

UNDERSTANDING THE INTERRELATIONSHIPS AMONG RISK BEHAVIOUR, LEARNING AND MARKET ORIENTATIONS IN INTERNATIONAL BUSINESS RELATIONSHIPS

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Abstract

This paper aims to provide understandings on the interrelationships among risk behaviour, learning orientation and market orientation and business relationship development. This paper was developed based on a qualitative study of six British firms exporting to the Indonesian market. Data was collected through a series of in-depth interviews carried out in UK and Indonesia. The finding was established through a hermeneutic process. The exploration provides an understanding that risk behaviour, learning and market orientations are interrelated and they explain the fluctuation of relationship elements and thus the development of relationship between the British exporters and Indonesian Importers. Learning orientation has a greater role as it also influences the development through market orientation and risk behaviour. The discussion suggests that a company with a better learning orientation will have a better market orientation, become a risk taker and a better ability to develop business relationships.

Keywords: learning orientation, market orientation, risk behaviour

Abstrak

Artikel ini bertujuan untuk memberikan pemahaman mengenai keterkaitan antara perilaku terhadap risiko, orientasi belajar dan orientasi pasar serta perkembangan hubungan bisnis. Artikel ini dikembangkan dari hasil penelitian yang menggunakan pendekatan kualitatif yang menggali pengalaman enam eksportir Inggris di Indonesia. Data dikumpulkan melalui serangkaian wawancara mendalam yang dilakukan di Inggris dan Indonesia. Dalam studi ini, pemahaman dibangun melalui proses hermeneutic. Studi ini memberikan pemahaman bahwa perilaku terhadap risiko, orientasi belajar dan orientasi pasar saling terkait dan menjelaskan fluktuasi elemen-elemen dari hubungan bisnis dan perkembangan hubungan bisnis antara eksportir Inggris dan importir Indonesia. Orientasi belajar memiliki peranan yang lebih besar karena juga mempengaruhi orientasi pasar dan perilaku terhadap risiko. Artikel ini menyiratkan bahwa sebuah perusahaan dengan orientasi belajar yang lebih baik akan memiliki orientasi pasar yang lebih baik dan menjadi pengambil risiko dan memiliki kemampuan yang lebih baik dalam mengembangkan hubungan bisnis.

Kata kunci: learning orientation, market orientation, risk behaviour

JEL Classification: M1, M16

1. Introduction

The extant literature contributed to the understanding that environmental uncertainty has an effect on the development of relationships. Rosson (1986), Wilson (1995), Selnes (1998) Geyskens et al. (1998), Ruyter et al. (2001), Leek et al. (2002) and Batonda and Perry (2003) suggested that business relationship development might be affected by environmental uncertainty. Nevertheless, they provided limited understanding of how the environment affected the development of business relationship elements. Previous studies mainly focused on business relationships in a single-stable country with inadequate explanations of international business relationships; business relationships in international trade have received little attention (Batonda

and Perry, 2003). On the contrary, the link between learning and market orientations has been widely studied. Learning orientation is argued as the foundation of market orientation. Day (1994) showed that organisational learning acts as an antecedent of market oriented behaviour, and organisational learning is a capability and the foundation for a market orientation. Market orientation can emerge only if learning processes are examined and altered in a way that enables firms to "learn to learn" about its markets. Similarly, Hennesstad (1999) argued that organisational learning is to sustain customer orientation: the process of learning is to increase and sustain customer orientation. Learning oriented firms may have a greater possibility to find new ways to keep customers when the market changes or becomes increasingly turbulent. Greenley, 1995; Slater and Narver, 1995; Hurley and Hult, 1998; Baker and Sinkula, 1999 and 2002; Farrel and Oczkowski, 2002; Celuch et al, 2005; Santos-Vijande et al., 2005a, suggested that market orientation is necessary but not sufficient to actually learn about the markets, particularly when a company has to operate in a turbulent market where generative learning is a greater requirement.

Based on a literature review, Saadi (2007) concluded that the existing literature provides a limited understanding the links among market orientation, learning orientation and risk behaviour and business relationship development. Panadiyes and So (2005) and Santos-Vijande et al. (2005b) revealed the link between learning orientation and business relationship development. The link between the two orientations has been widely revealed, however, there is a limited understanding of how the orientations and risk behaviour explain business relationship development particularly in the international market. Consequently, this paper explores how risk behaviour and learning and market orientations explain the development of business relationship between British Exporters and their Indonesian buyers. The exploration is in the context of a volatile and risky country market, i.e. Indonesia (Sealy, 2002). This paper will enrich our knowledge of the complexity of developing business relationships in a turbulent environment. It is developed based on a study investigated relationship development phenomena in a high risk and uncertainty country market, which was predicted to remain risky for the long-term (Research and Market, 2004).

