

THE ROLES OF INTERPERSONAL RELATIONSHIP IN MANAGING BUSINESS RELATIONSHIP IN A HIGH-RISK AND UNCERTAIN MARKET

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Abstract

This paper aims to explore the roles of interpersonal relationship in managing business relationship in a high-risk and uncertain market. Exporting to a high-risk and uncertain market can lead to a greater possibility of problems occurring; such problems include: not receiving payment due to poor local banking systems; issues with tenders due to political uncertainty, and other problems. Managing business relationships in such markets can be more complex and difficult, exporters have to find ways to overcome the problems. The study followed the traditions of inductive logic and used a qualitative approach by exploring experiences of a small number case of British firms exporting to the Indonesian market. Data was analysed following the procedure of General Inductive Approach (GIA). The finding suggests that interpersonal relationships have greater roles as communication channels, the key mechanism to solve problems and to strengthen interpersonal and organisational trust to reduce perception of risk and uncertainty associated with the market and the business relationship.

Keywords: relationship management, interpersonal relationship, interpersonal trust

Abstrak

Penelitian ini bertujuan untuk mengeksplorasi peran hubungan interpersonal dalam mengelola hubungan bisnis di pasar yang berisiko tinggi dan tidak pasti. Mengekspor ke pasar yang berisiko tinggi dan tidak menentu dapat mengakibatkan kemungkinan lebih besar dari masalah yang terjadi, termasuk tidak menerima pembayaran karena buruknya sistem perbankan local, masalah dengan tender karena ketidakpastian politik, dan masalah lainnya. Pengelolaan hubungan bisnis di pasar tersebut dapat lebih rumit dan sulit. Eksportir harus menemukan cara untuk mengatasi masalah ini. Penelitian ini menggunakan logika induktif dan pendekatan kualitatif dengan menggali pengalaman dari kasus sejumlah kecil perusahaan Inggris yang mengekspor ke pasar Indonesia. Data yang dianalisis mengikuti prosedur Pendekatan Induktif Umum (GIA). Temuan penelitian menunjukkan bahwa hubungan interpersonal memiliki peran yang lebih besar sebagai saluran komunikasi, mekanisme kunci untuk memecahkan masalah dan untuk memperkuat kepercayaan interpersonal dan organisasi untuk mengurangi persepsi risiko dan ketidakpastian yang terkait dengan pasar dan hubungan bisnis.

Keywords: relationship management, interpersonal relationship, interpersonal trust

1. Research Background

A study of Styles and Ambler (1994) marked a recommendation for the use of relational paradigm to view export marketing. Styles and Ambler (1994) found that successful exporters were primarily dependent on well-developed and managed business relationships with importers. Managerial tasks might be directed to nurture the exporter-importer relationships, to solve relational problems and to maintain positive and close working relationships with the local intermediaries and/or customers in order to enhance the chances of success. Put simply, the better the relationship that had been managed, the greater the likelihood of success for the exporters in the foreign market. The marketing of the successful exporters was formed by sequential decisions of export marketing management and relationship development (Styles and

Ambler, 1994). Correspondingly, Piercy et al' (1997) finding was that the improvement of export performance required more attention to relationship building and relationship management, and that this created competitive advantage in export markets. Relationship development and management could be the key success factors since the implementation of these strategies might improve export performance in export markets.

Leonidou (1989 and 2003) claimed that export management should be considered as a process of relationship management. He argued that export development depends on how relationships are developed, and export management depends on how relationships are managed. Then, export management could be regarded as relationship management of the exporters' relationships with foreign buyers. Similarly, based on a study of a sample of 201 US exporting manufacturers, Leonidou et al (2002) stressed that exporting should be viewed as "...a bundle of business relationships...". The authors compared problematic and harmonious foreign customer relationships and found that high levels of dependence, trust, understanding, commitment, communication, and cooperation distinguished harmonious relationships, but these harmonious relationships were notable for their lower levels of distance, uncertainty, and conflict between the parties. Hence, from a relational paradigm, they argued that exporters should appreciate that the building of effective international business relationships requires trust, commitment and cooperation whilst reducing distance, conflict and uncertainty. Nonetheless, there is no explanation of how an exporter maintains a harmonious relationship in an export market characterised by high risk and uncertainty, which may lead the relationship may turn into a problematic situation. It seems that previous studies provided some understandings of the importance of relationship management in export management, yet, they were carried out in more benign environments.

Business relationships develop over time as a chain of interactions. The parties gain common knowledge and understanding about each other and the ways that they can and should interact (Ranstrom, 2005). Business relationship performance depends on how it is managed (O'Toole and Donaldson, 2000). Any change in the environment may cause changes in the way firms manage relationships, as the changes create new market realities and the existing practice may no longer fit with them. In short, in an increasingly dynamic and turbulent market environment, a firm's ability to develop and successfully manage its relationships with other firms emerges as a key competence and source of sustainable competitive advantage (Batt and Purchase, 2003).

