The study of export intermediary performance determinants

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Abstract
Purpose – This paper aims to study the direct and indirect influence of three important intangible resources: export knowledge, negotiation skills and specialisation and trustworthiness on export intermediary performance via the competence to reduce clients’ transaction costs.

Design/methodology/approach – The study has been provided with the official database of export intermediary firms by the Department of Export Promotion, Ministry of Commerce, Thailand. The samples of 400 export intermediary firms were identified from the 1,486 population firms. The postal questionnaires were sent to sample firms. Ordinary least square regression analysis has been adopted to test the hypotheses of the study.

Findings – The results indicate that valuable resources of export knowledge, negotiation skills and specialisation and trustworthiness significantly and positively affect both export intermediary performance and the competence to reduce clients’ transaction costs. The competence to reduce clients’ transaction costs partially mediates the relationship between resources and export intermediary performance.

Research limitations/implications – A “cost-based” perspective needs to be supplemented in future research with a more behavioural approach.

Practical implications – Export intermediaries must be able to deliver “true added value” to remain a viable organisational form, hence, the intermediaries need ceaselessly to acquire, utilise and develop resources and capabilities in reducing clients’ export-related transaction costs.

Social implications – From a public policy perspective, gaining more knowledge about the role of export intermediaries can greatly facilitate the export promotion efforts in which most nations’ governments are involved.

Originality/value – This study is a first attempt to study the mediating effect of the competence to reduce transaction costs, which mediates the relationship between resources and performance of export intermediary.

Keywords Transaction cost, Export performance, Export agent, Export intermediary company, Export management company, Resource-based theory

Paper type Research paper

Introduction
An export intermediary company is defined as a “specialist firm that functions as export departments of several manufacturers in non-competitive lines” (Root, 1994, p. 102). A large number of researchers (Root, 1994; Peng and York, 2001; Julien and Ramangalahy, 2003; Ellis, 2003; Sharma, 2005; Sharma et al., 2006; Kumar and Bergstrom, 2007; Shahrul, 2011; Balabanis, 2000, 2001, 2005, 2015) argue that these companies play an important role in enabling exporters to enter wider overseas markets. By mediating
between individuals and organisations which would not otherwise have come into contact, they provide a valuable service. Smaller firms may be alarmed by problems they anticipate if they move into exporting. Larger firms, in spite of their more extensive resources, may be reluctant to make the effort to enter new markets when they are performing satisfactorily in their existing markets. Both may see export agencies as a kind of new distribution channel linking them with foreign customers. The service provided by these intermediary firms in the exporting country range from freight forwarding and customs broking to trading, whereas in the importing country, they can act as manufacturers’ representatives and distributors.

Although research increasingly supports the view that intermediary companies can benefit exporters by facilitating their entry to a greater number of foreign markets (Ilinitch et al., 1994; Peng and York, 2001), to date, the literature has largely concentrated on firms that export their own products (Vogel, 2009); on export intermediary firms from developed countries (Balabanis, 2000); or on major emerging market economies such as China (Feenstra and Hanson, 2004). “A more rigorous understanding of the determinants of export intermediary performance could therefore provide one of the critical missing links in existing research” (Peng and Ilinitch, 1996, p. 609 cited in Peng and York, 2001, p. 328). Hence, this study attempts to propose a research framework that concentrates on the justification to use the export intermediary firms as facilitators in reducing transaction costs by the exporters. The paper is structured as follows: first, the conceptual background and hypothesis development are discussed. Then, the research methodology is presented, followed by the findings and discussion and theoretical and managerial contribution of the study. The final section mentions the limitations of the study and future research agenda.

**Conceptual background and hypothesis development**

According to Peng and York (2001), transaction cost, agency and resource-based theory indicates that export-related costs can be broken down into three main constituent parts:

1. search costs;
2. negotiation costs; and
3. monitoring and enforcement costs.

The resources commonly possessed by export intermediary firms are likely to enable exporters to reduce these costs. Peng and York (2001) derive a model by focusing on the effect of ability to lower transaction costs on export intermediary performance. They point out that:

[…] we derive a research model, which posits that as long as the export intermediary possesses resources that will help exporters lower export-related costs along these three dimensions, its services will be sought, its survival viable, and its success likely (Peng and York, 2001, p. 332).

Also, in their research model, Peng and York (2001) define ability to lower transaction costs in terms of resources that intermediaries possess. According to Barney (1991), however, resources can be seen in a number of forms both intangible and tangible. Resources may have relationships among themselves and affect export intermediaries’ performance. A different approach has been applied in this study by re-defining the variables. This study operationalises resources, separately from competence to reduce transaction costs, to study the effect of resources on the competence to reduce
transaction costs and the impact of competence to reduce transaction costs on an intermediary firm’s performance. In addition, the mediating role of the competence to reduce transaction costs that mediates the relationship between resources and intermediaries’ performance has also been identified for testing in the study.

Given that the competitive advantage of export intermediary firms grows out of their intangible resources, the strategic management literature on the resource-based view of the firm (Barney, 1991; Barney and Clark, 2007), the transaction cost paradigm (Williamson, 1975, 1985) and the agent theory (Jensen and Meckling, 1976) enable the researcher to generate the research model in Figure 1 and to develop a set of hypotheses.

