



Master's degree thesis

LOG950 Logistics

Factors Toward Long-term Orientation in Buyer-Supplier Relationship: An Empirical Study of Superdoll Trailer Manufacturing Co.(T) Ltd

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Dedication

To the memory of my late mother Joyce Ernest

Acknowledgment

First off all I would like to thank my Almighty God Jesus Christ for his love, grace and mercy in all my life to this point. Without Him I wouldn't make this far.

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List of Abbreviation

AVE	Average Variance Extracted
B2B	Business to Business
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CR	Composite Reliability
EFA	Exploratory Factor Analysis
GFI	Goodness of Fit Index
KMO	Kaiser Meyer Olkin
MMRA	Multiple Moderated Regression Analysis
RCT	Relational Contracting Theory
RMSEA	Root Mean Square Error of Approximation
TBL	Tanzania Breweries Limited
TCA	Transaction Cost Analysis
VIF	Variance Inflation Factor

Abstract

Purpose: Long-term orientation is very crucial in the strategic buying as well as in increasing competitive advantage but it is still less researched within buyer-supplier relationship society. In this study, factors towards long-term orientation which are opportunism, buyer-specific investment, supplier performance, supplier flexibility and supplier-specific investment were examined.

Methodology/ Design: The empirical analysis of this study based on automobile company; Superdoll Trailer Manufacturing Co. Ltd. Data were collected from 86 customers of this company to test what will determine them to stay long in doing business with this supplier.

Findings: The key findings of this study show that, customers are willing to stay longer in a business relationship if they made specific asset with this supplier. At the same time, the specific investment by supplier has significance effect on business continuity at the increasing effect of supplier flexibility. Although opportunism has no significant effect on long-term orientation, supplier performance has a positive significant effect on long-term orientation.

Limitations: The study find difficult to generalize the findings of this study to other industries due to the small number of sample size (86 respondents) and it was only one company studied.

Implications: Business continuity is very important to both buyers and suppliers. Knowing the factors that promote continuity is very crucial in decision making. Theoretically, this study will contribute in both RCT and TCA theories as well as their integration effects.

Key words: Long-term Orientation, Relational Contracting Theory, Transaction Cost Analysis, Buyer-Specific Investment, Supplier-Specific Investment, Superdoll Trailer Manufacturing Co. Ltd, Performance Satisfaction and Relationship Duration

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter provides the background to this study, research problem, objectives of this study and research questions that the study is seeking out to answer; significance of this research to the company studied, other companies, researchers and academicians; and lastly the chapter presents how the remainder of the study will be organized.

1.2 Background Information

Taken from the buyers' perspective, quality relationships study has apprehended a great attention from different scholars (Bejou, Wray, and Ingram 1996, Sheth and Sharma 1997, Walter et al. 2003). Building on the definition of quality dimension (Dwyer, Shurr, and Oh 1987, Crosby, Evance, and Cowles 1990), satisfaction, trust and less opportunism were identified by buyers as the meaning of quality. In addition to that, (Scheer, Kumar., and Steenkamp 1995), suggest that relationship quality can be defined, as perceived by buyer, to include the level of conflicts, commitment, long-term investment to the relationship and expectation of future business. Many customers recently develop long term relationship with their key suppliers to ensure sustainable competitive advantage (Ganesan 1994, Ryu, Park, and Min 2007). Although it has seen that long term relationships between buyer and seller can build a strong competitive advantage, (Ganesan 1994) suggest that inadequate understanding of time horizon can lead customers to develop long-term relationship with a supplier where spot marketing is more suitable. For an interfirm relationship to succeeded, parties to a relationship required to attain a long term orientation of business perspective in order to enjoy the benefits created from the relationship (Ryu, Park, and Min 2007).

Based on social root on Relational Contacting Theory (RCT), at the core of relational marketing perspective are the expectations about exchange behavior shared by exchange partners— the so-called relational social norms (MacNeil 1978, 1980). Relational norms serve to guide, control, or regulate proper and acceptable behavior among exchange partners (MacNeil 1980, 1983). Thus, partners under relationship marketing arrangements attain their

individual goals through joint accomplishments while the expected long-term benefits of the relationship serve to restrain partners' potential opportunistic behavior (Heide 1994). That way, relational norms help to take care of the loopholes in formal contracts entered between exchange partners (Lusch and Brown 1996).

Transaction Cost Theory (TCA) can be used to explain the basis of governance structure as far as relationship is concerned as well as economic benefit gained from minimal transactions. In supplier selection appraisal, transaction costs are incurred and developing a long-term relationship with the supplier is considered to be one of the ways to reduce transaction cost by the buying firm and bring about firm's financial performance satisfaction.

Different industries have been started to wake up and try to implement supplier consolidation models especially in the side of cost reduction by developing close relationship with suppliers to create value for customers (Sethu 2016). To meet the end customer need, cooperation between members of supply chain is required for mutual benefit. As long as relationship between suppliers and buyers is concerned, there is a need for governance structure in all form of contractual agreement to manage potential suppliers. In a long term perspective, when relational norms are developed, the monitoring level is reduced as well as opportunistic behaviour and hence, the high level of relationship quality is attained. Although relational contracting and hybrid governance seen as the alternative to sport marketing when there is repeated purchasing, they require different implementation strategies depending on interorganization relationships that prevail (Heide 1994).

1.3 Research Problem

As a key to reduce transaction cost, long term business orientation has become more preferable when it comes to developing relationships between firms (Sheth and Sharma 1997). Resilient relationships with few selected set of suppliers has seen one way to reduce procurement cost and improve quality service. In previous study on vendor stratification (Swanson, Dorsh., and Kelley 1998) it has been arguing that many organizations have start to recognize the importance of different suppliers and establish long term sustainable relationships that will lead to competitive business strategies. In B2B business settings, customers have recognised that suppliers can generate significance profit in their business

operation (Wilson 1995) and thus governance norms in developing a long term relationship can be thought in such a way it will help a firm to reduce the level of opportunism (Seggie, Griffith., and Jap 2013) and increase commitment for the future business.

Supply chain management has been highly studied as it offers a lot of advantage in business, like flexibility, low cost, business competitiveness and high quality. To gain from these advantages, buyers and sellers found themselves form different kind of relationships according to their purchasing portfolio (Olsen and Ellram 1997). It argues that, if buyers perceive quality performance over time, there is a chance of long-term relationship development between buyer and seller and thus ensure seller of a prospective business (Gummesson 1987). The interest in this paper is to investigate what are the factors that might lead to a long-term orientation in buyer-supplier business relationship.

Organisational buying behaviour is taking a new change of patterns where developing relationship between members of supply chains is of paramount as suggested by (Sheth and Sharma 1997). In their findings, they conclude that, this move will change how firms interact with each other and the rapid movement from less cooperation to high level of cooperation and partnership between firms. It is crucial to consider variety of factors when selecting potential suppliers (Swanson, Dorsh., and Kelley 1998). However it is quiet important to put the same effort to develop a long term relationship with suppliers. As such, an interesting question is what are the factors determine the long term orientation of the relationship which will have positive business impact over a long period of time. In this paper, we suggest that opportunism hinder the future business expextation (Wathne and Heide 2000) and thus the affected partner is likely to terminate the contract within short time. In addition to that, this paper also argue that transaction specific investment is expected to reduce opportunistic behaviour under symetrical investment (Buvik and Reve 2001) as well as foster the long term business ties under asymmetrical deployment with the development of trust and flexibility over substantial period of time (Yaqub 2009). Similarly, buyers are willing to develop long term relationship with suppliers who perform accordingly.

As argued by (Sheth and Sharma 1997), supplier performance has a great chance of increasing buyer's competitive advantage in the market. Therefore, this paper suggest that both delivery, quality and financial performance are crucial ingredients for the long term perspective in buyer-supplier relationship (Powers and Reagan 2007, Cannon et al. 2010,

Carr and Pearson 1999). In alignment with that, it is the right time to examine more on what determine the long term business orientation between firms in the context of buyer-supplier relationship.

In light with the abovementioned problems, this study will explore factors to long term business orientation in interfirm relationships by answering the following research question:

1. What factors influence the long-term orientation in buyer-supplier relationship?
2. What is the role of supplier flexibility in promoting supplier-specific investment in the determination of long-term business orientation?

1.4 Objectives of the Study

This research purposely seek out to find the factors which lead to the long term orientation in buyer-supplier relationship by studying the relationship between the Superdoll Trailer Manufacture Co. Ltd in Tanzania with its customers. Additionally, this study examined the moderating role of trust in making specific investment in the business relationship for the long-term orientation.

Furthermore, the study investigates whether seller's performance satisfactions and transaction-specific investment (from both buyer and seller) have an influence in determining long-term orientation in business. Also the effect of opportunism in buyer-supplier relationship toward the continuity of business was examined in this study.

1.5 Significance of the Study

Buying firms have been trying to find different strategies to minimize cost and maximize benefit for themselves and the end customers they serve without making consideration on the long-term business orientation relationships impacts in their business. Long-term business orientation relationships in supply chain has been studied by few scholars (Heide and Miner 1992, Dyer and Chu 2000, Sohn 1994, Granovetter 1985) argued that cooperation and trust between exchange partner over time may lead to the contunuity of business for a long time. Relationship is expected to develop over a span of time and moving from spot marketing entails firms to the exchange to put the governance system in place to handle the coordination and implementation of plan because development of relationship will rise opportunistic behavior to a more powerful member especially where specific asset exist (Buvik and Halskau 2001, Heide 1994). However, the theory of relational contracting (RCT) suggest that, having relationship over certain period of time lead to a development of trust,

social norms and personal relationship that may guide the business relationship and reduce the reliance of contractual terms and conditions (MacNeil 1978, 1980). Although it takes time for trust to develop, (Granovetter 1985, Zaheer and Venkatraman 1995) suggested that, trust developed through social interaction and relational norms are important in long run to reduce opportunism, transaction cost and level of monitoring between partners. As argued by (Bensaou and Anderson 1999), the higher the trust over long time the higher the willingness of partners to invest in specific investment and hence reduce the need for contractual agreement or vertical intergration as a means of safeguarding specific investment.

Through this study, buying firms are expected to develop the knowledge of long-term business orientation and its importance in thier relationship with suppliers for sustainable development. Buying firms will understand what determines the long term business orientation, and thus, good supplier selection model can be achieved for long run achievement. Being the market leader in the country, also Superdoll Trailer Manufacture Co. Ltd as a supplier to many customers is eager to navigate ways for promoting future business with its customers and, therefore, rise the interest of this study on factors toward long-term orientation in buyer-supplier relationship.

1.6 Structure and Organization of the Study

This study comprises of nine chapters. The first chapter illuminates a background introduction to buyer-supplier relationship long term orientation, research problme, research objectives and significance of the study. Chapter 2 gives the explanation of the company by providing its description, products and services, supply chain, competition and the relevance of the company as a research setting. Chapter three provides a theoretical review of Transaction Cost Theory and Relational Contracting theory. These theories are used in this study as the main theoretical framework that are appropriate to the study to analyzize the relationship between variables to our objectives as well as develop study conceptual model. Chapter 4 presents the research conceptual model and hypotheses of the study which are developed in the light of theories presented in chapter 3. Chapter 5 describes study methodology which includes research design and data collection procedure. Chapter 6 presents the measurement development process and operationalization of variables. Chapter 7 presents measurement assessment model and data validation process. Chapter 8 present

the regression model for this study. Chapter 9 presents the summary, discussion and findings of the study. Futhermore, it provides the implication of the study, limitation and direction of future studies.

CHAPTER 2

COMPANY INFORMATION

2.1 Introduction

This chapter presents a detailed overview of Superdoll Trailer Manufacture Co. Ltd. The information about company's background information, products, services, operations, sales and distribution, supply chain and competition are described in this section. The chapter also explains reasons why the company has chosen as a research setting for this study. The customer focus is due to the fact that competition among automobile companies is high, therefore, having customer for a long time assure the supplier of business continuity.

2.2 Company Description and Background

Being established in 1992, Superdoll Trailer Manufacture Co. Ltd has been one of the sole distributor in Central and East Africa of big automobile companies in the world for over two decades. It has a licenced franchise from different companies due to its proven ability to provide high quality and innovative products ranging from heavy duty, light truck, automobile accessories to technical and transportation services. Located in the commercial city of Tanzania, Dar es Salaam, Superdoll Trailer Manufacture Co. Ltd has branches in Arusha and Mwanza Tanzania. It also have another headquarter in Zambia To be the best in the automobile industry in East and Central Africa is the Superdoll's vision. The company is striving to attains its vision by having long-term relationship and collaboration with customers to ensure the best result with minimal cost.

To ensure that its clients get the best performance, Superdoll has invest in specific assets in different companies. It has invested in truck service center to Oil com Tanzania, own and operate a fleet of oil trucks at Total oil company, invest in training its staff to equip them with specialized knowledge to serve clients. In case the company introduce new product, it provides trainings to all of its client on how to use new product or conduct a new service. Additionally, Superdoll has specifically put its staff to some of the companies to ensure the quick response and availability of technical staff at client premises. It also has specialized technology like budini and telematrix to ensure safety, tracking of trucks during transportation and quality ensurance program to check the quality of all the products. To big

super dealers, Superdoll is doing the branding to their big stores in all the branches as an investment to strengthen their business relationship.

2.2.1 The Products

Superdoll Trailer Manufacture Co. (T) Ltd currently offers different manufactured product from different suppliers and manufacturers in the automobile industry around Europe. Mainly it serves all types of trailer product manufactured by Emil Doll gmbh from Germany when it was first established since 1992. Currently, expand to include all ranges of tyres, forklifts, spare parts, equipments and machineries, handling machines and all types of vehicle accessories. These products fall into two categories, one is standardize products and the other category is customized.

All these products are design to endure Tanzania's road conditions and other geographical features. Apart from new tyres, Superdoll offer tyres re-trade where an old tire is undergo a re-trade process to be re-used again. Re-trade tyres are as good as new tyres.

2.2.2 Services

Apart from automobile products, Superdoll also offer after sales services, technical services, fleet management and; transportation and logistics services. In the provision of fleet management services, Superdoll is partnering with Mix Telemacs which is the global leading company in driver safety, vehicle tracking and fleet management solution based in South Africa. From this partnership, Superdoll ensure its client with effective ways to manage their automobile assets. Likewise, in the provision of transport and logistics company Superdoll is partnering with Super Star Forwarders Co. Ltd a leading company in logistics solution around East, Central and Southern Africa (Superdoll 2016). Due to its high performance and reputation in logistics services, Superdoll has been awarded long term contracts from some of the big companies in Tanzania like Tanzania Breweries Limited, Total oil company and Coca cola Kwanza Limited.

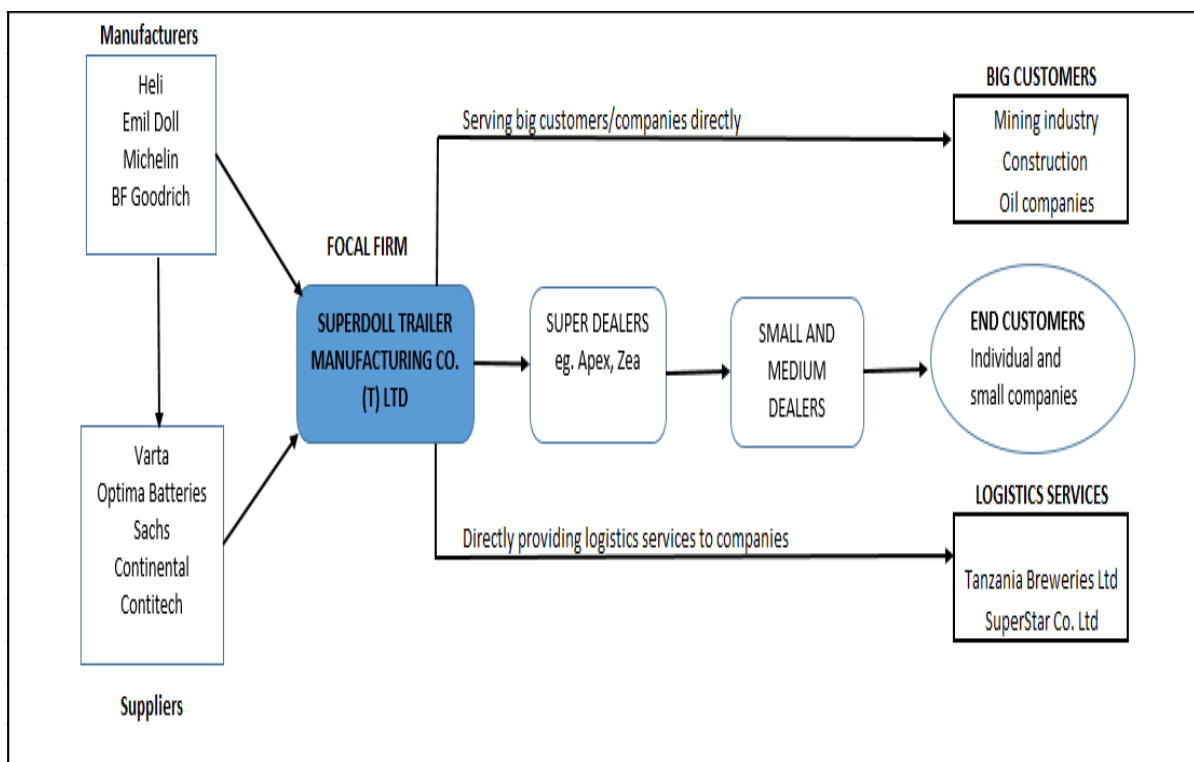
2.3 The Company Supply and Distribution Chain

Superdoll Trailer Manufacture Co. (T) Ltd provides its customer with the one roof purchasing centre for automobile products from the world's leading manufacturers and suppliers of automobile goods. It has a franchising licence from big manufacturers of trailers and automobile equipments to distribute products in East, Central and Southern Africa.

Superdoll Trailer Manufacture Co. (T) Ltd has proven to be one of the successful company in Tanzania because of the end user satisfaction with the best quality products and services the company offers. Superdoll keep minimum number of inventory according to the projection of yearly demand, the projection which depend on the customers’ contract, customers business trend and world business trend of big customers’ industry.

Purchasing of product is normally done when customer places an order, the purchased order is sent to a manufacturer or suppliers to ship the products within specified lead time. Delivery performance has been a challenge to Superdoll because all the products are purchased from Europe, and thus meeting customer’s delivery time has been a difficult task. This is partly because Superdoll ensure the client to deliver a product within lead time just to make business but in reality products are most of the time deliver beyond lead time.

Figure 2. 1: Superdoll’s Distribution Channel



Source: Own formulation from Company’s information

- **Suppliers**

Superdoll has a network of best manufacturer and suppliers in the world like Emil Doll gmbh from Germany, Michelin Tyres and BF Goodrich from France and Heli from China. Others

are Varta, Optima Batteries, Mix Telematics, GB Pauer, VBG, Combijet, Continental Contitech, Jost, Hyva, Wabco, Textar, Hella, Mann Filter and Fini. Superdoll enters into a contracts with this supply to supply their products in East, Central and Southern Africa. Manufacturers and suppliers ensure that Superdoll is eligible to maintain the quality of the products. In their contracts, these suppliers and manufacturers offer routinely trainings to Superdoll staff to ensure that end customers are served in satisfactory way.

- **Customers**

Serving both Central and East Africa automobile market, Superdoll has large network of dealers. The downstream supply chain contains network of super dealers, medium-small dealers who buy from super dealers and end customer which are both companies and individuals. Other big customers (companies) which comprise of big proportion of superdoll brands customers buy directly from superdoll while individual customers and retailer shops buy from large or medium dealers in Tanzania, Superdoll has more than fifty network of dealers throughout and outside the country. Superdoll serve customer from different industry like mining, agriculture, construction, transportation and other manufacturing firms. Other big companies invest with Superdoll in specialized technology and equipment as mention above. Superstar Forwarders (Total oil company) has invested in Telematrix¹ technology; TBL, Swissport, Cocacola Kwanza ltd and Mt. Meru in Budini² technology purchased from Brazil.

- **Sales Process and Payment Terms**

After receiving an order, Superdoll forward the order to the respective manufacturer or supplier and get the invoice to pay. The same goes to Superdoll customers, for those who have no contract they write a purchase order and get an invoice for payment but for those who have contract, they pay according to the payment terms agreed in the contract. Payment is mostly done with foreign currency especially Us Dollar or pound but if the customer wants to pay in Tanzanian shilling Superdoll issue the exchange rate.

Superdoll has customers who fall under credit sales category and who pay in cash. For all new client who purchase from Superdoll less that a year or those customers who order very unique product pay in cash the invoiced amount or a certain percentage as advance payment.