The challenge for Western Exporters' managing relationships in South East Asian market is not only to develop its technical organisational capability, but also to develop the social aspects of corporate behaviour (Ranstrom, 2005). Western business relationships are typically organisation-to-organisation, while relationships in South East Asia are person-to-person (Bridgewater and Egan, 2002). In the context of the region, business relationships are built on social relationships and personal relationships are often a prerequisite for developing other types of business activities. Then, social relationships are an input to a business relationship, not an outcome of the relationship as in the West (Ramstrom, 2005). Personal relationships are the main building block of a successful business relationship in the market. Relationships in the South East Asian context emit from the person and the relationships are interpersonal (Ranstrom, 2005). Thus, marketing to the region will be highly depending on international personal relationships.

Business relationships are built on a strong personal relationship making it difficult to distinguish between networks of social relationships and networks of business relationship. The personal relationships come first and the business relationship builds on a strong and common personal relationship (Ranstrom, 2005). Furthermore, Winther (2006) suggested that interpersonal relationships are critical in managing business relationship in a volatile market. Interpersonal relationships facilitate the process of learning knowledge creation. Nevertheless,

she did not provide explanations of how companies manage relationship and solve relational problems, conflict and uncertainty, which are likely to occur in a turbulent market environment. Therefore, it is critical to obtain understanding of the phenomena from a high risk and uncertain market in the region i.e. Indonesia to enrich our understanding and enable us to develop insights. Managing business relationships in such a market can be more complex and difficult, therefore the paper aims to explore the roles of interpersonal relationship in managing business relationship.

2. Literature Review

The current literature is focused more on business relationship development than managing relationship (Ranstrom, 2005). Literature on business relationship development seems to well develop, where the development is seen as a number of deterministic stage and state (Sulhaini, 2008). On the contrary, relationship management has been discussed in normative and more conceptual or theoretical terms (Olsen and Ellram, 1997). There is a greater need for empirical research in relationship management as there has been limited research published on relationship management as the action in a relationship, as can be seen in the work of Ford and MacDowell (1999) and Leek et al. (2002 and 2004). The existing literature explains that external and internal communication has a critical role in managing relationships. Communication is highlighted in terms of internal communication in order to coordinate the efforts from within the organisation (Leek et al., 2002 and 2004). Also, external communication with partners facilitates the flow of valuable information between the parties involved by which the firm acquires important market and customer knowledge (Smith, 1998; Sheth and Parvatiyar, 2000).

The management of the relationship requires the involvement of both parties. The degree to which governance responsibilities are shared or managed independently depends on the perception of norms of governance processes among the parties involved (Sheth and Parvatiyar, 2000). The governance process helps in the maintenance, development and execution aspects of business relationship. It also helps to strengthen relationships among relational partners, and if the process is satisfactorily implemented, it may ensure the development of the relationship (Sheth and Parvatiyar, 2000). Smith (1998) suggested that open communication as a critical aspect in relationship management. Communication in relationship management facilitates the interactions between buyer and supplier by removing barriers of risk and uncertainty, and through it, the parties involved could signal commitment to the relationship. She indicated that open communication in relationship management stimulate relationship quality enhancement. Furthermore, Sheth and Parvatiyar (2000) said that communication and commitment, are implicitly indicated to have critical roles in managing relationships, and are expected to have a more sustaining impact on relationships.

There is a common view that relationship element i.e. communication, have a critical role in managing relationships. Communication is highlighted in terms of internal communication in order to coordinate the efforts from within the organisation. Also, external communication with partners facilitates the flow of valuable information between the parties involved. Leek et al. (2002 and 2004) seem to focus on internal aspects of managing relationship, while Smith (1998) and Sheth and Parvatiyar (2000) have the opposite concern. Yet, their findings provide useful knowledge as they explain how a firm manages its relationships through implementing internal and external facets of relationship management. External facet of relationship management i.e. external communication is intended to keep in touch with partners to ensure the ongoing process of information exchange. By doing this, the parties might respond better to new opportunities and threats (Witkowski and Thibodeau, 1999). Therefore, communication processes may result in valuable information, which might consist of business opportunities, news or ideas about how to respond to market changes. Having a frequent flow of information facilitates a greater understanding of environmental changes and higher interdependence between the parties. This

may suggest that ensuring information flow is critical to acquire up date market and customer knowledge especially due to market turbulent.

Cultivation of relationships and strengthening of personal relationships has a central role in relationship management (Ranstrom, 2005). Business relationships may entail iterative, regular and intensive interactions among staff creating social bonds. Personal relationships between staff in a business relationship are regarded as social bonds (Wilson and Jantrania, 1994), which is the element of relationship development that results when both sides are acting in unison towards a desired goal (Rashid, 2003). This suggests that personal relationships refer to ties among staff of the companies engaged in a business relationship. The development of the ties requires investments of time and energy that produce positive interpersonal relationships between the parties (Blois and Wilson, 2000). This indicates that interpersonal relationships require time and energy and thus mutual commitment from both sides, however the relationships play a great role in managing business relationship.

