano and Mitchell 2005).

It is expected that personal interactions exist between the partners have a slight effect on building relationship at the early stage of the relationship (Barnes et al. 2015). Overtime, the nature of exchange between the exchange partners become relational, characterized by reliance on norms and shared values that serve as behavioural guidelines for future exchanges (Buvik and Halskau 2001). If the trading partner does act properly, the social exchange will be more prevalent in the long run. Otherwise, the firm will not be motivated to continue the relationship. Overtime the gradual accumulation of experience from the working relationship boosts personal interactions among the partners and intensifies relationship building activities (Barnes et al. 2015). Relationship duration promotes the development of a common behavioural components, bonds and trust that tackle inter-firm relationship problems and it offers competence to ensure stability and comparative advantages for the partners in the relationship (Burki and Buvik 2010, Lee et al. 2015). Therefore, as the length of relationship duration increases the level of confidence and trust in the relationship also increases and overtime the uncertainties decrease that results in a positive outcome on exchange relationship (Fink, Jamesb, and Hattenc 2008).

3.3 Satisfaction

The concept of satisfaction has been addressed in various areas of exchange relationship studies such as consumer services (Ndubisi and Wah 2005, Shanka 2012a, b), consumer markets (Giese and Cote 2000), contractual relationships (Chao 2014) industrial markets (Abdul-Muhmin 2005), retailing (Mohd Noor, Perumal, and Goaill 2015, Naik, Gantasala, and Prabhakar 2010), international markets (Skarmeas et al. 2008, Skarmeas and Robson 2008) (Clemes, Gan, Kao, & Choong, 2008; Dickson & Zhang, 2004) and E-commerce (Liuqu, Fan, and Fu 2015). Satisfaction has been used in relationship exchange research as a variable of the success of the exchange relationship (Goaill 2014). According to social exchange theory, satisfaction plays an integral role in exchange relationships (Blau 1964, Homans 1958, Thibaut and Kelley 1959). In exchange relationship, firms who gain benefits that meet or exceed their expectations and are equal to or superior to outcomes available from alternatives are likely to maintain and continue the relationship with their trading partner (Thibaut and Kelley 1959). In

sum, satisfaction used as a measure of a firm's appraisal of the outcomes of exchange relationship (Lambe, Wittmann, and Spekman 2001).

There is no universally accepted definition among researchers regarding the definition of the concept of satisfaction in extant literature of interogranzational relationships. According to Anderson and Narus (1990) satisfaction with a business relationship is defined as "a positive affective appraisal of all aspects of a firm's working relationship with another trading firm." Similarly, Gaski and Nevin (1985) defined satisfaction in interfirm relationship as an overall approval of the channel arrangement and relationship. Moreover, Wilson (1995) defined satisfaction as the degree to the actual business performance meets the expected performance of the exchange partner.

Geyskens and Steenkamp (2000) distinguished between economic and social satisfaction and defined economic satisfaction as an evaluation of the economic outcomes that flow from the relationship with the exchange partner such as sales volume, margins, and discounts, whereas social satisfaction was defined as an evaluation of the psychosocial aspects of its relationship in that interaction with the exchange partner are fulfilling, rewarding, and facile. However, most studies have focused on the overall satisfaction as opposed to economic vs social satisfaction (Ghijsen, Semeijn, and Ernstson 2010, Benton and Maloni 2005, Razzaque and Boon 2003, Jonsson and Zineldin 2003). Thus, this study defined supplier satisfaction as the overall evaluation of the exchange experiences with a particular trading partner.

A literature review of interogranzational relationship indicates a substantial number of studies have examined the driver of satisfaction in exchange relationship. On their study on supplier-dealer working relationship Jonsson and Zineldin (2003) found out that communication, adaptation, reputation, non-coercive power, cooperation, relationship bonds, dependence and relationship benefits have a positive influence on satisfaction whereas coercive power had a negative impact on satisfaction. Ghijsen, Semeijn, and Ernstson (2010) conducted exploratory study on supplier satisfaction and commitment found out that supplier specific assets have a positive effect on supplier satisfaction. Similarly, Benton and Maloni (2005) found out that power had a significant positive influence on supplier satisfaction. Moreover, Mohr and Spekman (1994) found that trust, coordination, commitment, participation, communication quality, and joint problem solving and information sharing have a positive effect on satisfaction.

Caceres & Paparoidamis (2007) found that service quality dimensions had a significant effect on satisfaction. The study found also that the satisfaction has a significant effect on trust. Razzaque and Boon (2003) studied the impact of dependence and trust on satisfaction, commitment and cooperation and found out that trust had a significant impact on satisfaction. In sum, norms (Gassenheimer, Calantone, and Scully 1995), communication (Rodríguez, Agudo, and Gutiérrez 2006), commitment (Wong 2000), cooperation (Barnes, Yen, and Zhou 2011), conflict (Runyan, Sternquist, and Chung 2010) and opportunism (Crosno and Dahlstrom 2008) are amongst the main variable studied as a driver of satisfaction. However, despite the importance of satisfaction in interorganizational relationship little attention has been given to relational drivers such as social bonds, trust, dependence and duration.

3.4 Chapter Summary

This chapter reviewed the theoretical framework used in this study. Social exchange theory was explained as it addresses the relational constructs that affects satisfaction in exchange relationship. Satisfaction defined and explained thoroughly as the main construct of this study. The next chapter presents the research model and its proposed hypothesis formulated based the theoretical framework explained this chapter.

CHAPTER FOUR

RESEARCH MODEL AND HYPOTHESIS

4.1 Introduction

This part covers the overview of the research model and presents the hypotheses of this study. Based on social exchange theory covered in the previous chapter, the model in this chapter is developed to illustrate the relational drivers of footwear producer satisfaction in Ethiopia micro and small scale footwear sectors. Accordingly, four independent variables and two control variable are used to develop the conceptual model of this study. The research hypotheses are elaborated in this part.

4.2 Overview of the Conceptual Model of the Research

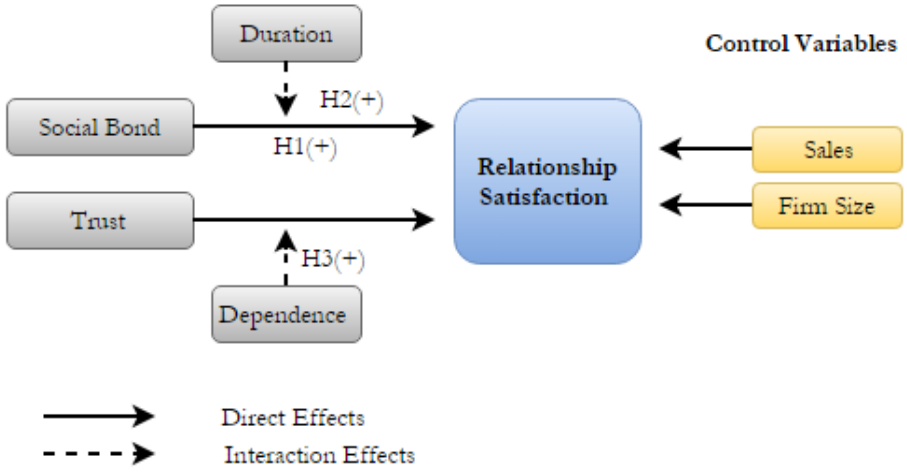
This study seeks to investigate the relational drivers of satisfaction in micro and small scale leather footwear producer–wholesaler relationship in Ethiopian footwear sector. It is an empirical investigation on the influence of independent variables: social bonds (SociB); trust (TRUST); relationship duration (DURAT); and dependence (DEP) on the dependent variable: supplier satisfaction (RESAT). In addition, the research model of this study contains two control variable: firm size (SIZE) and sales revenue (SALES).

The study focuses on three research hypotheses. The first hypothesis attempts to test the relationship between social bonds and supplier satisfaction. It is expected that there is a positive relationship between social bonds and supplier satisfaction. An increase in social interaction and friendship between the trading partners expected to enhance micro and small scale leather footwear producer satisfaction on the relationship with their wholesaler.

The second hypothesis investigates the role of relationship length in the association between social bonds and supplier satisfaction. It is claimed that social bonds take time to develop hence it significantly enhance supplier satisfaction in the later periods of relationship than early periods. The third hypothesis is about the role of dependence in the relationship between trust and supplier satisfaction. It is expected that trust has a positive association with satisfaction under high dependence situation and has insignificant influence on satisfaction under low

dependence situation. Moreover, the control variable (Firm Size and Sales Volume) are expected to influence supplier satisfaction positively.

Figure 4.1 The Research Model



Source: Authors' formulation

4.3 Research Hypotheses

The research hypotheses are developed based on the literature review on social exchange theory, insights and observation from Ethiopian leather footwear supply chain and preliminary interview conducted with stakeholders in the footwear sector.

4.3.1 Social Bonds and Supplier Satisfaction

Social bonds are defined as 'the degree of mutual personal friendship and liking shared by the buyer and seller'(Wilson 1995). It encompasses important elements such as friendship (Heide and Wathne 2006), familiarity (Rodríguez and Wilson 2002), personalization and customization (Lee et al. 2015). According to Abosag and Naudé (2014) social bonds comprise personal confidence, familiarity, friendship, feeling of acceptance, social interactivity, personal contacts, and liking. It can be described as commercial friendships that develop between two trading partners (Price and Arnould 1999, Heide and Wathne 2006).

Chiu et al. (2005) described social bonds as a personal ties that concentrate on service dimensions to develop exchange relationships through interpersonal interactions, friendships

and identifications. These bonds can be strengthened through keeping in touch with clients, learning about their needs, and maintaining a positive working relationship with them (Williams, Han, and Qualls 1998, Sata 2013). Social bonds encourage trading partner to self-disclosure, listening and caring behaviour which result in high degree of mutual understanding, openness, and intimacy (Chiu et al. 2005). These bonds link and hold the trading partners closely together and used as a tool that facilitate the continuation of exchange relationship (Nielson 1998).

Social bonds are close personal relationships between employees in trading partner firms (Naudé and Buttle 2000). It develops between personnel working in the partner organizations and not between the companies themselves (Wendelin 2004). Employees in one firm create bonds with employees in other trading partner firms through personal and social interactions (Williams, Han, and Qualls 1998). These social and personal interaction lessens the propensity of a partner to respond negatively to inflexible and unfair behaviour of its trading partner (Schurr and Ozanne 1985). Even if a partner is dissatisfied with a the performance of the other trading partner the bonds that exist between them might prevent the partner from dissolving their relationship (Wendelin 2004). Moreover, these bonds create an informal environment where closer interpersonal relationships are established and nurture a better understanding of the trading partners mutual needs (Çerri 2012).

Firms are inanimate objects represented by their employees in their interaction with other trading partners (Schakett et al. 2011). Due to their size, micro and small scale footwear producers are represented by their denoted owner and/or manager who acts as a key contact person for the firm. As a representative, s/he interacts with the person who represents the wholesaler that might be owner or employee. This interaction may involve a close friendship and family relationship with the wholesaler. They may often interact and meet with each other during holidays and in social gatherings outside the working environment. Additionally, they may assist each other in dealing with their family and personal problems which is outside of the business. This regular interaction with the wholesaler results in a strong social and personal bonds that govern the exchange relationship with the wholesaler. Overtime, this interaction is expected to bring positive influence on the feelings of the wholesaler towards the footwear producers. Those personal relationship between the footwear producers and wholesaler expected to create a close business relationship (Mukherji and Francis 2008) and influences the purchasing behaviours of the wholesaler (Goaill 2014). A close personal relationship heighten

the level of relationship interaction thereby enhancing satisfaction that lead to many positive relational outcomes (Nielson 1998).

Previous studies have recognized the importance of social bonds in interorganizational relationships (Price and Arnould 1999, Adobor 2006, Schakett et al. 2011). Social bonds are considered as a significant element in interpersonal relationships which are the essential social content of exchange relationships (Powersa and Reaganb 2007). They are motivating variables that can sustain a good relationship between the trading partners (Krolikowska-Adamczyk 2013). Moreover, these personal relationships may impact the buying behaviours of the trading partners (Goaill 2014).

Social bonds has been explored empirically in several variety of interorganizational relationship research studies such as buyers and suppliers in the truck producing industry (Wendelin 2004); strategic alliances relationships (Rodríguez and Wilson 2002); business-to-business marketing relationships in service industry (Schakett et al. 2011); manufacturers and large retailers in food industry (Mohd Noor, Perumal, and Goaill 2015) and franchisee-franchiser relationships (Lee et al. 2015). However, there are limited studies focused on investigating the manner in which personal relationships influence interorganizational relationships in developing countries context (Abosag and Naudé 2014). In relationship literature, social bonds have been examined at the interpersonal level between a buyer and seller or between the buyer's and seller's key contact employees (Goaill 2014). Hence, this study examined social bonds exist between footwear producers (owner or manager) and wholesaler representative (owner or supervisor).

Previous studies in interorganizational relationships shows a positive association between social bonds and supplier satisfaction. In this regard, Nath and Mukherjee (2012) studied the relationship of UK retail banks with their customers and found out that social bonds were related positively with relationship quality including satisfaction. Similarly, a study done by Schakett et al. (2011) revealed that social bonds positively affects satisfaction. In their research on online customer firm relationships, Liang and Chen (2009a) found out that social bonds plays a great role in enhancing satisfaction. Another study conducted to explore the relationship between Swedish lumber dealers and their suppliers by Jonsson and Zineldin (2003) obtained that the social bonds led to high degree satisfaction. These results are consistent with results in other research that studied the relationship between social bonds and satisfaction (Chiu et al. 2005, Goaill 2014). Therefore, based on the above discussions and previous results, this study claims that social bonds exist between the footwear producers and

wholesaler will positively affect the footwear producer satisfaction in the relationship with their wholesaler. Thus, this study hypothesizes that:

H1: There is a positive association between social bonds and footwear producers' satisfaction.

4.3.2 Social Bonds, Duration and Satisfaction

Relationship duration refers to the length of time that the relationship between the exchange partners has existed (Palmatier et al. 2006). It is expressed as the number of years that two trading partners have interacted over a spectrum of their relationship time (Burki and Buvik 2010, Buvik and Hauglandb 2005). The length of relationship provide trading partners with more behavioural information that enhances confidence towards the behaviour of the other trading partner (Palmatier et al. 2006). As relationship evolve, the complexity and uncertainty in the relationship decrease and the potential for the development of bonds increases (Fink, Jamesb, and Hattenc 2008). This experience gained from prior relationship provides a behavioural guideline for current as well as future exchange relationship (Doney and Cannon 1997). The duration of interorganizational relationship have a profound impact on the nature of exchange relationships, interorganizational coordination, relationship strength and relationship outcomes (Fink, Jamesb, and Hattenc 2008, Dagger, Danaher, and Gibbs 2009, Buvik and Andersen 2016).

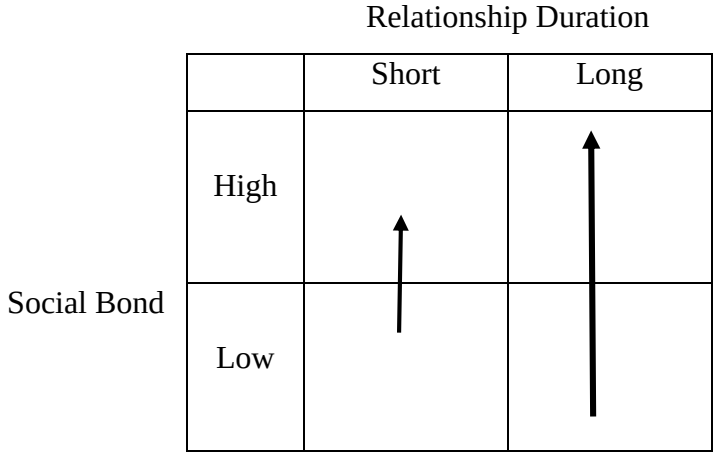
Social exchange theory argues that repeated interaction between the trading partners develops socially embedded relationship which brings benefits overtime (Sweeney and Webb 2007). Wulf, Odekerken-Schröder, and Iacobucci (2001) argued that variation in the length of the duration of relationship between trading partners would result in different levels of customer experience, commitment, satisfaction and relationship marketing tactics. Furthermore, as the duration of a relationship increases, customers are more likely to enjoy benefits from the relationship (Gwinner, Gremler, and Bitner 1998).

Social bond arise between the trading partners as they interact and learn to deal with each other overtime (Jonsson and Zineldin 2003). The positive outcomes associated with social bonds expected to vary over the duration of relationship since it takes time to develop the bond (Lee et al. 2015). As a result, the degree social bonds with the wholesaler is more important in influencing supplier satisfaction in later periods than at the early periods of the relationship. Accordingly, the interaction effect involving social bonds and the duration of the relationship suggests that social bonds to be more important in the later stage of the relationship than the

early stage of the relationship. However, there is lack of empirical research that addresses the variation in the impact of social bonds on satisfaction over time.

This study expects that overtime in the relationship the social bonds exist between the footwear producers and wholesalers enhance the footwear producer satisfaction in the relationship with their wholesaler. Precisely, the study argues that footwear producer s who have been in a long term relationship with wholesaler perceive the latter as being less satisfying as relationship duration is expected to enhance supplier satisfaction. Figure 4.2 below illustrates this argument.

Figure 4.2 Moderating Effect of Relationship Duration



The above figure depicts the interaction effect of relationship duration on the relationship between social bonds and satisfaction in footwear producer-wholesaler relationship. The first column depicts a relationship at the early stage in which increasing social bonds failed significantly to enhance supplier satisfaction. In the second column, in which the relationship matures, increased social bonds in the relationship significantly enhances the satisfaction of the footwear producers in their relationship with the wholesalers.

