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Trust, Commitment, and Competitive Advantage in Export Performance of SMEs

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Abstract: The entry of small businesses into international markets has intensified. However, despite the growing presence of small businesses in international markets, studies into their international behavior, particularly regarding the effect of international relationships on international outcomes, remain limited. This study investigates the cross-border relationships of Small and Medium Enterprises (SMEs) by examining the effects of the dimensions of the key relationship on the competitive advantage and performance of SMEs in export markets. These dimensions include trust and commitment. Results indicate that trust is significantly related to commitment and export performance. Commitment is positively related to competitive advantage but not to export performance. Trust affects competitive advantage through commitment. The effect of commitment on export performance is mediated by competitive advantage. The methodology and results are presented. The conclusion, implications, and limitations of this study are also discussed.

Abstrak: *Masuknya Usaha Kecil Menengah (UKM) ke pasar internasional semakin intensif. Namun, meskipun ada pertumbuhan jumlah UKM di pasar internasional, studi tentang perilaku internasional para pelaku UKM, khususnya mengenai pengaruh hubungan internasional pada hasil internasional, masih terbatas. Studi ini mengkaji tentang hubungan lintas-batas negara UKM dengan meneliti pengaruh dimensi-dimensi hubungan kunci pada keunggulan kompetitif dan kinerja UKM di pasar ekspor. Dimensi-dimensi tersebut mencakup kepercayaan dan komitmen. Hasil penelitian menunjukan bahwa kepercayaan berhubungan secara signifikan dengan komitmen dan kinerja ekspor. Komitmen berhubungan positif dengan keunggulan kompetitif tetapi tidak dengan kinerja ekspor. Kepercayaan mempengaruhi keunggulan kompetitif melalui komitmen. Pengaruh komitmen pada kinerja ekspor dimediasi oleh keunggulan kompetitif. Selain menyajikan metodologi penelitian dan hasil, simpulan, implikasi, dan keterbatasan juga dibahas.*

Keywords: competitive advantage; commitment; export performance; trust; SMEs

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Introduction

Global expansion has become a common strategic intent among business organizations around the world. Exporting is at the forefront of all of the available modes of entry, particularly for Small and Medium Enterprises (SMEs) with limited resources. Expansion into foreign markets is mainly driven by the objective of increasing sales by optimizing the competitive advantage in export markets (Spyropoulou et al. 2010). The concept of relationship marketing is a research stream in international business literature; this stream of research explains how firms enter foreign markets (Ambler and Styles 2000, Gunawan and Rose 2014) and gain a competitive advantage in such markets (Phan et al. 2005, Khalid and Bhatti 2015). Studies into the dyadic relationship also intensified in recent years (Bloemer et al. 2013, Gerbasi and Latusek 2015).

A business relationship often occurs within a network of firms (Vahlne and Johanson 2013, Johanson and Vahlne 2009), but the principle of the dyadic or inter-organizational relationship remains profoundly constructive to facilitate the understanding of the relational exchange. A network is a compilation of connections between an interfirm relationship and other similar relationships. The embedded dyadic concept within a large network of businesses directs the recognition of network relationships (Anderson et al. 1994) to recognize common perceptions among the partners (Styles et al. 2008). These findings offer insights into the analysis of a business-to-business relationship, in the light of a dyadic relationship similar to that between an exporter and an importer.

Scholars positioned the interfirm relationship as a strategic asset (e.g. Johnson 1999), particularly when the relationship is strong and rooted in enduring trust (Sankowska 2013, Fuglsang and Jagd 2015) and commitment (Vahlne and Johanson 2013, Saleh et al. 2014). According to Morgan and Hunt (1994: 31), "If cooperative relationships are required for relationship marketing's success, our results suggest that commitment and trust are, indeed, key." Previous studies provide empirical evidence of the competitive outcomes of interfirm relationships that are developed and maintained based on trust (Zhang et al. 2003) and commitment (Johanson and Vahlne 2006).

SMEs are the backbone of economic development, particularly in emerging markets. In Malaysia, SMEs constitute more than 95 percent of the total number of business establishments (SME Corporation 2016a); SMEs are mainly locally owned, and estimated to contribute 35.9 percent to the gross domestic product in 2014 (SME Corporation 2016b). Given the economic contribution of SMEs, the main priority of the Malaysian government is to build competitive and successful small business exporters.

