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APPROACHES TO INTERDISCIPLINARY ONTOLOGICAL EVOLUTION OF DIMENSIONS OF GLOBAL GOVERNANCE THEORY

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Abstract

This article systematizes the ontology of Global governance or world governance and the processes of their inclusion in policy decision process. Global governance or world governance is the political interaction of transnational actors aimed at solving problems that affect more than one state or region when there is no power of enforcing compliance.

First, We provide an interdisciplinary ontological evolution of dimensions of governance theory and Incentives, Means of enforcement and Planning. Secondly, We focus on three different governance forms. Lastly, We examine on patients with global governance of the organizational structure of the Turkish exporters and importers of textile firms to analyze the effect of transformation will be attempted.

Key Words: *Global Governance, Textile Sector, Uni-lateral Learning and Bilateral Learning*

KÜRESEL YÖNETİŞİM TEORİSİNİN DİSİPLİNLERARASI ONTOLOJİK BOYUTLARINA YÖNELİK YAKLAŞIMLAR

Özet

Bu çalışma, Küresel yönetişim veya dünya hükümeti kavramının kamu siyasası üretim sürecindeki etkileri ontolojik bir sistematik bağlamında ele alınmıştır. Küresel yönetişim veya dünya hükümeti, ulus-üstü aktörlerin etkileşimi içerisinde ülkelerin veya bölgesel yönetimleri etkileyen sorunların devletler arası resmi işbirliği çerçevesinde çözecebileceğini belirtir. Çalışmada ilk olarak, Küresel yönetişimi teşvik edici unsurlar, planlama ve uygulamaya yönelik araçlara ilişkin açıklamalarda bulunulmuştur. İkincil olarak, üç ayri yönetişim biçimine odaklanılmıştır, Son bölümde ise küresel yönetişim olgusunun Türk ihracatçı ve ithalatçı tekstil firmalarının örgütsel yapılarının dönüşümüne olan etkileri analiz edilmeye çalışılmıştır.

Anahtar Kelimeler: *Küresel Yönetişim, Tekstil Sektörü, Tek Yönlü Öğrenme, Çok Yönlü Öğrenme*

Introduction

Dynamic global competition in textiles is world to stay. If the Turkish Government's policy decisions and the strategies followed by individual producers, Industy will determine whether its export growth results in trade conflict-harmful or benefit to everyone. Turkish textile industrialists, most of whom has created their own trademark together with the patent rights, provide the most important foreign home textile and clothing companies with their fabric. Many pattern design competitions that make important contributions to development of fabric design in Turkey are organized by different institutions leading to emergence of young designers and creation of product diversity. Turkey takes part in many famous international fairs in textile sector, international textile fairs were organized within Turkey and Turkey's potential is shown successfully all over the world.

Two important ideas are taken seriously in this research. The distinction is made between value claiming and value creation. While governance of value claiming in IORs has been widely examined, governance of value creation has not. The other idea is that IORs are different as long as different types of cooperation (or interdependence) are at play, and We rely on the notion of relationship components.

As different cooperation types can occur simultaneously in relationships, they can be described as relationship components. In *logistical relationship components* economic transactions are administrated. Value creation occurs as logistical efficiency. In order to create value, the buyer could for example require information regarding the supplier's production processes, delivery reliability etc., and the supplier could require information regarding technical specifications and delivery schedules in order to handle "the point of contact" with the other party better (Borys and Jemison, 1989; 246).

Uni-lateral learning occurs when the cooperation entails that only one party develop skills (deepening, broadening or developing new skills) on the basis of "input" from the other. Such cooperation has been observed by a number of different authors. For example is it possible to use received information about products or markets for making improvements (Gulati and Singh, 1998). Chetty and Eriksson (1998) describe how inexperienced exporters can use domestic importers as bridgeheads in order to learn about local businesses, institutions and internationalisation. Porter (1980) describes how customers that demand innovative solutions stimulate suppliers to develop innovative products. Also, Shipley et al. (1989) describe how exporters motivate their foreign distributors by providing product and market information, training etc., and Raia (1991) describes how Rank Xerox has reduced product development lead-time. This is mainly due to supplier suggestions (e.g. on improvements in quality and material savings), after these have been encouraged to participate more in this development work. Von Hippel (1988)

makes similar observations. *Uni-lateral development* occurs as either supplier or buyer development, for example when a buyer understands the supplier's organisation and is capable of making contributions that are valuable to the supplier in his efforts for improving own performances. Handfield et al. (2000: 37) define supplier development as "any activity that a buyer undertakes to improve a suppliers performance and / or long term supply needs". Examples of such activities are training, providing incentives to improve performance and monitoring (Krause, 1997). Watts and Hahn (1993) find that improvements in product quality are the must important goal of supplier development programs. Then there is buyer development. e.g. Bello and Gilliland (1997) who find that insightful monitoring can improve performance in relationships between exporters and foreign distributors. In *bilateral learning ties* the parties are reciprocally interdependent and need to learn from each other and hence their capabilities are jointly affected (Borys and Jemison, 1989: 241). Borys and Jemison (1989: 246) describe how suppliers become integrated in the buyer's production processes work closely with the firm to make suggestions about improving product quality, new materials etc.