Figure 4.3 Matrix of Social Bonds, Relationship Duration and Satisfaction

Social Bond	Relationship Duration: Short	Relationship Duration: Long
High	Cell 1 Low Satisfaction	Cell 2 High Satisfaction
Low	Cell 3 Very Low Satisfaction	Cell 4 Low Satisfaction

Cell 1: indicates a footwear producer that has had a short term relationship and a strong social bond with the wholesaler and perceives satisfaction to be low. This cell represents a rare situation in which the footwear producers have previous friendship and family ties with the wholesalers. In this situation, the bond created is not a result of the business relationship and not expected to create a high degree of satisfaction for the footwear producers.

Cell 2: shows a situation where a footwear producer has long history of relationship with a particular wholesaler and has a strong social bond with the wholesaler. It indicates a mature relationship that involves a close social ties between the footwear producer and wholesaler. Such a footwear producer is expected to enjoy a high degree of satisfaction in their relationship with the wholesaler. This is a stage of relationship every trading partner aspires to achieve.

Cell 3: indicates an earlier period of the relationship between the footwear producers and wholesaler with weak social bonds exist between the trading partners. In this situation the footwear producers hardly enjoy the relationship due to very low level of satisfaction in the relationship with the wholesaler. This cell shows a new born relationship with low level of social ties between the footwear producer and wholesaler; in this situation it is not expected to see a positive relational signals from the wholesaler that positively emboldens the footwear producer; as a result, the footwear producers suffer a low level of satisfaction.

Cell 4: shows a footwear producer with a long duration of exchange relationship with a wholesaler but the social bond exist between the trading partners is weak; as a result, the footwear producers' satisfaction happens to be low. This cell represents a footwear producers remained in relationship with the wholesaler for long but failed to create a closer tie with their wholesaler. In this case, moving up to cell 2 (improving social bonds) significantly improve the satisfaction of the footwear producers.

Hence in view of the above discussion, this study suggests that:

H2: The association between social bonds and supplier satisfaction is significantly increased when the relationship duration increases.

4.3.3 Trust, Dependence and Satisfaction

Moorman, Zaltman, and Deshpande (1992) defined trust as "*a willingness to rely on an exchange partner in whom one has confidence*" Most interorganizational relationship studies defined trust as a degree to which a trading partner believes that the other exchange partner is honest and/or benevolent(Geyskens, Steenkamp, and Kumar 1998). It is also to mean the

confidence a firm has on the other exchange partner that it will not abuse its vulnerabilities when situations arise (Dyer and Chu 2000). Trust has been explained based on dimensions such as credibility (Ganesan 1994), benevolence (Doney and Cannon 1997), confidence (Aulakh, Kotabe, and Sahay 1996), reliability (Dyer and Chu 2000), integrity (Coote, Forrest, and Tam 2003), honesty/truth (Smith and Barclay 1997), fairness (Zaheer, McEvily, and Perrone 1998) and dependability(Young-Ybarra and Wiersema 1999). Trust does not emerge overnight, it is a result of prior fruitful relationship with the exchange partner (Tian, Lai, and Daniel 2008).

Trust is among the most common factors that are critical in interorganizational relationship. Extant literature argue that trust reduces costs associated with searching, contacting, monitoring and enforcement as well as uncertainties involved in the transaction (Dyer and Chu 2003). In addition, trust increases information exchange and resource sharing between partners and results in a greater level of exchange relationship (Lado, Dant, and Tekleab 2008). It facilitates collaboration, open communication, information sharing and conflict management (Seppanen, Blomqvist, and Sundqvist 2007). Moreover, it is the prime determinant of exchange relationship and positively influence performance and relational behaviours because customers are more likely to act positively toward and in the best interest of trusted sellers (Palmatier, Dant, and Grewal 2007).

Previous researches on interorganizational relationships have consistently argued that trust is an essential variable of relationship quality and performance (Seppanen, Blomqvist, and Sundqvist 2007). Research studies on interorganizational relationships have consistently argued that trust is an essential factor of satisfaction (Seppanen, Blomqvist, and Sundqvist 2007). The positive association between trust and satisfaction has been empirically supported in a variety of interorganizational relationship researches (Chao 2014, Rodríguez, Agudo, and Gutiérrez 2006, Sanzo et al. 2003, Razzaque and Boon 2003, Gorton et al. 2015, Hutchinson et al. 2011, Delbufalo 2012). Accordingly, an exchange relationship in which the trading partner is trustworthy of one another's action produces satisfaction. However, the influence of trust on supplier satisfaction depends on the degree of dependence between the trading partners.

Emerson (1962) defined dependence as the degree of a firm reliance on the actions of another trading partner to achieve certain goals or satisfaction. Dependence refers to a firm's need to maintain an exchange relationship in order to achieve desired goals (Frazier, Gill, and Kale 1989, Frazier 1983). It refers to the extent to which the footwear producer s depends upon their main wholesaler for selling their product and getting access to their customer (Jonsson and Zineldin 2003). A firm has to develop and maintain a close tie with other trading partners to

control the required means of distribution necessary to achieve its marketing goals(Buchanan 1992) and satisfaction (Jonsson and Zineldin 2003).

Dependence plays a critical role in determining behavioural outcomes in interorganizational relationships (Razzaque and Boon 2003). Highly dependent footwear producers may expect mischief behaviour from their wholesalers (Geyskens, Jan-Benedict, and Kumar 1999). In contrary, wholesalers may send a positive relationship-building signals to footwear producer s, these footwear producers will be positively surprised and these behaviours will have a strong positive impact on their satisfaction. In a situation involving a footwear producer to depend on a particular wholesaler as means of distribution, the footwear producer 's satisfaction in the relationship is likely to be affected by the extent of trust present in the relationship. On the other hand, in a context of low dependence, the wholesalers are not expected to try to take advantage of their footwear producers given that the number of alternative wholesalers available. In such a context, the level of trust in the wholesaler may be less important and thus have less of a positive impact on the footwear producer s' satisfaction. As a result, satisfaction will not be influenced by different levels of trust.

Figure 4.4 Moderating Effect of Dependence

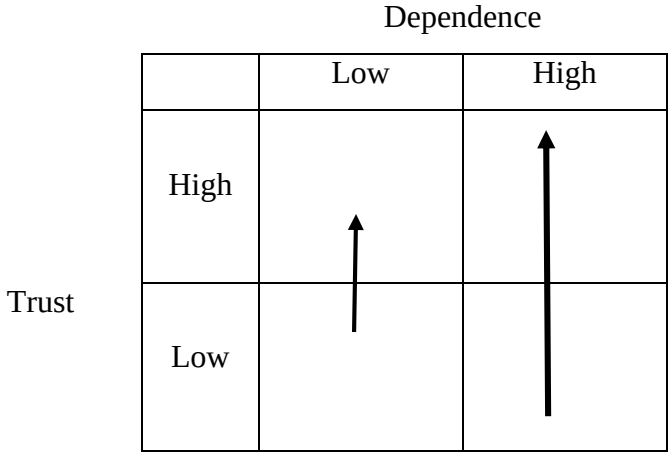


Figure 4.4 depicts the interaction effect of dependence on the relationship between wholesaler trustworthiness and satisfaction in footwear producer-wholesaler relationship. The first column depicts relationship with low degree of footwear producer dependence on wholesaler where increasing trust failed significantly to influence supplier satisfaction. In the second column where there is a high degree of footwear producers' dependence on wholesaler, change in the trustworthiness of the wholesaler significantly influences the satisfaction of the footwear producers in their relationship with the wholesalers.

Figure 4.5 Matrix of Trust, Dependence and Satisfaction

		Dependence: Low	Dependence: High
Trust	High	1 Moderate Satisfaction	2 High Satisfaction
	Low	3 Low Satisfaction	4 Low Satisfaction

Cell 1: shows a situation involving a trustworthy wholesaler dealing with a footwear producer that is not highly dependent on the wholesaler. In this situation, wholesaler trustworthiness may not be the deciding factor in determining the supplier satisfaction. The availability of other alternative means of distribution creates a chance for the footwear producer to compare and consider other transactional variables as a determining factors for satisfaction. Hence, the satisfaction expected to become moderate.

Cell 2: indicates a situation in which a footwear producer depends only on one wholesaler to get market access. In return for the footwear producer dedication, the wholesaler exhibit honest and reliable behaviour in the exchange process. This will bring a higher level of satisfaction from the footwear producer side.

Cell 3: indicates when a footwear producer does not depend on the wholesaler due to the availability of alternative means of distribution and the wholesaler acts dishonestly. Mischief behaviour of wholesaler diminish footwear producers' satisfaction and makes continued future interaction in suspect (Izquierdo and Cillán 2004).

Cell 4: indicates when a footwear producer highly depends on the wholesaler but does not trust him/her. Untrustworthy behaviour of the wholesaler expected to adversely influence the satisfaction of the footwear producers in the relationship. However, the exchange relationship expected to continue (Izquierdo and Cillán 2004).

Hence in view of the above discussion, this study suggests that:

> *H3: Under high degree dependence, the association between trust and supplier satisfaction is positive.*

4.3.4 Control Variables

This study comprised of two control variables namely firm size and sales revenue. In the literature, firm size has been considered as a variable that has role in shaping exchange relationships. Large firms are more likely to develop close personal and social ties with their trading partners than small ones. In addition, the influence power may allow them to get a better treatment from their trading partner than what small firms enjoy (Salema 2014b). Accordingly, this study claims that the size of the firm positively associated with supplier satisfaction.

Exchange interactions involve economics outcomes. Sales revenue is one of the measure used to evaluate the economic outcomes gain from exchange relationship. The annual sales revenue a footwear producer gains is an indication of the economic advantage achieved as a result of sacrifices on foregoing alternative exchange relationships. A higher sales revenue is expected to bring a higher economic outcomes and hence high level of satisfaction with the trading partner (Richard 2012). Accordingly, this study hypothesized sales revenue positively associated with footwear producer satisfaction.

4.4 Chapter Summary

This chapter addressed the research model and hypotheses of this study. It described the research model and the various constructs adopted in the research model. The three hypotheses of the study have been developed and discussed thoroughly. Moreover, the control variables have been addressed. The next chapter covers the research methodology adopted in this study.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Introduction

This chapter covers the overview of the research design applied in this study. The chapter presents the research methods used, empirical settings, data sources, sampling techniques, sample size determination, questionnaire development, data collection instruments and procedures applied to collect the data. Finally, it concludes with a chapter summary.

5.2 Research Design

Research design refers to the overall strategy that used to integrate the different components of the study -collection, measurement, and analysis of data- in a coherent and logical way, thereby, to address the research problem (Vaus 2001). Moreover, it lays the foundation for conducting a research project (Malhotra and Birks 2006, Creswell 2009). Scholars classifies research design into several categories based on purpose, methodology, scope, time and other features. For example, Creswell (2009) classified research design according to methodology: qualitative, quantitative and mixed research. Qualitative research aims at providing an in-depth and interpreted understanding of social world, by learning about people's social and material circumstances their experiences, perspectives and histories (Snape and Spencer 2003). Whereas, quantitative research is about explaining phenomena by collecting quantitative data which are analysed using statistically methods (Muijs 2010). Mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative forms (Creswell 2009).

Further, research designs may be broadly classified based on purposes as exploratory or conclusive. The primary objective of exploratory research is to provide insights into and an understanding of phenomena particularly in studies where the developed data are limited (Cooper and Schindler 2014). On the other hand, conclusive research describes specific phenomena, test hypotheses and examine relationships. Conclusive research designs may be either descriptive or causal (Koljatic and Rosene 2015). As the name indicates, descriptive research describes a characteristic of a certain population under the study (Iacobucci and Churchill 2010). It can be further classified into cross-sectional and longitudinal research (Malhotra and Birks 2006). Cross-sectional designs involve the collection of information from

any given sample of population elements only once while longitudinal study is based on repeated measurement of characteristics (Moutinho and Hutcheson 2011). In longitudinal designs, a fixed sample (or samples) of population elements is measured repeatedly. Causal research is used to obtain evidence of cause-and-effect (causal) relationships (Malhotra and Birks 2006). To sum up, the distinctions among the research designs are not absolute and thus study may use more than one design and serve for several proposes at a time (Reddy and Acharyulu 2011).

This study applied both qualitative and quantitative research approaches. In the initial phase of the research an unstructured interview was conducted with officials of the leather industry development institute, Ethiopian leather industry association, and federal micro and small enterprises development agency. In addition, a field visit and interview was conducted with selected micro and small scale footwear producers to grasp the existing working conditions in the Ethiopia leather footwear sector. This created the chance for the researcher to understand on the overview of the leather footwear sector and the actors involved in leather footwear supply chain. This information was utilized in order to frame the problem areas, develop the questionnaire and formulate specific hypotheses. This research then adopted a cross sectional correlational design based on data collected from managers of micro and small footwear producers. Accordingly, both descriptive and casual research was applied.

5.3 Data Sources

This research study has used both primary and secondary sources of data. Primary data are originated by a researcher for the specific purpose to address a problem at hand (Bajai 2011). While secondary data are already been collected for a purpose other than the problem at hand (Malhotra and Birks 2006). It is recommended to use both data sources combing together (Smith 2011). In this study, the primary data were collected using self-administered questionnaire and in-depth interviews. Initially, interview was conducted with officials in the leather industry development institute, Ethiopian leather industry association, Federal micro and small enterprises development agency and selected micro and small scale footwear producers in between June 15 and August 15, 2015. Later, self-administered questionnaire was distributed among sample of micro and small scale leather footwear producers.

In addition to the primary data, the study utilized secondary data to define the research problem and develop the research approach. It was also utilized in the stage of problem definition

process. Secondary data was collected through desk review of relevant literatures from sources such as journal articles, books, conference papers, dissertations; theses, reports and publication from UNIDO, Leather Industry Development Institute, Ethiopian Leather Industry Association, Federal Micro and Small Enterprises Development Agency, Central Statistical Authority and other online sources.

5.4 Population, Sampling Frame and Sample Size

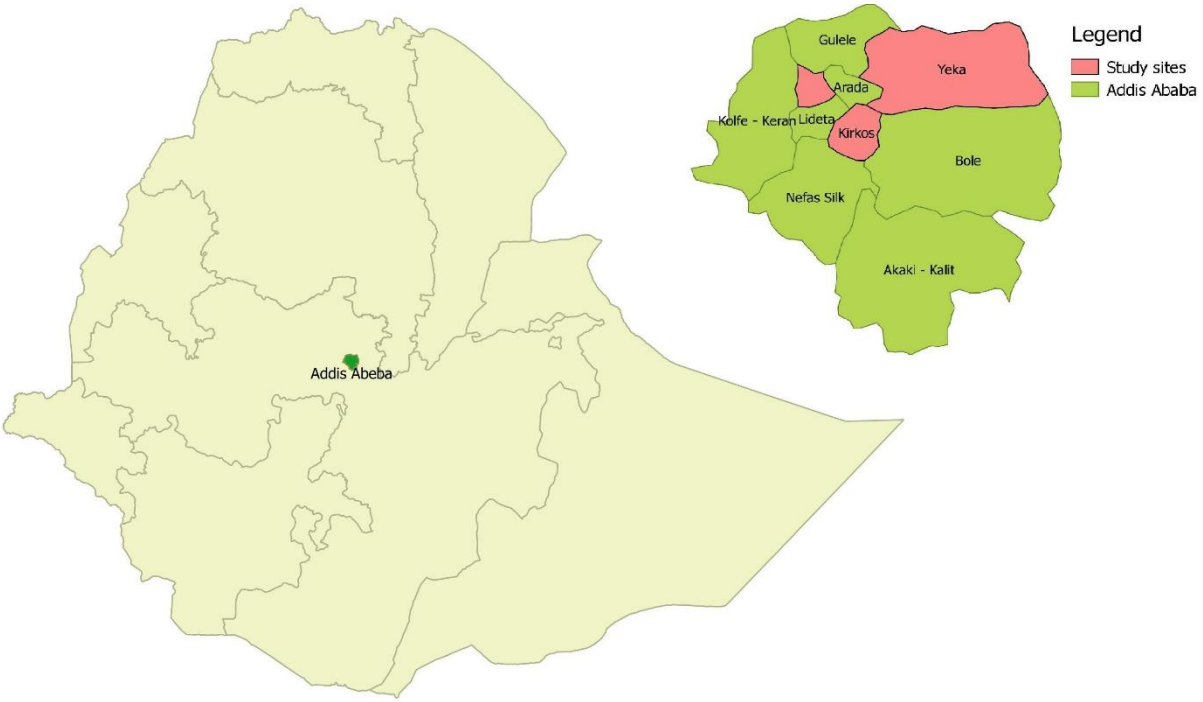
The sampling design followed the six steps recommended by Malhotra and Birks (2006): (i) definition of the target population; (ii) determination of the sampling frame; (iii) selection of sampling techniques(s); (iv) determination of the sample size; (v) execution of the sampling process; and (vi) validation of the sample.

A population is the total collection of elements about which we wish to make some inferences (Cooper and Schindler 2014). The population of this study is all micro and small scale leather footwear producers located in Addis Ababa. There are various types of footwear producers in Ethiopia namely micro, small, medium and large scale footwear producers. According to FeMSEDA (2011), micro enterprises are defined as business employing five or less employees; small businesses are enterprises that employ 6 - 30 employees; medium scale enterprises are those enterprises employ 31 - 99 employees; and the remaining that employee more than 100 employees are considered as large scale enterprises. Apart from the number of employees, micro and small enterprises share the same characteristics in the other aspects of the business operation (Lakew 2015a). This study dealt with both micro and small footwear producers due to the same characteristics they share.

A sampling frame consists of elements of the target population (Malhotra and Birks 2006). It comprised of all items within a population eligible to be sampled such as individuals, households or institutions (Sarndal, Swensson, and Wretman 2003). Micro and small scale footwear producers operating in Addis Ababa comprised the sampling frame of this study. Majority of these micro and small scale footwear producers are based in Addis Ababa which is the economic and political capital of the country. However, it was not possible to get published list of all micro and small scale leather footwear producers in Addis Ababa. As a result, the researcher compiled the data obtained from previous studies (Lakew 2015b, Wassie 2015, Yiheyis 2014a), Central Statistical Authority (CSA 2010) and Micro and Small Scale Enterprise Agency (FeMSEDA 2011).