A review of the literature indicates that our understanding of trust in SMEs, especially in empirical terms (Bachmann and Inkpen 2011), remains limited (Welter 2012). Scholars (Rocha et al. 2012) suggest that researchers should focus on international commitments. According to Hardwick et al. (2013: 5), "… few studies actually explain the role played by trust." Previous studies emphasized the need to consider the elements of context and culture in the study of relationship marketing (Abosag and Lee 2013) because partners from different cultural backgrounds have distinct concepts of trust (Gerbasi and Latusek 2015). Rocha and colleagues (2012, 230) claim that "… it is reasonable to suppose that firms from emerging markets may develop and manifest interna-

tional commitment in ways that do not necessarily reproduce the experience of those that expanded earlier and from developed countries." This notion is also echoed by other scholars (e.g. Lee et al. 2012). Indeed, the lack of local studies on trust and commitment reflects the scarcity of such studies in the international context, especially in small emerging markets. Prior studies have emphasized the need for research into the post-market entry performance of SMEs in export markets (Khalid and Bhatti 2015). The present study fills this gap by addressing the roles trust and commitment play in the competitive advantage and performance of SMEs in export markets.

International business literature relies on resource-based views to develop theoretical underpinning (e.g. Matanda and Freeman 2009, Lages et al. 2009). In the current study, 'resource' refers to the business aspects that are rare and difficult for rivals to imitate. The idiosyncratic disposition of these resources is crucial to sustain a competitive advantage. These resources include the internal and external resources of firms (Gulati et al. 2000). The small size of SMEs replicates the limitations in their internal resources; hence, SMEs must depend on external resources, such as relational capabilities (Kaleka 2002). Styles et al. (2008) emphasize the model for relationship exchanges and its usefulness in understanding matters related to exporting, particularly the central constructs, namely: Trust and Commitment. Other studies have demonstrated a similar observation (Leonidou et al. 2002, Ambler et al. 1999). Given these findings, the present study seeks to answer the following question "How do trust and commitment affect small businesses and consequently increase their competitiveness and performance in export markets?"

Literature Review

The international market is highly competitive and complex. Firms must rely on their capacity to develop a competitive advantage to achieve superior performance in this market. The competitive advantage of firms pertains to the customer value offerings of a firm relative to the customer value offered by its competitors (Kaleka 2002). A crucial point in achieving competitive advantage is the need for firms to respond and meet customers' needs to gain a superior offering of customer value. Value creation activities in international businesses are dependent on the embedded knowledge within a firm. This knowledge is linked to foreign opportunities and expertise in foreign markets (Brouthers et al. 2009). According to Johanson and Vahlne (2009), the most critical knowledge for internationalizing firms is knowledge of the foreign market, which is acquired through their experience in the foreign market. However, building experiential knowledge of foreign markets and acquiring information from that market is costly. Scarce resources prompt SMEs to depend on an external resource, namely, customers, to acquire foreign markets.

The resource-based perspective argues that the sources of this value-creating strategy are the sources and capabilities of the firms (Barney 1991). Resources are categorized into tangible and intangible resources. Both types of resources are crucial for internationalizing firms, but authors believe that intangible resources are more relevant than tangible resources for creating competitive advantages in small businesses because of their limited tangible resources. This view is consistent with that of Morgan and Hunt (1999) who argue that SMEs lack the ca-

pacity to create competencies in markets because of their limited resources. The Uppsala model (Johanson and Vahlne 1977) suggests that internationalization increases the presence and commitment of firms in foreign markets, given their knowledge of those markets, which they acquired through past experience in the markets. This process entails a substantial commitment of resources. In this case, SMEs are disadvantaged because of their lack of resources; thus, leveraging the capabilities of their partners (i.e., local market knowledge) is key (Knight and Cavusgil 2004) to successful ventures in foreign markets. Lages et al. (2009) report that firms are likely to realize the full market potential of their products when they establish effective relationships with importers.

Knowledge transfer is effective when the relationship among partners is developed based on trust (Wu et al. 2007). Hunt and Morgan (2012: 8) argue that "sustained, superior financial performance occurs only when a firm's comparative advantage in resources continues to yield a position of competitive advantage despite the actions of competitors." Similarly, Wu et al. (2007) assert that the development of local market competence requires constant updates of local market knowledge. Market knowledge is the key to the international performance of firms. Continuous updating of this knowledge ensures the ability of a firm to fulfill changing customer preferences. To accomplish this task, SMEs with scarce tangible resources must rely on intangible resources to help sustain their competitive advantage.

