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Dimensions and antecedents of long-term orientation in firm-supplier relationships

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This paper studies dimensionality and antecedents of long-term orientation in firm-supplier relationships. Drawing from a sample of 106 firm-supplier relationships in the field of logistics, long-term orientation is found to be a bi-dimensional construct. This study identifies one dimension linked to the desire to maintain a relationship that is expected profitable and another associated with concessions/sacrifices. The results obtained also show how two of the main antecedents of long-term orientation – trust and dependence – influence in different ways the two identified dimensions.

Key words: Long-term orientation, dimensionality, trust, dependence, firm-supplier relationships.

INTRODUCTION

Over the past decades, long-term orientation has become an important issue in supply chain management and marketing research (Ganesan, 1994; Morgan and Hunt, 1994; Lusch and Brown, 1996; Zhao and Cavusgil, 2006; Ryu et al., 2007; Canon et al., 2010). Long-term orientation is based on the assumption that the relationship is stable and will last long enough for the parties to obtain benefits (Anderson and Weitz, 1992). This attitude provides the needed commitment to a good working relationship (Das and Teng, 2000), and can be an important source of competitive advantage (Ganesan, 1994).

Most of the studies analysing long-term orientation in the framework of interfirm relationships have had Ganesan's (1994) paper as their main reference. In this paper, Ganesan develops a scale to assess long-term orientation that captures the focus of a firm on different elements of the interorganizational relationship: Long-term goals, long-run profitability, concern for outcomes and long-run concessions. However, several differences

emerging in later studies when applying the Ganesan's (1994) scale for measuring long-term orientation, especially regarding whether to use the items related to concessions/sacrifices or not. Willingness to sacrifice (or make concessions) represents one important mechanism by which individuals can resolve dilemmas involving non-correspondent outcomes (Van Lange et al., 1997a: 1374). Sacrifice has been considered a prosocial motivation in interorganizational relationships and its nature is logically different from profitability or outcomes. Therefore, given the diversity of elements making up the Ganesan's (1994) scale, and the differences in its use in subsequent studies, the multidimensional character of the long-term orientation is a matter that ought to be investigated, particularly as it has received scant attention so far.

This paper has a double aim: To explore the different dimensions of long-term orientation; and to analyse the impact of two of their main antecedents – dependence and trust – on the identified dimensions. As regards the second objective, Transaction Cost Theory (TCA) provides a suitable approach for dealing with it (Williamson, 1975, 1985). In interorganizational relationships; parties may behave opportunistically in order to achieve their own objectives to the detriment of the overall objectives of the relationship. Thus, in a firm-supplier relationship, the supplier may act self-interestedly, reducing the

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quality of the products provided or increasing prices (Stump and Heide, 1996; Houston and Johnson, 2000). However, elements such as dependence and trust (in the supplier) contribute to reducing this sort of behaviour and reduce uncertainty regarding the possible future behaviour of the supplier, thereby increasing the firm's long-term orientation.

This article begins with a review and analysis of how long-term orientation has been conceptualized and empirically examined in previous academic literature. We subsequently review the literature regarding the relationship between long-term orientation and its main antecedents –trust and dependence– and advance a number of hypotheses. We will then describe the methodology applied in our empirical analysis and present the results. Lastly, we will explore some of the main implications that arise from the latter and highlight the conclusions of the study.

LITERATURE REVIEW AND HYPOTHESES

Research on interorganizational relationships has gradually evolved over the last two decades and it has been suggested that a successful interorganizational relationship requires each party to take a long-term view of the relationship (Sheth and Parvatiyar, 1992; Ryu et al., 2007). Consequently, the ability to construct long-term relationships is a strategic question that is recognized as being important in developing a sustainable competitive advantage for the firm (Berry, 1995; Kalwani and Narayandas, 1995; Schultz and Good, 2000; Bolton et al., 2000; Cannon and Homburg, 2001; Narayandas and Rangan, 2004; Venetis and Ghauri, 2004). Some of the benefits of long-term relationships between firms and suppliers would be, for example, the reliable supply of products, the improvement in the level of technical interaction, the potential product adaptation, the reduction in the level of uncertainties, etc. Hence, both firm and supplier may benefit from a long-term relationship. As a result of this, long-term orientation has become an area worthy of attention in the interorganizational relationship research field (Ganesan, 1994; Morgan and Hunt, 1994; Lusch and Brown, 1996; Zhao and Cavusgil, 2006; Ryu et al., 2007; Canon et al., 2010).