There are three dominant working sites where the micro and small footwear producers are situated (See Figure 5.1). A total of 1696 micro and small scale footwear producers were situated in Addis Ababa city: 1500 of them were located in *Merkato* site (*Addis Ketema sub city*), 166 were in *Yeka sub city* and the remaining 30 were in *DideMascha* site (*Kirkos sub-city*).

Figure 5.1 Study Area



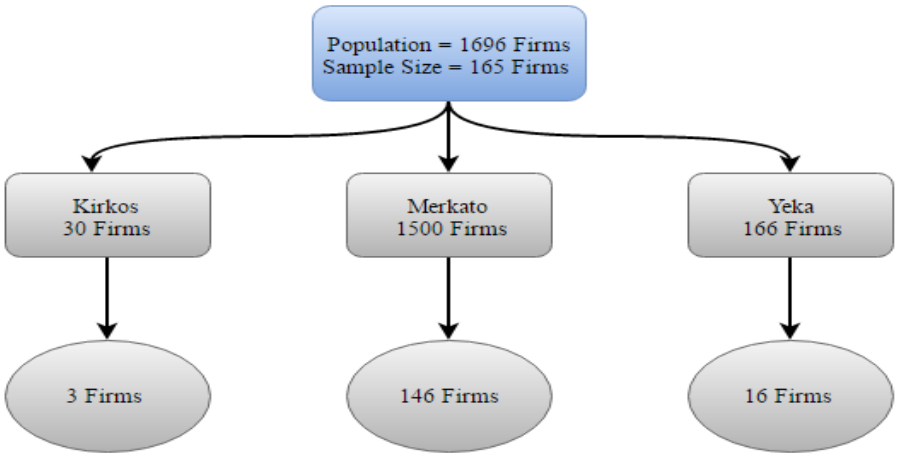
Selecting a sampling technique is another important decision to be made in sampling design process. Sampling techniques are classified as probability and nonprobability sample. In probability sampling, each element in the population has an equal chance of being included in the sample however nonprobability sampling involve the choice based on convenience and availability (Anderson, Sweeney, and Williams 2011). Probability sampling techniques further classified as simple random sampling, systematic random sampling, stratified random sampling and cluster sampling (Cooper and Schindler 2014). On the other hand, nonprobability sampling includes convenience sampling, snowball sampling, judgmental sampling and quota sampling (Bajai 2011).

The choice of sampling method depends on the nature of the research, relative magnitude of the error, and variability in the population. Probability sampling techniques favour conclusive research and produce unbiased estimates to generalize about a population (Malhotra and Birks

2006). Accordingly, the present study has adopted stratified sampling technique to select representative sample from the population. Three strata were formed based on the three study sites. Simple random sampling was used to select sample micro and small scale footwear producers from each stratum. Proportional allocation was used to select the firms from each stratum.

Several factors should also be taken into consideration when determining the appropriate sample size. These factors include the nature of the research, the number of variables, the nature of the analysis, sample sizes used in similar studies, characteristics of the population, and resource constraints (Malhotra and Birks 2006). There are several methods used to determine the sample size to represent a target population. For example, Schumacker and Lomax (2004) recommended at least 100 elements a reasonable sample size for using the structural equation (SEM) model. Hair et al. (2010) suggested a sample size of 10:1 ratio as an acceptable to factor analyse. Stevens (2009) suggested "at least 15 events per predictor variable". Tabachnick and Fidell (2001) recommended researchers to have 104 events plus the number of independent variable to determine reasonable sample size for multiple regression. This study has a total number of six independent variables, thus the minimum sample based on criterion is 104 + 6 = 110. In addition, 50% of the minimum sample size was added to include a safety margin and the dropout rate. Accordingly, the sample size of this study was 165 which is adequate to conduct multiple regression. The figure below depicts the sampling procedure used in this study.

Figure 5.2 The Sampling Procedure



5.5 Data collection techniques and procedures

A structured questionnaire was the main data collection instrument of this study. The questionnaire was designed based on the constructs of the previous researchers and divided into two parts. The first section dealt with open ended questions related to information on the general profile of the micro and small scale footwear producers and their wholesalers. The second section had questions that measured the constructs of the independent, dependent and control variables using a seven point Likert scale anchored from 1- 'strongly disagree, to 7- 'strongly agree'.

The instrument was initially prepared in English language and then translated into Amharic language for easy understanding and simplicity. One of the important aspects in using survey instrument translation is to ensure that the instruments translated provide reliable and equivalent instruments. There are various methods used to translate data collection instruments to another language. In the simplest method of translation, a questionnaire is translated by a translator and then the translated version is used without additional validation process (Montoya, Llopis, and Gilaberte 2011). The second approach involves translation using committee. In this approach, at least two translators work separately or together to produce a consensus questionnaire (Gjersing, Caplehorn, and Clausen 2010).

The third method is the back-translation method. In this method, a questionnaire is translated into the target language by one translator and then another independent translator who is blinded to the original questionnaire translates back into the source language. Then, the two source language versions are compared (Vijver and Hambleton 1996) and approved after assessment (Sperber 2004). In this study, first the questionnaire was translated from English to Amharic by a language professor at Hawassa University, department of language and then back translated by a language expert from Addis Ababa University to make sure that the meaning is not lost in translation.

Questionnaire can be administrated through postal mail, personal, telephone, web survey and SMS based survey (Malhotra and Birks 2006). Even with the huge government investment in communications infrastructure to offset low communications penetration, the Ethiopian ICT sector remains underdeveloped with 3.7% internet penetration and 34% mobile penetration. It is not worthwhile to use ICT based (i.e. web and SMS based survey) data collection instrument rather questionnaires were administered in person. Self-administered questionnaire is the most

suitable method due to unreliability of other methods in Ethiopia context. In addition, it would also likely result in high response rate.

The use of key informants is a common phenomenon in the investigation interorganizational relationship researches (Kumar and Stern 1993, John and Reve 1982). Using key informant involves administering the questionnaire for data collection to selected respondents within the sampled firms who have sufficient knowledge about the phenomena under study (Heide and John 1990). The use of a single informant is a common practice in survey research when key informants are likely to provide accurate information on interorganizational relationships since they are acquainted with their relationship wholesaler (Paulraja, Ladob, and Chen 2008, Kotcharin, Eldridge, and Freeman 2012, Richard 2012). The unit of analysis for this study is at the firm level. Thus, the manager who have in-depth understanding of the business relationship with their counter wholesaler are the key informants. These individuals either owner or manager of micro and small scale footwear producers who are involved in the day to day operations of the firms.

Before the data collection, a brief training was given to the data enumerator. The enumerator is a well experienced professional who has been involved in similar kind of research studies. The enumerator distributed the questionnaire to the owners or managers of micro and small scale leather footwear producers physically. In the meantime, the enumerator visited the respondents while they were filling the questionnaire to make sure that the respondents understood the items included in the questionnaire. Finally, the completed questionnaires were collected by the enumerator. The fieldwork commenced from February 1 – 19, 2016. Then, the data was entered in SPSS version 22 software for analysis.

5.6 Chapter Summary

This chapter presented the research methodology employed in this study. It has presented the cross sectional survey design approach employed for this research. Data sources, sampling techniques are data collection instrument were covered in this chapter. In addition, the translation and administration of the data collection instruments were addressed. The next chapter will discuss the definition and operationalization of constructs used in this study.

CHAPTER SIX

DEFINITIONS AND OPERATIONALIZATION OF VARIABLES

6.1 Introduction

This chapter discusses the research model used in this study. It covers measurement models, measures development and definitions and operationalization of variables used in this study. Moreover, it reviews the measurement of these constructs in previous studies and proposes adapted instrument for this study.

6.2 Measurement Model

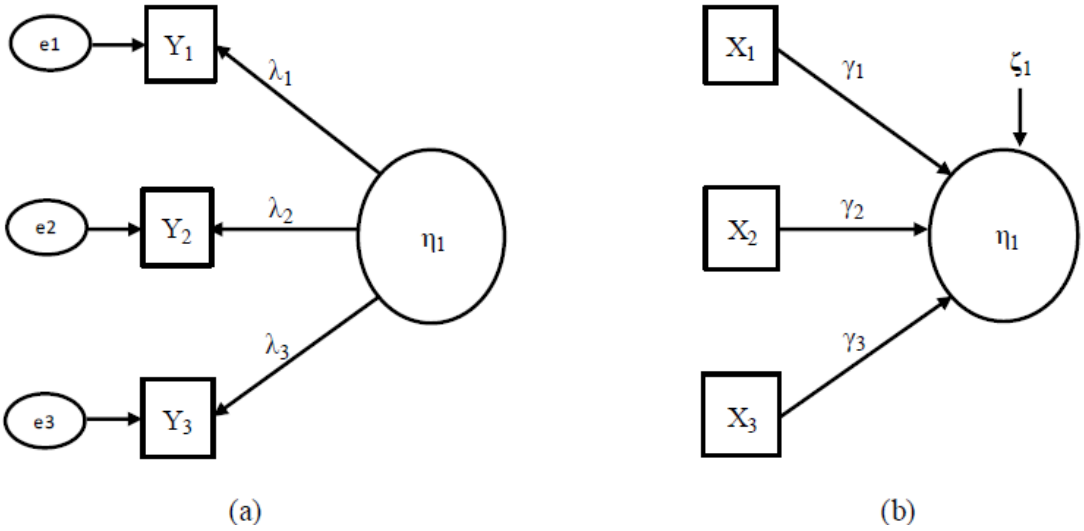
There are two measurement models used for multiple indicators of latent constructs: formative and reflective models (Jarvis, MacKenzie, and Podsakoff 2003). In a reflective model, the latent construct exists independent of the measures used (Borsboom, Mellenbergh, and van Heerden 2003). It also assumes that causality flows from the construct to the indicators (Edwards and Bagozzi 2000). In contrast, in a formative model, the latent construct is dependent upon a combination of its indicators (Borsboom, Mellenbergh, and van Heerden 2003); and causality flows in the opposite direction from the indicators to the construct (Edwards and Bagozzi 2000). The reflective view dominates the psychological, marketing and management sciences researches; the formative view is common in the field of economics and sociology (Coltman et al. 2008).

Reflective model involves all the indicators that share a common theme and are interchangeable (Coltman et al. 2008). The decision to include or exclude one or more indicators from the domain does not substantially change the content validity of the construct (Jarvis, MacKenzie, and Podsakoff 2003). However, in the case of formative models, the domain of the construct is sensitive to the number and types of indicators that describe the construct because. Hence, adding or removing one or more indicators can change the conceptual domain of the construct (Coltman et al. 2008).

There are other key differences between formative and reflective models is the way measurement errors are treated. Reflective measurement model assumes that all error terms are associated with the observed scores and depicts the measurement error in the latent construct.

However, formative model does not assume such kind of correlational structure (Diamantopoulos and Siguaw 2006). In addition, in a reflective model all the indicators share the same underlying theme and expected to have a high positive intercorrelations however in a formative model intercorrelation amongst the indicators can have any pattern; it could be zero, positive or negative but should possess the same directional relationship (Diamantopoulos and Siguaw 2006, Coltman et al. 2008).

Figure 6.1 Measurement Models: (a) Reflective Model; (b) Formative Model



Source: Bollen and Lennox (1991)

6.3 Measures Development

This study has operationalized three constructs as latent variables where all variables have been measured as reflective scales. According to Slavec and Drnovsek (2012), the development of measurement scale starts with the specification of the domain of the construct which is done based on an in-depth review of extant literatures. Accordingly, this task was done based on the relevant theories covered in the previous chapters (i.e. chapter three and four). These measurement scales were adapted from similar previous studies and modified accordingly in order to fit the context of Ethiopian footwear sector. Both multiple and single scale items were used in this study. The study has used multi item measures for independent and dependent variables namely social bond, trust and supplier satisfaction.

In this study, all multiple item scales were assessed using an ordinal seven point likert scale (1 = strongly disagree, 2 = somehow disagree, 3 = disagree, 4 = neither agree nor disagree, 5 = somehow agree, 6 = agree, and 7 = strongly agree). The moderator and control variables were measured as a single scale. Bergkvist and Rossiter (2007) recommend the use of single item scale when there is a concrete singular object and a concrete attribute. Accordingly, except for dependence which was measured as a nominal scale (1 = single wholesaler, 0 = multiple wholesaler) all other single item scale (duration, sales revenue and firm size) was transformed using logarithm scale. Normality, reliability and validity checks were carried out for the multiple item measures. The single items scales will not be subjected to validity tests as they are ratio scales

6.4 Construct Definitions and Operationalization

6.4.1 Dependent Variable: Supplier Satisfaction

Mohr, Fisher, and Nevin (1996) defined satisfaction as the evaluation of characteristics of the exchange relationship. It has been also defined as an overall positive appraisal of the aspects of a firm's working relationship with another trading partner (Anderson and Narus 1990). Rodríguez, Agudo, and Gutiérrez (2006) argued that satisfaction involve the evaluation of both economic outcomes and social interaction between the exchange partners. These two dimensions were confirmed in meta-analytical study done by Geyskens, Jan-Benedict, and Kumar (1999) and Geyskens and Steenkamp (2000). However, previous research have used satisfaction as one dimension construct (Chao 2014, Ghijsen, Semeijn, and Ernstson 2010, Benton and Maloni 2005, Razzaque and Boon 2003, Jonsson and Zineldin 2003, Ping Jr 2003, Sanzo et al. 2003). This study examined supplier satisfaction as one construct. A ten item statement was formulated based on Ghijsen, Semeijn, and Ernstson (2010), Benton and Maloni (2005), Sanzo et al. (2003), Bennett, Härtel, and McColl-Kennedy (2005) and Geyskens and Steenkamp (2000) with anchors '1 = strongly disagree and 7 = strongly agree'. The items are presented in Table 6.1.

Table 6.1 Questionnaire items for Supplier Satisfaction

Previously used Statement	Source	Adapted
This buyer is a good company to do business with	Ghijsen, Semeijn, and Ernstson (2010) Benton and Maloni (2005)	This wholesaler is a very good partner to do business with.
The personal working relationship with the supplier is very satisfactory.	Sanzo et al. (2003)	I am very happy with the close personal working relationship I have with this wholesaler.
If we had to select a supplier again for the product, we would doubtlessly choose our current supplier.	Sanzo et al. (2003)	This wholesaler is my first choice to sell my shoes than other wholesalers.
I feel good about my decision concerning my preferred brand.	Bennett, Härtel, and McColl-Kennedy (2005)	I am very happy with the decision concerning the choice made to deal with this wholesaler as distribute for our shoes.
Interactions between my firm and this supplier are characterized by mutual respect	Geyskens and Steenkamp (2000)	The relationship between our firm and this wholesaler is characterized by a great mutual respect.
The working relationship of my firm with this supplier is characterized by feelings of hostility.	Geyskens and Steenkamp (2000)	I have a very favourable and pleasant working relationship with this wholesaler.

6.4.2 Independent Variables

6.4.2.1 Social Bonds

Social bonds are measured as the degree to which mutual personal friendship and liking shared between the trading partners (Wilson 1995). Such bonds involves familiarity (Rodrguez and Wilson 2002), friendship (Price and Arnould 1999), social interactivity (Gounaris and Venetis 2002), social support (Gwinner, Gremler, and Bitner 1998) and personal confidence built through interpersonal exchange. It measures the strength of interpersonal relationship and may comprise both business and close personal ties (Rodrguez and Wilson 2002). Social bond has been used in previous empirical researches as a construct to explain business to business

relational exchanges (Mohd Noor, Perumal, and Goaill 2015, Jonsson and Zineldin 2003, Schakett et al. 2011) This study has used a seven item statement formulated based on (Mavondo and Rodrigo 2001, Cater 2008, Doney and Cannon 1997) with anchors '1 = strongly disagree and 7 = strongly agree'. The items are presented in Table 6.2.

Table 6.2 Questionnaire items for Social Bonds

Previously used item Statement	Source	Adapted Item Statement
My partner and I are able to talk openly as friends.	(Mavondo and Rodrigo 2001)	I have a very strong friendship with this wholesaler.
I consider my partner as being almost as close to me as family.	(Mavondo and Rodrigo 2001)	I consider this wholesaler as one of my closest family member.
Our contact person and I often meet at social gatherings outside work	(Cater 2008)	I interact and meet with this wholesaler at least once in a month at social gatherings outside the work environment .
If I were to change business partners, I would lose a good friend in my current partner.	(Mavondo and Rodrigo 2001)	I consider this wholesaler as a very good friend of mine.
I would consider whether my partner's feelings would be hurt before I made an important decision.	(Mavondo and Rodrigo 2001)	I always take into consideration the feelings of my wholesaler in making an important business decision.
Talk about family, sports or other personal interests	(Doney and Cannon 1997)	I met or/and talk with wholesaler about our family issues, sports and other personal interests at least once in a month.
	New	We always assist each other in dealing with our family and personal problems when it arises.

6.4.2.2 Trust

Trust is the willingness of the exchange partner voluntarily rely on the other partner in whom expected to behave in a mutually acceptable manner (Sako and Helper 1998, Ganesan 1994). Morgan and Hunt (1994) conceptualized trust as the degree of confidence a firm has on exchange partner's reliability and integrity. Trust is a critical factor in fostering exchange relationship between trading partners (Moorman et al. 1993, Johns and Perrott 2007) and have been used in previous empirical researches as a construct to explain business to business relational exchanges (Rodríguez, Agudo, and Gutiérrez 2006, Razzaque and Boon 2003, Sanzo et al. 2003). A seven item statement was formulated based on (Morgan and Hunt 1994, Mavondo and Rodrigo 2001, Doney and Cannon 1997) with anchors '1 = strongly disagree and 7 = strongly agree'. The items are presented in Table 6.3.