Trust and commitment are essential to the achievement of positive exporter–importer relationship outcomes, which includes performance (for review see Bianchi and Saleh 2010). Despite their limited tangible resources, SMEs develop local advantages (e.g., enhanced market intelligence, links with key contacts, deep relationships within extant markets, and promotion of new buyer segments) by building strong relationships with foreign distributors (Knight and Cavusgil 2004). Following previous research (Morgan and Hunt 1999), the present study adopts the notion that a sustainable competitive advantage and improved performance in export markets are the outcomes of trusting cooperation and commitment.

Effects of Trust on Commitment, Competitive Advantage, and Export Performance

Trust is central to interfirm relationships. Nes et al. (2007) contend that trust is the foundation of any business relationship, particularly when the relationship is sustained over the long term (Kumar et al. 1995). Leonidou et al. (2002) define trust as the belief of one party in a working relationship that the behavior of the other party is honest, sincere, and fair. Trust benefits exporters in terms of knowledge transfer and in counterbalancing the potential harmful effects of cultural differences. The long-term nature of trusting relationships allows the continuous flow of knowledge. Firms use contracts to restrain the opportunistic behavior of their partners. However, trust reduces the need for formal contracts because partners demonstrate confidence and positive expectations of the behavior of one another (Gulati and Nickerson 2008).

The relationship between trust and commitment has received widespread attention among researchers. The study of Morgan and Hunt (1994) has become the reference in the international business domain. Morgan and Hunt assert that commitment results in exposure (to risks) thereby forcing firms to seek

a trustworthy partner. Moorman et al. (2000) find a positive relationship between trust and commitment among marketing research users. A similar finding is reported in a recent study of Bloemer and colleagues (Bloemer et al. 2013) in the context of export marketing. Based on the preceding discussion, the current study posits the following hypothesis:

H_1: *Trust positively affects commitment.*

Trust warrants maximum effort from partners. Trust facilitates the exchange of knowledge among partners thereby augmenting an exporter's ability to exploit local market opportunities (Wu et al. 2007). Market knowledge, such as the needs and requirements of customers, enables firms to provide a quality service to customers by offering products that meet the tastes and preferences of the customers. This finding suggests that the firms are producing the perceived quality outputs of their customers.

In a relationship based on trust, a buyer tends to perceive the good product value offerings of the seller (Walter et al. 2006). Trust among partners is the outcome of working together, keeping promises, and avoiding cheating (Day et al. 2013). Foreign distributors are likely to collaborate with exporters, in such things as the joint promotion of products to end consumers (Zhang et al. 2003). This collaboration significantly helps develop promotional efficiency in a market, thereby providing local distributors with the advantage of local knowledge and know-how. This situation may also increase the competitiveness of the exporters, attributable to the decreased costs that result from joint promotions. Increased local participation enables a firm to reach customers and enhance its competitiveness in the export market. The following hypothesis is thus proposed:

H_2: *Trust positively affects competitive advantage.*

Trust results in behavior that drives improved performance in export markets (Styles et al. 2008, Katsikeas et al. 2009). Trust can serve as a substitute for contracts in a relationship's governance to combat opportunistic behavior. In a contract-based governance mechanism, firms bear the cost of establishing the guidelines for monitoring the behavior of their partners. Gulati and Nickerson (2008) assert that trust reduces the need for a formal contract because the partners have confidence in each other's behavior. Operating costs decrease under this condition (Zaheer et al. 1998).

Each partner in a trusting relationship strives to maintain and develop strong ties (Day et al. 2013). Such behavior is preferred when the financial costs, time, and effort for establishing and developing new relationships is high. Each partner fulfills the needs of the other partner by improving service and efficiency. Trust facilitates the sharing of sensitive and confidential information regarding the development of new products (Polo-Redondo and Cambra-Fierro 2008) and new technology (Walter et al. 2006); such development then helps firms produce improved products and achieve excellent performance. This study then proposes the following hypothesis:

H_3: *Trust positively affects export performance.*

Effects of Commitment on Competitive Advantage and Export Performance

Morgan and Hunt (1994: 23) define relationship commitment as

"*…an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum effort to maintain it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.*"

Commitment plays a central role in the development of buyer–seller relationship models (Skarmeas et al. 2008). Saleh and Ali (2009) suggest that commitment is important from an exporter's perspective because importers facilitate the internationalization process of exporters by continuously providing access to foreign markets. Commitment plays an important role in the development of such relationships. Hence, commitment is a highly important variable in the quality of these relationships.

