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SCRUTINIZING RELATIONAL GOVERNANCE
STRATEGIES AT PORTS:
AN INTERORGANIZATIONAL ANALYSIS

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27/05/2019

Bayram Bilge SAĞLAM

ABSTRACT

Doctoral Thesis

Doctor of Philosophy (Ph.D.)

Scrutinizing Relational Governance Strategies at Ports:

An Interorganizational Analysis

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Ports' relationships with port users are at great importance for the overall performance of supply chains, depending on the increasing role now attached to ports. Although the exchanges in port supply chain are usually supported by contractual governance mechanisms, it is important for ports to develop certain relational norms in order to maintain their relations with port users at high quality levels, which eventually helps ports to achieve desired performance outcomes. In this sense, ports should carefully govern their relationships with other port industry actors through relational governance strategies with the purpose of creating synergies that guarantee high levels of productivity.

Although the related literature on port governance partially covers the role of relational norms, the motive of this study is derived from the need of a theory based qualitative research that would help understand how these norms are established and maintained.

By adopting Relational Exchange Theory proposed by MacNeil (1974) as the theoretical foundation of its model, this dissertation focuses on the role that relational norms play in determining the success of port industry relations. Therefore, the main purpose of this study is to reveal whether the development of certain relational norms positively influence quality of the relationships and thereby relationship-specific performances obtained from them. Moreover, the study aims to reveal context specific manifestations of relational norms in order

to point out what exactly needs to be done for the development of relational norms.

The data have been gathered via interviews conducted through the professionals from the terminal operating companies in Aliğa port cluster and port customers/users that use at least one of these terminals. The results reveal that relational governance plays an important role in constituting trust, commitment and satisfaction in between parties, which in turn help improving operational and financial performances of the parties. On the other hand, the tendency on contractual governance is found to be related to the organizational culture of the parties, but relatively limited because of the intense competition in the region. What is more, development of certain relational norms namely solidarity, flexibility, information sharing and conflict resolution is found to be critical for the success of ports under investigation, since they are considered as relational determinants which shape port users/customers' decision of port choice.

Keywords: Relational governance, Relational Norms, Interorganizational Relationships, Solidarity, Flexibility, Information Sharing, Conflict Resolution, Port Management, Port Supply Chains.

ÖZET

Doktora Tezi

Limanlarda İlişkisel Yönetişim Stratejilerinin İrdelenmesi:

Örgütlerarası Bir Analiz

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Limanların tedarik zincirlerinde üstlendiği rollerin artışı doğrultusunda, kullanıcılarıyla olan ilişkilerinin tedarik zincirlerinin toplam performansı üzerindeki etkisi oldukça önemli hale gelmiştir. Her ne kadar liman tedarik zincirleri kapsamındaki mübadeleler genellikle kontrata dayalı yönetim mekanizmalarıyla desteklense de, istenen performans çıktılarına ulaşmaya yardımcı olacak yüksek ilişki kalitesi seviyelerinde ilişkileri sürdürmek adına limanların bu ilişkileri belirli ilişkisel normlar doğrultusunda geliştirmesi gerekmektedir. Bu anlamda, limanlar yüksek verimlilik seviyelerini güvence altına alacak sinerjiler üretmek hedefiyle liman endüstrisi aktörleriyle olan ilişkilerini ilişkisel yönetim stratejilerine dayalı olarak dikkatlice yönetmelidir.

Her ne kadar liman yönetim literatürü, ilişkisel yönetim stratejilerinin yapı taşları olan ilişkisel normları kısmen ele almış olsa da, bu normların nasıl oluştuğunu ve sürdürülebileceğini anlamaya yardımcı olacak teori tabanlı nitel bir araştırmaya olan ihtiyaç bu çalışmanın temel motivasyonudur.

MacNeil (1974) tarafından ortaya konulan İlişkisel Mübadele Teorisini araştırma modelinin temeli olarak alan bu tez, liman endüstrisi ilişkilerindeki başarının belirlenmesinde ilişkisel normların rolüne odaklanmaktadır. Bu çerçevede, araştırmanın temel amacı belirli ilişkisel normların geliştirilmesinin ilişkinin kalitesini ve dolayısıyla ilişkidenden elde edilen performansı olumlu yönde etkileyip etkilemediğini ortaya koymaktır. Buna ek olarak, araştırma ilişkisel normların liman endüstrisine özgü tezahürlerini ortaya koymayı ve böylece

ilişkisel normların geliştirilmesi adına limanların tam olarak hangi stratejileri takip etmesi gerektiğini belirlemeyi hedeflemektedir.

Araştırmada kullanılan veriler Aliğa liman bölgesinde yer alan konteyner terminallerinde ve bu konteyner terminallerinden en az birini kullanan liman müşterisi/kullanıcısı firmalarında görev yapan uzmanlarla gerçekleştirilen mülakatlar aracılığıyla elde edilmiştir. Araştırmanın bulguları örgütler arası güven, bağlılık ve memnuniyetin sağlanması, dolayısıyla örgütlerin operasyonel ve finansal performansının artırılmasında ilişkisel yönetim stratejilerinin önemli bir rol üstlendiğini göstermektedir. Bunun yanı sıra kontrata dayalı yönetim eğiliminin araştırmaya konu olan ilişkilerde örgütlerin kültürüne dayalı olarak şekillendiği, ancak bölgedeki yoğun rekabete bağlı olarak kısıtlı olduğu tespit edilmiştir. Ayrıca araştırmanın bulguları dayanışma, esneklik, bilgi paylaşımı ve çatışma çözümüleme normlarının, liman müşterilerinin/kullanıcılarının liman seçiminde belirleyici olan ilişkisel faktörler olarak kabul edildiğini ve araştırmaya konu olan limanların başarısında kritik öneme sahip olduğunu tespit etmektedir.

Anahtar Kelimeler: İlişkisel Yönetişim, İlişkisel Normlar, Örgütlerarası İlişkiler, Dayanışma, Esneklik, Bilgi Paylaşımı, Çatışma Çözümüleme, Liman Yönetimi, Liman Tedarik Zincirleri.

**SCRUTINIZING RELATIONAL GOVERNANCE STRATEGIES AT PORTS:
AN INTERORGANIZATIONAL ANALYSIS**

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ABBREVIATIONS

| | |
|--------|--|
| AEO | Authorized Economic Operator |
| CFS | Container Freight Station |
| CSI | Customs Security Initiative |
| CSR | Corporate Social Responsibility |
| C-TPAT | Customs-Trade Partnership Against Terrorism |
| EDI | Electronic Data Interchange |
| GPO | Global Port Operators |
| GTO | Global Terminal Operators |
| ICT | Information Communication Technologies |
| IMO | International Maritime Organization |
| IOR | Interorganizational Relationship |
| ISPS | International Ship and Port Facility Security |
| IT | Information Technology |
| OCR | Optical Character Recognition |
| RET | Relational Exchange Theory |
| RFID | Radio Frequency Identification Device |
| RQ | Research Question |
| SCEM | Supply Chain Event Management |
| SOLAS | Safety of Life at Sea |
| TCE | Transactional Cost Economics |
| TEU | Twenty-foot Equivalent Unit |
| TOC | Terminal Operating Companies |
| TOPA | Terminal Operating Port Authorities |
| TOS | Terminal Operating Shippers |
| UNCTAD | United Nations Conference on Trade and Development |
| VGM | Verified Gross Mass |
| WCO | World Customs Organization |

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app. p.1



INTRODUCTION

This dissertation offers an in-depth investigation of relational governance strategies pursued by ports and their impact on relationship quality and the performance of maritime supply chains in which the ports are positioned as critical actors. This introduction section will thoroughly explain the general framework of the research by explaining the research background, theoretical foundation of the research and the research context that the study has a particular focus on.

Research Background

Throughout the modern history, ports have gone through critical milestones in which their functions as well as management philosophies needed to be reconfigured (Stopford, 2009: 81). Today, ports are prominent as the most important logistics infrastructures embedded in the global supply chains that shape the international trade. The functions that a port has, now is much more complex from the past (Flynn et al., 2011). Besides their basic function, which is to create a link between sea and land for the transportation of goods, ports need to fulfill all sorts of logistical needs of their users (Carbone and De Martino, 2003; Yıldırım and Deveci, 2016). Their ability in doing this determine the success of their business both operationally and commercially.

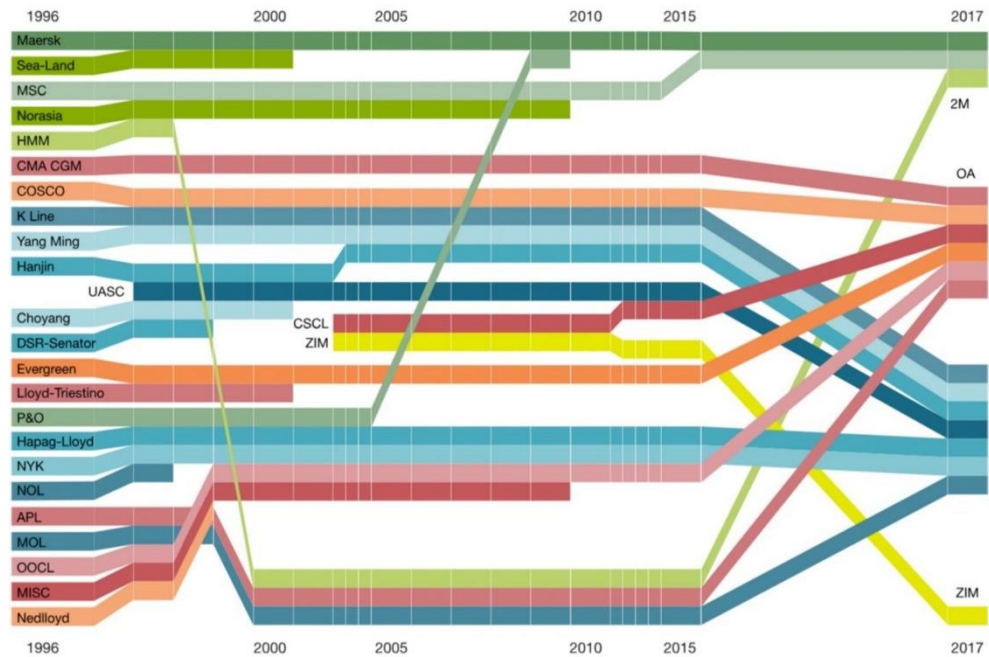
Considering that the changing role of the ports cover performing wider functions by utilizing greater management capabilities, ports are now positioned as hubs of global supply chains and eventually their performance have become even more critical for the success of the overall supply chain performances (Robinson, 2002). In this line, it is now well acknowledged that it is the joint performance of the maritime supply chain actors that determine the outcomes related with the operational and commercial success rather than the individual performances of the ports (Pantouvakis and Bouranta, 2017). Therefore, all the actors in the port industry –ship-owner companies, intermediaries, logistics firms and cargo owners- are seeking collaborative solutions to improve the end-to-end supply chain rather than solely focusing on their individual tasks within these chains (Murnane, 2017). For the ports' part, this means

that holding superior servicescape capabilities and spatial advantages may not be sufficiently commercialized, if necessary effort is not made on governing the relational dynamics of the industry (Franc and Vand der Horst, 2010).