**Minimising search cost**

Search costs typically include the upfront costs of market research and planning. Without extraneous help, this can be expensive and time-consuming (Eriksson et al., 1997). Peng and York (2001) and Julien and Ramangalahy (2003) argue that these costs deter many manufacturers from expanding into international markets, and if the attempt is made to cut corners, inadequate prior information increases the likelihood that their venture into exporting may be unsuccessful. Export intermediaries are able to provide crucial knowledge about foreign markets and are likely to be familiar with export procedures and international marketing strategies. They can also leverage this knowledge across a plurality of client firms and products, achieving economies of scale in overseas distribution which are beyond the reach of individual exporters. For leading export intermediary firms, their knowledge and competence to leverage can be seen in terms of resource-based theory as a unique, intangible resource. The study of Peng and York (2001) finds strong evidence in support of the influence of knowledge on performance of export intermediary firms.

**Minimising negotiation cost**

Negotiation costs include not only direct costs such as travel, communication and staff but also the costs of potential risk when dealing with unfamiliar foreign customers.

![Figure 1. The proposed model](image-url)
Minimising monitoring and enforcement cost

Once contracts have been signed, there is a need for ongoing monitoring and enforcement of contractual obligations (Peng and York, 2001). Non-observance of the terms may result from foreign buyers’ misunderstanding as a result of cultural differences or from deliberate opportunistic behaviour (Williamson, 1985). Exporters (principal) must be constantly on the look out for such hazards and will often resort to the services of export intermediaries to reduce these costs.

Peng and Ilinitch (1998) argue that export intermediary firms normally specialise either by product or by foreign market or both. Because of their specialisation operated by skilled staff, they know their products and markets they serve very well and usually have well-established networks of foreign distribution already in place. Hence, specialisation could be regarded as one of the valuable resources of intermediaries that cannot easily be transferred or imitated by others, and this could lead to the enhancement of the competence to reduce transaction costs for their clients, and positively impact on their performance.

According to Sabel (1993) and Barney and Hansen (1994), trust is mutual confidence that no party to an exchange will exploit another’s vulnerabilities. The parties can be vulnerable in several ways. When they find it costly to evaluate accurately the quality of the resources or assets others claim they will bring to an exchange, they are subject to adverse selection vulnerabilities (Akerlof, 1970) and they find it costly to evaluate accurately the resources or assets others are offering in exchange; these economic actors are subject to moral hazard vulnerabilities (Holmstrom, 1979). When parties make a large, asymmetric transaction-specific investment in an exchange, they are subject to hold-up vulnerabilities (Klien et al., 1978). Sabel (1993) argues that when the parties trust each other, they share a mutual confidence that others will not exploit any adverse selection, moral hazard, hold-up or other vulnerability that might exist. Sabel (1993) points out that a definition of trustworthiness follows from Sable’s definition of trust. As the word implies, an exchange partner is trustworthy when worthy of the trust of others. Barney and Hansen (1994) point out that although trust is an attribute of a relationship between partners (companies), trustworthiness is an attribute of an individual exchange partner (or company), and they conclude from their study that trustworthiness can be a (valuable resource) and a source of competitive advantage for each firm.

Bergen et al. (1992) and Peng and Ilinitch (1998) argue, furthermore, that the use of intermediaries introduces potential agency costs into the manufacturer–intermediary (intermediary and its clients) relationship. As agents, intermediaries may behave in a way that is not always in the best interests of their principals. If agency costs in this relationship are deemed to be too high, the manufacturer (principal) may:
• opt to integrate the intermediary function, that is, “direct export”;
• elect to use an overseas-based “import intermediary”; and/or
• quit exporting at all.

Each of these options depresses the demand for export intermediary services. Thus, export intermediaries’ chances of being selected and retained by exporters also depend on whether they can assure their clients that the potential agency costs will be less than monitoring/enforcement costs manufacturers would incur when engaging in direct export (Peng and Ilinitch, 1998). Therefore, apart from export knowledge and negotiation skills in exporting, trustworthiness of the intermediary firm can be regarded as an important resource in reassuring clients and enhancing the competence to reduce the monitoring and enforcement costs for the firm’s clients. This leads to a better chance of intermediaries being selected by their clients and, eventually, to better performance by the intermediary firm being achieved (Cosimano, 1996; Peng and Ilinitch, 1998; Peng and York, 2001; Shahrul, 2011).

Based on the literature above, it is hypothesized that valuable and intangible resources possessed by export intermediary firms are likely to enable exporters to reduce costs:

\[ H1 \]. The greater the export intermediary firm’s resources (export knowledge, negotiation skills and specialisation and trustworthiness), the higher the competence to reduce clients’ transaction costs (search costs, negotiation costs and monitoring and enforcement costs).