Morgan and Hunt (1994) maintain that commitment and trust are 'key' components of relationships for three reasons. *Firstly*, commitment encourages marketers to preserve relationship investments by cooperating with exchange partners. *Secondly*, commitment promotes the resistance of managers to attractive short-term alternatives in favor of the expected long-term benefits of staying with their existing partners. *Thirdly*, commitment increases the tendency of managers to view potentially high-risk actions as prudent because of the belief that their partners will not act opportunistically.

The commitment of the managers/owners of SMEs to cultivating a constructive mind-set toward international expansion, adhered to by their employees, is closely linked to the creation of competitive advantage (Javalgi and Todd 2011). Committed partners are willing to invest in maintaining and developing close cross-border relationships (Vahlne and Johanson 2013). Such an investment may include assets, machinery, and human skills that can improve the handling of transactions among the partners. High-level skills and technology may increase efficiency, reduce costs, and improve the output's quality. Committed partners collaborate to exceed the competitive outputs of their competitors (Bianchi and Saleh 2010). This study proposes the following hypothesis:

H_4: *Commitment positively affects competitive advantage*.

A well-functioning relationship is the outcome of investment through the mutual commitment of partners (Johanson and Vahlne 2006). When partners agree to increase the effectiveness of their cooperation, they expect to create new knowledge. This knowledge enables a firm to identify opportunities. A firm signals its commitment to the relationship by making sacrifices and demonstrating concern for its relationships. These actions increase the reputation of a firm and reduces the motivation for a partner to act opportunistically (Anderson and Weitz 1992) thereby decreasing the costs for monitoring the relationship and contributing to improved performance.

The embedded concept of opportunity recognition entails the growth outcomes of internationalized firms; opportunity recognition results from the acquisition of knowledge in a relationship characterized by commitment (Johanson and Vahlne 2009). Profit outcomes can be achieved when firms exploit opportunities in the market, ahead of their competitors. Commitment drives a firm to invest resources and capabilities in maintaining and strengthening its partnerships, which in turn fosters the mutual exchange of market information and technology at an advanced level. Export firms may leverage resource-sharing to recognize and exploit opportunities, thereby allowing them to produce superior outputs in the market. The following hypothesis is then proposed:

H5: *Commitment positively affects export performance*.

Effects of Competitive Advantage on Export Performance

The association of competitive advantage with export performance is well documented. Empirical investigations (Morgan et al. 2004) reported in the extant literature explain that competitive advantage affects the performance of export ventures. A firm achieves a competitive advantage when the value it creates for customers through its offerings is higher than that offered by its competitors (Kaleka 2002). The sources of this value-creating strategy are the sources and capabilities of the firms which are unique and difficult to imitate (Barney 1991). Morgan et al. (2004) apply the concept of a positional advantage in export markets, and explain that a value-creating strategy pertains to the relative superiority of the value of the export venture to the customers, and the cost of delivering the realized value. The following hypothesis is then proposed:

H6: Competitive advantage positively affects export performance.

Mediating Effects of Competitive Advantage

The superior performance of a firm does not directly affect its unique resources; rather, unique resources result in a market-positional superiority that contributes to superior performance (Li and Zhou 2010). Previous studies defined competitive advantage in terms of performance and sources or determinants, which result in the determinant–competitive advantage–performance framework (Sigalas 2015). Following this premise, the present study considers a relationship's trust and commitment as two valuable resources (Morgan and Hunt 1994) that serve as conduits for the flow of information. Information is valuable as it allows firms to understand the market. According to Sankowski (2013), this information and knowledge exchange renders strategic benefits to the firms, such as competency in providing improved customer services and producing products or services that are superior to those offered by their competitors. This capability also enhances the customer-perceived quality of the outputs and services of the firms. Consequently, firm offerings in the export market offer customers value, which is superior to that offered by competitors, thereby resulting in a competitive advantage in the export market.