Governance Theory and Applications: Uni-lateral Learning and Bilateral Learning

Successful value creation requires appropriate value creation initiatives (and commitment) in the relationship. By value creation initiatives We refer to actions undertaken by one or both firms in a dyadic relationship that positively affect value creation in the an interoperable object reference (IOR).

Value creation initiatives in logistical relationship components. Value creation in logistical relationship components equals technical and administrative cost efficiency in exchange. Important value creation initiatives are: 1) Making transaction specific investments, 2) Adaptations (in plans or actions) to exchange partner, and 3) information exchange between the points of contact for achieving boundary permeability. *Value creation initiatives in uni-lateral learning.* Value creation in uni-lateral learning means that information is "transacted" between the two parties. One party acts as a sender, and the other party acts as a receiver. One important value creation initiative is that the sender actually provides such information. *Value creation initiatives in uni-lateral development***.** Value creation in uni-lateral development means that one party develop own skills while being coached by the other party. One important value creation initiative is the quality of this coaching. (Another is the effort for capitalising on this coaching.) *Value creation initiatives in bilateral learning.* Value creation in bilateral learning ties means that both parties develop their own skills by working closely together. The most important value creation initiative is the sharing of valuable, proprietary knowledge.

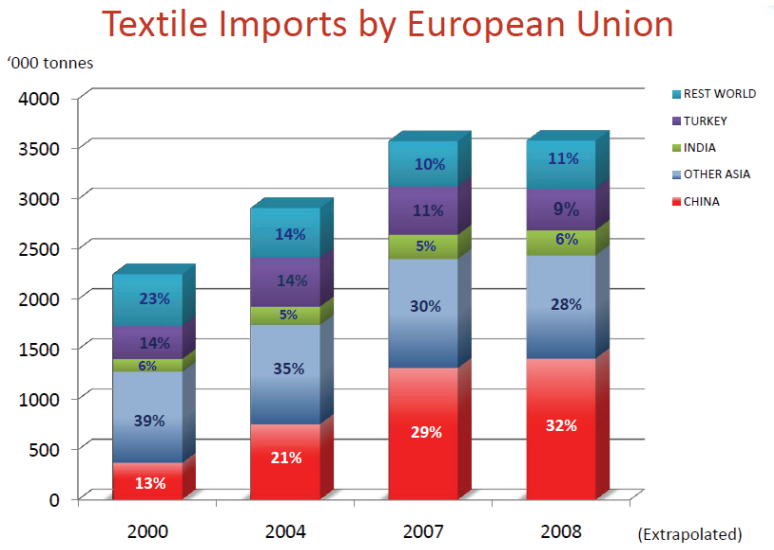
In this research We focus on the following *dimensions* of governance: 1) *Incentives,* 2) *Means of enforcement* and 3) *Planning,* and three different *governance forms*: 1) Market governance, 2) Hierarchical governance and 3) Relational (bilateral) governance (Heide, 1994).

Incentive system. While market governance means that incentives are entirely related to the completion of one transaction, hierarchical governance is related to recurrent transactions and can be outcome- or behaviour based, meaning that the exporter (or buyer) rewards such value creation initiatives from the other party. One important implication is that unilateral (hierarchical) governance can be perceived as "reward schemes" adopted for different relationship components. Under bilateral governance rewards are related to the commitment to the incentive systems are long-term; the parties accept that individual transactions not necessarily are profitable to them, and "membership" is a reward in its own right. *Means of enforcement.* Enforcement mechanisms (beyond the incentive system) ensure that contractual obligations are fulfilled (Macauley (1963), Palay (1984). Market governance entails that the legal system is used (Palay, 1984); there is maintenance of competition (Walker and Weber, 1984) or offsetting investments in other relationships (Heide and John, 1988). Hierarchical governance entails a contractual arrangement that provides decision-making authority in some areas (Stinchcombe, 1985). Relational (bilateral) governance relies on the establishment of common values and expectations of future interaction (Axelrod, 1984). Heide points out that while hierarchical governance enforces by means of direct control, the other governance forms rely on incentive structures. *Planning* refers to how responsibilities are determined ex ante (Macauley, 1963). Market governance implies that planning is limited to individual transactions, while a key aspect of hierarchical governance is prespecified contingency plans through a centralised decision process (Cyert and March, 1963). Under relational (bilateral) governance "plans" are more like "aids or frames of reference rather than strict specifications of duties" (Heide, 1994: 77), and the result of a decentralised decision process.