Hunt and Morgan (1995) and Peng and Ilinitch (1998) argue that the marketing and strategic management literature generally concentrate on the determinants of firm performance as the main research question. Particularly, “research should focus on what determines export intermediary performance, a question that has consistently puzzled scholars, practitioners, and policymakers worldwide” (Peng, 1998 cited in Peng and Ilinitch, 1998, p. 615). The competitive advantage of export intermediary firms focusing on their intangible resources has been indicated in the literature particularly in the form of export knowledge, negotiation skills, specialisation and trustworthiness; these intangible resources could help to reduce the transaction costs of the intermediaries’ clients or exporters. This then leads to a better chance of intermediaries being selected by their clients and, eventually, achieving better performance (Cosimano, 1996; Peng and Ilinitch, 1998; Peng and York, 2001; Shahrul, 2011). This leads to the following hypotheses:

\[ H2 \]. The greater the competence to reduce clients’ transaction costs (search costs, negotiation costs and monitoring and enforcement costs), the stronger the performance of Thai export intermediary firms.

\[ H3 \]. The greater the export intermediary firm’s resources (export knowledge, negotiation skills and specialisation and trustworthiness), the stronger the performance of Thai export intermediary firms.

The mediating role of the competence to reduce transaction costs
Following the review of prior literature, it can be hypothesised that there is an impact of resources on the competence to reduce transaction costs and an influence of competence
to reduce transaction costs on an intermediary firm’s performance. In addition, it is hypothesised that there is an effect of resources on the intermediary’s performance. Thus, in this study’s model, the competence to reduce transaction costs could be the mediator that mediates the relationship between resources and intermediaries’ performance. It is, therefore, hypothesised that:

$H4$. The relationship between resources and performance of Thai export intermediary firms is mediated by the competence to reduce transaction costs (search costs, negotiation costs and monitoring and enforcement costs).

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**Research methodology**

**Sample and data collection**

Compiling a database from the financial and business press is problematic. Glaister and Buckley (1994) and Hergert and Morris (1988) point out that it is likely that only large and well-known firms will be reported in the press, with perhaps many small ventures going unreported. Accordingly, this study follows their approach and has used an official database of export intermediary firms provided by the Department of Export Promotion, Ministry of Commerce, Thailand. There were 1,486 firms. An adequate sampling was determined by using the sample size table of Kreicie and Morgan (1970). A simple random sample of 400 export intermediary firms was identified from the population firms. The postal questionnaires in Thai and English were sent to the sample companies, addressed to the target respondents of this study in July 2010, the chief executive officer or managing director of the export intermediary firm. The response rate was 25.50 per cent. To test non-response bias, a comparison was made between early and later respondents, as suggested by Armstrong and Overton (1977). The results showed no significant differences between early and late responses.

**Measurement**

**Dependent variable**

The dependent variable in this research is export intermediary performance. It was measured by six items dealing with performance of an export intermediary firm. These include the acquisition of new clients, the retention of existing clients, goal achievement, market share, income and export growth, which were developed from the study of Shoham (1998), Aaby and Slater (1989) and Zou et al. (1998).

**Independent variable**

The constructs of independent variables in this research consist of exporting knowledge, negotiation skills and specialisation, as well as trustworthiness. These are resources of firms defined and developed from the literature presented above. Export knowledge is measured by five items, knowledge about export operation, development of knowledge of the staff, knowledge of the overseas connection, knowledge of the overseas environment and knowledge of the customer’s needs. Negotiation skills are measured by five components, negotiation skills, successful negotiation, negotiation strategy, compromise skills and the exchange of negotiation techniques and strategy. Specialisation and trustworthiness of the export intermediary firm are measured in terms of reputation and image, honesty and trustworthiness, expertise, specialisation transformation and mindfulness of the interests of clients. Most of these measures were used by Bikey (1982), Cavusgil and Zou (1994) and Eriksson et al., (1997).
Mediator variable
The mediator variable in this study is the competence to reduce clients’ transaction costs. Competence to reduce clients’ search costs is measured by the ability to lower the following four kinds of transaction costs:

1. search costs of information about legal procedures and environment of overseas countries;
2. search costs of information of the characteristics and needs of foreign customers;
3. search costs of information about exporting procedure; and
4. search costs of information about multiple parties in exporting.

Competence to reduce clients’ negotiation costs is measured by four items which focus on the ability of export intermediaries in reducing the following costs for their clients:

1. negotiation direct costs;
2. negotiation indirect costs;
3. communication difficulties; and
4. losses incurred through negotiation.

Competence to reduce monitoring/enforcement costs comprises three items that emphasise on the following competences:

1. competence to lower monitoring and enforcement costs of the client’s overseas partners to comply with contractual obligations;
2. ability to monitor and protect the interests of clients; and
3. ability to coordinate, facilitate and help clients’ overseas partners to understand the contracts and agreements correctly.

All of the constructs of these mediator variables have been developed from the studies of Peng (1998), Peng and Ilinitch (1998) and Peng and York (2001).

Control variable
Firm size and firm operational capital are the control variables of the study. Firm size was measured by the number of employees, whereas firm operational capital was established from the value of operational capital. According to the literature (Husted and Allen, 2007; Ciliberti et al., 2008), larger firms tend to have more resources and to be more active than smaller firms in strategic planning, as well as better utilising resources to accomplish the firm’s goals. Hence, the dummy variables distinguish firms’ size and firms’ operational capital.

Reliability and validity
Reliability of the measurements was computed by Cronbach alpha coefficients. In the scale of reliability, the coefficient values in this study are greater than 0.70; this can be interpreted as meaning that the scale of all measures is internally consistent (Nunnally and Bernstein, 1994). Factor analysis is used to test the validity of data in the questionnaire. According to the rule of thumb of Nunnally and Bernstein (1994), if all factor loadings are greater than 0.40 cut-offs and are statistically significant, the validity
of instruments is proved. All the results of this study comply with this rule, as can be seen in Table I.