Value-creating activities in the export market pertain to the relative superiority of value offerings to customers and the cost of delivering this value (Morgan 2014). SMEs in cross-border markets tend to export indirectly through contractual arrangements with middlemen (Bello and Williamson 1984), such as importers. Drafting, negotiating, and safeguarding the agreement (with importer) render governance cost (Williamson 1991) which in turn affects the exchange performance, i.e., low governance cost increases performance (Gulati and Nickerson 2008). Authors agree with Sankowska (2013: 87) on the premise that trust "…leads people to engage in risk taking behaviors…" Authors believe that a trust based-relationship reduces the need for a formal contract and the costs of the relationship's governance. In such a relationship, partners are less likely to demonstrate opportunistic behavior in lieu of improved cross-border performance in the future (Abosag and Lee 2013). Given this result, the firm's resources can be invested in productive matters, instead of using them to monitor opportunism. Reduced transaction costs and increased transaction efficiency among the partners significantly reduces costs and produces improved quality outcomes, thereby

increasing competitive advantage (Kaleka 2002) and affecting performance (Sigalas 2015).

Similar to trust, relationship commitment creates a competitive advantage through cost reduction and information sharing. Partners who are committed to the relationship strive to maintain a good working relationship (Morgan and Hunt 1994). This commitment enables partners to work cooperatively, thereby helping them create long-lasting partnerships and reduce transaction costs (Lee 2016). In a cross-border market, commitment to the relationship established with intermediaries (importers) allows exporters to gain improved access to tacit information related to the market, such as specific patterns of consumption (Pinho 2016). Carey et al. (2011) support this view and assert that relationship commitment facilitates the exchange of information among the partners, thereby creating opportunities to suppliers (exporters) in terms of opportunities and cost savings (Carey et al. 2011). This condition provides exporters with an advantage and ensures that the products/services offered are preferred by the customers at a competitive price.

The capability of meeting customers' requirements and reducing costs increases the competitive advantage of a firm. Offering customers' valuable outputs, at a low cost, increases the firm's performance in the export market. The following hypotheses are then proposed:

H7: Competitive advantage mediates the relationship between trust and export performance.

H8: Competitive advantage mediates the relationship between commitment and export performance.

Methods

Unit of Analysis and Key Informant

The unit of analysis applied in this study is the single export venture. The respondents were asked questions about their most successful export venture. A single-key informant approach was employed because it is the most common method applied in organizational studies (Kumar et al. 1993). The key informants were the chief executive officers/presidents, managing directors, export managers, and marketing/sales managers.

Sampling

The sampling frame of this study consisted of Malaysian SME exporters in the manufacturing industries. The firms included in this study were those with between 20 and 250 employees. This selection criterion is set to avoid firms with no strategic commitment to cross-border operations (Marino et al. 2008, Lumpkin and Dess 1996, Kuivalainen et al. 2007) because their number of employees is extremely small. The number of employees was limited to 250 in accordance with numerous studies that precisely defined SMEs as firms with a maximum of 250 employees (e.g. Crick 2007, Majocchi et al. 2005).

A combination of methods was applied to collect data. Drop-off and mail survey methods were employed for firms close at hand, or in very distant locations, respectively. The services of a local research company were likewise utilized. These various data collection methods (i.e., via personal delivery, mail, and research agency) were compared but no significant difference was found. A total of 851 firms met the research criteria, but 68 firms refused to participate. A total

of 228 firms participated in the survey, which is equivalent to a 28.38 percent (228/783) response rate. More than half of the participating firms were owned by Malays (57.55%), followed by Chinese (30.63%), and others (11.71%). Among the respondents, 54.19 percent and 45.81 percent were small-sized and medium-sized businesses, respectively.

Measures

The developed constructs were operationalized using existing scales identified in the literature. The selected scales are well-established because they have been tested in different contexts by a number of studies. The reliability and validity of the scales are supported and can be used to measure the constructs in this study. For pre-testing, in-depth interviews with 7 SMEs and 3 academics were conducted to determine face validity. The corresponding items were refined, particularly in terms of their language for readability, to ensure that the scales covered the concept they purported to measure.

The scales for commitment and trust consisted of 7 items. These scales were revised and adopted from the original version developed by Leonidou and colleagues (2002). Seven-point Likert-type scales were used, which ranged from 1 ("strongly disagree") to 7 ("strongly agree").

The scale for competitive advantage developed by Kaleka (2002) and Chryssochoidis and Theoharakis (2004) consisted of items that were grouped into 3 dimensions, namely: Cost, product, and service advantages. This scale was revised and adopted by the current study. The 3 dimensions of competitive advantage were measured by 5 items. Seven-point Likert-type scales were used, which ranged from 1 ("much worse") to 7 ("much better").

