Exporter trust, commitment and marketing control in integrated and independent export channels

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By

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Abstract

This article explores differences between three entry modes - sales subsidiaries, agents and distributors - along four dimensions - trust, commitment, marketing control and performance. It is posited that trust, commitment, marketing control and performance are highest in integrated modes (like sales subsidiaries) and lowest in distributor relationships, the agency solution being situated somewhere in between. These hypotheses are tested in a sample of 260 exporter intermediary relations of 120 Norwegian exporters. Results indicate that on some aspects of exporter-intermediary relations there are differences not only between integrated and independent channel members, but also among the two independent ones: agents and distributors. Concerning marketing control the hypotheses are conrfirmed. On the other hand – there is virtually no difference between agents and distributors on two other dimensions: trust and commitment. Here the dividing line goes between integrated and independent channels. Concerning financial performance, there is no significant difference between the three modes of entry. However, integrated modes of entry seem to meet exporter expectations better than independent solutions regarding the more general performance measure, “goal achievement”. Implications for research and management are discussed.

Introduction

The issue of investing in own sales subsidiary rather than contracting an independent channel intermediary is critical for many exporters, the resources needed to undertake such often exceeding their capabilities. More specifically, in accordance with the writers of the incremental internationalization stream of literature (Johanson and Vahlne 1977 and 1990, Bilkey and Tesar 1978), integrating the next channel member involves a larger part of the organization and calls for more management capabilities than is the case of independent modes of entry. A stepwise approach – by first going through an independent intermediary and at a later stage carry out own investments - is therefore called for, even though other arguments (like for instance demand for control) would speak in favor of an integrated model.

Foreign entry mode decisions have been studied by a large number of researchers the last two decades or so. Especially, since Buckley and Casson's (1976) introduction of the internalization argument based on transaction cost theory, a number of contributions have appeared to discuss whether or not to integrate foreign operations (see for instance Dunning 1977 and 1988, Anderson and Gatignon 1986, Eramilli and Rao 1993, Andersen 1997, Madhok 1997). Although most of this literature has taken the perspective of foreign production (of products and services), its application extends also to foreign marketing operations (Anderson and Gatignon 1986). The discussion has largely focused on integrated versus independent foreign business operations. However, Klein, Frazier and Roth (1990) and Bello and Lohtia (1995) take this discussion a step further by distinguishing between different independent modes of entry. Differentiating between distributors and agents they consider the agent to represent a quasi-integrated operation mode.

The present paper extends this discussion analyzing how different entry modes - sales subsidiary, agent and distributor – impact on the creation of trust, commitment and marketing control of Norwegian exporters and the ensuing end result in terms of export performance. By the mere structural differences between the three entry modes or types of intermediaries one may expect that the exporter exhibit different behaviors in their interaction with the latter. More specifically it is posited that trust, commitment, marketing control and performance are highest in integrated modes (like sales subsidiaries) and lowest in distributor relationships, the agency solution being situated somewhere in between. The three modes of entry have been selected for the present study for their frequency of use by exporters in Norway, representing more than ¾ of the exporter-intermediary dyads studied in the present survey.

The rest of the paper is organized as follows: literature review and development of hypotheses, methodology, data analysis and discussion. The terms channel intermediary and representative will be used interchangeably as generic terms for the three modes of entry treated in the paper: sales subsidiary, agent and distributor.

Literature review and development of hypotheses

TCA predicts that under circumstances of high asset specificity and high uncertainty the exporter will seek to internalize the transaction with the local channel member in order to reduce transaction costs connected to curbing opportunism. Although TCA has been widely accepted being powerful in explaining entry modes, it is limited in that it considers only cost minimization and not value creation (Madhok 1997). Also, the link between ownership and control (through authority) has been questioned (Geringer and Woodcock 1989, Majkgård and Sharma 1998). Indeed, fully owned subsidiaries often display an annoying tendency to seek their own solutions to the local market challenges, sometimes in conflict with headquarters intentions (Ghauri 1990). Governance through ownership is therefore not straight forward. Also, Ghoshal and Moran (1996) critisize TCA on its negative assumption of human nature (opportunism, shirking etc).