Saadi (2007) argued that the links among learning and market orientations, risk behaviour and business relationship development has not been revealed and explained by the existing literature. The literature review below will thus focus on gaining understanding on those aspects. The understanding will in turn be pre-understanding for the next step of the study, which followed hermeneutic process (Gummesson, 2005) in order to achieve the objective of the study i.e. to provide insight of the interrelationship among them

2. Literature Review

2.1. Business Relationship Development

Business relationship development is shaped by the fluctuation of relationship elements such as trust, commitment, cooperation, communication, satisfaction etc. (Sulhaini, 2008). The development has been described in sequential stages or states. Stages theory of business relationship development illustrates that a relationship develops in step-wise manner in which it develops through a number of stages depending on the development of the elements (Ford, 1980; Dwyer et al., 1987; Wilson, 1995; Cann, 1998; Conway and Swift, 2000). However, this theory was criticised by the emergent of the state theory. Based on a literature review, Rao and Perry (2002) found three problems with the stages theory. Firstly, the assumption that the relationship development process occurred sequentially was undermined by the fact that relationships rarely go through the definite stages stated by the stage models. Secondly, the models were not able to explain the complexity of inter-firm relationships, particularly at the boundaries between stages. Thirdly, the models failed to explain unsuccessful situations when a relationship fails to move from one stage to another. The states theory suggests that the development of a relationship is

not necessarily an orderly progression of phases over time. Indeed, the phases through which a relationship moves depend on the circumstances or opportunities that the parties encounter (Rosson, 1986; Moore, 1991). An interesting understanding is obtained here that relationship elements influence the development of business relationships, but how and why the elements relate to the development is still unclear. This paper will provide the explanation.

2.2. Learning and Market Orientation

Learning orientation facilitates the generation of new ideas and knowledge through a collective effort of individuals who have the ability to absorb and share knowledge with others. Chonko et al. (2003) and Santos-Vijande et al. (2005b) proposed four dimensions of learning orientation, i.e. emphasis on the value of learning; shared vision; availability of learning mechanism; and organisational routines and processes and open-mindedness. The exploration will be focused on those aspects in order to know the companies' orientation towards learning.

Market orientation is reflected by a firm's knowledge-producing behaviours; and is thereby implicated in its market information processing activity, which may routinely result in adaptive learning. In contrast, learning orientation is reflected by a firm's knowledge-questioning values and thereby implicated in its propensity for generative learning, which encompasses more than a purely market place focus (Celuch et al., 2002). Thus, a learning orientated firm may indicate an ability to challenge its old assumptions about its market and to shift from incremental changes (adaptations) to radical changes. Narver and Slater (1990) suggested that market orientation consists of three behavioural components: customer orientation; competitor orientation; and inter-functional coordination. They split customer orientation into the following aspects: a company's customer commitment; creation of customer value; understanding of customers' needs; after sales service; and customer satisfaction objectives. Competitor orientation of a firm, as the authors suggested, can be seen as how salespeople: share competitor information; respond rapidly to competitors' actions; and top managers discuss competitors' strategies. Inter-functional coordination is reflected by how information is shared among functions; functional reliability in strategy and all functions contribute to customer value. Nevertheless, an important understanding obtained here that the primary focus of market orientation is on the creation of superior customer value, which is based on knowledge derived from customer and competitor analyses (Slater and Narver, 1995). Hence, exploration on the sample firms' market orientation will be aimed at how they created customer value.

2.3. Risk Behaviour

Companies' reaction to risky countries and risky situations can be seen in their behaviour towards risks. The behaviour of companies or individuals towards risks can be assessed by looking at the choices they make. The behaviour can be categorised as risk-averse or risk-taking (MacCrimmon and Wehrung, 1986:20). A risk-averse person/organisation selects one of the less risky alternatives, whilst a risk-taker will select one of the more risky alternatives (MacCrimmon and Wehrung, 1986: 20). This indicates that a risk-taking exporter might apply a more risky payment method and choose a less stable (weak) currency. A risk-averse exporter, on the contrary, may prefer to apply a more secure or less risky method of payment and receive the most stable (hard) currency. That means that a risk-averse exporter may adopt a risk avoidance strategy, i.e. stop exporting to a risky country, change the method of payment into a more a secure method such as pay in advance, accept the dollars, Euro or even the British pound sterling only. In terms of adjustment to risk, the two types outlined above have different tendencies. A risk taker tends to modify risk whilst a risk averter will try to reduce risk by tracking how the risky situation develops so that he can take further actions to minimise risks. An interesting understanding was gained that a risk taker will participate in risky situations, while a risk averter

will exit the risky situation. The exploration here will be aimed at how the sample firms behaved towards various emerging risks in the country market.