¹ Customised tracking and safety assurance technology mainly used for oil companies

² Specialized technology for tyres quality assurance

The rest of the customer depending on customer's company assets, business trend and relationship duration with superdoll pay within sixty or ninety days (credit-sales).

- **Challenges in the Market**

Being in the market for a long time makes Superdoll to have a reputation and earn trust from most automobiles companies especially government institutions. It also has a reputation of selling its products at very high price but many companies still prefer Superdoll products due to its quality. The delivery time is still a challenge because Superdoll does not keep very large number of inventory due to high variety customers. All the products are ordered from European countries, this means that longer lead times are required but Superdoll often time make false promises to its clients about delivery time in order not to lose the to competitors.

Another big challenge facing Superdoll now in the market is Chinese products with low price range (approximately more that a half of Superdoll's price) and light materials especially trailers. Superdoll's trailers are made up of heavy components which make the trucks to carry less amount of goods to reach the maximum required weight when passing weight bridge compared to those from China which are made up of lighter materials. Currently, economic and political situation now in the country poss a great threats to Superdoll as many construction, containers dry ports and logistics companies are closing down.

- **Competitors**

Superdoll face competition from both tyres, trailers and other automobile manufacturing companies who imports products in Tanzania. The biggest cometitors are Usangu logistics Co., Simba trailers, AM trailers, Nas, Good year, Ozigul trailers and BS tires. Superdoll's competitors are becoming more aggressive. Formally, Superdoll was the leading in the market share of tyres and trailers market. Presently, NAS which supply tyres from China and India has 45% of market share while Superdoll has 20%. Ozigul Trailers is another biggest Superdoll competitor with 30% market share in trailer market while Superdoll has 20%. One of the big reason for this is the price of the products. Competitors sell their products at a cheap price which is more that a half of Superdoll price.

The quality of Superdoll's products and reputation in performance makes it to have the largest second market share with other competitors holding less that 15% market share. In

the building strategy to restore and increase market share, Superdoll is offering more flexibility in credit limit and entering into long-term contracts with its customers.

2.4 Significance of Superdoll Trailer Manufacture Co. (T) Ltd as a Research Setting

Loosing market share to competitors has been a wake up call to Superdoll Trailer Manufacturing Co. (T) Ltd. Different researches have been conducted in past few years to determine what are the real causes of this situation. Representatives of manufacturers and suppliers have conducted number of training on sales and marketing. Technical staff have gone to Europe for trainings and education. All these have been done to win the competition and increase market share in the long run.

As number of competitors increases, customers power over suppliers increase as they can move to different suppliers. Chinese market is increasing all over the world especially in African market. Building a loyal customer base has been a challenge to many companies not only Superdoll. In this case, Superdoll has been looking for ways to maintain its customers and bring in new customers. Based on previous studies on buyer-supplier relationship, long-term orientation seems to serve this purpose. According to different number of studies, suppliers are seeking to develop long-term business orientation that will bring mutual benefit for a long time. Therefore, Superdoll in this regard rationalises being the research setting for this study. Findings will not only help Superdoll but also other companies in different industries.

2.5 Chapter Summary

This chapter has presented information about the company by giving detailed explanations of the company's background, distribution channel, products, services, sales and competition. The supply chain has also been presented to show the position of Superdoll as a focal firm in the supply chain and the down stream distribution of products and services. Reasons of why Superdoll was chosen as the research setting were also described in this chapter, and thus the result of this findings will help other companies too. The next chapter will present the theoretical foundation of the research hypotheses.

CHAPTER THREE

THEORETICAL REVIEW

3.1 Introduction

Transaction Cost Analysis (TCA) and Relational Contracting Theory (RCT) are presented in this chapter. The conceptual model of this study are developed from these theories. The act of searching self interest with guile (opportunism) by one party in a relationship lead the other party to terminate the relationship hence the relationship is shorten. On the other hand, the investment of specific asset by buyer is likely to lengthen the long-term orientation with the seller because the buyer is confidence enough to gain the net value of his investment from the relationship. Likewise, the specific investment by the seller increase th confidence and commitment of a buyer in that relationship. Relational norm of flexibility in the existance of asset specificity increase the trust and assurance of seller commitment in the relationship and therefore, there is a greater possibility for a buyer to elongate the relationship for a long time. Building on the perspective of these theories, the study hypotheses are derived from TCA and RCT theories.

3.2 Transaction Cost Analysis (TCA)

Rooted from institutional study of economics, transaction cost is a multidisciplinary concept growing its roots in other field such as, organization management, law, industrial marketing and political science. As firms in industrial marketing seek to reduce costs associated with transaction of repeated purchases in the market, contracts seen as a way to enable the exchange (Williamson 1979). Knowing that contracts are not capable of anticipating all future contingencies of the transaction as contrary to classical law , (MacNeil 1978) explain neoclassical contracting that will enable parties to resolve unplanned issues in their long term contract. Increasingly duration of contract may cause partners to develop norms that cause the firms to rely much on relationship rather that contractual agreement and thus form another type of contracting, relational contracting (MacNeil 1978, 1980) In his earlier work Ronald Coase explain that, under certain circumstances the cost of making an exchange in the market may surpass the cost of establishing the same exchange within the firm. In such framework, Transaction cost was regarded to include the cost of both *ex ante* and *ex post* of market for a particular product (Rindleisch and Heide 1997).

In the understanding of transaction cost, distinguishing *ex ante* and *ex post* is important. *Ex ante* cost arise when establishing contract and it includes costs of initial drafting of the contract, negotiation and safeguarding while on the other hand *ex post* include costs of monitoring and enforcement of contractual terms (Williamson 1985, Rindfleisch and Heide 1997). In addition to mentioned costs, TCA has said to also include the cost of managing relationships between partners and the cost of making poor decision (Williamson 1979, Williamson 1985). Accordingly, transaction cost can take different forms according to the governance mechanism employed in the transactions: market or hierarchy mechanisms (Williamson 1985, Williamson 1979). Due to the rising of many transactions that do not fall on those extremes (Rindfleisch and Heide 1997), the demand for the relationships governance studies has increased in past decades (Heide 1994, Heide and Stump 1995, Williamson 1985).

Looking at both the supplier selection process and relationship of buyer and seller, transaction cost of making an exchange will increase within the firm as a result of bad supplier selection decision and possible contractual monitoring (Williamson 1979) based under bounded rationality and opportunism. In his work (Williamson 1985) specified three dimensions of Transactions cost analysis which are asset specificity, uncertainty and frequency of transaction. In the same work, (Williamson 1985) identified behavior assumptions of assessing contract to include bounded rationality and opportunism. TCA relies much on these strong behaviour assumptions of contracting. He also added that, these dimension of transaction cost help in determining the governance structure (Williamson 1985, Heide 1994). Since transaction cost take a central part in organization activities, firms have realized too much suppliers or buyers create the wind of uncertainty. Developing relationship will help to reduce uncertainty and transaction cost. On contrary, (Sheth and Sharma 1997) agree that, too much effort on safeguard opportunism may lead to another form of opportunistic behaviour. Developing relationship over a long period of time with suppliers may reduce control mechanism and hence increase efficiency.

3.2.1 Transaction Cost Behaviour Assumptions

- **Bounded Rationality**

This is one of the cognitive capability of human behaviour in which TCA relies upon. In this form of rationality, economic actors are assumed to be “intendedly rational, but only limitedly so” (Williamson 1985). This means that, in the time of making contract, human oftentimes like to act rationally but they are limited by lack of their ability in processing information. This may lead to some loopholes in the contract that cause other part to act opportunistically. Under environment uncertainty, this may be more challengingly because some of the exchange terms and performance verification cannot be developed ex ante or measure ex post under behaviour assumptions respectively (Rindleisch and Heide 1997, Williamson 1985).

Governance structures may take part in recognizing and utilizing the limited competence in bounded rationality for mutual benefit, (Williamson 1985). In long term contract, the adaptation of market changes is crucial for exchange transaction and most of the contract terms are left vague to offer rooms for bounded rationality (Williamson 1979). Effective adaptation in long term relationship may be difficult as one of the part to an exchange may use the unstated contract term to seek individual interest (opportunism). (Williamson 1979) suggested that governance mechanism which may mitigate the opportunism is still necessary as the negotiation cost of each adaptation part will be very high and therefore ride the transaction cost ex post.

- **Opportunism**

As defined by (Williamson 1985), opportunism is the act of searching self interest with guile which can appear in the form of lying, stealing and cheating. This involve the act of providing either incomplete or distorted information in order to mislead, distort or confuse other party for individual gain in a relationship exchange. Opportunism can occur in different arrangement, first it can be in the form of both ex ante ex post. This is more recognized in insurance business setting where ex ante opportunism occur when insurance company are incapable of regconizing their clients risk while ex post occur after clients fail to take responsible action to alleviate risk where possible. Second form of opportunism appear in active form as parties breach the contract and passive form as partners avoid quality of products or services as agreed in the contract by withheld critical imformation

(Wathne and Heide 2000, Williamson 1985, Seggie, Griffith., and Jap 2013). Different literatures have written on different forms of opportunism to the extent that it lead to the misunderstanding of opportunism measures. Ambiguity in understanding the forms of oportunity rise challenging situation in determining potential outcomes and alleviating measures of opportunism (Wathne and Heide 2000, Rindfleisch and Heide 1997, John 1984, Murry and Heide 1998).

Opportunism is one of the key factor which affect the relationship quality in a buyer-seller relationship. The opportunistic behaviour may be attributed by environmental uncertainty, ambiguity, transaction specific investment, information/power asymetry, dependency and time horizon (Yaqub 2009, Kang and Jindal 2015, Morgan and Hunt. 1994, Wathne and Heide 2000, Heide and Stump 1995). Many studies have shown that business relationships may start in a good way but over time the destruction may occur and relationship may collapse. This destruction particularly expected to occur in a closed relationship where the length of the relationship is determined in advance (limited time), while in contrary, being in a long term telationship foster cooperation between patners and offer a means to minimize opportunistic behavior (Anderson and Jap 2005, Gulati, Khanna, and Nohria 1994, Gulati, Lawrence, and Puranam 2005, Yaqub 2009).

Firm performance level is largely depend upon the governace mechanism and the contractual reinforcement established among exchange firms (Yaqub 2009, Heide, Wathne, and Rokkan 2007, Achrol and Gundlach 1999, Yu, Liao, and Lin 2006). Too much monitoring and control mechanism may lead to more bureaucratic system and high governance cost but in other hand too little of it may leave the firm vulnerable to opportunistic behavior (Sheth and Sharma 1997). For the governance to work, the governance mechanism must be corresponding to the firm's ability and transaction attributes (Yaqub 2009).

Based on the form of opportunism behavior as described by (Seggie, Griffith., and Jap 2013, Williamson 1985, Wathne and Heide 2000), passive and active opportunism can occur under two conditions, existing or new situations. When the firm in an exchange refuse to do as promised in the agreement, hiding important information, telling lies, not fulfil the obligations as per contract terms, fail to provide up-dates or refuse to adopt in new situations for its own benefit, the firm is conducting an opportunistic behavior known as passive opportunism (Wathne and Heide 2000, Seggie, Griffith., and Jap 2013, John 1984,

Williamson 1985). Active opportunism has been written by different scholars, and it occurs when an opportunistic party purposely breach the contract term by violating the contract term like product specification (Seggie, Griffith., and Jap 2013) without telling the truth to the other party for individual benefit. (Wathne and Heide 2000) present these form of opportunism and two situations in the figure as it is seen below, and explain that, value creation and wealth distribution impacts differ depending on the form of opportunistic behavior between exchange partners.

Figure 3. 1: Opportunism Form

		Circumstances	
		Existing	New
Behavior	Passive	<p>1 Evasion ↓</p> <p>Cost effect: Decrease for O (short-term), increase for E (long-term)</p> <p>Revenue effect: Decrease for E, S (long-term)</p>	<p>2 Refusal to adapt ↓</p> <p>Cost effect: Minimal</p> <p>Revenue effect: Increase for O (short-term), decrease for E and O (long-term, forgone revenues due to maladaptation)</p>
	Active	<p>3 Violation ↓</p> <p>Cost effect: Increase for E (long-term)</p> <p>Revenue effect: Increase for O (short-term), decrease for E, S (long-term)</p>	<p>4 Forced renegotiation ↓</p> <p>Cost effect: Increase for E (haggling, concessions)</p> <p>Revenue effect: Increase for O (short-term, from concessions), decrease for E and O (long-term, forgone revenues due to maladaptation)</p>

O = Party engaging in opportunistic behavior; E = Exchange partner; S = System (e.g., other parties).

Source: Adopted from (Wathne and Heide 2000)

The above table shows the form of opportunism under existing and new circumstance. The outcome of each conditions is depicted in four cells and each cell is described below:

Cell 1: Under existing situation, passive opportunism affect both wealth redistribution and value creations. In short run, the evasion of product specification will lead to cost saving to opportunistic party but in long term scenerio after long period of dissatisfaction, the customer

will not purchase and hence wealth redistribution (revenue) be affected (Wathne and Heide 2000).

Cell 2: Under new circumstance, passive opportunism lead to the revenue gain to opportunistic party in short period due to the refusal to adapt new situations (Wathne and Heide 2000). However, as a result of one party refuse to change terms to respond to new circumstance, relationship may be may be affected and hence, in long run, this may lead to opportunistic party loss revenue as a result of foregone long term benefit for short term gain.

Cell 3: Active opportunism under existing condition means that one party to the exchange violet the contract terms. In short term the opportunistic party may gain revenue in expense of the victim's increased cost of contract monitoring and safeguarding. This wealth redistribution from mutual revenue will lead to an opportunistic party's revenue loss in long run (Wathne and Heide 2000).

Cell 4: Active opportunism under new circumstance may increase direct cost of haggling and renegotiation cost. (Williamson 1993) stated that, the failure to gain concern from other party to respond to the new circumstance after negotiation may lead to opportunity cost. In short run the opportunistic party may have revenue gain but in the long run both parties have a risk of potential loss due to the failure of maladaptation to new circumstance (Wathne and Heide 2000).

In either form, the opportunism affect performance satisfaction negatively (Seggie, Griffith., and Jap 2013) as it creates more costs of control and managing mechanism. To ensure that both parties act for mutual benefit, there is information symetry and modifications are made with response to environment changes, transaction cost increases as monitoring, bargaining and adaptation costs are increases in the relationship. The chance of buyers to terminate the relationship due to supplier's opportunistic behavior is higher as the transaction cost increases reduces buyer's satisfaction with the overall relationship performance (Seggie, Griffith., and Jap 2013).

In this study opportunism will be discussed in its natural form of action of self interest with guile based on refusal to adopt new condition (cell 2) and loss of long run revenue due to the failure of maladaptation to new circumstance for mutual benefit (cell 4). Opportunism in

this study is one of the independent variable and it will be further discussed later in the hypothesis development.

With regard to TCA, investment in specific asset has seen as one way of reducing or increasing the level of tolerance toward opportunistic behavior (Wathne and Heide 2000). other scholars have contributed on different ways to manage and control opportunism in buyer-seller relationships. (Achrol and Gundlach 1999, Stump and Heide 1996, Dyer 1997, Heide 1994, Young and Wilkinson 1989) suggest the use of legal contacts, (Anderson and Weitz 1989, Zaheer and Venkatraman 1995, Dyer 1997, Heide and John 1992, Granovetter 1985, Noordwier, John, and Nevin 1990, MacNeil 1980, Morgan and Hunt. 1994) relational norms and trust mechanisms, (Williamson 1985, Rindleisch and Heide 1997) vertical integration adaptation, (Klein 1996, Kogut 1988, Buvik and Reve 2002) specific investment to the relationship, (Abreu 1988, Axelrod and Hamilton 1981, Taylor 1987) game theory, and (Anderson and Weitz 1992, Heide and Miner 1992) by focusing on long-term business perspective.

3.2.2 Transaction Cost Dimensions

Three dimensions of TCA were identified in (Williamson 1985) to explain why one transaction differ from the other. Those dimensions are specific asset investment, uncertainty and frequency of transaction.

- **Transaction Specific Investment**

Specific investment play a crucial role in facilitating firm's performance (Brown, Crosno, and Dev 2009, Stump and Joshi 1999) and safeguarding mechanism against opportunism (Rokkan, Heide, and Wathne 2003, Brown, Crosno, and Dev 2009). TSI are becoming common attributes of many buyer-supplier relationships as they offer special bondage due to its special nature dedicated to specific transaction relationship. (Williamson 1985, 1991) identify six type of specific assets as site, physical assets, human asset, brand name, temporal and dedicated specific investment. Because of their nature on being difficult to be redeployed in other alternative use without losing value if the relationship is terminated, they poss a substantial risk (Rokkan, Heide, and Wathne 2003, Anderson and Weitz 1992) and thus create a lock-in situation. In contrary, the possibility for the relationship to continue

over long term is high when the specific asset is involved in a relationship (Williamson 1985).

Specific investments can be made by either party or both for various reason. These reasons include to gain access of important material of production, the usage of brand name, guarantee sources of supply, constant revenue or better contract terms (Stump and Joshi 1999). Relational view of specific investment by both partners suggest the likelihood occurrence of new transaction in the future if there is non-existence of multi-sourcing (Rindleisch and Heide 1997), as well as potecting each partner from opportunistic behavior (Buvik and Reve 2001). In the existing relationship, the level of commitment, trust, development of relational norms and ability of partners to adapt to new environment for the sake of sustaining relationship coupled with distinctive investments foster the continuity of relationship in long term (Bensaou and Anderson 1999). Similary (Buvik and Haugland 2005) found out that, legal contractual agreement is substantially reduced when both partners invest in specific investment in a relationship that develop over time. High degree of involvement in past relationship may contribute to the investment in specific assets (Stump and Joshi 1999).

Although many studies show the positive correlation between specific investment and opportunism, specific investment in different manner may call for opportunistic behavior by one partner to the other due to the fact that such investment has less value outside the relationship (Brown, Crosno, and Dev 2009, Rokkan, Heide, and Wathne 2003). Regarding this argument, therefore, (Rokkan, Heide, and Wathne 2003) suggest that, the impact of specific investment in the relationship depend on the relationship duration and the norms that develop out of the trust embedded in that relationship over a substantial period of time.

In the case of unilateral specific investment, development of safeguarding mechanism against opportunistic behavior is endorsed ex ante (Buvik and Haugland 2005). Contractual coordination is adopted especially by investing partner to protect its assets from opportunistic party. As relationship develop over time, relational norms and trust develop that surpus the need to rely on contractual coordination (MacNeil 1978). This may necessitate the governance mechanism to change responding the changes in the market. According to (Buvik and Haugland 2005), flexibility in governance mechanism is required

to allow adaptation because adjustments occur over a period of time and exchange parties can not negotiate ex ante as long as bounded rationality is considered.

Specific asset is a commitment that has a sunk cost. It needs a lot of trust to invest in a specialized investment in a relationship by parties. Parties are willing to invest in a specific asset if there are benefits out of it by both or either of the parties.

In this study, buyer-specific investment is crucial to determine the long-term orientation of the business because if the buyers invest in a specific investment it means that they trust and are satisfied by seller performance and, thus, willing to be in a relationship in the long term. Additionally, buyers risk to invest in a specialized asset because the reward of it is greater than the cost in the long run. To the seller's side, investment by a buyer in a specific investment assures the continuity of business in the long time. The reciprocal investment by a seller in a specific investment in a relationship increases the confidence to the buyers and, therefore, mutual benefits are expected in the long run. Buyer-specific investment in this study is said to positively influence long-term orientation and will be explained more in the next chapter of hypotheses development.

Additionally, they may choose to invest in specific assets as a reciprocal investment or as the first move to motivate buyers for business continuity. In this study it has been argued that, supplier-specific investment can significantly affect business continuity at the existence of supplier flexibility. Therefore, supplier-specific investment is said to positively influence long-term orientation at the moderation effect of supplier flexibility and are further explained in the hypotheses development in chapter 4.

- **Uncertainty**

Generally it is an unstable condition where decision making becomes difficult to assume all possible events. Bounded rationality limits the ability to develop a detailed agreement strategy which can foresee all possible features of a transaction in advance (Williamson 1985), and thus, governance structures are developed to safeguard against any opportunistic behavior. As described by (Williamson 1985), uncertainty falls under behavior or environment uncertainty. Behaviour uncertainty is important in the understanding of transaction cost theory because it features on opportunism from economic agents while environmental

uncertainty arises from changes in external environment which can not be foreseen ex ante and thus impact on how the transactions are structured (Williamson 1985). Due to inability to predict what might be the reactional behaviour of other partner in any an anticipated situations, firms tend to seek flexibility in an exchange relationship (Stump and Joshi 1999). The relationships that comprehend specific investments are vulnerable to uncertainty because the failure of adaptation to environment changes exposes the firm to specific investment to opportunistic behavior (Williamson 1985). Specific investment creates a lock-in situation which is very difficult to shift to another supplier without losing the value invested (high switching cost) and if the relationship continues should more investment require to protect the already invested capital in or call for more safeguarding mechanism for future events (Stump and Joshi 1999).

