CHAPTER 5

CONCLUSION AND RECOMMENDATION

The chapter will provide a brief summary of the data findings that were covered in depth in the previous chapter. The research findings will then be given, which will support the research questions that were generated at the beginning of the study. The author will also examine the managerial implications as well as future research recommendations. Furthermore, this section contains all of the limits as well as all of the solutions required to resolve the issues.

5.1 Research Findings

RQ 1: Does higher SME importer’s perceived cultural similarities with the foreign supplier increases the SME knowledge and experience?

Referring to the statistical output from the previous analysis using a simple linear regression, SME importers perceived cultural similarity does have a significant value towards their knowledge and experience. Other researchers' previous study has also found a positive correlation between these two parameters. Knowledge is just the result of learning, whereas steady knowledge acquisition assists in the enhancement of experience, and when an importer’s perceived cultural similarity will assist knowledge transfer as it reduces misunderstandings (Etemad & Lee, 2003; Golgeci & Arslan, 2014).

In chapter two, it is mentioned that there are four stages of the international process theory. According to the understanding-based theory of SMEs, internationalization is considered as confronting opportunities which includes overcoming the unfamiliarity and uncertainties associated with prospective
international markets (Lamb, Sandberg, & Liesch, 2011). At stages 2, 3, and 4, SMEs are more concerned with price competition, product distinctiveness, and product philosophy, respectively. This means that SME importers in stage 1 begin internationalization by gathering information as in market knowledge, suppliers purchasing procedure, and become well-versed in the subtleties of many international marketplaces which is why it is easier when they have a similar culture or way of doing business. According to the IP theory, in the early stages of internationalization, companies chose culturally similar markets, which helps the acquiring of tacit market-related information (Blankenburg & Eriksson, 2000; Johanson & Vahlne, 1990).

In order for a firm to successfully internationalize, firms of all sizes must develop three types of knowledge: (1) internationalization knowledge, which includes how to manage the increased complexity and diversity associated with overall foreign expansion; (2) foreign business knowledge, which includes clients, markets, and competitors abroad; and (3) foreign institutional knowledge, which includes government institutional frameworks, rules, norms, and policies. According to Hussler (2004), cultural similarity has a role in the flow of knowledge production and innovation. This suggests that an importer may prefer a culturally comparable market in order to gain more information and expertise in order to build a successful long-term relationship (Johanson & Vahlne, 1977). Saleh et al. (2014) examined the IP perspective on cultural similarity and its impact on the knowledge-creation process in depth. They claimed that cultural similarity motivates international buyer–seller connections to learn more, therefore, it can be concluded that cultural similarity is positively related to knowledge transfer (Saleh et al., 2014).
RQ2: Does higher SME importer’s perceived cultural similarities and perceived communication with the foreign supplier increases the SME importer trust?

Based on the findings obtained from the analysis, SME importers perceived cultural similarity does have a positive effect on their trust towards foreign suppliers. In other words, when exporters and importers share a similar culture in terms of language, business practices, and cultural environment, they are better prepared to form trustworthy business relationships (Bianchi & Saleh, 2010), because their cultures provide similar rules for how to interpret information (Kale & McIntyre, 1991). Similarly, results are aligned with the original study as they has also found the same results, in fact it is the only factor that has an influence on SME importers trust towards the foreign supplier. According to the findings generated from an analysis of 200 SME importer, the results demonstrates that a higher communication perceived by the SME does not affect the SME importer’s trust towards the supplier.

International process theory predict that SMEs perform better in foreign market that are culturally similar to their home market which is supported by several studies (Hewett et al., 2006; Conway & Swift, 2000; Johanson & Vahlne, 1997). According to Amelung (1994), cultural similarity between cross-cultural transacting parties minimizes transaction costs while also encouraging the formation of trustworthy connections. Although there is one study that found that the exporter’s cultural background had no effect on importer trust, the research suggests that importers in culturally similar markets are more likely to appear trustworthy to suppliers.

