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Leonidou, L.C., Aykol, B., Fotiadis, T.A. et al. (1 more author) (2023) Hindrances and outcomes of social bonding in exporter-importer relationships: The moderating role of formal contracting and ethical climate. *Industrial Marketing Management*, 114. pp. 1-13. ISSN 0019-8501

<https://doi.org/10.1016/j.indmarman.2023.07.007>

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Hindrances and outcomes of social bonding in exporter-importer relationships:

The moderating role of formal contracting and ethical climate

Abstract

Drawing on Transaction Cost theory, Relational Exchange theory, and Social Information Processing theory, we develop and test a conceptual model that investigates the damaging effect of certain key behavioral factors on social bonding between an exporter and its import buyer, and its subsequent impact on the exporting firm's long-term orientation in their working relationship. We also examine the moderating role of formal contracting and ethical climate governing this relationship. The model was tested with data collected from 262 Greek export manufacturers, using structural equation modeling. The results indicate that opportunism, distance, and conflict negatively affect social bonding in the working relationship between an exporter and its importer customer, which ultimately leads to detrimental effects on the exporting firm's long-term orientation. However, both the existence of formal contracting and the prevalence of a strong ethical climate were found to be responsible for alleviating the negative effect of most of the associations between inhibiting behavioral factors and social bonding.

Keywords: Exporting; business relationships; social bonding; long-term orientation; formal contracting; ethical climate.

1. Introduction

International seller-buyer relationships operate in a complex, diversified, and dynamically changing environment, where interacting parties are separated both geographically and psychologically (Leonidou et al., 2007; Samiee et al., 2015). This situation gives rise to various negative phenomena, with some of the most common being: (a) opportunistic actions, stemming from the existence of information asymmetries and/or disruptions in information flow (Katsikeas et al., 2009; Verbeke et al., 2019); (b) distance from the business partner concerning social, cultural, technological, temporal, and other issues, which arises in a relational context allowing limited access to partner information (Ford et al., 2011; Leonidou et al., 2006); and (c) dysfunctional conflict, caused by variations in systems, norms, and practices, as well as differences in goals, expectations, and perceptions (Leonidou et al., 2002).

The seriousness of these factors inhibiting the development of international business relationships has been the focus of sizeable research (Aykol and Leonidou, 2018), which, however, neglected their impact on another key aspect of exchange relationships, namely, that of developing social bonds between exporters and their import buyers. However, such social bonding is crucial in: (a) reducing uncertainties and building positive expectations about the future of the working relationship (Ford et al., 2011); (b) improving adaptive efficiency by facilitating relational learning and reducing the need for inter-partner control (Nahapiet and Ghoshal, 1998); and (c) helping to have access to critical resources that are not available to third parties, such as confidential information (Doornich, 2018).

There are also indications in the pertinent literature (e.g., Yen and Barnes, 2011) that social bonding can be particularly important in contributing to the long-term viability of a business relationship, especially when dealing with foreign customers where social aspects are critical in achieving business success. However, this association between social bonding and long-term orientation has not yet been formally hypothesized and empirically tested to provide concrete insights. This will be useful for academics and practitioners alike, because boosting the business relationship's long-term potential through social bonding is vital to encourage more relational investments (Lopez-Navarro et al., 2013), increase relational benefits and advantages (Moliner-Velazquez et al., 2014), and enhance partner loyalty (Pesämaa and Hair, 2007).

Notwithstanding this crucial role of social bonding in international business relationships, extant research has paid limited attention to the contextual role of legal and ethical factors governing these relationships. From a *legal* perspective, the existence of a formal contract in the relationship helps to keep it in the right direction by clearly determining the rights and duties of the parties involved, as well as fostering collaboration under commonly agreed rules, policies, and procedures (Sheng et al., 2005). From an *ethical* standpoint, operating in conditions characterized by a strong ethical climate generates a healthy eco-system, which minimizes the possibility of engaging in malpractices and deceptive behaviors that can damage the smoothness of the working relationship (Abela and Murphy, 2008).

The aim of this article is to examine how certain key negative aspects of the business relationship between exporters and their import customers can jeopardize the exporting firm's long-term orientation, by harmfully affecting social bonding between individuals in exchange parties. Specifically, our objectives are threefold: (a) to explore the role of opportunism, distance, and conflict between interacting exporters and importers in reducing the level of social bonding; (b) to investigate the effect of these reduced levels of social bonding on the long-term orientation of the exporting firm in the working relationship; and (c) to examine the moderating role of both formal contracting and ethical climate governing the relationship on the interplay between each of the negative behavioral factors (i.e., opportunism, distance, and conflict) and social bonding.

Our study makes three important contributions. *First*, we unveil the detrimental role of three factors commonly found in international business, namely opportunism, distance, and conflict, in retarding the development of social bonding between boundary spanners in exporting and importing firms (Björkman and Kock, 1995; Zhou et al., 2023). In fact, a recent review of the literature on exporter-importer relationships by Aykol and Leonidou (2018) identified these factors among the most frequently studied due to their serious deviation from relational norms and their harmful effects, which may also impede the development of social bonds in the relationship between exporters and importers (Björkman and Kock, 1995; Zhou et al., 2023). However, although there is extensive research focusing on the damaging effect of these factors on the long-term prospect of foreign business relationships either directly (e.g.,

Leonidou et al., 2006; Skarmeas, 2006) or indirectly (through the intervention of various variables, such as trust, commitment, and satisfaction) (e.g., Barnes et al., 2010; Deligonul et al., 2006; Skarmeas et al., 2016), the existence of heightened uncertainty and extensive information asymmetries characterizing international business exchanges necessitates a deeper understanding of the mediating role of social bonding between these hindering factors and long-term orientation.

Second, we stress the role played by social bonding in developing long-term oriented relationships between exporting firms and their import buyers. This is vital because long-term orientation, apart from improving relationship quality (Lopez-Navarro et al., 2013), helps to enhance strategic, financial, and other dimensions of performance (Lages et al., 2005; Ural, 2009). Despite findings confirming the beneficial effect of social bonding on partners' desire to preserve the relationship (e.g., Holm and Eriksson, 2000; Styles et al., 2008; Zhang et al., 2021), the effect of social bonding on long-term orientation has not been formally hypothesized and tested. Our study sheds light on this association between social bonding and long-term orientation, by demonstrating that social bonding can indeed be instrumental in developing long-lasting business relationships in an international context.

Third, we introduce two important, but neglected, factors governing business relationships, namely that of formal contracting and ethical climate.¹ Despite the potential of formal contracts exhibiting different effects on behavioral interactions in domestic and international buyer-seller relationships (Burkert et al., 2012), their

contextual role in regulating the effects of counter-normative acts in relational exchanges has been neglected. However, formal contracts are crucial in specifying rights, responsibilities, expectations, performance standards, and sanctions to be applied in case of violations (Malhotra and Lumineau, 2011). The role of ethical climate has also received limited research attention, despite the fact that it touches expected ethical norms and serves as the social context providing guidelines about the nature of appropriate behavior that should be followed by relationship members (Victor and Cullen, 1988). Our study provides useful input as to the role of these critical contextual factors in alleviating the harmful effect of negative behavioral factors on developing social bonding between exporters and importers.