Coping with uncertainty, different researches from transaction cost theory and relational norms suggest the use of governance mechanism like vertical integration and coordination (hierarchical governance) with the adaptation of specific assets (Buvik and John 2000, Heide and John 1990, Lusch and Brown 1996, Williamson 1985, Sutcliffe and Zaheer 1998). Though, external uncertainty has a tendency to condense the length of relationship, to secure the source of supply buyer invest specific investment in the relationship for future purchase. This is not merely the case general because partners who seek continuity of business adapt to environment changes (flexibility), but perceived uncertainty may drive firms to invest in specific investment (Pfeffer and Salancik 1978, Milliken 1987, Harrison and Kelly 2010).

- **Frequency of Transaction**

Frequency dimension is characterized as the activities of buyer in the market which can fall under one time purchase, sporadic and frequent transactions. Sporadic and frequent transaction is very much visible in buyer-supplier relationship and thus firms earnest develop governance structure that enable to maintain their relationships (Williamson 1979). The implications of governance structure to more of large repeated transaction is significance, the importance of which is more noticed when sustenance with investment in specialized asset (Williamson 1985). Repeated transaction between buyer and seller allow the development of social norms for which in long term govern the transactions. It shows the growing concern and interest between exchange partners and at the same time depress opportunism. In addition, it is a favourable condition for mutual understanding and strengthen communication due to frequent interactions. Nonetheless, it promote the use of

relational norms and enhance mutual cooperation and thus reduce the need of contractual safeguards (Yang and Cai 2008).

Partners are more willing to invest in a relationship for a long-term where the degree of purchasing frequency is high because the frequency of purchase have a positive consequences in the investment of hierachies that reduce transaction cost (Yeung, Cheng, and Lai 2005). Relationship between partners is strengthened as order frequency increases regardless of standardized or specialized purchases though the investment of transaction specific investment increases and improves the coordination efforts between business partners as the expectation of future interaction is very high (Buvik 2000). (Heide and Miner 1992) stressed out that, mutual cooperation is extended in the future between partners as frequency of order increases. Frequently ordering of standardize or specialized goods allow partners to interact more often, thus, increases the chance to develop business ties for a long time. This is also supported by sociologists and economists who argued that frequency transaction between partners reassure continuity of business in the future because it provides continous sharing of information. As time goes the partners will learn who to trust and who not to trust (Poppo and Zenger 2002).

3.3 Relational Contracting Theory (RCT)

Classifying contract in two types as discrete transaction and relational contract, Ian Macneil was able to come up with ten exchange norms; these are role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, solidarity, the linking norms (restitution, reliance and expectation interests), creation and restraint of power, propriety of means, and harmonization with the social matrix (MacNeil 1978, 1980).). Discrete transaction involves one purchase while relational contract consists of frequency transaction and long-term relationships between parties (Wightman 2000). McNeil focus his work on the social behavior and exchange phenomenon of contracting. He also provides a clear distinction between discrete transaction and relation contraction by looking at the twelve characteristics of differences which are relationship type, measurability, sources of economic support, duration of relationship, termination, planning, expected future cooperation, benefits and liabilities, obligations fulfilment, transferability, number of members and member's views (Diathesopoulos 2010).

Relationship of firms over time tend to shift the exchange coordination on relational governance more than contractual agreement (Buvik and Halskau 2001). This is highly attributed more when the level of specific investment and uncertainty is high. Trust is an important catalyst in any business exchange to take place over long period of time. When the relationship grows over time, firms tend to develop inform norm and rules followed by established trust and cooperation for future economic benefit (Heide and John 1990).

3.3.1 Trust, Flexibility, Relationship Duration and Long term orientation

TCA and RCT theories underline that cooperation between firms emerges through the development of specific relationship which deepens its roots as the partners interacts for a period of time. Trust and commitment between partners are important catalysts for the relationship to reveals its potential expectation through mutual cooperation (Heide and Miner 1992). Contrary to other studies of of TCA which state that cooperation in interorganization arrangement arises as a result of dependancy between firms (Williamson 1985), social norms theories suggest that cooperation between firms develops through firms interactions, commitment and trust over an extended period of time (Heide and Miner 1992). Time duration of the relationship create certain norms that over time will develop personal relationship and trust that will likely govern the business relationship (MacNeil 1978). Development of relational norms require trust between partners which needs time to materialized in the relationship. Relational contract is adjusted over time depending on experience of past relationship and current situation and therefore, governance structure will stray from prio formal contractual agreement (Buvik and Halskau 2001, MacNeil 1978).

Relational Norm of Trust

The expectation of business continuity and investment of specific assets depends largely on the degree of trust between buyers and suppliers. The positive relationship between trust and performance satisfaction trigger the commitment of partners to the relationship hence, long term orientation investment (Nyaga, Whipple, and Lynch 2010). Trust is the state of confidence involving positive expectation in the risky environment about oneself or other part. It is important factor in the development of any personal or inter-firm relationship though (Jeffries and Reed 2000) argued that,too much or too little of it is bad for inter-organizational relationship. Firms perceive the existing of trust when there is honesty and credibility. These two determinant of trust ensure the partners of less opportunistic behaviour in the relationship.

Trust is expected to develop over a certain period of time. It affects the long term orientation positively when partners in business believe that each party will perform its duties without taking advantage of other party, buyer is confidence that over a long period of time short term inconveniences will be resolved and transaction cost will be reduced over long term (Grayson 2007, Ganesan 1994) . Trust can be linked with TCA because it reduces supplier monitoring cost, administration cost in long term and cost related to contract drafting gap (opportunism). In a nut shell, trust developed in a long period influence transactional cost reduction through increase purchasing performance outcome and, therefore, strengthen long term orientation (Ryu, Park, and Min 2007). According to (Cannon et al. 2010), buyer are willing to enter into long-term business relationship and invest in transaction specific asset with suppliers they trust most in all ways. In this study trust was linked with supplier performance satisfaction in terms of economic performance. This means that, buyers will not enter into a relationship trusting that supplier will perform in the future but they will be confidence enough to enter into long-term orientation after a certain time when they are sure supplier performance is satisfactory. Buyers' trust in supplier performance is necessary for long time committment.

Relational Norm of Flexibility

As firms moves from spot purchasing to other extreme of vertical integration when transactions increases, common relational norms of flexibility, information exchange and solidarity may develop (Heide and John 1992). Also the duration of relationship will determine how supplier will be flexible to respond buyer's request due to the development of shared norms of exchange overtime (Heide and Wathne 2004). Flexibility of supplier towards unpredictable events build confidence and trust of the buyer which enhance the chance for future businesses (Noordwier, John, and Nevin 1990).

The effort of sustaining current relationship for a long time had lead to replacement of contractual governance to more of relational governance. This has been facilitated by parties being flexible to adjust contractual terms to adapt the changing environment. From the buyers' perspective, supplier flexibility offers assurance that, the adjustment of contractual term by the supplier due to the changed circumstances or unforeseen event is for the well-being of relationship and mutual benefit (Heide and John 1992). In this perspective, buyers are likely to remain in the relationship for along time. The effect of supplier flexibility is

more significant in the existence of supplier specific investment as explained later in the chapter 4.

Relationship Duration

Duration of the relationship has impact on the flexibility, trust and development of relational norms (Anderson and Weitz 1989). (Samouel 2007) found out that relational norms as perceived by buyer and seller are developed as duration of relationship increases. This is because as partners are involved in a relationship for a long time social and cultural distance is reduces and mutual commitment is development with less self interest.

3.4 Chapter Summary

In this chapter, Transaction Cost Analysis and Relational Contracting Theory were discussed as relevant theories to this study. Under TCA, any economic exchange is bounded rationale thus causing other part to act opportunistically when circumstances change. Also investing in specific asset is suggested to create ex-post opportunism when done by one part but it can be used to mitigate opportunism when done by both parties. The RCT suggests that, when parties to a business have been in a business relationship for a long time they tend to develop relational norms which may act as safeguarding mechanism against any opportunistic behavior. In this course, mutual trust is developed and partners are confident that in long run mutual benefit will be realized. Following this chapter is chapter 4 which presents the conceptual model and hypotheses to be tested empirically.

CHAPTER 4

CONCEPTUAL MODEL AND HYPOTHESES

4.1 Introduction

This chapter presents an overview and development of research hypotheses based on theoretical foundation built in previous chapter. Figure 4.1 presented in this chapter shows the study research model with five independent variables, dependent variable and two control variables. Four variables (Supplier performance, Buyer-specific investment, supplier-specific investment and flexibility) positively influence the long-term orientation while opportunism lead to a negative association as argued by different literatures. The research model also has an interaction effect as depicted in the figure 4.1

4.2 Research Model Overview

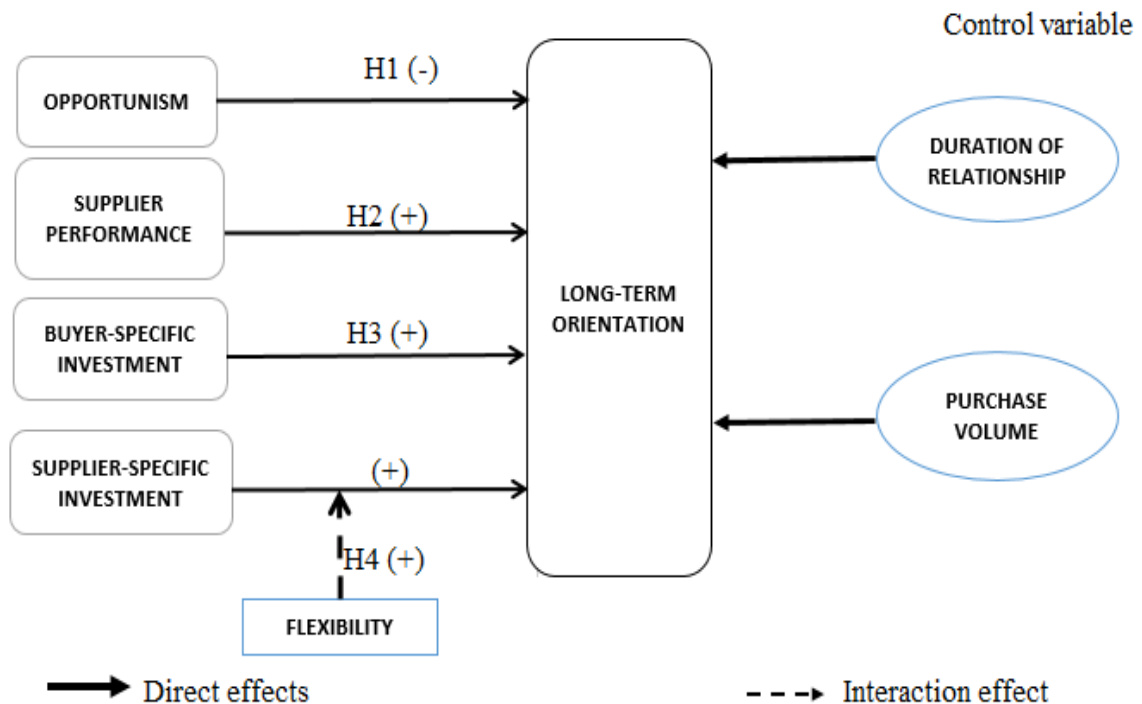
Research model developed in this study seek out to investigate factors toward long-term orientation in buyer-seller relationship between Superdoll Trailer Manufacture Co. (T) Ltd (seller) and its clients. This study empirically test how Opportunism (OPPORT), supplier performance satisfaction (PERFORM), buyer specific-investment (BUYSPECINV), supplier specific-investment (SUPSPECINV) and flexibility (FLEX) as independent variables affect the dependent variable long-term orientation (LTO).

As indicated in the figure 4.1, long-term orientation is negatively affected by opportunism (H1). This hypothesis suggests that, opportunistic behaviour from either party will make the affected party to terminate the relationship and so the long-term orientation of the business relationship will be shorten. However, buyer are likely to enter into a long-term relationship with the supplier if the performance of that supplier is very satisfactory. This means that supplier meets all buyers' requirement in a satisfactory way as indicated by direct effect of hypothesis (H2). Likewise, hypothesis (H3) presents the positive effect between buyer-specific investment and long-term orientation. This follow the transaction cost economics theory that specific investment tend to create a lock-in effect and bind the parties to a relationship for a long time because the termination of that relationship increase sunk cost. This unilateral buyer specific investment on supplier is strongly affect the determination of long run relationship seeking by supplier. Investment by buyer shows that buyer trust the

supplier to invest in a specific assets for future business gain, the commitment that will lead to mutual benefit in a long run. On the other hand, supplier-specific investment in this study is said to affect long-term orientation positively with the increase of supplier flexibility as proposed by hypothesis (H4).

When the relationship exist for a long time, relational norms based on trust developed between parties that tend to govern the relationship. Relying on non-formal contracting depend strongly on the time that buyer and seller have been in a relationship (Duration of Relationship). Thus, control variables of this study is relationship duration and purchase volume which have positive effects on long-term orientation.

Figure 4. 1: Conceptual Research Model



Source: Own development based on literature review

4.3 Research Hypotheses

Research hypotheses of this study were developed based on long-term relationship studies between buyer and seller. Furthermore, Transaction Cost Analysis (TCA) and Relational

Contracting Theory (RCT) theories were used to develop relationship between variables to perform an empirical test of this research.

4.3.1 Dependent Variable

Long-term Orientation

Any effective buyer-supplier relationships require trust, commitment in the long-term business orientation for partners' benefits. Recently, buyer-supplier relationship has been a central focus in marketing and supply chain management studies (Cannon et al. 2010). Business actioners have started to realize that being in collaboration with their suppliers has benefit in short term and long term in both monetary form and competitive advantages in the market. In the presence of performance satisfaction, members to a business are willingly to develop and maintain a relationship for a long time. In the same way, satisfaction occur when partners have been together in a relationship over a long period of time enough to enable partners to measure the level of performance between each other (Powers and Reagan 2007).

As defined by (Noordwier, John, and Nevin 1990), Long term orientation build upon relational transaction as a result of repeated purchases. Probability of relationship continuity drive partners to a relationship to think about having long term business orientation. As a firm think of future business interaction with its business partner with no defined end point, the continuity of business over a long period of time is expected. Interorganizational business relationship is expected to continue in the future if the expectation between partner is strongly influenced by factors like performance of the relationship, resource dependency, investment of specific asset, reputation and trust (Heide and Miner 1992). Additionally, (Ganesan 1994) defined long term orientation as the desire and utility of a buyer to adopt long term relationship with a supplier. He further suggests that; the duration of the existing relationship is not alone sufficient enough to explain this desire and intention rather than a necessary indicator.

Building in the conceptualization definition of long term orientation from (Ganesan 1994, Morgan and Hunt. 1994), commitment and trust are two dimension of long term orientation in the realization of both individual and joint benefit in long run. Relational bondage is likely to create a friendship atmosphere between buyer and seller in long term scenario with the

prior definition of roles and responsibility (Wilson 1995, Heide and Wathne 2006). Firms in long term orientation perspective are willing to sacrifice current short run benefit for the sustainable long run mutual benefit (Anderson and Weitz 1992). Long term orientation incorporate both parties join forces to solve problems in a manner that it will enhance higher performance over a long period of time (Cannon et al. 2010). Continuity of relationship is expected between firms in a long term orientation influenced by performance outcome over a long period of time.

Long term orientation hinge on the perception of members on the probability that business relationship will last over time. Different factors has been identified by long term orientation scholars to determine the continuity of business relationship between partners (Anderson and Weitz 1989, Ryu, Park, and Min 2007, Cannon et al. 2010, Le Tuong and Vo Hong 2014, Ryu 2005). Among all factors trust has been identified to be the most crucial to determine the long term orientation. It require trust of both parties to develop mutual dependence that will yield long term benefit in a long run. In the case of monopoly or power imbalance (resource imbalance), long term may be establish because of the lack of alternative sources of supply which make buyers vulnerable to opportunistic behaviour but the relationship is likely to be terminated when other sources of supply are available (Anderson and Weitz 1989).

The level of effort that is devoted in the relationship depend largely on the amount of stake presented in the relationship. Firms are willing to put much of the effort in the relationship that has alot in stake and therefore increases the probability of business continuity. Other suppliers in the supply chain has reputation that make buyer to increase the likelihood of doing business with them in long run. This reputation may comes in the form of product quality, trust, competitive price, delivery, flexibility or all together (Anderson and Weitz 1989).

4.3.2 Hypotheses

4.3.2.1 The Association between Opportunism and Long-term Orientation (H₁)

The study of Transaction cost is based upon the concept of opportunism. For any economic activity that involve specific asset, high level of uncertainty and frequency of transaction,

opportunism is critical problem (Williamson 1979). The incompleteness of contract due to the assumption of bounded rationality has cause firm to act opportunistically. In his conclusion, (Williamson 1979) said that, in reducing opportunism, consideration must be emphasized during contract arrangement and opportunism must be controlled in effective way which is cost consciousness, otherwise it might lead to another form of opportunistic behaviour it tries to defend as suggested by (Sheth and Sharma 1997, Wuyts and Geyskens 2005). In (Williamson 1993) opportunism is defined as “self-interest seeking with guile”. If opportunism in a buyer-seller relationship is high, much effort and resources may be advocated in controlling and monitoring and thus, high opportunity cost (Wathne and Heide 2000). In this case the long-term orientation will be negatively affected. Recent study has suggested that, relational norms and joint problem solving is a better way of cutting down opportunism and increase quality of relationship in buyer-seller relationship for future continuity of business in long term because relational norms develop with trust that partner will jointly act for mutual benefit.

Opportunism may also appear when parties to a relationship fail to define the time prospect of their relationship. Defined time bound of the relationship expose the business relationship to ex-post opportunism while literatures suggest that prior undecided of the length of time may protect firms against opportunistic behaviour and improve collaboration between partners for mutual benefit (Yaquab 2009). Being in a relationship for a long time reduces uncertainty which is one factor for opportunism. Partners who act opportunistically pursue short terms self interest benefit in the expense of long term mutual goals (Yaquab 2009). Additionally, as suggested by theories of TCA and RCT, continuity of relationship over an extended period of time may develop relational norms and trust that may complement or substitute prior contractual agreement, the situation that may act as safeguarding against opportunistic behaviour (Poppo and Zenger 2002).

Supplier may use unplanned situation opportunistical to gain extra revenue from a buyer. This happen when a seller refuse to change its term according to a new situation for a short term gain, the result of which buyer terminate the contract and future business is compromised (Wathne and Heide 2000). Moreover, a seller may actively act opportunistically by failure to adopt to new circumstance after an extensive renegotiation. This renegotiation increase unexpected cost to buyer and the failure will lead to high opportunity cost (Wathne and Heide 2000). The elasticity of a supplier to adopt to new

environment without taking the advantage of the situation for individual short term gain may result in a long term mutual benefit and, hence, long term relationship. This theoretical discussion lead to the following hypothesis:

H1: Opportunism is negatively associated with long-term orientation

4.3.2.2 The Association between Performance Satisfaction and Long-term Orientation (H₂)

Trust and commitment are the key factors in maintaining long term relationship influenced by fundamental performance in a relationship. Performance satisfaction attained after members to a relationship satisfied by business value delivered in a business relationship (Gruen, Summers., and Acito. 2000). Being in a relationship with a supplier for a long time can enable a buyer to observe the performance satisfaction of the relationship and thus create a bond for a long term orientation perspective (Powers and Reagan 2007). Several studies have shown the positive link between strategic purchasing and performance satisfaction of the firm. (Carr and Pearson 1999) confirm that, long term relationships with key suppliers have a positive impact on the firm's financial outcomes provided that effort are focused on strategic supplier selection. Cost of negotiating, implementing, coordinating and monitoring add up to the transaction cost and thus, careful supplier selection to long-term relationship will reduce transaction cost and increase financial performance of the firm. (Spekman 1985) stated that, knowing suppliers' strength and weakness over a period of time will enable a firm to better manage the relationship. This necessitate proper evaluation of key potential suppliers.

Buyer's interest in remaining in the relationship with a supplier in long run is largely influenced by the trust they developed about performance of the supplier (Nyaga, Whipple, and Lynch 2010). Long-term commitment result after buyers trust their supplier to perform accordingly. This decision comes after buyers and suppliers have been in a relationship for a time that will prove the reliability of supplier performance. Supplier performance will build a trust to buyers that they can commit for long-term business relationship. In measuring the performance of the suppliers, buyer consider relative price performance (purchase price, total cost of ownership and terms of sale), product/service performance and delivery performance (Cannon et al. 2010, Cannon and Doney. 1997, Monczka et al. 1998). Price performance of the seller is very important consideration in the long term orientation for the

buying firm because it has great impact to the buyer's price competitive advantage and profitability in the market. It has been found price to be the main reason for many buyers to shift to another supplier (Wathne, Heide., and Biong. 2001). Likewise, product and delivery performance are also important in firm's competitive advantage as it may depend on the reliability, usage, easy maintenance and fast delivery in addition to price advantage.