Based on these changes in the port industry, managerial philosophy has also shifted to a more supply chain-oriented focus in which the concepts such as integration, coordination, cooperation, supply chain orientation and joint value creation come to the fore (Song and Panayides, 2008; Tongzon et al., 2009; Woo et al., 2013; Seo et al., 2016). UNCTAD (1994, 1999) and Flynn and Lee (2010)'s conceptualizations of port generations also highlight the same. The conceptualization underlines the major shifts in characteristics of port management practices since 60s to our day, and it is clearly seen that strategic significance of inter-organizational relationships (IORs) between the port industry actors have been gradually increased. Flynn et al. (2011) underline that the last generation of ports should succeed at customer orientation, which in turn would lead to superior service quality. In sum, competition between ports is now mainly driven based on the strategies on building stronger ties with their customers and users to exploit synergies (Notteboom, 2008).

When container port industry is particularly investigated, several industry-specific factors need to be addressed as they boost the increased attention attached on relationship governance. Mergers and alliance formations in between shipping lines is one of these factors that has influenced the change in port management (Franc and Van der Horst, 2010). This is due to the decreasing number of actors in the industry, as it means that any customer churn is now even capable of deadlocking the commercial sustainability of the ports. On the other hand, as the alliance formations are changing quite frequently (see Figure 1), it makes it even harder for ports to foresee the forthcoming years' cargo volumes and puts them in a vulnerable position (Saxon, 2017).

Figure 1: Alliance Shuffles in Liner Shipping (1996-2017)



Source: Saxon, 2017

In its report titled “Impact of Alliances in Container Shipping”, International Transport Forum (2018) explains the current challenge that port industry faces through the following statements:

“Within ports, alliances have frequently resulted in simultaneous over-utilization and under-utilization of terminals, related to a “winner takes all” dynamic related to the dominance of the three global alliances. Rationalization of alliance networks has reduced the number of direct port connections. Alliances and consolidation of the industry have contributed to the disappearance of smaller container ports and various independent terminal operators.”

Alongside this trend of consolidation in container shipping, another trend that is shaping the industry dynamics is the increasing share that global terminal operators -the port management companies that operate ports in global scale- now hold (Bichou and Bell, 2007). Together with this, competition between ports has become even more intractable. As a result of this, ports are in search of developing strategies that would

help achieving the loyalty of especially the shipping lines and cargo owners with high cargo volumes (Martin and Thomas, 2001), so that they can sustain their businesses.

The paradigm change in port management coupled with the recent industrial trends that put many pressures on ports highlights a rich research area for the scholars as well. The review articles of Woo et al. (2012) and Shi and Li (2016) provide proof to this, as both of them show that the number of port studies that employ supply chain management perspective increases rapidly since the early 2000s, currently holding a significant share in overall port researches. These studies evaluate the role of concepts that are driven from the general supply chain management literature within the context of port maritime supply chains. Although said stream of literature focuses on the joint performance achieved by the port industry actors, there is still a paucity of empirical research addressing the question of what are the relational dynamics behind a well-performing maritime supply chain. In their study on the relationship between shipping lines and terminal operators, Parola and Veenstra (2008) confirm that there is a need for more detailed analysis of cooperative strategies for the port industry actors to clarify the strategy trends that are shaped by the port reforms.

The motivation behind this dissertation is to fill this gap through revealing the role of interorganizational governance strategies for the achievement of desired performance outcomes within the port industry relations. The dissertation handles the issue in the framework of relational exchange theory (RET) which is mainly based on the argument that business-to-business relationships can only reach positive relational outcomes if the organizations in exchange develop certain relational norms. This study evaluates these norms as relational governance strategies, as suggested by Zaheer et al. (1995) and aims to reveal if truly the development of said norms generates expected levels of relationship quality and relational-specific performance for the port industry actors.

Due to the fact that ports' relationships with other maritime supply chain actors show different characteristics based on the scope and the density of interorganizational exchanges, the study categorizes these parties as port customers (referring to the liner shipping companies) and port users (referring to the cargo owners and the freight forwarders) as suggested by Palmieri et al. (2019). This enables making the distinction

of the functioning of relational governance strategies on each actor types and revealing the different aspects of the interorganizational exchange characteristics.

The originality of the study lies on its attempt to scrutinize port industry relationships through the lens of RET. Methodologically; it is carried out via qualitative techniques that are based on deductive reasoning. The study aims to contribute to the practice in port industry by pointing out how these governance strategies are linked with the development of successful maritime supply chains, which are characterized by high levels of relationship quality and jointly achieved performance. It is also expected that the study will be contributive to the theory through providing deeper insight on the norms by revealing their manifestation within a specific context (the port industry relations). Further details on the theoretical framework will be presented in the following section.

Theoretical Foundation

Due to the paucity of research regarding the governance strategies within the port industry relations, RET framework is adopted as the theoretical foundation of this study. As the theory particularly emphasizes the role of relational elements that shape the characteristics of business exchanges, its fundamental ground is considered to match with the changing paradigm in port management philosophy.

The theory is developed by Ian MacNeil (1974), a law scholar, under the title of relational contract theory. The essential point of MacNeil (1974)'s argument by this theory was to challenge the traditional assumption of contract law, which viewed all contracts as mere transactions. However, MacNeil (1974) pointed out that relational elements (particularly norms) have significant roles in determining the manner in which business relationships operate in practice (Mouzas and Blois, 2008). MacNeil (1980) also introduced the concept known as "transactional/relational continuum" by which he underlines that commercial transactions lie on the spectrum between "discrete transactions"- one shot transactions - and "relational transactions" –long-term relationships with more complexity- (Kaufmann and Stern, 1988). He argued that even the discrete transactions may involve certain levels of relational elements and the

degree of relationalism increases as the characteristics of the transaction get closer to the latter edge.

Although the theory was originated in contract law framework, it has received scholar interest by various research fields, since the theory proposes a new framework for the understanding of business relations. For instance, it has substantially influenced Williamson (1975)'s transactional cost economics (TCE) view to interorganizational relationship (IOR) governance, as TCE initially overlooked the role of relational elements in business exchanges. In his paper, Williamson (1985) incorporated elements from relational contracting theory of MacNeil (1978).

According to the review of Mouzas and Blois (2008), RET framework has been utilized in two major stream of studies; (i) the studies with “norms-based approach” and (ii) the studies with “incomplete contracts approach”. While the latter approach is particularly studied by organizational economists, the first approach has received wider scholar interest. This approach to RET has formed the foundation of many studies from different research areas such as organization theory, strategic management and relationship marketing besides the field of contract law where the theory originates (Fink et al., 2006).

Norm-based approach to RET:

This dissertation utilizes the RET framework within the norms-based approach, and views norm development as the source of relational governance strategies (Zaheer et al., 1995). Norms are conceptualized as expectations of behaviors that are set by the parties involved in a relationship with the aim of reaching to the collective goals (Gibbs, 1981). As they determine the limits of acceptable behavior, relational norms are considered to be critical social constructs that shape the governance of interorganizational exchanges (Griffith & Myers, 2005). Being based on mutuality of interest, norms enhance stewardship behavior and function as a facilitator of the relationships' wellbeing. In other words, the relational norms framework aims to create a social environment in which the unilateral interests that could harm the relationship as a whole are discouraged and the mutual benefit seeking is appreciated (Gundlach & Achrol, 1993). Unlike the contractual terms, relational norms are dynamic in nature

allowing the exchange parties adapt to changes, once a new information becomes available (Baker et al., 2002). Therefore, a relationship that is governed by means of these norms do not show strictness as in the case for a relationship that is heavily relied on contractual terms (MacNeil, 1980).

There has been a plethora of studies in the fields of IOR management and relationship marketing, testing the role of relational governance through norm development, with the purpose of explaining exchange behavior of organizations (Cao and Lumineau, 2015). These studies have mostly carried out their analysis on relational governance in comparison with contractual governance (e.g. Jap and Ganesan, 2000; Lazzarini et al., 2004; Carson et al., 2006). Their focus has been mainly on determining whether these two governance mechanisms are complementary or subsidiary of each other.

Another stream of literature within the relational governance field views relational norms as antecedents of relationship quality. The relationship quality has been conceptualized as a meta-construct covering relational outcomes such as trust, commitment and satisfaction that are perceived in a relationship. Especially within the context of supply chain relations, it is widely accepted that relational governance strategies have a significant influence on the quality of the exchanges (Ivens and Pardo, 2007; Yaqub, 2013). Moreover, the supply chain management literature provides evidence for the role of relationship quality dimensions in the improvement of productivity of the exchange, in both operational and commercial manners (Huntley, 2006). Although the port management studies underscore the role of relational dynamics in performance enhancement, empirical support to this relationship is still scant.

In order to fill this gap in the literature, the research is developed based on four research questions:

(1) *How are relational and contractual governance strategies formed within port industry relations?*

(2) *How are relational norms of solidarity, flexibility, information sharing and conflict resolution manifested within port industry relations?*

(3) *Does development of relational norms of solidarity, flexibility, information sharing and conflict resolution affect quality of the exchanges within port industry relations?*

(4) *Does relationship quality of port industry relations affect performance of the organizations in exchange?*

While the first two research questions seek to describe the constructs under investigation in port industry relations setting, the latter two seek to test whether the propositions deduced from the theory suit the practice in this setting. The expected links between constructs are illustrated in Figure 2.

Figure 2: Preliminary Theoretical Framework



Criticism to RET:

Although the norm-based approach to RET has provided significant contributions for our understanding of organizations' exchange behavior, there has been several criticisms to the theory as well. For instance, despite the extensivity of the relational norm literature, uniformed classification of the relational norms is still problematic. The main criticism on this issue is that the lack of standardization in definitions of norms and the broad nature of said definitions, causing overlaps (Joshi & Stump, 1999). It was mainly a result of the outnumbered norm dimensions proposed by MacNeil (1980). Mostly, the studies on relational governance overcome this practical obstacle by deducting the number of norms to be focused on based on their criticality for their research framework.

Moreover, Noordewier et al. (1990) argue that evaluating relational norms in a context free vacuum disables understanding their true nature. Considering that norms may be manifested differently in different types of exchanges (e.g. buyer-supplier, alliance relationships, public relations etc.), Noordewier et al. (1990)'s argument can

be considered as a criticism to the relational governance studies, which rarely aimed at revealing the norms' context specific manifestations.

Acknowledging these criticisms about the RET framework, this study puts special effort in overcoming these practical challenges. For the criticism about the overlapping of the norms, a deduction in the number of the norm dimensions was carried out in two phases. The first phase was based on the literature review to figure out which norms were employed in the researches with similar settings (buyer-supplier relations). The number of norms were deducted to six, consisting of solidarity, flexibility, information sharing, mutuality, role integrity and conflict resolution. The second phase of the deduction was based on interviews with port industry actors which helped revealing the most prominent norms in the context of port industry relations. Consequently, it was decided to employ four relational norms namely solidarity, flexibility, information sharing and conflict resolution in the theoretical framework of the study. Brief definitions of these selected norms are presented in Table 1. As for the latter criticism, this study aims to reveal the context-specific manifestations of these selected norms within the port industry relations.

