

## Vienna 2019 Abstract Submission

### Title

Modelling the factors affecting wine export performance:  
the case of France and China

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### Keywords

Relationship management (RM), financial export performance, business distance, cultural distance, wine trade, France, China

### Research Question

How different dimensions of relationship management impact the financial export performance? What is the role of business and cultural distances?  
174 surveys are analysed.

### Methods

The research model for studying the relationship management and export performance is proposed. The structural model is analysed using SPSS AMOS; the CFA (confirmatory factor analysis) is employed for validation.

### Results

Cultural distance moderates negatively the effect of business distance on relationship management while the latest together with communication quality, and relationship investment have positive impact on financial export performance

### Abstract

"Good relationships keep us happier and healthier" recited by Dr. Robert Waldinger. How to keep a good relationship in the import and export business? How does it affect financial export performance under international context? We conducted the study in the wine export sector between France and China. A model comprising relationship management, financial export performance, psychic business distance and psychic cultural distance is developed. The analysis of the survey of 174 French export executives' views of their Chinese business partner in the wine trade confirms that relationship management & communication quality has strong positive impact on financial export performance and relationship investment is also positively significant on financial export performance. Psychic business distance affects positively relationship management, while psychic cultural distance

moderates negatively the effect of psychic business distance on relationship management. Managerially, we offer several useful perspectives for export managers in the import-export relationship management and their impacts on financial export performance. Furthermore, this work allows also export managers to have a better understanding of psychic business and cultural distance and their effects on the relationship structuring.

## INTRODUCTION

The main idea of this research is to analyze the factors affecting export performance as financial export performance psychic business distance, psychic cultural distance and put forward the model to be validates on the case of the export wine trade between France and China.

The research questions which are in the focus of this study are the following:

How different dimensions of relationship management impact the financial export performance?

What is the role of business and cultural distances?

All these questions are seldom studied in the export wine trade. We chose the wine export sector between France and China as a research setting for this study. In the wine business, both France and China play an important role. France ranks the 2nd wine production country after Italy with 36.7 mhl wine produced in 2017. According to Chinese customs, France is ranked the first exporter of wine and spirits in Chinese market with a stable growth for bottled wine by 14.6% in volume and by 16.4% in value in 2017 versus 2016.

In comparison to domestic trade, export success can be affected by the global economic, political, cultural differences and changes as exchange rate, tariff barriers, political policy, geographical distance, ideology etc. The export performance model applied in the situation of France and China presents a rich case of the important business and cultural distance and may lead to a better understanding of its effects (Griffith et al, 2014).

## LITERATURE REVIEW AND HYPOTHESIS

The existing export performance research includes organizational, environmental and managerial perspectives. On the organizational level Karelakis et al. (2008) studied the determinants of export performance of Greek wine industry and showed that a firm should increase the export performance at the firm level (firm size, product adaptation, price competitive, channel knowledge). Cieslik et al. (2015) argue that firms' export performance is positively related to the level of productivity, firm size, the share of university graduates, spending on R&D activities. Nathaniel et al. (2013) argue that stronger networking capabilities and a more organic structure enhance impact of innovation on export performance.

In terms of environmental factors, Leonidou et al. (1998) focused on trade barriers, tariff, global competition which are external factors. There is a need in studying how developing export is affected by the slowing growth in many economies due to internal fiscal problems and reduced domestic market opportunity, trade deficits, currency devaluations, capital transfers and import restrictions. Karelakis, C. (2008) use environmental hostility and price competition, heterogeneity for measuring the external influence on export performance. Jalal and Skallerud (2013) find the indirect influence of business distance on export performance mediated by relationship quality.

In terms of managerial perspectives, the main research on export performance stresses the role of managerial characteristics and their influences on export. Leonidou et al. (1998) point out that management is critical and decisive in developing successful export business leading to the further research about the propensity to initiate exports, advancement along the export development path, aggressiveness of export behavior. There is a unidirectional causal relationship: managerial, organizational and environmental factors influencing the firms' export targeting and marketing mix that in turn affect export performance (Diamantopoulos et al. 2014).

### Relationship management and the export performance

Relationship management is critical for successful performance because being in a healthy relationship with the importers, it is much easier to get access to the customer's needs, market trends. The tacit knowledge converted into explicit knowledge increases firm's ability to generate tangible benefits (Krasnikov et al. 2008).