The kind of relationship that a buyer is developed with a supplier has potential for competitive advantage (Sheth and Sharma 1997). This is due to the fact that, long term relationship with supplier may bring both cost benefit and revenue benefit as long as transaction cost and coordination is involved. Cost benefit arise from the cost saving as a result of long-term relationship and revenue benefit are that income generated from the jointly problem solving with the key suppliers (Sheth and Sharma 1997), otherwise, in the situation of many sellers and low switching cost buyer may move to another seller (Buvik and Halskau 2001, Carr and Pearson 1999, Caniels and Gelderman 2007). This study propose that,

H2: Performance Satisfaction is positively related with the long-term orientation

4.3.2.3 The Association between Buyer-Specific Investment, and Long-term Orientation

This is an investment that is dedicated to a specific relationship that have no or less value outside that particular relationship. The deployment of it mark the shift of governance structure as the investing firm expose its asset at risk because it can not be re-deployed in other purposes whitout lossing its productive value. Specific investment creates interorganization dependence as number of firms reduced to small number condition (Buvik and Reve 2001). When the investment is done by one part, over a long run there is strong need for contractual safeguarding against opportunistic behaviour as other part may try to renegotiate the contract opportunistically when any unpredictable event occur but under mutual deployment, continuity of relationship may reduce the contractual governace by creating "self enforcing contracts" by both parties under the existance of trust and social norms (Buvik and Haugland 2005, Yaqub 2009).

In case the relationship is ended as a result of opportunism, the value of transaction specific asset is reduced significantly. Therefore, high transaction specific investment creates the

problem of ex-post opportunism which may lead to contract termination within a short time (Gurcaylilar 2013). However, investing in specific investment may create a barrier for parties to exit the relationship and, thus, form a bond of togetherness for a long time. This is attributed by relational norms and trust that developed in a relationship after partners doing business for a long time (Ganesan 1994). Partners investment in specific assets is said to positively increases the prospects of business continuity for a long time as well as the level of trust. Time duration of relationship will depend on the ability of investing partner to safeguarding its specific investment under different changing environment. Trust, on the other hand can facilitate the adaptation to uncertainty by reducing the opportunistic behavior to the other part (Suh and Kwon 2006).

In a long time, investing in a specific assets show that parties in a relationship develop a trust that, contract incompleteness may not be taken advantage of, and, parties will adapt to changes for mutual benefit (Anderson and Weitz 1989). Buyer-specific investement has been studied by (Rokkan, Heide, and Wathne 2003) to affect long time relationship with a seller. In their study, it has been argued that, given the seller is receiving significant benefit over a long time from this specialized asset by a buyer, seller will unlikely act opportunistically to cause the termination of the contract. This situation of unilateral investment will create self enforcing governance mechanism given that a seller is the one striving to have buyers over a long time within a stiff busines competition. Because the specific assets have low or no value outside the relationship, buyer will invest in asset specificity if the net pay-off of that relationship in long run is high (Rokkan, Heide, and Wathne 2003).

This also has been illustrated in a game theoretic studies to reflect the fact that buyer specific investment will create opportunistic behaviour by the supplier where short term benefit is significant to seller, while in the other hand if long term orientation by the seller is thought to reap potential benefit from the relationship with this buyer, specific investment will deter opportunism (Axelrod 1984, Axelrod and Hamilton 1981). In buyer-seller relationship, the expectation of future profit in a long run time horizon will by itself serve as safeguarding mechanism against opportunistic behaviour to gain from long term benefit by sacrificing short term gain opportunistically (Rokkan, Heide, and Wathne 2003). In the transaction cost studies, buyer make specific investment under repeated purchase condition to reduce transaction cost over a long time period (Williamson 1979, Powers and Reagan 2007). The

significance of buyer-specific investment depends on the future benefit expected from the relationship with seller. Thus, in this study i propose the following hypothesis:

H3:Significantly increase in buyer-specific investment will positively increase the long-term orientation relationship

4.3.2.4 Interaction Effect

4.3.4.4.1 Supplier Specific Investment, Flexibility and Long-Term Orientation

Supplier-specific Investment

Suppliers will specifically invest in a relationship if they know that by doing so future benefits will be created, or their current situation will not deteriorate. In the situation where investment by supplier will create opportunistic behaviour by the buyer, supplier will engage in safeguarding control to protects its assets (Wagner and Bode 2014). Literatures on long-term oriantion studies stressed out that, over a long period of time relational norms can be used to guide the relationship because of the trust that has been developed between partners(Powers and Reagan 2007, MacNeil 1980). Due to the future benefits embadded in the relationship with buyers, supplier make specific investment if such investments boost the efficiency and effectivenss toward that goal.

This reciprocal commitment in specific investment by supplier will further streghten the relationship between buyer and supplier for a long time (Cannon and Homburg 2001, Buvik and Haugland 2005). Mutual investment in specific assets decrease the level of contractual arrangement as firms will move more on relational norms over a period of time (Buvik and Haugland 2005). Investing in specific asset by supplier it shows that, the supplier incurred this cost to show its commitment toward a long-term relationship. Over a period of time, supplier can adopt relational norm of flexibility and trust to sustain the continuity of relationship with a buyer. This will result in satisfaction increase to a buyer and, thus, stronger buyer-supplier relationship (Wagner and Bode 2014).

Supplier flexibility

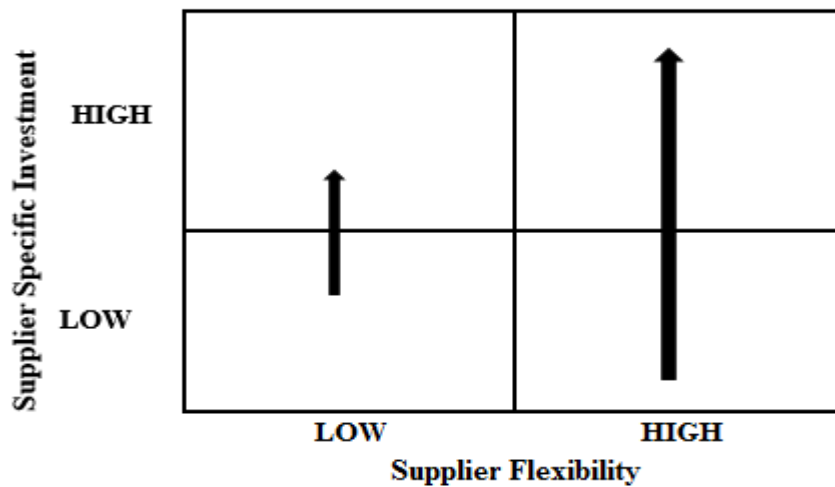
Supplier Flexibility is when a supplier respond to buyer's request for a change that was not foreseen during contract development. Buyer may request a change in product volume, price, place delivery or fast delivery (Noordwier, John, and Nevin 1990). Flexibility is very

important norm in a day-to-day business operations giving the competition of today's market. Supplier firm may set rigid rules and guidelines on how to solve problems, and yet such rules may be used by competitors to win its customers (Dyer 1996). Being in a relationship for a long-time, buyer expect seller to be more flexibility to changing situation. Flexibility is defined by (Heide 1994) to include the willingness of a partner to accommodate changes in circumstance in a business relationship. Buyer may require supplier flexibility in different dimension of a relationship terms like price, delivery and volume (Heide and Wathne 2004). Thus, flexible supplier may be able to accommodate a buyer for a long time.

Flexibility foster cooperation for continuity of business. Under specific investment condition, supplier will be flexible to its extant relationship terms and condition if such action will lead to long term orientation (MacNeil 1978, Heide and Wathne 2004). The development of trust also contribute to the safeguarding governance mechanism for transaction specific investment against opportunistic behavior when there is uncertainty. It facilitate cooperative environment and flexibility between partners when adaptation is required to the changing circumstances and, therefore, decrease the chances of ex-post opportunism to opportunistic partner during contract renegotiations (Gurcaylilar 2013, Heide and John 1992). Trust depend on the relationship history between the buyer and seller and, therefore, so do supplier performance satisfaction and relational norm of flexibility (Ryu, Park, and Min 2007).

Following the abovementioned arguments, this study based on few researches done on specific investment and flexibility proposed that, regardless of the extent of supplier-specific investment, long-term orientation will be affected by the flexibility level of the supplier. The significance effect of supplier-specific investment on long-term orientation is largely depend on the responsiveness of supplier to buyers' request. This is argued in the following figure 4.2 below.

Figure 4. 2: Moderating Effect of Supplier Flexibility and Supplier-specific Investment on Long-term Orientation



Source: Own formulation from literature review

Supplier flexibility moderate the effect of supplier-specific investment on long-term orientation as shown by figure 4.2 above. The increasing extensity of supplier-specific investment will lead to long-term orientation if the supplier flexibility is high as shown by long arrow. This is displaye in the second column where the movement of an arrow is from low to high supplier-specific investment under high flexibility. On the other hand, the figure also depict short-term orientation under low flexibility irrespective of the increasing extent of supplier-specific investment. The level of flexibility depend on how well supplier know the buyer and how long they have been in a relationship to trust each other to act in a good-faith.

This phenomenon in figure 4.2 is further discussed below by the matrix in figure 4.3 below.

Figure 4. 3: Matrix of Supplier-specific Investment, Supplier flexibility and Long-term Orientation

Supplier Specific Investment	HIGH	Short-term business Orientation Cell 1	Long-term Orientation Cell 2
	LOW	Very short-term Orientation Cell 3	Medium- long business Orientation Cell 4
		LOW	HIGH
		Supplier Flexibility	

Source: Own formulation from literature review

Cell 1: This cell shows a situation where supplier invest highly in specific investment but its response to buyer's request concerning a changing circumstance is very low. This means that, under a emergence state, supplier is rigid to original terms whether be price, delivery place or lead time. In this situation, the probability of buyers to continue doing business with this supplier is very low. Within a short time of a relationship, buyer may be forced to go to another supplier.

Cell 2: Displays a scenario where supplier has highly invested in specific assets in a relationship with a buyer and his flexibility is very high. As suggested by (Heide and John 1992), long-term relationship is significantly increased by supplier-specific investment with the increase with flexibility. Business continuity will be regarded by buyer if supplier is confidence enough to invest in specialized asset as well as flexible to adopt to new environment whenever happened.

Cell 3: This is the state where specific investment by seller is low and its response towards buyer's request of change is also very low. In situation like this continuity of business for a long time is not expected. The massive business competition of today's world give a favourable condition for buyer to switch to another seller if switching cost is low. Therefore, in the long-run supplier may loose business to its competitors because buyer are willing to do business with flexible supplier given the changing environment of business context.

Cell 4: As flexibility is very important catalyst in supplier-specific investment and long-term orientation, highly flexible supplier will have a greater chance to win a customer for a long time even if deployment of its specific asset is low (Dyer 1996). Adaptation of changing environment rooted from trust that developed between partners in a relationship. Highly flexible supplier shows that he is willing to sacrifice current revenue for future long term gain with a buyer.

The expectation of future business interaction within the inherent context of specific investment will foster the flexibility norm for mutual benefit. Seeking for long time benefit, supplier will be able to adjust to its internal plan to accommodate the changing circumstance (Dyer 1996, Leshem and Tabbach 2012). This has also been attributed by (Heide and John 1992) when they found out that the influence of supplier-specific investment on relationship time horizon is more visible under the existence of norm of flexibility. In this study, therefore, I suggest that the value of supplier-specific investment is largely depend on the extent of responsiveness to change by the supplier to significantly influence long-term relationship with a buyer.

H3: The association between supplier-specific investment and long-term orientation is significantly increased with the increase of supplier flexibility.

4.3.3 Control Variables

These are other variables apart from independent variables that are included in the multiple regression analysis, while themselves are not causal effect but rather are sufficiently correlated with omitted causal factors. The method of entering these variables in the regression is the same as independent variables are entered though the interpretation is different. Control variables in this study are duration of existing relationship (DURATION) and buyers' purchase volume (PURCHASES).

- **Duration of Relationship**

The long-term business orientation between buyer and seller is largely influenced by how long these parties have been in a relationship. Though may sound similar, long-term orientation and relationship duration are different based on the context of the subject matter as explained by different literatures. Prior relationship period/duration of relationship can

positively impact parties to a business for a long term benefit. A short relationship duration means that partners have not much experience about each other for which they will exercise formal control mechanism. Non-formal relational contracting like trust, flexibility and reputation require time to be built up. When a relationship matures, both buyer and seller should have acquired enough experience, confidence enough to invest in specific investment in a relationship for the sake of on-going long term profit.

This process goes hand-in-hand with the development of trust, that parties to the relationship believe one partner should not act at the expense of the other partner for individual gain. When there are strong relational ties between parties, opportunism should be lessened to the extent that the governance control shifts from strong contractual control mechanism to higher of relational norms. When the buyer is satisfied by the supplier performance, with specific assets invested by the buyer within a significant period of time, the supplier can expect that the relationship will extend for a long time in the future. The longer the business parties have been together, the longer they are expected to stay for a long time. Therefore, duration of the relationship is positively related to long-term orientation.

- **Purchase Volume**

The studies of TCA show that, as the firm increases the number of transactions and volume of its purchases to a particular buyer, the expectation of business continuity is developed. Purchasing marks the starting point of any business. Business relationships start to grow as the firm's transactions increase. Governance mechanisms at this stage are necessary to guide the relationship and safeguard assets against opportunistic behaviour (Heide and John 1992, Buvik and John 2000). When the partners involve in the relationship for a long time, governance mechanisms slowly change as parties adapt to relational norms.

Purchase volume depends on the number of transactions or the large amount of money paid per transaction. Recent studies have shown that, the importance of a buyer to a seller depends largely on the volume of transactions by that buyer. Suppliers invest in a specific investment or increase flexibility to a large buyer or a buyer who shows a prospect of growth in the future and therefore influence the strength of a relationship (Buvik and John 2000, Makkonen, Vuori, and Puranen 2016, Tanskanen and Aminoff 2015). For those companies with low transaction numbers and purchase volumes little attention is paid to them.

4.4 Chapter Summary

Research model of this study has been presented in this chapter together with the discussion of each research hypothesis which were developed regarding long-term orientation literatures. Also, the in-depth development of each hypothesis show how TCA and RCT theories have been used to explain relationship between variables. The chapter also provide the discussion of both interaction effect and research control variables. In the next chapter, author will present the research methodology used in this research.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

This chapter present the methodological process followed in this research. Herein, research design and data collection method are described. Questionnaire development and key informant strategy are explained in this chapter to show how data were collected from respondents and the response rate is presented thereafter.

5.2 Research Design

Research design was defined by (Kothari 1990) to include data collection, measurement and analysis. He further explains that, research design provides a blueprint to show what, where, when and how much a research study constitutes. Careful design of research must be thought in the beginning to examine the relationship of variables because it has great impact on how data will be collected and later be analysed based on the research questions formulated (Gupta 2003). Research design act as a road map that provide direction and procedure for the whole research study (Cresswell 2014). Therefore, it presents the whole outline from hypothesis formulation to data analysis and intepretation (Kothari 1990). As a result of this, researchers must come up with the research design that meets the objective and fall within all the possible limitation especially time and money as suggested by (Saunders, Lewis, and Thornhill 2009).

Which type of research design to use depend on the nature of the research question (Robson 2002). (Churchill and Brown 2004) classify research design into descriptive design which describe the frequency of occurring in certain relationship or association between variables (Kothari 1990), exploratory design which deals with exploring new ideas and causal design which explain the cause and effect of variables in relationship. Most of the social research falls under descriptive research. Furthermore, descriptive research design can either be longitudinal or cross-sectional research. Longitudinal research use constantly he same sample of population where as, cross-sectional collect data from a given sample of population only once (Malhotra, Birks, and Wills 2012).

According to (Cresswell 2014), there are three approaches to research, qualitative, quantitative and mixed research. Quantitative research by its simple meaning built on the measurement of quantity. This method includes the use of simulations and modelling to analyse the numerical data to test relationship among variables (Ellram and Siferd 1994). Also in (Cresswell 2014) this method was mentioned to include non-experimental methods like survey, causal-comparative research and correlational research. Quantitative research also involves the use of survey data and secondary data in combination with statistical analysis. The main approach of this study is quantitative research though qualitative research was used in the piloting study where phone interview with the company (Superdoll) representative were made to establish a research problem. Hence, the research design for this study is precisely cross-sectional correlational design.

5.3 Questionnaire Development

All the constructs during questionnaire development were constructed following an extensive literature review on buyer-seller relationship. Similar constructs were adopted from previous studies on long-term orientation to fit this research problem of this company. Additionally, skype interview were conducted as an exploratory study with one of the Superdoll staff and other few people in automobile parts business to gain the understand of the industry and to check the relevance of the constructs in Tanzania automobile business. The aim was to check the relevance of the developed constructs in Tanzania automobile. Specific assets appeared to be more of technical term to them therefore discussion of each constructs were conducted to make sure we were all in the same page before going deep to develop the measures. Other constructs like trust and flexibility were so obvious and needed not much explanation. Many variables were developed but examination and discussion of each of them reduced them to the variables contained in the questionnaire used during data collection. Then the questionnaire was reviewed by supervisor and his inputs were incorporated to obtain the final document as suggested by (DeVellis 2003).

Questionnaire were developed as a survey instrument for data collection. It consist of three parts (see Appendix 1) where part one consists of company background information, part two consists of different variable constructs (multi-item) and part three consists of company general information to gather various information regarding relationship between Superdoll Trailer Manufacturing Co. (T) Ltd and its clients. Respondednts were required to select the

appropriate answer that best describe the company with regard to a particular information using the 7-point likert scale ranging from 1- “strongly disagree” to 7-“strongly agree”.

5.4 Data Collection

This study has made use of both primary data and secondary data in testing the proposed research hypothesis. Primary data collection involves collecting data directly from the field by researcher during survey research. Secondary data on the other hand represent collecting data through desk reviews from published reports, websites, books and scientific journals. Therefore, self-administered questionnaires has been used in this research to collect primary data from Superdoll customers. Companies were chosen randomly from a list of Superdoll companies and questionnaires were distributed and administered in person (Churchill and Brown 2004).

Secondary data, however played crucial role in establishing the theoretical framework and gain more understanding from empirical finding of the study. Secondary data collected from books, documents, scholarly journals, company’s report, theses and other web-based sources provide insight into conceptualization of research model and develop theoretical context.

5.4.1 Population, Sampling Frame, Sample size and Sampling Procedure

Sampling design in empirical study involves the identification of where primary data will be collected, population coverage, size of the sample and how the respondent will be selected (Churchill and Brown 2004). In sampling design, population defined to comprises the totality of cases with selected specification to fit a particular purpose (Churchill and Brown 2004). In regard with this study, population contains all companies that are directly served by Superdoll Trailer Manufacturer Tanzania. These companies are located in different location in Tanzania but this study give priority to those which are located in Dar es Salaam due to time constraints.

- **Sampling Frame and Sampling method**

According to (Churchill and Brown 2004), sampling frame is a list of all members of population that a study wishes to conduct from. Superdoll Trailer Manufacturer Tanzania has approximately 1000 total number of customers ranging from small retail, dealers to big

institutional buyers and offer different product types and services. These customers are distributed all over the country but for those companies with their manufacturing sites outside Dar es Salaam, they still have their main headquarter in Dar es Salaam to organize logistics services. The sampling frame of this study, therefore, comprises of all institutional buyers (of products and/or services) from different industries located in Dar es Salaam. Those which are located in Dar es Salaam from the list were randomly selected and those whose location indicate else where were telephoned to check if they have an office in Dar es Salaam and then be included in sampling frame.

Sampling method is categoried in probabilistic and non-probabilistic sampling. Under probability sampling, each member in the population has an equal chance of being selected but in non-probability sampling the probability of each member to be selected is known in advance. Moreover, probability sampling is further categorised into simple random sampling, stratified random sampling, systematic and cluster sampling (Churchill and Brown 2004). The use of simple random sampling was employed in this study where each buyer in the list of customers provided by the company has an equal chance of being selected.

- **Sample size**

Although this study use simple random sampling to obtain respondents, little or none has been done from different literatures on determine what describe the good sample size in relation to number of variables. (MacCallum et al. 1999) failed to provide the general rule of thumb in sample selection and instead they provide basic guideline in sample size determination. Communality of variables and level of over determination (when number of strength of cause is insufficient) may guide on the size of sample. However, a reasonable sample is important for the proposed hypothesis to be tested as suggested by (Christensen 2000). (Hayduk 1987, Boomsma 1985) state that, sample size of 100 to 150 can be used. In addition to that, (Bearden, Sharma, and Teel 1982) proposed that, a sample size of wide range of 200 to 400 can be used for simple models.