3. Research Method

The study adopted an interpretive paradigm utilizing a qualitative approach in order to develop insights of the links among risk behaviour, learning and market orientations and business relationship development between British exporters and Indonesian importers. The study utilised qualitative method exploring subjects in their natural settings, and trying to make sense of, or interpret, phenomena (Denzin and Lincoln, 2000: 3). Empirical materials were studied which allowed data collection of complex phenomena in the real world. This approach required close relationships with the practitioners/interviewees in order to capture and interpret their experience. In this study, focus was placed on the meaning that interviewees gave to their experiences or their understanding and the interpretation of their experience of developing and managing business relationships in Indonesia. This study examined at a distance, the practice of the development and management of business relationships in a high-risk and uncertain market. The research method led to understanding that was derived from the informants' perspective, and as such, was not independent of the informants' interpretation (May, 2001: 14). The author interviewed a number of informants in the UK and Indonesia. The British informants were three sales directors, four export managers and two company secretaries, while Indonesian informants were two president directors, five purchasing managers and one local staff.

This study explored a small number of sample firms; however each provided a large amount of data. Although the unit of analysis was the business relationship of the British exporters in Indonesia, the name of the selected companies was used in this paper. Nonetheless, as they were provided with a confidential letter, their name was changed.

Table 1. The Six Companies Understudy

| Business Information | North West | Waingate | Border | Bridgeside | Froster Fencing | Pittafin |
|---|---------------------|-----------------|---------------|-------------------|------------------------|-----------------|
| Size | Small | Medium | Medium | Big | Big | Big |
| Number of Export markets | Over 50 | over 65 | Over 50 | 65 | Over 70 | Over 65 |
| Experience of direct export to the market | Less than 5 years | Over 32 years | Over 30 years | Over 15 years | Over 15 years | Over 5 years |
| Product exported to Indonesia | Lamp capping cement | Vacuum system | Boilers | steel | Fencing products | steel |

All the companies exported to over 50 country markets however only North West was a small independent family firm while the others were part of big groups and had a longer experience of direct export to Indonesia.

4. Finding and Analysis

At the beginning of the study, the author focused to identify variations in terms of the development of the sample firms' relationship by analysing the fluctuation of relationship elements. This was carried out through constant comparison among them. The comparison was carried out by focusing on the development of three main relationship elements, which seemed to be emphasised by the informants. The elements were trust, commitment and satisfaction. Then, she was able to identify unique case features in order to establish categories of business relationship development. This also facilitated the identification of shared case features across two or more categories to find patterns across the cases. Based on the variations in term of the development of the relationship, the six British Exporters were grouped into four categories as seen on the table below:

Table 2. Case Feature and Four Categories of the Development of the Relationship

| Exporter | Business Relationship Development Category | Case Features |
|------------------------------|--|--|
| Bridgeside and Pittafin | Stable | since all relationship elements (trust, commitment and satisfaction) were stable |
| North West | unbalanced | Increasing calculative commitment and decreasing satisfaction |
| Border | fragile | decreasing all relationship elements |
| Waingate and Froster Fencing | Inoperative | the relationships were terminated |

4.1. Learning Orientation

All the interviewees suggested that their companies emphasised learning, but the companies' commitment, did not explain why each learnt in different ways from the environmental uncertainty. The pattern between business relationship development and the commitment on learning was unclear. Bloor (1978) suggests that a case feature shared by all four categories of business relationship development identified in the last phase of the analysis process, might be ruled out as an influence upon their variability (cf. Johnson, 1989: 171). Hence, further identification of variations of the other learning dimensions are required to fully understand how the company learnt, which may then relate to the development of business relationships. Table 3 below summarises the variations.

Table 3. Case Features in term of Learning Orientation

| Exporter | Business Relationship Development category | Learning Orientation |
|------------------------------|--|---|
| Bridgeside and Pittafin | Stable | Facilitated shared vision, wide variety and frequent and generative learning |
| North West | Unbalanced | Facilitated shared vision, lack of variety and frequency and adaptive learning |
| Border | Fragile | Limited shared vision, wide variety but lack of frequency and adaptive learning |
| Waingate and Froster Fencing | Inoperative | Limited shared vision, wide variety but lack of frequency and adaptive learning |

It seems that Bridgeside and Pittafin had strength in all learning orientation dimensions. Nevertheless, companies in the other categories had weaknesses in one or more learning orientation dimensions leading to lack of one or more elements of relationship development. The fluctuation of trust, commitment and satisfaction seemed to be underlined by all the dimensions of learning orientation, in turn now the discussion will be focused on the issue.

Shared vision was facilitated through regular meetings; open discussions; and open decision-making processes, which reflected trust and cooperation among staff/departments to find the best ideas to retain customers and business relationships. Shared vision facilitated the growth of ideas from staff and was able to provide the best support for customers, which created added value. This influenced the development of satisfaction, which strengthened the business relationships although the market was increasingly turbulent. The availability of learning mechanisms affected the fluctuation of satisfaction and commitment in the relationships. Variety of learning mechanism influenced satisfaction in the relationships as a wider variety gave companies an improved ability to cope with certain risks, for example financial risk, and a better ability to meet customers' references. Increased frequency of learning mechanisms allowed staff to continuously learn about the market and their customers through maintaining customer visits,

which reflected a greater level of commitment. This led to a greater ability to create customer added value, which affected satisfaction in the relationships.