The remainder of this article has the following organization. We first review the extant literature on social bonding in business relationships, with a particular focus on exporter-importer working relationships. This is followed by an explanation of the theoretical bases of our study. We then present our conceptual model and develop the research hypotheses. Subsequently, we explain the methodology adopted with regard to sampling procedures, scale development, questionnaire design/testing, and data collection. The next section explains the data analysis conducted and presents the results. This is followed by a discussion of the findings and the drawing of conclusions. In the final sections, we provide theoretical and managerial implications derived from study, as well as suggest future research directions.

2. Understanding social bonding

Social bonding is defined as the extent of reciprocal and shared personal friendship and liking between individuals in selling and buying organizations, which essentially provides a form of an informal interpersonal relationship within the context of an inter-firm business setting (Wilson, 1995; Dymitrowski et al., 2019).² As such, it represents the psychological determinants of collaboration between buyers and sellers, and entails familiarity, friendship, and personal confidence that are built through interpersonal interactions based on commonly accepted norms (Björkman and Kock, 1995; Rodriguez and Wilson, 2002). It is also a form of social capital (particularly as regards the relational dimension of it), because interacting parties incorporate, leverage, and derive resources (e.g., access to privileged information) associated with their personal relationships that are unique, jointly possessed, and non-transferrable to another relational context (Nahapiet and Ghoshal, 1998; Rodriguez and Wilson, 2002).

Social bonds fulfil certain essential functions in inter-organizational relationships. Specifically, the first-hand information exchanged in interpersonal interactions may serve as personal judgment, in addition to objective facts, to understand the needs and assess the competence and capabilities of the business partner for the continuation of the working relationship, while the friendship developed between partners enables the exchange of confidential information (Ford et al., 2011; Gulati, 1995). Such interpersonal interactions also create a setting for negotiations to take place and adaptations to be arranged, as well as encourage investments in the

relationship by the parties involved (e.g., redesigning processes for the partner) (Ford et al., 2011; Woodside and Baxter, 2015). Social bonds are particularly critical during the early stages of relationship development as they help interacting parties to familiarize with each other's organizations (Ford et al., 2011; Gulati, 1995). Surprisingly, although the association of social bonding with long-term orientation has not been yet explored, there are indications that variables related to personal interactions and friendship in business relationships are highly important in preserving them (e.g., Ahmed et al., 2021; Zhang et al., 2021).

Within the domestic relationship marketing literature, the establishment of social bonds is linked to environmental and organizational factors. With regard to environmental factors, companies seem to forge social bonds with their partners as a response to the prevalence of weak institutions in their country (Mirkovski et al., 2019; Wulandhari et al. 2022). In the case of organizational factors, it was revealed that social bonds are driven by internal social capital developed between employees (Ozanne et al., 2022) and/or the existence of a strategic purchasing function within the firm (Bernardes, 2010). Empirical results on social bonding point to its potential to enhance favorable aspects of the working relationship (e.g., communication) (Mirkovski et al., 2019; Shanka and Buvik, 2019) and diminish the effect of negative ones (e.g., distrust) (Lee and Ha, 2018; Steinle et al., 2020). Social bonds also appear to help business partners acquire certain resources (e.g., informational) and capabilities (e.g., absorptive capacity) (Ozanne et al., 2022; Woodside and Baxter, 2015), as well as directly (Kim et al., 2017) or indirectly (Tsai et al., 2013) improve the relationship's performance.

In an international business relationship context, social bonding can be driven by a number of factors, including organizational (e.g., international business commitment) (Sichtmann and Von Selasinsky, 2010), managerial (e.g., possession of cross-cultural skills) (Sichtmann and Von Selasinsky, 2010), and relational (e.g., behavioral transparency) (Kaufmann and Carter, 2006). Kaufmann and Carter (2006) also found that cultural distance between interacting firms from different countries inhibits the development of social bonding at the interorganizational level. Social bonding was revealed to enhance commitment (e.g., Ahmed et al., 2021; Mavondo and Rodrigo, 2001), increase partner loyalty levels (Zhang et al., 2021), improve the value and growth of the working relationship (Sichtmann and Von Selasinsky, 2010), and contribute to improved business performance (Ling-yee and Ogunmokun, 2001; Yen and Barnes, 2011).

3. Study theoretical foundations

Our study draws on Transaction Cost theory, Relational Exchange theory, and Social Information Processing theory. With regard to *Transaction Cost theory*, transaction costs entail *ex ante* costs (e.g., designing and negotiating contracts), and *ex post* costs (e.g., enforcing and monitoring contracts) (Rindfleisch and Heide, 1997). This theory posits that transactions are characterized by uncertainty, exchange frequency, and asset specificity. Governance structures need to be aligned with these transactional characteristics in order to ensure efficiency of economic activity (Williamson, 1979). Two characteristics of decision-makers, namely bounded rationality and opportunism,

tend to increase transaction costs. The problem of bounded rationality becomes more severe when the transactions involve high uncertainty, as making rational decisions will be challenging for decision-makers. This is particularly the case of interacting organizations that are distant from each other and confronted with conflict situations. According to this theory, opportunism is likely to occur in an international business relationship as a result of two critical exchange hazards, namely difficulty in measuring partner performance (which diverts from achieving relational goals) (Leonidou et al., 2006) and the existence of high levels of uncertainty (which promote seeking self-interest rather than joint interests) (Luo, 2005). However, the existence of formal contracting in the relationship can serve as a safeguard against these exchange hazards and control for possible opportunistic acts (Poppo and Zenger, 2002).

Relational Exchange theory states that an exchange between parties in a working relationship develops over time and transactions should be assessed by their history and expected future, with the present time being regarded in terms of planning and preparing for future time (Macneil, 1978). Relational exchange emphasizes long-term relationship development as an ongoing process of organizational and personal interactions that results in a positive atmosphere, not necessarily derived from economic aspects of it. Both the initiation and termination of a relational exchange is gradual (Macneil, 1978). With the passage of time, relational partners become more and more dependent on each other's performance, which acts as a stimulus to sustain the relationship in the long run (Malhotra et al., 2016). According to this theory, social bonds develop between interacting parties over time through formal and informal

communication and personal exchanges, which makes them more interdependent and their relationship non-transferable and uniquely endowed with valuable relational resources (Macneil, 1978; Dwyer et al., 1987). This will also stimulate a long-term oriented spirit among members of the relationship, reflecting the closeness, harmony, and satisfaction derived from it (Ganesan, 1994). However, social bonding can be vulnerable of various counter-normative behaviors (e.g., pursuing self-interest at the expense of the other, avoiding getting closer to the partner, engaging in destructive disagreements) by any party of the relationship, which can jeopardize its long-term viability and potential, especially under conditions of high uncertainty, volatility, and complexity as those characterizing international markets (Leonidou et al., 2007).

Social Information Processing theory is built on the assumption that individuals adapt their attitude, behavior, and beliefs to their social context (Salancik and Pfeffer, 1978). Such climate denotes shared perceptions about the appropriateness of attitudes and needs, shared definitions of work environments, and description of how individuals should relate to that environment (Victor and Cullen, 1988). It also serves as a social environment where information about appropriate conduct originates from and provides guidance of how parties involved in a relationship should behave (Salancik and Pfeffer, 1978). Such operating conduct is determined by both legal and ethical matters. While from a legal perspective information contained in a formal contract (e.g., rights, responsibilities, sanctions for violations) induces certain appropriate behavior in the relationship (Schilke and Lumineau, 2016), from an ethical standpoint interacting parties infer that decisions should be based on caring for the well-being of others and

the society at large, as well as act according to what is decent, correct, and fair (Decoster et al., 2021; Mayer et al., 2010). As such, in a highly legal and ethical context, unacceptable business practices, such as those involving opportunistic acts, intentionally avoiding the other party, and disruptive disagreements are discouraged (Jia et al., 2020; Ruppel and Harrington, 2000; Shafer and Wang, 2010).