On the other hand, a general rule exist to obtain the sample size under multiple regression analysis as suggested by different scholars. (Van Voorhis and Morgan 2007, Green 1991, Harris 1985) propose that, atleast 50 number of samples which can be increasing with the

increase number of independent variables. (Green 1991) further recommend the formula that state:

$$N > 50 + 8m; \text{ where } m \text{ stand for number of independent variables (IV's).}$$

There are seven total number of independent variables in this study, hence based on the formula provided by (Green 1991), minimum sample size had to be $50 + 8 \times 7 = 106$. A total number of 120 respondent were targeted and questionnaire were distributed accordingly to obtained a reasonable number of sample size that can be analysed.

5.4.2 Key Informant data collection Technique

Key informant technique was adopted for this study to collected data as recommended by (Seidler 1974). This method was not only used to collect data but also to control error during measurement. Measurement errors arise because of questionnaire being filled by a respondent who is not an expert of the study being researched. Interview with the representative from Superdoll has clarify that different people from these companies depending on the company policy are responsible for buying products from Superdoll, not only purchasing officers. Purchasing are done by directors for small companies, owners, purchasing officers, accountant, marketing officer, store manager, procurement manager or operation manager. This diversity of respondents rise the question of who is knowledgeable for the study conducted because we did not have prior information of who is responsible for purchasing activities in the buyers' companies. Because the sample technique was based on simple random sampling, when we arrived at the office we ask about who is responsible for the purchases from superdoll and other suppliers then we introduce ourselves and distribute the questionnaire.

Those who are responsible for procurement activities in the company were responsible for answering the questionnaire because they know enough about the purchasing they make and relationship with Superdoll. We motivated the respondent firms to fill the questionnaire by telling them that Superdoll was conducting this research to improve its performance, therefore each firm should give feedback through filling in the questionnaire.

5.4.3 Questionnaire Administration and Response Rate

According to (Churchill and Brown 2004), a questionnaire can be administered by email, mail, fax, in person or over a telephone. Due to geographical disparities of companies in Dar es Salaam and limited time for data collection (20 January to 26 February 2017), researcher employed two researcher assistants, trained them on the research issues and questionnaire variables before data collection to ensure the same level of understanding and consistency in data collection. To achieve high level of response rate, the researchers visited companies in person to distribute the questionnaires and then personally collect them after the respondents have filled them. This also enabled the researchers to conduct face-to-face interview for more clarification.

Among 120 questionnaires distributed, 86 out of them were filled out and make the response rate for this study to be 72% approximately. This response rate was achieved with the use of face-to-face interview method because other companies were agree to be asked questions and researcher fill the questionnaire himself or herself.

5.5 Chapter Summary

This chapter presented the research design used, data collection procedures and sampling frame. Cross-sectional correlation has been identified as core research design for this study with simple random strategy for sample selection from population. Questionnaire development process has been shown with the clarification of key informant technique used in data collection by personal administer questionnaire to yield high response rate. The subsequent chapter will present the development process and operationalization of each variable.

CHAPTER 6

MEASUREMENT DEVELOPMENT PROCESS AND OPERATIONALIZATION OF VARIABLES

6.1 Introduction

Measurement development model and operationalization of variables are presented in this chapter. In this chapter, each construct is defined and their respective measures are outlined. Moreover, the chapter shows from which literature the measures were adapted and constructed to fit this study. All measures of independent variables and dependent variable are measured by multi-item 7-point likert scale while the control variable is measured by using single-item scale.

6.2 Measurement Process

This study follows different guidelines in measurement designing of constructs as suggested by different researchers (Churchill 1979, Churchill and Peter 1984, Kerlinger 1986). Measures which formulate hypotheses of this study were established after an extensive literature review to get the clue on how other researchers measure the same variables as used in this study. Both multi-item and single-item were used to operationalize the constructs.

While six variables (independent and dependent variables) in the research model use multi-item scale, only two variables which form a control variables (relationship duration and purchase volume) in the research model was constructed by using single item. Multi-item scale was most favored in this study due to its proven ability to increase the dimensionality, reliability and validity of a construct to a study compared to single-scale item (Peter 1979, Kaiser et al. 2012, Hinkin, Tracey, and Enz 1997, Anderson and Gerbing 1982, Steenkamp and Trijp 1991). Poor measurement development may lead to modal invalidation and, thus, poor research conclusion.

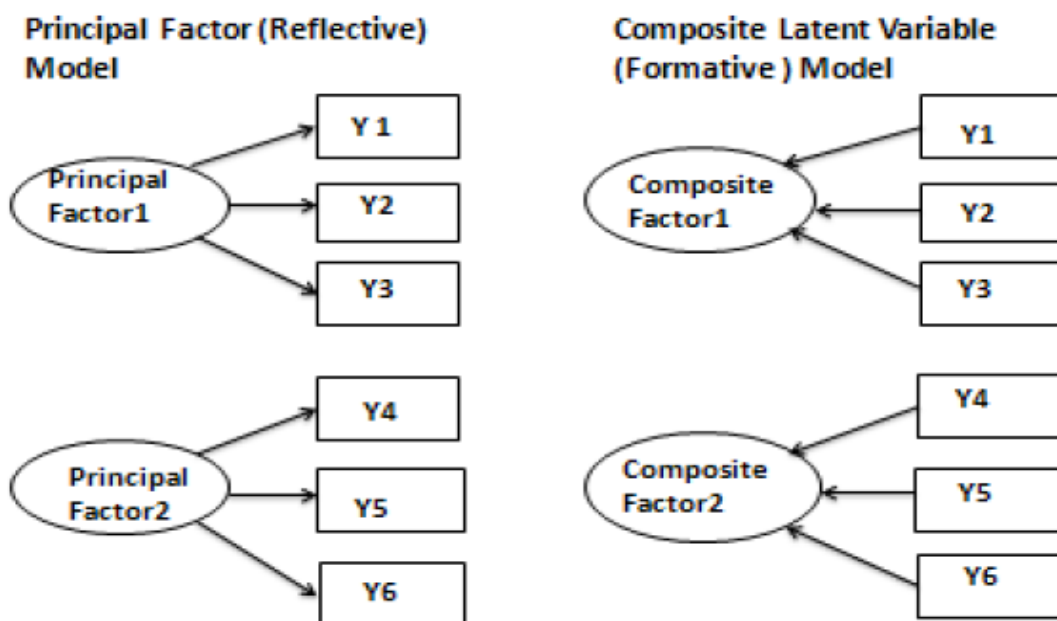
Nevertheless, single-item scale in this research will not undergo validity test rather it will be measured as the natural logarithm of the past relationship period between buyer and seller and buyer purchased volume (Buvik and Haugland 2005, Rokkan, Heide, and Wathne 2003, Anderson and Weitz 1989).

6.3 Measurement Model

All the variables in this research are operationalized by using multi-item reflective scale (Bollen and Lannox 1991) with exceptional to control variables. Reflective model is one among the two model mostly used in inter-firm researches. The other type of model is called composite model. Although both models use multiple indicators, reflective model shows the direction of causality from construct to measures meaning that, removal of a measure does not change the meaning of a construct because the measurement of error occur at an item level (Jarvis, Mackenzie, and Podsakoff 2003).

Studies also suggest the use of reflective model because, under a latent construct, correlation between variables should occur and there must be consistency of indicators (Bollen and Lannox 1991, Bollen 1984) as compared to formative model where internal consistency is not expected to occur and the causality is from measure to construct meaning that errors are considered at construct level (Jarvis, Mackenzie, and Podsakoff 2003).

Figure 6. 1: Measurement Models



Source: (Jarvis, Mackenzie, and Podsakoff 2003)

Choosing the right model for the measurement will ensure the reliability of research findings. Appropriate combination of measures under a latent variable in a multiple scale will reduce errors and guarantee reliability and validity (Epstein 1983). Variations of item

measures cause variation in the construct under composite/formative model because latent constructs is formulated as a combination of its indicators while, on the other hand, latent construct of reflective model exists independent of its measures therefore, variation in items measures does not cause variation in the construct (Jarvis, Mackenzie, and Podsakoff 2003).

6.4 Measurement of Research Variables

In this section, different items that combined to make variable are listed. This study has only one dependend variable; long-term orientation (LTO); five independent variables; opportunism (OPPORT), supplier performance satisfaction (PERFORM), buyer-specific investment (BUYSPECINV), supplier-specific investment (SUPSPECINV) and supplier flexibility (FLEX); and two control variables; relationship duration (DURATION) and purchase volume (PURCHASES).

6.4.1 Dependent Variable

Long-term Orientation (LTO)

Long-term orientation is the study dependent variables. This variable is constructed by six items adopted and modified to capture the information about long-term business orientation to fit the research problem in this study (Anderson and Weitz 1989, Heide and Stump 1995, Noordwier, John, and Nevin 1990, Ganesan 1994, Heide and Miner 1992, Lusch and Brown 1996). Long-term orientation construct was modelled using 7-point likert scale from “strongly disagree” to “strongly agree”.

LTO 1: We expect our relationship with this supplier to continue for a long time in the future

LTO 2: Our company has made plans for future purchase with this supplier

LTO 3: We believe that our company’s profit will be realized with this supplier in the long run

LTO 4: Long-term orientation with this supplier is crucial for our business

LTO 5: The investments we have made in this relationship will yield more returns in the long run

LTO 6: We expect that our contract with this supplier will be generally renewed for a long time in the future

6.4.2 Independent Variables

Opportunism (OPPORT)

This variables measure the supplier opportunistic behavior for own self interest. Its measure where adopted from different opportunism literatures (Rokkan, Heide, and Wathne 2003, Dwyer, Shurr, and Oh 1987, Brown, Dev, and Lee 2000, Achrol and Gundlach 1999, Wathne and Heide 2000). Opportunism was modelled by 7-point likert scale form “strongly disagree” to “strongly agree”.

OPPORT 1: Frequently, this supplier makes false promises regarding the provision of technical support assistance

OPPORT 2: This supplier very often use emergency situation to show its effort in service improvement

OPPORT 3: This supplier is often deny to accept responsibilities regarding the poor quality of the product in advance

OPPORT 4: Frequently, this supplier provides us with false information regarding the life time of the product

OPPORT 5: This supplier does very often alter information regarding the products/services to take advantage for his own benefit

OPPORT 6: This supplier very often uses unanticipated events in our comapny to charge us extra money

OPPORT 7: Repeatedly, this supplier provides us with products/services contrary to what has been agreed in the contract

TRUST

This variable was develop to measure how much a buyer trust the supplier in their business transaction. Items to measure trust were adapted from (Ganesan 1994) and (Cannon et al. 2010). Trust was modelled by reflective 7-point likert scale form “strongly disagree” to “strongly agree”.

TRUST 1: This supplier takes our business into consideration when making important decision

TRUST 2: This supplier always fulfils its promises to our company

TRUST 3: This supplier always provides us with the right information regarding product and services

TRUST 4: This supplier always uses friendly and informal approaches to resolve any conflicts with our company

TRUST 5: We trust that this supplier's future decisions will affect our business in a very satisfactory way

TRUST 6: This supplier is trustworthy

Buyer-specific investment (BUYSPECINV)

These are investments of any form that have been by a buyer to a supplier in a such that switching to another supplier create a sunk cost effect. This constructs was measured by items adopted from (Heide and John 1990, Stump and Heide 1996, Heide and Stump 1995, Rokkan, Heide, and Wathne 2003, Ganesan 1994). 7-point likert scale form "strongly disagree" to "strongly agree" was used.

BUYSPECINV 1: A certain amount of money is paid in advance to this supplier when a product is ordered or service contract is signed

BUYSPECINV 2: Our company has developed a customised information sharing system that notify this supplier of any requirement needed

BUYSPECINV 3: Our company has invested in a specialized quality assurance program with this supplier that ensures performance and safety of tires and trailers

BUYSPECINV 4: If our company decided to move to another supplier, a substantial part of our investment we made to accomodate this supplier will be less value

Supplier-specific investment (SUPSPECINV)

Investments of these form are made by supplier to accomodate a buyer in such a way that they have got less value outside that relationship. Constructs was modelled in a 7-point likert scale form "strongly disagree" to "strongly agree" and items were adopted from (Anderson and Weitz 1992, Heide and John 1990, Ganesan 1994, Stump and Heide 1996, Heide and Wathne 2004).

SUPSPECINV 1: This supplier has made significant investments in equipment to accommodate our business

SUPSPECINV 2: This supplier has made significant investment in technology to

accommodate our business

SUPSPECINV 3: This supplier has made significant investment in training to accommodate our business

SUPSPECINV 4: This supplier has devoted a lot of time and resources in fulfilling our routinely service requirement

SUPSPECINV 5: This supplier has made significant investments in logistics service that meet our service requirement.

SUPSPECINV 6: This supplier has made considerable investments in training its staff to equip them with specialized knowledge to fit our service requirements.

SUPSPECINV 7: This supplier spends a lot of resources to coordinate its operations with our company.

SUPSPECINV 8: In case our company decided to switch to another supplier, this supplier will lose significant part of its investments they have made doing business with our company.

Flexibility (FLEX)

Flexibility was measured from buyer's side to reflect on the supplier response to buyers' request to change. This variable was modelled as a 7-point likert scale form "strongly disagree" to "strongly agree" and measures were adopted from (Heide and Wathne 2004, Noordwier, John, and Nevin 1990, Ryu, Park, and Min 2007).

FLEX 1: When an unexpected situation occurs, this supplier always form a new agreement rather than forcing our company to refer to the old agreement.

FLEX 2: The price can be negotiated with this supplier in case of any price changes in the environment.

FLEX 3: This supplier is very flexible to modify terms of contract when unexpected event occurs.

FLEX 4: This supplier is very flexible to allow open discussion when there is changes in product specifications.

6.4.3 Control Variable

Relationship Duration (DURATION)

Duration of the existing relationship was included in this research as a control variable. The length of time that buyer and seller have been in a relationship determine to what extent they are willing to go on doing business together. This variable was measured as a single item scale (Anderson and Weitz 1992, Ganesan 1994, Ryu, Park, and Min 2007) to obtain number of years that buyer and seller have been in a relationship. Duration of the relationship was transformed to natural logarithm to obtain nonlinear values because the experience of the buyer and seller in a transaction relationship accrues at a decreasing rate (Heide and Miner 1992).

For how long have you been doing business with this supplier?Years

Purchase volume

Following the research work by (Buvik and Haugland 2005, Bensaou and Anderson 1999) purchase volume in this study was operationalized as a single item scale. This construct was then measured by taking the natural logarithm of the total annual purchases (in dollar value) by each surveyed client of Superdoll. The construct was measured by a single open question:

How much in terms of monetary/percentage value did your company purchase from this supplier during last year? USD \$

6.5 Chapter Summary

The focus of this chapter was on measurement development process and measurement models. Furthermore, the chapter presented how different constructs were operationalized and how different measures were obtained from previous studies. Both dependent and independent variables were multi-item modelled by 7-point likert scale from “strongly disagree” to “strongly agree” while control variables were measured as single-item scale in natural logarithm form. Validity and reliability of questionnaire is measured in the coming chapter 7 where all the measures under each construct were examined to check if they are able to measure what were intended to be measured.

CHAPTER 7

DATA SCREENING AND VALIDATION

7.1 Introduction

This chapter focuses on the examination of quality of empirical data collected to test the hypotheses proposed for this study. In this chapter, data screening process is presented together with reliability and validity of measures. The chapter also presents the measurement model validation to examine how good our measures fit research model.

7.2 Data screening

Data screening ensure the validity of research findings. It is important to check for any errors occurred during data collection and data entry for further analysis. In this study, IBM SPSS 22 was used and frequency distributions were used to check the accuracy of data entry, examine missing data and outliers. Furthermore, normality assessment was carried out.

7.2.1 Data Accuracy and Descriptive Analysis

Due to the small sample situation assessing for accuracy of data entry was essential in this study as recommended by (Tabachnick and Fidell 2007). This first step in the data screen was conducted by comparing each response in the questionnaire with what were entered in the computer. This process of proof-reading enable the author to identified some errors and immediate correct them. Also, the descriptive statistics was conducted to enable further data accuracy assessment and one of the major problem was found where in one of the response the maximum was 67 instead of 6. The proof-reading helped in screening some of errors which could bring problem in data analysis in later stages as it indicates that all measures were in a possible range of 1 to 7.

Descriptive analysis was also performed to designate the characteristics of each measure by showing its mean, standard deviation, maximum and minimum value (Appendix 2a). Table 7.1 below also indicates the descriptive analysis of single item scale before they were checked for outlier. These values were then transformed in natural logarithms for normality check (Tabachnick and Fidell 2007). This is recommended for data with extreme values for normality check. Purchase volume ranges from 3000 to 261,000,000 USD and duration

ranged from 4 to 26 years but after transformation the maximum values became 19.38 and 3.26 for purchases and duration respectively (Table 7.2).

Table7. 1: Descriptive Analysis of Sample Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Duration	86	4	26	10.24	5.087
Purchases	86	3,000	261,000,000	8,472,831.12	38,056,621.624

Table7. 2: Descriptive Statistics of Sample Statistics After Outlier Assessment

	N	Minimum	Maximum	Mean	Std. Deviation
Duration	86	0	3.26	1.9884	.67656
Purchases	86	8.01	19.38	12.1961	2.46991

7.2.2 Missing Data Assessment

Data set may have missing values due to different reasons, including failure of some respondent to answer some questions, errors during data entry or some respondent refuse to fill in sensitive data (Hair et al. 2010). The questionnaire of this study includes other variables like annual sales of buyers which thought to be used but not included in the analysis. Missing values were identified in this variable due to its sensitivity nature. Therefore, it was ignored since the variable was not used in the analysis (Kline 2011). All the likert scale variables and other variables (number of employees, purchase volume and duration) did not have any missing values.

7.2.3 Assessment of Outliers

All cases with extreme values on a single construct or combination of constructs are regarded as outliers. These values appear outside the normal distribution during data analysis due to its higher values as compared to other values in the data set (Tabachnick and Fidell 2007). For all multi-items scale constructs, the measure with higher standardized scores was regarded as outlier. Drawing from (Tabachnick and Fidell 2007) cut-off point for outlier assessment was proposed to be 3.3 for z-scores.

IBM SPSS 22 was used to compute for standardized scores for every measures automatic, and then descriptive statistics was run to obtain the minimum and maximum value. All the measures were within the range except for FLEX 4, TRUST 2, OPPORT 4 and PERFORM which were examined to be outliers with z-scores range from 3.7 to 4. Although some research recommend that outliers to be deleted (Pallant 2016), others recommend that deletion of few outliers like what identified here may distort multivariate analysis (Hair et al. 2010). Following (Hair et al. 2010) recommendation, outlier cases were retained for further analysis.

7.2.4 Assessment of Skewness and Kurtosis for Normality Check

Skewness and kurtosis can be used to assess the normality of data. This is a measure of data correspondence with normal distribution curve (Pallant 2016). While skewness measure the degree of symmetry about the mean, kurtosis measure the distribution of data about the peak of the distribution. Likewise, when large scores fall under left side it indicates positive skewness but negative skewness shows that large scores lie on the right tail as compared to left tail. While, on the other hand, positive kurtosis means the normal distribution is too peak and negative kurtosis indicated by flat distribution.

For perfect normal distribution both skewness and kurtosis have zero value, apart from that it shows departing from normality (Kline 2011, Pallant 2016, Hair et al. 2010). There is no clear definition about what is regarded to be a best measure of departure lead from normality. Rule of thumb have been suggested by different researchers. (Hair et al. 2010) suggested that, kurtosis values should not exceed ± 3 and skewness values should fall within the range of ± 1 . On the other hand, (Kline 2011) stated that the value greater than 3 and 10 for skewness and kurtosis respectively pose a serious problem, but less than that is reasonable (Appendix 3a, 3b, 3c). In this study, following the later recommendation by (Kline 2011), no single variable was removed for normality violation. All variables were retained for further analysis.

7.3 Uni-dimensionality

Internal consistency can be measured by using different approaches to obtain good fit of constructs. The examination of unidimensionality is important for both reliability and validity measurement (Segars 1997) and can only be address by CFA (Hoyle 2000, Segars

1997). It is recommended that multiple indicator measurement must be carried out to measure the unidimensionality of constructs to a model (Hattie 1985). This study carried out Confirmatory Factor Analysis (CFA) to measure both the internal and external consistency of the items. Each construct must be defined by more than two indicators where these indicators are formulated to measure only one respective construct (Segars 1997). In measuring internal consistency, items correlation and reliability measures were employed.