Table 1: Definitions of Selected Relational Norms

| Relational Norms | Definitions |
|-------------------------|--|
| Information Sharing | Formal and informal sharing of meaningful and timely information between organizations. |
| Solidarity | Maintenance of the IOR by putting the joint benefits of the parties as the forefront. |
| Flexibility | A bilateral expectation of willingness to make adaptations as circumstances change. |
| Conflict Resolution | Application of flexible, informal and personal mechanism to the resolution of conflicts. |

Source: Compiled from Heide and John (1992); Kale et al., (2000); Blois and Ivens (2006)

Research Context

The study focuses on the port industry relations within a specific port cluster (Aliaga), as its characteristic is considered suitable for carrying out a research focused on relational governance. The justification behind this selection will be carried out in this section.

Considering that there are three container terminals located in this cluster, namely SOCAR Terminal, TCE Ege and Nempont, a focus on this port region allows comparison of said ports' governance strategies. As these three container terminals are all private ports, their aim is to maximize their profits and market share unlike the public ports which are rather focused on public good (Brooks, 2007). Therefore, their port governance model creates a denser competition, as all these ports are serving to the same hinterland with the aim of holding greater shares of the market. Although all these three terminals are private ports, their management and ownership structures are different from each other, which expectedly may result in differences in their relationships with port industry actors.

Moreover, as the establishment date (in terms of year) of these ports are different, results of the study is expected to give insights on the impact of relationship length with the port industry actors on relational success factors. The literature on IOR governance provides evidence for this argument. Above that, with the addition of each new port in the region, the port cluster has been experiencing many changes in the port calls of major shipping lines. This makes the cluster worth investigating, due to the fact that the relationships between these ports and port customers frequently faces reconfigurations.

Another rationale for the selection of Aliaga port cluster is related with container terminals' locational closeness. Considering that these three ports have very limited locational advantages towards each other (see Figure 3), it makes the cluster a suitable research context for this study. This is due to the fact that location of a port is one of the most important factors in determining port choice by port customers/users (Talley and Ng, 2012). Therefore, for the ports in Aliaga port cluster, relational governance strategies are expected to be more important to attract port customers/users

when compared to a port, which enjoys comparative advantages based on locational advantages.

Figure 3: Settlement of Container Terminals in Nemrut Bay, Aliğa



Source: Author's own composition illustrated on the Google Earth Snapshot

Further information on Aliğa port cluster and the three container terminals located in this cluster is as follows:

Aliğa, the industrial district of İzmir is neighbour to Manisa in the east, Bergama in the north, Menemen in the south and Foça in the south-west. İzmir-Çanakkale highway passes through this region and by using this highway the ports are accessible in 45 minutes from Izmir city center (İZKA, 2011). Although not fully integrated with the terminals, accessibility via rail way connection is also available as TCDD Biçerova Station is located approximately 600 meters away. The port cluster is located in Çandarlı Gulf and it hosts three container terminals alongside several other

terminals, which are focused on general cargo, dry bulk and liquid bulk operations. The cluster has a strategic importance for the trade in the Aegean Region and the container terminals in this cluster have become alternative for Port of Izmir (a public port located in the city center), since the establishment of the cluster's first container terminal in 2010 (Eroğlu and Bozyiğit, 2013).

The first private container terminal in the Aegean Region, Nempont, was established in 2010 with the investments of Akdeniz Kimya and is currently the only container terminal of the region that is 100% Turkish capital. The terminal currently has the capacity of 750000 twenty-foot equivalent units (TEUs) with its 160000 m² yard area, 840 meters quay length and 17,5 meters of draft (Nempont, 2019).

TCE Ege is the first venture of TCB Grup in Turkey, a global container terminal operator based in Spain. The establishment of TCE Ege container was a joint venture between TCB grup of Barcelona (10%) and local company Ege Gübre (Port Strategy, 2012). Current capacity of the terminal is 400000 TEUs, and the company declares that after several investments the capacity will reach up to 1 million TEUs (TCE Ege, 2019). The terminal has 703 meters of quay length and average draft of 17 meters (TCE Ege, 2019).

SOCAR Terminal, initially established as APM Terminals İzmir, is the third container terminal that has been established in Aliğa Port Cluster. The container terminal was initially established as a joint venture between Petlim and APM Terminals, one of the major global terminal operators of port industry (World Maritime News, 2012). The terminal has completed the first phase of the terminal and started its operations in December, 2016. The second phase was completed in 2017, which increased the capacity of the port from 800.000 TEUs to 1,5 million TEUs (SOCAR Terminal, 2019). In the final quarter of 2018, APM Terminals divested the container terminal to the State Oil Company of the Azerbaijan Republic (SOCAR) (Container-Mag, 2018). Now the terminal is run under the company name of SOCAR Terminal. The terminal has 42 hectares of logistics space, 700 meters of quay length and 16 meters of minimum draft level (SOCAR Terminal, 2019).

Table 2 presents the cargo throughput of these three terminals in between 2013 and 2018. In 2018, total container handled in Aliğa port cluster is reported as 944.705

TEUs, 8,7% of the TEUs handled in all Turkish ports (Deniz Ticareti Genel Müdürlüğü, 2018).

Table 2: Container Handling Statistics of Container Terminals in Aliğa (TEU)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| SOCAR Terminal | - | - | - | - | 207.000 | 277.000 |
| TCE Ege | 219.469 | 283.516 | 330.250 | 366.845 | 286.926 | 327.634 |
| Nemport | 258.275 | 256.554 | 254.311 | 271.751 | 313.596 | 390.071 |
| Total | 477.744 | 540.070 | 584.561 | 638.296 | 807.522 | 994.705 |

Source: TÜRKLİM (2016, 2017, 2018)

The container terminals in Aliğa port cluster constantly increases their significance for the international trade of Aegean Region, as the terminals receive more ship calls and cargo volume each year (Deniz Haber, 2018).

Structure of the Dissertation

This section has provided the introduction of the dissertation, by briefly explaining the need for a theory-based interorganizational strategy research within the context of port industry relations.

Chapter One starts with the terminology of port management literature and provides detailed information on the major changes in the port management philosophy, emphasizing their influence on port industry relations. This chapter also presents general characteristics of the relationships between ports and their users/customers from the IOR governance perspective.

Chapter Two consists of a literature review on relational governance strategies and presents the relational norms concept, which is the core antecedent of a successful IOR as proposed by RET.

Chapter Three covers the explanation of the outcome constructs respectively relationship quality and relationship-specific performance. The chapter includes

definitions of these concepts and a discussion on the empirical evidence regarding their role in interorganizational exchanges.

Chapter Four presents the propositions on the expected relationships between constructs that are conceptualized in previous chapters. These propositions are developed based on the RET framework and presented together with the related findings from both supply chain and port management literatures.

Chapter Five explains the research methodology including the data collection process, analysis technique and rigor of the study. Chapter Six presents the findings on each research question separately. Lastly, the dissertation is concluded by carrying out a discussion and revealing and practical and academic contributions of this study.



CHAPTER ONE

INTERORGANIZATIONAL RELATIONS IN PORT SUPPLY CHAINS

Ports are prominent infrastructures embedded in the global supply chains, which all the other maritime supply chain actors are connected to. All the functions that these terminals fulfill, including their conventional functions such as acting as an interface between sea and land and meeting all complex logistics needs of their users, need to be carried out in coordination with other actors of port supply chains.

To reveal the general characteristics of the relationships between ports and these actors, this chapter initially explains the related terminology on the concept of port and how the concept has evolved throughout the history. Considering that macro environmental changes had significant impacts on the governance of relations within port supply chains, the impacts of these changes are discussed. Lastly, this chapter provides information on how the two governance mechanisms, contractual and relational, are in use by focusing on the major relationships between ports and their customers/users.

1.1. CONCEPT OF PORT

The literature provides various definitions of the port concept. This is due to the role changes that ports have experienced throughout the history as well as the evolution that has occurred in the management philosophy. Based on this premise, it can initially be argued that concept of port is dynamic in nature and open to evolvement as their functions are determined by the changes that occur in the global trade in general and in the business environment that they are embedded in (Stopford, 2009: 81). In traditional view of the concept, ports are mainly described as the interfaces geographically holding the competence of transferring goods or passengers between ships and the shore (Alderton, 1995). In today, this role that they play only occupies a small portion of their overall functions, as ports are positioned to be the hubs of the global supply chains aiming to fulfill all major logistics needs of their users (Esmer, 2010).

When comparing the ports of today with the ones in the conventional era, Stopford (2009) mentions that not only the functions constitute the difference, but also

the way that these functions are carried out have changed tremendously. The author further explains that, in today's ports, activity is less obvious but much denser, as cargo handling speed have gradually increased especially in the last 40 years. Obviously, the change that ports have faced throughout the history is more than the increase in the speed of the operations. Before providing detailed information on these changes and their impact on port functions, several definitions of the port concept can be presented.

From a geographical standpoint and by focusing on ports' conventional roles, Stopford (2009) define the concept of port as follows;

“A port is a geographical area where ships are brought alongside land to load and discharge cargo—usually a sheltered deep water area such as a bay or river mouth (Stopford, 2009: 81).”

Placing emphasis on their role in the transport chains, Branch (2007) make another definition of ports.

“The seaport is the link in the transport chain with a strong interface with other modes of transport services to provide a door-to-door service with customs examination undertaken at the consignor/consignee premises or at the nearby container freight station/dry port/freight village/free trade zone (Branch, 2007).”