An alternative perspective governance mode is offered by writers within interorganizational relations focusing on the creation of trust in the relationships between the partners (Håkanson et al 1982, Morgan and Hunt 1994, Dwyer, Schurr and Oh 1987, Bradach and Eccles 1989, Uzzi 1997, Doney and Cannon 1997). The risk of opportunism is tuned down in this literature, rather the emphasis is placed on investments and commitment in the relations. Indeed, the basic foundation of any business relation is the trust that the trading partners foster in dealing with each other. Morgan and Hunt (1994) identify trust and commitment as the two key variables explaining satisfaction with relations between partners. They maintain that these two elements are “key” because they “encourage marketers to (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically” (p. 22). They assert that both commitment and trust promote efficiency, productivity and effectiveness – conducive to relationship marketing success.

Traditionally agency theory distinguishes between two areas of control: output control and process control (Jaworski 1988). In output control the exporter supervises only the result of the activities of the local representative ex post (like market share, sales volume, profit etc.), leaving the development of the marketing activities to the discretion of the latter. Process control involves a more active, concurrent participation by the principal in the implementation of the strategy of the agent. Although output control in many ways is the governance mechanism of the independent distributor (market governance) and process control is much more the domain of hierarchical governance (Eisenhardt 1989), one may conceive of both types of control within the same cahnnel structure. They are distinct from one another, and yet they have been found to be strongly correlated (Bello and Gilliland 1997, Cello and Frazier 1996, de Mortanges and Vossen 1999).

These two control mechanisms have been studied in an export context by Bello and Gilliland (1997) and de Mortanges and Vossen (1999). For instance Bello and Gilliland (1997) found that process control – contrary to output control and flexibility – did not correlate with export channel performance. This has lead Solberg (2000) to suggest that stage of the relationship (Ford and Rosson 1982, Lye 1998) may matter in the efficient use of different control mechanisms. "Ranging the three governance mechanisms [output and process control, and trust], it seems as though there is an escalating order of commitment to the market starting with output control, then passing by process control and ending up with trust as the most committed mode of control by the exporter" (Solberg 2000, p. 11).

However, one thing is the control mechanisms as such – degree of integration, output / behavior control, etc; another matter is the extent to which the exporter feels that it actually has the assurance or comfort of being in control of the marketing activities carried out by the local representative. This issue has been approached by agency theorists based on the assumption of moral hazard and information asymmetry (Jensen and Meckling 1976). Information asymmetry may for example take place when the agent does not keep the principal up to date on its local marketing activities. Petersen, Benito and Pedersen (2000) hypothesized that controllability (that is the ability of the exporter to control the intermediary) correlate positively with the propensity of the exporter to switch to another intermediary. Based on agency theory this hypothesis may make sense in that it presupposes shirking will be detected by high ability to control. To their surprise, the findings were quite the opposite of the hypothesized outcome: low exporter control of intermediaries leads to high propensity to switch intermediary. We believe that – contrary to

Petersen et al (2000) – more control increases the involvement of the exporter in the whole range of export activities including also communication between the exporter and intermediary, thereby reducing the information asymmetry. Another study has investigated what has been termed perceived control of marketing activities (Nes 1999). In a survey of 370 exporter-intermediary relations he found that perceived control of marketing activities correlated positively with factors like trust, commitment and export performance.

Turning now to export performance, this measure has during the late eighties and the nineties been subjet to scrutinity by a number of writers (see for instance Madsen 1987, Axinn 1988, Aaby and Slater 1989, Cavusgil and Zou 1994, Bello and Gilliland 1997, Diamantoupolos 1998, Shoham 1998). In a comprehensive review of the literature on export performance Aaby and Slater (1989) conclude that export success is strongly related to top management commitment in some form or another. This commitment is necessary in order to build the distribution network and information channels indispensable for the firm to engage in the export learning process (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977). They also refute the generally accepted belief that larger firms are more successful than smaller ones. Cavusgil and Zou (1994) develop a model of export marketing performance involving the four traditional marketing mix factors: product adaptation, promotion adaptation, support to distributors/ subsidiary and price competitiveness. Product adaptation and distributor support were found to be positively linked with export performance, whereas promotion adaptation correlates negatively, and price competitiveness did not show any significant correlation. Two other factors, the firm‘s international competence and its commitment to the export venture have both a direct and indirect positive impact on performance, lending support to the review presented by Aaby and Slater (1989). Bello and Gilliland (1997) find that export performance is strongly correlated to output control and flexibility, whereas Nohria and Ghoshal (1994) show close correlations between different modes of organizational control (shared values and differentiated fit) and performance of multinational firms.