Turkish Textile Industry

The history of textile production in Turkey goes back to the Ottoman period. In the 16th and 17th centuries, textile production was widespread and at an advanced level. The fact that until the end of the empire the Ottoman industry was heavily relied on textile industry was the clear indication of the importance of the sector. Having rapidly developed in the 20th century, a great textile production capacity was created in Turkey between the years 1923-1962. The extensive growth of the cotton in Turkey, the most important raw material of the textile industry, was further contributed to the development of the textile sector during the following years. Until 1972, the sector gained more strength due to the finalization of first planned development period. The period between 1980 and 1989 was witness to opening to

the foreign markets. The textile sector has made important contribution to the development of clothing industry as well. In the 1990's, the share of textile sector within the total Turkish exports reached to 11% by showing a high export performance. The industry, today, has become one of the most important components of the Turkish economy with its export value of 6,1 billion dollar. As parallel to the expectations of the formation of Customs Union with the European Union (EU), the production capacity of the sector increased in the 1990's. With regards to machinery capacity, Turkey has 3,4% of short staple spinning capacity, 5,3% of long staple spinning capacity, 6,7% of OE rotor capacity, 2,4% of shuttleless weaving looms capacity, 1,9% of shuttle weaving looms capacity and 5% of wool weaving looms capacity by the year 2005.



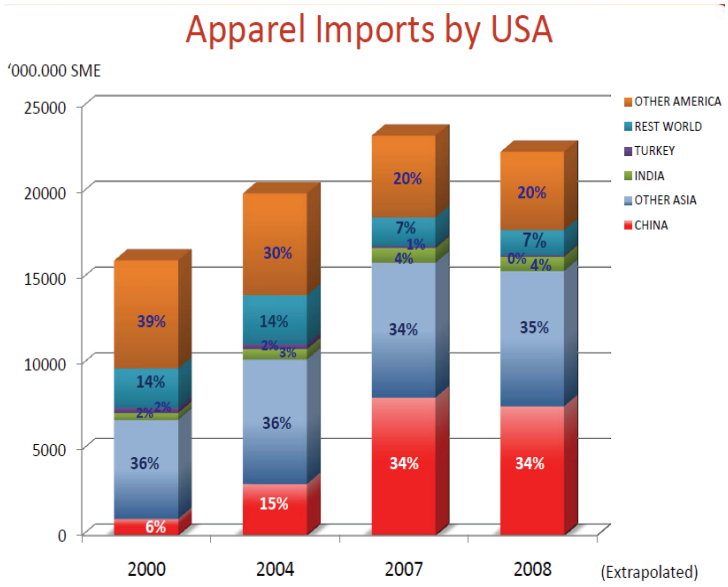
Source: Undersecretariat of Foreign Trade

As a more capital intensive industry as compared to clothing industry, most of the companies in the sector are medium scale. The industry has also large scale companies having integrated production facilities. There are nearly 7.500 textile manufacturers producing for the textile export of Turkey. The production facilities mainly concentrated in Istanbul, Izmir, Denizli, Bursa, Kahramanmaras and Gaziantep. Turkish textile industry uses modern technology. Existence of a welldeveloped textile finishing industry in Turkey makes also possible production and marketing of highly value added, fashionable and quality products. Cotton textile products such as cotton, fiber, yarn and woven fabrics constitute about 21,8% of total textile exports. The main export items are knitted fabrics, cotton woven fabrics, woven fabrics of synthetic filament yarns, bed sheets and bags - sacks for

packaging. Main advantages of Turkish textile industry in production and supply of raw materials:

- Richness in basic raw materials (ranked sixth in the world with the annual cotton production about 900.000 tons and production of synthetic and artificial fibers in substantial amounts) and Geographical proximity to main markets, especially European markets Short logistics period due to geographical proximity.

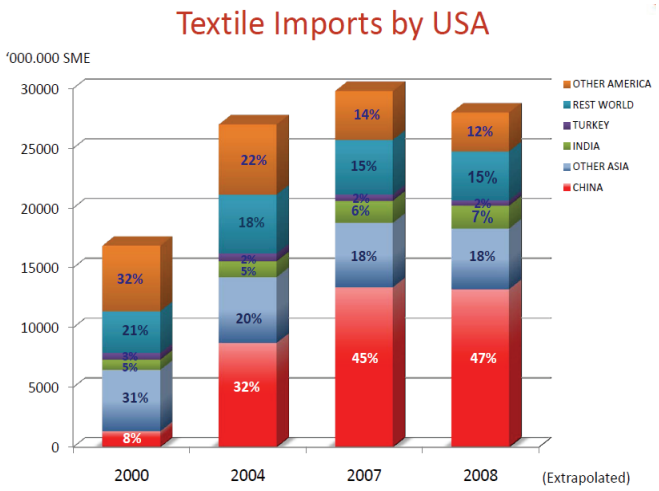
- Qualified and well-educated labor force and Liberal trade policies and Well-developed textile finishing industry and Giving importance to quality, environment and human health, sensitivity on working conditions of workers and Customs Union agreement with the European Union and free trade agreements with many other countries