Ganesan (1994), in the most influential paper on this topic, defined a firm's long-term orientation as the perception of interdependence of outcomes in which both a supplier's outcomes and joint outcomes are expected to benefit the firm in the long term. Thus, when a firm has a long-term orientation, it believes that positive outcomes for the supplier will also benefit the firm itself. It is necessary to note that a firm's long-term orientation involves the expectation of a future relationship with a specific supplier, not a generalized orientation to all suppliers (Ganesan, 1994). This concept shows the

desire associated with doing business over a long-term perspective, whereby the firm is concerned with both current benefits and future outcomes (Kalwani and Narayandas, 1995; Joshi and Stump, 1999; Wang et al., 2008). A high degree of long-term orientation towards the partner implies a conception of the relationship not as something transitory, seeking rapid and tangible results, but as something involving continuity, in which the firm shows its willingness to commit and to make efforts that go beyond its short term private interests (Das and Teng, 2000). Having a long-term orientation can therefore be viewed as necessary to demonstrate commitment in the context of the relationship (Kelley and Thibaut, 1978; Joshi and Stump, 1999). And committed partners are more willing to make investments in valuable assets in order to consolidate the relationship and achieve a greater adaptation (Morgan and Hunt, 1994; Doney and Cannon, 1997). The influence of long-term orientation on commitment has been shown in previous empirical studies (for example, Pesämaa and Hair, 2007 or Joshi and Stump, 1999). Conversely, firms with a short-term orientation are interested exclusively in maximizing profits in each transaction that is assessing the relationship with their partner one transaction at a time. Long and short-term orientation can be conceptualized as polar opposites on a single dimension (Ganesan, 1994). In a short-term involvement, a partner may achieve relatively good outcomes by behaving in accordance with immediate self-interest. However, in long-term involvements, partners are encouraged to develop patterns of reciprocal cooperation (Van Lange et al., 1997a) and benefits can be greater. Long-term orientation aligns the incentives of the partners, as they know that they will be working together for a long time (Das and Teng, 2000). In the context of a continued relationship, partners have a better chance of developing mutual understanding and cooperation (Ryu et al., 2007).

The long-term orientation perspective adopts a managerial approach that is based on more than just daily contact and requires time and effort to develop (Pesämaa and Hair, 2007). As Griffith et al. (2006) suggested, long-term orientation is expected to have three specific outcomes: (1) Increase of relational behaviour due to the fact that the belief that long-term relationships are more effective stimulates the desire to keep a close relationship; (2) Minimization of conflict in the relationship; (3) Increase of satisfaction, because long-term orientation facilitates a stable relationship (instability is costly for both parties of the relationship). However, long-term orientation can also have some negative outcomes because certain opportunities may be lost as a consequence of remaining loyal to the partner (Pesämaa and Hair, 2007).

In addition to long-term orientation, the literature deals with other concepts that reflect key aspects of long-term firm-supplier relationships, including the relationship

continuity or the longevity of the relationship. Long-term orientation has been differentiated from “expectations of continuity of the relationship”, a concept that was proposed by Noordewier et al. (1990), and which captures the probability of a future relationship between the parties. Long-term orientation goes beyond mere probability and focuses on the desire for and intent to establish long-term relationships, rather than on the desire for probable future interactions (Ganesan, 1994; Morgan and Hunt, 1994; Chung et al., 2006). Also, as indicated by Ganesan (1994), long-term orientation and relationship duration are different. Both elements can probably be related, but whereas long-term orientation is a good indicator of closeness of the relationship, the duration of the relationship may not capture how close the working relationship is.

Regarding the assessment of long-term orientation, and in the absence of measurement scales, Ganesan (1994) developed a seven-item scale to measure this construct through interviews with retail buyers and vendors. These items, representing a firm’s long-term orientation, captured the focus of a firm on different elements of a relationship: Long-term goals, long-run profitability, concern for outcomes and long-run concessions. Consequently, this is a complex variable measured by different elements and we believe that a distinction can be established between (a) the elements relating objectives, profitability and outcomes, and; (b) those relating to the willingness to make concessions or sacrifices towards the other party. One thing is the desire and the concern to maintain a profitable relationship whose objectives are long term and another is the explicit willingness to make concessions or sacrifices in situations that could involve no correspondence. Willingness to sacrifice involves foregoing one’s own immediate self-interests to promote the well-being of the partner, and has been pointed out in the literature as an important element in the interpersonal relationships framework (Van Lange et al., 2007a, b; Etcheverry and Le, 2005). In the context of inter-organizational relationships, when partners’ preferences do not correspond, one or both firms may find it necessary or desirable to sacrifice their needs for their partner’s needs. Willingness to sacrifice “embodies a more general form of prosocial motivation, which can be evoked by a variety of different situations in which partners’ interests do not entirely correspond” (Van Lange et al., 1997b). Willingness to sacrifice goes beyond the desire and the concern to maintain a profitable relationship. By showing sacrifice, a firm communicates commitment to the relationship and consideration to the partner (Kelley, 1979; Powell and Van Vugt, 2003; Etcheverry and Lee, 2005; Van Lange et al., 1997a, b).