By an economic standpoint and by focusing on the core service that ports carry out, Talley (2009) provides the following definition:

“A port (or seaport) is a place at which the transfer of cargo and passengers to and from waterways and shores occurs... A port is an economic unit. It provides a transfer service as opposed to producing a product as for a manufacturing firm. (Talley, 2009: 1)”

In line with the paradigm change in the port concept, Suykens and Van de Voorde (1998) argue that describing ports by a narrow scope that is solely based on geographical point of view would overlook their role in seaborne trade. Considering that seaborne trade occupies more than 90% of world's trade and enables the interchange of raw materials and en masse goods in most cost-effective way, ports are critical nodes in terms of international movement of goods and passengers. De Langen (2004) also underlines that ports perform their roles under multiple layers of global transportation networks. Stated differently, they are logistical hubs as well as trade zones that determine maritime transportation corridors and perform as the gates of

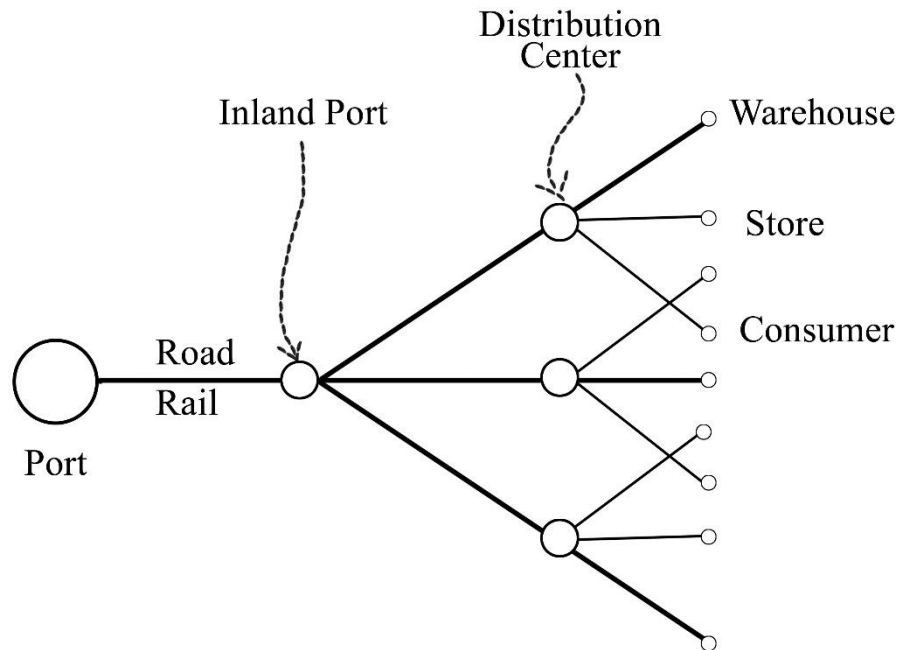
countries opening to foreign nations and their economies. Moreover, in an operational viewpoint, ports serve as a buffer between two or more transportation modes, therefore they enable coordination (Tsinker, 1997; 69). Taking all these into consideration, a definition of “port” as a critical node in supply chains can be drawn. The definition drawn by Notteboom (1998) does it with a focus on the functional and spatial developments that reflect the evolution of ports.

“A sea port is a logistic and industrial node in the global transport system with a strong maritime character and in which a functional and spatial clustering of activities takes place, activities that are directly or indirectly linked to seamless transportation and transformation processes within logistics chains (Notteboom, 1998; 9)”

In their conceptualization of ports, Cheon and Deakin (2010) argue that ports are embedded in three different layers of chains; ports as components of physical supply chains, economic value chains and institutional chains.

The first view emphasizes the infrastructural characteristics of ports and focuses on the role that ports play within the distribution networks. In this framework, ports are physical infrastructures with the capability of maintaining the cargo flow between sea and land as they are equipped with the necessary technological and engineering features. The physical link between ports and inland facilities such as distribution centers, warehouses, inland ports, depots, freight villages etc. enables the interchange of goods between the parties in exchange. The movement of goods to the ports is implemented by road or rail transportation. Therefore, within this framework, accessibility of the port is at greatest importance, alongside the roles that shipping companies, inland waterway companies, road hauliers and rail companies perform in terms of determining frequency, reliability and quality of transportation (Notteboom, 1998). Figure 4 illustrates how ports are positioned as critical infrastructures in physical supply chains.

Figure 4: Concept of Ports in Physical Supply Chains

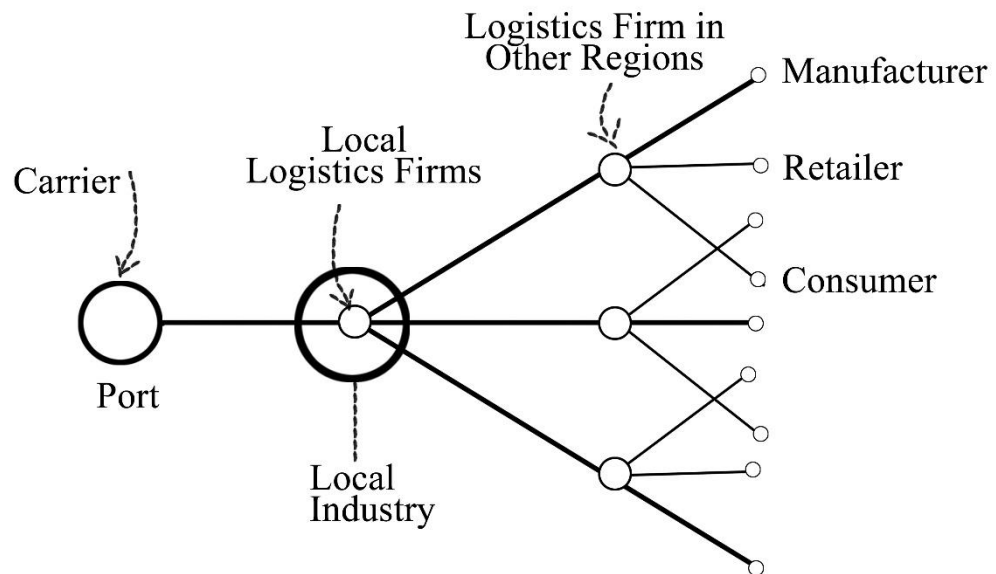


Source: Cheon and Deakin, 2010: 17

The second view emphasizes the role of ports as economic units embedded in economic value chains. In this framework, ports are viewed as organizations that are in relation with the other economic actors in the industry. These industrial relations consist of the transactions of goods, information and funds. For the movement of freight, ports are positioned as service provision enterprises, playing vital roles for the development of regional and national economic systems. As illustrated in Figure 5, ports develop and maintain relations with carriers, logistics firms, manufacturers, retailers and all the other actors that are linked with the value creation in movement of freight. Robinson (2002) argues that freight movement is a consequence as it occurs if only shippers and customers will gain a competitive advantage, benefit or a value out of such action. Moreover, the third parties that intervene in this process also derive value from and add value to this movement. As another important component in this chain of value, ports also take part in value-adding with their core functions. According to Karataş Çetin (2012), ports add value to the chains that they are embedded in by (i) integrating their internal functions and (ii) performing as a coordinator of the maritime supply chains. Considering that aforementioned actors in economic value chain contribute to the value creation both separately and additively,

the role of ports in terms of establishing coordination and integration of the overall chain becomes more crucial. In this framework, Robinson (2002)'s argument is on the spot as he states "*chains compete, not individual ports*".

Figure 5: Concept of Ports in Economic Value Chains

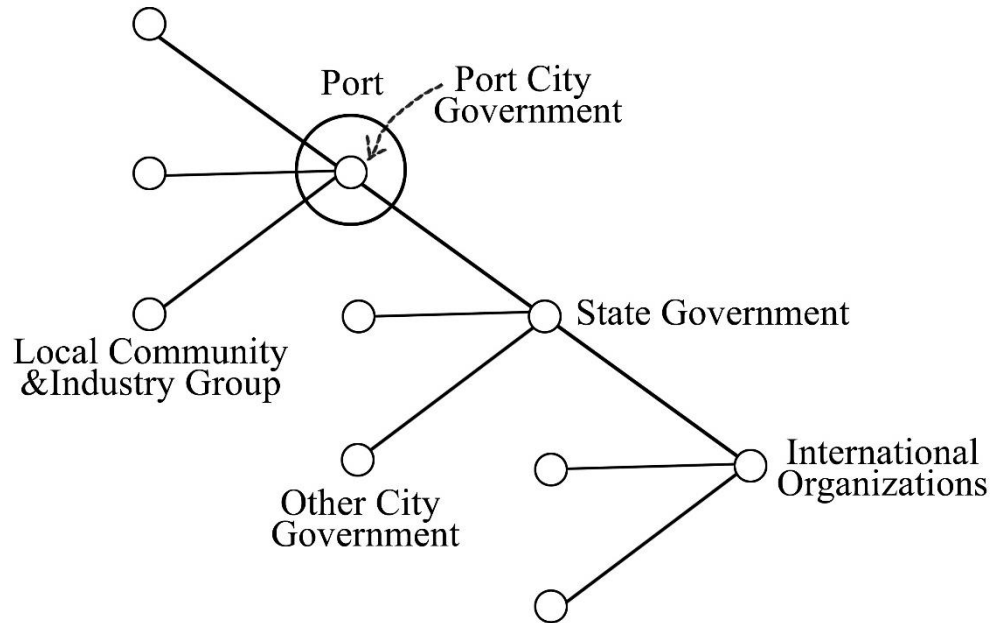


Source: Cheon and Deakin, 2010: 17

The third and the final view proposed by Cheon and Deakin (2010), is the concept of ports in institutional chains. The idea behind this conceptualization is that ports perform their duties under the regulations and/or policies that are developed by governmental bodies, international organizations (e.g. International Maritime Organization [IMO]) and related industrial institutions. Moreover, local community and public organizations are other important stakeholders that has strong ties with ports. In this framework, ports are organizations operating under the influence of and in accordance with the institutional and political processes from related communities. Therefore, actions that a port carry out can not be separated from the institutional chain that they are embedded in. More clearly, port managers' decisions on the issues such as investment and financing, costs and revenues, performance and productivity requirements, technical regulation, safety and security, environmental sustainability, labor and human resources etc. can not be taken without considering the needs,

demands of or the regulations set by the other actors in their institutional chains (Bichou, 2009). Figure 6 briefly shows how ports are positioned in institutional chains.

Figure 6: Concept of Ports in Institutional Chains



Source: Cheon and Deakin, 2010: 17

Another way to explain the concept of port is through identifying the services that a port provides. Esmer (2011) divides these services into two as services provided for the cargoes and services provided for the vessels. Both of these sub-categories involve basic services as well as value-added. Within this framework, loading/discharging, transportation in port area, storage, weighing and tallying are the basic services provided for the cargo; whereas services such as logistics communication, tracking and tracing, disinfection, stuffing/unstuffing, consolidation, labeling, packaging, container maintenance/repairing and quality control are major value added services that a modern port provides for the cargoes of its users. In the second category, the basic services provided by the vessels cover harboring, loading/discharging, pilotage for both arrival and departure and tug assistance for berthing and unberthing. Value-added services for the same category consist of fuel, food and fresh water supply and repairing services. In order for a port to be competitive, broad range of value added services should be present besides the basic

services and all these services provided should be well planned. Especially in today's port competition, quality of these services should be superior in terms of transit speed of the goods, reduction of the amount of damage, security of the operations and cost-based benefits generated for the users and their supply chains (Suykens, 1986).

As mentioned previously, ports have undergone many changes throughout the history. Therefore, further investigation is needed to detail how the changes in the characteristics of the industry have been influencing the role of ports. After presenting related terms regarding port classification, following parts of this chapter will review the industrial background by demonstrating the factors that have fundamentally changed the concept of port and will explain more about the port evolution by presenting the conceptualization of port generations by UNCTAD (United Nations Conference on Trade and Development).

Classification of Ports

Classification of ports can be carried out based on various factors. In this section, for the purpose of presenting the related terminology, classifications based on the network positions and governance models will be shown. The role that a port plays within the global supply chains and how a port manages its functions would vary based on the category that they are involved. Thus, it is important to reveal general characteristics of these categories.