In foreign markets, communication is one of the most crucial relationship-building methods (Samaha, Beck, & Palmatier, 2014). Differences in culture, language, legal and economic systems, and business practices, on the other hand, are
likely to disrupt the flow of information between the exporter and the importer (Johanson & Vahlne, 1990), making it harder to design and implement market-relevant strategies (Bello, Chelariu, & Zhang, 2003). In this research however, aligned with the original study, it has also been found that Indonesian SME importer perceived communication with foreign supplier is not an important factor for relationship trust. Nonetheless, there are researches that implies that a higher communication has an impact on the firms trust in other context settings, such as the food and beverages sector (Alteren & Tudoran, 2018), in a corporate company (Vokić, Bilušić, & Najjar, 2020) and there is also a study that identify that face to face communication is better than a virtual communication (Zeffane, Tipu, & Ryan, 2011), which means that trust could be influenced by communication if the exporters and importers meet physically to discuss about business matter which is currently difficult due to the ongoing pandemic, therefore, it can be concluded that SME perceived communication does not affect their perceived trust toward the foreign supplier.

Since most of the respondents suppliers are from China, communication can still be a problem during export-import activities. Many managerial positions need frequent communication with people from all over the world, yet establishing trust across cultures can be challenging. Communication is included as one of the main problems when importing from China as its language is not simple, and there are other Asian Cultural Factors as well as the usual form of negotiation in China (Javidan & Zaheer, 2019), this explains that trust could be influenced by other factors besides cultural similarity that are not included in this study. Although communication is not effective in terms of building trust for the SME importer individuals, trust is still effective in building a trust-worthy relationship, which encourage risk-taking and product innovativeness by the suppliers (Bloemer, Pluymaekers, & Odekerken, 2013).
RQ 3: Does higher SME importer’s perceived relative advantage of importing, knowledge and experience and a higher importer’s perceived trust with the foreign supplier increases the SME importer’s relationship commitment?

Based on the findings, the output implicates that SME importers perceived relative advantage of importing (H4), importers perceived knowledge and experience (H5) and importers perceived trust (H6) do have a significant impact towards the SME importers relationship commitment towards foreign supplier. Based on the analysis results, by looking at the beta value, SME’s relative advantage of importing and SMEs knowledge and experience have similar impact on changing a SME importers decision to maintain relationship commitment with a certain supplier.

When SME importers see a major benefit in importing from a specific exporter due to the supplier's or exporter's resources and capabilities, SME importing enterprises are very committed to creating committed relationships with their international exporters. The outcome supports the theoretical assertion of a permanent competitive advantage, which exists and is evaluated by the transaction's rent-seeking sides (Porter, 1998). The relative advantage that is perceived to be supplied by a foreign supplier's superior resources and capabilities may be valued by the SME importer, and thus fosters a tie-up commitment relationship with that foreign supplier.

In addition to that, commitment decisions are dependent on several types of knowledge. In a study conducted by Jones, Roberts, & Chonko (2003), they found that knowledge of opportunities or difficulties will lead to commitment decisions. Second, a knowledge of relevant components of the market environment and the performance of various activities is used to evaluate options. In this study, SMEs are going through an internationalization phase. Their commitment to the market grows as they gain
more market expertise. They are stronger at recognizing market possibilities and issues. As a result, both the amount of resources contributed and the level of commitment rise. In fact, it's a circular process because as organizations get more experience, they gain more market information, and companies eventually become more committed to the market (Katsikeas, 1998; Johanson et al., 1976). It is a fact that for import-export transaction, it require a strong and reliable partnership, therefore, it can be concluded that a greater the SME importers perceived knowledge and experience gathered from a foreign supplier, the greater their commitment will be to the supplier.

The findings shows that trust also plays an important role in affecting the importer’s commitment decision to the relationship with the foreign supplier which is supported by several researches that are also measuring the firms commitment decisions in a buyer-seller context as most of the relevant studies found that trust is a significant predictor of commitment (Saleh, Ali, & Andaleeb, 2014; Cambra-Fierro & Polo-Redondo, 2011; Ha & Singhapakdi, 2003; Coote et al., 2003; Kim & Oh, 2002; Goodman & Dion, 2001; Kim, 2001). As the results gathered is as expected and validates with some assertions of past studies on importer-exporter relationships, it can be concluded that a greater the SME importer trust towards the foreign supplier is influencing their commitment to the relationship.