2.1. Research Method

Wilson and Vlosky (1997) argued that there is a solid base of deductively derived theoretical and empirical studies on business relationships and they urged an inductively derived model might offer new insights about the phenomenon. They suggested a research focus based more on theory building than theory testing. They stressed the importance of an inductive approach in their attempt to formulate an inductive model of business relationship activities using qualitative research in the form of case study. Studies using a qualitative approach were limited, even though the latter approaches are believed to permit a greater insight into the complex knitting of variables that affect relationship development (Lewin and Johnston, 1997; Lindgren, 2001). A qualitative method was then adopted to study holistically unpredictable outcomes of the cases (in natural setting) being investigated. The investigation followed hermeneutic process where the values of the author as well as theories, and paradigm being utilized could affect the study. General Inductive Approach (Thomas, 2006) was applied in analysing data, which obtained through a series of in depth face-to-face interviews with key management in three Companies i.e.: Border and Gama in the UK; there were additional follow up interviews through email and telephone. In order to build a richer and deeper picture of the management of relationships, the author conducted face-to-face interviews with the Indonesian partners and buyers. This allowed the author to build a 360 degree profile of the development of the relationship. The author was fortunate that the sales director of the companies gave their full support to this study. They encouraged their staff to provide useful information and they contacted their Indonesian partner/buyers so their cooperation was assured. Each interview was about two hours long. The author conducted nine face-to-face interviews in total, which allowed the author to explore in-depth and develop a holistic picture. In order to avoid loss of focus during the interview process, semi structured interview guides were developed. The interviews were tape-recorded in order to ensure dependability (Riege, 2003) and at a later stage transcribed to allow analysis. This helped her to confirm and recheck data so that the author was confident of the findings of the research. The in-depth interviews focused on the interaction process and the perception of the interviewees of the interactions during the period of increasing risk in the Indonesian market. Manuscripts were revisited and rechecked by email with the informants throughout the data collection period to confirm findings.

3. Discussion

This study explores two British Exporters that each provided a large amount of data. Although the unit of analysis is the relationship, the name of the selected companies will be used, yet since the author of the paper provided the companies with a confidentiality letter, the name of the companies have been changed throughout the paper.

3.1. Border

Border exported to Indonesia through two dealers: one agent and one distributor. Both were based in Jakarta and had offices in other cities such as Surabaya and Medan. The first dealer was PT. Asiatic, who distributed boilers to the hotel industry. This distributor was a German company based in Frankfurt. It was owned and managed by a German who had been in the Indonesian market for more than 25 years. The second dealer was PT Manado, who supplied boilers to all industries except hotels. The relationship with the agent was established in 1970s when the Indonesian market was good and this lasted until 1997. Indonesia was a good market during the 1970s and 1980s when Border sold approximately 50-60 units of boilers per year through the two dealers. Nevertheless, the partner indicated that the relationship was dying:

"Our relationship is just like a dying plant. It can't grow but it doesn't want to die."
(Manager of PT Manado)

The sales director, indicated that he had a close personal relationship with the director of PT. Asiatic and the purchasing manager of PT. Manado.

"The people that I have in both the dealers are very good. But of course this is a business and a business relationship but we do really quite well with them. I can pick up the telephone at any time and they know who I am. I do support them but I keep saying that you're never the only person in a business but the company as a whole must support them, not just the one person".

The sales director suggested that he had a good impression of the partners, and that the relationship between his company and the dealers depended on all of the staff and not only on him, the main contact person in the interaction. The manager of PT. Manado also indicated a rather negative impression of Border staff. It seems that social bonds between Border and the dealer were not strong and harmonious. Although the business relationship has been established for long period, strong social bonds might not exist. The lack of social bonds might not help the exporter to overcome problems emerging during the increasing risks in the market.

Social bonds exist between two companies engaged in iterative trade transactions. The more active the transactions, the more likely it is that the personal relationship will grow faster and stronger. Active trade transactions allow each person in charge to intensively interact and communicate with and meet and visit each other. This can result in positive interpersonal relationships. Nonetheless, in this case, good personal relationships among staff in the companies had not been strong during the stable market when they had very active business transactions. In fact, when the market became increasingly unstable, trade transactions declined and the personal relationship might have been weakened and communication became less frequent. Then, when a conflict emerged, no channel or mechanism was there to solve it.

Border case suggests that strong personal relationships among staff in the companies had not been strong during the stable market when they had very active business transactions. In fact, when the market became increasingly unstable, trade transactions declined and the personal relationship might have been weakened and communication became less frequent even visit was no longer conducted. Then, when a conflict emerged, for example Border suddenly offered a new and detailed contract, which can be said as a manifestation of distrust (Ratnasingam, 1999) and also, in the beginning of the Asian Financial crisis Border dramatically changed the method of payment. No strong personal relation was there to reach immediate solution. The manager of PT. Manado described how the Sales Director of Border responded when he complained.