According to UNCTAD (1990), based on where ports stand in the transshipment networks, ports can be categorized into 4 as;

- dedicated hub ports
- hub and load center ports
- direct call ports
- feeder ports

Dedicated hub ports mainly serve as transshipment points for the global maritime transportation network. For the mainline services, these ports are places of origin or destination served by container vessels with highest capacities. The role of these ports is therefore to collect the cargo and arrange its transshipment to the next voyage heading the final destination. Main characteristic of these ports is their

locational/geographical advantages. In other words, a dedicated hub port needs to be located close to the main maritime trade routes and provide easy access to feeder ports. Usually, these ports generate low levels of national cargo but instead their transshipment cargo volumes are dramatically high (UNCTAD, 1990). Port of Singapore is a great example of this category as the port plays a crucial role for especially the trade between Asia and Europe, thanks to its location.

Similar to dedicated ports, transshipment cargoes occupy large share in the total amount handled in *hub and load center ports*. However, the difference between these categories is that the hub and load center ports handle large volume of cargoes from and to their own hinterland. By their locational nature, hub and load center ports are located close to the main maritime trade routes. In comparison to dedicated ports, the hinterland of hub and load center ports hosts more production facilities that generate a substantial amount of cargo (UNCTAD, 1990).

Direct-call ports are ports which generate cargo mainly from their own hinterlands. These ports are served by mainlines as they generate high volumes of cargo. The share of transshipment cargo is smaller when compared to previous port categories.

Feedered ports are ports receiving only feeder services. These ports are neither located on major trade routes nor generate high volumes of cargo that needs to be served by mainlines. Therefore, feeder vessels call these ports to collect or drop cargo. Thereby these vessels distribute export cargo of the feeder ports' hinterland to the central ports and import cargo that is collected from central ports to the feeder port.

The second categorization that needs to be explained is categorization based on governance structures. The literature provides various taxonomies on port governance models (see Cheon et al., 2007; Brooks and Cullinane, 2007). The categorization that World Bank has outlined in their report titled "World Bank Port Reform Toolkit", provides the most common terminology that is used in related works. In this classification, World Bank points out the differences in port administration in terms of public and private sector involvement and reveals four administrative models namely service ports, tool ports, landlord ports and fully privatized ports. Table 3 presents general characteristics of these models.

Table 3: Division of Responsibilities in World Bank Port Governance Models

| Responsibilities | Service Port | Tool Port | Landlord Port | Fully Privatized Port |
|-------------------------|---------------------|------------------|----------------------|------------------------------|
| Infrastructure | Public | Public | Public | Private |
| Superstructure | Public | Public | Private | Private |
| Port Labor | Public | Private | Private | Private |
| Other Functions | Majority Public | Mixed | Mixed | Majority Private |

Source: Brooks, 2004

Service ports is the name of the administrative model in which the land and all the other assets are owned and managed by the port authority. Employment of the labor and management of complete range of services that fulfill the port functions are also carried out by the port authority. Usually in service port model, Ministry of Transportation or related governmental bodies control port authorities.

In the *tool port* model, port authority is the owner of land, infra and superstructure and the cargo handling equipment. However, in this model operational responsibilities are divided. The labor that is in charge of operating the equipment owned by the port authority consist of the employees of the port authority itself whereas generally small private cargo-handling firms carry out other operational duties. Due to this division in operational responsibilities, this model is more open to conflicts between private companies and port administrators.

In the *landlord port* model, the port authority maintains ownership and governs the long term development of the port area as well as the maintenance of basic port infrastructure. Inclusion of the private sector is greater as the superstructure and cargo handling equipment are provided by their side. Considering that operational responsibilities are carried out by the same entity (private firm), planning of these operations become free of hurdles that are resulted from conflicts between parties.

Therefore, the efficiency targets can be achieved more easily and responsiveness to changing market conditions increases (Brooks, 2004).

Lastly, in the model of *fully privatized ports*, public sector does not get involved in port activities. Private port operator owns the land, infrastructure and superstructure. Regulatory functions and operational activities are performed by the private firm. Brooks (2004) underlines that although this model offers advantages such as flexibility and the ability to generate market-oriented tariff policies, it may bring many problems as well. For instance, ports in this category may harm the transportation industry through achieving monopolistic power. Moreover, as the state has limited control over the development of these ports, this lack of control may harm the nation's long-term economic policy and trade related strategies.

1.2. STIMULATORS OF CHANGE IN PORT ENVIRONMENT

In the most general sense, transformation of the concept of ports has been a consequence of the fundamental changes in production and trading processes worldwide (Cholomoidis et al., 2013). This change does not only cover hard features such as technology-based developments but also covers soft elements such as the paradigm change in management philosophy. Moreover, resulted from ever rising liberalization of world trade and globalization of production processes, the demand for ports have been increasing in a great extent. In line with these changes in interaction, when compared to ports in previous decades, today's ports are positioned in relatively much more competitive environments because of the increase in their numbers as well as their broadening scope of roles which enable creating opportunities for differentiating themselves.

Stimulators of change in port environment can be divided into sub-dimensions; changes in the economic environment, technological environment, political-legal environment and social-cultural environment. Following sections will provide detailed information on each.

1.2.1. Changes in the Economic Environment of Port Industry

Ports are economic units working under the umbrella of international trade system in general and maritime transportation in particular. Considering that the demand for ports are derived in nature, existing as a result of the demand on freight or passenger movement, any change that occurs in the overall world economy and trade may cause shifts in this demand (UNCTAD, 2013). Therefore, economic environment of the port industry influences the demand as well as the competition dynamics in the industry. Likewise, nations' economic growth is also directly associated with the port industry. The study of Jianping et al. (2017) reports a certain correlation between the port industry development and economic growth.

Arabelen (2014) summarizes the changes in economic environment that influence the port industry as follows;

- Increase in maritime trade,
- Positive changes in the long-term industry expansion ratios,
- Entry of the large scale businesses to the industry,
- Shifting trend from standardized products to customized products,
- Increased energy-fuel prices and transportation costs,
- Decrease of protective policies and increase of liberalized trade.

Increase in the maritime trade influences the port industry both in positive and negative ways. Regarding the positive influence, the increased maritime trade volume brings opportunities for ports to gain higher profit margins, to employ more human resource, to broaden the scope of their value added activities to meet constantly revised customer demands and to be able to perform as an active member of community by being involved in social responsibility projects. In contrast, such increases may also influence the ports negatively as the ports that have spatial hurdles in terms of capacity may have troubles with meeting the operational demands. For instance, the problems that the increased demand creates involves operational challenges in terms of port congestion, gate congestion, berth allocation, storage yard planning and maintenance of the port infrastructure, superstructure and equipment.

Moreover, the volatility in the economic environment is another important problem that put pressure on ports. Considering that the ports are capital-intensive

organizations, such volatility in the economy hampers future planning particularly in terms of pricing and investment strategies (Rodrigue, 2010; Notteboom and Rodrigue, 2011). The impact of global financial crisis, which was started in the second half of 2008, is an example to this (Hoffmann, 2010; Kalgora and Christian, 2016). In the mentioned time period, global maritime transportation had faced 4,5% decrease in the year of 2009. Particularly, in container transportation the decrease was even sharper as it has faced 9% decrease within a year (UNCTAD, 2010).

Economic environment of the port industry influences the structure of the industry as well. According to Cholomoidis and Pallis (2003), substantial changes in the world economy and trade brought new tasks for ports, demanding ports to adapt to new operational logic in order to cope with the increasing competition. Bichou and Bell (2007) argue that the competition is shifted to global market level and the emphasis is now on achieving greater economies of scale, higher efficiency and improved service quality. According to Merikas et al. (2011), such changes influenced by the economic environment is also a reflection of the need to rationale the business activities in order to minimize financial risks.

Regarding the market structure, privatization and deregulation had been the major trends shaped by the political environment of the last two decades. These trends have resulted in economic consequences and enabled port operators to carry out their services in a global extent. Conceptually, the port operators that extend their activities to international port operations are named as GPOs (global port operators) or GTOs (global terminal operators). Moreover, aforementioned changes in the structure of the industry led various industry actors to get involved in the management of ports and terminals. For instance, significant number of shippers decided to retain full control of their distribution channels and expanded their businesses through owning fleets and dedicated terminals (e.g. Shell and Cargill). Bichou and Bell (2007) name these shippers as TOS (Terminal Operating Shippers). Similarly, either on a dedicated or common-user basis, liner shipping companies also became involved in port management (e.g. APM Terminals and COSCO Terminals. These operators are conceptualized as TOSL (Terminal Operating Shipping Lines). Again similarly, under the name of TOPA (Terminal Operating Port Authorities), some of the Port Authorities started to own and operate ports in foreign countries (e.g. PSA International and DP

World). Finally, the organizations whose origins are in port and logistics operations also expanded their businesses in a global scale (e.g. HPH, Eurogate and ICTSI). Bichou and Bell (2007) conceptualize these operators as TOCs (Terminal Operating Companies). This trend in the port business resulted in an increasing share of port management and operations to be carried out by global port operating groups. By extending their geographical coverage, these companies have become multinational corporations running their businesses in regional or global scale (Song, 2003).

The work of Slack and Fremont (2005) also provides significant evidences on the restructured port industry. The authors reveal that two dominant business models characterize the industry; horizontal integration in port terminal industry and vertical integration process with a liner shipping company. As a result of these integration strategies and the increase in strategic alliances and mergers/acquisitions especially in the liner shipping (Rodriguez, 2010; Merikas et al., 2011), the port industry has gone through a significant consolidation period, which in turn influenced the power structure between the port industry actors as the number of actors have dramatically decreased.

1.2.2. Changes in the Technological Environment of Port Industry

Impact of technology on port industry is at a great level. So far, the industry has gone through many changes that add quality to the functions carried out by ports. These changes enabled economies of scale, increased speed in operations, enhanced security in all parts of the processes and provided more useful platforms to exchange data between ports and their users. By providing examples, this section will explain the technological changes in the industry and how they have shaped the port business practice.

One of the major drivers in port technology evolution has been the changes in the carrier technologies. Ships are essential elements in maritime transportation and any physical change occur in their design directly affects the design of the ports as they are the infrastructures that are designed to serve ships in the most effective way. Agerschou and Petersen (2004) provide detailed information on the ship characteristics that influences the design of ports and terminals. In order for briefly

covering the case, some examples can be provided. For instance, any change that occur in the ships' main dimensions influences the width of channels and basins, water depth (draft) of these channels, basins and berths, length of the berths and the design of the equipment that are assigned to be used in cargo handling operations (Agerschou and Petersen, 2004: 50). In order to be capable of serving to the new generation ships, port technology have been gradually updated. Therefore, technology plays a significant role in terms of shaping the dynamics of competition in this sector and the ports that are equipped with superior technologies simply achieve a competitive edge as their performances are at higher levels. To exemplify, "double-trolley" and "multi-spreader" systems in ship-to-shore gantry cranes are technological advancements that are helpful in terms of enabling cargo handling operations to be carried out more efficiently and meeting the changing requirements of ships caused by their dimensional changes (Chao and Lin, 2011; Sağlam and Esmer, 2014). Similarly, specialization of the ships requires ports to invest on specialized cargo handling equipment that would carry out the operations in the most proper and efficient way (Agerschou and Petersen, 2004)

While the influence of ships' dimensional changes have requested adaptation of ports, the industry have gone through many other technological advancements demanding ports to improve themselves in terms of performance. Following examples can be given: the use of hybrid terminal operation systems (joint use of rubber tyred gantry cranes with straddle carriers) (Ateş and Esmer, 2013), updated sizes of storage equipment for more efficient use of yard area (Carlo et al., 2014), automation of the terminal operations in order to increase efficiency and security (Nelmes, 2006), OCR (optical character recognition) technology for faster gate operations (Kia et al., 2000), enhanced x-ray technologies for faster and more reliable inspection (Longo, 2010).