Communication quality evaluates the interaction of both sides in terms of information transmission which is a key factor of success (Mohr and Spekman 1994). These aspects like the accuracy, timeliness, adequacy and credibility of information exchanged are important in this concern. Communication is asserted to be the "glue" that holds the relationship together (Jalal et al. 2013). Communication is also the ability to understand each other's codes; open and frequent communication is essential for creating and maintaining a solid inter-organizational relationship.

Long-term relationship orientation is critical to sustain competitive advantage and develop a mutual dependence of outcomes in such a way that joint relationship outcomes are expected to profit from the relationship in the long run (Ganesan 1994). Developing healthy relationships with partners cannot be achieved overnight, it necessitates not only good communication quality, long-term relationship commitment but also relationship investment e.g. time and efforts. Therefore, we put forward the first hypothesis:

H1: Relationship management (d) relating to communication quality(a), long-term relationship(b), relationship investment(c) is positively associated with financial export performance.

Business distance and relationship management

Psychic distance is defined as the distance between the home market and a foreign market resulting from the perception of both cultural and business differences by directly measuring managerial perception which drives to the managerial decision. However, the literature exhibits a lack of consistency with respect to these effects despite their importance in international business (Griffith et al. 2014). Evan et al. (2008) denote two aspects of psychic distance, business and cultural distances. Business distance refers to perceptions of difference across markets in the economy environment, the legal and political system, business practices, market structure and language. When export managers perceive greater risk in the operating environment—regardless of whether that risk comes from differences in the business environment including the legal and political system, the economic environment, market structure, and so forth, or from differences in culture—they work to structure firm operations in a manner that reduces the firm’s risk. Our second hypothesis:

H2: Business distance positively influences relationship management.

Cultural distance and relationship management

Cultural distance pertains to perceived differences in cultural values (Griffith et al. 2014). Cultural distance perception comprising values, norms and traditions play an important role in social exchanges. Through efforts to incorporate cultural diversity in the operations of the relationship, the relationship becomes more effective. When export managers perceive greater cultural diversity, they work to adapt to their partner through efforts to incorporate cultural diversity, thus, the relationship becomes more effective (Griffith et al. 2014). Firms operating in more culturally distant countries tend to invest more time and resources to understand the greater perceived cultural differences. Increased performance is observed in more psychically distant host-country markets compared with psychically close markets. We suppose:

H3: Cultural distance positively influences relationship management.

Moderation of cultural distance

In international business, psychic distance measures the relations between the cultural proximity and foreignness of international markets (Jalal et al., 2013). The mutual expectations between business partners are synchronized in the same culture, whereas in the international relationship, difficulty could be lying in anticipating the expectations and needs. Karelakis et al. (2008) suggested that similarities in culture, habits, traditions and market infrastructure enhance the achievement of standardization and lead to more effective and efficient export operations. Psychic distance in terms of barriers to learning and understanding, cultural differences often contribute to misunderstandings and form barriers to the overall effectiveness of interpersonal communication (Evans and Mavondo, 2002). We suppose:

H4: The effect of business distance on relationship management is more positive when the cultural distance is much lower.

THE RESEARCH MODEL AND RESEARCH DESIGN

We present the research model for studying the relationship management and export performance. This model depicts the effect of relationship management on financial export performance. Business and cultural distance are theorized to be an antecedent of relationship management. The moderation effect of cultural distance on the impact of business distance with relationship management is also hypothesized.

We capture business distance by adapting from (Evans et al. 2008; Griffith et al. 2014) where psychic business distance is measured by the legal and political environment, economic environment, business practices. Cultural psychic distance is measured based on Hofstede’s (1991)’s cultural measurement theory with 12-item scale of power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity. The business and cultural psychic distance are calculated with the formula from Griffith et al. (2014). Relationship management is conceptualized as a higher-order construct that includes importer involvement, communication quality, long-term relationship and information sharing. We suggest to use a high-ordered construct including 8 items scale of communication quality (Jalal et al., 2013), long-term relationship and relationship investment (Krasnikov et al. 2008).

The financial export performance is measured by three items including export sales, export profits, export growth (Zou et al. 1998; Diamantopoulos, 2014).

#### 4. CONCLUSION

The objective of this study is to shed light on the impact of relationship management on financial export performance; to understand better the impact of psychic business distance on relationship management and the impact of communication quality on financial export performance and relationship investment which were not

sufficiently studied in literature.