"He is not a good person to consult with. If I complained to him, he often said, "it is our company policy and I can't meet your requirements". Then I said, "So please tell your managing director if that is necessary". But he said, "No, I am enough". So I know what the result would be: that means it won't happen".

The manager of PT. Manado also indicated a rather negative impression of Border staff. This suggests that based on their past experience the dealer perceived the sales director as unreliable. Lack of interpersonal trust existed as the dealer did not rely on the sales director of Border to facilitate the communication process between both parties. This may suggest that they were unable to develop personal trust in their long and active trade transaction. When the Asian Financial crisis began, the method of payment was dramatically changed from LC with 60 days credit to the most secure method available: cash in advance. Although the Sales Director admitted that payment was not a problem during their active trade transactions before the Asian financial crisis, the company did not trust its dealers. The sales director suggested that the company was unable to learn from the interactions with the dealers:

"...I sometimes have that problem with my colleagues. I have to remind them that it is a two way relationship... I think in a business relationship, we should trust people, but not everyone in this company wants to support our partners."

The sales director had been involved in the interaction since the establishment of the relationships and he seemed to suggest that he actually trusted the dealers. At the company level, trust seemed to decrease. This may suggest that his positive experience of dealing with the dealers did not lead to greater trust at the company level. It may mean that his knowledge was not transferred to others in the company.

The local dealers perceived Border as being unfair, which caused them to feel distrusted. The relationships developed over more than 20 years but trust declined as the market risks increased. Decreasing trust occurred in this case because the method of payment was changed resulting in the local partner's disappointment. The manager of PT Manado expressed his feeling as follows:

"I was really angry and I asked them to look at our track record. We have not paid late with 60 days credit."(Manager of PT Manado)

Trust decreased once the exporter examined the increased risk in the market and the company put aside its long experience with the dealers. Unfortunately, even though the relationships entailed very active business transactions before the crisis, trust did not develop further. This suggested that the exporter was unable to learn from its active and long-term transactions; positive experience did not lead to increasing trust. In contrast, Engle-Warnick and Slonim (2004) concluded that the lengths of relationships have an immediate impact on trust; short relationships lead to less trust and long ones lead to more trust. This suggests that the longer the relationship the greater the experiential learning and the deeper knowledge of customers' credibility, the more a party is willing to choose a method that entails more risks.

Since experiential learning is a process whereby knowledge is created through the transformation of experience (Kolb, 1985). Experience in business relationships creates experiential knowledge of the specific relationships, this is not transferable but it is gradually accumulated as companies interact (Chetty and Eriksson, 2002). This suggests that experiential learning in business relationships is a gradual process, where trust develops depending on past experience of the interactions in a specific relationship. Experiential learning produces *experiential knowledge of individual customer behaviour, from which trustworthiness can be evaluated*, which allows predictions to be made concerning future behaviour and intention. Experience from transactions over a period of time allows the exporter to know the credibility of each customer and to apply the best method of payment. Once there is confidence in the firm, policy may not change due to a perceived risk of non-payment because of external circumstances such as an unstable market. Experience is predominantly operating at individual level, which can influence attitude formation and preconceptions at company level, and it can also come from

knowledge via word of mouth from other's experience (Conway and Swift, 2000). This case suggests that individual experience, knowledge and trust may not lead to knowledge at the organisational level.

The relationship between Border and Manado seems to be fragile because low trust brought about further complexity and risk and the relationship became hard to maintain. PT. Manado perceived that the behaviour of Border staff was not consistent and not reliable during the period of instability in the market, which resulted in a lack of trust. Based on the experience on how individuals respond on partner complaint or conflict, the partner may evaluate the characteristic of the persons. Negative experience from which negative image may lead to lack of confidence that the person could not be relied on leading to lack of interpersonal trust. This may support the finding of Coulter and Coulter (2002). Based on a study in the USA, they found that the personality-related characteristic have a greater effect on trust when firms are unfamiliar with the environment. This suggests that when a firm has a little knowledge of a market, the firm will rely on interpersonal relationships from which organisational trust develops. Coulter and Coulter (2002) argued that personal characteristic and attitude will facilitate the drawing of more positive inferences. Positive characteristic and attitude should reduce interpersonal barriers and raise comfort level, thereby contributing toward the establishment of trust and alleviating perception of "riskiness". This may suggest that organisational trust relates to interpersonal trust development, which depends on the characteristic of personnel who are particularly in direct contact with the partners.

This case suggests that personnel characteristic influenced trust development. Negative image of personnel built on experience in joint problem solving influence the development of interpersonal trust and organisational trust. This is again suggesting experiential learning influenced trust development and thus business relationships. The case suggested interpersonal relations may lead to interpersonal and organisational trust. Based on the past interactions on how personnel solve problems stimulating interpersonal trust. The following case reveals the importance of experiential learning in which interpersonal relationships have a greater role in problem solving. This can stimulate the development of interpersonal and organisational trust.