7.3.1 Items Correlation Analysis

This study focus on item-total correlation to measure the correlation of items. Different studies have suggested that correlation of items be greater than 0.3 to reach the acceptable level of correlation under item-total correlation (Pallant 2016, Hair et al. 2010, Field 2009). For any item with value of correlation below 0.3 should be removed for further analysis. (Appendix 2b) shows the item-total correlation of each items. It also shows the maximum and minimum of correlation of items in each variable for easy demonstration of threshold of 0.3 and above. From this consideration, total of nine items were removed (PERFORM 4, PERFORM 1, OPPORT 2, OPPORT 5, TRUST 4, BUYSPECINV 1, LTO, 3, LTO 4 and FLEX 4) due to low correlation value. The remaining measures were retained for reliability assessment.

7.3.2 Reliability Assessment

Reliability refers to the degree at which measures are reflecting what is intended to measure under a given construct. It is a necessary assessment prior to validity measurement. (Field 2009) specify two aspects of reliability measurement, test-retest reliability and split-half reliability. These methods posse various problems which can lead to different result from the same data (Field 2009). Cronbach alpha is a common method that overcome different problems in reliability measurement though it faced some criticism (Cronbach 1951, Hattie 1985). One of the reason Cronbach alpha was criticized is due to its increasing degree of reliability with the increasing number of constructs. Despite this criticism, Cronbach's alpha is still used and recommended by researchers (Pallant 2016, Field 2009).

Value of 7 Cronbach's Alpha is regarded as good indicator of good reliable measure (Pallant 2016). On contrary, reliability can also depend on the number of sample size where small Cronbach's alpha of 0.3 can be used in a large sample size while 0.6 for small size of 100 number samples (Hair et al. 2010). This study use IBM SPSS 22 to automatically obtain

high Cronbach's alpha of construct if item with low correlation below 0.3 were deleted. The following table 7.3 indicate the value of Cronbach's Alpha of each construct and item selected under each variable. This table of result was obtained after deleting items with low correlation as demonstrated from the last section. Cronbach's Alpha if item deleted column in SPSS shows the impact of change in the value of (α) if the respective item was to be deleted.

Table 7. 3: Reliability Scores

Constructs	Items	No. of Items	Cronbach's Alpha (α)	Composite Reliability
PERFORM	PERFORM 2,3,5	3	0.733	0.75
OPPORT	OPPORT 1,3,4,6,7	5	0.815	0.82
TRUST	TRUST 1,2,3,5,6	5	0.743	0.77
BUYSPECINV	BUYSPECINV 2,3,4	3	0.737	0.76
SUPSPECINV	SUPSPECINV 1,2,3,4,5,6,7,8	8	0.771	0.81
LTO	LTO 1,2,5,6	4	0.781	0.79
FLEX	FLEX 1,2,3	3	0.761	0.79

The table 7.3 above shows the Cronbach's alpha of each construct after items with less than 0.3 item-total correlation removed. Cronbach's alpha of the remain construct is above 0.7, therefore the constructs above are reliable for this study. Likewise, Composite Reliability³ (CR) results show almost the same values as of Cronbach's Alpha. These values (as shown in table 7.3 above) are computed by using standardized factor loading from CFA output, and they indicate strong reliability of measures.

7.4 Construct Validity Assessment

In the assessment of construct validity, the establishment of discriminant and convergent validation is important (Campbell and Fiske 1959). Although other research show three

³ CR= Square of the sum of all factor loadings of a construct/ (Square of the sum of all factor loadings of a construct + sum of all error variances of a construct)

types of construct validity to include nomological validity in addition to those two mentioned earlier, (Churchill 1979) recommend the use of only discriminant and convergent validity in the assessment of construct validity. All measures in this study were adopted and formulated to fit the context of this research after extensive literature review in long-term previous studies to ensure content validity. Before the survey was conducted, questionnaire was reviewed by experienced researchers and few practitioners of automobile business and their comments were also incorporated for validation assurance. Both Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were employed in this study to assess discriminant and convergent validity.

7.4.1 Discriminant Validity

Discriminant validity ensure that measures of construct are not related to each other (Campbell and Fiske 1959). This means that measures of constructs in a model are not similar (Zahoor et al. 2017). In the SPSS this can be indicated by falling of different constructs in the different factor loading in SPSS rotational matrix (Pallant 2016). EFA assessment was performed with varimax rotation to all remaining measures after reliability assessment to establish the initial discriminant and convergent validity test (Churchill 1979, Field 2009).

Cross-loading factors were first assessed in the EFA by considering the cut-off point of 0.5 as recommended by (Hair et al. 2010). Looking at exploratory factor analysis (table 7.4), cross-loading factors with value above 0.5 (SUPSPECINV 1, SUPSPECINV 2, SUPSPECINV 3) were removed for further analysis. Also all measures of trust (TRUST 1, TRUST 2, TRUST 3, TRUST 5, TRUST 6) were removed because they fall under one factor with LTO which means that their measures are related (Pallant 2016).

The removal of trust measures and cross-loading factors lead to KMO Measure of Sampling Adequacy value of 0.68, which shows the significance level of sampling adequacy (Hair et al. 2010, Zahoor et al. 2017). Also, existence of correlation was described Bartlett's Test of Sphericity which have Chi-Square value of 897.915 at degree of freedom 253 (at $p = 0.00$).

Table 7. 4: Test of Discriminant Validity Exploratory Factor Analysis (n = 86)

Rotated Component Matrix ^a						
	FACTOR 1 SUPSPECINV	FACTOR 2 OPPORT	FACTOR 3 LTO	FACTOR 4 BUYSPECINV	FACTOR 5 FLEX	FACTOR 6 PERFORM
SUPSPECINV3	.804					
SUPSPECINV6	.770					
SUPSPECINV5	.755					
SUPSPECINV7	.709					
SUPSPECINV4	.551					
OPPORT3		.906				
OPPORT4		.785				
OPPORT1		.715				
OPPORT6		.666				
OPPORT7		.612				
LTO2			.849			
LTO1			.733			
LTO5			.664			
LTO6			.593			
BUYSPECINV2				.715		
BUYSPECINV3				.697		
BUYSPECINV4				.579		
FLEX3					.770	
FLEX1					.762	
FLEX2					.720	
PERFORM3						.864
PERFORM2						.798
PERFORM5						.570

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 7 iterations.

The rotation matrix above in table 7.4 display the result of six factors solution ranging between 0.551 and 0.906 with factors below 0.5 left out for further analysis. Therefore, data presented in the table pass discriminant validity.

Following previous studies (Segars 1997, Hair et al. 2010) mention that, discriminant validity can also be measures by using Average Variance Extracted (AVE)⁴ with the comparison of squared inter-correlation Test (Fornell and Larcker 1981, Zahoor et al. 2017). In this assessment, the squared inter correlation among the factors was compared with AVE and results are shown in appendix 4. AVE values among constructs are higher as compared to that of the squared inter correlation. Therefore, discriminant validity is achieved as

⁴ AVE= Sum of all squared factor loadings/ (Sum of all squared factor loadings + Sum of all error variance of a construct)

recommended by (Fornell and Larcker 1981, Segars 1997, Hair et al. 2010, Zahoor et al. 2017).

7.4.2 Convergent Validity

Convergent validity refers to the extent of agreement of different measurement of items in a common construct. This involve the sharing of variance at large extent by multiple measures which form one construct (Hair et al. 2010). Convergent validity occurs if such agreement exists. It is a preferred measure of scale validity for the constructs of multiple scale items. Average Variance Extracted (AVE) and Composite Reliability (CR) of each construct were used to measure the construct validity (Zahoor et al. 2017). In measuring convergent validity, AVE of each construct should be greater than 0.5 while the value of CR should be higher than those of AVE (Zahoor et al. 2017). Appendix 4 also display the values of CR greater than AVE in each construct while AVE values of each of the construct were above 0.5 expect for factor 4 (SUPSPECINV) AVE=0.46 and LTO AVE=0.49 which are close to 0.5, hence convergent validity was achieved.

As discussed earlier on validation measurement model, AMOS 22 was used to validate constructs based on different measures of goodness of fit like, Chi-square test, Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI) and Comparative Fit Index (CFI). All 7 point Likert scale constructs were assessed for convergent validity but single-items scale in this study (DURATION AND PURCHASE VOLUME) were not assessed. This is because, single item scale is fully assumed to measure what they are intended to measure in a construct (Kaiser et al. 2012). Convergent validation was done by considering one factor at a time (Buvik and Reve 2002).

Results from the CFA are presented in table 7.5 below with good standardize factor loadings above 0.5 threshold and absolute t-value above 2 as recommended (Hoyle 2000, Pallant 2016), hence they are valid measure of the model. Although the overall model shows the model fit, some of the constructs indicate the inadequate fit to the model. As displayed by the table below, performance (PERFORM), buyer-specific investment (BUYSPECINV) and flexibility (FLEX) has insignificant fit index due to the three number of items (Buvik and Reve 2002). Another factor which presented inadequate fit to the model is LTO ($\chi^2=14.1$; $df=2$, $p=0.01$; $CFI=0.88$, $RMSEA=0.2$).

Table 7. 5: Construct Validity Assessment (n = 86)

<i>Construct</i>	<i>Items</i>	<i>Standardize Loading (T-value)</i>	<i>Unstandardize Loading</i>	<i>Fit Indices</i>
PERFORM (Supplier Performance)	5	0.55	1	GFI= 1
	3	0.76 (4.17)	1.19	CFI= 1
	2	0.79 (4.1)	1.46	RMSEA= 0.4
OPPORT (Opportunism)	7	0.53	1	X2= 5.54 df 5
	6	0.54 (3.989)	0.87	P= 0.35
	4	0.73 (4.75)	1.32	GFI= 0.97
	3	0.96 (5.08)	1.95	CFI= 0.99
	1	0.68 (4.51)	1.41	RMSEA=0.03
BUYSPECIN (Buyer Specific Investment)	4	0.54	1	GFI= 1
	3	0.88 (4)	1.41	CFI= 1
	1	0.71 (4.4)	1.52	RMSEA=0.49
SUPSPECINV (Supplier Specific Investment)	7	0.7	1	X2= 8.81 df 5
	6	0.77 (5.8)	1.07	P= 1.12
	5	0.7 (5.4)	1	GFI= 0.96
	4	0.5 (4.2)	0.68	CFI= 0.96
	3	0.69 (5.3)	1.05	RMSEA=0.09
LTO (Long Term Orientation)	6	0.59	1	X2= 14.2 df 2
	5	0.55 (4.07)	1.07	P= 0.001
	2	0.82 (4.69)	1.61	GFI= 0.93
	1	0.8 (4.1)	1.23	CFI= 0.88
				RMSEA= 0.2
FLEX (Flexibility)	3	0.98	1	GFI= 1
	2	0.59 (4.18)	0.66	CFI= 1
	1	0.63 (4.3)	0.69	RMSEA= 0.5

7.5 Chapter Summary

This chapter was very important as it established the measurements of the model before regression analysis in the coming chapter 8. Both CFA and EFA were performed to estimate the measures which fit the model for further regression analysis. Number of measures were dropped-out due to different reasons including cross-loading problem and unreliability. Next chapter will explain about the regression analysis and hypotheses testing for this research model.

CHAPTER 8

HYPOTHESES TESTS AND EMPIRICAL FINDINGS

8.1 Introduction

This chapter discusses the regression model and estimation results after the data were checked for reliability, validity and model fit in previous chapter. After regression analysis estimation, hypotheses will be tested and summary of the test results will be provided at the end of the chapter.

8.2 Regression Model

Regression model in this study is estimated by Multiple Moderated Regression Analysis (MMRA), a parametric method mostly used in social science quantitative research (Pallant 2016). Multiple Regression is preferred because of its ability to test interaction effects between continuous or categorical variables (Aiken and West 1991). The regression model in equation 8.1 was formulated from research model in chapter 4 (see figure 4.1) to include dependent variable, independent variables and interaction effect. The product of interaction effect was formulated after variables were mean centered to alleviate the multi-collinearity problem. The regression model for this study is thus presented in mathematical form as follows:

$$\text{LOT} = b_0 + b_1 \text{PERFORM} + b_2 \text{OPPORT} + b_3 \text{BUYSPECINV} + b_4 \text{SUPSPECINV} + b_5 \text{FLEX} + b_6 \text{DURATION} + b_7 \text{PURCHASES} + b_8 \text{SUPSPECINV} \times \text{FLEX} + \varepsilon \quad \text{..... (Equation 1)}$$

Interaction effect was assessed by taking the partial derivative of the LOT with respect to SUPSPECINV and the new equation was formed as follows:

$$\delta \text{ LOT} / \delta \text{ SUPSPECINV} = b_4 + b_8 (\text{FLEX}) \quad \text{..... (Equation 2)}$$

Where:

Dependent variable :

LOT Long-term Orientation

Independent variables:

PERFORM	Supplier Performance
OPPORT	Supplier Opportunism
BUYSPECINV	Buyer Specific Investment
SUPSPECINV	Supplier Specific Investment
FLEX	Supplier Flexibility

Control Variables:

DURATION	Existing relationship duration (The natural logarithm of duration)
PURCHASES	Buyer purchase volume (The natural logarithm of purchases)

Interaction Effect:

SUPSPECINV x FLEX	Supplier specific investment X Supplier flexibility
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8.3 Estimation Results

8.3.1 Correlation Matrix

To avoid the problem of multicollinearity, this study mean centered all the variables that constitute the interaction effect (Aiken and West 1991, Rokkan, Heide, and Wathne 2003). Table 8.1 below presents the diagnostic measure of multicollinearity problem where values fall within the recommended threshold of 0.9 and below correlation level between constructs (Hair et al. 2010). The table also provides the values of mean and standard deviation and as it displayed by the table, mean centered constructs (SUPSPECIND and FLEX) have zero (0.00) value of mean and 1 for standard deviation.

Table 8. 1: Correlation Matrix

	1	2	3	4	5	6	7	8	9
1. PERFORM	1	-.288**	.392**	.443**	.314**	.244*	.188	.211	-.204
2. OPPORT		1	-.199	-.255*	-.283**	-.179	-.104	-.237*	.139
3. BUYSPECINV			1	.527**	.155	.086	.171	.115	-.055
4. LOT				1	.181	.133	.178	.111	.177
5. FLEX					1	.541**	.071	.268*	-.524**
6. SUPSPECINV						1	-.049	.367**	-.301**
7. DURATION							1	.164	-.074
8. PURCHASES								1	-.187
9. SUPSPECINV X FLEX									1
MEAN	5.470	2.230	5.460	5.580	0	0	1.990	12.190	0.54
SD	.900	.890	.950	.770	1	1	.680	2.470	0.97

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

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

Other researchers like (Pallant 2016, Hair et al. 2010) recommend the use of Variance Inflation Factor (VIF) and Tolerance to assess the problem of multicollinearity. The values of VIF should be above 0.1 but not greater than 10. The last column of table 8.2 indicate the values of VIF which are within the recommended range.

8.3.2 Regression Analysis

The multiple regression as shown in the 8.2 below consist of independent variables and control variables. Table 8.2 has two model regression results; first model (Additive model) is regression result without interaction and the second regression result includes the interaction product term (Moderator model).

Table 8. 2: Estimated Model of Long-Term Orientation Relationship (LTO) n=86

	Unstandardized	Standardized	T	Collinearity	
	Coefficients	Coefficients		Tolerance	VIF
	B				
(Constant)	2.498		3.215***		
PERFORM	.201	.235	2.206**	.725	1.380
OPPORT	-.079	-.091	-.936	.862	1.160
BUYSPECINV	.327	.405	4.056***	.826	1.210
FLEX	.001 ^a	.002	.014	.646	1.549
SUPSPECINV	.010 ^a	.012	.110	.647	1.545
DURATION	.060 ^b	.052	.559	.933	1.072
PURCHASES	.020 ^b	.048	.499	.881	1.135

Model 1: $R^2 = 0.358$, $R^2_{Adj} = 0.301$, $F(7,78)=6.227$, $p=0.000$

(Constant)	2.244		3.121***		
PERFORM	.219	.256	2.604***	.722	1.384
OPPORT	-.073	-.084	-.934	.862	1.161
BUYSPECINV	.311	.386	4.188***	.824	1.214
FLEX	.149 ^a	.193	1.674**	.526	1.902
SUPSPECINV	.015 ^a	.020	.192	.647	1.546
DURATION	.076 ^b	.067	.776	.931	1.074
PURCHASES	.023 ^b	.054	.608	.881	1.135
SUPSPECINV X FLEX	.300	.380	3.854***	.720	1.390

Model 2: $R^2 = 0.462$, $R^2_{Adj} = 0.406$, $F(8, 77)= 8.274$, $p=0.000$, $R^2\text{-change}= 0.104$, $F\text{-change}(1,77)= 14.856$

^aMean centered; ^bTransformed to natural logarithm; ** $p<0.05$ significant for t-value greater than 1.64 one tail; *** $p<0.01$ significant for t-value greater than 2.33 one tail

Hierarchical multiple regression analysis was used to obtain the regression analysis results in this study. The summary of results presented by table 8.2 above show the model fit by using different indicators like R square, adjusted R square, t-values and F values as indicated by ANOVA output tables (appendices 5a and 5b). All the variables of interaction term were mean centered to mitigate the problem of multicollinearity.

Regression result of model 1 show the model fit which is statistically significant at $p < 0.01$ as shown by the table 8.2 above ($t\text{-value} = 3.215$, $R^2 = 0.358$, $R^2_{\text{Adj}} = 0.301$, $F = 6.227$, $p = 0.000$). The value of $R^2 = 0.358$ means that 35% of the changes in dependent variable Long-term Orientation (LTO) is explained by changes in independent variables; buyer-specific investment (BUYSPECINV) and Supplier performance (PERFORM). On the other hand, the value of $R^2_{\text{Adj}} = 0.301$ means that only 30% of the variance in dependent variable Long-term Orientation (LTO) is explained by the independent variables included in the model 1 while the remaining 70% can be explained by other factors which may affect the dependent variables but not included in the model.

The regression analysis in model 2 include the interaction product term and the overall results show the model fit by considering the t-value which is statistically significant at $p < 0.01$ as presented I the table 8.2 ($R^2 = 0.462$, $R^2_{\text{Adj}} = 0.406$, $F(8, 77) = 8.274$, $p = 0.000$, $R^2\text{-change} = 0.104$, $F\text{-change}(1, 77) = 14.856$). As compared to model one, R^2 has changed from 35% to 46% in model two. This increase in R^2 may be subjected to the inclusion of interaction terms (SUPSPECINV x FLEX) in the model 2 in additional to main effect and control variables in model 1. This change in R^2 is shown by the value of $R^2\text{-change} = 0.104$ (approximately 10%) explains that, interaction effect has contributed to the variation of dependent variable (LTO) by 10%. The variance of dependent variable in model 2 is explained by 40% by the independent variables presented in the model together with the addition of interaction variable, leave the remaining not-included variables to explain the rest of 60%. F-test was also evaluated to measure the significance of the model by its f-value (reference). The results show $F(8, 77) = 8.274$ which is significant at $p < 0.05$ (appendix 5a).

The inclusion of interaction effects of supplier flexibility (FLEX) on Long-term orientation (LTO) show the effect of interacting factor on the overall model prediction.

Although both model have significant F-value at $p < 0.05$ (appendices 5a and 5b), inclusion of interaction effect on model 2 gives out the more prediction of both independent variables and interaction effect at 46% compared to that of 35% in model 1. The difference between two models is statistically significant because the incremental increase in R^2 is greater than zero (Whisman and McClelland 2005). This is evidently shown by the value of R^2 change=10%.

8.4 Test of Hypotheses

In this study, the regression model 2 (table 8.2) will be used to describe the association of dependent variable, Long-term Orientation (LTO); independent variables supplier performance (PERFORM), supplier opportunism (OPPORT), buyer-specific investment (BUYSPECINV); the control variables relationship duration (DURATION), buyer purchased volume (PURCHASES) and the interaction effect of supplier-specific investment and supplier flexibility (SUPSPECINV x FLEX).

In determining what influence buyer to have long-term business relationship with suppliers, this study has developed four hypotheses which were later tested empirically to measure their statistical significant in study context. Refer to the figure 4.1 in chapter 4, research model display four hypotheses where three are main effects and one in interaction effect. These hypotheses are mention below:

H₁: Opportunism is negatively associated with long-term orientation

H₂: Performance satisfaction is positively associated with long-term orientation

H₃: There is positive association between buyer-specific investment and long-term Orientation

H₄: The association between supplier-specific investment and long-term orientation is significantly increased with the increase of supplier flexibility

The regression result of each hypothesis is presented below as shown in table 8.2 above. The H₄ hypothesis is an interaction effect between supplier specific investment (SUPSPECINV) and supplier flexibility (FLEX) which was regressed after transformed into natural logarithm form to avoid the problem of multicollinearity.