This study used subjective measures to capture export performance. Five items were revised and adapted from Katsikeas et al. (2000) and Shoham (1998). Seven-point Likert-type scales were used, which ranged from 1 ("strongly dissatisfied") to 7 ("strongly satisfied").

Validity and Reliability

Confirmatory factor analysis was performed to assess the construct's validity. All the measures of theoretically related constructs were grouped. The standardized factor loadings were above the minimum level of 0.50 convergence validity. The fit indices met the requirements of an acceptable fit, thereby confirming the existence of the convergence validity (see Table 1).

Average Variance Extracted (AVE) was used to test the discriminant validity (Fornell and Larcker 1981). An AVE score higher than the correlation between 2 constructs suggests the existence of discriminant validity (see Table 2). Confirmatory factor analyses were conducted to test whether a two-factor model of the measures would match a one-factor model; this approach was based on the suggestion of Bagozzi et al. (1991). A chi square (x^2) difference larger than 3.84 ($p < 0.05$) indicates that the two constructs are dissimilar. Table 3 shows that the chi-square for the constrained model was significantly larger than that for the unconstrained model in all cases. The results provided further proof of the discriminant validity.

Internal consistency was calculated to prove the reliability of the scale (Fornell and Larcker 1981). The coefficients of the constructs (Table 2) ranged from 0.81 to 0.98, which were above the acceptable standard (Nunnally 1978, Fornell and Larcker 1981).

The statistical check for variance inflation factors indicated that all the scores were below 2.5 (scores for tolerance were above 4.0) These results imply the absence of multicollinearity in the present study (Hair et al. 2006). Non-independence of error was not a problem in the present study because the Dubin–Watson values were within the acceptable range (i.e., between 1.768 and 2.07).

Table 1. **Results of Confirmatory Factor Analysis for the Fit of the Measurement Model**

Model	χ^2	df	RMSEA	GFI	AGFI	CFI
Commitment	7.3	4	0.06	0.98	0.95	0.99
Trust	11.181	8	0.04	0.98	0.96	0.99
Competitive Advantage	152.95	62	0.08	0,91	0.86	0.96
Export Performance	2.470	2	0.03	0.99	0.97	1.00

Notes: RMSEA means Root Mean Square Error of Approximation; GFI means Goodness of Fit Index; AGFI means Adjusted Goodness of Fit Index; CFI means Comparative Fit Index

Table 2. **Average Variance Extracted (AVE) and Correlations of Constructs**

Construct	1	2	3	4
1. Trust	***0.64***			
2. Commitment	0.70***	***0.75***		
3. Competitive Advantage	0.47***	0.33***	***0.82***	
4. Export Performance	0.36***	0.32***	0.37***	***0.90***
Internal Consistency	0.81	0.80	0.86	0.98
Mean	5.23	5.49	5.12	4.73
Standard Deviation	0.80	0.83	0.95	1.30
Skewness	−0.27	−0.84	−0.14	−0.69
Kurtosis	0.22	−0.34	−0.45	−0.10

***Correlation is significant at the 0.001 level (1-tailed); ** Correlation is significant at the 0.01 level (1-tailed); *Correlation is significant at the 0.05 level (1-tailed).

Notes: AVE value is shown diagonally.

Table 3. **Test of Chi-square Difference for Covariance Parameters with Constrained and Unconstrained Chi-square**

Covariance	Parameter	Unconstrained		Constrained		Chi-square Difference
		CMIN	df	CMIN	df	
Trust – Commitment	1	140.98	51	195.26	52	54.28***
Trust – Competitive Advantage	1	20.03	4	73.34	5	53.31***
Trust – Export Performance	1	0.86	2	33.31	3	32.45***
Commitment – Comp. Advantage	1	40.91	19	85.88	20	44.97***
Commitment – Exp. Performance	1	7.53	13	40.12	14	32.59***
Comp. Advantage – Exp. Performance	1	6.49	5	20.05	6	13.56***

***significant at $p < 0.001$; **significant at $p < 0.01$; *significant at $p < 0.05$

Results

This study uses a structural equation-modeling technique to estimate the model. The results of data analysis using AMOS16 indicate an acceptable model fit (fit indices: $x^2 = 90.24$; df = 48; x^2/df = 1.88; RMSEA = 0.06; TLI = 0.97; NFI = 0.95; CFI = 0.98). Figure 1 shows that trust explains 55 percent of the variance in relationship commitment. The data likewise imply that trust and commitment explain 38 percent of the variance in competitive advantage. Finally, the explained variance in export performance is 30 percent. Skewness and Kurtosis (Table 2) indicate that the data in this study are normally distributed.