Source: Undersecretariat of Foreign Trade

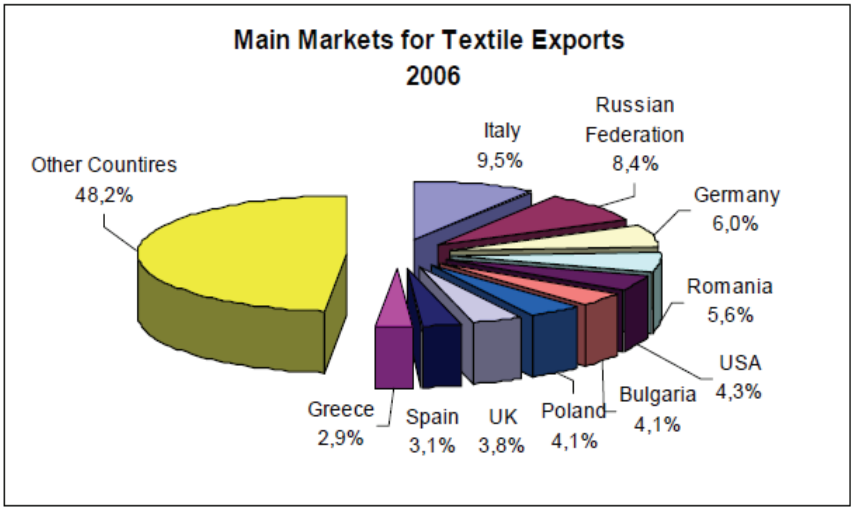
While the export value of the textile sector was 1,42 million dollar in 1990, it has reached to 6 billion dollar by the end of 2006. In other words, total textile exports of Turkey over quadruple within the last 16 years. According to UN statistics for 2005, Turkey ranked eleventh in the world with the share of 3% and second in the EU market with the share of 13,6%. In 2006, as far as country groups are concerned, Turkey exports 44,5% of textile products to EU countries. The second important country group is the Former Soviet Republics including Russian Federation, Azerbaijan, Uzbekistan with the market share of 11,4%. Advantages of Turkey in using advanced technology, richness in raw materials and geographical proximity to

main markets also lead to market diversification for textile exports. On the country basis, the most important export markets for the Turkish textile industry are Italy, Russian Federation, Germany and Romania, respectively. In addition, it should be noted that there is a high level of concentration on certain markets. For example, textile exports to top ten countries account for 54% of total textile exports. However, it is shown intense efforts in recent years in order to create diversified export markets.



Source: Undersecretariat of Foreign Trade

"Turkey, as being one of the most prominent textile and clothing producers in the world, now, has the production capacity to meet almost all the raw material needs of clothing industry. Some part of cotton and artificial and synthetic fibers needed by the industry are met by means of importation. Turkey has also gained valuable experience in fabric design and it is started to present its special designs with fashion shows in prominent markets. Turkish textile industrialists, most of whom has created their own trademark together with the patent rights, provide the most important foreign home textile and clothing companies with their fabric.



Source: Undersecretariat of Foreign Trade

Annual Turkish Textile Exports

Year	Total Exports (1000 $)	Textile Exports (1000 $)	Share of Textile Exports in total (%)
1990	12.959.289	1.424.249	*11,0*
1991	13.593.539	1.374.357	*10,1*
1992	14.365.414	1.369.322	*9,5*
1993	15.345.000	1.457.490	*9,5*
1994	18.107.000	1.944.818	*10,7*
1995	21.637.041	2.130.665	*9,8*
1996	23.224.465	2.352.142	*10,1*
1997	26.261.072	2.730.421	*10,4*
1998	26.973.952	2.811.763	*10,4*
1999	26.588.264	2.733.641	*10,3*
2000	27.774.906	2.818.768	*10,1*
2001	31.339.991	3.060.947	*9,8*
2002	36.059.089	3.204.383	*8,9*
2003	47.252.836	3.943.499	*8,3*
2004	63.167.153	4.952.271	*7,8*
2005	73.476.408	5.477.132	*7,5*
2006	85.278.802	6.143.377	*7,2*