The estimated from model 2 (table 8.2) was inserted into regression equation 1 and the following equation 3 was formulated:

$$\text{LOT} = 2.244 + 0.219 \text{ PERFORM} - 0.073 \text{ OPPORT} + 0.311 \text{ BUYSPECINV} + 0.015 \text{ SUPSPECINV} + 0.149 \text{ FLEX} + 0.076 \text{ DURATION} + 0.023 \text{ PURCHASES} + 0.3 \text{ SUPSPECINV} \times \text{FLEX} + \varepsilon \quad \dots\dots\dots \text{(Equation 3)}$$

In the equation 3 above, the unstandardized coefficients above were used to interpret the regression model. These values show the average change of a respective predictor to the dependent variable when other factors are held constant.

Hypothesis 1

This hypothesis was regarding the factor of supplier opportunism (OPPORT) with long-term orientation. Regression result in Table 8.2 display the statistical result of this hypothesis as ($b_2 = -0.073$; $t = -0.934$).

Supplier opportunism has negative coefficient of $b_2 = -0.073$ which show the negative association with long-term orientation. This means that, the increase of opportunism by 1% will decrease the chance of long-term business orientation by 7%. The negative association between long-term orientation (LTO) and supplier opportunism (OPPORT) is not significant ($b_2 = -0.073$; $t = -0.934$), therefore not supported.

Hypothesis 2

Supplier performance (PERFORM) was statistically supported by regression result of empirical data because of the statistics result displayed by regression table 8.2 ($b_1 = 0.219$; $t = 2.602$; $p < 0.01$). It means that increase of supplier performance PERFORM by one 1% will increase long-term orientation (LTO) by 22% ($b_1 = 0.219$). This hypothesis was supported by empirical data.

Hypothesis 3

The statistical result of buyer specific investment (BUYSPECINV) is given by table 8.2 as $b_3 = 0.311$; $t = 4.188$; and $p < 0.01$. This means that, holding other factors constant, increase buyer-specific investment (BUYSPECINV) by 1% will lead to the increase of long-term orientation (LTO) by 31% ($b_3 = 0.311$). This shows that, the hypothesis is significant at $p < 0.01$ and supported by empirical data.

Hypothesis 4

This is an interaction effect (SUPSPECINV x FLEX) of the research conceptual model and it was significantly supported by statistical result obtain in regression model 2 in the table 8.2 ($p < 0.01$; $b_8 = 0.3$; $t\text{-value} = 3.854$).

Separately from the interaction effect, the regression models show the results for supplier specific investment (SUPSPECINV) and supplier flexibility (FLEX). Result shows that, supplier flexibility (FLEX) is significant and statistically supported at $p < 0.1$ with $b_5 = 0.149$ which means that, an increase of supplier flexibility by 1% will lead to an increase of long-term orientation by 14.9%. Table 8.2 show the result of supplier flexibility (FLEX) as $b_5 = 0.149$; $t = 1.674$ and $p < 0.05$. Supplier-specific investment (SUPSPECINV) is positively associated with long-term orientation but not significant ($b_4 = 0.015$; $t = 0.192$). The moderating effect of supplier flexibility on supplier specific investment had bought the significance effect on long-term orientation.

- **Interpretation of Interaction Effects**

Interaction or moderating effect is much emphasized in social science studies due to its buffering effect in variables testing (Whisman and McClelland 2005, Aiken and West 1991). However, other researchers like (Luce 1995, Cohen 1978) has criticize the use of interaction effects as they cause different scaling problems and misleading results. These and other criticism do not wave out the importance of interaction effect, and therefore it is still significant to be able to signal and interpret its effect in any research (Whisman and McClelland 2005) Interaction factors in this study are mean centered to avoid the problem of multicollinearity.

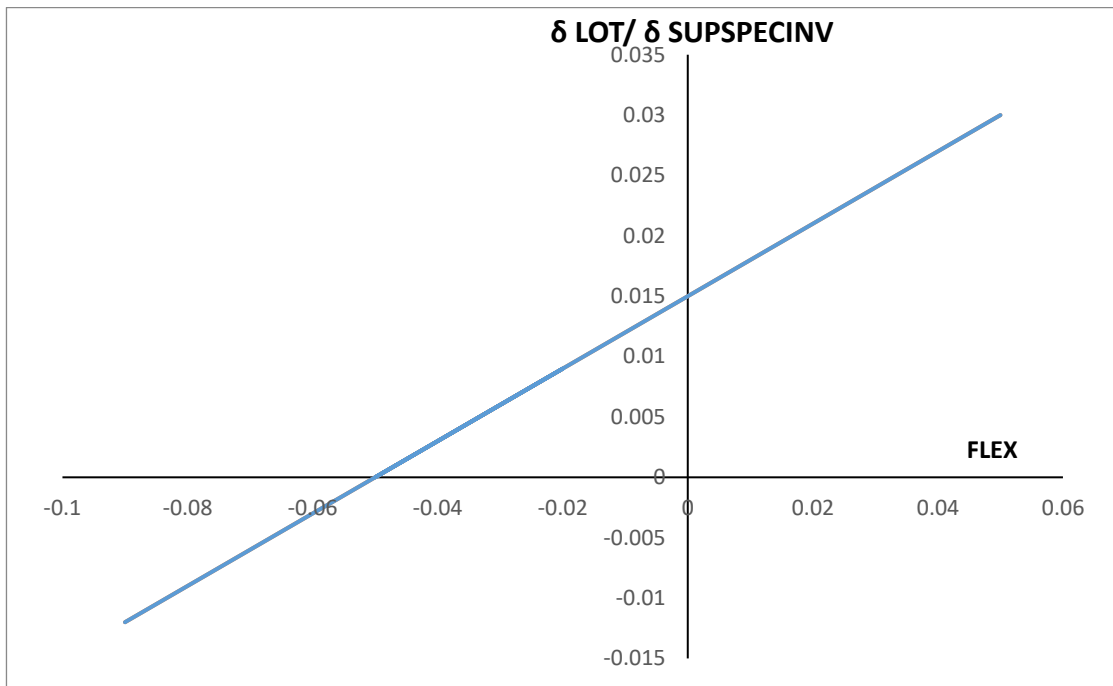
Interaction effect in regression model 2 (SUPSPECINV x FLEX) was significant at $p < 0.01$ with coefficient of $b_8 = 0.3$ and $t\text{-value} = 3.854$ (see table 8.2). The value of $b_8 = 0.3$ means that, for each unit (1%) increase of supplier flexibility (FLEX) on supplier specific investment (SUPSPECINV), long-term orientation is increase by 30%. This coefficient can also be interpreted as an effect of supplier flexibility on slope relating to supplier specific investment and long-term orientation (Whisman and McClelland 2005). It means for every increase unit of supplier flexibility, the slope relating to supplier specific investment and long-term orientation is increased by 0.3.

Inserting the values of interaction effect (SUPSPECINV x FLEX) obtained from the model 2 (table 8.2) into the partial derivative of Long-term orientation with respect to supplier-specific investment (SUPSPECINV) in equation 2 has led to the formulation of the following equation 4 below:

$$\delta \text{ LOT} / \delta \text{ SUPSPECINV} = 0.015 + 0.3 (\text{FLEX}) \quad \text{..... (Equation 4)}$$

The figure 8.1 is a graphical presentation of interaction effect of equation 4 above. It displays the partial derivative of long-term orientation (LTO) with respect to supplier-specific investment (SUPSPECINV) over the range of supplier flexibility (FLEX).

Figure 8. 1: The effect of supplier specific investment on long-term orientation for different level of supplier flexibility



From the figure 8.1 above, the value of -0.05 on flexibility (FLEX) axis was obtain when the partial derivative was assumed to be zero. The figure demonstrates that, if the level of flexibility is increasing above -0.05 (movement along x-axis to the right from -0.05), the effect of supplier specific investment on long-term orientation will increase. On the other hand, supplier specific investment will have a decreasing effect on long-term orientation when supplier flexibility range below the value of -0.05 (movement along x-axis to the left from -0.05).

Control variables

The control variables relationship duration (DURATION) has $b_7=0.076$; $t=0.776$ and buyer purchase volume (PURCHASES) has $b_8=0.023$; $t=0.608$. They both have positive association with long-term orientation but they are not significance.

8.5 Hypotheses Test Summary

Table 8.3 below provides the summary of all the hypotheses and findings. It shows that, among three hypotheses of main effect only two are supported by the regression analysis while opportunism (OPPORT) has negative effect but it was not supported by statistical results. The interaction effect was supported by empirical data as hypothesized. Each supported hypothesis is strongly significant at $p<0.01$.

Table 8. 3: Summary of hypotheses results and findings

Hypothesis	Association between variables	Coefficients	t-value	Findings
H1	Opportunism is negatively associated with long-term orientation	-.073	-.934	Not supported
H2	Performance satisfaction is positively associated with long-term orientation	.219	2.604*	Supported
H3	There is positive association between buyer-specific investment and long-term orientation	.311	4.188*	Supported
H4	The association between supplier-specific investment and long-term orientation is significantly increased with the increase of supplier flexibility	.300	3.854*	Supported

*Significant at $p<0.01$ for t-value greater than 2.33 one tail

8.6 Chapter Summary

Multiple Moderated Regression Analysis was used to run regression analysis of empirical data of this research to allow the use of interaction product term. Factors to interaction effect were mean centered to mitigate the problem of multicollinearity. Furthermore, the chapter has presented the regression analysis result which support two main effect hypothesis and interaction effect. One hypothesis concerning the association between opportunism and

long-term orientation was not supported by statistical data though was negatively associated as it was hypothesized. The proceeding chapter presents the summary of findings, discussion of results and implication of study results to different areas. The chapter will also provide the limitations and areas for further studies.

CHAPTER 9

SUMMARY, DISCUSSIONS, IMPLICATIONS, LIMITATIONS AND FUTURE DIRECTION

9.1 Introduction

The previous chapter presented the regression analysis of the empirical data to test the hypotheses proposed in chapter 4. This chapter presents the summary of the research findings and discussion of the key result findings. Moreover, managerial and theoretical implications and contributions of the findings are also explained in this chapter. Lastly, the chapter describes the limitation to the study and area for further research that should be considered for future research direction.

9.2 Summary of Findings

This study intended to find the factors that buyers consider when deciding to have meaningful and long-term relationship with certain suppliers. It is important for suppliers to know how they are rated by buyers given the competition nature of today's business. After an extensive literature work, author propose four hypotheses that based on the theory they will seems to influence long-term orientation. The study dependent variable is long-term orientation (LTO) and factors that proposed to lead into a long-term orientation were developed from Transaction Cost Theory (TCA) and Relational Contracting Theory (RCT).

This research was conducted in the light of buyer-supplier relationship in industrial marketing. The automobile company, Superdoll Trailer Manufacture Co. Ltd was used as the main research setting where data were collected its buyers. Findings from this study are expected to help first, the company to know what are the factor important to have long-term relationship with their customer. Second, the study aim at adding some theoretical contribution by exporing factors to a long-term analysis. Third, other business practitioners within the field of purchasing will be benefited from this study.

In chapter 4 it was proposed that, opportunism will decrease the willingness of buyers to be in relationship for a long time because supplier opportunism may cause the buyer to terminate the contract within short period of time in the existance of many suppliers.

Therefore, buyer opportunism negatively affect long-term orientation (H₁). On the other side of it, supplier performance satisfaction may increase buyer's trust and commitment on supplier and, thus, affect long-term orientation positively (H₂). Buyer-specific investment is very crucial to show the level of trust and commitment to a supplier because such kind of investment have no value outside the relationship. If buyers decided to invest in specialized asset (human, technology or physical assets), it send a message that they are in for long time to gain the expected future long term returns. This study proposed that, buyer-specific invetsment is positively related to long-term orientation (H₃). Supplier flexibility was proposed to moderate the role of supplier-specific investment on determining long-term relationship (H₄).

Table 8.2 in chapter 8 gave out the regression output of the research conceptual model. Based on the overall analysis of the model, it shows the good fit of empirical data to the statistical result with $R^2 = 0.462$, $R^2_{Adj} = 0.406$, $F(8, 77) = 8.274$, $p = 0.000$, $R^2\text{-change} = 0.104$, $F\text{-change}(1, 77) = 14.856$ where $n = 86$ (Appendices 4a and 4b).

Hypotheses H₁, H₂, and H₃ were the main effect of the dependent variable long-term orientation. As table 8.2 displayed, H₂, and H₃ are statistically significant at $p < 0.01$ and they have the positive association with the long-term orientation as hypothesized. H₁ on the other hand has negative relation with long-term orientation but was not statistically supported by empirical analysis to affect the long-term orientation with this supplier. The moderating effect (H₄) was significant at $p < 0.01$. The model 1 in table 8.2 revealed that, before introducing the moderating effect in the regression analysis, both flexibility and supplier specific investment were not significant but the introduction of interaction effect cause flexibility to be significant at $p < 0.05$ and interaction effect was also statistically significant at $p < 0.01$. Duration of the existing relationship and buyers' purchase volume were the study control variables but the result found out that they are not significant though they have positive relationship with long-term orientation as proposed by the theories.

The purpose of this study was driven by two research questions as mention in the first chapter of introduction. The first question was "What factors influence the long-term orientation in buyer-supplier relationship? Key findings suggest that, if buyers are satisfied by supplier performance like product quality, price and delivery terms, they are likely to bind with that supplier for a long-tine. This is two-way beneficial as buyers also reduce

transaction cost associated with making transaction with different suppliers as suggested by TCA theory. If a supplier does not perform in a satisfactory way and number of suppliers is quite big in the market, buyer will shift to another supplier given low switching cost.

Another key finding based on regression analysis is that, buyer-specific investment creates lock-in effect in the relationship by making the invested asset loss its value when relationship ended. It also creates high switching cost condition because of the sunk cost involved. Investing in a specialized investment by a buyer means that, the buyer trust the supplier enough to risk its specialized asset for the long-term mutual benefit. Supplier sees this as a positive sign for long-term business relationship with a buyer.

The second question stated “What is the role of flexibility in promoting long-term business orientation? Flexibility promote long-term orientation by moderating the effect of supplier specific investment on long-term relationship. This means that, supplier investment in specific assets is not enough to convince buyer for long-term business relationship keeping other factors constant. Buyers tend to switch to another supplier if they are not satisfied by current supplier and that require supplier to take consideration of buyers’ need and act accordingly. Finding in this research suggest that, investment of specific-assets by supplier is of paramount to affect long-term relationship with buyers if supplier is flexible enough to respond to buyer’s need.

9.3 Discussions

According to the study of TCA, specific asset creates a bondage between buyers and sellers in a sense that the assets deployed in a relationship cannot be used elsewhere when that relationship ended (Williamson 1979). This means that partners to the business are not invest in specific assets unless they are sure it’s’ return is higher for a long time to cover the cost. Deployment of specific investment require a contractual governance to safeguard the investing partner against any opportunistic behavior (Williamson 1993) though itself can act as safeguarding means against opportunistic behavior in the presence of mutual deployment (Buvik and Reve 2001). Relational Contracting Theory (RCT) emphasize in the use of relational norms over contractual governance. These relational norms are said to develop when relationship evolves over a period of time, long enough to create the atmosphere of trust between partners (Williamson 1985, MacNeil 1978).

Buyer-specific investment that are likely to occur in this relationship of Superdoll and its customers are in form of advance payment, training, information technology and quality assurance program. The decision of buyers to invest in specific assets in a relationship with Superdoll impose the signal of long-term business relationship. This is because, investment in specific assets have some risks including opportunity cost by tying-up cash in assets and advance payment; and sunk cost. Given the high level of competition between automobile suppliers in Tanzania, investment in specific asset by buyers with one or few suppliers means that buyers are willing to take that risk because its pay-off is significantly larger over a long period of time than the risk involved and also they have been with a supplier for a long time to trust that specific investment will not cause any opportunistic behavior.

Superdoll is unlikely to act opportunistically in this situation even if there is asymmetrical deployment of specific asset by a buyer because it will affect the long-term orientation of relationship. The reason for this is, first; acting opportunistically to gain short term revenue will cause buyer to terminate the relationship with Superdoll and shift to another supplier which will cause loss of revenue to Superdoll for a long period of time as suggested by (Rokkan, Heide, and Wathne 2003). Second, it is not in Superdoll's interest to act opportunistically as suggested by (Rokkan, Heide, and Wathne 2003) because they are looking for situation that buyers will be locked in a relationship for a long time. Superdoll is seeking to increase its market share over competitors. Empirical evidence shows that buyers trust this supplier and have specific invest in information sharing system and assurance program that are customized to fit with this supplier only. They also agreed that termination of business with Superdoll will cause losses to them in terms of monetary value but as well as relational attachment.

Superdoll is a famous automobile company especially in quality products they offer to their clients. The brands of Superdoll have never deteriorate in quality since its establishment more than 20 years ago. This enable them to get customers from all kind of industries. During the interview with customers they said Superdoll price is very high compared to all the competitors but they still buy from Superdoll because of the quality of products. They also add up by saying that they can buy a tyre or trailer from Superdoll at the price which is three times of that of competitors, but it will last for a time that if they buy tyres from other suppliers it would have been changed three or more times. Additionally, they are satisfied with other performance of technical services and getting good according to their

specification though delivery performance has been a challenge than many customers complained about.

Coming of Chinese product in the market has dropped Superdoll market share. Reasons for this has been mentioned by few customers to include cheap price of Chinese product and light material used to create trailer allow them to transport many products. Trailers made by Superdoll are heavy that's allow transportation of few product to meet the weight requirement over weight bridge, thus, increase cost to buyers' operations. Supplier performance satisfaction has a greater role in buyers' financial position and competitive advantage (Carr and Pearson 1999). Supplier's price has impact on buyer's price determination (Wathne, Heide., and Biong. 2001); supplier's delivery performance can highly affect reliability to buyer operation(Cannon et al. 2010, Monczka et al. 1998) and cost saving from supplier performance is likelihood to increase buyer competitive advantage (Sheth and Sharma 1997). Benefits and revenue from cost serving from performance satisfaction are likely to engage buyers in a long-term relationship from Superdoll.

The reciprocal investment in specific asset by one partner followed after asymmetrical investment by another partner strengthen the relationship commitment (Buvik and Haugland 2005). The result of this study shows significance of supplier-specific investment when there is flexibility. Investment in specific investment by supplier keeping other factors constant does not guarantee that buyers may retain in the relationship for a long time. If supplier performance is poor and buyers do not have any special bond in specific assets, switching to another supplier is very easy due to low switching cost. The development of relational norms of flexibility and trust over a period of time allow supplier to respond to buyers' request of change without considering the initial contract term. The theory of RTC states that, after being in a relationship for a long time, relational norms will guide the relationship and create self-enforcing contractual governance between partners (Buvik and Haugland 2005, Heide 1994). Superdoll's has invested in specific asset in different number of buyers. To mention the few, it manages the whole fleet of oil tankers in some oil companies; invest in budin and telematrix technology with customers; and brand big dealers' office. Despite of these investment, Superdoll is very flexible when it comes to customer request. Under any unexpected event, Superdoll is ready to renegotiate and modify terms and conditions of initial contract so that to accommodate the prevailing situation.

For example, Superdoll does extent payment terms to its potential buyers, may skip formalities of documents when there is an emergence demand and sometimes may change a certain system or modify oil tankers at their own or shared cost to accommodate a customer without necessarily refers to the contract. Not being rigid with contract terms enable the buyers to trust the supplier and invest in the relationship for a long time. Time of the existing relationship enable the development of trust that reduce the contractual governance. Partners trust each other not to act opportunistically for mutual benefit.

Opportunism is act of seeking self-interest with guile (Williamson 1985). It has been proven in other TCA studies to negatively influence the continuity of business because the victim party may terminate the contract due to opportunistic behavior of the other party within short time. This is not the case in this study. Empirical data shows negative relation but not significant. Because Superdoll is seeking to have buyers doing business with them for a long time, it is unlikely to act opportunistically.

Sustaining buyer-supplier relationship for a long time depend on the mutual expected benefit from that relationship, trust which is develop over a certain period of time and supplier performance especially when there are many suppliers in the market.

9.4 Implication of the Study

9.4.1 Theoretical Implications

Many previous studies in long-term orientation has use either TCA or RTC theory but this study has theoretically contributed by integrating (multiple) theories of RCT and TCA. The significance of interaction was evidently seen in this study. The norm of flexibility is expected to influence long-term relationship by strengthen commitment and trust under specific investment. Relational norms tend to guide the relationship when buyers and suppliers have been in a relationship for a long time to develop relational governance mechanism. Long-term relationship has mutual financial benefit as well as competitive advantage.