The hypotheses developed in this paper are based on the premise that the three entry modes differ in their structure. Figure 1 adapted from Solberg (1999) shows a picture of the different structures. The solid lines denote direct exporter control with the exporting activities and the local operations of the intermediary, whereas the dashed lines denote indirect control.

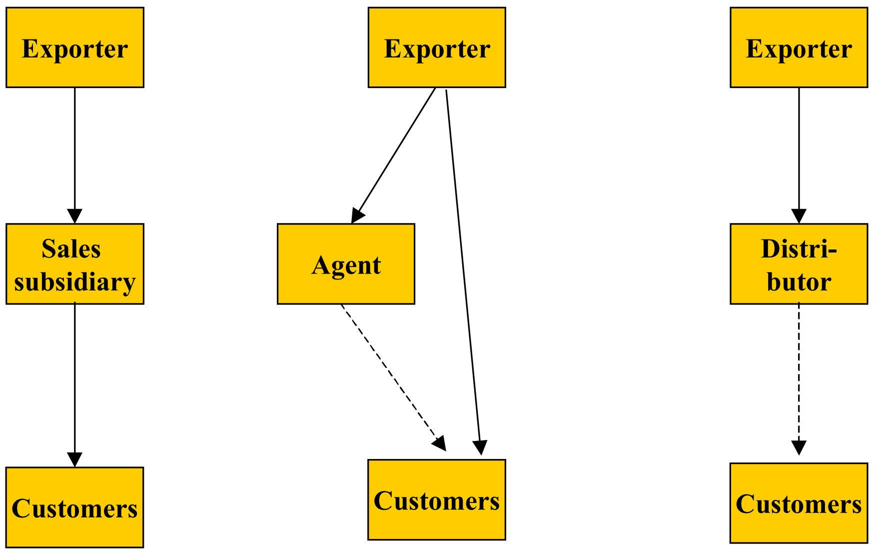

Figure 1: Structure of exporter entry modes

The figure in its simplicity indicates that the exporter through the distributor – the latter *buying* the product (and therefore in fact being a customer of the exporter in addition to representing him) - only has *indirect* control with export operations locally in the export market. Also legislation in most Western markets prevents the exporter from dictating sales conditions like for instance price or product warrants from the distributor to the next level, reducing even further the leverage of the exporter. On the other extreme the exporter through its sales subsidiary has *direct* and hierarchical control through the intermediary. Working through an agent – carrying out part of the operations on behalf of the exporter – the exporter owns the product until it is sold to the final customer. Hence, the exporter is by force lead in direct contact with the customer level and is therefore to varying degrees left with direct control of activities such as contract negotiations, shipping, billing, installing, after sales service etc. The consequences on development of trust, commitment and marketing control by the exporter to the intermediary and on exporter performance of these structural differences may be summed up as follows.

Exporting through sales subsidiaries gives in principle the exporter full (hierarchical) control of the whole export operation, including the marketing activities. The exporter will therefore normally invest more of its capabilities – both financially and in terms of human resources - in carrying out the operations than in independent export channels. This is thought to lead to a more intensive communication process and higher levels of asset specificity in the relations between the channel intermediary and the exporter, raising the stakes of the latter. The consequences on trust, commitment and marketing control are therefore posited to be higher than in any of the other entry modes, including export through agents. Hence:

H1: The degree of commitment to the local intermediary is significantly greater in exporter – sales subsidiary relations than in exporter – agent relations.

H2: The degree of trust to the local intermediary is significantly greater in exporter – sales subsidiary relations than in exporter – agent relations.

H3: The degree of marketing control is significantly greater in exporter – sales subsidiary relations than in exporter – agent relations.