Table 6.3 Questionnaire items for Trust

Previously used item Statement	Source	Adapted Item Statement
I have great confidence in my partner.	Mavondo & Rodrigo (2001)	I have great confidence in this wholesaler on our business dealings regarding the sale of shoes.
My partner tries to take advantage of our relationship for his/her company's own sake	Mavondo & Rodrigo (2001)	This wholesaler never tries to take any advantage in our business deal on the sale of shoes for his/her own sake.
This supplier keeps promises it makes to our firm.	Doney & Cannon (1997)	This wholesaler acts according to the promises s/he made on payment and other agreement in the sale of shoes.
In our relationship, my major supplier has high integrity.	Morgan & Hunt (1994)	This wholesaler has a high degree of integrity to sale the shoes our firm produce.
This supplier is not always honest with us. (R)	Doney & Cannon (1997)	The wholesaler is always honest in transaction associated with shoe sales.
We believe the information that this vendor provides us.	Doney & Cannon (1997)	I always believe that the information originates from this wholesaler as dependable.
When making important decisions, this supplier considers our welfare as well as its own.	Doney & Cannon (1997)	This wholesaler takes into account the welfare of our firm in making decision related to the sale of shoes.

6.4.2.3 Relationship Duration

Relationship duration refers to the amount of time (in years) that a manufacturer has worked with a wholesaler. This conceptualization is consistent with extant interorganizational relationship research studies (Sabiote and Román 2009). This construct was adapted from Buvik and Halskau (2001) and Buvik and Hauglandb (2005) and has been operationalized by computing the natural logarithm of the actual duration between the manufacturer and wholesaler in years. The construct is measured by a single open-ended question:

How long have you been doing business with this wholesaler? _____ Years

6.4.2.4 Dependence

Kale (1986) defined dependence as the degree to which the focal firm needs to maintain its relationship with the trading partner to achieve its desired goals. In exchange relationship literature, dependence refers to the extent to which a trading partner provides important and critical resources for which there are few alternative (Buchanan, 1992). Firms are involved in such kind of dependencies because of the need to access a particular kinds of market. Researchers in interorganizational relationships have a well-established tradition of examining the dependence relationships between firms in a channel of distribution (Heide and John 1988). Dependence can be evaluated in different ways. One method is to assess in terms the availability of alternative sources of exchange to the focal firm based on the number of exchange partners (Pfeffer and Salancik 1978) and percentage of business done with a particular trading partner (El-Ansary and Stern 1972, Etgar 1976, Dickson 1983). Accordingly, this construct is measured by a single dichotomous question:

Have you sold any shoes to other wholesaler in the preceding year? (Yes/No)

6.4.3 Control Variables

6.4.3.1 Sales Volume

This study operationalized sales volume as a single item scale. The construct was adapted from previous research by Heide and Miner (1992) and Sheng et al. (2010). This construct was measured as a natural logarithm of the total annual sales value earned by a particular micro or small scale manufacturer in selling leather shoes to its most important supplier. The construct is measured by single open question:

How much in terms of monetary value did your firm sold to this wholesaler during the last year?

6.4.3.2 Firm size

This construct was adapted based on Hult, Ketchen, and Slater (2005) and Homburg and Stock (2004) wherein the number of employees used as a measure of firm size. Firm size has been operationalized by computing the natural logarithm of the actual number of employees working in micro and small scale leather footwear producers. The construct is measured by using a single open-ended question that requested the respondent to state the number of employees working in the firm.

6.5 Chapter Summary

This chapter has presented an overview of the measurement model used in this study. It has covered the definition and operationalization of the construct for dependent, independent and control variables. The next chapter presents and discusses the assessment and validation of the measurement model using reliability and validity tests.

CHAPTER SEVEN

MEASUREMENTS ASSESSMENT AND DATA VALIDATION

7.1 Introduction

This chapter presents a preliminary assessment of data quality. The chapter carries out treatment of missing data, outliers, normality, linearity, homoscedasticity and multicolinearity tests. In addition, exploratory factor analysis (EFA) and confirmatory factor analyses (CFA) are performed and scale validity and reliability tests are presented that forms the basis of data analysis in the subsequent chapters.

7.2 Data Screening and Preliminary Analysis

Before applying the appropriate data analysis techniques, data screening was necessary. Data examination is an essential part of any multivariate data analysis technique. It helps to make sure that the data underlying the analysis meet all the requirements for multivariate analysis (Hair et al. 2010). In this study 165 questionnaire were administered, two of them were not returned and the other four respondents were failed to answer some of the questions. Further analysis was made based on the 159 questionnaire representing response rate of 96%. Then, the data examination was carried out using frequency distributions, treatment of missing data, outliners, normality, linearity, homoscedasticity and multicolinearity test were done.

7.2.1 Treatment of Missing Data

Missing data is critical issue of major concern in quantitative data analysis and has the capability of adversely affecting the results of a study(Graham 2009, Malhotra and Birks 2006), hence it is important to check for availability of missing data and then treat them appropriately. There are several methods for handling missing data, among which includes deleting individual cases, estimating missing values using prior experiences and using the calculated mean value from the available data (Mertler and Vannatta 2005). In this study, 11 of returned questionnaires had few number of missing values. In total, there were 21 missing values, ranging from one to three in each questionnaire. In order to accommodate these missing data, missing values were estimated based on the valid values of other variables in the sample (Hair

et al. 2010). The 21 missing values were handled using SPSS by replacing them with the mean values.

7.2.2 Removing Outliers

Outliers are any observations identifiable as distinctly different from the other observations in the sample (Hair et al. 2010). Observations with these extremely small or extremely large values should be identified and corrective action should be taken. However, there is no consensus on the definition of extreme observation however the rule of thumb is that any observation with scores more than three standard deviations from the mean are considered as being outliers (Kline 2016). The process requires to examine the distribution of observations for each variable in the analysis and picks as an outlier those values falling outside of the distribution. As a rule of thumb, for samples more than 80 observations, outliers typically are defined as cases with standard scores of up to four (Hair et al. 2010).

In this study, potential outliers were examined based on the recommendation of Hair et al. (2010) and observation above the cut-off point were classified as outliers. The SPSS standardized scores for all items were calculated and resulted in a maximum value of 3.24. This indicates all observation fall under the cut-off point which depicts the absence of outlier problem. Moreover, items with actual values such as sales revenue ranged between 2,000 and 43,000 Ethiopian Birr, number of employees ranged between two and nine employees and duration of relationship ranged between one to fourteen years were transformed mathematically into natural logarithm.

7.3 Test of Normality

Normality is an assumption required to be filled in most inferential statistical analysis. It show the symmetrical bell shaped curve which has the greatest frequency of scores in the middle and smaller frequencies towards the extremes (Pallant 2007). In order to assess the normality of the distribution, skewness and kurtosis values are the most widely used statistical tools (Hair et al. 2006). Kurtosis refers to the degree to which observations of a given distribution concentrate around the central mean for a given standard deviation. Positive kurtosis values indicate that the distribution is clustered around the centre with long thin tails whereas negative values depict that the distribution is too flat (Pallant 2007). Whereas kurtosis refers to the height of the distribution (Hair et al. 2010), skewness is a measure of the degree of symmetry of the distribution (Pallant 2007). A positive skew indicates a distribution shifted to the left, while a

negative skewness reflects a shift to the right. A normal distributed observation has a zero value for both skewness and kurtosis.

The rule of thumb is that skewness values should be at the range of +1 to -1. Similarly, the kurtosis values are suggested to be at the range of +3 to -3. The SPSS output of skewness and kurtosis values are shown in Appendix 2. In this study, the skewness values found were within the -3 to +3 limit. In addition, all kurtosis values were in the recommended limits. Both results indicated that the data set did not violate the normality assumption. Therefore, the data can have considered satisfactory for further analysis.

7.4 Descriptive Statistics

Measurement constructs were generated as summated scales of the average individual items for multiple item measurement variables. Descriptive statistics was conducted to describe the general situation of social bonds, trust, supplier satisfaction, duration, firm size and sales revenue. Appendix 4 depicts the mean, standard deviation, maximum and minimum of the constructs. The minimum value of most of the constructs was 1.00 and the maximum value was 7.00. The assessment of mean of multi scale items indicates that mean values ranges from 2.75 (SociB) to 7.00 (SociB and RESAT). The average number of employees was 5 with the average sales revenue was 16,130 Ethiopian birr. The detailed descriptive statistics values are presented in Appendix 4.

7.5 Explanatory Factor Analysis

Exploratory factor analysis (EFA) is one of the most widely used statistical methods in social science research that is used to go beyond the individual items of tests and reveal the latent structure that underlies them (de Winter, Dodou, and Wieringa 2009). It is used to determine multiple indicators that can measures something in common.

This study utilized principal component factor analysis in order to examine the interrelations among the set of variables and determine the number of factors that can be used for further analysis (Pallant 2007). Factor rotations can be orthogonal or oblique (Browne 2001). Varimax rotation was employed in this study for factor extraction. Varimax is an orthogonal approach of factor rotation which attempts to minimise the number of variables that have high loadings on each factor (Pallant 2007). In order to assess the factorability of the data, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity were used.

The Bartlett's test of sphericity is a statistical test for the presence of correlations among the variables and should be significant (p<.05) for the factor analysis to be considered appropriate (Pallant 2007). The Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy ranges from zero to one. According to Kaiser (1974) measures in the 0.90s are marvelous, in the 0.80s meritorious, in the 0.70s middling, in the 0.60s mediocre, in the 0.50s miserable, and below 0.50 unacceptable. The KMO minimum value of 0.6 is recommended for a good factor analysis (Pallant 2007).

The results of exploratory factor analysis (EFA) for this study are shown in Table 7.1. The study found out that the Bartlett's test of sphericity was significant with a chisquare value of 1401.1 at the degree of freedom of 55 and p<.000. In addition, the study obtained Kaiser-Meyer-Olkin (KMO) value of 0.863, which suggests those results indicate a strong correlation among the measurement variables which is enough to conduct factor analysis.

Table 7.1 Exploratory Factor Analysis (EFA)

Rotated Component Matrix

	Factor 1	Factor 2	Factor 3
Constructs	SociB	TRUST	RESAT
SociB1	**.913**	.076	.161
SociB2	**.948**	.060	.183
SociB3	**.836**	.083	.345
SociB4	**.918**	.076	.244
TRUST4	.101	**.890**	.224
TRUST5	.067	**.915**	.115
TRUST6	.053	**.908**	.151
RESAT2	.441	.188	**.699**
RESAT3	.239	.307	**.711**
RESAT4	.127	.239	**.801**
RESAT5	.208	-.013	**.789**
Eigen value	5.29	2.35	1.21

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

According to Hair et al. (2010), a factor loading of more than 0.40 are considered significant for interpretive purpose. Accordingly, cross loadings and loadings lower than 0.4 were dropped out. The results of this study depicted that all the variables a significant loading are more than 0.699. The rotated factor matrix converged into three factors accounting for about 80.4% of the variance in the data with an Eigen value of 1.21. In the rotated factor matrix of Table 7.1, Factor 1 represent social bond; Factor 2 represent trust and Factor 3 supplier satisfaction. These items were combined together to form the average score which was used to construct the summated research model.

7.6 Reliability Assessment

Reliability refers to the extent to which a measurement scale produces consistent results in what it is intended to measure (Hair et al. 2010). It is determined based on the association between scores calculated from different administrations of the scale. If the association result is strong, the scale yields consistent results and is considered as reliable (Malhotra and Birks 2006). The approaches for assessing reliability include the test–re-test, alternative forms, and internal consistency methods. Internal consistency reliability is used to assess the reliability of a summated scale where several indicators are summed to form a total score (Malhotra and Birks 2006).

Cronbach's alpha is the most widely used measure of internal consistency reliability (Peterson and Kim 2013). It is used to measure the average correlation among all of the indicators that make up the summed scale. This coefficient varies from 0 to 1, and a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability (Hair et al. 2010). In addition to being widely applied, coefficient alpha has been widely criticized (Henseler, Ringle, and Sinkovics 2009). However, it is still the most widely used estimator of reliability in the organizational research(Peterson and Kim 2013). A popular alternative to coefficient alpha is composite reliability, which is usually calculated in combination with structural equation modelling and must not be less than 0.6 (Henseler, Ringle, and Sinkovics 2009).

This study has used both Cronbach alpha and composite reliability in order to assess internal consistency reliability of variables. Table 7.2 presents the values of Cronbachs alpha and composite reliability of all constructs. As depicted in Table 7.2 all the construct exceeded the recommended value of 0.70. Hence, the data collection instrument is adequately reliable with high value of Cronbach alpha and internal consistency of the measurement instrument.

Table 7.2 Construct Reliability Scores

Construct	Items	No. of Items	Cronbach alpha (α)	Composite reliability
SociB	SociB 1,2,3,4	4	0.954	0.955
TRUST	TRUST 4,5,6	3	0.915	0.915
RESAT	RESAT 2,3,4,5	4	0.829	0.828

7.7 Validity

Validity assesses the extent to which a measurement scale accurately represents the characteristics that exist in the phenomenon under study (Malhotra and Birks 2006). Unfortunately, there is no one specific indicator of a measurement scale's validity (Pallant 2007). According to Hair et al. (2010) validity can be assessed by examining construct, convergent, discriminant and face validity. Content validity involves subjective and systematic evaluation of the representativeness of the content of the measurement scale used for measuring the concept under study (Malhotra and Birks 2006).

Convergent validity refers to the degree to which a set of observed variables which represent a theoretical latent construct share the highest proportion of variance in common (Hair et al. 2010). It implies that measurement scales correlate positively with other measurements of the same construct (Malhotra and Birks 2006). Discriminant validity is the extent to which a measure does not correlate with other constructs from which it is supposed to vary. It implies absence of correlation among differing constructs (Malhotra and Birks 2006). Construct validity refers to the extent to which a construct measure the concept it is supposed to measure (Bagozzi, Yi, and Phillips 1991). The construct validity is assessed by examining its relationship with other constructs, both related (convergent validity) and unrelated (discriminant validity) (Pallant 2007).

7.7.1 Content Validity

Almost all measures were adapted from previous studies in exchange relationship which used similar construct. In line of these construct, the content of the questionnaire designed to fit the existing situation of micro and small scale footwear producers in Ethiopia. In addition, the constructs were designed based the inputs obtained from the interview conducted with the footwear producers during July, 2015. Moreover, prior to the main survey, the questionnaire was reviewed by one academic staff of Hawassa University who did his PhD dissertation on

micro and small scale footwear producers. This ensures the content validity of the measurement scale.

7.7.2 Convergent Validity

Convergent validity was assessed using various tests. As show on Table 7.1, the EFA findings confirmed the existence of convergent validity. The Eigen value of each construct was greater than the minimum threshold of 1.0 and ranges from 1.21 to 5.29. The CFA results show that all the standard factor loadings were above 0.6 and significant with t-value greater than 6.9. In addition, the composite reliability values were above 0.7 which indicates a strong convergent validity. Moreover, the AVE values exceeded the minimum threshold of 0.7. Table 7.3 depicts that all constructs have above the minimum AVE value ranged from 0.551 to 0.843.

Table 7.3 Construct Correlations and Average Variance Extracted (AVE)

Construct	1	2	3	4	5	6	7	8	9
1.RESAT	1	.541**	.398**	.493**	.145	.192*	-.083	.290**	.533**
2.SociB		1	.199*	.313**	.258**	.110	-.070	.419**	.318**
3.TRUST			1	.394**	.123	.159*	.179*	-.007	.457**
4.DURAT				1	-.058	.164*	-.058	-.161*	.253**
5.DEPEN					1	.041	.076	.300**	.229**
6.SALES						1	-.135	.098	.227**
7.SIZE							1	.015	-.117
8.SociB x DURAT								1	.198*
9.TRUST x DEPEN									1
AVE	0.551	0.843	0.782						

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

7.7.3 Discriminant Validity

Discriminant validity requires that items should correlate higher among them than they correlate with other items from other constructs that are theoretically supposed not to correlate (Zait and Bertea 2011). There are a number of ways to assess discriminant validity between constructs. This study assessed discriminant validity based the results obtained from EFA and CFA. Firstly, discriminant validity was assessed by examining the cross loading values obtained from explanatory factor analysis. Accordingly, discriminant validity is shown when measurement items should be highly correlated with its own construct, but have low correlations with other constructs. As depicted in Table 7.1 only one of the items has a cross loadings value of more than 0.4 (i.e. 0.441). However, the cross loading value was lower than the factor loading value of the measurement item demonstrating support for discriminant validity.

In addition, average variance extracted (AVE) was computed using Excel StatTools (Gaskin 2012) based on the value from the output obtained from CFA in AMOS 22. Then, it was compared with squared correlation estimate of a construct. According to Hair et al. (2006) discriminant validity to be supported the variance extracted estimates should be greater than the squared correlation estimate. As shown in Table 7.3 the average variance extracted (AVE) was found to be greater than the squared multiple correlations among the different constructs demonstrating supporting for discriminant validity. Moreover, the bivariate correlations between constructs were found out to be less than 0.7 indicating that each construct has less than half of their variance in common.

7.8 Assessment of the Hypothesized Measurement Model

Confirmatory factor analysis was used to prove whether the hypothesized model proposed by a researcher's hypothesis holds. The CFA results depicted in Table 7.6 confirmed an adequate fit of the data with all standardized loadings value were significant at $p < 0.001$. The overall model goodness of fit (GoF) was assessed using the likelihood ratio test statistic of chi-square (X^2 statistic). The study obtained a significant Chi-square statistic (X^2 =76.77 $d.f$ = 41, p = 0.01) which indicates unsatisfactory model fit resulting due to the sensitivity of Chi-square to sample size (Hair et al. 2010). In an attempt to make it less dependent on sample size, CMIN/DF (Chi square/degree of freedom ratio) was used as an alternative measure of fit. Normed Chi-square (CMIN/DF) ratio value of 3:1 or less indicates a better fit (Hair et al. 2006). The assessment

of the normed Chi-square ratio (CMIN/DF) provides a ratio of 1.87:1 which is below the recommended criterion threshold of 3:1.