Long-term orientation may seem not important subject but given the level of business competition in today's world it is crucial to know what factors may hold your customer

longer in relationship (Heide and Miner 1992, Anderson and Weitz 1989, Cannon et al. 2010). It has been receiving scientific research attention due to its impact in buyer-supplier relationship. It must be worth remembered that these factors highly predict the long-term business relationship between buyer and sellers but they do not guarantee its occurrence.

9.4.2 Managerial Implications

This study has managerial implications to Superdoll customer managers on how to manage customer for continuity of business. Being rated by customers on how they consider important to decide for business continuity will enable managers to improve to customers' expectations. This will also enable Superdoll and all other suppliers to know where to put much focus in maintaining relationship with buyers. Another managerial implication to Superdoll is that, they need to consider product mix with other cheap product from other country and design their product by using light material. This will enable them to offer wide range of products choice to their customers and, therefore increase its market share.

Investment in specific investment is advantageous but it can be risky if the asymmetrical deployment is done by supplier hoping to lock-in buyers for a long time if buyers perceived other factors to be important as shown by the findings of this research. Having many suppliers in the market with alternative products or less differentiated products can increase the sunk cost to supplier if buyers have a power to switch between suppliers. Suppliers should gather all the important information of their potential buyers before deciding on where to invest in specific assets at the earlier stage of relationship. In addition to that, managers may decide to reciprocate the specific investment to buyers who already invest in them to avoid the risk.

9.5 Limitation of the Study

Formula for sample size provided by (Tabachnick and Fidell 2007) were used in this study to obtain number of samples. It suggested to use 106 samples from the population of customers. This number of samples fall within recommended criterion of many literatures suggesting to have more than 100 samples for more comprehensive study. About 120 questionnaires were distributed to customers of Superdoll trailer manufacturer but only 86 were collected due to time limit and political situation during data collection.

Another limitation is based on the findings of this empirical data which study only one company/supplier and its customers located in one region only. Results obtained herein may be difficult to generalize to other suppliers within the industry or other industries.

9.6 Areas for Further Studies

This study raises some of the issues from its main findings which give room for further research. First, is the importance of longitudinal studies in buyer-supplier relationship. Cross-sectional results allow to test hypotheses as they theoretically formulated once within that specific time. Longitudinal studies offer to test the significant of results over the extended period of time by observing the same individual/respondents for the period of study time. Further research may base on longitudinal studies of the same issues to observe the sequence and pattern of result within the same research setting.

Second, it may be important to examine the dyadic exploration of factors toward the long-term orientation. Further research may focus on the perspective of both buyers and suppliers to check if their proposed determinant factors may be compatible. This may also explore more factors in addition to what have been studied here.

Third, there is opportunity to conduct the same study by using more sample size and wide coverage of suppliers within the industry or by integrating with other industry. Although opportunism was not statistical supported in this research, further studies may include the effect of opportunism on long-term orientation to test its significance.

Lastly, because Superdoll Trailer Manufacturer Co. Ltd has been in the market for a long time with very quality products, it's likely reputation factor has greater influence on its buyers. Future studies may include reputational of the company while researching long-term orientation across industries.

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APPENDICES

Appendix 1: Questionnaire

Dear Respondent,

**RE: SURVEY ON FACTORS TOWARD LONG-TERM ORIENTATION IN
BUYER-SUPPLIER RELATIONSHIPS. AN EMPIRICAL STUDY OF
SUPERDOLL TRAILER MANUFACTURING CO. LTD.**

I am currently conducting a survey study as a part of master's degree completion at Molde University College, a specialized University in Logistics, Molde Norway, under the supervision of Professor Arnt Buvik. The core objective of this survey is to study buyer-seller relationships between Superdoll Trailer Manufacturing Co. Ltd and its buyers.

We believe that, the result of this research will lead to better understanding of the factors that contribute to the long term business perspective in buyer-supplier relationship. Recent studies have shown that long term orientation in buyer-supplier relationship is important in business competitive advantage to both partners. The results and findings in this master thesis will be provided to you as an output upon your request. The answers in this questionnaire will assist only in data analysis and neither individual respondent will be mentioned nor information be used for any other purposes. Therefore, all the information provided will be confidential.

This survey involves the small sample of Superdoll's customers in Dar es Salaam, therefore, your response is highly appreciated. Please take some few minutes to answer the questions below accurately regarding your relationship with the company. The term "this supplier" stands for Superdoll Trailer Manufacturing Co. Ltd.

Thank you in advance for taking time to answer the questionnaire. Your support in this study is highly appreciated.

Sincerely,

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A: COMPANY'S BACKGROUND INFORMATION

1. Number of employees: _____

2. What kind of products or services that your company buy from the Supplier:

- 1. Standardized
- 2. Customized

3. In which industry does your company belong?

- 1. Agricultural
- 2. Manufacturing
- 3. Service

Based on the products/Services you have mentioned above (A2), please mark the word that best describes the extent to which you agree with each of the statement regarding this supplier.

B: PERFORMANCE SATISFACTION		Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1.	This supplier deliver very goods/services according to specification.							
2.	This supplier deliver goods/services on time.							
3.	This supplier provide us with the very satisfactory technical support services.							
4.	This supplier provide us with high quality products/services.							
5.	This supplier's price is very competitive.							

Please mark the word that best indicates your level of agreement in each of the following statements with regard to this customer.

C:OPPORTUNISM		Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1.	Frequently, this supplier makes false promises regarding the provision of technical support assistance.							
2.	This supplier very often use emergency situation to show its effort in service improvement.							
3.	This supplier is oftenly deny to accept responsibilities regarding the poor quality of the product in advance.							
4.	Frequently, this supplier provide us with the false information regarding the life time of the product.							
5.	This supplier does very often alter information regarding the products/services to take advantage of the situation for his own benefit.							
6.	This supplier very often uses unanticipated events in our company to charge us extra money							
7.	Repeatedly, this supplier provides us with products/services contrary to what has been agreed in the contract.							

For each of the following statements below, mark the word that best represents your view regarding this supplier.

D:TRUST		Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1.	This supplier takes our business into consideration when making important decisions.							
2.	This supplier always fulfils its promises to our company .							
3.	This supplier always provides us with the right information regarding products and services.							
4.	This supplier always uses friendly and informal approaches to resolve any conflicts with our company.							

5.	This supplier has made significant investments in logistics service that meet our service requirement.						
6.	This supplier has made considerable investments in training its staff to equip them with specialized knowledge to fit our service requirements.						
7.	This supplier spends a lot of resources to coordinate its operations with our company.						
8.	In case our company decided to switch to another supplier, this supplier will lose significant part of its investments they have made doing business with our company.						

In each of the following statement, please indicate the level of your agreement by marking the word that best represents your view regarding the business relationship between your company and this supplier.

	<i>G: LONG-TERM ORIENTATION</i>	Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1.	We expect our relationship with this supplier to continue for a long time in the future.							
2.	Our company has made plans for future purchase with this supplier.							
3.	We believe that our company's profit will be realized with this supplier in the long run.							
4.	Long term orientation with this supplier is crucial for our business.							
5.	The investments we have made in this relationship will yield more returns in the long run.							
6.	We expect that our contract with this supplier will be generally renewed for a long time in the future.							

For each of the following statements below, mark the word that best represent your view regarding this supplier.

H:FLEXIBILITY		Strongly disagree	Disagree	Slightly disagree	Neutral	Slightly agree	Agree	Strongly agree
1.	When an unexpected situation occurs, this supplier always form a new agreement rather than forcing our company to refer to the old agreement.							
2.	The price can be negotiated with this supplier in case of any price changes in the environment.							
3.	This supplier is very flexible to modify terms of contract when unexpected event occurs.							
4.	This supplier is very flexible to allow open discussion when there is changes in product specifications.							

I: COMPANY'S GENERAL INFORMATION

1. For how long have you been doing business with this supplier? _____ Years
2. What was sales/turnover did your company have during the last year? _____ USDS
3. How much in terms of monetary/percentage value did your company purchase from this supplier during last year? _____ USD \$
4. What percentage of your company's products or services requirement needs are provided by this supplier? _____ %
5. What is the duration of existing contract? ___ Year(s)

Appendix 2:

a. Descriptive Statistics and Normality Assessment

Descriptive Statistics

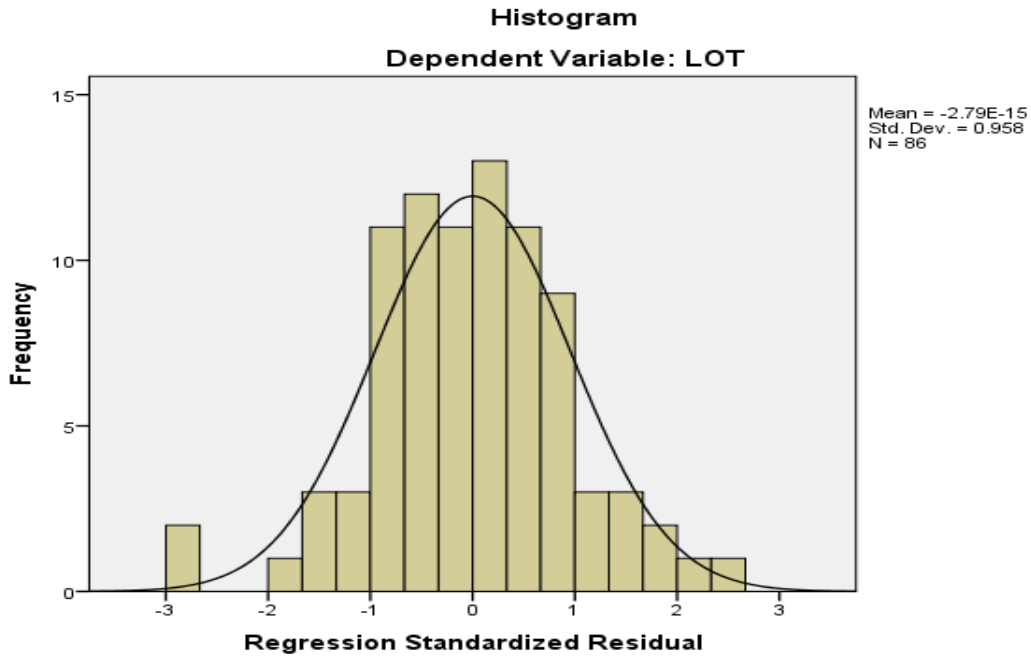
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
PERFORM1	86	3	7	6.13	.764	-1.519	4.118
PERFORM2	86	2	7	5.50	1.176	-1.067	.891
PERFORM3	86	2	7	5.58	1.000	-.736	1.012
PERFORM4	86	4	7	6.26	.785	-.788	-.001
PERFORM5	86	2	7	5.34	1.164	-.922	.549
OPPORT1	86	1	6	2.42	1.306	1.286	1.177
OPPORT2	86	1	7	4.12	1.725	-.184	-1.285
OPPORT3	86	1	7	2.40	1.277	1.646	2.604
OPPORT4	86	1	7	2.00	1.127	2.271	6.651
OPPORT5	86	1	7	2.56	1.174	1.285	1.903
OPPORT6	86	1	6	2.21	1.007	1.757	3.986
OPPORT7	86	1	6	1.98	1.188	1.899	4.119
TRUST1	86	2	7	5.67	.975	-1.246	1.862
TRUST2	86	2	7	5.90	.826	-1.849	6.495
TRUST3	86	3	7	6.05	.796	-.801	1.412
TRUST4	86	2	7	5.62	.960	-1.034	1.341
TRUST5	86	2	7	5.50	1.156	-.656	.087
TRUST6	86	4	7	6.03	.743	-1.114	2.032
BUYSPECINV1	86	1	7	4.38	1.873	-.237	-1.248
BUYSPECINV2	86	2	7	5.31	1.340	-1.380	1.156
BUYSPECINV3	86	2	7	5.73	1.011	-1.885	5.191
BUYSPECINV4	86	2	7	5.33	1.163	-.806	.422
SUPSPECINV1	86	1	7	4.10	2.164	-.131	-1.797
SUPSPECINV2	86	1	7	4.12	2.066	-.102	-1.714
SUPSPECINV3	86	2	7	4.93	1.135	-1.144	1.054
SUPSPECINV4	86	2	6	5.17	1.008	-1.348	1.404
SUPSPECINV5	86	1	7	4.90	1.063	-1.050	1.743
SUPSPECINV6	86	1	7	5.02	1.051	-1.415	3.199
SUPSPECINV7	86	2	7	5.17	1.065	-1.076	.785
LTO1	86	4	7	5.93	.699	-.115	-.372
LTO2	86	4	7	5.93	.794	-.307	-.412
LTO3	86	2	7	5.19	.964	-.304	.022
LTO4	86	3	7	5.44	1.001	-.556	-.585
LTO5	86	3	7	5.78	.758	-.768	1.564
LTO6	86	3	7	5.97	.774	-.719	1.496
FLEX1	86	2	7	5.40	.885	-.978	1.760
FLEX2	86	3	7	5.73	.900	-1.225	1.774
FLEX3	86	3	7	5.53	.822	-.896	.344
FLEX4	86	2	7	6.01	.874	-1.752	5.130

b. Item-Total Correlation of each Item

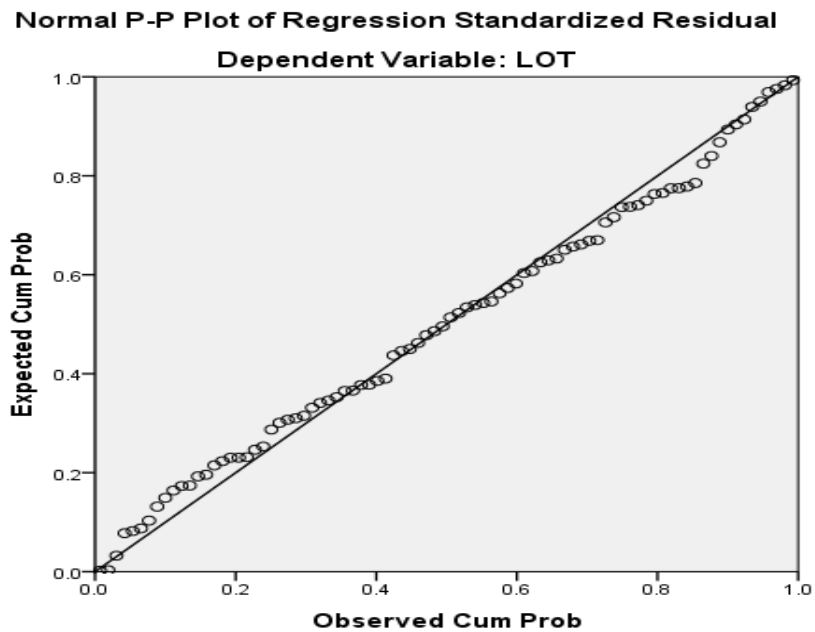
<i>Construct</i>	<i>Item – Total</i>	<i>Min</i>	<i>Max</i>
PERFORMANCE (PERFORM)	PERF2: 0.61		
	PERF3: 0.6	0.46	0.61
	PERF5: 0.46		
SUPPLIER OPPORTUNISM (OPPORT)	OPPORT1: 0.56		
	OPPORT3: 0.81		
	OPPORT4: 0.67	0.49	0.81
	OPPORT6: 0.52		
	OPPORT7: 0.49		
TRUST	TRUST1: 0.40		
	TRUST2: 0.49		
	TRUST3: 0.43	0.4	0.61
	TRUST5: 0.65		
	TRUST6: 0.61		
BUYER SPECIFIC INVESTMENT (BUYSPECINV)	BUY2: 0.58		
	BUY3: 0.67	0.47	0.67
	BUY4: 0.47		
SUPPLIER SPECIFIC INVESTMENT (SUPSPECINV)	SUP1: 0.6		
	SUP2: 0.6		
	SUP3: 0.39		
	SUP4: 0.49	0.35	0.61
	SUP5: 0.42		
	SUP6: 0.48		
	SUP7: 0.61		
	SUP8: 0.35		
LONG-TERM ORIENTATION (LTO)	LTO1: 0.63		
	LTO2: 0.68	0.52	0.68
	LTO5: 0.52		
	LTO6: 0.52		
FLEXIBILITY (FLEX)	FLEX1: 0.55		
	FLEX2: 0.52	0.52	0.72
	FLEX3: 0.72		

Appendix 3

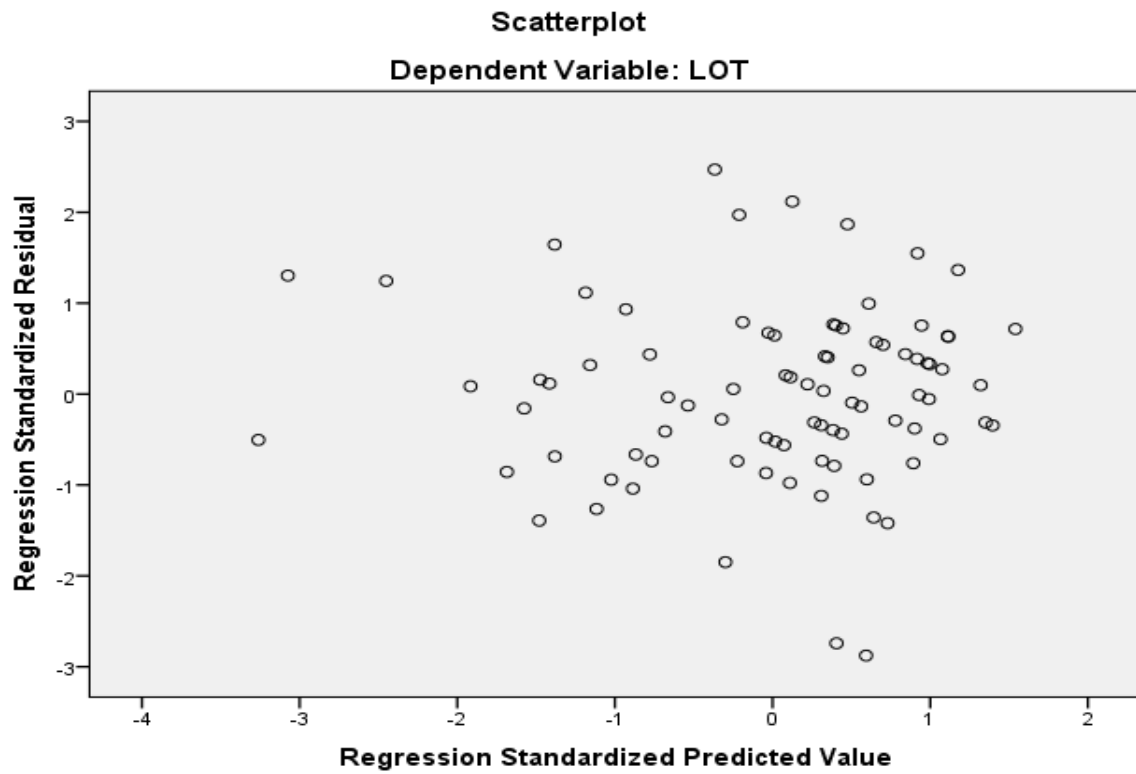
a) Residual Distribution Chart



b) Normal Probability Plot for Normality Assessment



c) Graphical Portray of Heteroscedasticity



Appendix 4: Squared Inter construct correlation (R^2), Average Variance Extracted (AVE) and Composite Reliability (CR)

Correlations						
	1	2	3	4	5	6
1. PERFORM	1	.081**	.154**	.079**	.196**	.118**
2. OPPORT		1	.039	.012	.065*	.061*
3. BUYSPECINV			1	.164**	.277**	.191**
4. SUPSPECINV				1	.203**	.117**
5. LTO					1	.184**
6. FLEX						1
CR	0.75	0.82	0.76	0.81	0.79	0.79
AVE	0.5	0.5	0.52	0.46	0.49	0.57

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

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

Appendix 5:

a) Research's Model Summary

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	.599 ^a	.358	.301	.64387	.358	6.227	7	78	.000
2	.680 ^b	.462	.406	.59333	.104	14.856	1	77	.000

a. Predictors: (Constant), PURCHASES, BUYSPECINV, DURATION, FLEX, OPPORT, PERFORM, SUPSPECINV

b. Predictors: (Constant), PURCHASES, BUYSPECINV, DURATION, FLEX, OPPORT, PERFORM, SUPSPECINV, SUPSPECINV X FLEX

b) Analysis of Variance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.071	7	2.582	6.227	.000 ^b
	Residual	32.337	78	.415		
	Total	50.408	85			
2	Regression	23.301	8	2.913	8.274	.000 ^c
	Residual	27.107	77	.352		
	Total	50.408	85			

a. Dependent Variable: LOT

b. Predictors: (Constant), PURCHASES, BUYSPECINV, DURATION, FLEX, OPPORT, PERFORM, SUPSPECINV

c. Predictors: (Constant), PURCHASES, BUYSPECINV, DURATION, FLEX, OPPORT, PERFORM, SUPSPECINV, SUPSPECINV X FLEX