As a consequence, availability of learning mechanism explained the development of business relationships through its effects on the fluctuation of satisfaction and commitment. Finally, open mindedness led to a greater ability to meet customers' latent and expressed needs, and thus promoted further development of satisfaction. The open mindedness dimension in which generative learning was emphasised, allowed companies to learn the new realities of the market and understand that company policies required constant adjustment to cope with the uncertainty. Generative learning companies tended to have more stable business relationships since they were more able to response to the turbulent market environment and retain their customers/partners. They had a greater ability to meet customers' latent and expressed needs and thus promoted further development of satisfaction, which strengthened the business relationships.

It seems that in the context of a high-risk and uncertain market, relationship elements develop according to the learning orientation of firms. To be more specific, the explanations of how relationship elements develop in a high-risk and uncertain market lay with the dynamic process of learning, which required a strong combination of all the dimensions of learning orientation. The discussion above provides insights into how the dimensions stimulate relationship elements as can be seen in the following figure. The figure was developed based on the analysis to illustrate that each dimension of learning orientation stimulates the fluctuation the elements of business relationships, i.e. trust, commitment and satisfaction. The fluctuation leads the development of the relationship. The better the dimensions the greater trust, commitment and satisfaction are in the relationship. Companies with a better learning orientation may have more stable business relationships in a volatile market environment as they have a better ability to promote the development of the elements.

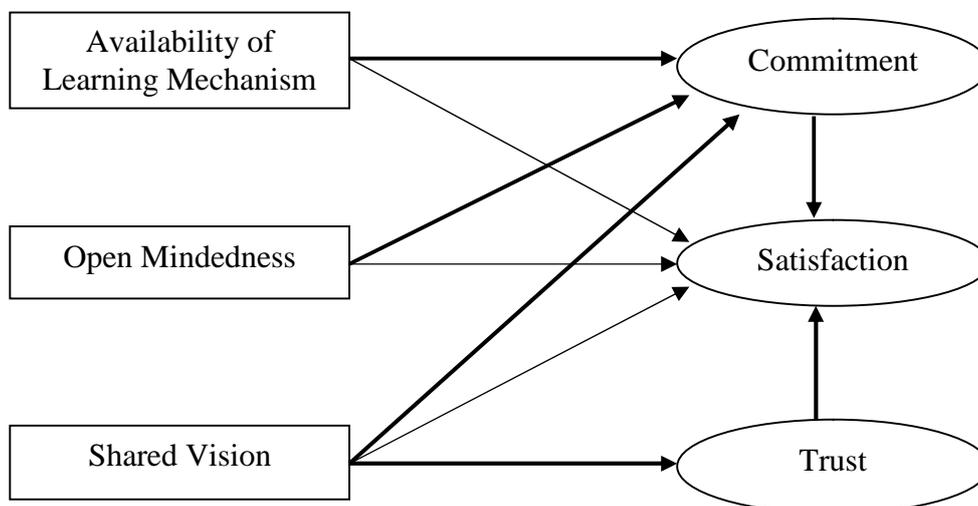


Figure 1. The Learning Dimensions and the Main Relationship Elements

4.3. Market Orientation

The Indonesian interviewees suggested that they perceived the British exporters offered a better value when they received not only good quality products but also reliable and continuous support in terms of promises, responsiveness, and communication. This suggests that exporters could still offer added value during a period of increased risk. Unfortunately, only two companies namely Bridgeside and Pittafin in category stable were able to create a perfect package to their Indonesian customers. Other companies failed to maintain their competitive

position, as high quality was no longer a source of advantage because local competitors were able to offer similar products and service.

In order to find out how the companies being studied pursued market orientation in the high-risk and uncertain market, a further analysis reveals how they developed market orientation through customer and competitor analysis while managing the exchange rate risk. The exploration was important to find out how market orientation related to the learning orientation of the companies. The table below illustrates that the category unbalanced company, i.e. North West was not customer oriented since the company did not provide a wide variety of learning mechanism and thus did not have the knowledge to manage exchange rate risk. The exporter did not have knowledge on how to hedge and set price in pound sterling only, which was perceived as expensive by the Indonesian buyers.

Table 4. Market and Learning Orientations

| Company | Business Relationship Development Category | Market Orientation | Weakness and Strength in Learning Orientation |
|------------------------------|--|--|---|
| Bridgeside and Pittafin | Stable | It could maintain competitiveness as it offered a perfect combination of customer value and accepted a more convenient currency for the customer | S: had the perfect combination of the learning dimensions: shared vision, availability of learning mechanism and open mindedness |
| North West | Unbalanced | Lack of customer orientation as it responded to customers expressed needs only and accepted GBP only | S: customer and market information shared. W: lack of variety and frequency of learning mechanism |
| Border | Fragile | Lack of customer orientation since it could not create customer value, but it accepted a more convenient currency for the customers | W: no shared knowledge, lack of availability of learning mechanism in term of frequency, narrow minded but it had knowledge of managing exchange rate risk since it had a wide variety of learning. |
| Waingate and Froster Fencing | Inoperative | Lack of customer orientation since it could not provide supports although it accepted various currencies | S: Had a variety of learning and had knowledge of managing exchange rate risk fluctuation. W: no shared knowledge and lack of learning mechanism |