The differences in the scales used in subsequent studies for measuring long-term orientation may result from the existence of the afore two dimensions. These

scales are more or less accurate adaptations of the Ganesan’s (1994) scale. However, while some studies are relatively faithful to the original scale (Yu and Pysarchik, 2002; Lee and Dawes, 2005; Chung et al., 2006; 2008; Wang et al., 2008; Ural, 2009), others do not consider the items relating to long-term sacrifices or concessions (Polo and Cambra, 2005, 2006, 2007; Wong et al., 2005; Zhao and Cavusgil, 2006; Canon et al., 2010). The different nature of the willingness to make concessions/sacrifices from the other elements used by Ganesan (1994) in the long-term orientation scale could have led some authors to ignore this dimension when measuring the construct. However, none of these studies explains why it drops this dimension of analysis. All of them argue for the construction of the scale from Ganesan’s work (1994), but none justify the reasons why items associated with concessions/sacrifices are omitted.

Accordingly, the first purpose of this work lies in exploring long-term orientation dimensionality. Moreover, the effects exercised by the two main antecedents of long-term orientation (trust and dependence) on the dimensions identified will be also analyzed.

The antecedents of long-term orientation: trust and dependence

The relationships established between a firm and its suppliers can be more or less closed and complex (Hunt et al., 1989; Leuthesser, 1997; Rexha, 2000). These relationships are conditioned by multiple factors that interact and determine conditions and results (Morgan and Hunt, 1994; Camarero and Gutiérrez, 2004). Trust and dependence are the two variables that have generally been considered key antecedents for long-term orientation.

Trust and long-term orientation

Trust is a concept associated with the beliefs held by one of the parties to the relationship about the reliability and integrity of the partner (Morgan and Hunt, 1994). The firm’s trust in a supplier is important, since it is the basic element permitting promises and relationships to be established and maintained (Bitner, 1995; Berry, 1995). Trust means that the good will of a supplier is not questioned by the customer, that the promises made by one party do not lead to uncertainties in the other, and that communication between the partners is honest, open and frequent (Czepiel, 1990).

In TCA (Williamson, 1975, 1985) trust is considered to be a key element for reducing transaction costs. The assumption of limited rationality implies that all complex contracts are necessarily incomplete and that opportunistic behaviours may lead the parties to take advantage

of any possible contingencies not foreseen in them (Williamson, 1985). In this context, trust involves a reduction in uncertainty levels regarding the possible opportunistic behaviour of a partner (Granovetter, 1985; Madhok, 1995), thus decreasing transactional problems (Powell, 1990; Ring and Van de Ven, 1992; Gulati, 1995; Gulati and Singh, 1998). As Kramer (1999) pointed out, trust reduces the transaction costs involved in searching for information on prices and alternative suppliers, in the inspection and measurement of the objects exchanged, in communication between the parties, and in legal advice. To sum up, the presence of trust in an inter-organizational relationship will lead to lower transaction costs, as it will not be necessary to incur high costs in drawing up, supervising and redesigning complex contracts to enable the development of the relationship. As Ganesan (1994) has pointed out, in relationships based on trust, partners are likely to respond to inequities by providing long run solutions and not by exhibiting short-term opportunistic behaviour. Therefore, in a situation if the supplier is trusted, the firm will be willing to invest in the relationship, thereby emphasizing its long-term orientation. Indeed, a positive relationship between trust and long-term orientation has been reported in some studies (Ganesan, 1994; Yu and Pysarchik, 2002; Lee and Dawes, 2005; Zhao and Cavusgil, 2006; Ryu et al., 2007). Therefore, the greater the trust that the firm places in the supplier, the lower will be the transaction costs inherent to the relationship and the greater the long-term orientation of the firm, leading us to formulate the first of our hypotheses:

H₁: A firm's trust in a supplier positively influences the firm's long-term orientation.

But, beyond this hypothesis linking trust and long-term orientation, could we establish some kind of relationship between trust and the two expected dimensions of long-term orientation previously exposed (the desire to maintain a relationship that is expected profitable; the willingness to make concessions/sacrifices)? In most channel relationship studies, trust is defined as the extent to which a firm believes that its exchange partner is honest and/or benevolent or some variant thereof (Liu et al., 2008).