Bello and Lohtia (1995), using a traditional TCA approach, found in their study of 269 American exporters that use of agents match export transactions characterized by high asset specificity, size, export intensity, and other typical TCA related variables. They conclude that agent use is a "quasi-integration mode". Also the model depicted in figure 1 shows that exporting through agents gives the exporter control of part of the export operations, the marketing activities in main being left to the agent. The marketing activities – such as selection of customers and products, sales calls, advertising, participation at trade fairs and so on – will to varying degrees be at the discretion of the agent. Still, since the structure itself of the triad, exporter – agent – customer, leads the exporter in direct contact with the customer level, the exporter is thought to have a larger say in the development of the marketing strategy than is the case of exporter – distributor relationships. Also, the fact that the agent operates on behalf of the principal (exporter) and does not take title to the products, gives the exporter a greater incentive to take part in the planning and monitoring of the marketing activities.

From a TCA viewpoint exporters' higher specific investments in agents as compared with distributors (Bello and Lohtia 1995) will lead the exporter to control the former more closely. Controlling these investments is supposed to lead the exporter into a more intense communication relationship with the intermediary. Furthermore, the closer contact with the customer base of this model than of the exporter-distributor model induces us to assume that communication – and hence commitment and trust (Morgan and Hunt 1994) – is more entrenched in the case of agents than in the case of distributors. In fact, by selling the product to the distributor the exporter loses its contact with the local marketing operations and the distributor has more freedom to act without interference from the exporter. From this we may infer the following hypotheses:

H4: The degree of commitment to the local intermediary is significantly greater in exporter – agent relations than in exporter – distributor relations.

H5: The degree of trust to the local intermediary is significantly greater in exporter – agent relations than in exporter – distributor relations.

H6: The degree of marketing control is significantly greater in exporter – agent relations than in exporter – distributor relations.

We have previously pointed out that trust and commitment usually are perceived as positive elements in channel relationships, and that several positive qualitative effects have been demonstrated (Morgan and Hunt 1994). Since these positive qualitative outcomes have been demonstrated, we expect that they be followed by increases in performance. Also from a TCA perspective channel integration reduces transaction costs given higher volumes/frequencies of transaction. Since sales subsidiaries often succeed independent forms of entry (Johanson and Vahlne 1977), they also normally represent larger sales volumes. Thus, sales subsidiaries epitomize a mode of entry where higher market shares are expected to yield returns both in terms of better scale economies and possibly also higher prices. Furthermore, given the "quasi-integrated" character of the agent solution, it is expected that exporting through agents yield better returns than exporting through distributors. Hence, we hypothesize the same positive relationship between export performance and degree of export channel integration as we do for trust, commitment and marketing control.

H7: The performance of the local intermediary is significantly greater in exporter-sales subsidiary relations than in exporter-agent relations.

H8: The performance of the local intermediary is significantly greater in exporter- agent relations than in exporter – distributor relations.

Methodology

Sample and data collection

161 Norwegian firms agreed to participate in a co-operative program with students of the Norwegian School of Management BI in 1999. All firms filled in a questionnaire of which 41 were incomplete; these were therefore discarded in the data analysis, leaving us with 120 usable cases.

The data collection was carried out by 161 groups of students who did personal interviews with relevant managers of the sample firms. The typical level of responsibility within the sample firms was the export manager, product area manager or – in many smaller firms – the general manager. Although we had 161 different groups of students, thus risking 161 different approaches to data collection, we believe that the closed end nature of the questions ensures the quality of the data.

Even though the sample is a convenience sample, the firms in the sample represent fairly well a cross section of Norwegian export industry – both with regard to the geographic spread, size and export intensity. The firms are situated in 13 different locations across Norway. Some features of the 120 usable cases are shown in table 1.

Table 1:Features of the sample (N=120)

Sales mill. NOK[1]	*% of sample*
<50	19.7
51-100	17.8
101-500	33.9
501-1.000	16.9
>1.000	11.9
Sum	100.0

Export dependence (%)	*% of sample*
<5	4.2
5.1-25	10.8
25.1-50	24.2
50.1-75	21.7
75.1-100	39.2
Sum	100.1

Each firm were asked to fill in questionnaires regarding a number of aspects of their export activities in four selected markets. As some of the firms did not complete the questionnaire for

[1] Exchange rate: 1 Norwegian krone (NOK) =0.12 USD.

all four markets, we ended up with altogether 341 cases of exporter-intermediary relationships, distributed as follows (table 2):

Table 2: Number of relations (N=341)

Entry mode	*% of relations*
Direct to end user	12.6
Direct to retail store/chain	2.9
Distributor	34.9
Agent	19.9
Sales subsidiary	21.4
Franchising	5.0
Others	3.2
Sum	99.9

The ones being included in the data analysis are those regarding distributors, agents and sales subsidiaries, altogether 260 cases.