This caused dissatisfaction felt by the buyers. Fragile and inoperative category were unable to maintain their support. Border did not sustain its support, even changed the method of payment and contract since it focused solely on internal interest rather than the market/customer references. Slow response and lack of marketing support resulted from a centralised decision making process in the case of Froster Fencing. Waingate had poor support as the company's support was provided by the export manager only, who handled all the interactions with the agent and the customers. Category Stable companies, i.e. Bridgeside and Pittafin had a perfect combination of all the dimensions of learning orientation. They also seemed to be able to provide a perfect combination of customer value and took the strategy of their competitors into consideration. The table below summarises the companies' market orientation and learning orientation, while the categories were already identified and illustrated on Table 2.

It seems that good learning orientation leads to virtuous market orientation. Learning orientated companies were continuously learning about the market and were able to adapt

effectively to the new reality in the market. In other words, a company might be able to be a market-orientated organisation if the company could promote a learning environment, where all learning dimensions were established. It seems that weakness in one or more dimensions inhibits market orientation, while perfect combinations of the entire range of dimensions promote market orientation. In sum, this study confirms that learning orientation is related to market orientation where continuous learning is emphasized. Also, promoting market orientation leads to a better ability to understand and meet customer's expressed and latent needs whilst managing risk in the market. This increases satisfaction and strengthens the relationships. This study confirms that learning orientation is related to market orientation since weakness in one or more dimensions inhibit market orientation; while better combinations of all dimensions promote market orientation. At this stage, case features were found, as follows:

Table 5. Case Features in Term of Learning and Market Orientation

| Company | Business Relationship Development Category | Case Features |
|---------------------------------|---|--|
| Bridgeside and Pittafin | Stable | Decent learning and market orientations |
| North West Border | Unbalanced Fragile | Lack of learning and market orientations |
| Waingate and Froster Fencing | Inoperative | |

The discussion above described that the development of trust, commitment and satisfaction was related to learning orientation and market orientation of the companies. Farrell (1999) found that market turbulence has a positive effect on learning orientation: based on a mail survey of 2000 companies, he concluded that the greater the market turbulence, the greater the level of learning orientation. The reason was that in more turbulent markets, firms have to modify their offerings more frequently, and thus need a greater learning orientation to monitor changing consumer preferences. This might mean a learning oriented firm does not just acquire and disseminate information about markets, or utilise market-based knowledge to look for new ways to serve customers, but also continually investigates the dynamics of the market (Lee and Tsai, 2005). Market orientation is reflected by a firm's knowledge-producing behaviours; and is thereby implicated in its market information processing activity, which may routinely result in adaptive learning. In contrast, learning orientation is reflected by a firm's knowledge-questioning values and thereby implicated in its propensity for generative learning, which encompasses more than a purely market focus (Celuch et al., 2002). Thus a learning orientated firm may indicate an ability to challenge its old assumptions about the market and to shift from incremental changes (adaptations) to radical changes.

4.4. Risk Behaviour

MacCrimmon and Wehrung (1986: 34) distinguished two behaviours: risk averse or risk-taking. The first type reflects a company that selects a less risky alternative, whilst a risk taker will select a more risky alternative. This suggests that a risk taking company applies a more risky method of payment, while a risk-averse company will have a strict policy on a more secure method of payment in order to guarantee payment. Sulhaini (2010) furthermore argued that the method of payment applied depended on how a company learns from experience through which trust develops. This suggests that when trust exists in the business relationship, the exporters may apply a riskier method of payment even though the market is increasingly risky. Therefore, when trust exists in the relationships, the exporter may be a risk taker. It was suggested earlier that currency choice also depended on a company's knowledge of managing currency exchange risk, which was a result of variety of learning mechanisms. This means that when a company has

knowledge and a learning orientation they are more able to manage risk and more willing to take risks.

The discussion of learning orientation suggested that Border, Froster Fencing and Waingate did not promote a shared vision/understanding in the decision-making process, and so did not provide a forum to raise divergent thinking and opinions from a number of employees. A decision-making process with the absence of shared knowledge hinders the emergence of new ideas from other employees in the company on how to respond to risk. Sitkin and Fablo (1992) and Dowling and Staelin (1994) suggested that the risk perception of a decision maker is likely to be the determinant of risk behaviour. The authors defined risk perception as a decision maker's assessment of the risk inherent in a situation leading a decision maker to overestimate or even underestimate risk. Cho and Lee (2006) viewed risk perception is an individual's assessment of a risky situation. The *fragile* and *inoperative* categories, i.e. the cases of Border, Froster Fencing and Waingate suggested that risk behaviour reflected how each company responded to the risk and uncertainty in the market, and were the result of an individual's judgment and assessment of the situation. In the case of Border, for example, the sales director was the only decision maker who changed the method of payment and decided to decline visits, which are generated from his own judgment reflecting his attitude toward market risks ignoring his long-term experience of working with the dealers. Since there was no shared vision, divergent point of views from more staff was not facilitated and learning at the company level was not stimulated (only at individual level). Meanwhile, in the other three companies, risk behaviour was the result of collective assessment of the situation in the market. This suggests, again, that learning orientation was related to the risk behaviour of the firms studied.