3.2. Waingate

Established in 1832, this company originally manufactured steam locomotives and steam engines. It produced a range of pressure and vacuum equipment, from air blowers for the water industry to sophisticated high vacuum pumping systems for the modern-semi conductor and aeronautical industries. Waingate terminated its business relationships with three agents: PT Tiara in 1998; PT Indoswed in 1999; and PT Global ExcellIndo in 2000 when the company finally found out about the bad situation in the market. The export manager viewed the market as follows:

"It was an awkward market; it was very...very difficult for international traders... We have a limited number of man-hours and Indonesia is too difficult. It is easier to sell into China ... "

Waingate perceived Indonesia as unattractive and even a very difficult market. This perception led the company to pull out. Indeed, the company did not have an agency relationship with local companies. Since 1998, Waingate has had no Indonesian orders; before this it sold one or two units per three-year cycle, each valued at about \$200,000.

"So, Indonesia doesn't exist. It is blank on the map."

The company perceived Indonesia as a difficult market, where building relationships was not easy. It had long experience of both direct and indirect exports to Indonesia and had established relationships with three different local agents. Since 2000, even though Waingate

has not had an agent in Indonesia, the market is still monitored by the company's office in Singapore. Waingate indirectly exported to the market via a Japanese company with whom they have a long-term relationship of 120 years; this indicates that the market still offered good opportunities and they served it through a better partner.

The export manager of Waingate viewed the Indonesian market as risky due to poor banking systems, which could create problems in obtaining payment from customers. He described the local banking system:

"The best method to make sure of guaranteed payment is the banking system, if it works correctly and unfortunately in Indonesia, the banking system is the major problem. How to get trust from foreigners? Sometimes Bank Negara (BNI) we had problems with... you may have big problems with documents. The problem can exist all over the world even in England it is not unusual but it is difficult to resolve the problem with Indonesian banks because they do not normally take the responsibility and therefore you can't have a formal guarantee that you get it fixed".

The export manager of Waingate expressed that his personal relationship with a former sales engineer of PT. Tiara facilitated joint problem solving; the export manager suggested that problems might not only come from internal relationships but also the external environment of the relationship. He described the relationship as follows:

"I was really stressing this guy rather than the company. So, I terminated the relationship with PT. Tiara after he left the company. So, a personal relationship is much... much more important than a company relationship. It always is. In agency work, it is always a personal relationship. A personal relationship is more helpful. If there is a difficulty it doesn't matter, but at the end of the day you must choose an agent who may help you to solve problems."

It seems that good interpersonal relationships raise the comfort level, thereby contributing towards the development of the business relationships and alleviating a perception of "riskiness". The export manager described how he relied on the sales engineer:

"He was the person I trusted."

He seemed to rely on personal relationships to overcome problems in the market. Accordingly, the former sales engineer of PT. Tiara described his relationship with the export manager as follows:

"We did not have any conflict because the gate was me and Mr. MacDonald was the gate of Waingate's side. If we had a problem even on payment from clients or if there was a complaint he would contact me and I would do the same."

This suggests that the personal relationship between Waingate's export manager and the sales engineer of PT. Tiara was a close relationship since they both acted as communication channels in problem solving. A positive relationship between the two persons could be seen in how they had positive impressions of each other. They also suggested that they have similar educational background, which stucked them as the communication channel. Positive personal relationships between the British exporter and another two agents: PT. Indoswed and PT. GlobalIndo did not emerge and interpersonal trust did not develop. In this case, due to poor banking systems, the company faced problems of payment but the two latter agents could not help the export manager to solve the problems as he did not have reliable interpersonal relationships:

"No, but we had a problem to get paid. I mean we always got the money but we had to do something. I had to go to Indonesia just to make sure that we got paid. We had difficulties in getting paid many months late, a lot of problems. I had to go to Indonesia twice purely

to recover payment, to get money. The problem was basically the bank, it was to make sure that the bank paid us."

The export manager also suggested that the termination of relationships with the two latter agents was due to the fact that no reliable personal relationship existed. The business relationships lasted only one year, and they did not achieve active trade transactions. This case seems to suggest that problems emerged due to the external factors, yet the export manager relied on the interpersonal relationship to overcome the problems. When the interpersonal relationship could help, interpersonal trust grew. Nonetheless, when the interpersonal relationship could not help, interpersonal and interorganisational trust could not grow as seen on the business relationship with the two latter agents. Simply, this case suggests that interpersonal relationship has a greater role when problems arising due to the market situation, for example poor banking system, leading to interpersonal trust development. The experience from solving the problems might create knowledge of the person's ability and intention leading to greater interpersonal trust. Interpersonal trust reduce the perception of risk associated with the external aspect of the business relationship; it increased confidence that existing problems would be resolved. However, interpersonal trust might not develop when the interpersonal relationship could not assist the exporter to overcome problems in the market associated with market situation. This case suggests that there is a greater possibility of problems to occurred due to market situation, but interpersonal relationships can assist to overcome the problems and that a reliable interpersonal relationship may generate interpersonal trust and reduce risk perception