Besides the ships, containers are another element in maritime transportation that is subject to technological change. The use of Radio Frequency Identification Device (RFID) in detection of the containers for simplification of the operations of movements and for the security purposes is an example of that (Park et al., 2006; Shi et al., 2011). Similarly, Supply Chain Event Management (SCEM) technology, enabling container tracking for intermodal movements of freight, is another

technology development on containers that has an influence on operational technologies of ports (Arendt et al., 2011).

Another technological change, which is particularly important for this dissertation (as it re-structures the interorganizational communication between ports and their users), is the use of information communication technologies (ICT). According to Martin and Thomas (2001), the change in the port industry is more than the changes in physical cargo implications. The authors argue that, thanks to the technological developments, much has changed in terms of management of business ties in between ports and other community members. Garstone (1995) underlines that container shipping as an industry was one of the early adapters of operational computer systems. This is due to the fact that the need was obvious as the increasing volume of transactions makes information sharing processes become so much sophisticated to handle without the help of such technology. In practice, use of ICT in port industry allowed (Garstone, 1995; Airriess, 2001; Rodrigue, 2010; Karataş Çetin and Sait, 2014):

- Visibility of the real time data on port operations,
- Standardization of information,
- Paperless communication in many facets of the business,
- Easier control and fulfillment of the document related procedures,
- Reduction of transaction costs
- Enhanced coordination,
- and enhanced performance (faster flow of materials).

Apart from these direct affects, there are also many benefits that have been gained indirectly such as decreased conflicts between ports and users, increased reliability of the port in the eyes of their users and increased productivity of the port employee.

In sum, technological environment of the port industry is one of the major stimulators of ports' dynamic nature. Besides the operational and organizational benefits gained through investing on technology, it is now clearly an important aspect of port competition.

1.2.3. Changes in the Political-Legal Environment of Port Industry

In their evolution, ports are influenced by geopolitical and political factors as well. For instance, national policy on ports impacts their success in terms of effective protection of the environment, prudent use of resources, maintenance of employment and stable economic growth and securing the interests of all the industry actors and the community (Gilman, 2003). Rodriguez (2010) points out that transportation in general is subject to many national regulations pertaining safety, security, taxation and environment. As for the international level, the international policy that the governments adopt determines the cross-border status of ports and directly affects the roles that are attached to them within the global trade networks.

Moreover, legal environment of ports are also frequently updated, demanding ports to comply with the new regulations (usually by restructuring their processes). These changes in the legal environment may diverse based on their source as the industry is international by its nature involving many rule makers both in domestic and global levels. Therefore, the legal environment that the ports are influenced by consist of national law and regulations as well as the international agreements that the nation is subject to. These rules concern not only the operational aspects but also the relations within the port industry actors (UNCTAD, 1993).

One of the most significant change in the policies of the governments in many countries has been privatization practices (Chlomoudis et al., 2013). Analyzing the privatization process in multiple countries, Haarmeyer and Yorke (1993) reveal the major points that explain why private sector involvement is a worldwide trend in port business. Initially, the authors argue that governments' control on port governance restricts the competition and increases the cost of services provided by ports. Secondly, as the port industry market is characterized by its dynamism, governments' effort on adapting to the changes comparatively lags behind. Lastly, publicly controlled ports are restricted in terms of the business that the port can enter. In particular, the real estate assets owned by the ports can not be transformed into uses that may generate more economical value. In sum, Haarmeyer and Yorke (1993) points out that port privatization is a solution in many of the problems that ports are faced with and as a

result of its implementation, governments can be relieved from financial and administrative burden.

Similarly, based on the survey research that is presented under the title of “Port Development International Report”, Cullinane and Song (2002) summarize the expected benefits of a port privatization as follows:

- Greater efficiency in the ports sector
- Lower total transportation costs
- Stimulation of international trade
- Greater competitiveness in the international trade arena
- More customer choice
- Lower or even zero government subsidies to the ports sector
- Promotion of investment
- Potentially improved employment opportunities
- Greater potential for exploiting economies of scale.

Although port privatization is considered as a major trend in the industry, it is still a debatable issue when the drawbacks are also taken into account. For instance, De Monie (1996) argues that privatization may hamper performance of the roles of the ports in terms of “public service”. In addition to that, the author points out that if the competition is at low levels, the privately owned ports may abuse the monopolistic power. Regarding the economic and operational efficiency, Davis (2007) underlines that privatization does not have a positive impact as it is believed to be. In line with this, many studies report that the link between port privatization and efficiency is rather weak (Cullinane and Song, 2002; Cullinane et al., 2005).

Another important change in the political environments of port is the increased emphasis on safety and security. The field of port security has progressed since the World War 2 and especially after the 9/11 terrorist attack in New York, new steps have been taken with the aim of mitigating security risks under standardized protocols (Christopher, 2009; 15). Within this framework, several milestones of port security development can be summarized as follows;

- In December 2002, International Ship and Port Facility Security (ISPS) code was introduced by IMO and new measures for the security of both ships and ports were developed. In June 2004, this new code was entered

into force (IMO, 2003). Implementation of the code involved significant changes both in terms of the physical design of the security and the activities that ports perform (Mazaheri and Ekwall, 2009).

- United States Customs Department introduced a strategic program known as Customs Security Initiative (CSI) in 2002. Implementation of this program enabled prescreening of ocean going containers at their ports of departure (Banomyong, 2005). The most recent statistical data provided by US Customs Department show that 80 percent of all maritime container cargo imported into US are prescreened by using x-ray, gama ray and radiation detection devices (U.S. Customs and Border Protection, 2018).
- Due to the need of reducing the number of containers that needs to be inspected, US formed an initiative known as Customs-Trade Partnership against Terrorism (C-TPAT) in 2001. This voluntary certification program enabled supply chain visibility and better focusing of resources on higher risk cargoes and supply chain actors through partnership between US Customs and members of supply chains.
- In 2008, World Customs Organization (WCO) introduced a similar program known as Authorized Economic Operator (AEO). While both of these programs have the same aim which is securing the international supply chains, AEO differentiates itself by covering not just the import processes but also the export processes and by being run by 56 governments which are members of WCO. From the port operators' perspective, both of these programs intensified their collaboration with customs (WCO, 2018).
- In 2016, IMO has amended SOLAS (Safety of Life at Sea) regulation, which requires the shipper of container to report the carrier Verified Gross Mass (VGM) prior to the stowage on board the ship. The rationale behind this amendment was to decrease vessel stability related risks carried by the shipping company. For the ports' part, this new regulation resulted in increased demand for the weighing services provided by the container terminals and accordingly added a new operational dimension to the TOC-shipper relationship (Rahmatika et al., 2017).

1.2.4. Changes in the Social-Cultural Environment of Port Industry

Ports have been closely linked to the socio-economic and cultural growth of the local community throughout the history, and they have been considered as the source of wealth for the locals in their host regions (Tiliakos, 2012). From a contemporary perspective, ports are social-economic zones carrying out functions that enable connecting places of production to places of consumption (Montwiłł, 2014). Therefore, relationships of ports with the social-cultural environment that they are embedded in are reciprocal by their nature. Within this framework, ports perform their roles with a special care for the demands of related stakeholders in terms of generating value for regional development. Sakalayan et al. (2017) define the relationship between a port and the region where it is located as a symbiotic relationship, underlining the complementarity in port and region co-development. For the ports' part, increased employment opportunities and added value of the port services complement the regional development and thereby shape the socio-cultural environment. Although the modern ports require less labor when compared to before, indirect impact on employment is still broad in range, as the existence of a port in a region would increase the volume of industrial activities. Within this framework several changes that occur in the social-cultural environment of the ports can be explained.

Shiau and Chuang (2015) point out that port development does not only create benefits for the port itself but also play significant roles as a driving force, which influences urban development and consequently the residents' quality of life. Considering that ports' impact on the social-cultural environment is more obvious than it was before, the authors argue that public participation is now a critical consideration to be taken into account within the planning processes of their future actions. Moreover, in many facets of port development planning, the need for obtaining public opinion is up to become more than a mechanism of advisory as it is starting to be carried out under legal procedures.

Apart from carrying out development plans with participation of related port community members, another point that has become important is the success of the communication that port management develops with local community (Dooms et al.

2015). Therefore, ports need to convince the community by clearly defining how their existing functions and proposed development plans would create benefits for the advantage of the community. Dooms et al. (2015) argue that transparency is a key feature of a successfully managed relationship between ports and their stakeholders. Tiliakos (2012) notes that environmental concerns of the locals and the traffic congestion problems especially because of the increased container transportation are two current issues that pressure ports to take care of in terms of sustaining good relations with the public.

Another critical change that has occurred has been the increased close attention that is given to corporate social responsibility (CSR) in shipping and particularly in port management. In their study on CSR activities of European ports, Karataş Çetin and Denктаş Şakar (2015) reveal the present state of these ports under the categorization of all six CSR dimensions; environmental, economic, social, stakeholder, ethical, philanthropic/voluntariness. Their analysis on CSR reports of these ports shows that great importance is attached to the issues such as stakeholder engagement strategies, promotion of women work force, sponsorships supporting educational, cultural and sport activities, safe and harmonious working culture and implementation of family friendly human resource strategies. As a result of the emphasis on social responsibility issues, gaining a competitive edge is now an issue that is far beyond performance based evaluation and covers social interaction of ports.

1.2.5. Changes in the Natural Environment of Port Industry

As briefly mentioned in previous parts, ports of today are becoming much more aware of the impact that they might have in terms of harming the natural environment surrounded by their facilities. These negative impacts include emissions of noise, odors, volatile organic substances, pollution of water and soil by oil chemicals, hull paint and other hazardous material (Trozzi and Vaccora, 2000). Although these certain impacts of industrial activities are considered as inevitable consequences, ports are expected to perform their functions in compliance with the regional and international regulatory frameworks that provide guidelines for environmental sustainability. Within this scope, starting with the measurement of environmental impact, ports carry

out many green management practices by redesigning their operational procedures, using ecofriendly equipment and cooperating with the rest of the actors in supply chains.