Measurements

The four constructs – commitment, trust, marketing control and performance – were measured on a 1-5 Likert scale. The measurements of commitment and trust were adapted from Morgan and Hunt (1994), whereas the concept of control was measured based on the traditional four Ps – product, price, promotion and place.

Different conceptualizations and operationalizations of performance by a number of researchers have resulted in a variety of measurement schemes that emphasize a range of performance dimensions (Diamantopoulos 1998). Madsen (1987) suggested, based upon a review of previous measures, that the measures could be captured in three dimensions; sales, profitability and change in sales and profitability. This was confirmed empirically by Shoham (1998). Our measures of performance are single item measures of the three dimensions in Madsen (1987) and Shoham (1998). Inspired by Cavusgil and Zou (1994), we have included a single item measure of goal achievement in order to capture the somewhat more strategic dimensions of performance. This measure is deemed to encapsulate factors like market position, brand awareness, relation to market players, network development and so on.

To control for validity and reliability we used factor analysis (maximum likelihood and Oblimin rotation) and calculated Cronbach alpha scores. The results are shown in table 3. Originally the trust construct consisted of four items, the one being excluded being "Sometimes we cannot trust our representative" (reversed), loading only 0.180 in the confirmatory factor analysis.

Table 3: Constructs used in study

Construct and items	*Factor score*	*Alpha*
Commitment		.72
1. The relationship is very important to us	.943	
2. The relationship deserves our maximum effort to maintain	.853	
3. The relationship is something we depend heavily on	.741	
4. The relationship is something we plan to maintain forever	.669	
Trust		.86
1. The representative is reliable	.959	
2. The representative has high integrity	.871	
3. The cooperation is characterized by few conflicts	.595	
Marketing control		.80
1. We have good control with our brand profile	.834	
2. We have good control with our product strategies	.834	
3. We have good control over pricing policies	.638	
4. We have good control with our distribution	.542	
Multi item performance measure		
Results in the country compared to the rest of the company (both domestic and international activity)		.81
1. Profitability	.820	
2. Change in profits last year	.883	
3. Change in sales last year	.857	
Single item performance measure		
We have achieved our objectives in this country		

The three entry modes were classified using single questions: Importer/distributor, Agent, Own sales subsidiary in the export market.

Results

The test of the hypothesized differences between the three entry modes on the three constructs was carried out through independent samples T-tests, using the scores from the confirmatory factor analysis as the variables. Two sets of T-tests were run: one comparing sales subsidiaries and agents and one comparing agents and distributors. The results of the tests are shown in table 4 and 5.

Table 4: Hypothesis tests H1-H6

	Mean value* (1)	(2)	T- value	Sign level	Test result
H1: Commitment to sales subsidiary>to agent	1.74	2.61	5.258	.000	Confirmed
H2: Trust to sales subsidiary>to agent	1.81	2.30	2.589	.011	Confirmed
H3: Control with sales subsidiary>with agent	1.96	2.56	4.032	.000	Confirmed
H4: Commitment to agent>to distributor	2.61	2.64	.413	.668	Rejected
H5: Trust to agent>to distributor	2.30	2.38	.474	.225	Rejected
H6: Control with agent>with distributor	2.56	3.02	2.927	.004	Confirmed

*The mean values are calculated as arithmetic means of the scores on each item that is included in the construct. (1) is the mean value of the first entry mode mentioned in the hypothesis; (2) is the second entry mode. The T-values are calculated on the basis of factor scores.

The three hypotheses comparing sales subsidiaries and agents (H1-H3) were all confirmed at or around the 0.01 level. On the other hand H4 and H5 were rejected, implying that the exporter does not extend greater commitment or trust to its agents than to its distributors. The differences in the mean scores - while going in the right direction - were miniscule and insignificant: commitment and trust do not significantly differ in exporter-agent relations than in exporter-distributor relations. On the other hand, H6 was confirmed at the 0.01 level: the control issue is indeed felt differently in the two cases.