He pointed out that he would like to build a personal relationship with someone who had engineering and commercial skills, as the skills could accelerate information exchange; and to pursue business with the Indonesian government. As there was political uncertainty, he needed a person who could establish close personal relationships with a number of key persons in such a volatile government. The export manager expressed the difficulty and the role of interpersonal relationships as follows:

"Then, we tried to work directly with the government and direct to the government department. We were able to do that sometimes but not always...because that depended on personal contacts... I think the biggest obstacle was because we don't know who is the correct person in the correct department. So, trading from here was very difficult. The other thing was the Indonesian government tendering is not straightforward, it is very complex ...more complex than it should be. Also, the administration is very slow."

It seems that an interpersonal relationship is very important in a business relationship since a close personal relationship can help to solve problems that emerge in the market; joint problem solving could be performed within the relationship. This could, in turn strengthen the business relationship and the interpersonal relationship. This case indicated that a good personal relationship held a business relationship together as the personal relationship facilitated communication. Therefore, both personal and business relationships were the channels of communication and when one left his company, this led to the termination of the business relationship.

As the export manager relied heavily on his personal relationship, which he believed could help to solve any problem associated with market situation, this stimulated interpersonal trust to grow. But when the personal relationship was not reliable, the relationship exhibited low trust. It seemed that interpersonal trust existed between the export manager and the sales engineer of PT. Tiara, which had been generated from their close personal relations. The export manager believed that the sales engineer could help whenever problems emerged. This interpersonal trust induced more confidence, and thus generated a feeling of security and reduced uncertainty in the business relationship. Furthermore, interpersonal trust reduced perception of uncertainty associated with the market situation. This suggested that interpersonal trust related to

organisational trust. Interpersonal trust between the export manager and the sales engineer of PT. Tiara led to organisational trust. The exploration case confirms Pillai and Sharma's (2003) argument that good personal relationships lead to the generation of trust since interpersonal relationships perpetuate relationships and manage relationships through tough times.

Social bonds can be strengthened or weakened by trade transactions. The more trade transactions, the more social interactions may follow, from which social bonds can grow stronger. To be more specific, trade transactions facilitate the social bonding process in the relationships. However, as the Waingate case suggested, when strong social bonds exist, then termination of the relationship could produce considerable emotional distress felt by the staff involved. There is also a possible situation where the terminated firm leaves the relationship with a positive image due to strong personal relationships and the process of ending not being problematic. These findings support Giller and Matear's argument (2001). The authors argued that strong social bonds make terminating a relationship easier. Weak social bonds, on the contrary, could complicate the ending process since it could result in a restriction of the ending strategies that could be used. A better termination would be with minimal negative impact in terms of emotional, social, legal and financial impacts on both sides. Weak social bonds could lead to applying ending strategies that had negative impacts on either one or both of the firms. In the cases of terminated relationships, it is possible that social bonds still exist and become "relationship energy" that might promote the reactivation of the ended relationships at a later time (Havila and Wilkinson, 2002). Apart from trade transactions, personal characteristics and personal similarities, background and skills could also influence the development of interpersonal and business relationship. A strong social bond could facilitate joint problem solving and reduce relationship uncertainty.

The case of Border seems to indicate that learning about the partner was on an individual level and as a result, trust at the company level could not grow. Lack of shared understanding hindered the company in learning from experience of long-term trade transactions. Divergent ideas and opinions were not stimulated from which critical decisions could be made. This may explain why the company experienced decreasing credibility trust: the company did not facilitate knowledge transfer and learning processes within the company. Put simply, this company was unable to learn the dealer's credibility due to lack of shared understanding within the company. The same implication was also seen in the case of Waingate.

The cases of Border and Waingate suggested that they put greater emphasis on personal judgment, with limited shared understanding in the decision making process. The export manager of Waingate suggested that the decision to terminate the company's business relationships with three local agents was based on his own judgment:

"No, it was based on my own judgment. In this company, the person in the front line who sells to the country should make the decision. When the board said, "We still want to sell", I said, "No, I am not going to." (The Export Manager of Waingate).

It seems that the export manager, as the only person in the company who dealt with the market, the local customers and the agents, could make decisions without achieving consensus with others. Similarly, the sales director of Border relied on his own judgment based on his own experiences:

"I make my own judgment every day, all the time. I don't ask for advice because there is nobody else in the company with the experience and knowledge that I have. So [there is] nobody I can turn to, so I take my own advice and my own advice is the best advice." (The Sales Director of Border).