Table II shows the correlation matrix of the variables. Possible problems relating to multi-collinearity occur when two or more independent variables are linearly related very closely. This problem was also monitored. Hair et al. (2006) argue that a correlation with a value above 0.80 should be considered a serious problem. After the simple correlations between independent variables and standard errors of the estimated coefficients had been examined, the data showed that there was no serious multi-collinearity which would distort the efficiency of the estimate. Also, the variance inflation factor (VIF) has been used to check the multi-collinearity problem between the independent variables. The VIF value of this study is below the cut-off value of 10; this indicates that the independent variables do not correlate to any great extent with each other (Neter et al., 1985).

**Statistical technique**

Ordinary least square (OLS) regression analysis is adopted to test the hypothesis relationships between the resources, the ability to reduce export-related costs and intermediaries’ performance. According to Aulakh et al. (2000), if all dependent, independent and control variables in the research are neither nominal data nor categories data, OLS is the appropriate method for examining the hypotheses’ relationships. In this study, the models of these relationships are as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Factor loadings</th>
<th>Reliability (alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting knowledge (EK)</td>
<td>0.591-0.869</td>
<td>0.722</td>
</tr>
<tr>
<td>Negotiation skills (NS)</td>
<td>0.648-0.811</td>
<td>0.723</td>
</tr>
<tr>
<td>Specialisation and trustworthiness (ST)</td>
<td>0.591-0.862</td>
<td>0.749</td>
</tr>
<tr>
<td>Competence to lower clients’ search costs (ALCSC)</td>
<td>0.815-0.929</td>
<td>0.911</td>
</tr>
<tr>
<td>Competence to lower clients’ negotiation costs (ALCNC)</td>
<td>0.812-0.923</td>
<td>0.909</td>
</tr>
<tr>
<td>Competence to lower clients’ monitoring/enforcement costs (ALCME)</td>
<td>0.866-0.913</td>
<td>0.877</td>
</tr>
<tr>
<td>Performance (EP)</td>
<td>0.556-0.935</td>
<td>0.901</td>
</tr>
</tbody>
</table>

**Table I. Result of measure validation**

<table>
<thead>
<tr>
<th>Variable</th>
<th>EK</th>
<th>NS</th>
<th>ST</th>
<th>ALCSC</th>
<th>ALCNC</th>
<th>ALCME</th>
<th>EP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export knowledge (EK)</td>
<td>1</td>
<td></td>
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<tr>
<td>Negotiation skill (NS)</td>
<td>0.676**</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Specialisation and trustworthiness (ST)</td>
<td>0.625**</td>
<td>0.629**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence to reduce clients’ search costs (ALCSC)</td>
<td>0.325**</td>
<td>0.324**</td>
<td>0.328**</td>
<td>1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Competence to reduce clients’ negotiation costs (ALCNC)</td>
<td>0.371**</td>
<td>0.429**</td>
<td>0.298**</td>
<td>0.660**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence to reduce clients’ monitoring/enforcement costs (ALCME)</td>
<td>0.362**</td>
<td>0.472**</td>
<td>0.274**</td>
<td>0.649**</td>
<td>0.659**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Export intermediary performance (EP)</td>
<td>0.578**</td>
<td>0.639**</td>
<td>0.385**</td>
<td>0.276**</td>
<td>0.410**</td>
<td>0.353**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Note:** **p < 0.01**
Findings and discussion

The influence of export intermediary firms’ resources on the competence to reduce clients’ transaction costs

Table III (Models 1, 2 and 3) shows the results of the relationships among the intangible resources of the export intermediary firm and the competence to reduce transaction costs for its clients. The results indicate that all intangible resources, export knowledge, negotiation skills and specialisation and trustfulness, have significant positive effects on the competence to reduce the transaction costs of the intermediary’s clients ($\beta_{02} = 0.399, p < 0.01; \beta_{06} = 0.629, p < 0.001$; and $\beta_{10} = 0.388, p < 0.01$). Overall, the regression can explain ranging from 5 (0.053) to 75 per cent (0.751) of the variation of the dependent variable in each model, competence to reduce clients’ search cost (ALCSC) in Model 1, competence to reduce clients’ negotiation costs (ALCNC) in Model 2 and competence to reduce clients’ monitoring/enforcement costs (ALCME) in Model 3. The outcome of this study is consistent and complementary to those in previous studies. According to the transaction cost theory, Peng and Ilinitch (1998) argue that in terms of search cost minimising, export intermediaries with extensive knowledge about foreign markets and the export process could help to reduce clients’ search cost, as these firms already know the markets and products in which they specialise, and they also have a ready list of customers and longstanding connections and networks within those markets. According to the resource-based theory, this knowledge could be regarded as an intangible resource, which cannot be easily imitated (Barney, 1991). Also, regarding the competence to reduce clients’ negotiation costs, Peng and York (2001) point out that the intermediary firm could save the cost of negotiation for its clients; export-related negotiation costs may be substantial, because they include not only the logistical costs of conducting international negotiations but also the cost of potential hazard when dealing with an unfamiliar foreign negotiator. For inexperienced exporters, lack of knowledge and experience in export markets is often synchronised with lack of