A firm's honesty trust in a supplier is associated with the belief that the supplier stands by its word, fulfils promised role obligations and is sincere (Dwyer and Oh, 1987; Anderson and Narus, 1990; Kumar et al., 1995). When firms hold positive beliefs about partner honesty and believe that the supplier will fulfil its obligations and commitments, the cost/benefit analyses and the evaluation of reward potential will be more positive. Consequently, honesty should lead to stronger long-term orientation based on the desire to maintain a relationship that is expected profitable. Moreover, a firm's

benevolence trust in a supplier is associated with the belief that the supplier is interested in the firm's welfare (Rempel et al., 1985; Kumar et al., 1995). Benevolence has been shown in the literature to be the subjective or emotional side of a relationship, associated with affective commitment (Voss et al., 2006) and sacrifices (Ganesan and Hess, 1997). These authors argued (p. 442) that "trust based on benevolence involves actions that place a party at greater risk on behalf of their partners. Such acts of benevolence tend to be interpreted as strong indicators of trust because of the personal sacrifices involved". Thus, benevolence should lead to stronger long-term orientation based on sacrifices/concessions. In accordance with what we have already explained, we can hypothesize:

H_{1a}: A firm's honesty trust in a supplier, compared with its benevolence trust, has a stronger effect on the firm's long-term orientation based on the desire to maintain a relationship that is expected profitable.

H_{1b}: A firm's benevolence trust in a supplier, compared with its honesty trust, has a stronger effect on the firm's long-term orientation based on concessions/sacrifices.

Dependence and long-term orientation

Dependence refers to a firm's need to maintain a relationship with another party in order to achieve its desired goals (Frazier, 1983). The level of a firm's dependence on a supplier will depend on several factors: a) the degree to which the firm's business would be affected by the loss of that supplier; b) the degree to which the supplier is critical to the firm; and c) the lack of alternative suppliers (Heide and John, 1988; Ganesan, 1994; Mukherji and Francis, 2008).

From an economic point of view, dependence has been defined as the power that one firm has over another (Zaheer and Venkatraman, 1995; Mukherji and Francis, 2008). In a relationship where a substantial part of a firm's business depends on one large supplier, the latter may have a degree of coercive power over the former (Mukherji and Francis, 2008). A significant contribution made to the power-dependence debate derives from TCA (Hingley, 2005), according to which, once a partner has made an investment in specific assets, its dependence relative to the other party is reinforced (Williamson, 1985; Buchanan, 1992; Joshi and Stump, 1999). This leads it to increase its long-term orientation to ensure an adequate return on the investment (Yu and Pysarchik, 2002). Indeed, as Ganesan (1994) points out, studies of long-term orientation in buyer-supplier relationships have concentrated mainly on the importance of transaction-specific investments in determining it. Certain studies have also highlighted the existence of a positive relationship between dependence and long-term

orientation (Ganesan, 1994; Lush and Brown, 1996; Yu and Pysrchick, 2002). These arguments lead us to propose the following hypothesis (in this case we cannot establish different effects of dependence on the two exposed dimensions of long-term orientation):

H₂: Firm's dependence on a supplier positively influences firm's long-term orientation.

METHODOLOGY

Data collection procedure

We investigated and verified our hypotheses on firm-supplier relationships in the context of short sea shipping by focusing on relationships involving road transport firms and shipping companies. More specifically, the study population consisted of the international road transport firms that use short sea shipping between Spain and Italy via the Port of Barcelona. However, no directory or database was available from which to extract information on the international road transport firms using this system. We were able to overcome this obstacle by visiting the terminals of the Port of Barcelona repeatedly and drew up a database of the international road transport firms that make use of short sea shipping lines. 120 international road transport firms were identified, and the managers in charge of short sea shipping operations were contacted. The goals of the study were explained and they were asked to fill in a questionnaire. They were also told they would receive a report with the results of the study.

A total of 81 firms agreed to collaborate in the study and respond to the questionnaire designed for the purposes of the investigation, representing 67.5% of the total number of firms contacted. The questionnaire considered the possibility of a transport firm working with more than one shipping company and 25 firms were found to work with two different shipping companies. Consequently, given that the unit of analysis is the road transport firm–shipping company relationship, the number of units of observation rose to 106. This number of observations may be considered as enough to carry out the subsequent statistical analyses that would allow us to test the theoretical hypotheses put forward.

Measures

Long-term orientation was assessed using 7 items, taking Ganesan (1994) study as reference. This scale captures the expectations of international road transport firms concerning their working relationship with the shipping company in the future.