It seems that the two companies did not share market information and consensus was not achieved. They therefore only stressed an individual's judgment who was very proud of his own rich experience. This may be due to there being no way to transfer knowledge to other staff:

there were no regular or scheduled meetings in which other staff might receive valuable information regarding the market; the local partners; and the final customers. Regarding the policy to change the method of payment, which was perceived as unfair by the dealers, this was also based on his own judgment. This may reflect his attitude toward risks in relation to the market situation whilst neglecting his long experience working with the dealers. It was suggested that the longer the relationship the greater the experiential learning and the deeper knowledge of customers' credibility, the more the decision maker is willing to choose a method that entails more risks. Trust exhibited by the sales director might not fully encourage him to keep the same method of payment, and then he decided to change it to a less risky method. On the other hand, other staff in the company might not have experience and knowledge of interaction with the dealers and thus trust did not fully develop. There was no mechanism to share the sales director's knowledge of long-term experience working with the dealers. Learning about the partner was on an individual level and as a result, trust at the company level could not grow. Lack of shared understanding hindered the company in learning from experience of long-term trade transactions. Divergent ideas and opinions were not stimulated from which critical decisions could be made. This may explain why the company experienced decreasing trust: the company did not facilitate knowledge transfer and learning processes within the company. Put simply, this company was unable to learn the dealer's credibility due to lack of shared understanding within the company.

The sales director and the export manager did not rely on the points of view of other staff due to their lack of trust in others' ability. Also, the sales director of Border expressed that he made decisions to solve problems arising in the relationships:

"There is no need for that... It is based on my own judgment because there is nobody to consult with. Even if we have problems with the dealers, I will try to solve it based on my own judgment because if I leave it to other people then it doesn't work." (The Sales Director of Border).

The sales director suggested that he did not trust other staff. He implies that he was the only one who had the knowledge and thus, ideas on how to solve problems that arose in the business relationships.

The exploration above suggested that experience in the relationships stimulated the development of interpersonal trust between people involved in the interactions. Interpersonal trust eased the communication process between the two parties in problem solving; personal interactions facilitated the process of obtaining knowledge and understanding the partners: the more stable the personal ties, the more knowledge and understanding obtained from the process and the more confidence that the other partner would not exhibit negative behaviour. Interpersonal trust can be gained over time, after individuals experience the interaction and find the partners to be trustworthy, thus interpersonal trust required time to develop (Wong and Sohal, 2002; Rashid, 2003; Ploetner and Ehret, 2006). This suggested that interpersonal trust was built on learning of past experience from interpersonal contact, based on the evaluation of how the person co-operated to solve problems. This learning required time, in which the consistency of the partner's behaviour could be observed. Experience in managing complexity or experience of conflict resolution can result in trust. Trust is built on personal interaction (Ploetner and Ehret, 2006) after positive experience emerges and partners show a cooperative and problem-solving attitude (Nguyen, 2005). The figure below describes the implications gained from the exploration.