Direct Effect

Figure 1 shows that trust is positively related to commitment ($\beta = 0.81$; t-value = 8.53; $p < 0.001$), thereby supporting H_1. However, the positive relationship between trust and competitive advantage is not significant; hence, H_2 is not supported. Trust is positively related to export performance ($\beta = 0.45$; t-value = 2.13; $p < 0.05$), thereby supporting H_3.

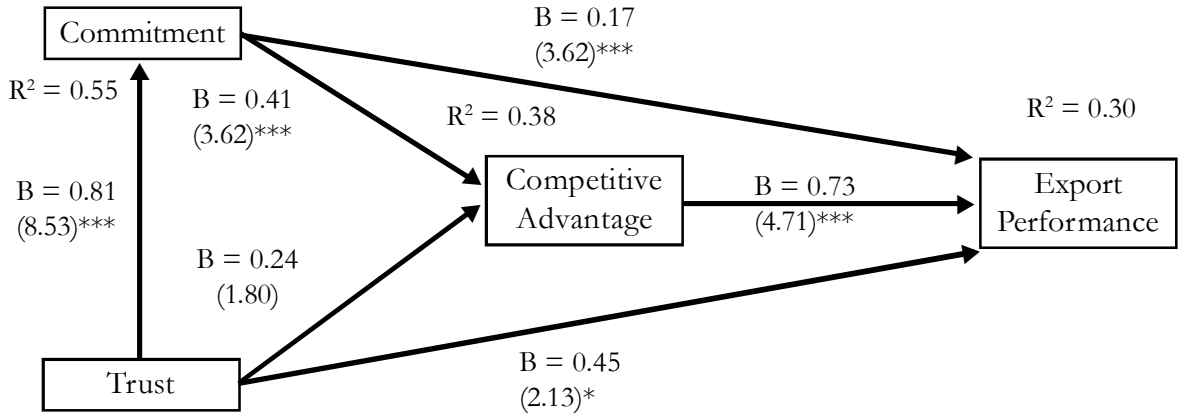
The results provide strong evidence that commitment is positively related to competitive advantage ($\beta = 0.73$; t-value = 4.71; $p < 0.001$), thereby supporting H_4. Similarly, the posited relationship between commitment and export performance is also positive and significant ($\beta = 0.17$; t-value = 3.62; $p < 0.001$); thus, *H5* is supported.

In terms of its direct effect, competitive advantage significantly affects export performance ($\beta = 0.0.73$; t-value=4.71; $p < 0.001$), thereby supporting H6.

Indirect Effect (mediation)

Sobel's test of mediation is employed to examine the mediating function of competitive advantage. Firstly, the mediation function of competitive advantage on the relationship between trust and export performance is tested. The results indicate that the mediation effect is not significant (t-value = 1.68; $p < 0.001$); hence, H7 is not supported. Secondly, the mediation effect of competitive advantage on the relationship between commitment and export performance is evaluated. The results suggest the significant mediating effect of competitive advantage (t-value = 2.87; $p < 0.01$), thereby

Figure 1. **Conceptual Framework**



supporting *H8*. This finding also suggests full mediation. Although not hypothesized, the mediation effect of commitment on the relationship between trust and competitive advantage is significant ($\beta = 0.73$; t-value = 4.71; $p < 0.001$). Hence, the effect of trust on competitive advantage is significant through the relationship commitment only.

Discussion

The study of Morgan and Hunt (1994) into trust and commitment has received considerable attention from the research community. Two perspectives emerge in the literature. The first and more traditional view conceptualizes trust and commitment as mediating variables in the research into the determinants of performance (Morgan and Hunt 1994, Friman et al. 2002, Styles, Patterson, and Ahmed 2008). The other perspective is new, and postulates trust and commitment as functions (independent variables) of performance outcomes (Bloemer et al. 2013). The current study follows the latter view and investigates the effect of trust and commitment on the competitive advantage and performance in export markets. This view is adopted because of the relative importance of inter-organizational relationships to the export success of small businesses.