Source: Undersecretariat of Foreign Trade / March 2007

Main Markets for Turkish Textile Exports

	2005 (1000 $)	Share in total %	2006 (1000 $)	Share in total %	06 / 05 Change %
Italy	495.019	*9,0*	581.943	*9,5*	17,6
Russian Federation	409.499	*7,5*	513.160	*8,4*	25,3
Germany	328.783	*6,0*	370.633	*6,0*	12,7
Romania	315.519	*5,8*	346.044	*5,6*	9,7
USA	265.033	*4,8*	264.919	*4,3*	0,0
Bulgaria	213.950	*3,9*	251.098	*4,1*	17,4
Poland	194.107	*3,5*	249.857	*4,1*	28,7
UK	206.185	*3,8*	231.596	*3,8*	12,3
Spain	166.935	*3,0*	193.117	*3,1*	15,7
Greece	141.434	*2,6*	178.862	*2,9*	26,5
10 Countries Total	2.736.463	*50,0*	3.181.229	*51,8*	16,3
Other Countires	2.295.902	*41,9*	2.962.148	*48,2*	29,0
Total Textile Exports	5.477.132	*100,0*	6.143.377	*100,0*	12,2

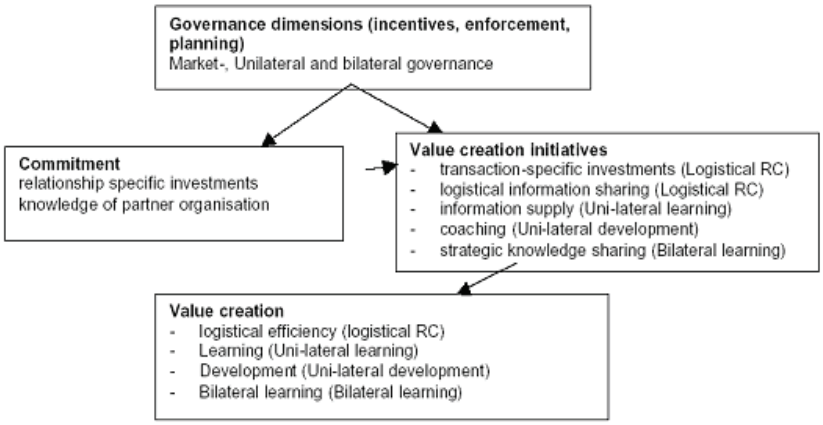
Source: Undersecretariat of Foreign Trade / March 2007

Many pattern design competitions that make important contributions to development of fabric design in Turkey are organized by different institutions leading o emergence of young designers and creation of product diversity. Turkey takes part in many famous international fairs in textile sector, international textile fairs were organized within Turkey and Turkey's potential is shown successfully all over the world.

Methods: Research Model

The research model is suitable for gaining insights that are valuable for further development of Borys and Jemison's (1989) theory on hybrids. This research also allows us to contribute to the theory on interorganisational competitiveness developed by Dyer and Singh (1998). The main purpose of the model is to allow for an examination of the effects of different governance dimensions and value creation initiatives. In addition, value-creation is included as a variable that allows for examining the effects of value creation initiatives on value-creation.

FIGURE 1: *Research Model*



The research model is based on specific assumptions about causality. The value creation perspective reverses causality compared to a value claiming perspective (Ghosh and John, 1999). For example, the value claiming perspective treats transaction specific investments as a "cause" (independent variable) that explains governance (dependent variable). As specified, the model is in accordance with the theories that this research intends to contribute to (Borys and Jemison (1989) and Dyer and Singh (1998).

Although advocated by Boris and Jemison (1989), the view that "a relationship is not a relationship", i.e. two cooperating firms can cooperate in different areas (logistics or others), there exists no readily available and researchable hypothesis in the literature that apply to different relationship components. Similarly, Heide's (1994) notion of different governance dimensions has not yet produced a wellgrounded conception of how different governance dimensions affects different value creation initiatives.

However, a review of governance theory suggests the following governance (dimensions') effects on value creation initiatives as summarised as in the figure 2.

FIGURE 2: *Propositions – govarnance effects on value creation initiatives*

VCI in:	Incentives	Enforcement	Planning
Logistical learning	M>R>H>0 (3)	R>M>0 (4)	H>0 (1) R>0 (1)
Uni-lateral learning		R>M>0 (4)	H>0 (1) R>0 (1)
Uni-lateral development	R>H>0 (2)	R>H>0 (2) R>M>0 (4)	R>H>0 (2) H>0 (6)
Bilateral learning tie	R>H>0 (2) R>0 (5b) H<0 (5a)	R>H>0 (2) R>M>0 (4)	R>H>0 (2) R>0 (5b) H<0 (5a)