Lun (2011) underlines that through carrying out green management practices and doing more than what regulatory obligations ask for, ports may gain additional benefits in terms of performance. This is due to the fact that applying ecological criteria creates not just environmental benefits but also economic benefits. These economic benefits are an outcome of reduced operating costs of ecofriendly equipment (Yang and Chang, 2013) and well managed scheduling of equipment by taking their energy consumption into consideration (He et al., 2015). Moreover, Lun (2011) argues that application of green management practices creates comparative advantage for the ports. Today, in many countries, governmental bodies evaluate the success of ports in their practices related to environmental protection and the ones that complete the procedures are certified under the title of “green port” or “ecoport” certificates. Thus, these ports improve their corporate images as well as their reputation.

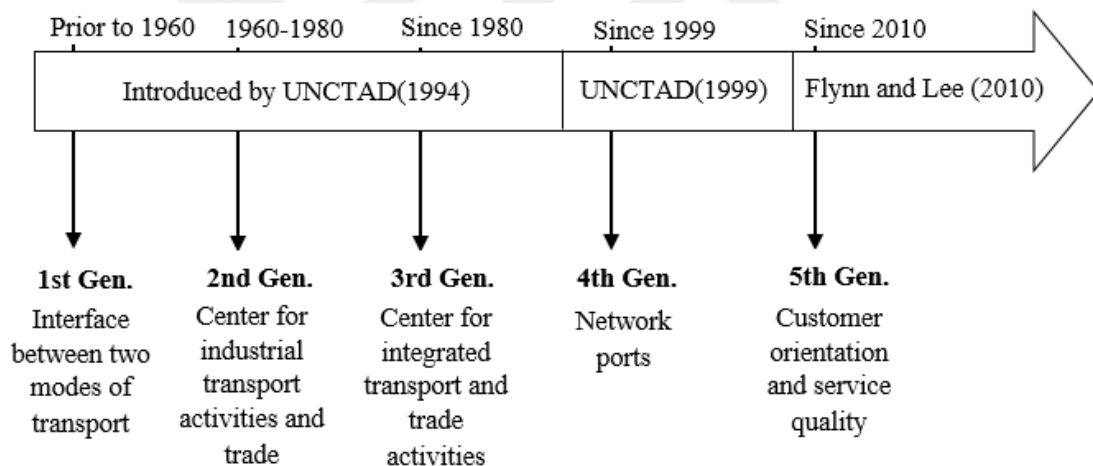
In addition to the “eco-friendly movement” in the port industry, another important topic in terms of the natural environment of ports is the potential impact of climate change, since ports are infrastructures located in geographically vulnerable areas. These potential effects consist of sea level rise, increased flooding and more frequent hazardous storm events. In their study, Becker et al. (2011) investigate the perceptions and attitudes of ports all around the globe related with the climate change and the authors suggest that ports should carry out their investment project with a special care on climate change adaptation. On relationships with other supply chain actors and policy makers, it should be underlined that the importance of information sharing and cooperativeness is obvious in terms of promoting resilient ports and improving preparedness (Ng et al., 2013).

1.3. PORT GENERATIONS

Based on the aforementioned changes that occurred in the dynamic macro environment of ports, the concept of port generations was introduced by UNCTAD (1994) in order to highlight the major differences between the modern ports and the

ports of the past. The time period that the categorization covers is from the end of World War 2 and the year that the report was presented (1994). In this initial work, the ports were distinguished as ports of the first, the second and the third generation. This generation-based categorization is not a reflector of the changes in port sizes, geographical characteristics or the public/private nature of the organization. The distinction between generations was grounded on three factors: (i) port development policy, strategy and attitude, (ii) the scope and the extension of port activities and (iii) the integration of port activities and organization. Later in 1999, UNCTAD again introduced the fourth generation ports and in 2010 Flynn and Lee (2010) coined the fifth generation ports. Figure 7 shows the general characteristics of each port generation by presenting the major focuses in their conceptualizations.

Figure 7: General Overview of Port Generations



Source: Adapted from Hlali and Hammami (2017)

Although this approach has been criticized since it presents the evolution in discrete steps rather than in a continuous way and since not all the ports in the globe necessarily follow the same development paths (Beresford et al., 2004; Bichou and Gray, 2005), it offers useful insights on the dynamic nature of port management philosophy and the paradigm changes that had occurred throughout the recent history in terms of ports' roles. Therefore, in order to provide richer insights on the general

characteristics of the port development, each of these generations will be discussed in the following parts.

1.3.1. The First Generation Port

The time period of the first generation class covers the years until the 1960s. This period is in pre-containerization era and the goods that are carried now in containers were carried in the form of break-bulk. Similar to other heavy industries at the time, port industry was labor intensive in nature.

First generation ports are conceptualized as relatively primitive infrastructures performing as interface locations for freight between sea and land transportation. They lack connection with the users and are isolated from the trade and transportation activities (Alderton, 2008: 79). Other than their core activities which are to store the goods and to load/discharge them between the ship and the land, not much activity were performed. In that sense, the roles performed by these ports were limited. In line with that, the policy makers were rather passive in terms of port development. Because of these attitudes and the narrow scope of activities, ports were organizations in isolation. UNCTAD (1994) explains three rationales of why the first generation ports were in isolation:

- (I) Ports were performing mostly in monopolistic environments in which they did not feel the need of developing closer ties with their users and understanding their needs. Usually the port processes (including documentation, exchange of information etc.) were determined by the ports themselves, requiring other members of transportation industry to adapt.
- (II) There was a lack of cooperation between ports and municipalities that surrounds them. Eventually, port development was not easy to be planned and carried out, as these two important actors were highly separated.
- (III) The different port activities and port companies were isolated from each other. As a result, productivity in operations were unlikely to be achieved considering that this isolated nature of the ports is not suitable for coordination of the activities and actors. Besides, incoordination of these actors was a barrier in terms of promoting the port at a commercial level.

1.3.2. The Second Generation Port

The second generation covers the ports that were operating between 1960s and 1980s. Beresford et al. (2004) state that paradigm change was mainly based on broadening functions that are carried out by ports, leading them to be positioned as “transport, industrial and commercial service centers”. In this phase of development, ports became capable of adding value to the cargo as they have extended their commercial activities, which are not directly connected to their traditional operational activities (UNESCAP, 2002: 20). These new activities included operations such as cargo packing, marking, consolidation and deconsolidation. As a result of this broadened management attitude, port policies, legislation and development strategies were also made. Therefore, rather than being just simple transportation nodes, the second generation ports were characterized as industrial and commercial areas. However, the ports were still not positioned as proactive actors in the transportation chains that they are embedded in. Rather, their role was significant as support service centers (Vieira and Kliemann Neto, 2016).

When compared to the first generation ports, organizational differences were also present. Because of their characteristics as industrial zones, second generation ports were home for the cargo transformation facilities of the privileged port users. Although simple and direct, ports and their users started to have relationships. However, the integration between ports and their users were not yet fully established as it was often spontaneous rather than organized. Still, productivity of the operations had faced great improvements, compared to the first generation ports (UNCTAD, 1994).

When the relationship between ports and the municipalities is considered, the problem of isolation was altered. The closer relationships enabled ports to be coordinated with the municipalities especially on the matters related to land, energy, labor supply and inland transportation (accessibility) (UNCTAD, 1994).

1.3.3. The Third Generation Port

The third generation ports emerged in 1980s as a consequence of world-wide large scale containerization and intermodalism. In line with the main stimulators of change, the third generation ports positioned themselves as a more dynamic actor in the international trade. In this development phase, ports had become proactive actors playing crucial roles for the integration of transport networks and had participated in the overall transportation process. In accordance, the management attitude faced significant changes as well. Rather than solely focusing on the traditional functions of ports, port managers became more concerned on providing offerings that meet the growing demands of international trade. Therefore, the third generation ports showed the characteristics of logistics platform for trade and became embedded in international production/distribution networks (Verhoeven, 2010: 249).

Regarding their functions, ports started to provide logistics and total distribution services together with their conventional duties. Moreover, the conventional services were reshaped in tandem with the developments in equipment and electronic information technologies. Consequently, this phase of the port evolution had faced significant increases in efficiency (UNCTAD, 1994). Apart from efficiency, environmental aspects of port operations were also started to be taken into consideration in this phase. Official authorities established approval processes of port development plans in order to keep their environmental impact under control (UNESCAP, 2002: 21).

From the administrative point of view, the third generation ports had faced many changes. Port documentation, being one of the problematic issue in previous port generations, was improved in terms of efficiency by simplification of the related processes and procurement of technological platforms to carry out seamless exchange of information. Introduction of EDI (Electronic Data Interchange) played a key role in simplifying the process and achieving high port documentation productivity. According to Bichou and Gray (2005), technology and know-how were major drivers of change in the era of the third generation ports.

Another major administrative change had occurred in the work hours. Due to their labor intensive nature and the low level technology of the time, first and second

generation ports were able to work only on “weather working days” and 5 days a week. However, improved technology and the tremendous increase in demand had allowed ports to serve 24/7 (UNCTAD, 1994).

When the relations between the third generation ports and other industry actors are considered, the port-port user relations became comparatively closer as ports are positioned to be the major distribution nodes enabling smoother cargo and information transfer. Both in the international and domestic level, the competition between the ports had risen and the ports which better perform in terms of integrating with other international trade actors, enjoyed the competitive edge (UNCTAD, 1994; Angeliki, 2005).

1.3.4. The Fourth Generation Port

5 years later since the introduction of the concept of port generations and the first three generations in 1994, UNCTAD have introduced the fourth generation ports and their characteristics in its newsletter. The major change in the port industry in between period of the third and the fourth generation ports was terminalization. In the fourth generation era, ports became to be networks consisting of physically separated terminals that are linked through a common administration (UNCTAD, 1999). This terminalization process was a result of the establishment of multinational terminal operators as these new actors designed their networks of terminals in a global scale. Therefore, the nature of competition in the industry had shifted from port-to-port to terminal-to-terminal. In order to achieve the competitive edge, terminals started to compete in terms of better integrating to the logistical nodes (i.e. dry ports, inland ports, other seaports) beyond their perimeter (Verhoeven, 2010). According to Lee et al. (2018), the fourth generation ports positioned themselves as supply chain information and knowledge hubs, as their integration to other supply chain members were deepened.

In the operational sense, as a result of specialization that is enjoyed due to terminalization and integration with all the other actors within the supply chains, the fourth generation ports became much closer to the final customers and their competence of practicing door-to-door services increased (Hlali and Hammami, 2017).

In addition to this, just-in-time practices became prevalent, providing opportunities for their users to reduce costs (Vieira and Kliemann Neto, 2016).

Moreover, stakeholder management became more critical. Verhoeven (2010) argues that the roles that was given to the port authorities in the era of the fourth generation ports were beyond their traditional roles as landlords, regulators and operators. That is to say, in this era, port authorities started to act as community managers as well. In terms of the environmental impact of ports, the responsibilities were well acknowledged and the ports undertook regulatory compliance (Flynn et al., 2011)

The study of Paixao and Marlow (2003) focuses on the paradigm change that had occurred in the era of fourth generation ports. Their work underline that “leanness” and “agility” are the two key requirements for ports to be competitive. Leanness is argued to be important, as cost-reduction in the operational level can be achieved through optimization of all the operations that the ports perform. Therefore, the authors suggested fourth generation ports to focus on leanness, stating that it would have a significant impact on reducing customer lead times and prices as well as increasing service diversity, productivity and consequently profitability. When it comes to agility, the authors argue that agility as a strategy is also an important prerequisite in order to strengthen the links between internal and external business environments. Agile ports are conceptualized as port organizations that are fully integrated to other parties in the industry (both horizontally and vertically), effective in terms of information processing and flexible and able to adapt to changes in their environment.