4. Conceptual model and research hypotheses

Figure 1 presents our conceptual model, which comprises constructs categorized into four groups, namely, opportunism, distance, and conflict (antecedent variables)³, social bonding (central variable), long-term orientation (outcome variable), and formal contracting and ethical climate (moderating variables). There are also four control variables connected with social bonding, namely relationship age, relationship stage, type of products exchanged, and cultural distance. In the following, we develop the research hypotheses regarding the associations between these constructs.

...insert Figure 1 about here...

4.1 Inhibiting behavioral factors and social bonding

Opportunism refers to a behavior by one member of the relationship to seek unilateral gains at the expense of another (Luo, 2006). This is manifested in various ways, such as breaking contracts, imposing private control, reneging on pledges, hiding/distorting information, and evading fulfilment of obligations (Luo, 2006). Opportunism increases transaction costs as covert acts to pursue self-interest are hard to notice and confirm (Luo, 2006). We expect opportunism to have a negative impact on social bonding

between exporters and importers, because it denotes violation of relational norms, such as information exchange or flexibility (Wathne and Heide, 2000). Opportunism also represents a threat to affective attachment between interacting parties, because it verifies fears and concerns about the trustworthiness of the partner acting opportunistically (Williams, 2007). In fact, opportunistic acts stimulate retaliation by the exposed party, giving rise to an uneasy and antagonistic relationship (Gelderman et al., 2022). Opportunism also diminishes potential gains from a relationship, leads to a belief of unfair distribution of returns given the investments made, and creates a reluctance to be associated with a party failing to honor obligations and promises, thus undermining emotional bonds (Wölfel and Grosse-Ruyken, 2020; Zhang et al, 2021). Based on the above, we can hypothesize that:

H₁: The existence of high levels of opportunism in the relationship between exporters and their import buyers will decrease their level of social bonding.

Distance in a business relationship is the degree of familiarity of one party with the other with regard to social (i.e., differences in the way of thinking), cultural (i.e., differences in terms of norms and values), technological (i.e., differences concerning technologies), or temporal (i.e., differences in terms of discussing and actually doing business) issues (Hallén and Sandström, 1991; Ford et al., 2011).⁴ In a working relationship characterized by high levels of distance information exchange is limited, creating communication barriers that prevent building social connections and interactions (Dwyer et al., 1987). Leonidou et al., 2006). Distance between interacting parties can also forestall the development of social bonds between foreign partners,

because they attach different meanings to the nature, content, and extent of the working relationship (Ramström, 2008). The previous argumentation leads us to the following hypothesis:

H₂: The existence of high levels of distance in the relationship between exporters and their import buyers will decrease the level of social bonding.

Conflict refers to the overall level of disagreement in a working relationship, which provides a form of blocking behavior that impedes the members of a relationship from obtaining resources and/or performing activities important to accomplish their goals (Anderson and Narus, 1990; Etgar, 1979; Gaski, 1989). Conflict can originate from various sources, such as competing for the same resources, interpreting relational issues in a different way, and having antithetical views regarding the future direction of the relationship, which can create tension, frustration, and misunderstanding between interacting parties (Ratajczak-Mrozek et al., 2019). The existence of conflict is responsible for weakening social bonding, because it is more likely to bring to the surface more differences than similarities between relationship members that will drive them more socially apart (Perry et al., 2002). This is particularly true in the case of exporter-importer relationships, where conflict arising from diversity, incompatibility, and even stereotyping can set a barrier to social interaction and prevent the formation of social bonding (LaBahn and Harich, 1997). Additionally, engaging in conflict situations with the other party leads to hesitance in exchanging information necessary for the development of social bonding (Barnes et al., 2010). Accordingly, we can hypothesize the following:

H₃: The existence of high levels of conflict in the relationship between exporters and their import buyers will decrease the level of social bonding.

4.2. Social bonding and long-term orientation

Social bonding is the extent to which mutual personal friendship and likeability is shared by participants in a business relationship (Wilson, 1995). Social bonding represents the social and emotional content of relationships, and once they are formed, partners are economically motivated to be trustworthy in order not to deter prospective transactions (Granovetter, 1985). As such, social bonding mirrors the history of socialization and learning between individuals of exchange partners, which promote a long-term oriented relationship (Seabright et al., 1992). In fact, it is this learning process that facilitates adjustments made for each other (Ford et al., 2011), while the time and energy invested to develop social bonds enhance the psychological attachment of partners to the relationship (Ponder et al., 2016). Establishing social bonds involves informal interactions between the exporter and importer, through which they can express their opinions, motivations, and attitudes within a friendly atmosphere that can increase the desire to prolong the continuation and long-term orientation of the working relationship (Hofer et al., 2014). The development of social bonding also gives rise to positive expectations by interacting parties about future obligations, such as supporting each other during difficult times (Nahapiet and Ghoshal, 1998) and being sympathetic and tolerant to any mistakes (Slater and Robson, 2012), which also represent a willingness to maintain a long-lasting relationship. Woodside and Baxter (2015) show that social bonding (independent of financial bonding) represents

resources that are deterministic on making tangible and intangible long-term relational investments. Indeed, there is some empirical evidence (e.g., Lee et al., 2015) indicating that social bonding is instrumental to long-term orientation in domestic buyer-seller relationships, because it improves perceptions associated with functional benefits derived from the working relationship. This leads us to the following hypothesis:

H₄: The existence of low levels of social bonding between exporters and their import buyers will decrease the level of long-term orientation in the relationship.

4.3. Formal contracting as a moderator

Formal contracting specifies the rights, duties, and responsibilities of the parties involved in a business relationship, establishes guidelines for handling contingencies, and provides legal mechanisms governing the relationship during contract enforcement (Luo, 2005). Formal contracting also includes information about what relational parties can and cannot do, specify sanctions for violating contractual terms, and clarifies relational outcomes and expected performance levels (Argyres et al., 2007). It serves as a controlling tool against possible violation of contractual terms, while it also coordinates interorganizational activities by making explicit mutual expectations (Malhotra and Lumineau, 2011). We expect that when the relationship between an exporter and its import buyer is governed by formal contracting, opportunism, distance, and conflict will have a weaker negative effect on social bonding.

Formal contracts are expected to mitigate the harmful effect of opportunism on social bonding, because they set sanctions for each party in the working relationship

in case of a breach and keep deviant behavior under control (Lumineau and Quélin, 2011). This implies that interacting parties will deliver their responsibilities as indicated in the contract to achieve joint goals, even if they do not wish to do so (especially for reasons of self-interest) (Samaha et al., 2011). In addition, as contracts usually clearly indicate the expected performance goals from each party (otherwise penalties may be imposed), both exporters and importers will be more motivated to fulfil the contractual terms and avoid any opportunistic actions (Huo et al., 2015; Ning, 2018). Bounded by formal contractual terms, interacting parties are more careful to avoid any contract breach through constant monitoring of each other's actions, thus discouraging possible opportunistic behavior (Wei et al., 2022; Yang et al., 2020). In addition, the fact that through contracts each party has to deliver its own responsibilities and fulfil relational expectations fosters an equity feeling that helps to reduce opportunism and keep social bonding at acceptable levels. Hence, we can hypothesize that:

H_{5a}: The existence of a rigorous formal contracting in the relationship between exporters and their import buyers will weaken the negative effect of opportunism on social bonding.