Table 7.4 Measurement Model Confirmatory Factor Analysis (CFA) Results (n=159)

Construct	Factor loading (t–value) [b]	Seven-point likert-scale type-items with end points strongly disagree and strongly agree
Social Bond SociB = 4 items $X^2(2) = 11.51$, $p = 0.003$ CFI = 0.960; IFI = 0.961 RMSEA = 0.173 α = 0.829; CR = 0.828	0.613 [a]	SociB1: I have a very strong friendship with this wholesaler.
	0.689(6.934)	SociB2: I consider this wholesaler as one of my closest family member.
	0.782 (7.563)	SociB3: I interact and meet with this wholesaler at least once in a month at social gatherings outside the work environment .
	0.861 (7.943)	SociB4: I consider this wholesaler as a very good friend of mine.
Supplier Satisfaction RESAT = 4 items $X^2(2) = 0.97$, $p = 0.616$ CFI = 1.00; IFI = 1.00 RMSEA = 0.00 α = 0.954; CR = 0.955	0.947 [a]	RESAT2: I am very happy with the close personal working relationship I have with this wholesaler.
	0.860 (17.93)	RESAT3: This wholesaler is my first choice to sell my shoes than other wholesalers.
	0.963 (26.85)	RESAT4: I am very happy with the decision concerning the choice made to deal with this wholesaler as distribute for our shoes.
	0.899 (20.523)	RESAT5: The relationship between our firm and this wholesaler is characterized by a great mutual respect.
Trust TRUST = 3 items CFI = 1.00; IFI = 1.00 RMSEA = 0.835 α = 0.829; CR = 0.828 Trivial fit for three-item scale	0.875 [a]	TRUST4: This wholesaler has a high degree of integrity to sale the shoes our firm produce.
	0.877 (14.623)	TRUST5: The wholesaler is always honest in transaction associated with shoe sales.
	0.901 (15,141)	TRUST6: I always believe that the information originates from this wholesaler as dependable.

[a] Fixed variable.
[b] Standardized loadings significant at $p < 0.001$

Previous studies have used other numerous goodness-of-fit indicators to assess a measurement model. Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA) and Adjusted goodness of fit index (AGFI) are the mostly widely used to evaluate to what extent a particular factor model explains the empirical data. TLI and CFI compare the fit of the given model with the hypothetical model, where all parameters are set to zero (Sydorenko 2012). For a good model fit, TLI and CFI values should be greater than 0.95, with the value of 1 indicating a perfect model fit (Schreiber et al. 2006). CFI= 0.974 and

IFI = 0. 974 were above the recommended criterion threshold of greater than 0.95. RMSEA proves the model fit with a higher than 0.80 value indicate a bad model fit and when 0.5 < RMSEA ≤ 0.8 indicate a good model fit (Sydorenko 2012). The RMSEA value of 0.07 was well below the recommended criterion threshold of 0.08 and represent a good fit. The other absolute fit index is the adjusted goodness of fit index (AGFI). Hair et al. (2010) recommended AGFI value of greater than 0.8. AGFI = 0.873 was above the recommended criterion threshold and represent a good fit. Generally, the goodness of fit used supports the model fit and further analysis of the conceptualized theoretical relationships is possible.

7.9 Assessment of Linearity

Linearity measures the degree to which the change in the dependent variable is associated with the independent variable with constant regression coefficient across the range of values for the independent variable (Hair et al. 2010). The relationships should be linear to accurately predict the relationship between dependent and independent variables using multiple regression. Non-linearity can be detected using residual plots that involves examining of the plots of the standardized residuals as a function of standardized predicted values (Osborne and Waters 2002). In addition, Hair et al. (2010) suggested the use of partial regression plot to portray the unique relationship between dependent and independent variables. Accordingly, linearity was assessed using the normal P-P plot of regression standardized residual plot. The output for linearity test is demonstrated graphically in Appendix 6.

7.10 Assessment of Homoscedasticity

Homoscedasticity is the assumption that the variance of errors is the same across all levels of the independent variable. Heteroscedasticity is indicated when the variance of errors differs at different values of the independent variable (Osborne and Waters 2002). This study has used the graphical method to examine homoscedasticity assumption. Accordingly, diagnosis was made using residual plots. The residual plot on Appendix 6 indicated no sign of increasing and decreasing residuals supporting the assumption of homoscedasticity.

7.11 Assessment of Multicollinearity

Hair et al. (2010) recommended assessment of multicollinearity among independent variables before estimating the regression model. Multicollinearity occurs when any single independent

variable is highly correlated with a set of other independent variable (Hair et al. 2006). According to Pallant (2007) multicollinearity exists when the independent variables are highly correlated (greater than 0.9). In this study, the correlation coefficient observed between the independent variables were less than 0.5 (Table 8.1). In addition, this test can be accompanied through examining the tolerance value and the variance influence factor (VIF).

Tolerance value indicates the amount of the variability of the specified independent is not explained by the other independent variables in the model. VIF (Variance Inflation Factor) is the inverse of the tolerance value (1 divided by Tolerance) (Pallant 2007).The tolerance value less than 0.10 and the VIF values above 10 suggests the possibility of multicollinearity (Hair et al. 2010). Table 7.5 portrays collinearity statistics for all the independent. Tolerance values ranged between 0.641 and 0.912 while VIF values ranged between 1.096 and 1.556 denoting no problem of multicollinearity.

Table 7.5 Multicollinearity Test

Variables	Collinearity Statistics	
	Tolerance	VIF
SociB	.641	1.560
TRUST	.643	1.556
DUR	.677	1.478
DEP	.845	1.183
SALES	.912	1.096
SIZE	.877	1.140
SociBxDUR	.687	1.455
TRUSTxDEP	.666	1.502

7.12 Chapter Summary

This chapter addressed the data examination and validated the measurement model. It carried out assessment of missing data, outliers, normality, linearity, homoscedasticity and multicolinearity. In addition, exploratory factor analysis (EFA) and confirmatory factor analyses (CFA) were performed and scale validity and reliability tests were presented. The next chapter deals with estimation of the regression model and test of the research hypothesis.

CHAPTER EIGHT

HYPOTHESES TESTS AND EMPIRICAL FINDINGS

8.1 Introduction

The preceding chapter has addressed the data examination and validation of the measurement model. This is an extension of the previous chapter. It presents formulation and estimation of the regression model used to test the hypothesis of this study. It covers the profile of the micro and small footwear producers and estimation results from hierarchical regression analysis. Moreover, it presents the tests of hypotheses formulated in chapter four.

8.2 Regression Model

This study has used hierarchical regression method to test the hypothesis that involves investigating the effect of social bond, trust, dependence and duration on the satisfaction of footwear producers in the relationship with their wholesalers. Hierarchical regression has been used to examine the influence of several predictor variables in sequence such that the relative importance of a predictor evaluated on the basis of the value it adds to the prediction of a criterion(Petrocelli 2003). It has been used extensively to test the relationship between dependent and independent variables and also interaction effects(Buvik and Andersen 2015). Accordingly, this study estimated the following regression model and assessed the main effect of social bond (SociB) and the interaction effect of relationship duration (DURAT) on social bond (SociB) and Dependence (DEP) on trust (TRUST) as follows:

$$RESAT = b_0 + b_1SociB + b_2TRUST + b_3DUR + b_4DEP + b_5SALES + b_6SIZE$$

$$b_7SociBxDURAT + b_8TRUSTxDEP + e$$

Where:

SociB = Social Bond

TRUST = Trust

DUR = Relationship Duration

DEP = Dependence

SALES = Sales Revenue

SIZE = Firm Size

b_0 = Constant

b_1, b_2, b_3, b_4, b_5, b_6, b_7, b_8 = regression coefficients

ε = Error term.

8.3 Profile of Micro and Small Leather Footwear Producers

The respondents were requested to provide information on the age, size and capacity of their firm. Accordingly, the results indicated that the average life of the firms was eight years with a minimum of three years and a maximum of twenty years. In addition, 35% of the firms were categorized as micro and the remaining 65% were small scale footwear producers. Moreover, average production capacity was 4.5 shoes per day and it ranged from 1 to 8 dozens of shoes per day (See Appendix 4). The respondents were also asked to mention the percentage of sales volume obtained from their main wholesaler. Accordingly, 16% of firms sold to only one wholesaler and the remaining 84% of firms interacted with three or more wholesalers and obtained 30% to 40% of their sales revenue from their main wholesaler (See Appendix B).

8.4 Estimation Results

8.4.1 Correlation Matrix

Table 8.1 presents bivariate correlation matrix and descriptive statistics of the constructs of the study. The obtained result depicted that social bond (SociB), trust (TRUST), relationship duration (DURAT), sales revenue (SALES) and the interaction effects are significantly related to supplier satisfaction (RESAT).

Table 8.1 Correlation Matrix and Descriptive Statistics

Variables	1	2	3	4	5	6	7	8	9
1.RESAT	1.000								
2.SociB	.541	1.000							
3.TRUST	.398	.199	1.000						
4.DURAT	.493	.313	.394	1.000					
5.DEPENDENCE	.145	.258	.123	-.058	1.000				
6.SALES	.192	.110	.159	.164	.041	1.000			
7.SIZE	-.083	-.070	.179	-.058	.076	-.135	1.000		
8.SociBxDURAT	.290	.419	-.007	-.161	.300	.098	.015	1.000	
9.TRUST x DEPENDENCE	.533	.318	.457	.253	.229	.227	-.117	.198	1.000
Mean	4.89	0.00	0.00	0.00	0.16	1.14	0.68	0.24	0.04
Standard Deviation	0.62	1.12	0.83	0.70	0.37	0.27	0.18	0.71	0.38

8.4.2 Regression Analysis

Table 8.2 depicts the results obtained from the hierarchical multiple regression analysis. It was formulated as (i) Dependent variables: supplier satisfaction (RESAT); (ii) Independent variables: social bond (SociB) and trust (TRUST); (iii) Control variables: firm size (SIZE) and sales revenue (SALES); and (iv) Interaction terms: duration (DUR) and dependence (DEP). The results in the table below reports on estimated coefficients, significance levels, t-statistics and *R* square values.

The ANOVA results (Appendix 5) indicated that the overall assessment of the goodness of fit for model 1 was found to be statistically significant at p<.001, (t = 20.54, p<.001, R^2 = 0.454, R^2_{Adj} = 0.433, F = 21.09). Similarly, the overall assessment of the second model (i.e. with interaction) shows that the model is significant at p<.001, (t = 22.25, p<.001, R^2 = 0.545, R^2_{Adj} = 0.521, F = 22.49).

Table 8.2 Hierarchical Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	4.900	.239		20.536	.000
R^2 = 0.454	SociB	.218	.037	.392	5.915	.000**
R^2_{Adj} = 0.433	TRUST	.157	.051	.210	3.085	.002**
	DUR	.244	.061	.275	3.967	.000**
	DEP	.064	.108	.038	.591	.555
	SALES	.135	.142	.059	.949	.344
	SIZE	-.253	.219	-.072	-1.154	.250
	(Constant)	4.889	.220		22.245	.000
R^2 = 0.545	SociB	.141	.038	.254	3.699	.000**
R^2_{Adj} = 0.521	TRUST	.070	.051	.095	1.379	.170
ΔR^2 = 0.091	DUR	.290	.059	.327	4.892	.000**
	DEP	-.058	.102	-.034	-.572	.568
	SALES	.018	.132	.008	.137	.891
	SIZE	-.099	.206	-.028	-.482	.631
	SociBxDUR	.165	.058	.189	2.848	.005**
	TRUSTxDEP	.479	.111	.291	4.314	.000**

**. Significant at the 0.01 level

The coefficient of multiple determination (R^2) refers to the percentage of variation in the dependent variable explained by variations in the independent variables taken together (Filho, José, and Enivaldo 2011). The value of the R^2_{Adj} = 0.433 in model 1 depicts 43.3% of the variance in supplier satisfaction can be explained by the independent variables in the model whereas the remaining percent of the explanation is done by other unaccounted variables. Correspondingly, the second model shows that R^2_{Adj} = 0.433 for model one has increased to R^2_{Adj} = 0.521 for model two with interaction effect. The increase in the change in R^2 due to the addition of the interaction effect was 0.091. This suggests that our estimated model sufficiently predicts the interaction effects of relationship duration and dependence on supplier satisfaction.

A test on the significant of the interaction effects was done based on Jaccard and Turrisi (2003) significance *F* test approach that involves the observation of the significance of the R^2 change due to interaction. The *F* value can be calculated as follows:

$$F = \frac{(R_2^2 - R_1^2)/(K_2 - K_1)}{(1 - R_2^2)/(N - K_2 - 1)}$$

Then, the calculated F value compared with the F statistic value. If the calculated value is greater than the F-statistic value, the interaction effect is significant at P<0.05. In this study, the F calculated value (15) was greater than the F statistic value ($F_{2,159;\ 5\%}$) = 2.06. Therefore, the results provide further support that R^2 change from model 1 to model 2 was significant at p<0.05, which further confirms significance of the two interaction terms.

8.5 Hypothesis Testing

The regression equation can be formulated as follows by substituting the figures found in Table 8.2 above:

RESAT = 4.889 + 0.141SociB + 0.070TRUST + 0.290DURAT - 0.058DEP

+ .018SALES - 0.099SIZE + 0.165SociBxDURAT

+ 0.479TRUSTxDEP + e

The above regression model depicts the relationship between dependent variable: supplier satisfaction (RESAT) and (i) independent variables: social bonds (SociB), trust (TRUST), relationship duration (DURAT), and dependence (DEP); (ii) control variable: sales revenue (SALES) and firm size (SIZE); and (iii) two interaction terms: social bond and relationship duration (SociBxDURAT) and trust and dependence (TRUSTxDEP).

8.5.1 Social Bonds and Satisfaction

the findings of the hierarchical regression on Table 8.2 were examined in order to test the first hypothesis that investigates the impact of social on micro and small footwear producers' satisfaction. The result suggested that there is a positive association between social bonds on supplier satisfaction. Table 8.2 shows that the hypothesised effect of social bonds and satisfaction is significant (b_1 = 0.141, t = 3.699; p < 0.01). Hence, the first hypothesis is supported. The findings indicated that a closer and strong ties between micro and small footwear producer and wholesaler increase the satisfaction of the footwear producers.

8.5.2 Social Bonds, Duration and Satisfaction

Hypothesis 2 is related to the two-way interaction term between SociBxDUR. The outcome of the regression analysis in Table 8.2 depicts that the interaction terms are significant ($b_7 = 0.165$, $t = 2.848$; $p < 0.01$) and shows that the positive association between social bond and supplier satisfaction significantly strengthened as the relationship between the footwear producer s and their wholesalers becomes mature over time. The presence of a significant interaction can only tell us that the association between the independent and dependent variable significantly differ across the level of the moderator (Holmbeck 2002). However, the significant interaction effect does not tell us whether the relationship between the independent variable and dependent variable significant for different level of the moderator value (Dawson 2013).

In order to conduct further assessment of interaction effect, the partial derivative of social bond (SociB) on supplier satisfaction (RESAT) in the presence prior history of interaction was developed in Equation 8.2 below:

$$\frac{\delta \mathbf{RESAT}}{\delta \mathbf{SociB}} = \mathbf{b_1} + \mathbf{b_7 DURAT}$$

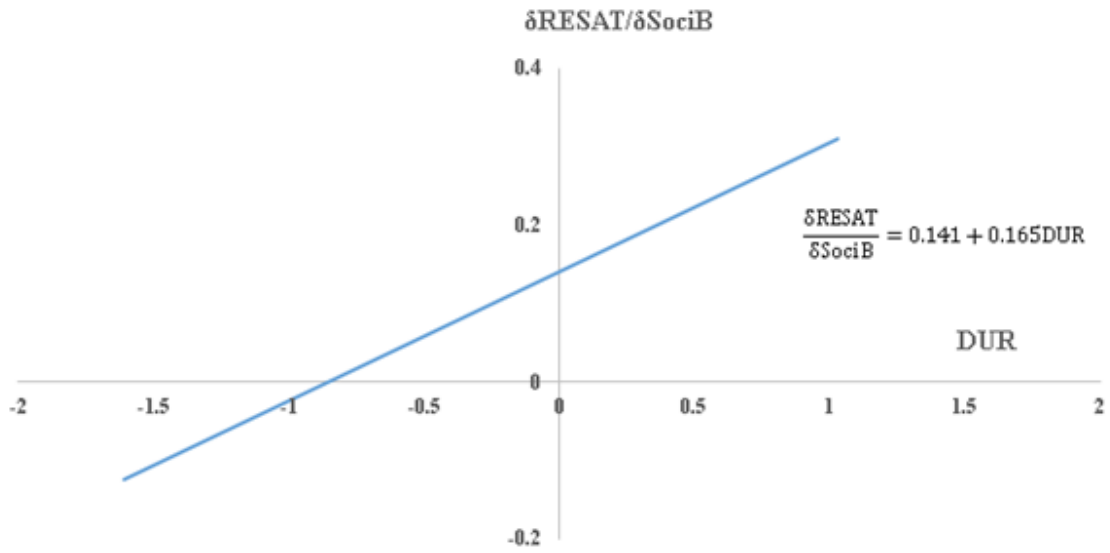
Based on the values in Equation 8.2 the following result was derived as shown below:

$$\frac{\delta \mathbf{RESAT}}{\delta \mathbf{SociB}} = \mathbf{0.141} + \mathbf{0.165 DURAT}$$

The graph in the next page portrays the plot of partial derivative of supplier satisfaction with respect to social bonds that changes over the duration of the relationship. The graph portrays a positive slope of the moderator variable suggesting social bonds becomes more significantly important to enhance supplier satisfaction as relationship evolves over time.