5.2 Conclusion

By conducting this study, the author has found that in an international buyer-seller situation, having relationships with partners that have similar cultures in terms of ways of doing business, ways of greetings, is important as not only that it affects the importers knowledge and experience and trust, it also affects their decisions to
commit to the foreign suppliers. Several scholars have looked at commitment in domestic buyer-seller interactions, it is unclear what elements drive an industrial importer's commitment to a foreign supplier and how these aspects affect the commitment-building process (Leonidou, 1998 as cited in Saleh, Ali, & Andaleeb, 1998).

This study has found that import export enterprises are motivated to internationalize and establish a loyal international client base by importer loyalty to suppliers. Understanding the factors that influence importers' commitment is therefore crucial to an exporting company's long-term success and pattern of development in international supply marketplaces and in this study in Indonesian Steel SME importers, cultural similarity is proven to influence the perceived SME importers knowledge and experience (H1 supported) and trust (H2 supported) and when understanding factors that influences importers commitment, this study has found that relative advantage of importing (H4 supported), knowledge and experience (H5 supported); and trust (H6 supported) do have an effect towards commitment.

5.3 Managerial Implication

All of the findings are essential for creating, developing, and keeping commitment, a concept with a wide range of applications. Importer commitment to suppliers motivates exporting companies to pursue internationalization (Leonidou, 1998) and develop a loyal international client base. Understanding the variables that drive importers' commitment is thus critical to the exporting firm's long-term success and pattern of development in international supply markets. It is also challenging for manufacturing industry to operate and maintain relationships with partners since there is still an on-going pandemic virus with different variant that kept increasing at an
alarming rate which changes on how firms conduct their business in a day to day basis and it is mandatory to adapt. Listed below are some insights on how exporter and importers should act accordingly in order to have a long-term relationship as both are needed for a firm to internationalize.

1. In an internationalization process, it is very crucial for suppliers and importers to understand and gain insight about each other legal regulations, payment procedures, delivery schedules, warranty & guarantee, contracts, market information, and the how they conduct their business to improve their relationship and exchanging information that can be mutually beneficial to find out opportunities and ways on how they can enter the market. This study found that gaining knowledge of the suppliers product and market, this could be used to prevent opportunism and improve the importer-supplier relationship's trust. This also implies that knowledge exchange is vital not only for export market commitment, but also for commitment to the importer-exporter relationship.

2. Importers and exporters should learn and consider their partners business culture as it can help in minimizing gaps and resolve any misunderstanding to achieve a trusting relationship between the two parties.

3. Not only adjusting the prices as competitive as possible and a better terms in adjusting their terms of payment and delivery, they should also provide a salespeople that have a high understanding about the market and even those who can speak bilingual languages to satisfy the importers, which can lead to a higher relationship commitment.

4. As it has been explained in the first section within this chapter, there is a study that identify that face to face communication is better than a virtual communication (Zefanne, Tipu, & Ryan, 2011), once the pandemic has come
to an end exporters and importers can meet physically to discuss about business matter and this could lead to a more trustworthy relationships and a longer partnership commitment. Providing a translator that has been agreed by both parties could be invited during the meetings to avoid any communication hurdles.

5.4 Research Limitation

Like any other study, there are several limitations that will be discuss in this section and need to be considered. One of the limitations of this study is the single-industry focus, namely the import manufacturing industry, specifically in steel and iron, in which results might be different and the findings of the study cannot be used to represent the whole manufacturing industry. Second limitation of this study is that initially the goal was to collect different samples from all over Indonesia but mainly the respondents work place is in Jakarta, Banten, and Surabaya, which again do not represent the whole Indonesian SMEs Importers and the suppliers country are mostly from China and Taiwan. In addition to that, this research only assess three variables to assess factors that influences commitment decisions when there could be other factors that influences their decisions.

5.5 Future Research Recommendation

To obtain a more valid and reliable study, the author provide several recommendation that can be used for future research. Future researchers might consider to focus on a different business industry, for instance, electronics or food industry to compare the results and also, it will give readers more information about an international buyer-seller relationship. Future studies could also acts as a foundation for conducting comparative study and include other variables to measure the factor that influences
their commitment level, for example, not only in terms of salespeople knowledge, cultural similarity and trust, but also in terms of other relationship quality such as dedication and cooperation. The author also recommend that future research collect an equal number of respondents to run additional insights and collect more equal respondents geographically to see whether there will be similarities or differences in the findings