From the literature, only a limited understanding of the relationship between learning orientation and risk behaviour emerges (Saadi, 2007). Yet, Williams and Narendran (1999) suggested that organisation culture played a role in determining risk behaviour. Smallman (1996) suggested that organisational learning determined how companies behave toward risk; he argued that there exists a powerful tool in organisational learning that enables all companies to learn from past errors and disasters within their own or other companies. They also suggested that the response of risk management should be assessed through constant monitoring, prediction and organisational learning from past problems (internal and external) likely to pose a risk to the company. That means a company should learn from past experience but also, should monitor and predict the risks they may face. The learning process makes the firm able to evaluate risky situations and predict the outcome and thus influence the decision in response to a risky situation. Thus, learning oriented firms were not only able to perform learning from past experience or adaptive learning, but were also able to develop open mindedness and generative learning processes. As suggested earlier, generative learning results in a greater ability to deal with market uncertainty. Slater (1996) argued that a learning orientated culture provides the insight necessary to understand what will constitute a competitive product today and tomorrow; builds stable relationships with customers and encourages the risk taking that forces competitors to scramble to keep up. At this stage, variations in terms of risk behaviour of the companies were found:

Table 6. Case Features in Term of Risk Behaviour

| Company | Business Relationship Development Category | Case Features |
|------------------------------|---|--|
| Bridgeside and Pittafin | Stable | They were risk takers |
| North West | Unbalanced | To some extent they were risk averters |
| Border | Fragile | |
| Waingate and Froster Fencing | Inoperative | |

The discussion above suggests that learning orientation relates to the risk behaviour of the companies studied. A learning oriented company that had a good combination of the dimensions of learning orientation, was likely to be a risk taker, and vice versa. A company, that did not have sufficient knowledge of risk management, would be a risk averter. For example, an unbalanced category company, North West, had a limited variety of learning mechanisms which led to a lack of knowledge of hedging to manage currency rate fluctuation; thus the company accepted only its home currency to avoid the risk. Being a risk-averse company, North West could not meet its customers' preference regarding currency. Meanwhile the other companies studied, were able to meet their customers' preferences on currency because they had the knowledge and ability to manage the risk. A risk-averse company might also lack customer orientation and have a reduced availability of learning mechanisms. The company in the fragile category, Border, avoided the risk of terrorist attacks in the market by reducing visits to nil. This led to diminishing opportunities to continuously learn from their business relationships and they could not meet their customers/dealers expectations.

This is in contrast to the case of Bridgeside (stable category), that was able to continuously learn from their business relationships and maintained customer visits during the increasing political unrest, because the company believed that up-to-date customer information was the only way to stay focused on satisfying their customers' needs. Bridgeside was able to maintain their frequent visits and learning of the market and customers and maintained their ability to meet customer requirements. This suggests that a risk-taking company could maintain the availability of learning mechanisms about the market and focus on their customers. This current study supports the finding of Jaworski and Kohli (1993) who found that if a risk averter, a company was less likely to be responsive to the changing preference of customers. In an uncertain environment such as the Indonesian market, customer preference was likely to evolve and companies needed to closely observe this and ensure a continuous learning process. However, risk-averting companies who did not visit local customers/partners diminish their opportunities to learn about the market/customers and so were unable to meet the expectations of their customers/partners due to their lack of support.

In sum, the discussion suggests that learning and market orientations and risk behaviour are interrelated and explain the development of the business relationships. Based on the analysis, the author developed the figure below to illustrate the interrelationships.