The tests of differences concerning export performance were carried out separately for the multi-item construct and the goal achievement variable.

Table 5: Hypothesis tests H7 and H8

	Mean value* (1)	(2)	T-value	Sign. Level	Test result
Multi-item financial performance measure					
H7a: Performance of sales subsidiary>agent	3.16	3.29	.670	.504	Rejected
H8a: Performance of agent>distributor	3.29	3.23	-.361	.717	Rejected
Single item goal achievement measure					
H7b: Achievement of sales subsidiary>agent	2.74	3.48	3.187	.002	Confirmed
H8b: Achievement of agent>distributor	3.48	3.73	1.239	.217	Rejected

*The mean values are calculated as arithmetic means of the scores on each item that is included in the construct. (1) is the mean value of the first entry mode mentioned in the hypothesis; (2) is the second entry mode. The T-values are calculated on the basis of factor scores.

The results indicate that the exporter's financial performance in the country does not depend on entry mode – integrated or independent. With regard to goal achievement, however, we see a significant difference between sales subsidiaries on the one hand and agent and distributor on the other, suggesting that other goals than financial performance are better reached in the integrated solution.

The dividing line concerning commitment and trust seems then to go between integrated and non-integrated intermediary solutions. We have explored - on the basis of the collected data – different models of trust-commitment-marketing control. For instance, regressing against a simple measure of goal achievement in the market ("We have achieved our goal in this market"), we find that the beta value of exporter trust is significant in the case of sales subsidiaries while it is not significant in the independent modes of entry. The opposite is the case of commitment: the more the exporters extend their commitment to independent intermediaries the more they seem to achieve their goals in the local foreign market, but not so in the case of subsidiaries (for regressions refer to appendix 1). From this we may infer that investments in credible commitments are critical when selling through independent intermediaries, whereas trust seems to be essential in integrated entry modes. Although not significant, marketing control seems to play a larger role in explaining goal achievement of the agent and sales subsidiary than is the case for the distributor.

Morgan and Hunt (1994) found a significant relationship between trust and commitment.   In the present data base trust explains between twice (agents) and thrice (distributors) the variance of commitment in the case of independent entry modes compared to that of fully owned sales subsidiaries (see appendix 2). In other words, in integrated export channels trust – albeit important - is less critical to produce commitment than in independent channels.

Furthermore, regressing marketing control against trust and commitment of the exporter for each of the three entry modes gives interesting insights (Appendix 3). Marketing control explains more than twice the variance of exporter commitment to the distributor and agent than to sales subsidiaries. On the other hand, it explains about twice the variance of exporter trust to the sales subsidiary and agent as compared to the distributor.

Discussion

Whereas control is increased in the agent solution, there is no difference between agents and distributors with regard to the extent to which trust and commitment are established. Figure 1 indicates that control of the marketing activities ends at the customer level in the case of agents, while in the case of distributors it ceases at the intermediary level. The hypothesized effects on the communication with the intermediary of this marketing control – and hence on trust and commitment - may not be so great as we originally thought, and therefore the effects on trust and commitment may be smaller. Even though in TCA terms the agent seems to represent a "quasi integrated solution" (Bello and Lohtia 1995), the expected level of trust and commitment seems not to take place. Then other explanations have to be sought in order to cast light on the results.

One may conclude from the findings that trust is produced "automatically" in the case of integrated channels. One possible explanation may be sought in the fact that key personnel at the subsidiary level often are expatriates from headquarters. It is likely that these persons embed the corporate culture of the exporter and therefore are more easily trusted than some independent representative. Also multinational firms strive to build a clan culture (Ouchi 1980) or shared values between organizational units (Nohria and Ghoshal 1994). Indeed, Morgan and Hunt (1994) found that shared values correlated strongly and significantly with trust.

Although clan-like relations can occur across organizational boundaries (Macauley 1963, Dore 1983), trust still needs to be earned through experience in independent channels. Actually, de Mortanges and Vossen (1999) found that distributor experience increased the use of three categories of control mechanisms (outcome, behavior and relational). Commitment on the other hand is some kind of investment (two of the four items of the commitment construct highlight "maximum effort" and "plan to maintain forever"). If one depends on the independent intermediary for ones export sales, this investment needs to be incessantly maintained in order to obtain the attention and interest of the channel member who normally serve other principals as well.