M, H and R = Governance forms: Market, hierarchy and relational

Theoretical basis Empirical support

1 Borys and Jemison (198), Thompson (1967) Etgar (1976), Reve and Stern (1986)
2 Same as 1. Häkansson and Snehota (1995), Tuite (1972) Gadde and Häkansson (1983)
3 Ghosh and John (1999), Hrt (1989), Harth and More (1990)
4 Dyer and Sing (1998)
5 a+b Sivadas and Dwyer (2000), Borys and Jemison (1989)
6 Handfield et al. (2000), Grondori (1998)

Hypotheses: Empırıcal Study

In this study We undertake theory testing, meaning that construct validity and statistical conclusion validity are the two key validity concerns (Cook and Campbell, 1979). Even if an experiment or quasi-experiment are better suited than non-experimental field studies for testing causual hypothesis (Cook and Campbell, 1979), the latter is chosen here because the variables of interest cannot be manipulated in a controlled setting, and randomised experimental and control groups are not easily achieved as long as We do not have access to information for knowing which kind of relationship components a given respondent has experience from. Due to time limitations, a cross sectional nonexperimental field study is chosen. Structural equations modelling (EQS) is used for testing hypothesis regarding reliability and

validity. Regression analysis is used fo testing hypothesis regarding relationships between variables. Causality as such is all the way assumed, and findings are hence based on the assumption that the theory that is tested is correct. This means that my research design cannot establish directionality (that one variable x causes changes in another variable Y and that the cause preceeds the effect in time) (McGrath, 1982). The two other requirements for claiming causuality are isolation and association (Bollen, 1989). *Isolation* means that other (unmeasured) variables do not affect the causual relationships in the model. This requirement can be met by using a homogenous population in conjunction with the use of control variables (Mitchell, 1985). *Association* means that there must be an association between changes in independent variables' values with changes in dependent variables' values. This requirement means that model variables must demonstrate variation in values, and that effects have appeared. In interorganisational governance research this latter means that the relationship has existed sufficiently long so that changes in e.g. transaction specific investments, relational contracting norms etc. Have been allowed to change.

Empirical Setting: Turkish Textile Exporters and Importers

Such a single-industry study assumingly assures that the group of respondents is homogenous, and do afford some control over extraneous sources of variation due to industry characteristics, environmental noise etc. at the expense of external validity. Causuality concerns about isolation benefits from this homogenous sample.

Unit of analysis. The unit of analysis is the relationship component – meaning that this study's hypothesis concern relationship components. Relationship components has not been used as a variable in previous research. By means of a pilot study a typology (formative scale) was constructed. There are no good statistical tests for assessing validity and reliability of typologies, but feedback from respondents during the pilot study and during data collection, indicated that the categories cover the theoretical domain. We focused on the exporter's perceptions of the relationships. In this study We consider logistical relationship components. *Unit of observation.* The unit of observation is the Turkish exporter of textile, meaning that data are collected from these exporters. In this study each exporter was asked to supply data for two different foreign customers. They were asked to select these customers such that the relationship component (other than logistical relationship components) for one customer worked well, and the relationship component to the other worked "less well".

Unit of focus. In this study the results are intended to apply to vertical interorganisational relationships.

Data collection. The measure development process followed the guidelines developed by Churchill (1979) and Gerbing and Anderson (1988). Variables that

have been used and validated in other studied were identified for several variables, such as relational norms, value creation initiatives and control variables. Key informant primary data was collected by means of a structured questionnaire. Ideally, it is suggested that multiple informants should be used to reduce the risk of ending up with biased information (Philips, 1981).

The costs associated with administrating and effectuating such an approach are larger however, and We choose to use a single key informant for each dyadic relationship component. (For what concerns the exporter firms, there is often a single person that has the knowledge of interest, but multiple informants could have been implemented by using a key informant in the importer firm.) Apart from the formative scale used for measuring or classifying different types of cooperation into "relationship components", reflective scales were used.

A list of all Turkish textile exporters was provided by the Undersecreteriat of Foreign Trade. All 505 firms were contacted and asked if they operate as exporters of textile. (Those that answered that they only had marginal exporting or had just started up the business were judged to be irrelevant for this study.) Furthermore, We asked for the name of the person who is responsible for the company's exportation if there were several persons, We asked for all names. Finally, addresses and telephone numbers were checked. This initial phone survey revealed that many of the listed companies were not currently engaged in exporting. 222 firms were excluded from the sample as they were not engaged in exports (207 firms) or were not reachable.

The exporters that were identified were assigned into two groups. The first group is made up of respondents in 80 companies located in Turkish cities (Istanbul, Bursa, and K. Maras) These companies were mailed a letter of introduction where I motivated them to participate in the study. 1-2 weeks later We followed up the key-informants by phone and those who agreed to participate received part one of the questionnaire (by post, fax or e-mail) while part two was collected during a personal following-up meeting.