Figure 8.1 depicts that the effect of social bonds on supplier satisfaction varies over the range of relationship duration. In the early period of the relationship, the strength of the influence of social bonds on supplier satisfaction is not more than its influence in late periods. As the prior history of relationship increases, the relationship becomes well matures hence the association between social bonds and supplier satisfaction becomes significant. This provides an empirical support for the second hypothesis.

Figure 8.1 Effect of Social Bonds on Satisfaction at Different Levels of Relationship Duration



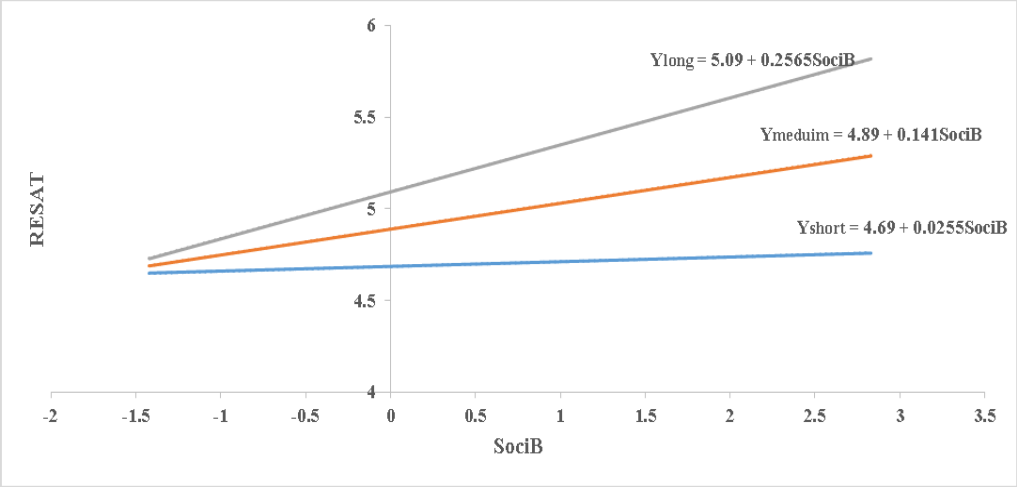
A further test on the relationship between social bonds and supplier satisfaction overtime was assessed using a transformation strategy as suggested by previous scholars (Dawson 2013, Preacher 2003).To examine the interaction, a particular values of moderator variable (one standard deviation below the mean and one standard deviation above the mean) was chosen at which to compute simple slopes. Then, the values of the moderator variable were inserted into the prediction equation to obtain equations for each lines and then the lines were plotted. Two values were obtained based on low and high values of DUR to anchor the lines. The medium level was obtained from the output of the regression of Table 8.3. In order to test the significance of the slope, the slope of each line were divided by its corresponding value of the simple slope standard error value. The test of the slope is shown in the table below.

Table 8.3 Results for the Slope of Relationship Duration

Association between social bond and satisfaction	Duration of Relationship		
	Short	Medium	Long term
Standardised regression	0.0255	0.141	0.2565
Standard Error	0.0889	0.038	0.0585
t-values	0.287	3.699**	4.385**

Additionally, the results of simple slope were plotted in the graph below. Figure 8.2 portrays the line for each level of relationship duration (i.e. short, medium and long term duration).

Figure 8.2 Social Bonds on Different Levels of Relationship Duration



According to Figure 8.2 and Table 8.3, the regression coefficient for RESAT on SociB equals 0.0255, 0.141 and 0.2565 when the duration of relationship was short, medium and long-term respectively. It is revealed that, as the as the levels of duration increases, the regression coefficient for SociB also increases. Although all the three slopes are positive, the two slopes obtained from medium and long term duration were significant at $p< 0.05$ which was not for the case of short durations. These observations provide further support that, social bonds enhance supplier satisfaction with significant greater effects overtime in a relationship. This provides further support to the presence of interaction effects.

8.5.3 Trust, Dependence and Satisfaction

Hypothesis 3 is related to the interaction term (TRUSTxDEP) that tests the effect of trust on satisfaction which varies due to the change in the degree of dependence. The result of the regression analysis depicts that the two-way interaction effect is significant and less than zero ($b8 = 0.479$, $t = 4.314$, $p < 0.01$) and shows that during high degree of dependence there is a significant relationship between trust and supplier satisfaction however under low degree of dependence there is no significant relationship between trust and supplier satisfaction. In order to conduct further assessment of interaction effect, the partial derivative effect of trust (TRUST) on supplier satisfaction (RESAT) in the presence different degree of dependence in the exchange relationship was developed as shown in Equation 8.3 below:

$$\frac{\delta \mathbf{RESAT}}{\delta \mathbf{TRUST}} = \mathbf{b_2} + \mathbf{b_8 DEP}$$

A first partial derivative of supplier satisfaction with respect to trust was carried out based on the regression model estimated in Equation 8.2. The derivate of the regression function presented in Equation below:

$$\frac{\delta \mathbf{RESAT}}{\delta \mathbf{TRUST}} = \mathbf{0.07} + \mathbf{0.479DEP}$$

It is recalled that DEP is a dichotomy, when the value of DEP is zero (Low Dependence), δRESAT/δTRUST = 0.07 corresponding to the main effect of TRUST. When DEP holds the value of 1.00 (High Dependence), the effect of TRUST is increased to 0.54 (δRESAT/δTRUST = 0.07 + 0.479). The results indicate that in the case of high dependence situation the effect of trust on supplier satisfaction significantly higher than under low degree of dependence. This provides an empirical support for the third hypothesis.

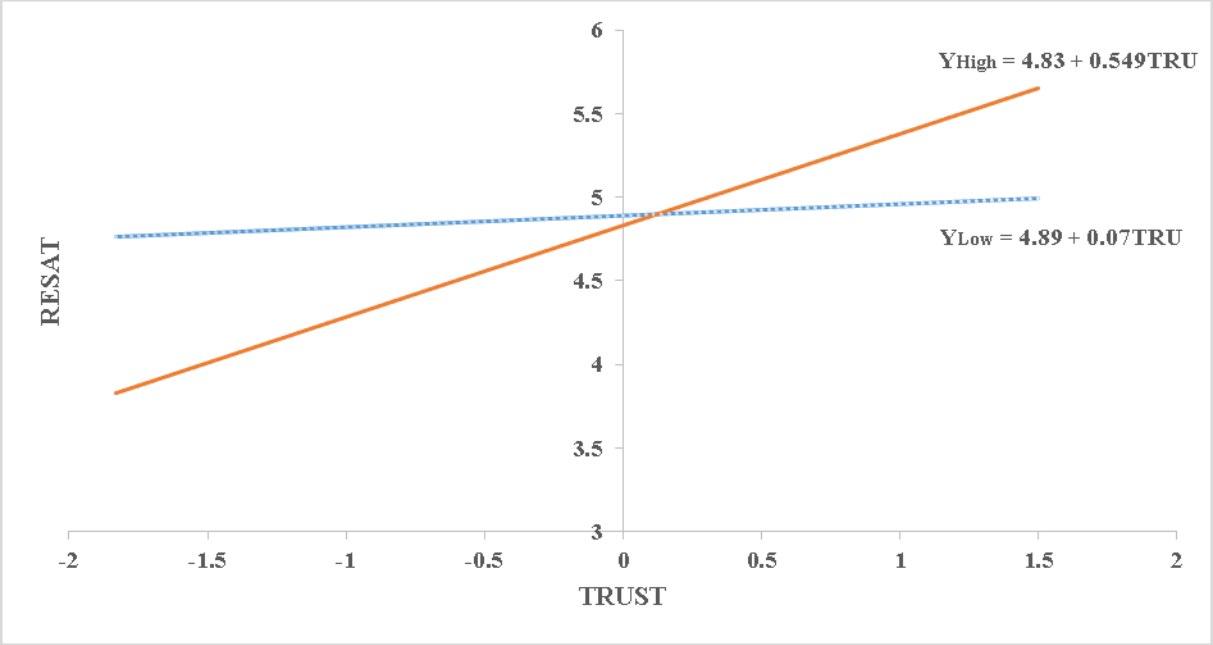
A further test on the relationship between trust and supplier satisfaction under high and low level of dependence was assessed using a transformation strategy as suggested by previous scholars (Dawson 2013, Preacher 2003). Table 8.4 portrays the significance of the relationship between trust and supplier satisfaction under high and low level of dependence. To examine the interaction in the case of dichotomous moderator variable, the values correspond to only two possible values of moderator such as 0 and 1. Accordingly, two values were chosen to compute simple slopes; 1 representing high dependence and 0 representing low dependence. In order to test the significance of the slope, the slope of each line were divided by its corresponding value of the simple slope standard error value. The test of the slope is shown in the table below.

Table 8.4 Results for the Slope of Dependence

Association between Trust and Satisfaction	Dependence	
	Low	High
Standardised regression	0.070	0.549
Standard Error	0.051	0.114
t-values	1.379	4.83**

Additionally, the results of simple slope were plotted in the next page. Figure 8.3 portrays the line for each level of dependence (i.e. High and Low dependence).

Figure 8.3 Trust on Different Level of Dependence



The regression coefficient for RESAT on TRUST equals 0.07 under low dependence and 0.549 under high degree of dependence. The results in Figure 8.3 and Table 8.4 revealed that the slope obtained from high degree of dependence were significant at $p < 0.05$ which was not for the case of low degree of dependence. These observations provide further support that under higher degree of dependence the trustworthiness of the wholesaler significantly influence the satisfaction of the footwear producer. In contrary, under low degree of dependence this significant association does not hold. This provides further support to the third hypothesis on interaction effects of dependence.

8.5.4 Impact of Control Variables

The assessment of the effects of the control variables in Model 2 indicates that the relationship of SALES and SIZE with RESAT were insignificant. This shows that the revenue gained and the number of workers employed by these micro and small scale footwear producers plays no role in enhancing their satisfaction in the relationship with their wholesaler. Similarly, the findings of Salema (2014a) and Glavee-Geo (2012) are consistent with the results of this study.

8.6 Chapter Summary

This chapter presented the estimation techniques, descriptive statistics and the results obtained from the hierarchical regression analysis. The results show that all three hypotheses have been strongly supported. The next chapter discusses the findings presented in this chapter, theoretical and managerial implications, and limitations and recommendation for future research.

CHAPTER NINE

DISCUSSION OF FINDINGS, IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH

9.1 Introduction

The preceding chapter covered the findings of this study. This is the last chapter of the study that addresses the findings presented in the previous chapter, followed by the theoretical and managerial implications, and finally states the limitations of this study together with recommendation for further research studies.

9.2 Summary of findings

The general objective of this study was to find out the main relational drivers of supplier satisfaction in micro and small scale leather footwear producer-wholesaler relationship and also to expose important issues that can be taken into consideration by government policy makers and management practice. In addition, the study aimed to contribute for social exchange theory from developing countries and highly collective cultural perspective (Baker and Campbell 2016).

Table 9.1 portrays the summary of three hypotheses proposed and tested in order to investigate the relational drivers of supplier satisfaction. All the three hypothesis (H1, H2 and H3) were found to be significant and the results were consistent with social exchange theory and similar previous studies. The overall goodness of fit for our estimated model was good with $R^2 = 0.545$, $R^2_{Adj} = 0.521$, F (8,159) = 22.496, p = 0.000, R^2 change = 0.091, F change (2,159) = 15.03, p < 0.01 n = 159. The control variables (i.e. sales revenue and firm size) were not significant.

The first hypothesis of this study was to test the relationship between social bonds and supplier satisfaction in Ethiopian footwear sector. The multiple regression result indicated that the relationship between the two constructs were found to be significant at $b_1 = 0.141$, $t = 3.69$, $p < 0.01$. This indicate that social bonds have a positive and significant impact on supplier satisfaction. Footwear producers having a stronger social bonds with their wholesaler are more satisfied than those who do not have. This finding signposts the significant role of social interaction and personal attachments in building a satisfied relationship with a trading partner.

Social bonds are realized to be beneficial in strengthening the relationship and making it more appealing.

Table 9.1 Summary of Hypothesis Testing Results

Hypotheses	Coefficient	t-value	Findings
H1: There is a positive association between social bonds and footwear producer satisfaction.	0.141	3.699**	Supported
H2: The association between social bonds and supplier satisfaction is significantly increased when the relationship duration increases.	0.165	2.848**	Supported
H3: Under high degree dependence, the association between trust and supplier satisfaction is a positive.	0.479	4.314**	Supported

The findings are in agreement with previous research that examined the relationship between social bonds and satisfaction. On a study in Yemen manufacturer–retailer relationship Mohd Noor, Perumal, and Goaill (2015) found out that social bonds are crucial in affecting retailers' satisfaction in manufacturer–retailer relationship in Yemen. In Peltier and Scovotti (2005), social bond was the most influential factor in affecting satisfaction in healthcare marketing relationship. Similarly Gremler, Gwinner, and Brown (2001) also found a strong positive relationship between interpersonal bonds and satisfaction. Other studies such as Schakett et al. (2011), Shammout (2007), Wang, Liang, and Wu (2006), Liang and Chen (2009b, 2009a) have a consistent result with this study.

The second hypothesis of this study was to test the interaction effect of duration of the relationship in the association between social bonds and supplier satisfaction. According the hierarchal regression results, the interaction effect was significant depicting duration moderates the relationship between social bonds and supplier satisfaction. The interaction effect of the duration of the relationship suggests that footwear producers consider social bonds to be more relevant in the later period of the relationship than the early period of the relationship. In the short term, social bonds don’t play a crucial role in affecting footwear supplier satisfaction.

However, the role of social bonds in influencing supplier satisfaction heightens overtime. This result brightens the pivotal role of time in exchange relationship. Moreover, the finding substantiates the value of maintaining a long term exchange relationship (Lagace, Dahlstrom, and Gassenheimer 1991).

This result is consistent with the claim of Fink, Jamesb, and Hattenc (2008) who said that length of relationship duration bring different outcomes overtime in relational exchanges. The findings are theoretically consistent with those of Yen and Barnes (2011) who confirmed that relationship length has a significant moderating effect on the relationship between social bonds and relational outcomes. They demonstrated that at the early period of the relationship social bonds are lower and develops over the course of the exchange relationship. Social bonds that grow overtime between the exchange partners are the most critical factor influencing supplier satisfaction.

The last hypothesis has tried to test the interaction effect of dependence in the relationship between trust and supplier satisfaction. In high degrees of dependence, the footwear producer tries to save the continuation of the relationship regardless of the level of wholesaler trustworthiness. Therefore, variation in the trustworthiness of the wholesaler strongly reflects the contentment of the footwear producer in the relationship. The findings indicated that a decline in the level of dependence has a diminishing effect on the relationship between these two constructs (i.e. trust and supplier satisfaction). The availability of other alternative means of distribution creates a chance for the footwear producers to use other contractual variables as criteria to evaluate the contentment of the relationship with the wholesaler (Van Bruggen, Kacker, and Nieuwlaat 2005).

The relationship between trust and satisfaction has been studied by various scholar. However, the role of dependence in this relationship has been ignored. There are handful of studies that tried to test the moderating role dependence however brought inconsistent findings (Clark, Scholder Ellen, and Boles 2010, Razzaque and Boon 2003). The finding of this study confirmed that the interaction effect was significant depicting dependence moderates the relationship between trust and supplier satisfaction. However, Andaleeb (1996) found out that the interaction effect of dependence in the relationship between trust and satisfaction was not significant. The findings of this study are consistent with previous research that examined the moderating role of dependence on the influence of trust on business to business relationship (Clark, Scholder Ellen, and Boles 2010). Moreover, the results elevate the important role of dependence in shaping the structure of relational exchanges.

9.3 Theoretical Contributions

This study focused on interogranizational relationship in manufacturing sector, focusing on micro and small scale leather footwear producers, representing business to business relationships in Ethiopian context. The empirical results on effects of social bonds and trust on supplier satisfaction, and the moderating role of relationship duration and dependence on the exchange relationships is the key theoretical contributions of this study. Therefore, the findings of this study offers important implication for interoganizational relationship theory.

Firstly, this study has extended the research on social bonds by investigating their influence on satisfaction in micro and small scale leather footwear producers-wholesaler relationship in Ethiopian context. The Ethiopian society is characterized by a collective culture that makes social interaction as an integral part of any kind of relationship (Baker and Campbell 2016). In line with this, the results of this study has confirmed the significant role of social bonds in business to business relationships in Ethiopian context. In addition, this study found out that social bonds were critical drivers that affect satisfaction adding evidence to the existing body of exchange relationship literature. This association reflects the necessity for understanding the role of social bonds in enhancing supplier satisfaction. These results provide a theoretical perspective on the importance of friendship, familiarity, social interactivity and social support in the success of exchange relationships. Moreover, the strong influence portrayed in the result of this study can be used as a justification for the efforts exerted by firms in creating social and personal bonds with their exchange partners. In line with social exchange theory, the findings of this study revealed that social bonds exist between footwear producers and wholesalers can result in high levels satisfaction which in turn can be translated into successful long-term relationship.

Previous studies on social bonds predominantly focused on its influence on relational outcomes such as loyalty (Huang et al. 2014), satisfaction (Mohd Noor, Perumal, and Goaill 2015) and commitment (Cater and Zabkar 2009). These studies overlooked the potential moderator in the relationship between social bonds and supplier satisfaction. Hence the other theoretical contribution of the present study is with regards to the interaction effect of the relationship duration on the association between social bonds and supplier satisfaction. This study offers unique insights that provides support for the idea that social bonds becomes more important in later period of the relationship than early period of relationship. Through investigating the influence of relationship duration on satisfaction, this study helps us to understand the

relationships exist between footwear producers and wholesaler and how the relationship strengthen overtime.