$$
\begin{align*}
ALCSC &= \beta_{01} + \beta_{02}EK + \beta_{03}FA + \beta_{04}FC + \epsilon \\
ALCNC &= \beta_{05} + \beta_{06}NS + \beta_{07}FA + \beta_{08}FC + \epsilon \\
ALCME &= \beta_{09} + \beta_{10}ST + \beta_{11}FA + \beta_{12}FC + \epsilon \\
EP &= \beta_{13} + \beta_{14}ALCSC + \beta_{15}FA + \beta_{16}FC + \epsilon \\
EP &= \beta_{17} + \beta_{18}ALCNC + \beta_{19}FA + \beta_{20}FC + \epsilon \\
EP &= \beta_{21} + \beta_{22}ALCME + \beta_{23}FA + \beta_{24}FC + \epsilon \\
EP &= \beta_{25} + \beta_{26}EK + \beta_{27}FA + \beta_{28}FC + \epsilon \\
EP &= \beta_{29} + \beta_{30}NS + \beta_{31}FA + \beta_{32}FC + \epsilon \\
EP &= \beta_{33} + \beta_{34}ST + \beta_{35}FA + \beta_{36}FC + \epsilon \\
EP &= \beta_{37} + \beta_{38}EK + \beta_{39}ALCSC + \beta_{40}FA + \beta_{41}FC + \epsilon \\
EP &= \beta_{42} + \beta_{43}NS + \beta_{44}ALCNC + \beta_{45}FA + \beta_{46}FC + \epsilon \\
EP &= \beta_{47} + \beta_{48}ST + \beta_{49}ALCME + \beta_{50}FA + \beta_{51}FC + \epsilon
\end{align*}
$$
Table III.

Result of the regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Independent variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
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<tbody>
<tr>
<td>Exporting knowledge (EK)</td>
<td>0.399** (0.130)</td>
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<tr>
<td>Negotiation skills (NS)</td>
<td>0.629*** (0.136)</td>
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<td></td>
</tr>
<tr>
<td>Specialisation and trustworthiness (ST)</td>
<td></td>
<td>0.388** (0.145)</td>
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<tr>
<td>Competence to reduce clients' search costs (ALCSC)</td>
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<td></td>
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<tr>
<td>Competence to reduce clients' negotiation costs (ALCNC)</td>
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</tr>
<tr>
<td>Competence to reduce clients' monitoring/enforcement costs (ALCME)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.250* (0.106)</td>
<td></td>
</tr>
<tr>
<td>Firm size: DFS1</td>
<td>-0.325 (0.298)</td>
<td>-0.262 (0.404)</td>
<td>-0.464 (0.407)</td>
<td>-0.782 (0.402)</td>
<td>-0.691 (0.374)</td>
<td>-0.666 (0.386)</td>
<td></td>
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<tr>
<td>Firm size: DFS2</td>
<td>-0.080 (0.389)</td>
<td>-0.201 (0.394)</td>
<td>-0.243 (0.398)</td>
<td>-0.624 (0.393)</td>
<td>-0.535 (0.367)</td>
<td>-0.536 (0.376)</td>
<td></td>
</tr>
<tr>
<td>Firm size: DFS3</td>
<td>-0.224 (0.414)</td>
<td>-0.175 (0.421)</td>
<td>-0.427 (0.424)</td>
<td>-0.967* (0.419)</td>
<td>-0.904* (0.391)</td>
<td>-0.847* (0.403)</td>
<td></td>
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<tr>
<td>Firm capital: DFC1</td>
<td>0.203 (0.284)</td>
<td>0.121 (0.293)</td>
<td>0.042 (0.296)</td>
<td>0.157 (0.290)</td>
<td>0.085 (0.271)</td>
<td>0.154 (0.277)</td>
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<td>Firm capital: DFC2</td>
<td>0.246 (0.261)</td>
<td>0.443 (0.265)</td>
<td>0.164 (0.267)</td>
<td>-0.002 (0.266)</td>
<td>-0.138 (0.251)</td>
<td>-0.028 (0.254)</td>
<td></td>
</tr>
<tr>
<td>Firm capital: DFC3</td>
<td>0.300 (0.272)</td>
<td>0.541 (0.278)</td>
<td>0.223 (0.279)</td>
<td>0.354 (0.278)</td>
<td>0.176 (0.264)</td>
<td>0.337 (0.265)</td>
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<tr>
<td>Adjusted R²</td>
<td>0.751</td>
<td>0.202</td>
<td>0.053</td>
<td>0.086</td>
<td>0.207</td>
<td>0.166</td>
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<tbody>
<tr>
<td></td>
<td>Exporting knowledge (EK)</td>
<td>0.696*** (0.115)</td>
<td>0.661*** (0.121)</td>
<td></td>
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<tr>
<td></td>
<td>Negotiation skills (NS)</td>
<td>0.848*** (0.109)</td>
<td>0.742*** (0.119)</td>
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<tr>
<td></td>
<td>Specialisation and trustworthiness (ST)</td>
<td>0.488** (0.141)</td>
<td></td>
<td></td>
<td></td>
<td>0.378** (0.139)</td>
<td></td>
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<tr>
<td></td>
<td>Competence to reduce clients' search cost (ALCSC)</td>
<td>0.095 (0.096)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Competence to reduce clients' negotiation costs (ALCNC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.174* (0.083)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competence to reduce clients' monitoring/enforcement cost (ALCME)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.308** (0.100)</td>
<td></td>
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<tr>
<td></td>
<td>Firm size: DFS1</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Firm size: DFS2</td>
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<tr>
<td></td>
<td>Firm size: DFS3</td>
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<tr>
<td></td>
<td>Firm capital: DFC1</td>
<td></td>
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<td></td>
<td>Firm capital: DFC2</td>
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<tr>
<td></td>
<td>Firm capital: DFC3</td>
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<tr>
<td></td>
<td>Adjusted $R^2$</td>
<td>0.317</td>
<td>0.429</td>
<td>0.146</td>
<td>0.316</td>
<td>0.450</td>
<td>0.224</td>
</tr>
</tbody>
</table>