Most respondents had completed part one before the meeting started, and completed part two during this meeting. 52 of these 80 companies filled out the questionnaire, which means that I achieved a response rate of 65%. The other group (Group 2) consists of the remaining respondents in 203 companies located outside these city-centres and those respondents in group one that We were not able to cover or that was not able to receive us (they were out of their office or too busy) during my visits to these cities. These respondents received the same introductory letter, and also the questionnaire along with a pre-paid return-envelope. They also were offered the option to receive the questionnaire by e-mail for completion and return by e-mail (only 3 opted for this). 37 companies completed the questionnaire, for a response rate of 19%. The overall response rate is then 34%.

FIGURE 3: *Comparisons: Group 1 and Group 2 – T- tests for differences between means*

	Sum of Squares	**F**	**Sig.**
Duration	23	,469	,494
Turnover in relationship	3231186287	5,465	,020
Product sales	884117158361	10,908	,001
Exports	608698197671	9,862	,002
Employees (exporter)	235419	6,086	,014
Experience (exporting)	3995	3,775	,053
Experience (product)	1134	1,767	,185

There are differences between the relationships reported by respondents in group 1 and group 2. Clearly, firms in group 1 are, on the average, larger; they have higher sales (and exports figures) and they have a higher number of employees. In addition, the reported relationships in group 1 are "larger" – annual turnover is higher and exporting experience is somewhat higher. An inspection of another measure of average, the median, reveals that even if firms in group 1 are larger, as measured by the number of employees (106 versus 52), firms in group 2 are more homogenous (median 30 versus 8). Following the suggestions made by Armstrong and Overton (1977), early returned questionnaires were compared to late returned questionnaires (in group 2) on several variables in order to check the assumption that late responders share similar characteristics with early responders. The 30 first and 30 latest relationships were examined (n=60). Only exporter size is found to be significantly different in the two groups – late responders are larger. *Measures.* Based on earlier theoretical and empirical operationalisations, the questionnaire was pretested in personal interviews with 8 exporters in order to assure that the questionnaire as such is suited for the textile industry and that it is not out of context.

Discussion

For evaluating the measurement model, EQS is used in order to be able to allow for measurement errors in the observed variables. Since EQS has no "sound" procedures for dealing with missing data, complete data sets are needed. Values were imputed by a simulation technique that produces imputed values for missing

data that are generally valid because they incorporate uncertainty due to missing data (Schafer, 1997). Multiple imputation removes in fact all non-response bias that can be explained by observed values for the cases with missing values. In this sample, only 3% of the observations were missing. Two items tapping the reliance on third party enforcement (market conflict resolution) revealed heavily skewed and kurtotic distributions. A closer inspection revealed that the reliance on third party enforcement is virtually non-existent in the sample. Through discussions with exporters several made the point that it was a waste of time and resources to use the legal system. For one thing, lawyers are not familiar with the trade. Only in extreme cases courts represent a sensible instance to use.

Construct validity assessed by structural equations modelling. Due to the low number of observations for other relationship components than logistical, only the latter is assessed. In other relationship components principal components analysis and regression were used to purify measures. An EQS measurment model with factors that were allowed to covariate with each other was estimated in order to assess unidimensionality (Anderson and Gerbing, 1988). Latent factors were scaled by use of reference indicators. Initially, negatively worded items were examined since they worked poorly (statistically) they did not show high correlations with other items. We tried to introduce a method related factor for negatively worded items but this hypothesis was clearly rejected, and these items was excluded from further analysis.

FIGURE 4: *Comparing the Two Models*

	RELINV	**KNOWPD**	**EXPTSI**	**IMPTSI**	**INFOL**
RELINV	1.00				
KNOWPD	.48	1.00			
EXPTSI	.65	.22			
IMPTSI	.73	.19	0.63	1.00	
INFOL	.54	.37	0.20	0.38	1.00

According to Bentler (1995) a sample size of 180 means that the number of parameters to be estimated in EQS can only be as high as 36. This means roughly that the model can include up to 5 latent factors. Due to the large number of parameters to be estimated, value creation initiatives and commitment-variables, were considered first (5 latent factors). A second model included all governance variables (8 variables). *Convergent validity* is demonstrated by significant factor loadings (Anderson and Gerbing, 1988), i.e. factor loadings different from zero. Robust statistics produce t-values in the 7-12 range for all factor loadings. The hypothesis that any factor loading is zero is rejected, which indicate that there is convergent validity. *Discriminant validity* is said to be achieved if the confidence

interval (+ - two standard errors) for the estimated correlation between two factors does not include the value 1.0. The hypothesis that two factors constitute a single factor, is tested by a nested model approach where these two factor are merged into one. Chi-square statistics a model where RELINV (relationship specific investments) and IMPTSI (transaction specific investments made by importers) are treated as a single factor is 126,2 (df= 51) ($p<0.001$). Comparing the two models, the assumption that there are two factors (instead of one) reduces the chi-square value with 42,7 (df=3). This reduction is significantically larger than zero ($p<0.01$). The same results are obtained when examining other pairs of factors with high correlations. Hence, there is evidence of discriminant validity. Satisfactory convergent and discriminant validity were also indicated for governance variables.