Despite the promising future reflected by this growing research trend, our understanding of inter-organizational relationship based on trust remains limited (Bachmann and Inkpen 2011), particularly in the context of international business (MacDuffie 2011) and emerging markets. Researchers demonstrate growing interest in trust–commitment theories within the realm of international business (Abosag and Lee 2013, Bloemer et al. 2013, Friman et al. 2002). However, studies on this subject remain too limited to warrant conclusive results. The present study continues the growing momentum and embarks on the investigation of the role of trust and commitment on relationships' outcomes.

This phenomenon shows a significant gap in the extant literature and warrants special attention from scholars. This development requires an investigation of trust and commitment by examining their effects on exports' competitiveness and performance. Given this research gap, this study does not only contribute to the existing literature, but also provide guidelines for policy makers and practitioners.

The findings indicate that SMEs in emerging markets place considerable value on the importance of relationship commitment and trust in their international business operations; this finding is consistent with the views advanced by the literature (Kelly and Scott 2012). Trust is the main dimension of effective cooperation because of its significant influence on the SMEs' performance in the export market. The insignificant relationship between trust and competitive advantage is surprising. Conceptual evidence demonstrates a strong connection between trust and competitive advantage (e.g. Morgan and Hunt 1994); however, the findings of the present study prove otherwise. Nevertheless, this result is consistent with the empirical findings of Chryssochoidis and Theoharakis (2004). The present study shows the probable indirect effect of trust on the competitive advantage of exports; this finding indicates that SMEs' believe that such an effect is mediated by commitment (t-value = 4.71; $p < 0.001$). This result can be explained by the classical theory of internationalization of the Uppsala model. According to Johanson and Vahlne (1977), the Uppsala model advocates that the international expansion of firms in an incremental fashion is a result of the interaction between knowledge and commitment.

According to the Uppsala model, uncertainties in foreign markets decreases as the market knowledge of a firm expands, which ultimately increases the commitment to the market. Johanson and Vahlne (2009) conceptualize the relationship between interaction with commitment to highlight the importance of commitment in international businesses' expansion. Given the emphasis on commitment in international business literature, resource expenditure on maintaining relationships to meet partners' needs will increase customer value and competitive advantage. Unlike the effect of trust, the effect of commitment on export performance is indirect and is only achieved through the mediating function of competitive advantage.

Conclusion and Implication

This study investigates the effect of cross-border interfirm relationships on competitive advantage and performance among SMEs in the export market. This study considered the merits of trust (Fuglsang and Jagd 2015) and commitment (Saleh et al. 2014) in the development and intensity of an inter-organizational relationship. A model was developed that depicts the hypothesized relationships among the variables. This study postulates that trust and commitment are the antecedents of competitive advantage and export performance. This study proposes that competitive advantage mediates the effect of trust and commitment on export performance. The hypotheses are tested on a sample of 228 small-sized and medium-sized businesses in Malaysia. The findings support six of the hypotheses.

The results show that the effects of trust, commitment, and competitive advantage on export performance are direct and positively significant. Among the three factors, competitive advantage demonstrates the strongest effect on export performance. The relationship between trust and competitive advantage is mediated by commitment. In terms of its mediating function, competitive advantage significantly mediates the effect of commitment on export performance but not the effect of trust on export performance.

The findings of this study imply that building a trusting relationship and commitment to such a relationship are two important postures for a competitive advantage and

the successful international ventures of SMEs. These findings also empirically confirm the need to develop prowess in cross-border relationships among SMEs in small emerging economies. This study confirms that the intensity of network relationships serves as a conduit for the flow of information. Given this finding, SMEs in emerging markets should prioritize these aspects to ensure the success of their export ventures. Resource-constrained SMEs must focus on productive investments that can maximize their customer value propositions. This study confirms that building and maintaining cross-border relationships are a crucial strategic investment. The results provide important guidelines for policy makers on the development of multinational corporations. The policy formulations in building internationally competitive and successful SMEs in emerging markets should also converge on a micro-level perspective and develop idiosyncratic relationship resources based on trust and commitment.

Limitation and Future Study

Readers should cautiously interpret the findings given the several limitations of this study. *First*, the concept of an inter-organizational relationship is assumed within the perspective of exporters. Thus, the responses are exporter-biased. The method used in this study is consistent with other studies in the export domain, but inter-organizational relationships pertain to the interactions and exchanges between two firms. Responses from both sides of the relationship provide a holistic view of the relationship, which presents a direction for future studies.

Second, this study employs a single respondent for data collection, which is susceptible to common method variance. To add rigor to the study, future research should consider employing multiple respondents from one company.

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