**Notes:** Unstandardised coefficients with standard errors in parenthesis, where ***$p < 0.001$, **$p < 0.01$ and *$p < 0.05$
understanding of, and sensitivity to, the intricacies of international negotiation. Hence, export intermediaries could often reduce these costs as a result of their expertise and experience in foreign negotiations, their networks and contacts overseas and their competence to prevent and resolve misunderstandings caused by language and cultural gaps (Weiss, 1994, cited in Peng and Illich, 1998). In spite of conducting this research in a new context of the developing Association of Southeast Asian Nations (ASEAN) country of Thailand, the findings of this study fully correspond to the literature.

In addition to reducing search and negotiation costs, successful intermediaries could also provide services in ways that reduce the monitoring costs of their clients, not only the behaviour of overseas customers but also of the intermediaries themselves. A number of researchers (Bergen et al., 1992; Peng and Illich, 1998) rationalise the exporter–intermediary relationship via agency costs. According to the agency theory, as agents, intermediary firms may behave in a way that is not always in the best interests of the principals (clients or exporters), for example, withholding critical information about overseas markets, monopolising the communication between exporters and foreign buyers or simply failing to perform as promised (Sharma, 2005; Peng and Illich, 1998). If such agency costs in this relationship are deemed to be too high, the principals (exporters or clients) may choose to operate this function themselves instead, may use overseas-based “import intermediaries” (Peng and Illich, 1998, p. 611), or quit exporting. Thus, Peng and Illich (1998), Peng et al. (1998) and Peng and York (2001) assert that the export intermediary’s chance of being selected and retained by exporters depends on whether they can assure their clients that the potential agency costs will be less than the monitoring/enforcement costs exporters would have incurred when engaging in direct export. Therefore, the intermediary who is specialised, honest and trustworthy and has a good reputation and image is likely to be selected by exporters. This is because dealing with such a sincere intermediary firm would help exporters to reduce monitoring/enforcement costs (costs in detecting and monitoring the behaviour of overseas trade partners). Also, the agency cost of using services from the honest and trustworthy intermediary firm would be less than monitoring and enforcement costs that exporters would have expended via direct export. The result of this study in respect of this issue also does not diverge from those in the literature. To sum up, H1 is supported.

**Table III** (Models 4, 5 and 6) shows the findings of the impacts of the competence in reducing transaction costs for export intermediary firms’ clients on the performance of the intermediary firms, whereas Models 7, 8 and 9 indicate the effects of the intangible resources of export intermediary firms on their performance. The results indicate that the competence in reducing the transaction costs of the intermediary’s clients has positive impacts on the performance of the firms ($\beta_{14} = 0.250, p < 0.05$; $\beta_{18} = 0.398, p < 0.001$; and $\beta_{22} = 0.377, p < 0.001$), as shown in **Table III**. The regression can explain ranging from 8.6 (0.086) to 20.7 per cent (0.207) of the variation of the dependent variable, the performance of intermediary firms, in each model.
These findings can be interpreted as meaning that export intermediary firms with higher competence to reduce transaction costs, search cost, negotiation cost and monitoring and enforcement costs, could achieve better performance. This leads to acceptance of H2.

A number of international business researchers (Cosimano, 1996; Peng and Ilinitch, 1998; Peng and York, 2001) argue in this respect that export intermediary firms’ likelihood of being selected and retained by exporters depend on whether they can assure their exporters (clients) that the transaction cost of the exporting operation run by intermediary firms will be less than the costs clients would have incurred if this was done by the exporters themselves. In other words, intermediaries that can help reduce these transaction costs will be sought after by clients, as they can produce a better and tighter deal, which reduces the probability of export failure (Cosimano, 1996; Peng and Ilinitch, 1998). Consequently, the more the clients, the better the performance of intermediary firms. The findings in Table III (Models 7, 8 and 9) show that the intangible resources of export intermediaries, their export knowledge, negotiation skills and specialisation and trustworthiness, have positive effects on their performance (β26 = 0.696, p < 0.001; β30 = 0.848, p < 0.001; and β34 = 0.488, p < 0.01). This result indicates that export intermediary firms with greater intangible resources, in terms of export knowledge, negotiation skills and specialisation and trustworthiness, appear to have better performance. This outcome is fully consistent with the mainstream literature on export intermediaries, especially in respect to the determinants of the performance of intermediary firms. Export knowledge, negotiation skills and specialisation and trustworthiness are commonly regarded as the intangible resources that cannot be easily replicated (Barney, 1991); they could enhance the competitiveness of the firm and, accordingly, improve the firm’s performance (Peng and York, 2001). Hence, H3 is supported.