The results regarding performance are interesting and warrant a more thorough elaboration. Concerning financial performance, the lack of difference between the various modes of entry suggests that each mode has its own economic rationale related to the specific situation of the exporter (stage in internationalization process, competitive situation, sales volume etc) and as such is on the average equally well adapted and financially effective. However, the differences in goal achievement between integrated and independent solutions imply that overall strategic considerations are better catered to through ownership control. Firstly, the average sales volume of sales subsidiary is ten times that of independent solutions according to survey data from the present study. Strategic issues such as market share, position in network, brand awareness and so forth are therefore more critical in the case of sales subsidiaries and hence, possibly, given more attention by management. Furthermore, transaction cost theory suggests that strategic objectives may be a reduction in uncertainty, specific investments and reduction of the potential for opportunism, which all are better dealt with through ownership. Moreover, following the internationalization process school of thought one may suspect that firms having reached higher stages in the process have a more positive view of their goal achievement epitomized by the establishment of their sales subsidiary.

Implications

Implications for management

The mechanisms that develop trust and commitment in relations between exporters and their local representatives in foreign markets differ markedly between different entry modes. The main dividing line seems to lie between integrated and independent channels. For instance, trusting the independent representative does not seem to pay any rewards in terms of perceived "goal achievement" to the exporter per se. Of course, the exporter should aspire to develop a trusting relationship between itself and its independent channel members, but the performance measure seems to live independently of the level of trust. Rather, export performance should be sought through commitment to the relationship. The assumption is here that only through commitment by the exporter, the independent intermediary will allocate its own resources to promote the products of the principal. This commitment appears to be less critical in the case of sales subsidiaries. Here the trust element plays a far larger role in the exporter's goal achievement. We suspect that this has to do with the clan values or shared values that exist within the boundaries of an organization. The more the central headquarters of the exporter is able to develop a distinct organizational culture in integrated channels, with its ensuing clan-like "glue", and thereby trust between the different parts of the organization (Morgan and Hunt 1994), the more the exporter seems to achieve its goals in the market.

Still there are differences between the independent modes of entry: agent and distributor. Therefore we may conclude that the key contention of Bello and Lohtia's (1995) analysis (of the quasi-integrated nature of the use of agents) is partly corroborated by the present study. While the exporter achieves better control through the agent than through the distributor, the same does not hold for commitment or trust. Exporters seeking marketing control through their independent intermediaries should therefore favor the agent solution. This implies that the exporter is getting more involved in the whole marketing process when selling through agents rather than through distributors, and more resources will be required to support the export venture by the exporter. The extent to which the exporter possesses these resources should therefore be a critical criterion for what kind of entry mode it should engage in. Table 6 suggests different combinations of managerial and financial resources for the three entry modes under study.

Table 6: Demands on exporter resources using different entry modes

	Distributor	Agent	Sales subsidiary
Managerial resources	Limited	Medium	Large
Financial resources	Limited	Limited	Large

As a consequence, the exporter may consider a diversified strategy concerning the importance attached to different markets – primary or secondary markets. One may for instance conceive of a hierarchy of entry modes where in the most important markets the exporter invests in its own sales subsidiary, and in decreasing order of market importance uses agents (giving some control, requiring less resources) and then distributors (limited control and limited resources). In some trades the exporter may not be in a position to choose the entry mode (for instance between agent and distributor) as the distribution channel is cemented in a certain structure (like for instance car dealers). If for instance the exporter wishes to achieve a certain level of control through agents, but confronted with an established channel structure, is compelled to export through distributors, it should deploy some additional resources at headquarters in order to attain the required control.

We found no difference between the financial performance (sales changes and profitability) of agent, distributor or sales subsidiary entry solutions, implying that from a economic point of view there is no incentive to spend financial and management resources on establishing sales subsidiaries. Exporting through sales subsidiaries produces, however, a higher degree of (strategic) goal achievement than exporting through independent intermediaries. Therefore, when size in the market leads the firm to adopt a more proactive strategic stance concerning such issues as brand awareness, market share etc., integrated solutions seem to better address the expectations of management.