Trust was operationalized on two dimensions, based on Kumar et al. (1995): (1) Trust in the honesty of the partner, that is, the belief that the partner – in this case the shipping company – will stick to its word, fulfilling promised role obligations, and is sincere (5 items); (2) Trust in the benevolence of the partner, that is, the belief that the partner has an interest in the firm's welfare and will not undertake any unexpected actions that may be damaging to it (5 items). Trust, therefore, exists when a firm believes that its partner is honest and benevolent.

In this study dependence has been measured through adaptation, because although dependence is normally measured through the existence of alternative suppliers, in this case the alternative to the supplier (shipping company) does not lie in the existence of other shipping companies providing the same service but on the road as an alternative to shipping. Adaptation is when

one of the partners in a relationship changes or adapts its processes or the item exchanged to accommodate the other party (Walter and Ritter, 2003); consequently, its dependence on the partner increases. The degree of adaptation of road transport companies to working with shipping company may be higher or lower. The greater the adaptation, the more difficult it is to return to the road, so the dependence on the shipping company increases. In our study, the four items used to measure the road transport firm's adaptation to work with its supplier, were taken from an exploratory study by López-Navarro et al. (2005). Adaptation was assessed in connection with four aspects: (1) Fleet restructuring; (2) Staff restructuring; (3) Improvements in work systems and methods for operating with the supplier; (4) Investments facilitating and making more efficient tasks involving the supplier.

Measurement analysis

The effects of trust and dependence on long-term orientation were estimated using partial least squares (PLS). PLS is a confirmatory second-generation multivariate analysis technique (Fornell, 1987) that allows for the examination of both latent and manifest variables simultaneously. PLS deals effectively with formative scales, is distribution free, and is a powerful instrument for analysing small samples (Wold, 1986; Chin 1998).

Following the two-stage approach of Anderson and Gerbing (1988), we started by establishing a measurement model, and then separately, a structural equations model. The evaluation of the measurement model involves analyzing the dimensionality, reliability and validity of the constructs. To this end we used the Smart PLS 2.0 program (Ringle et al., 2005). With regard to long-term orientation, initially, an exploratory factor analysis was carried out, with the aim of analysing the dimensionality of the construct. Table 1 shows the results of the analysis, from which we may infer that there are two dimensions: one relating to the desire to maintain a relationship that is expected to be profitable and another to concessions/sacrifices. The results obtained show that long-term orientation is a two-dimensional construct.

Tables 2 and 3 show the details of the analysis of the reliability and validity of the different scales. First, we examine item reliability according to the loadings. Following the generally accepted recommendation, we retain items with values higher than 0.7, which implies that there is more shared variance between the construct and its measure than error variance (Bagozzi and Yi 1988; Fornell and Larcker 1981). In addition, the AVEs (average variance extracted) of the constructs are greater than the critical value of 0.5 (Fornell and Larcker 1981). Therefore, the convergent validity of the constructs is satisfactory. The composite reliability of all the scales is greater than the recommended value 0.6 (Bagozzi and Yi 1988; Fornell and Larcker 1981; Werts et al., 1974). A criterion to confirm the discriminant validity is that the square root of a construct's AVE should be greater than its bivariate correlation with the other constructs in the model (Fornell and Larcker 1981). The findings that appear in Table 3 suggest that discriminant validity is satisfied because the diagonal elements (square root AVE) are greater than the off-diagonal elements in the same row and column.

RESULTS

This section provides the results obtained from the estimation of the model, and attempts to respond to the proposed hypotheses. The estimation was carried out using PLS and Figure 1 shows the results. The significance

Table 1. Exploratory factor analysis.

Long-term orientation –desire to maintain a relationship that is expected profitable	Factor loadings
Maintaining a long-term relationship with this shipping company is important to us	0.865
We believe that in the long run our relationship with this shipping company will be profitable	0.819
We focus on long-term goals in this relationship	0.712
We expect this shipping company to be working with us for a long time	0.842
Long-term orientation –concessions/sacrifices	
We are willing to make sacrifices to help this shipping company from time to time	0.884
Any concessions we make to help out this shipping company will even out in the long run	0.800

Correlations Matrix determinant = 0.088; KMO = 0.756; Variance explained Factor 1 = 52%; Variance explained Factor 2 = 21.3%. The item "We are only concerned with our outcomes in this relationship (scale reversed)" was removed because factor loading was lower than the required value.

Table 2. Reliability and validity of the measurement model.