Since formal contracts in an exporter-importer relationship clarify the responsibilities of interacting parties originating from different geographic and cultural contexts, it is very likely to help develop a common language over time, increase information exchange, and enhance coordination regarding their joint activities, which are expected to reduce the negative effect of distance on social bonding (Lumineau and Quélin, 2011). The various clauses included in formal contracts will also help to

familiarize with one another's organizational characteristics, as well as with the micro and macro contextual conditions within which they operate, thus reducing the impact of distance on social bonding (Leonidou et al., 2006). In addition, forming and fulfilling a formal contract requires adequate information exchange which enables partners to better communicate their expectations and performance standards and become closer to each other (Huo et al., 2015; Lumineau and Quélin, 2011). The existence of a formal contract between an exporter and its import buyer helps to gain a full insight into the rules, regulations and procedures that govern the relational decision-making process, which intensify their interactions and enhances social bonding (Liu et al., 2022). We can make the following hypothesis:

H_{5b}: The existence of a rigorous formal contracting in the relationship between exporters and their import buyers will weaken the negative effect of distance on social bonding.

As formal contracts in the relationship clarify the performance goals to be attained, as well as the roles and responsibilities of the parties involved in achieving them, and usually set sanctions for underperformance, the possibility to deviate from these goals and be involved in dysfunctional conflict situations is expected to be reduced (Bai et al., 2016; Schilke and Lumineau, 2016). In fact, the more explicit statement of the roles of each party in the contractual agreement, coupled with a clearer understanding of the consequences of a noncompliant behavior, the less the likelihood of the negative effect of conflict on social bonding (Mwesiumo et al., 2019). Even in the case of disagreements between interacting parties regarding performance

standards, they are obliged to carry on performing their duties and obligations as stipulated in the contract (Bai et al., 2016; Malhotra and Lumineau, 2011; Menon et al., 1996). Formal contracts also specify the procedure of resolving possible disagreements grounded on a problem-solving attitude that would provide mutually accepted solutions for both parties, thus minimizing the negative effect of conflict on social bonding (Mwesiumo et al., 2019; Shahzad et al., 2020). Hence, we may posit that:

H_{5c}: The existence of a rigorous formal contracting in the relationship between exporters and their import buyers will weaken the negative effect of conflict on social bonding.

4.4 Ethical climate as a moderator

Ethical climate refers to the extent to which partners in a working relationship incorporate ethics into their decision-making processes and understand the criticality of adopting an ethical behavior to have a successful business venture (Mayer et al., 2010; Singhapakdi and Vitell, 2007). It shows the degree to which partners share perceptions that ethical policies, procedures, and acts are supported in their relationship (Feng et al., 2022). A sound ethical climate contains accepted ethical norms and conventions within the structures and procedures of a working relationship (Zhu et al., 2011) and provides a social environment within which interacting parties infer the way they should approach and address ethical dilemmas (Wimbush and Shephard, 1994). In other words, it serves as a psychological mechanism regulating the management of ethical aspects of the relationship (Martin and Cullen, 2006). We expect

that having a strong ethical climate in the exporter-importer relationship, opportunism, distance, and conflict will have a weaker negative effect on social bonding.

When an ethical climate, which is grounded on concern for others, common interest, and professional ethics, prevails in the relationship, it precludes the pursuit of self-interest at the expense of the partner, while emphasizing a prosocial behavior, interpersonal connections, and emotional bonds between partners through mutual support and assistance (Cheng and Wang, 2015; Haldorai et al., 2020; Martin and Cullen, 2006). The existence of a sound ethical climate also serves as a cue indicating acceptable behavior and encouraging adherence to relational norms and ethical guidelines (Decoster et al., 2021; Yasir and Rasli, 2018). Such relationships are based on equity stemming from reciprocation of ethical acts which leads to avoidance of deviant behavior (Hsieh and Wang, 2016). When the relationship is characterized by a weak ethical climate, partners may opt for opportunistic actions to attain their goals at the expense of the others, which is expected to further weaken their social bonding (Adeoti et al., 2021). However, when the relationship functions within the context of a strong ethical climate, partners tend to act in a manner that will reduce the potential for opportunism and strengthen social bonding (Appelbaum et al., 2012). Hence, we can posit that:

H_{6a}: The existence of a strong ethical climate in the relationship between exporters and their import buyers will weaken the negative effect of opportunism on social bonding.

Adherence to ethical norms provides a partner in a working relationship with an enviable reputation (Wagstaff et al., 2021; Yasin, 2021), which is expected to motivate the other party to be proud of partnering and become closer (Hough et al., 2020). A sound ethical climate governing the working relationship encourages communication of ethical expectations and establishes shared ethical values that bring the interacting parties closer to each other (Mulki et al., 2008). Such ethical climate also boosts a genuine concern about the welfare of partners involved in the working relationship (Itani et al., 2019), facilitates the open transfer of ideas to improve the partnership (Wang and Yen, 2022), and reduces anxiety about the partner behaving in a biased way (Nedkovski et al., 2017), which are critical in weakening the negative effect of distance on social bonding. Being involved in a relationship characterized by a strong ethical climate induces trust that the partner will do the right things, keeps promises, and act in a mutually beneficial way, which will also help to reduce the negative effect of distance on social bonding between exporters with their importers (Zagenczyk et al., 2021). Based on this argumentation, we can hypothesize the following:

H_{6b}: The existence of a strong ethical climate in the relationship between exporters and their import buyers will weaken the negative effect of distance on social bonding.

Having a sound ethical climate in a working relationship helps to reduce the emergence of conflict and enhance social bonding, because of better clarity of ethical behavioral standards for interacting parties (Schwepker et al., 1997). It will also increase their willingness to act in a mutually agreeable way since they will identify themselves

with a partnership that adopts common ethical norms (DeConinck, 2011). Moreover, if there are serious disagreements between relational partners, the belief that the partner is fair and cares for the well-being of the relationship (cultivated under a strong ethical climate) makes possible conflict functional and constructive for the improvement of the working relationship (DeConinck, 2011; Leonidou et al., 2006; Taylor and Curtis, 2018). Furthermore, a sound ethical climate promotes a spirit to work toward achieving joint goals in a transparent and mutually beneficial way, which will help to reduce disagreements and enhance bonding between interacting parties (Shafer et al., 2013). This argumentation leads us to this hypothesis:

H_{6c}: The existence of a strong ethical climate in the relationship between exporters and their import buyers will weaken the negative effect of conflict on social bonding.

5. Research methodology

Our study focused on Greek exporters of manufactured goods. Since Greece's membership to the then European Economic Community (now European Union) in 1981, the indigenous manufacturing sector has grown significantly, with exports of manufactured goods reaching US\$ 74.4 billion in 2021 (and accounting for 40.6% of the country's GDP) (World Bank 2022). Major products exported by Greek manufacturers include pharmaceuticals, electrical equipment, machinery, computers, and plastics (World Bank, 2022), with their key export destinations being (in descending

order of importance) Italy, Germany, Cyprus, Turkey, Bulgaria, and France (Enterprise Greece, 2022).