Reliability

In general, factor loadings higher than .5 are indicative of acceptable reliability (Bagozzi and Yi, 1988). As can be seen from the reported factor loadings in the two models reported here, all factor loadings are larger than .6, except IMPTSI3 which has a (satisfactory) .525 value. The assumptions for principal components and regression analysis are less restrictive than those for EQS since the assumption that there is measurement error is abandoned. Furthermore, regression analysis is quite robust against violations of normality assumptions (Berrry and Feldman, 1985). Reliability is assessed by Chronbach's measure's reliability (Nowick and Lewis, 1967) but it is difficult to determine what values of -that can be said to be "satisfactory" or not. Instead of specifying "acceptable" -values, the researcher is recommended to report the reliability of a scale and how it was computed so that other researchers are in a position to evaluate if it is adequate (Carmines and Zeller, 1979). However, Carmines and Zeller consider that generally, widely used scales, should have values equal to or higher than 0.8. On the other hand Nunally (1978) introduces 0.7 as the lower limit. Construct validity can not be established in a single study but rather on the basis of a series of studies (Peter (1981), Chronbach (1971). While most the -values reports seem to be satisfactory, some are somewhat low (in the 0.6 – 0.7) range. These measures can probably be improved in later studies.

Conclusıon

FIGURE 5: Relationships between Governance Dimensions and Value Creation Initiatives

VCI in:	Incentives	Enforcement	Planning
Logistical RC	M>R>H>0 (3) R>0, H>0, M=0 (TSI) R>0, H=0, M<0 (Info)	R>M>0 (4) R>0 M=0 (H=0)	H>0 (1) R>0 (1) R>0, H>0 (TSI) R>0, H=0 (Info)
Uni-lateral learning	H>0 R>0	R>M>0 (4) R>0 R>0	H>0 (1) R>0 (1) R>0 H>0
Uni-lateral development	R>H>0 (2) R>0 H=0	R>H>0 (2) R>M>0 (4) R>0 M=0 (H=0)	R>H>0 (2) H>0 (6) R>0 H=0
Bilateral learning tie	R>H>0 (2) R>0 (5b) H<0 (5a) R>0 H=0	R>H>0 (2) R>M>0 (4) R>0 M=0 (H=0)	R>H>0 (2) R>0 (5b) H<0 (5a) R=? H=0

M , H and R = Governance forms: Market, hierarchy and relational. Hypotheses are underscored.

TSI = Transaction specific investments

Info = Logistical information sharing

Hypothesis 1, 2 and 4 are not rejected, while 3, 5 and 6 are. In general, the results suggest that different relationship components are best governed differently. In particular, hierarchical governance is well suited whenever there is sequential interdependence. Market governance fails to affect cooperation in IORs positively at

all, while bilateral governance has positive effects all over. This research is intended to aid practitioners in their efforts to manage relationships to customer firms successfully. Rather than building relationships to customer firms regardless of who they are, suppliers should build different relationships to different customer firms according to what is at play in these interorganisational relationships. Broadly speaking, different positioning strategies require different levels of commitment and contributions that label value creation initiatives from customer firms. Abandoning the relationship as the unit of analysis offers greater potential for guiding practitioners in their choice of governance forms. For example, Hayes and Abarnathy (1980) argue that vertical control discourages creative thinking and development in vertical relationships. Our propositions, abandoning the use of the relationship as the unit of analysis, offer a more nuanced perspective in that vertical control in some cases is expected to enhance value creation initiatives, while in other respects it is destructive. Research on interorganisational relationships is rooted on contributions from various theoretical disciplines. This research would have implications for research in marketing (distribution channels and marketing strategy) and alliances (interfirm cooperation in textile industry). TCA's focus on transaction costs has led to, like in the distribution channels literature, investigations of cost minimising motives for governing vertical relationships, although other, more strategic motives, are known to drive firms to engage in cooperative relationships (Oliver, 1990).

The GVA expand the TCA to include studies of strategic motives that drive firms to engage in cooperative relationships. The distinction between different relationship components made in this research makes it possible to investigate if these different components should be governed differently. Empirical support for our approach means that the current approach using the (entire) relationship as the unit of analysis has to be questioned and perhaps abandoned. Also, the debate on whether governance mechanisms should be regarded as substitutes or complements (e.g. Poppo and Zenger, 2000) benefits from our discussion since this debate then must take into consideration what is governed (relationships or relationship components). Furthermore, this research hopefully stimulates enquires into the relationship between governance of different relationship components.

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