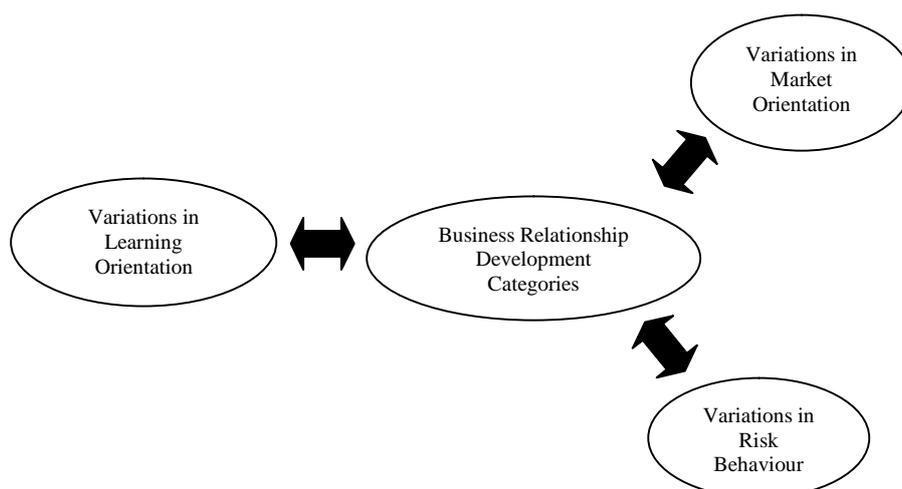


Figure 2. The Inter-Relations of Risk Behaviour, Learning and Market Orientation, and Business Relationship Development.

The figure above describes that variations in learning and market orientations and risk behaviour were consistent with the business relationship development categories. Hence, the

figure above illustrates that development of business relationship elements was related to learning orientation, market orientation and risk behaviour of the companies. The figure may also illustrate that there were no linear linkages among those aspects but that they were interrelated. Variations amongst the cases in terms of learning and market orientations, and risk behaviour were identified and it seems that the variations were consistent with the variations in terms of the business relationship development. The study provided understanding that business relationship development relates to organisational learning culture. Companies in the stable business relationship development category tended to be risk-takers and had high learning and market orientations. On the contrary, companies in the other categories i.e. unbalanced, fragile and inoperative were more likely to be risk-aversers and indicated a lack of learning and market orientation. Companies in the stable business relationship development categories would be eager to pursue and develop all dimensions of learning orientation leading to market orientation, but this required them to be risk-takers. The behaviour seemed to be critical as they operated in a high-risk market. Meanwhile, risk-aversers diminished their commitment to learn and ignored the market as they viewed such commitment as too risky.

5. Conclusion and Recommendation

This study provides understanding that learning orientation is related to market orientation since weakness in one or more dimensions inhibit market orientation. In contrast, better combinations of all dimensions promote a market orientation. The study also suggests that learning orientation relates to the risk behaviour of the companies studied: learning oriented companies that had a greater combination of the four dimensions of learning orientation, are likely to be risk takers, and vice versa. A company that does not have sufficient knowledge to manage risk will be a risk averter. A risk-averse company is likely to be less customer oriented which leads to a lack of satisfaction. This shows that a risk-averting company is likely to have unstable business relationships, characterised by lack of satisfaction and commitment.

Risk-averse companies tend to reduce face-to-face interactions from which they can learn about the market and their customers or they apply policy that contradict customers' preferences, perhaps because they do not have the knowledge to manage the risks they face. Risk-averse companies reduce the number of learning mechanisms and thus contribute to the lack of a learning orientation. This impinges on their ability to provide support, which compromises their market orientation. Risk-averse companies have unstable business relationships because their behaviour creates dissatisfaction and shows a lack of commitment. On the contrary, risk-taking companies tend to be learning and market oriented. In terms of method of payment, it seems that risk-taking companies had greater trust and applied a more flexible but risky method than risk-averse companies.

The objective of the study was to provide interrelationship among learning and market orientations, risk behaviour and business relationship development. Among the aspects, it seems that learning orientation has a critical role inspiring market orientation and risk behaviour. The orientation directs companies to focus on the market while managing risk and relationships to stimulate the development of trust, satisfaction and commitment. Therefore, a high learning orientation leads to a more stable business relationship since the orientation stimulates exporters: to commit to their relationships; to trust partners; and to promote mutual satisfaction. More precisely, a learning oriented firm has a greater propensity to learn and react effectively to market uncertainty within its business relationships. In contrast, a low learning orientation, to some extent, leads to unstable business relationships since exporters are unable to maintain commitment, satisfaction and trust in their relationships. The current study contributes to the theory that exporters lacking a learning orientation were not only less able to cultivate stable working business relationships but also less able to provide the ongoing support that directly aided their customers/partners in winning and keeping their business.

A learning orientation leads to a changed market orientation and risk behaviour within the firm, which stimulates reactions towards market risk and uncertainty while managing business relationships. A key contribution of this study is the proposition that a learning orientation underlines the dynamic nature of companies to manage interactions in a volatile market. A company's policy in managing business relationships reflects its orientation towards learning and the market and its behaviour towards risks. Only learning oriented companies can manage risks and maintain their orientation towards the market. Also, only learning oriented companies effectively manage their relationships and develop stable business relationships although the market is riskier and more uncertain. As a result, it is possible to propose that in such market, only a learning oriented firm is able to maintain and develop business relationships. External factors may trigger firms to change or review their policy, or the way they manage the relationships. However, only learning oriented firms are able to respond effectively to the external environmental uncertainty and strengthen their business relationships. Therefore, external factors influence the development of business relationships depending on the firm's orientation toward learning, which is essential for a positive attitude towards the relationships reflected on the management of the relationships.