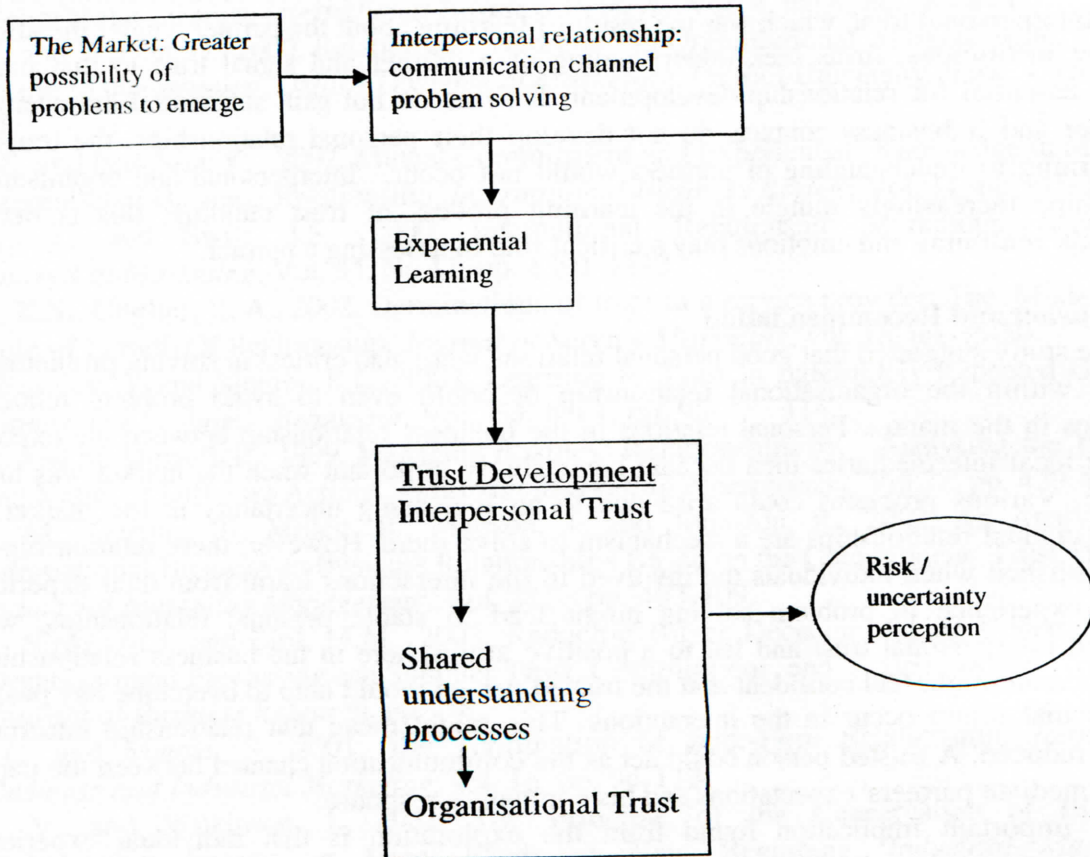


Figure 1. Interpersonal Relationship Roles

The figure above demonstrates that exporting to a high-risk and uncertain market can lead to a greater possibility of problems occurring; such problems include: not receiving payment due to poor local banking systems; and issues with tenders due to political uncertainty. A reliable interpersonal relationship can help to overcome these problems and positive image resulting from learning based on experience of problem solving leading to the development of interpersonal and organisational trust. This suggests that knowledge obtained from interactions in the relationships, at its deepest and most personal level, might only be enjoyed by a key person. This appeared to play a central role in the overall relationship management by providing or disseminating important knowledge based on individual experience. The finding of this study supports what Ranstrom's (2005) argument that social exchange processes in business relationships create a web of interpersonal relationships, which expedite communication, conflict resolution and learning.

Based on a qualitative study of five different service entrepreneurs in Sweden, Australia and the UK, Friman et al. (2002) found that personal relations and personal honesty created the foundation for organisational trust. Similarly, Wong and Sohal (2002) found that interpersonal trust was positively related to organisational trust, which faces erosion if interpersonal relationships are disrupted. Interpersonal trust creates an additional bond that ties the partner to the company. A business relationship may involve extensive personal interaction and information exchange to create opportunities for organisational trust to emerge and develop (Gao et al., 2003).

This research suggested that interpersonal relationship had a greater role in problem solving and the experience of joint problem solving led to a more stable interpersonal/organisational trust. This is consistent with the finding of Nguyen (2005) who

found that the lack of market infrastructure and institutions actually forced firms to rely on trust, initially interpersonal trust, which was the result of learning about the partner. Under the absence of market institutions, firms seek understanding of a partner and signal trust to that partner, which is essential for relationship development. If firms do not gain substantial knowledge of each other and if business contacts do not develop their personal relationships, the transition from learning to understanding of partners would not occur. Interpersonal and organisational relationships increasingly mingle in the learning process of trust building; this is because individuals' reasoning and emotions play a critical role in assessing a partner.

4. Conclusion and Recommendation

The study suggested that good personal relations were also critical in solving problems that occurred within the organisational relationship or could even to avoid problem related to difficulties in the market. Personal relations in the business relationship between the exporters and their local intermediaries then became increasingly important when the market was highly uncertain. Various problems could arise due to an increasing uncertainty in the market, but reliable personal relationships are a mechanism to solve them. However, these relationships are only established when individuals the involved in the interactions learnt from their experience. Positive experience in problem solving might lead to stable personal relationships, which stimulated interpersonal trust and led to a positive atmosphere in the business relationship. A trusting person might feel confident that the trusted person would help to overcome any possible problems that might occur in the interactions. This might mean that relationship uncertainty could be reduced. A trusted person could act as the communication channel between the parties; he could mediate partners' expectations and his company's response.

An important implication found from the exploration is that individual experiential learning played a role in business relationship development in a high-risk and uncertain market. Based on experience of interpersonal interactions within a business relationship, the exporters learnt and obtained knowledge of their partners/customers' capability to pay; motivation, behaviour and intention. It seems that trust at organisational level was developed from interpersonal relationships and interpersonal trust. Experiential learning produced experiential knowledge from which trustworthiness was evaluated. The better the knowledge gained over a period of time, the better the ability to predict the partner/customers' behaviour and intentions. Therefore, the knowledge led to a feeling of confidence about the future behaviour of partners/customers. This confidence reduced perception of risk and uncertainty associated with the market and the business relationship.

The contribution of the paper was directed to the building of theory concerning the management of business relationship in a market characterised by high risk and high uncertainty. The extant literature primarily had an understanding of relationship management in stable market environments. This study was based on a case study approach employing a small sample size, which constrained the generalisations of the interpretation. Nonetheless, it is believed that the study has theoretical implications and thus contributes to the development of relationship management literature and potential further studies. Further research that focuses on different markets or different types of industry may discover the association and enrich our understanding of how business relationship management is influenced by a learning orientation.

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