

Role of uncertainties on trust and performance

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Abstract

Drawing on a transaction cost (TCA) perspective, this study examines the role that cultural distance plays in heightening behavioral uncertainty, with its associated measurement problem, and market turbulence, which creates environmental uncertainty and gives rise to an adaptation problem, for exporters. This study proposes and tests a model that assesses the means by which two informal governance mechanisms, i.e., the dimensions of interpersonal and interorganizational trust, mitigate the trading risks arising from cultural distance and market turbulence and in doing so foster relational and export performance. Our findings indicate that cultural distance relates positively to interorganizational trust and market turbulence relates positively to interpersonal trust. Interpersonal trust buffers the market turbulence–interorganizational trust link. This research also confirms findings from previous research in different empirical settings, including the positive association of interpersonal trust with interorganizational trust and relationship performance and the positive relationship of relationship performance with financial export performance. As a further contribution, this study's distinct research setting provides insights gathered with a self-reported survey questionnaire administered to 142 exporters from Ecuador. The findings thus offer both theoretical and managerial contributions.

Keywords: *cultural distance; environmental uncertainty; market turbulence*

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