Variable	Loadings	t-value	Cronbach's alpha	Composite reliability	AVE
Long-term orientation –desire to maintain a relationship that is expected profitable					
Maintaining a long-term relationship with this shipping company is important to us	0.764	9.39	0.854	0.900	0.693
We believe that over the long run our relationship with this shipping company will be profitable	0.853	13.79			
We focus on long-term goals in this relationship	0.855	9.10			
We expect this shipping company to be working with us for a long time	0.855	11.04			
Long-term orientation –concessions/sacrifices					
We are willing to make sacrifices to help this shipping company from time to time	0.851	16.34	0.666	0.857	0.749
Any concessions we make to help out this shipping company will even out in the long run	0.880	24.35			
Trust-benevolence					
Though circumstances change, we believe that this shipping company will be ready and willing to offer us assistance and support	0.778	14.29	0.852	0.894	0.628
When making important decisions, this shipping company is concerned about our welfare	0.723	8.00			
When we share our problems with this shipping company, we know that it will respond with understanding	0.780	11.64			
In the future, we can count on this shipping company to consider how its decisions and actions will affect us	0.835	20.95			
When it comes to things that are important to us, we can depend on this shipping company's support	0.841	24.08			
Trust-honesty					
Even when this shipping company gives us a rather unlikely explanation, we are confident that it is telling the truth	0.672	5.11	0.822	0.877	0.642
<i>This shipping company has often provided us information that has later proven to be inaccurate (scale reversed)^(*)</i>	<i>Eliminated^(*)</i>				

Table 2. Cont'd

This shipping company usually keeps the promises that it makes to our firm	0.857	9.61			
Whenever this shipping company gives us advice on our business operations, we know that it is sharing its best judgment	0.814	10.94			
Our organization can count on this shipping company to be sincere	0.849	8.23			
Dependence					
Our firm has restructured its fleet to adapt to the operation of <i>Short Sea Shipping</i> with this shipping company	0.962	21.15			
Our firm has restructured its staff to adapt to the operation of <i>Short Sea Shipping</i> with this shipping company	0.835	9.82			
Our firm has improved its systems and methods of work to adapt to the operation of <i>Short Sea Shipping</i> with this shipping company	0.876	17.93	0.918	0.941	0.800
Our firm has made substantial investments in order to be able to work efficiently via <i>Short Sea Shipping</i> with this shipping company	0.901	13.79			

([†]) This item was removed from the original scale because it presented factor loading lower than the required value.

Table 3. Discriminant validity(*).

	LTO–desire maintain relationship	LTO–concessions	Trust-benevolence	Trust-honesty	Dependence
LTO–desire maintain relationship	0.832	0.381	0.109	0.279	0.233
LTO–concessions	0.381	0.866	0.465	0.311	–0.066
Trust-benevolence	0.109	0.465	0.792	0.644	–0.199
Trust-honesty	0.279	0.311	0.644	0.801	0.002
Dependence	0.233	–0.066	–0.199	0.002	0.895

(*) The main diagonal shows the square root of the AVE. Below and above the main diagonal are shown the estimated correlations between the factors.

of the coefficients was obtained by means of a bootstrap of 500 sub-samples (Chin, 1998). The variances of the dependent latent variables, explained by the R^2 constructs, are greater than 0.1, allowing for a positive evaluation of the model (Falk and Miller, 1992). Additionally, and using G*Power (Franz et al., 2007), we performed the statistical power analysis; the value obtained exceeded the minimum level of 0.8 required for social sciences (Cohen, 1988). Overall, the assessment of the measurement and the structural models indicates that the results of our estimation are acceptable.

The first of our hypotheses (H_1), which posited a positive relationship between trust in the supplier and long-term orientation of the firm, was partially corroborated by the results of the estimation. Firstly, because only the benevolence dimension of trust influences significantly the concessions/sacrifices dimension ($\beta = 0.461$; $p < 0.01$), and not the dimension associated with the desire to maintain a relationship that is expected profitable ($\beta = -0.044$; $p > 0.05$). And secondly, because in the case of the honesty dimension, the opposite

occurs, impacting significantly the dimension associated with the desire to maintain a relationship that is expected profitable ($\beta = 0.307$; $p < 0.05$), but not the concessions/sacrifices dimension ($\beta = 0.015$; $p > 0.05$). Therefore, these results corroborate hypotheses $H1a$ and $H1b$.

Regarding the second hypothesis (H_2), which established a positive relationship between the supplier dependence and the long-term orientation of the firm, the results of the estimate, permit a partial corroboration of the hypothesis (as in the previous case). The influence of dependence is only significant for the dimension associated with the desire to maintain a relationship that is expected profitable ($\beta = 0.224$; $p < 0.05$), but not for the concessions/sacrifices dimension ($\beta = 0.026$; $p > 0.05$).