A random sample of 1,000 export manufacturing firms was selected from the ICAP Export Directory. We contacted the manager directly involved in the firm's export operations to inform about the study objectives and explore his/her willingness to take part in our survey. Of the firms approached, only 595 expressed an interest to participate, providing details regarding the individual responsible to give the information required. A policy not to disclose information, lack of time availability, and termination of export activities were the main reasons for the remaining firms not taking part in our study.

We operationalized our constructs based on scales derived from reputable literature sources. With regard to the three negative behavioral factors, we used the four-item opportunism scale by Yilmaz and Hunt (2001)⁵, the five-item distance scale by Leonidou et al. (2002), and the five-item conflict scale by Leonidou et al (2008). The social bonding scale comprised four items adapted from Mavondo and Rodrigo (2001), while for long-term orientation we used Ganesan's (1994) six-item scale. All these constructs were measured on a seven-point Likert scale, ranging from 1= "strongly disagree" and 7= "strongly agree". Formal contracting and ethical climate were measured using single statements, namely "our relationship with this importer is governed by a binding written agreement which clearly specifies the rights, roles, and responsibilities of business partners and how they should perform" (Svendsen and

Haugland, 2011) and “our relationship with this importer is governed by an ethical climate, whereby both parties are aware of ethical issues, show willingness to maintain high ethical standards, and their decision-making is guided by ethics” (Mayer et al., 2010), which were also measured on a seven-point Likert scale.

The questionnaire covered each of the four sets of constructs presented in the conceptual model and also included a section referring to the characteristics of the exporting company and its relationship profile with a specific import buyer. For the sake of response variability and minimization of selection bias, all respondents had to complete the questionnaire with reference to their third most important import customer in terms of sales volume (Anderson and Narus, 1990). A special section measuring the familiarity, confidence, and knowledgeability of the key informant to answer the various questions (based on a scale ranging from 1= “very low” to 7= “very high”) was also incorporated at the end of the questionnaire (Cannon and Perreault, 1999). To ensure face validity, a panel of five scholars with an expertise in the field were asked to go through the questionnaire and comment on any problems to be corrected. Since the questionnaire was initially written in English, this had to be translated into Greek, while minor linguistic issues detected during the back-translation procedure were fixed (Craig and Douglas, 2005). Finally, to ascertain the relevance, readability, and flow of the questionnaire under real conditions, this was pilot-tested with five Greek export managers, revealing no particular problems.

We sent the finalized questionnaire to all 595 companies, initially agreeing to participate in the study, using postal or electronic methods. A covering letter provided full explanation of the objectives, importance, and confidentiality of the study, as well as promised to send a summary report of the key research findings upon completion of the study. To encourage participation, reminder letters were sent in three consecutive waves, while in some cases we contacted the key informant over phone or in person to increase participation rate. The outcome of these efforts was to have 268 return questionnaires (i.e., 45.0% response rate), of which six had to be removed due to missing data or key informant unsuitability. Following Armstrong and Overton's (1977) procedures, a comparison of the answers of early and late respondents did not result in statistically significant differences, indicating the lack of nonresponse bias.

6. Data analysis and results

To analyze our data, we used structural equation modeling (based on the EQS software) in order to: (a) assess the measurement model, including the testing of the reliability and validity of the constructs of our model; and (b) test the direct, moderating, and control effects of the structural model.

6.1 Measurement model results

The measurement model was tested, using confirmatory factor analysis, requiring each observed variable to be restricted to load on its *a priori* set latent factor, while the underlying factors were left free to correlate (Anderson and Gerbing, 1988). This resulted in an acceptable fit to the data ($\chi^2 = 404.94$, $p = .000$, $df = 265$; NFI = .93; NNFI =

.97; CFI= .97; RMSEA= .05) (see **Table 1**). With regard to convergent validity, this was established because the *t*-value of each observed variable was always significant and high, all standard errors of the estimated coefficients were very low, and the average variance extracted for each construct was above .50 (Hair et al., 2018). Discriminant validity was also confirmed because the confidence interval around the correlation estimate for each pair of constructs under examination was never 1.00 (Anderson and Gerbing, 1988), while the correlation for each pair of constructs had values always below the square root of their average variance extracted (Fornell and Larcker, 1981) (see **Table 2**). With regard to reliability analysis, all constructs had Cronbach's alphas and composite reliabilities greater than the threshold value of .70 (Nunnally and Bernstein, 1994). Finally, we excluded the possibility for common method bias, because, using the partial correlation technique and setting 'respondent quality' as a marker variable (a theoretically disconnected construct to the conceptual model) was found to have no statistically significant correlations with the other constructs, while the significance of these correlation coefficients did not alter after making a series of partial correlation adjustments (Lindell and Whitney, 2001).

...insert Table 1 and Table 2 about here...

6.2 Structural model results

We used the structural model to test the hypothesized direct, moderating, and control effects. Both the Chi-square to the degrees of freedom ratio ($\chi^2/df= 1.66$) and the values obtained for all fit indices (NFI= .91; NNFI= .93; CFI= .94; RMSEA= .067) indicate an acceptable model fit (see **Table 3**). The results provided support to our hypotheses

referring to the impact of the three negative behavioral dimensions on social bonding in the exporter-importer relationship. Specifically, opportunism was found to negatively affect social bonding ($\beta = -.14$, $t = -1.81$, $p = .07$), thus confirming H₁. Consistent with H₂, distance was revealed to have a negative impact on social bonding ($\beta = -.54$, $t = -6.43$, $p = .00$) (revealing the strongest impact among the three predictor constructs on social bonding). Also, as predicted in H₃, conflict was found to negatively influence social bonding ($\beta = -.15$, $t = -2.02$, $p = .04$). Our results also highlighted the strong instrumental role of social bonding on long-term orientation ($\beta = .50$, $t = 5.49$, $p = .00$), thus verifying H₄.

...insert Table 3 about here...

With regard to control effects on social bonding, we found that the age of the relationship (i.e., the number of years of the exporter's relationship with the specific importer) did not have any effect. However, relationship stage exhibited an effect on social bonding ($\beta = .30$, $t = 1.97$, $p = .05$), with this being stronger at more advanced stages of relationship development. A control effect on social bonding was also observed with regard to the type of products exchanged, with this being more profound in the case of industrial than consumer goods ($\beta = -.10$, $t = -1.72$, $p = .09$). Finally, with regard to the impact of the cultural distance between exporter and the importer (measured using Kogut and Singh's (1988) index), the results indicated that as cultural distance decreases the level of social bonding increases ($\beta = -.21$, $t = -1.93$, $p = .05$).

To test the moderation hypotheses, we used the split group approach based on the median, according to which we divided the sample into two groups for each moderator, namely “loose” *versus* “rigorous” for formal contracting and “weak” *versus* “strong” for ethical climate. The moderation analysis shows that when the relationship between the exporter and importer was characterized by the prevalence of rigorous formal contracting, opportunism ($\Delta\chi^2 = 3.87$, $p < .05$) and conflict ($\Delta\chi^2 = 3.11$, $p < .10$) exerted weaker negative effect on social bonding compared to the case when the relationship had loose formal contracting, thus accepting H_{5a} and H_{5c} (see **Table 4**). However, H_{5b} was rejected because the effect of distance on social bonding did not significantly differ between the two groups ($\Delta\chi^2 = .51$, $p > .10$). On the other hand, when the relationship was characterized by strong ethical climate, distance ($\Delta\chi^2 = 3.86$, $p < .05$) and conflict ($\Delta\chi^2 = 4.56$, $p < .05$) generated weaker negative impact on social bonding, verifying H_{6b} and H_{6c} respectively, as opposed to the case of a relationship having a weak ethical climate. However, we were not able to support H_{6a} , as the effect of opportunism on social bonding did not significantly differ between the weak and the strong ethical climate groups ($\Delta\chi^2 = .61$, $p > .10$).