The mediating effect of the competence to reduce transaction cost
In this study, the approach of Baron and Kenny (1986) and Preacher and Hayes (2008) has been adopted to test the mediating role of the competence to reduce transaction cost (competence to reduce the client’s search cost, negotiation cost and monitoring and enforcement cost) on the relationship between resources (knowledge, negotiation skills and specialisation and trustworthiness) and export intermediary performance. First, in accordance with the approach of Baron and Kenny (1986), the impact of resources (export knowledge, negotiation skills and specialisation and trustworthiness) on export intermediary performance has been investigated, and the results of Models 7-9 in Table III indicate a significant effect (β26 = 0.696, p < 0.001; β30 = 0.848, p < 0.001; and β34 = 0.488, p < 0.01). Second, the effect of resources (export knowledge, negotiation skills and specialisation and trustworthiness) on the competence in reducing transaction cost (the competence to reduce the client’s search cost, negotiation cost and monitoring and enforcement cost) has been detected. This also shows the positive effect significantly (Models 1-3: β02 = 0.399, p < 0.01; β06 = 0.629, p < 0.001; and β10 = 0.388, p < 0.01).

Third, with the approach of Preacher and Hayes (2008), resources (export knowledge, negotiation skills and specialisation and trustworthiness) and three mediators, the competence to reduce client’s search cost, negotiation cost, and monitoring and enforcement cost, have been loaded as independent variables to test
their effects on performance; this can be seen from Models 10-12 in Table III. Model 10 reveals that export knowledge significantly affects export intermediary performance ($\beta_{38} = 0.661$, $p < 0.001$), whereas the competence to reduce client’s search cost has no effect on performance ($\beta_{39} = 0.095$, $p > 0.05$). The findings in Model 11 indicate that negotiation skills and the competence to reduce client’s negotiation cost impact export intermediary performance positively and significantly ($\beta_{43} = 0.742$, $p < 0.001$; and $\beta_{44} = 0.174$, $p < 0.05$). Model 12 shows that specialisation/trustworthiness and the competence to reduce clients’ monitoring and enforcement cost affect export intermediary performance significantly ($\beta_{48} = 0.378$, $p < 0.01$; and $\beta_{49} = 0.308$, $p < 0.01$).

Table IV summarises the mediating effect of the study. The results indicate that export knowledge has significant total effect (c or $\beta_{26} = 0.696$, $p < 0.001$) and direct effect ($c'$ or $\beta_{38} = 0.661$, $p < 0.001$) on export intermediary performance. However, the significant indirect effect of export knowledge on export intermediary performance via the competence to reduce clients’ search cost cannot be found ($0.399 \times 0.095 = 0.038$; a or $\beta_{02} = 0.399$, $p < 0.01$; and b or $\beta_{39} = 0.095$, $p > 0.05$). This also confirms with the Z-Test of Sobel approach (Sobel, 1982) that shows non-significant Z-scores ($Z = 0.942$, $p > 0.05$). In other words, the competence to reduce clients’ search cost is not a mediator in mediating the association between export knowledge and export intermediary performance.

In addition, the analysis reveals that negotiation skills has a significant total effect (c or $\beta_{30} = 0.848$, $p < 0.001$), direct effect ($c'$ or $\beta_{43} = 0.742$, $p < 0.001$) and indirect effect ($0.629 \times 0.174 = 0.109$; a or $\beta_{06} = 0.629$, $p < 0.001$; and b or $\beta_{44} = 0.174$, $p < 0.05$) on export intermediary performance with significant Z scores ($Z = 1.910$, $p < 0.05$). Hence, the competence to reduce clients’ negotiation cost mediates the relationship between negotiation skills and export intermediary performance. Likewise, specialisation and trustworthiness have been found to have a significant total effect (c or $\beta_{34} = 0.488$, $p < 0.01$), direct effect ($c'$ or $\beta_{48} = 0.378$, $p < 0.01$) and indirect effect ($0.388 \times 0.308 = 0.120$; a $\beta_{10} = 0.388$, $p < 0.01$; and b or $\beta_{49} = 0.308$, $p < 0.01$) on export intermediary performance with significant Z scores ($Z = 2.019$, $p < 0.05$). This shows the mediating role of the competence to reduce clients’ monitoring and enforcement cost in mediating the relationship between specialisation and trustworthiness and export intermediary performance. The association of these variables can also be seen in Figure 2.