The most important contribution of this study on the findings of how social bonds are developed overtime and how the time length of the relationship affects the impact that social bonds have on supplier satisfaction, which previous research on exchange relationship failed to address. The findings of the research strengthen the role of time/relationship length in enhancing the relationship between manufacturer and wholesaler to achieve high levels of satisfaction which helps to stabilize the exchange relationships. Moreover, this study revealed how social bonds develop overtime in an exchange relationship.

Social exchange theory argues that as relationship evolve over times into close successful exchange relationship (Cropanzano and Mitchell 2005). The results obtained from this study strengthen the claims of social exchange theory. It confirms that as the relationship evolve overtime there is an increasing intimacy between the footwear producers and wholesalers results in a rise in closeness in the feelings and attachment between the exchange partners. The existence of previous history of relationship enables the footwear producer and wholesaler to evaluate each other's capabilities and develop a close relationship that promotes their business interest and strengthen the social bonds that govern the exchange relationship and enhance satisfaction (Bucklin and Sengupta 1993).

This moderating effect of relationship duration on the effect of satisfaction confirms previous studies (Bolton 1998) and also supports the claim of Grayson and Ambler (1999) that experiences from involvement and interactions with the wholesaler becomes more influential in later stages of the relationship. The central premise is that relationship age increases interaction and develops bond with the wholesaler (Dwyer, Schurr, and Oh 1987), the increase in bond positively influence the feeling the wholesaler have towards the footwear producer exhibited by positive treatment of the footwear producers. When the footwear producers experience such kind of behaviour from the wholesaler, it is expected to affect the footwear producer feelings kindly that makes them to enjoy the relationship with the wholesaler.

This study has also investigated trust as a driver of supplier satisfaction. The findings of this study demonstrated that the relationship between the two constructs is influenced by the degree of supplier dependence on the buying firm. While trust has received significant research attention in exchange relationship however little attention has been paid to the role of dependence in the link between trust and satisfaction in exchange relationships. The situation

in which the relationship between trust and satisfaction holds is not addressed adequately. This study addressed the gap by studying the interaction effect of dependence on the relationship between trust and supplier satisfaction. According to the results of this study trust can consistently influence satisfaction under high degree of supplier dependence on wholesalers. Buyer trustworthiness becomes important in explaining supplier satisfaction when there is higher degree of supplier dependence on the buying firm. Accordingly, dependent suppliers need to maintain the exchange relationship with trusted wholesaler to achieve satisfaction (Jonsson and Zineldin 2003).

In low dependence context, trustworthiness of the wholesaler failed to bring the expected positive reaction from the footwear producers. This result suggests that trust alone may not be strong enough to enhance satisfaction under low degree of dependence. However, the absence of a significant association between trust and supplier satisfaction under low dependence should not undermine the benefit of building trust in exchange relationships. Trust may have other consequences, such as collaborative behaviour, information sharing and long-term orientation, which are not mentioned in this study (Aulakh, Kotabe, and Sahay 1996). These findings contribute to the social exchange theory by showing the significance of the interaction effect of dependence on the relationship between buyer trustworthiness and supplier satisfaction.

Extant exchange relationship literatures have tended to focus on Western context; though in this study an attempt has been made here to broaden our understanding by providing a framework that add in African context. This study is one of the very few studies conducted in developing countries especially in African countries business environment to investigate the relational drivers of satisfaction in micro and small scale producers and large wholesaler relationships context. In addition, this study has expanded the boundary of the current literature as it investigated the role duration and dependence in explaining how relational constructs enhance supplier satisfaction. In sum, this study contributes to an expanding research stream on exchange relationship currently dominated by Western research works by adding the African perspective.

9.4 Practical Implications

The findings of this study have important implications for owners and managers of small footwear producers and policy-makers in Ministry of Industry and Micro and Small Enterprises Development Agency of Ethiopia. The study provides insights on how social bonds and trust develop and their influence on supplier satisfaction and the role of dependence and duration in enhancing a business relationship. The practical contributions are as follows:

On the basis of our empirical results on social bonds, the following implications for the management of footwear producers can be formulated. First, it may be worthwhile for footwear producers to invest in social bonds to strengthen the relationship with their wholesaler and enhance satisfaction of the exchange relationship. Behavioural interventions that can lead to increased trust and social bond are also relevant in ensuring that relationship with the exchange partners going well in a contented manner. Moreover, this investment appears to be more valuable overtime as the relationship is developed (Dwyer, Schurr, and Oh 1987). Therefore, owners and managers of footwear producers should develop and maintain their business relationship with wholesalers through the establishment of social bonds at firm and individual level to achieve high levels of satisfaction.

This research highlights the benefits of developing and maintaining strong business relationship activities that achieve high levels of satisfaction. Specifically, managers should be aware that employing social bonds is necessary to enhance high level of supplier satisfaction. They also should keep in mind the need to increase the benefits associated with the social interactions, as wholesaler may be aware of the benefits that other competitors offer. If they neglect to do this, then it will not be easy for footwear producers to build a successful exchange relationship with large wholesalers.

The findings of this study can raise awareness among owners and managers of micro and small scale footwear producers on the importance of relationship duration in promoting social bond and their satisfaction. Moreover, the results also asserted that a medium and long term duration is right time to invest in relationship that can help the firm to survive and achieve a strategic competitive position in the marketplace. Taking the advantages of these findings, owners and managers of footwear producers should put in place effective plans to strengthen social interaction and enhance business relationship. This study suggests that footwear producer that are looking to build a relationship based on social bonds consider to utilize a win-win strategy

that can guarantee continuity and market access and that results in satisfied exchange relationship.

Managers should strength their relationship with trustworthy wholesalers. When it comes to a situation in which to depend on a single wholesaler the tie that has been created with trusted wholesaler helps to maintain a good exchange relationship experienced earlier. In contrary, those firms that disregarded to maintain a strong tie with the trusted wholesaler experiences backfire anytime in the future when they are forced to rely only on one wholesaler. In any situations, it is worthwhile to rely on trusted wholesaler but most importantly it is compulsory for those supplier that depends only on one wholesaler.

The findings of this study calls for strong relationship between micro and small footwear producers and wholesaler in order to ensure national availability of locally produced shoes for end consumers, get shelf-space in retail outlets and reduces invasion of the market from foreign shoes imported from China and Turkey. The results of this work suggest that the Ministry of Industry and Small Enterprises Development Agency of Ethiopia should be aware of the importance of building strong relationship between the actors in the footwear supply chain and provide conducive environment for the flourishment of these relationships. In addition, policy makers should give the required attention to micro and small business enterprises struggling to get access in the market.

The findings of this study are beneficial for the firms working in the footwear sector in understanding the nature and importance of relational drivers of relationships satisfaction. Firms owners and managers should understand how to develop a strong social relationship with their counter trading partner and understand situation in which to deal with honest, fair, and concerned business partner in business exchange. Footwear producers should also understand the importance of the availability of other alternative means of distribution and its implication in building trust and improve their relationships.

9.5 Limitations of the Study

The study has left out several relational drivers such as financial bonds, structural bonds, conflict and communication which may have influence on supplier satisfaction. Inclusion of these constructs could have better reflected the complexities of the real world exchange relationship and enriched the study. In addition, the sample of this study only comprised of micro and small scale leather footwear producer in Ethiopia. This may limit the ability to

generalize findings to medium and larger companies, other industries and firms operating in other countries cultural contextual settings.

This study was conducted in a single-product relationship context within the footwear supply chain. Moreover, the sample used in this study consisted of micro and small scale leather footwear producers. Therefore, the results may be different had our sample consisted of medium and large leather footwear producers. However, micro and scale footwear producers constitute 50% of the footwear production in Ethiopia and given the large proportion of small firms represented in the sample, it mostly reflects the current business reality Ethiopian leather footwear supply chain.

Another limitation is the sample does not cover all exchange relationships in the Ethiopia leather footwear supply chain. It has included only the relationship between micro and small scale footwear producers and their wholesalers. In addition, the study is entirely based on the report on monadic data which is based on the response obtained from the footwear producers with no reference to the views of the counterparts (i.e. wholesalers) in the relationship. Moreover, this study is based on cross-sectional design in which the data was collected at one point in time, thus it does not fully capture the dynamics of exchange relationships.

9.6 Recommendations for future research

There are several limitations, which suggest some directions for future research. First, this study is cross-sectional study, the concept of exchange relationship in this study has been largely treated as static in nature, although in actual exchange relationships, the relational variables are dynamically evolving overtime for which longitudinal or quasi-longitudinal studies are essential and should be considered in the future.

Second, the study is based monadic data solely from micro and small footwear producers' perspective. However, a balanced perspective is more desirable. The future research can extend to integrate the viewpoints of both parties involved in the relationship. Hence, future research should look at both footwear producers and wholesalers' perspectives in explaining how social bonds, trust, duration and dependence play role in exchange relationship development and satisfaction.

Third, the current study includes only two moderators in the proposed model. Additional moderators such as environmental uncertainty, behavioural uncertainty, buyer characteristics and price competitiveness (Grewal, Comer, and Mehta 1999) can be added to test the

relationship between relational drivers and supplier satisfaction. Future studies should include at least few of these variables to shed more light on this phenomenon, and build a contingency model of relationship satisfaction.

Fourth, this study does not address the complexity and the multidimensional nature of satisfaction. It was measured as unidimensional construct (Chao 2014, Sanzo et al. 2003, Ghijsen, Semeijn, and Ernstson 2010). Therefore, future studies could test a model whereby satisfaction is a second-order abstraction of its economic and noneconomic dimensions.

Finally, the relational constructs in the footwear producer-wholesaler relationship has been treated in this study from a dyadic perspective. Recent studies have emphasized studying focal company relationship from a network perspective (Hakansson 1982, Mattsson 1985). Future research should study from a network perspective to see relational constructs in a network of relationships impacts the exchange relationship.

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APPENDICES

Appendix 1: Questionnaire

Dear Respondent

The purpose of this survey is to find out the drivers of footwear producer satisfaction in the relationship between micro and small scale footwear producers and their wholesaler in Ethiopia. The micro and small scale footwear producers are the respondents for this survey to evaluate their relationship with their main buyer of leather shoe products. The results of this study will be useful for the micro and small scale footwear producers, wholesalers and governmental offices responsible to foresee these firms. An executive summary of the findings of this research will be made available upon request.

It will take only a few minutes to complete this questionnaire. The first set of questions requires you to give specific answer on the blank space provided and the second set of question require you to circle the appropriate number that best represents your view on each statement. Any response given will be kept confidentially and wouldn't be used for any other purpose other than for the research work. Your participation is extremely important to me to conduct this thesis. Thank you very much for taking time to participate in this research.

Sincerely

Mesay Sata

Molde University College,

Norway

NB: Please base your answers on <u>one specific wholesaler</u> who you consider as your main buyer.

PART ONE: Please complete the following statements by filing in the blank spaces or ticking where appropriate.

1. Name of your company: _____
2. Year of establishment: _____
3. Number of employees: _____
4. Location of your firm: _____
5. The average number of shoes produced per month (per pair): _____
6. The average sales/turnover obtained from selling shoes per year? _____
7. Who is your main wholesaler? _____
8. How many years have you been selling shoes to this wholesaler? _____
9. What is the number of orders received from this wholesaler in preceding year? _____
10. What is the sales revenue (in birr) obtained from this wholesaler in preceding year? _____
11. What percentage (0% -100%) of your firm's total annual sales of leather shoes is gained from this wholesaler? _____
12. Have you sold any shoes to other wholesaler in the preceding year?

    Yes ☐ No ☐
13. If your answer for the above question is yes, state the number of alternative wholesaler you dealt with: _____

To respond for the remaining questions please use the given scales from 1 to 7; where 1 represent strongly disagree up to 7 which represent strongly agree. You are kindly required to circle the number which best describe your answer for each question.

Based on the buyer you have identified above please circle the appropriate number that best represents your view regarding the following statements							
	Strongly Disagree						Strongly Agree
1. I have great confidence in this wholesaler on our business dealings regarding the sale of shoes.	1	2	3	4	5	6	7
2. This wholesaler never tries to take any advantage in our business deal on the sale of shoes for his/her own sake.	1	2	3	4	5	6	7
3. This wholesaler acts according to the promises s/he made on payment and other agreement in the sale of shoes.	1	2	3	4	5	6	7
4. This wholesaler has a high degree of integrity to sale the shoes our firm produce.	1	2	3	4	5	6	7
5. The wholesaler is always honest in transaction associated with shoe sales.	1	2	3	4	5	6	7
6. I always believe that the information originates from this wholesaler as dependable.	1	2	3	4	5	6	7
7. This wholesaler takes into account the welfare of our firm in making decision related to the sale of shoes.	1	2	3	4	5	6	7

Based on the buyer you have identified above please circle the appropriate number that best represents your view regarding the following statements							
	Strongly Disagree						Strongly Agree
1. I have a very strong friendship with this wholesaler.	1	2	3	4	5	6	7
2. I consider this wholesaler as one of my closest family member.	1	2	3	4	5	6	7
3. I interact and meet with this wholesaler at least once in a month at social gatherings outside the work environment .	1	2	3	4	5	6	7
4. I consider this wholesaler as a very good friend of mine.	1	2	3	4	5	6	7
5. I always take into consideration the feelings of my wholesaler in making an important business decision.	1	2	3	4	5	6	7
6. I met or/and talk with wholesaler about our family issues, sports and other personal interests at least once in a month.	1	2	3	4	5	6	7
7. We always assist each other in dealing with our family and personal problems when it arises.	1	2	3	4	5	6	7

ased on the buyer you have identified above please circle the appropriate number that best represents your view regarding the following statements							
	Strongly Disagree						Strongly Agree
1. This wholesaler is a very good partner to do business with.	1	2	3	4	5	6	7
2. I am very happy with the close personal working relationship I have with this wholesaler.	1	2	3	4	5	6	7
3. This wholesaler is my first choice to sell my shoes than other wholesalers.	1	2	3	4	5	6	7
4. I am very happy with the decision concerning the choice made to deal with this wholesaler as distribute for our shoes.	1	2	3	4	5	6	7
5. The relationship between our firm and this wholesaler is characterized by a great mutual respect.	1	2	3	4	5	6	7
6. I have a very favourable and pleasant working relationship with this wholesaler.	1	2	3	4	5	6	7

ይህ መጠይቅ የተዘጋጀው የጥናታዊ ጽሁፍ መረጃ ለማጠናቀር ሲሆን ከመጠይቁ የሚገኙት ምላሾች በጥንቃቄና ሚስጢራዊነቱ በተጠበቀ መንገድ የሚሞላና የሚቀመጥ ነው፡፡ ይህንንም ግምት ውስጥ በማስገባት መጠይቁን ሲሞሉ በነጻነትና በትክክለኛ መንገድ እንዲሞሉ በአክብሮት ስጠይቅ መጠይቁን በመሙላት ለምታዯርጉት ቀና ትብብር በቅዴሚያ በራሴና በዩንቨርስቲው ስም አመሰግናለሁ፡፡

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ማሳሰቢያ፡ ለጥያቄዎቹ ምላሽ በሚሰጡበት ጊዜ ጠንካራ የስራ ግንኙነት ካሎት <u>አንድ የጅምላ አከፋፋይ</u> ደንበኛዎ ላይ ብቻ ላይ ትኩረት አድርገው ምላሽ ይስጡ።

1. የድርጅትዎ ስም: _____
2. ድርጅትዎ በስንት አመተ ምህረት ተቋቋመ: _____
3. በድርጅትዎ ውስጥ የሚሰሩ ሰራተኞች ብዛት: _____
4. ድርጅትዎ አድራሻ (የሚገኝበት ቦታ): _____
5. ባለፈው አመት ከጫማ ሽያጭ ድርጅቶ ምን ያህል ብር ገቢ አገኘ: _____
6. የድርጅቶ ጠቅላላ ንብረት ስንት ብር ይገመታል?_____
7. በዋነኛነት ጠንካራ የስራ ግንኙነት ያሎት ማን ከተባለው የጅምላ አከፋፋይ ደንበኛ ጋር ነው?_____
8. ከዚህ ደንበኛ ጋር ያሎዎት የንግድ ስራ ግንኙነት ምን ያህል አመት የቆየ ነው?_____
9. ባለፈው አመት ለዚህ የጅምላ አከፋፋይ ደንበኛ ከሸጡት ጫማ ሽያጭ ምን ያህል ብር ገቢ አገኙ?_____
10. ይህ የጅምላ አከፋፋይ ደንበኛዎ ባለፈው አመት ስንት ግዜ ከናንተ ድርጅት ግዢ ፈጽሟል ?_____
11. ከላይ ከጠቀሱት ዋና የጅምላ አከፋፋይ ደንበኛዎ በተጨማሪ ለሌላ ደንበኛ ባለፈው አመት ጫማ ሸጠው ነበር ?