...insert Table 4 about here...

7. Discussion and conclusions

One summary conclusion that can be derived from the previous analysis is that opportunism, distance, and conflict can indeed have a negative effect on social bonding. However, the latter is vital for both exporters and their import buyers in

coping with the difficulties arising from the uncertain, unfamiliar, and complex international business environment (Bianchi and Saleh, 2010). We have also confirmed that the absence of social bonding in the exporter-importer relationship will eventually jeopardize its long-term orientation, with all the negative effects that this may entail for its performance and even survival (Barnes et al., 2015). Our study has also underscored the instrumental role of rigorous formal contracting and strong ethical climate in creating a climate that minimizes the negative effect of opportunism, distance, and conflict on social bonding.

The role of *opportunism* as a barrier to the development of social bonding between exporters and importers can be mainly attributed to the existence of an information asymmetry, as well as their large physical and psychological separation, which is highly evident in international markets (Skarmeas et al., 2002). Such common opportunistic were found in prior research on exporter-importer relationships to decrease trust, weaken commitment, and impair transfer of knowledge (e.g., Barnes et al., 2010; Lee, 1998; Saleh et al., 2014; Skarmeas et al., 2002). Indeed, an importer acting opportunistically sends disappointing and distrusting messages, which increases relational costs and pushes the exporter to limit information exchange and weaken social bonds (Leonidou et al., 2006).

The fact that *distance* was also verified to limit social bonding can be ascribed to its role in blocking the exchange of information between interacting parties, which is responsible for impairing a shared interpretation of critical strategic issues

concerning the working relationship (Liu et al., 2021). In fact, both parties have limited access to credible informational cues necessary to assess each other's intentions which retards the development of social fabric in their relationship (Styles et al., 2008). That distance was found to have the strongest negative effect on social bonds reflects the imposition of limitations to social interactions resulting from geographic, temporal, cultural, and other challenges confronted by firms when operating in an international business context.

Our finding regarding *conflict* stresses the harmful effect of hostilities, tensions, and frustration in a working relationship (especially if these have a destructive nature) as serious reasons for preventing social bonding between exporters and their import buyers. This gives rise to negative attributions to the foreign business partner's behavior (which sometimes may be the result of misinterpretation), which coupled with negative emotions associated with discomfort and distress, discourage relationship members from engaging in constructive social interactions (Chang, 2017). In fact, high levels of dysfunctional conflict can be responsible for hindering the accomplishment of relational goals, with one party in the relationship viewing the other as an antagonist rather than a collaborator (Ratajczak-Mrozek et al., 2019).

The positive impact of *social bonding* on long-term orientation found in our study underlines the importance of having a harmonious relationship at the interpersonal level in order to preserve the viability of the inter-organizational relationship in the long run (Havila et al., 2004; Mavondo and Rodrigo, 2001; Pinho,

2016). This implies that social bonding can help developing relational norms that can increase the attractiveness of the relationship between exporters and their importers, hence making useful its further continuation (Gençtürk and Aulakh, 2007; Kaufmann and Carter, 2006). This finding also highlights the role of developing social bonds between interacting parties as a means of learning (through social interactions) about each other's operations, thereby gaining a better understanding and reducing uncertainty about the future of their working relationship (Ford et al., 2011).

Finally, the fact that under rigorous *formal contracting*, opportunism and conflict were less influential on social bonding emphasizes the role of having an explicit contractual agreement to clarify expectations, ensure attainment of joint goals, and state the costs of possible violation of its clauses (Samaha et al., 2011; Schilke and Lumineau, 2016). Also, our finding that a strong *ethical climate* governing a relationship can weaken the negative effect of distance and conflict on social bonding, emphasizes the facilitating role of ethicality in helping to promote transparent and genuine information exchange, as well as clear up possible doubts regarding the future direction of the working relationship (DeConinck et al., 2011; Hough et al., 2020; Wang and Yen, 2022).

8. Implications

8.1 Theoretical implications

Drawing on the theories of Transaction Costs, Relational Exchange, and Social Information Processing, we provide a more complete theoretical understanding of the dynamics taking place regarding the hindrances and outcomes of social bonding in exporter-importer business relationships. Such paradigmatic pluralism helps to see buyer-seller interactions from different angles and bring to the surface hidden aspects of the working relationship between exporters and their import buyers. It also stresses the fact that business relationships do not operate in vacuum, but need to be seen within the context of legal and ethical factors governing these relationships.

We also provide an explanation for how certain counter-normative acts represent serious hazards in the relationship between exporting firms and their importers, through their harmful effect on social bonding that can limit the development of a long-term orientation. Specifically, we have shown that opportunism, distance, and conflict, commonly encountered when operating in an international business context, are indeed a real threat for the exporter when conducting business with foreign buyers and can jeopardize future success. It also denotes that international business relationships are difficult to build, easy to destroy, and extremely hard (if not impossible) to rebuild if not paying adequate attention to social bonding and their long-term orientation.

In addition, we introduce novel theoretical explanations to the relationship between social bonding and its inhibiting behavioral factors by assessing the role of formal contracting and ethical climate as boundary conditions. Specifically, we show that both formal clauses and ethical norms protect social bonding in the exporter-importer relationship from being harmed by possible problems associated with opportunism, distance, and conflict, that ultimately contribute to its long-term viability. This context-specific nature of behavioral interactions between exporters and importers imply that other contextual variables at the macro (e.g., national cultural differences) or and micro (e.g., organizational cultural differences) level could also have a moderating role.

8.2 Managerial implications

In light of the damaging effects of negative behavioral factors on social bonding in the exporter-importer relationship, there is a need for export managers to take measures that will alleviate or minimize these effects. For example, they should reduce opportunism by carefully selecting reliable foreign partners, genuinely investing in the relationship with them, and preventing self-interest seeking behavior. Distance can also be reduced by having a better understanding of the partner's needs and operating environment through regular information exchange using physical (e.g., personal visits) and electronic (e.g., video conferencing) means of communication. In addition, conflict should also be avoided by identifying its roots, encouraging open discussions before

the conflict escalates, and, in the case that this is manifested, to try to amicably and constructively resolve it.

Actions need to be taken to enhance social bonding as it is conducive to a long-term oriented relationship that, according to the literature (e.g., Hofer et al., 2014; Lee et al., 2018; Lusch and Brown, 1996), is expected to improve operational and strategic aspects of performance, as well as yield superior financial results for the working relationship. For example, export managers should harness social bonds with their import customers by keeping interpersonal communication channels open, jointly participating in social events, and forging personal friendship. It is also crucial to hire and retain export boundary spanners with sound interpersonal skills, as well as train them to develop and/or improve such skills. Exporting firms could also consider adopting team selling to ensure that the importing company interacts with more than one single member of the exporter, as it is likely for the current boundary spanner to leave.