Altogether, it can be seen that the degree of influence of resources on performance has changed after adding the competence to reduce clients’ transaction costs and computing the two together. The influence of the competence to reduce transaction cost on performance cannot completely eliminates the influence of resources on performance; it

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Indirect effect</th>
<th>Total effect</th>
<th>Direct effect</th>
<th>Z value (Sobel test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting knowledge (EK)</td>
<td>0.399**</td>
<td>0.095</td>
<td>0.696***</td>
<td>0.661***</td>
</tr>
<tr>
<td>Negotiation skills (NS)</td>
<td>0.629***</td>
<td>0.174*</td>
<td>0.848***</td>
<td>0.742***</td>
</tr>
<tr>
<td>Specialisation and trustworthiness (ST)</td>
<td>0.388**</td>
<td>0.308**</td>
<td>0.488**</td>
<td>0.378***</td>
</tr>
</tbody>
</table>

**Notes:** ***$p < 0.001$; **$p < 0.01$; *$p < 0.05$**
just reduces the degree of impact. This can be interpreted as showing that the mediators (the competence to reduce client’s negotiation costs and monitoring and enforcement costs) partially mediate the relationship between resources (negotiation skills and specialisation and trustworthiness) and performance of export intermediary firms, leading to the acceptance of H4.

**Theoretical and managerial contribution**

To extend the work of Peng and Ilinitch (1998) and Peng and York (2001) on the export intermediary development, this paper has proposed a conceptual framework for the important role played by export intermediary companies in enabling exporters to enter wider overseas markets and for reducing the transaction costs of exporting firms. It makes a number of valuable contributions to the literature and can provide the benefits of an integrated approach to practitioners and policymakers.

First, this paper integrates three complementary theoretical approaches. Although the transaction cost theory and the agency theory clarify the relationship between manufacturers (exporters) and agents, they have come under criticism as being too biased towards the perspective of principals. The resource-based theory has, for its part, been criticised for being too general. Resources often cannot be accurately or even clearly described (Peng and York, 2001; Peng, 2001; Priem and Butler, 2001a, 2001b). In the present context of the performance of intermediate firms in export trade, these three theories have been combined to suggest an empirically falsifiable model (Peng, 1998; Peng and York, 2001). Specifically, the transaction cost theory and the agency theory
can be used to “inform the generic decision (of government choice) [...] while (resource-based) competence brings in particulars” (Peng and York, 2001, p. 339). In this paper, the transaction cost theory and the agency theory have been used for the underlying analysis of the empirical evidence while resource-based hypotheses have emerged. The resource-based view can be seen as providing an important solution to the shortcomings of the transaction cost theory and the agency theory (Peng and Wang, 2001; Shahrul, 2011).

Second, the study makes a further contribution to the literature by focusing on the mediating effect of the competence to reduce transaction costs (search costs, negotiation costs and monitoring and enforcement costs), which mediates the relationship between resources and performance of export intermediary. This study is a first attempt to augment the sparseness of knowledge in this area. In addition, the findings can benefit policymakers. From a public policy perspective, gaining more knowledge about the role of export intermediaries can greatly facilitate the export promotion efforts in which most nations’ governments are involved (Brewer, 1993; Peng and Ilinitch, 1998, p. 618; Sharma et al., 2006). Recognition of the potential role of export intermediaries by the government could render promotional efforts more successful. Hence, developing such knowledge is valuable for countries, especially Thailand and other ASEAN countries, wishing to promote export expansion.

Finally, this paper can also benefit the practitioners. As customers become more demanding, export intermediaries must be able to deliver “true added value” to remain in a viable organisational form (Peng and Ilinitch, 1998, p. 619), hence, the intermediaries need ceaselessly to acquire, utilise and develop resources and capabilities in reducing their clients’ export-related transaction costs. Specifically, they should work hard to acquire knowledge about foreign markets and export processes to strengthen their negotiation skills, develop their specialisation and trustworthiness and access other important resources for sustaining and developing their competitive advantage (Peng, 1998; Kumar and Bergstrom, 2007).

**Limitations of the study and future research agenda**

A first limitation of the present study is the shortcomings identified in all survey-based research. A weakness of regarding questionnaires as an “objective” approach, followed by rigorous and quantifiable analysis, is that it may seek to elicit opinions which respondents are unwilling to articulate. Following the survey approach prevents the present researcher from undertaking an in-depth investigation of the relationship between the competence to reduce the clients’ transaction costs and performance of export intermediaries in the ASEAN context of Thailand, which the qualitative method would enable. In this respect, an interpretivist/qualitative approach might provide a deeper knowledge and understanding of certain aspects of the export intermediaries’ performance in Thailand, as the processes governing the relationship between manufacturer and export intermediary is influenced not only by purely economic factors but also by behavioural factors such as satisfaction with the relationship (Shipley and Prinja, 1988) or the risk involved (Cavusgil and Yavas, 1987). Accordingly, a “cost-based” perspective needs to be supplemented in future research with a more behavioural approach (Leonidou and Kaleka, 1998; Peng and York, 2001).

Also, this study shows that one of two control variables, the firm size, can explain the variance in the intermediary performance at 95 per cent confidence interval. Hence, it
may be implied that firm size also affects the performance of export intermediaries. Bigger firms tend to have more resources and to be more active than smaller firms in utilising resources to accomplish the firm's goals and achieve better performance. Future research, especially in-depth study of this control variable, and, particularly, in the ASEAN context, is to be encouraged.

Finally, as argued by Peng and York (2001), conducting a survey as in this study makes it difficult to demonstrate empirically whether a principal's export performance is actually improved by employing intermediaries. A future study might use a matched-sample design, comparing and contrasting the performance of two samples of comparable exporters (clients): one using export intermediaries and the other adopting a direct export strategy.

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