    አዎ _____ አይደለም _____

12. ምላሽ አዎ ከሆነ ለስንት አከፋፋይ ደንበኞች ጫማ ሸጠው ነበር?_____
13. ስማቸውንና የግዢ መጠናቸውን ይግለጹ:

    _____

    _____

    _____

A.	የሚከተሉትን የመለኪያ መስፈርቶችን በመጠቀም ድርጅትዎ ከዋና የጅምላ አከፋፋይ ደንበኛዎ ጋር ያሎትን ግንኙነት የሚገልጸውን ቁጥር በመክበብ ስምምነቶን ይግለጹ፡፡							
		በጣም አልስማማም						በጣም እስማማለሁ
1.	ያመረትነውን ጫማዎች በጅምላ ከሚገዛን ከዚ አከፋፋይ ጋር በጣም ጥሩ የሆነ የጓደኝነት ግንኙነት አለን።	1	2	3	4	5	6	7
2.	ያመረትነውን ጫማዎች በጅምላ ከሚገዛን ከዚ አከፋፋይ ጋር ቤተሰባዊ የሆነ የቅርብ ግንኙነት አለን።	1	2	3	4	5	6	7
3.	ያመረትነውን ጫማዎች በጅምላ ከሚገዛን ከዚ አከፋፋይ ጋር ከስራ ሰዐት ውጭ ተደጋጋሚ የሆነ ማህበራዊ ግንኙነት አለን።	1	2	3	4	5	6	7
4.	ያመረትነውን ጫማዎች በጅምላ የሚገዛን ይህንን አከፋፋይ ማጣት ማለት ጥሩ ጓደኛን ማጣት ማለት ነው።	1	2	3	4	5	6	7
5.	በጣም ጠቃሚ የንግድ ውሳኔዎችን በማደርግበት ጊዜ ያመረትነውን ጫማዎች በጅምላ የሚገዛንን ይህንን አከፋፋይ በግምት ውስጥ በማስገባት ነው።	1	2	3	4	5	6	7
6.	ያመረትነውን ጫማዎች በጅምላ ከሚገዛን ከዚ አከፋፋይ ጋር ስለ ቤተሰብ ፡ ስፖርት ና ሌሎች ግላዊ የሆኑ ውይይቶችን እናደርጋለን።	1	2	3	4	5	6	7
7.	ያመረትነውን ጫማዎች በጅምላ ከሚገዛን ይህንን አከፋፋይ ጋር ግላዊና ቤተሰባዊ ችግሮች በሚገጥመን ግዜ የመረዳዳት ባህል አለን።	1	2	3	4	5	6	7

B.	የሚከተሉትን የመለኪያ መስፈርቶችን በመጠቀም ድርጅትዎ ከዋና የጅምላ አከፋፋይ ደንበኛዎ ጋር ያሎትን ግንኙነት የሚገልጸውን ቁጥር በመክበብ ስምምነቶን ይግለጹ፡፡							
		በጣም አልስማማም						በጣም እስማማለሁ
1.	ያመረትነውን ጫማዎች በጅምላ በሚገዛን አከፋፋይ ላይ ሙሉ መተማመን አለኝ።	1	2	3	4	5	6	7
2.	ያመረትነውን ጫማዎች በጅምላ የሚገዛን ይህ አከፋፋይ ባለን የንግድ ስራ ግንኙነት ወቅት የራሱ ጥቅም ብቻ አያስቀድምም።	1	2	3	4	5	6	7
3.	ይህ የጅምላ አከፋፋይ ስምምነቶችን በገባው ቃል መሰረት ይፈጽማል።	1	2	3	4	5	6	7
4.	ይህ የጅምላ አከፋፋይ በጣም ሀቀኛ ነው።	1	2	3	4	5	6	7
5.	ይህ የጅምላ አከፋፋይ ሁልጊዜ ታማኝ ነው።	1	2	3	4	5	6	7
6.	ይህ የጅምላ አከፋፋይ የሚሰጠኝን መረጃ ትክክል እንደሆነ አምናለሁ።	1	2	3	4	5	6	7
7.	ይህ የጅምላ አከፋፋይ ውሳኔዎችን በሚያሳልፍ ጊዜ የኔን ጥቅም ያገናዝባል።	1	2	3	4	5	6	7

C.	የሚከተሉትን የመለኪያ መስፈርቶችን በመጠቀም ድርጅትዎ ከዋና የጅምላ አከፋፋይ ደንበኛዎ ጋር ያሎትን ግንኙነት የሚገልጸውን ቁጥር በመክበብ ስምምነቶን ይግለጹ፡፡							
		በጣም አልስማማም						በጣም እስማማለሁ
1.	ከጅምላ አከፋፋይ ደንበኛችን ጋር ያለን ግንኙነት ለድርጅታችን እድገት በጣም ጠቃሚ ነው።	1	2	3	4	5	6	7
2.	ከጅምላ አከፋፋይ ደንበኛችን ጋር ደስ የሚል የግል ግንኙነት አለን።	1	2	3	4	5	6	7
3.	በጅምላ አከፋፋይ ደንበኛችን ሚዛናዊነትና ሀቀኝነት ደስተኛ ነን።	1	2	3	4	5	6	7
4.	የጅምላ አከፋፋይ ደንበኛችን ከኛ ድርጅት ጋር በሚሰራው ስራ ደስተኛ ነን።	1	2	3	4	5	6	7
5.	የጅምላ አከፋፋይ ደንበኛችን ጋር አብሮ የንግድ ስራ መስራት ይመቻል።	1	2	3	4	5	6	7
6.	ከጅምላ አከፋፋይ ደንበኛችን ጋር በጣም ደስ የሚል የስራ ግንኙነት አለን።	1	2	3	4	5	6	7

Appendix 2: Descriptive Statistics and Univariate Normality (n=159)

	Minimum	Maximum	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
SociB1	3	7	4.18	1.174	.757	.192	-.301	.383
SociB2	2	7	4.24	1.260	.807	.192	-.230	.383
SociB3	3	7	4.13	1.129	.817	.192	-.162	.383
SociB4	2	7	4.15	1.208	.798	.192	-.021	.383
SociB5	1	7	4.57	1.215	-.424	.192	-.543	.383
SociB6	1	7	4.34	1.302	-.288	.192	-.792	.383
SociB7	1	7	4.36	1.420	-.454	.192	-.713	.383
TRUST1	3	6	5.13	.769	-.558	.192	-.147	.383
TRUST2	2	6	4.69	1.113	-.591	.192	-.333	.383
TRUST3	2	7	4.83	.873	-.471	.192	.732	.383
TRUST4	3	7	4.81	.889	-.481	.192	.360	.383
TRUST5	3	7	4.85	.922	-.577	.192	-.177	.383
TRUST6	3	6	4.84	.906	-.703	.192	-.137	.383
TRUST7	1	6	4.69	1.049	-.653	.192	.218	.383
RESAT1	3	7	4.79	.732	.456	.192	.424	.383
RESAT2	3	7	4.89	.768	.355	.192	-.273	.383
RESAT3	3	7	4.84	.707	.342	.192	.698	.383
RESAT4	3	7	4.93	.820	.199	.192	-.605	.383
RESAT5	3	7	4.90	.756	.170	.192	.218	.383
RESAT6	3	6	4.97	.783	-.345	.192	-.377	.383

Appendix 3: Explanatory Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.863
Bartlett's Test of Sphericity	Approx. Chi-Square	1401.069
	df	55
	Sig.	.000

Communalities

	Initial	Extraction
SociB1	1.000	.866
SociB2	1.000	.936
SociB3	1.000	.824
SociB4	1.000	.908
TRUST4	1.000	.853
TRUST5	1.000	.855

TRUST6	1.000	.851
RESAT2	1.000	.718
RESAT3	1.000	.657
RESAT4	1.000	.715
RESAT5	1.000	.666

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Var.	Cum. %	Total	% of Var.	Cum. %	Total	% of Var.	Cum. %
1	5.291	48.098	48.098	5.291	48.098	48.098	3.603	32.751	32.751
2	2.351	21.372	69.471	2.351	21.372	69.471	2.664	24.219	56.970
3	1.207	10.972	80.443	1.207	10.972	80.443	2.582	23.473	80.443
4	.594	5.400	85.842						
5	.422	3.837	89.680						
6	.287	2.605	92.285						
7	.240	2.186	94.470						
8	.202	1.834	96.304						
9	.182	1.652	97.956						
10	.147	1.338	99.294						
11	.078	.706	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component		
	1	2	3
SociB1	.913	.076	.161
SociB2	.948	.060	.183
SociB3	.836	.083	.345
SociB4	.918	.076	.244
TRUST4	.101	.890	.224
TRUST5	.067	.915	.115
TRUST6	.053	.908	.151
RESAT2	.441	.188	.699
RESAT3	.239	.307	.711
RESAT4	.127	.239	.801
RESAT5	.208	-.013	.789

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

Component Transformation Matrix

Component	1	2	3
1	.709	.405	.578
2	-.550	.830	.093
3	-.443	-.383	.811

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Appendix 4: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Age	159	3.00	20.00	8.0314	4.26855
Production	159	1.00	8.00	4.5535	2.17770

Size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Micro	56	35.2	35.2	35.2
	Small	103	64.8	64.8	100.0
	Total	159	100.0	100.0	

No. of wholesaler

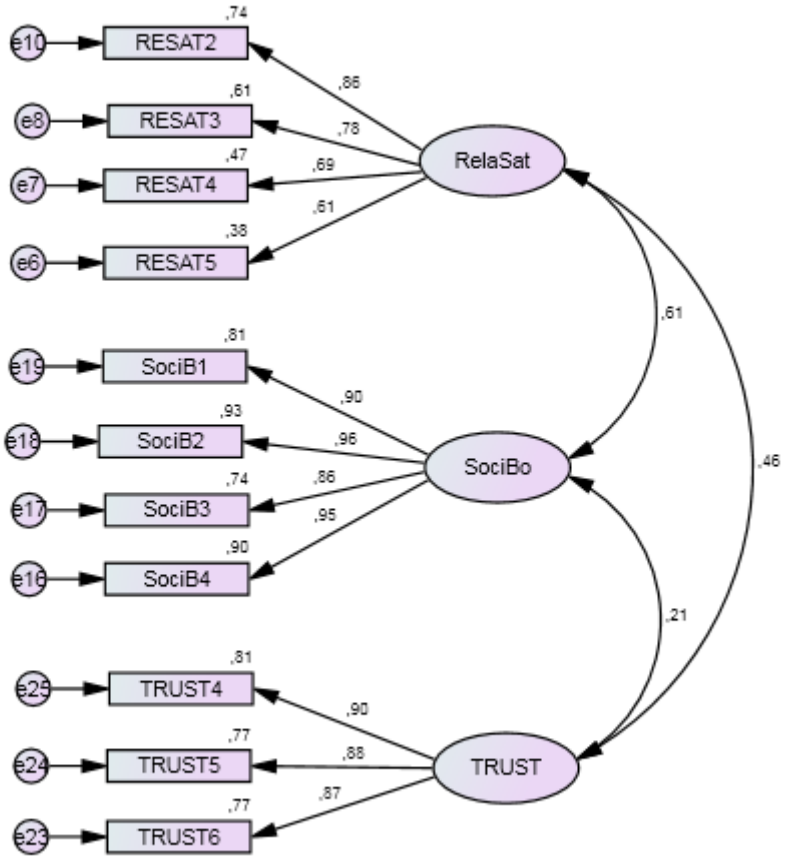
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Multiple Wholesaler	134	84.3	84.3	84.3
	Single	25	15.7	15.7	100.0
	Total	159	100.0	100.0	

Descriptive Statistics

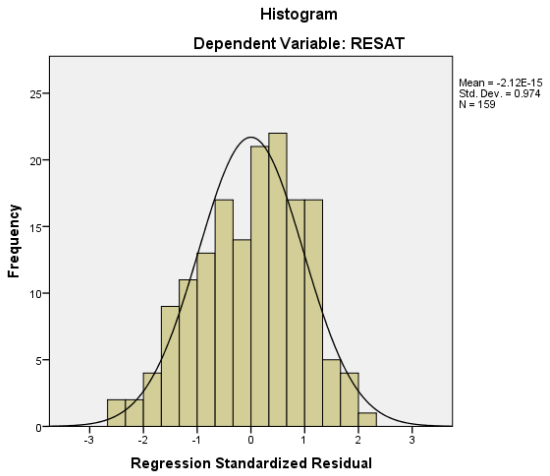
	N	Minimum	Maximum	Mean	Std. Deviation
SociB	159	2.75	7.00	4.1745	1.11936
TRUST	159	3.00	6.33	4.8302	.83428
RESAT	159	3.50	7.00	4.8915	.62105
DUR	159	1	14	6.21	3.804
SIZE	159	2	9	5.19	1.975
SALES	159	2	43	16.13	8.472

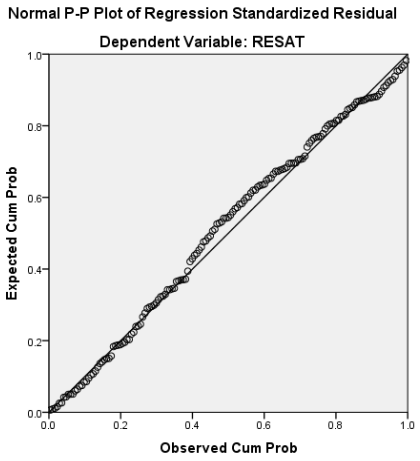
Percentage of Sales from the main wholesaler				
	N	Minimum	Maximum	Mean
Multiple	134	30%	40%	33.13%
Single	25	100%	100%	100%
Total	159			

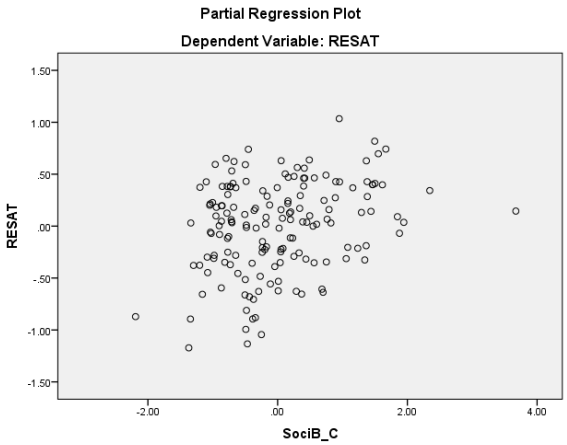
Appendix 5: Confirmatory Factor Analysis Model Fit (n=159)

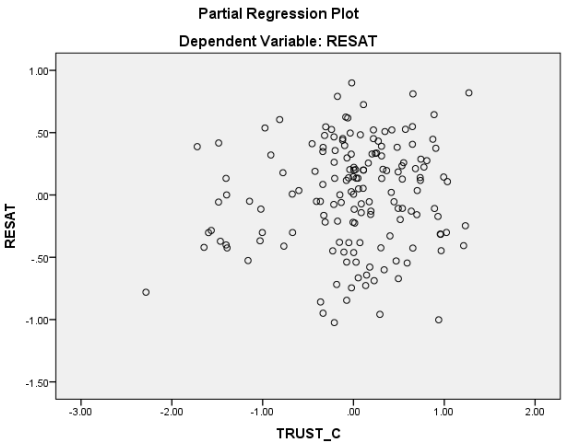


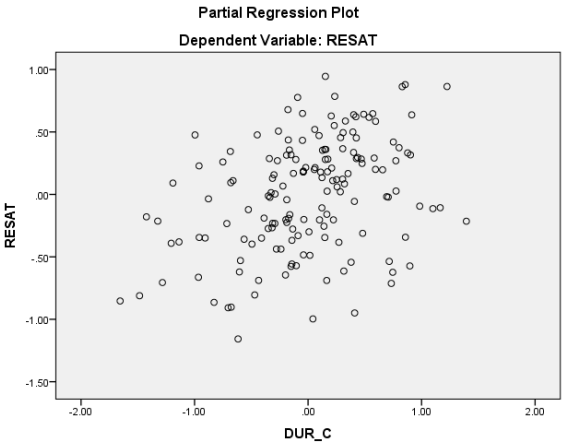
Appendix 6: Residaul and Standardized Partial Regression Plot

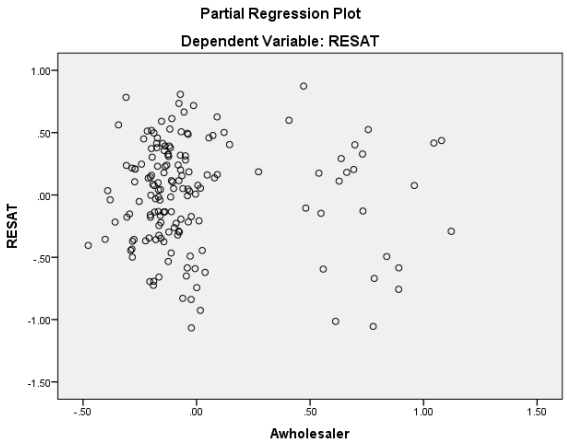












Appendix 7: Hierarchical Regression Outputs

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.674[a]	.454	.433	.46775	.454	21.090	6	152	.000
2	.739[b]	.545	.521	.42975	.091	15.031	2	150	.000
a. Predictors: (Constant), SIZE, DUR, DEP, SALES, SociB, TRUST									
b. Predictors: (Constant), SIZE, DUR, DEP, SALES, SociB, TRUST, SociBxDUR, TRUSTxDEP									

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.685	6	4.614	21.090	.000[b]
	Residual	33.256	152	.219		
	Total	60.941	158			
2	Regression	33.238	8	4.155	22.496	.000[c]
	Residual	27.703	150	.185		
	Total	60.941	158			
a. Dependent Variable: RESAT						
b. Predictors: (Constant), SIZE, DUR, DEP, SALES, SociB, TRUST						
c. Predictors: (Constant), SIZE, DUR, DEP, SALES, SociB, TRUST, SociBxDUR, TRUSTxDEP						

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.900	.239		20.536	.000		
	SociB	.218	.037	.392	5.915	.000	.817	1.224
	TRUST	.157	.051	.210	3.085	.002	.771	1.297
	DUR	.244	.061	.275	3.967	.000	.746	1.341
	DEP	.064	.108	.038	.591	.555	.890	1.124
	SALES	.135	.142	.059	.949	.344	.937	1.067
	SIZE	-.253	.219	-.072	-1.154	.250	.917	1.091
2	(Constant)	4.889	.220		22.245	.000		
	SociB	.141	.038	.254	3.699	.000	.641	1.560
	TRUST	.070	.051	.095	1.379	.170	.643	1.556
	DUR	.290	.059	.327	4.892	.000	.677	1.478
	DEP	-.058	.102	-.034	-.572	.568	.845	1.183
	SALES	.018	.132	.008	.137	.891	.912	1.096
	SIZE	-.099	.206	-.028	-.482	.631	.877	1.140
	SociBxDEP	.165	.058	.189	2.848	.005	.687	1.455
	TRUSTxDEP	.479	.111	.291	4.314	.000	.666	1.502
a. Dependent Variable: RESAT								