To further reduce the deleterious effect of hindrances to social bonding, exporters need to carefully draft with their import buyers reliable and enforceable contracts based on jointly-decided explicit terms (rather than implicit assumptions) that will clearly stipulate the expectations and goals associated with the relationship, the specific duties and responsibilities of each party, and possible sanctions in case of violating its clauses. In addition, in light of the critical role played by the existence of a strong ethical climate in protecting social bonding from being damaged by potential foreign partner opportunism, distance, and conflict, export managers are

recommended to establish a mutually agreed ethical code in their relationships with foreign buyers that should define acceptable behavior, as well as identify, update, and address any ethical dilemmas that could arise when developing the working relationship.

9. Limitations and future directions

In this study, we acknowledge the existence of a number of limitations which can provide the basis to carry out future research. *First*, there is a need to externally validate our conceptual model in other countries with different levels of economic development, different cultural characteristics, and different institutional profiles. With the growing share of services in international trade, the scope of research could also be extended to cover business relationships focusing on services. In addition, in light of increasing digitalization trends, it would be interesting to examine differences in the drivers and outcomes of social bonding in international buyer-seller interactions using traditional versus digital business methods.

Second, although the dynamic nature of international business relationships necessitates the collection of data at different time intervals, due to budgetary constraints our study used cross-sectional data. However, embarking on longitudinal research will help to test the velocity, rate, and direction of change of behavioral factors playing an inhibiting role in the working relationship over time, as well as further reduce the possibility for common method bias (Palmatier et al., 2013). This is particularly important as there are indications in the literature (e.g., Mitrega and Zolkiewski, 2012)

that opportunistic actions, distance, and conflict can alter depending on the relationship episode and can even emerge in well-functioning established relationships.

Third, our data were derived from exporting firms only, although collecting data from both exporters and importers would make the analysis more complete. In fact, it would be ideal for these data to be extracted from partners in match-paired dyads, where possible differences in their views regarding key dimensions of their working relationship can be identified (Clarke and Mahadi, 2017). This is particularly important in the examination of social bonding, which sometimes has an asymmetric nature (Ford et al., 2011; Ramström, 2008).

Fourth, future investigations could also extend to incorporate the antecedents of behavioral factors having a harmful effect on the working relationship (i.e., opportunism, distance, conflict), particularly focusing on environmental (e.g., institutional/cultural differences), organizational (e.g., organizational ethnocentrism), and managerial (e.g., management profile) aspects. Attention also needs to be paid on the outcomes of long-term orientation, such as its effect on relational, market, and financial performance.

Fifth, there is a need to examine the potential 'dark side' aspects of social bonding, since sometimes boundary spanners may prioritize their personal requirements or inter-personal relationships over organizational requirements (Ford et al., 2011). For example, it would be interesting to identify and test possible boundary conditions (e.g., altruistic personality) that might lead social bonding to have an

unexpected negative effect on relational (e.g., continuity) or organizational (e.g., performance) outcomes.

Finally, the fact that both formal contracting and ethical climate governing the working relationship were found to have a significant moderating role, indicates that international business relationships must be examined contextually. Hence, other variables found at the environmental (e.g., regulatory framework), industrial (e.g., competitive intensity), or organizational (e.g., organizational culture) level could also serve as potential moderators.

Notes

1. A few other studies also look into the contextual role of formal contracts in international business relationships. For example, Wang (2019) found that contractual control moderates the effect of coordination mechanism on overseas knowledge acquisition, while in Wang et al.'s (2020) study it was confirmed that contract specificity weakens the positive effect of dependence (arising from transaction-specific investments) on foreign partner opportunism. On the other hand, ethical climate was examined from the perspective of various factors that are conducive to it, such as the role of value distance, perceptual differences in interpreting unethical acts, and communication of ethical standards to the partner (e.g., Bell et al., 2002; Carter 2000a, b; Leonidou et al., 2013).
2. A concept similar to social bonds is that of 'actor bonds', which refers to the social dimension of a business relationship between a buyer and a seller (Håkansson and Snehota, 1975; Ford et al., 2011). Nahapiet and Ghoshal (1998) distinguish between structural, relational, and cognitive dimensions of social capital, and note the similarity between its relational dimension and actor bonds.
3. Although in our study we conceptualize opportunism, distance, and conflict as negative drivers of social bonding, there are many studies focusing on inter-relationships between these independent variables. For example, conflict was found to have a predicting effect on opportunism (e.g., Kang and Jindal, 2015), while relational closeness was revealed to reduce opportunism (e.g., Wang et al., 2020). However, testing these relationships was beyond the scope of our investigation.
4. Distance in a working relationship (or *relational distance*) is different from *psychic distance*, which is "the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences" (Evans and Mavondo, 2002, p. 517), and *cultural distance*, which refers to perceived differences in cultural values between the home and foreign market (Griffith and Dimitrova, 2014).
5. Long-term orientation is one party's perception of interdependence of outcomes with its business relationship partner, characterized by the former's expectation to obtain benefits from its partner's outcomes and joint outcomes in the long run (Ganesan, 1994). Companies with a long-term orientation strive to achieve future goals and are interested in both current and future outcomes (Ganesan, 1994). They also rely on relational exchanges to maximize their profit over a sequence of transactions, because they acknowledge the strong likelihood of future transactions with their partners, which will enable

short-term inequalities to be balanced out in the long run (Axelrod, 1984; Ganesan, 1994). Long-term orientation was found to improve the working relationship on several grounds, such as stimulating dedication of relationship-specific assets (Chang et al., 2015), enhancing trust (Pesämaa and Hair, 2007), encouraging commitment (Ruiz-Molina and Irene Gil-Saura, 2012), and boosting satisfaction levels (Griffith et al., 2006).

6. Although Yilmaz and Hunt's (2001) scale measures opportunism of salespeople as perceived by their co-workers, this has subsequently been adapted within the context of interorganizational relationships and used in previous studies focusing on international business relationships (e.g., Barnes et al., 2010; Yen and Barnes, 2011).

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Figure 1: The conceptual model

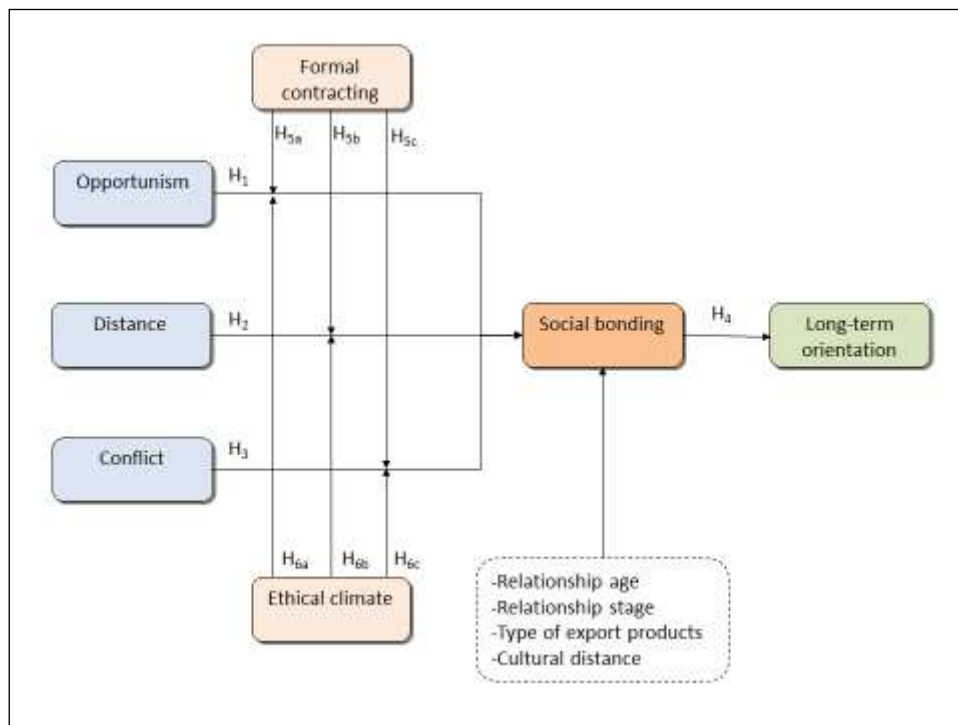


Table 1: Measurement model, construct reliabilities, and average variance extracted