DISCUSSION

First, the results of this study identified two dimensions of

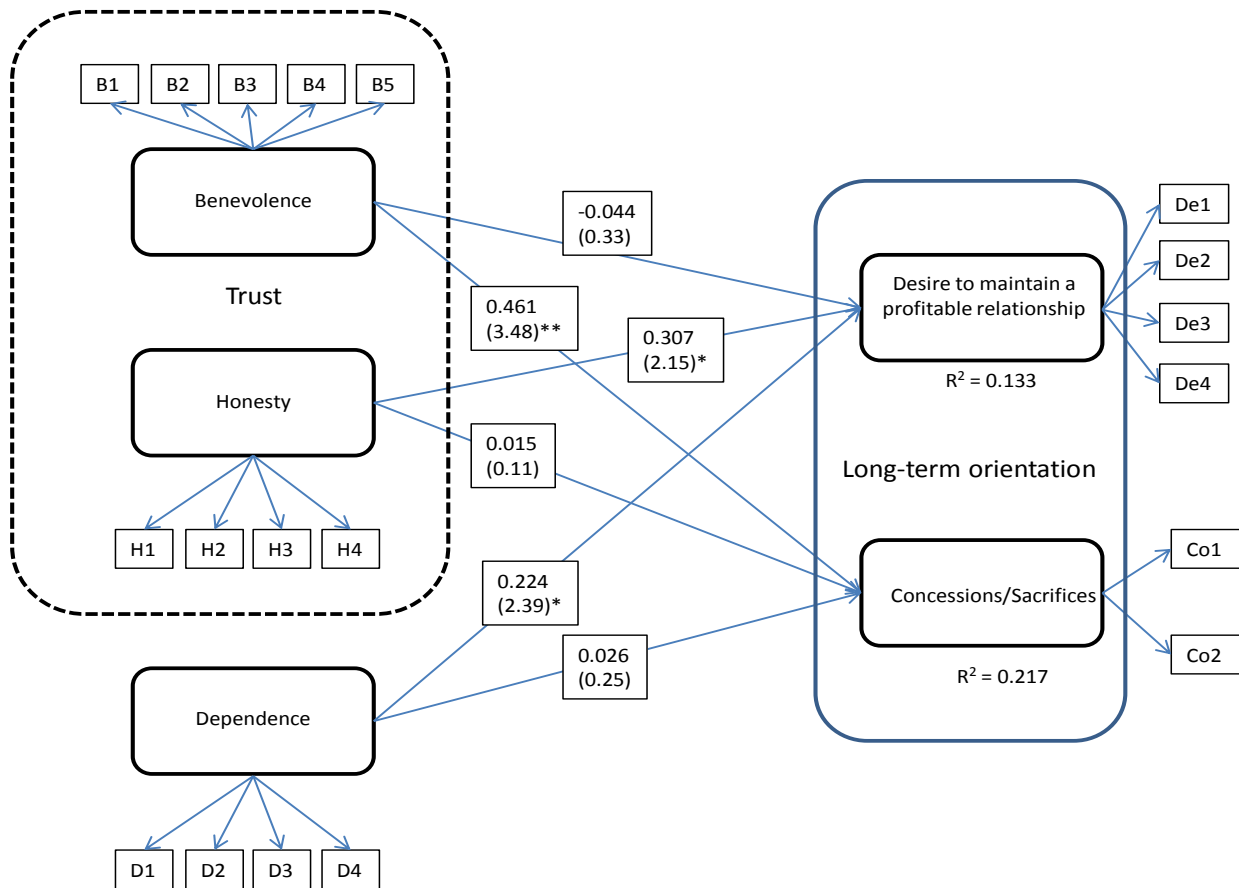


Figure 1. Estimate model.

* $p < 0.05$; ** $p < 0.01$

long-term orientation, which represents an important contribution to the research on this topic. Additionally, the findings revealed that the two trust dimensions traditionally considered in the literature – honesty and benevolence – have diverging impacts on the two long-term orientation dimensions identified in this research. Specifically, partner honesty (the belief that the partner is sincere, keeps his word and fulfils his obligations) significantly influences the long-term orientation dimension associated with the desire to maintain a relationship that is expected to be profitable. This shows that firms are willing to establish and maintain long-term relationships with honest and credible partners who enjoy a good reputation, and expecting to benefit from these relationships. It is, however, the partner's benevolence (the belief that the partner is really interested in our welfare), and not its honesty, that condition a firm's willingness to make concessions or sacrifices in inter-organizational relationships. When a firm perceives that a supplier cares about it and takes it into consideration in its plans, it is willing to make sacrifices to maintain and foster the

relationship. Any long-term firm-supplier relationship requires that the supplier meet its obligations and behave predictably; however, it is the supplier's benevolence, not stemming from reliability per se, but from actions or behaviour demonstrating trustworthiness, that really makes the firm willing to make concessions or sacrifices that benefit the supplier. This result is consistent with the study carried out by Voss et al. (2006), which established a positive relationship between credibility and calculative commitment, meanwhile benevolence is associated with affective commitment. If a firm believes its partner to be honest, its assessment of potential rewards accruing from the relationship will be positive; but belief in a partner's benevolence should result in strong identification and bonding at a deeper, affective level.