Implications for research

The present study has concentrated on a limited number of variables impacting on the choice of entry modes in foreign markets. It differs from other studies in that it introduces other variables than those based on TCA and principal-agent theories, such as commitment and trust. Bello and Lohtia's (1995) contention – based on TCA variables like asset specificity, frequency, environmental uncertainty and so on - of the quasi-integrated character of the agent solution has been partly corroborated through this survey: exporters achieve greater control through agents than through distributors, but less than fully owned sales subsidiaries.

New studies should include a larger number of variables drawn from interorganizational relations like for instance shared values, social bonds, communication, culture, conflict resolution, stage of relationship and so on, and explore differences between the various entry modes. The present study focuses on what we have termed "marketing control" – or more precisely: the assurance or comfort of having control with the marketing activities of the channel intermediary. Other dimensions of control may be introduced, like for instance different modes of governance, such as clan control (Ouchi 1980), relational control, process and output control (Bello and Gilliland 1997, de Mortange and Vossen 1999).

Furthermore, other modes of entry than those under examination in the present study should be investigated. Franchising, licensing and different forms of management contracts and joint operations are candidates for further inquiry. Some of these have been explored from a TCA point of view, the conclusion being that control is better achieved through ownership than through other mechanisms. However, from the viewpoint of relationship satisfaction and development, value creation and international marketing performance these entry modes have not yet been contrasted. Finally, different entry modes in different strategic situations remain to be explored. For instance, Solberg (1997) suggests a framework of different strategies to be adopted in different constellations of industry structure (multilocal – global, Porter 1986) and the firm's international capabilities. Analyzing different entry strategies, their development and effectiveness in this context should give useful insights to both managers and researchers.

Conclusion

The bulk of the research on international entry modes has taken the principal agent or TCA viewpoint. This paper explores issues concerning entry modes from an interorganisational perspective, using other dimensions like trust, commitment and marketing control for three modes of entry, sales subsidiaries, agents and distributors. It substantiates the findings by Bello and Lohtia (1995) that on some aspects of exporter-intermediary relations there are differences not only between integrated and independent channel members, but also among two of the independent ones: agents and distributors. Concerning marketing control the differences are significant. On the other hand – there is virtually no difference between agents and distributors on the two other dimensions: trust and commitment. Here the dividing line goes between integrated and independent channels. It appears that trust is effective in exporter-sales subsidiary relations, whereas the investments represented in commitment to the partner are more effective in exporter independent intermediary relations. Furthermore, no evidence has been provided to suggest that integrated entry modes yield better financial rewards than independent solutions. The better performance displayed by own subsidiaries concerning the more strategic dimensions of performance - *in casu* measured by goal achievement – may reflect other aspects of company strategy than that of entry mode per se. For instance stage in the internationalization may explain the higher level of satisfaction with goal achievement displayed by integrated solutions.

Although entry modes have been studied from a TCA viewpoint over the last decades[2], new angles to understanding this important strategic dimension of international business operations will help us recognize the nuances represented in the different forms of entry. A more systematic empirical exploration of various relationship aspects of different entry modes will unquestionably contribute positively in this respect.

[2] See for instance Anderson and Gatignon 1986, Gatignon and Anderson 1988, Hennart 1989, Hill, Hwang and Kim 1990, Eramilli 1990, 1992, 1996, Eramilli and Rao 1990 and 1993.

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Appendix 1

	Dependent variable (R^2)	*Independent variables (Beta values)*		
Entry mode	Goal Achievement	Trust	Commit-ment	Marketing control
Distributor	.209	.194	.344***	-.016
Agent	.152	-.113	.372***	.260
Sales subsidiary	.357	.414***	.168	.185

Appendix 2

	Dependent variable (R^2)	*Independent variable (Beta values)*
Entry mode	Commitment	Trust
Distributor	.461	.683***
Agent	.375	.621***
Sales subsidiary	.176	.436***

Appendix 3a

	Dependent variable (R^2)	*Independent variable (Beta values)*
Entry mode	Commitment	Marketing control
Distributor	.120	.359***
Agent	.147	.405***
Sales subsidiary	.068	.287**

Appendix 3b

Entry mode	Trust	Marketing control
Distributor	.169	.421***
Agent	.285	.546***
Sales subsidiary	.300	.558***

*** Significant at the 0.01 level