A valuable contribution of this study is that understanding was obtained through employing a qualitative / interpretive approach. This study not only provides explanations on how relationship elements develop but also why they develop. This study reveals that the inter-relationship between learning, market orientation and risk behaviour stimulates development of the business relationship. Among them, learning orientation seems to underlie firms' orientation towards market and behaviour towards risks. It seems that business relationship development in a volatile and risky market can be better understood through the learning perspective than merely the relational perspective. The findings of this study suggest that the development of business relationships in such a market is a result of an aptitude for learning processes.

It seems that learning orientation has a critical role inspiring market orientation and risk behaviour. The orientation directs companies to focus on the market while managing risk and relationships to stimulate the development of trust, satisfaction and commitment. Therefore, a high learning orientation leads to a more stable business relationship since the orientation stimulates exporters: to commit to their relationships; to trust partners; and to promote mutual satisfaction. This may mean that a learning oriented firm is more likely to have more stable business relationships as it has a greater ability to develop trust, commitment and satisfaction even though the market is highly turbulent. More precisely, a learning oriented firm has a greater propensity to learn and react effectively to market uncertainty within its business relationships. In contrast, a low learning orientation, to some extent, leads to unstable business relationships since exporters are unable to maintain commitment, satisfaction and trust in their relationships.

This study provides further explanation of the development of business relationship and shifts the debate from seeking explanations in the relational perspective to one drawing from a learning perspective. A learning orientation leads to a changed market orientation and risk behaviour within the firm, which stimulates reactions towards market risk and uncertainty while managing business relationships. A key contribution of this study is the proposition that a learning orientation underlines the dynamic nature of companies to manage interactions in a high-risk and uncertain market. A company's policy in managing business relationships reflects its orientation towards learning and the market and its behaviour towards risks. Only learning oriented companies can manage risks and maintain their orientation towards the market. Also, only learning oriented companies effectively manage their relationships and develop stable business relationships although the market is riskier and more uncertain. As a result, it is possible to propose that in such market, only a learning oriented firm is able to maintain and develop business relationships. External factors may trigger firms to change or review their policy, or the way they manage the relationships. However, only learning oriented firms are able to respond

effectively to the external environmental uncertainty and strengthen their business relationships. Therefore, external factors influence the development of business relationships depending on the firm's orientation toward learning, which is essential for a positive attitude towards the relationships reflected on the management of the relationships.

Table 7. Comparisons on the relational and the learning perspectives

| | The Relational Perspective | The Learning Perspective |
|---|---|--|
| Basic understandings on export marketing strategy | The essence of export marketing strategy lays in the exchange relationships between the exporter-importer. Export development and management depend on how relationships are developed and managed. | The essence of export marketing strategy is the firm's learning orientation, which stimulates the firm's ability and intention to develop and manage the relationships. Export development and management depend on the ability to develop and manage business relationships. This ability depends on how the firms emphasise learning |
| Managerial tasks | Develop and manage exporter-importer relationships | Develop the dimensions of learning orientation to nurture the firm's ability to develop and manage business relationships |
| Relationship between exporter and importer | Long-term, collaborative and relational exchange | The relational exchanges provide learning opportunities and only learning oriented firm can really explore the opportunities. |

The current study contributes to the theory that exporters lacking a learning orientation were not only less able to cultivate stable working business relationships but also less able to provide the ongoing support that directly aided their customers/partners in winning and keeping their business. It is now possible to compare the understandings provided by the relational and the learning perspectives, even understandings obtained from the relational perspective can be incorporated into the understandings generated by the learning perspective.

Table 7 illustrates how the learning perspective provides a deeper understanding of exporting phenomena especially in the context a high-risk and uncertain market. It appears to incorporate the understanding given by the relational perspective, even it explains further that managerial tasks is not only to develop and manage the relational exchanges but also (more importantly) to develop the dimensions of learning orientation within the organisation. The learning perspective explains that the ability and intention to develop business relationships depends on learning orientation of the exporters. Export development is influenced by business relationship development, which is affected by the exporters' learning orientation and thus success or failure in export operation will depend on how the exporter oriented toward learning. Interactions in the business relationship are seen as learning processes thus the relationships provide learning opportunities, and only learning oriented exporters can really explore the opportunities.

6. Limitation and Future Direction

Limitation of the study was that the understanding and contribution of the study obtained through exploring a small number of cases. This limits the generation of the findings. This paper however contributes to knowledge on how risk behaviour, learning and market orientation influence the development of relationship elements and thus the relationship. Risk behaviour, learning and market orientations are inter-related, among those aspects, it seems that learning orientation underlines the others. An exporter with a better learning orientation is likely to have a better market orientation with a tendency of being a risk-taker leading to have a better ability to develop relationships with its buyers. This study has theoretical implications and thus contributes to the development of relationship development literature and potential further studies. Further

studies may investigate firms in a different industry or even market context. Further investigations in different market contexts may enrich our understanding and thus literature.

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