Items	Constructs	λ	t
Opportunism (Yilmaz and Hunt, 2001), $\alpha=.81$, $\rho=.78$, AVE=.57			
OPP1	This importer alters the facts slightly	.74	-. ^a
OPP2	This importer promises to do things without actually doing them later	.84	10.16
OPP3	This importer fails to provide us with the support s/he is obliged to provide	.82	9.96
OPP4	This importer avoids fulfilling his/her responsibilities unless s/he is watched closely	.60	7.13
Distance (Leonidou et al., 2002), $\alpha=.75$, $\rho=.79$, AVE=.52			
DIS1	We do not have close relationships with individuals working in this importing firm	.69	-. ^a
DIS2	We are not familiar with this importer's business environment	.81	8.83
DIS3	We are very familiar with the organizational culture, values, and attitudes of this importer (R) ^c	.67	7.58
DIS4	We are not aware of many things about the structural characteristics of this importer's organization	.76	8.41
DIS5	We are familiar with the working methods and processes followed by this importer (R) ^c	.65	7.38
Conflict (Leonidou et al., 2008), $\alpha=.83$, $\rho=.82$, AVE=.60			
CNF1	The roles in the working relationship with this importer are not performed as required, causing many disagreements	.64	-. ^a
CNF2	Often unreasonable demands arise in the relationship with this importer, causing a great deal of frustration	.83	8.85
CNF3	The working relationship with this importer is very stressful and worrying, resulting in a lot of tension	.78	8.32
CNF4	There are often disagreements between our firm and this importer on issues concerning the relationship	.80	8.50
CNF5	The working relationship with this importer is characterized by a high degree of conflict	.80	8.51
Social bonding (Mavondo and Rodrigo, 2001), $\alpha=.91$, $\rho=.86$, AVE=.67			
SBO1	We often interact with people from this importing firm on a social basis outside work	.77	-. ^a
SBO2	We openly talk like friends with people from this importing firm	.84	11.55
SBO3	We consider people from this importing firm as being almost as close to us as family	.90	12.39
SBO4	If we were to change business partners, we would lose a good friend in this importer	.87	12.00
SBO5	We would consider whether the feelings of people in this importer's organization would be hurt before we made an important decision	.71	9.43
Long-term orientation (Ganesan, 1994), $\alpha=.90$, $\rho=.85$, AVE=.61			
LTO1	We believe that in the long run our relationship with this importer will be profitable	.79	-. ^a
LTO2	Maintaining a long-term relationship with this importer is important to us	.84	11.64
LTO3	We focus on long-term goals in the relationship with this importer	.81	11.16
LTO4	We are willing to make sacrifices to help this importer from time to time	.68	9.03
LTO5	We share our long-term goals with this importer	.73	9.95
LTO6	We would like to develop a long-term relationship with this importer	.82	11.34

Fit statistics of Model: $\chi^2 = 404.94$, $p = .000$, $df = 265$; NFI = .93; NNFI = .97; CFI = .97; RMSEA = .05

^aItem fixed to set the scale

Table 2: Descriptive statistics and correlation matrix

	Constructs	Mean ^a	Stand. deviation	1.	2.	3.	4.	5.
1.	Opportunism	2.40	1.17	.75				
2.	Distance	3.32	1.16	.29	.72			
3.	Conflict	1.98	.99	.49	.28	.77		
4.	Social bonding	3.63	1.58	-.07	-.47	-.10	.82	
5.	Long-term orientation	5.61	1.01	-.33	-.39	-.41	.42	.78

Note: Correlations greater than $|\pm 0.23|$ are significant at the .01 level

Correlations greater than $|\pm 0.17|$ are significant at the .05 level

Values below the diagonal refer to correlation estimates among constructs, and values on the diagonal refer to square roots of average variance extracted.

^aMeasurement was based on a seven-point Likert scale, ranging from 1: Strongly disagree to 7: Strongly agree

Table 3: Results of the structural model

Hypo-thesis	Hypothesized association	Standardized path coefficient	t-value	p-value
<i>Main effects:</i>				
H ₁	Opportunism → Social Bonding	-.14	-1.81	.07
H ₂	Distance → Social bonding	-.54	-6.43	.00
H ₃	Conflict → Social bonding	-.15	-2.02	.04
H ₄	Social bonding → Long-term orientation	.50	5.49	.00
<i>Control effects:</i>				
	Relationship age → Social bonding	.07	.68	.50
	Relationship stage → Social bonding	.30	1.97	.05
	Type of products exported → Social bonding	-.10	-1.72	.09
	Cultural distance → Social bonding	-.21	-1.93	.05

$\chi^2 = 611.03, p = .000, df = 369; NFI = .91; NNFI = .93; CFI = .94; RMSEA = .067$

Table 4: Results of individual moderating effects

Formal contracting as a moderator				
Main effect	Hypothesized moderating effect	Loose formal contracting group	Rigorous formal contracting group	$\Delta\chi^2$ ($\Delta d.f.=1$)
OPP→SBO	H _{5a} : Effect is weaker in rigorous formal contracting than loose formal contracting group	$\beta = -.21$ $t = -2.17^*$	$\beta = -.05$ $t = -.51$	3.87 ($p < .05$)
DIS→SBO	H _{5b} : Effect is weaker in rigorous formal contracting than loose formal contracting group	$\beta = -.61$ $t = -5.27^{**}$	$\beta = -.49$ $t = -4.46^{**}$.51 ($p > .10$)
CNF→SBO	H _{5c} : Effect is weaker in rigorous formal contracting than loose formal contracting group	$\beta = -.19$ $t = -2.04^*$	$\beta = -.12$ $t = -1.18$	3.11 ($p < .10$)
Ethical climate as a moderator				
Main effect	Hypothesized moderating effect	Weak ethical climate group	Strong ethical climate group	$\Delta\chi^2$ ($\Delta d.f.=1$)
OPP→SBO	H _{6a} : Effect is weaker in strong ethical climate than weak ethical climate group	$\beta = -.15$ $t = -1.49$	$\beta = -.06$ $t = -.60$.61 ($p > .10$)
DIS→SBO	H _{6b} : Effect is weaker in strong ethical climate than weak ethical climate group	$\beta = -.60$ $t = -4.28^{**}$	$\beta = -.31$ $t = -2.75^{**}$	3.86 ($p < .05$)
CNF→SBO	H _{6c} : Effect is weaker in strong ethical climate than weak ethical climate group	$\beta = -.22$ $t = -2.20^*$	$\beta = -.07$ $t = -.71$	4.56 ($p < .05$)

**p < .01; *p < .05