These findings may help explain the mixed results between trust and long-term orientation in Ganesan's (1994) paper. Ganesan hypothesized a positive relationship between the two dimensions of trust and long-term orientation. However, benevolence was not found to be significantly related to long-term orientation. This result is

described by Ganesan (1994) as surprising, and suggests that firms are trained to focus on objective evidence of reliability rather than the motives of their channel partners. However, an alternative explanation for these mixed results may be the non-distinction of the two dimensions of long-term orientation.

On the other hand, dependence also has a different effect on the two long-term orientation dimensions. It is convenient to point out, however, that this result can be a consequence of the way in which we measure dependence as resulting from a firm's adaptation to a relationship. Investments made by the firm to accommodate its relationship with the supplier increase the firm's long-term orientation dimension associated with the desire to maintain a relationship that is expected profitable. As the firm's adaptation leads to an improved relationship, it increases the likelihood that the latter will continue successfully in the long run. On the other hand, the firm's dependence derived from these investments has no influence on the concessions/sacrifices long-term orientation dimension. This result is at odds with most of the literature on interpersonal relationships, which shows a positive correlation between investments and willingness to make sacrifices (Van Lange et al., 1997a, b). A possible explanation may be that the firm's efforts to adapt may reduce its willingness to make further sacrifices or concessions in favour of the supplier.

Conclusions

This study focuses on the dimensions of long-term orientation and its antecedents. The importance of this construct in the field of inter-organizational relationships and the differences in the scales used for its measurement justified a study of this nature. The findings of this work reveal very important data, and are crucial to the literature in that they identify two dimensions of the long-term orientation: One dimension associated with the desire to maintain a relationship that is expected to be profitable and another associated with the willingness to make concessions or sacrifices. In addition to this, once the double dimension of long-term orientation has been confirmed, our research also shows how the two main antecedents of long-term orientation – trust and dependence – have different effects on the two dimensions identified. And this result reinforces the existence and the different nature of the two dimensions of long-term orientation. Consequently, we consider it interesting to highlight how the relationship between these variables – trust and dependence – and long-term orientation, which is widely supported by the literature, can be dealt with in greater depth. Thus, the study underscores the value of conducting research in the supplier-firm relationships field by considering both long-term orientation dimensions.

Besides the theoretical implications, results from this study also have implications for managers in supplier-firm relationships. Firstly, they show the need for the supplier to create an adequate climate of trust, on which the customer firm's decisions about future interaction will largely depend. Thus, the supplier must be aware that it can modify its customer firms' orientation through actions and behaviours that encourage their trust. However, this can be done in different ways. Specifically, honest behaviour increases the customer firms' desire to maintain a relationship that is expected to be profitable in the long term; and, on the other hand, establishing benevolence trust is what encourages the customer firms' willingness to make concessions or sacrifices in favour of the relationship. Understanding the different effect that benevolence and honesty have on long-term orientation may help both supplier and customer to improve their relationships.

Overall, the findings of this research further our understanding of the long-term orientation and its antecedents in the firm-supplier field. However, although these results are encouraging, they are tempered by the limitations of the research. As the first limitation of our study, we must point out that the results obtained are contingent on the context analysed. This study does not aim to provide an exhaustive model to explain long-term orientation in all its dimensions. Its goal is limited to evaluating the effect of two dimensions – trust and dependence – that can contribute to increasing this long-term orientation and more specifically, to analyse the effect of these antecedents on the two long-term orientation dimensions that were identified. Nevertheless, there may exist other variables capable of influencing long-term orientation (for example, previous results of the relationship), the analysis of which would contribute to broadening the picture. In this sense, future studies should conceptualize and estimate more complex models. On the other hand, the sample taken for this empirical study relates specifically to supplier-firm relationships in the field of logistics. Although the main characteristics of firm-supplier relationships in this field are common to other sectors, the relationship between long-term orientation, trust and dependence may vary in different industry contexts. Therefore, future empirical research should be broadened to include multiple industries. We encourage extension of our study so that greater confidence can be placed in the findings.

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