We conduct the study in the wine export sector between France and China and put forward a model comprising relationship management, financial export performance, psychic business distance and psychic cultural distance is developed.

The analysis of the survey of 174 French export executives' views of their Chinese business partner in the wine trade will be presented. The first findings confirm that relationship management & communication quality has strong positive impact on financial export performance and relationship investment is also positively significant on financial export performance. Psychic business distance affects positively relationship management, while psychic cultural distance moderates negatively the effect of psychic business distance on relationship management. Furthermore, this work allows also export managers to have a better understanding of psychic business and cultural distance and their effects on the relationship structuring.

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# **Modelling the factors affecting wine export performance: the case of France and China**

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## **INTRODUCTION**

Export relationships are composed of a seller and a buyer in two different countries engaged in the exchange of goods. To study how performance aspects are affected by their interaction could deepen our understanding about relationship operations (Griffith and Dimitrova 2014). International exchange relationships enable an importer to trust its distant exporter–supplier is not fully understood. A model incorporating more strategic aspects would broaden the understanding of how export managers implement operations (Jalal et al. 2013).

The main idea of this research is to analyze the factors affecting export performance as financial export performance psychic business distance, psychic cultural distance and put forward the model to be validates on the case of the export wine trade between France and China.

The research questions which are in the focus of this study are the following:

- How different dimensions of relationship management impact the financial export performance?
- What is the role of business and cultural distances?

All these questions are seldom studied in the export wine trade. We chose the wine export sector between France and China as a research setting for this study. In the wine business, both France and China play an important role. France ranks the 2<sup>nd</sup> wine production country after Italy with 36.7 mhl wine produced in 2017. According to Chinese customs, France is ranked the first exporter of wine and spirits in Chinese market with a stable growth for bottled wine by 14.6% in volume and by 16.4% in value in 2017 versus 2016.

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*H3: Cultural distance positively influences relationship management.*

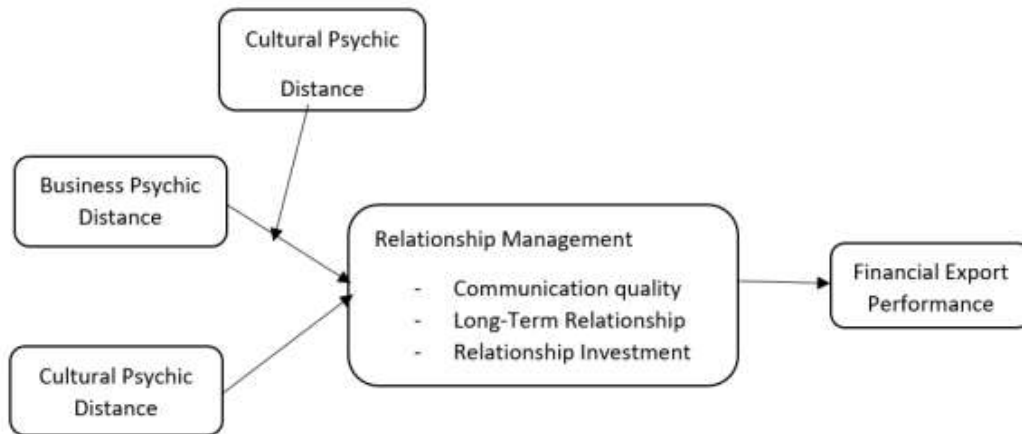
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*H4: The effect of business distance on relationship management is more positive when the cultural distance is much lower.*

## **2. THE RESEARCH MODEL AND RESEARCH DESIGN**

We present below the research model for studying the relationship management and export performance:



This model depicts the effect of relationship management on financial export performance. Business and cultural distance are theorized to be an antecedent of relationship management. The moderation effect of cultural distance on the impact of business distance with relationship management is also hypothesized.

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$$BD/CD = \sum_{i=1}^n \frac{(I_i - 1)^2 / V_j}{n} \quad , \text{ where } BD \text{ or } CD \text{ represent business or cultural psychic distance, } I_j \text{ represents the index of the } j^{\text{th}} \text{ business or cultural dimension, } 1 \text{ denotes the home market, } V_j \text{ is the variance of the index of the } j^{\text{th}} \text{ dimension.}$$

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