1.3.5. The Fifth Generation Port

In 2011, Flynn et al. (2011) introduced the concept of the fifth generation ports, arguing that the port industry have again been facing important paradigm changes. By analyzing the major characteristics of the fourth and the fifth generation ports, the authors provided the following table, which compares their characteristics under the categories of service quality, information technology (IT), community environmental impact, port cluster, maritime cluster, logistics hub, inland and waterway. The

comparison is drawn by their survey among port experts, port users and managers in the industry (see Table 4).

Table 4: Flynn et al. (2011)’s Comparison of the Fourth and the Fifth Generation Ports

| Comparison Category | The Fourth Generation Port Introduced by UNCTAD (1999) | The Fifth Generation Port Introduced by Flynn et al. (2011) |
|---------------------------------------|---|--|
| Service Quality | Meeting regulations and general levels of standards | Finding dynamic incentives to perform beyond basic standards |
| IT | Cargo clearance and tracking | Measures focused on service, security and performance impact. IT is not only based on tracking and tracing but also on event management (anticipation) and performance measurement |
| Community Environmental Impact | Regulatory compliance with environmental impact and planning statutes | Active outreach to community in planning and decision-making process. |
| Port Cluster | Handled through land-use planning | Port services provision integral to mission and vision. Port leaders have role as “port cluster managers” contributing to generating value-added. |
| Maritime Cluster | Treated as separate from port function | Still functionally independent of the port cluster, but creative financial incentives to attract shipowner and cargo by creating jobs and value-added. |
| Logistics Hub | Logistics developed as a back of port function; and Physical Free Trade Zones and Logistics Parks | Logistics seen as part of a maritime logistics chain; Airport interface for high-value added flexibility; and Advanced Free Trade Zone and Logistics Park functions. |
| Inland | Inland connections develop through natural evolution | Ports develop hinterland strategies through pricing and incentive policies ensuring that evolution does not disadvantage interest of cargo owners. |
| Waterside | Port marketing as two dimensional price and quantity approach | Ports developing foreland strategies through pricing and other incentive policies. |

Source: Flynn et al. (2011; 503)

As shown in the table, paradigm change that comes with fifth generation port is a step forward in the port development especially in terms of customer orientation and service quality. Even though the fourth generation ports also considered customers as center of attention, the focus in the fifth generation is stronger in many aspects. As an example, the technology is not only used as a platform for communication. It is also utilized for performance measurement, which in turn results in satisfaction of the users.

Although the point that Flynn et al. (2011) have underlined through the proposition of this paradigm change is clear and spot on in many ways, discussion of the characteristics of the fifth generation ports is still ongoing. Lee and Lam (2015) argue that Flynn et al. (2011)'s conceptualization of the fifth generation port is vague in many aspects for the sake of carrying out a proper comparison. Therefore, for each category of comparison, the authors propose several modifications.

- In terms of the *service quality*, the authors state that the statement presented in the table is rather broad. In order to clarify where exactly a fifth generation port should be directed to, they stress that said ports should perform beyond their duties with the aim of satisfying their customers at highest level. Hence, the proposed modification provides stronger connection with the paradigm change towards customer orientation.
- Similar modification on stressing the focus on satisfaction is proposed by the authors when it comes to the second comparison category, *IT*. Moreover, the authors argue that, to overcome the broadness of the item, more specification can be provided in terms of the coverage of modern port IT requirements. The authors state that IT of the fifth generation ports should cover single window system and be capable of processing performance measurement of gas emission information as well.
- As for the feature of *community environmental impact*, Lee and Lam (2015) underline that the more active role that the ports now play should be emphasized through stating that their new role is to be a key decision maker in port-city interface. The authors also mention that “water front development” and “green port policy” are particularly significant topics for the new generation ports as their conformity is demanded by the community actors.

- Regarding the items of *port cluster* and *maritime cluster* items, it is argued that the fifth generation ports should acknowledge interrelationships of these two items in terms of their path of development. Therefore, the authors suggest that synergy should be sought in between these two items.
- Regarding the item of *logistics hub*, the authors argue that the fifth generation ports should be characterized by their complete connection with the inland side.
- Particularly, as for the feature of *inland* connection item, the authors state that the fifth generation ports are now active actors that are expected to be capable of generating efficiency of an intermodal system with cost-reduction strategies.
- Lastly, regarding the item of waterside, the authors point out that purpose of a fifth generation port's foreland strategies should be focused on improving inter-port competition by capturing transshipment cargoes.

In sum, the fifth generation ports perform in an environment in which the competition is much denser. Therefore, achieving the competitive edge is only possible if a port better performs in their relationships with customers and other community stakeholders. As previously mentioned, considering the change in the port industry is ongoing, the features of the fifth generation port concept can receive further modifications. But the major change in this era, which is the shift towards customer orientation, will undoubtedly remain as the key feature of this concept.

1.4. RELATIONSHIPS BETWEEN PORT INDUSTRY ACTORS

As briefly mentioned in the previous parts, ports perform their duties to fulfill the demands of the actors of trade and transportation. In line with the rapid development of the global maritime networks, various interlinked actors take part in the processes and their relationships with ports are significant for enabling coordination (Caschilli and Meda, 2012).

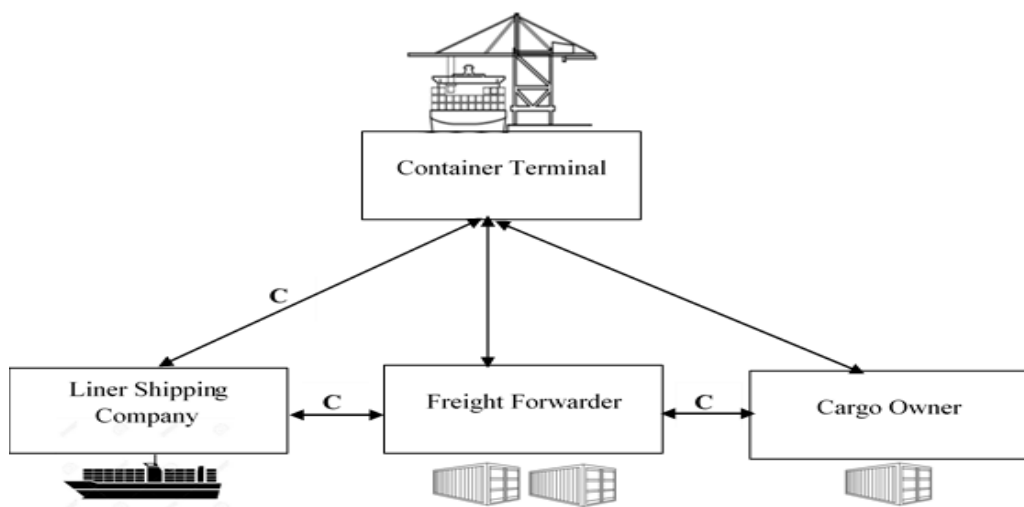
From the perspective of ports, governance of these relations is a crucially determining task in terms of the competitive strength that a port has. This is due to the fact that production companies and the transportation sector actors making use of the

port would seek to increase their supply chains' competitiveness through gaining the maximum benefits that the port can provide both operationally and financially. Therefore, a well governed relationship between a port and mentioned actors may have a significant impact on the overall competitiveness of supply chains that they are embedded in. Vice versa, a relationship in which there are relational problems, may cause bottlenecks in the supply chains and depending on the availability of alternatives, the dissatisfied actors in the port supply chain may choose to end the relationship immaturely. So, governance of the port industry relationships is a factor that affects the performance outcomes as well as the port users/customers' choice of maintaining the relationship or shifting to another port. The significance attached to the relationships in port industry is consistent with the idea that the competition between individual ports has shifted to the competition between entire supply chains (Robinson, 2002). As a consequence, in order for a container terminal to remain competitive, internal strengths of the terminal (i.e. infrastructure, efficient operations) may not be sufficient by itself and strong relationships with other industry partners is needed. Otherwise, despite being content with the services provided by the container terminal, customers/users may not consider the container terminal to be a crucial part of the overall supply chain and the relationship can be terminated in any service network reorganization (Carbone and De Martino, 2003). Therefore, through establishment of long-term relationships with the major maritime supply chain actors, critical benefits such as value creation, performance and increased level of responsiveness to the customer's needs can be achieved (Tongzon et al., 2009). From the standpoint of port evolution, the emphasis on these relationships is in line with the predetermined characteristics of how a port should be managed in the fifth generation era (Flynn et al., 2011).

Based on the roles and the objectives of the supply chain actors making use of ports, characteristics of their relationships with ports differ. However, before revealing the characteristics of these dyadic relationships, it is important to provide at least a brief presentation of the big picture by explaining the relational structure of the maritime supply chain actors as a whole. Considering that the focus of this dissertation is particularly on the container terminals, the following illustration of the processes represent the relational structure in international movement of containerized goods.

Depending on the incoterms defined by the sales contract, either the owner of the goods or the receiver, mostly with mediation of a freight forwarder, chooses a shipping company (and its liner shipping agent) for the seaborne transportation. This selection decision is carried out by evaluating many factors such as cost of carriage, transit time of the voyage, schedule of the vessel etc. Moreover, if there are competing ports in the region, the decision of shipping company selection can also involve port choice. As shipping companies call certain TOCs for their liner services, the preference of the shipper may be influenced by its evaluation of the TOC. Factors such as location, service quality, transportation mode choice, speed, availability of necessary equipment, congestion and reputation are the major factors that shape this decision (Aroinētis et al., 2010). When the selection of TOC is then carried out, the responsible side of the trading parties decide on the hinterland transportation selection, again with or without the mediation of freight forwarder. This choice is also influenced by the transportation mode alternatives that the selected TOC can provide. Additionally, customs brokers are also important actors in this chain of processes as they serve for the shipper and the consignee by carrying out the customs related tasks. From the IOR perspective, the governance mechanism (contractual/relational) in each relationship dyad also differs. Figure 8 illustrates the use of contracts between the major actors in port supply chains.

Figure 8: Use of Contracts in Relationships between Major Container Transportation Actors



Source: Author's own composition (*C: Contractual agreement)

Palmieri et al. (2019) underline that the relationships in port network differs from the traditional supplier-customer relationships. Moreover, the authors point out that the content of the terminal operator's relationships with other major maritime transportation actors are not the same. As result of the diverse roles and interests of these actors and their variant degrees of participation in logistics processes, the scope of their relationships with terminal operators and the need for a contract to maintain the relationship vary. To overcome the sophistication of the complex nature of port networks (Caschilli and Meda, 2012) and to better explain the characteristics of mentioned relationships, categorization of major maritime transportation actors which is proposed by Palmieri et al. (2019) can be used. Palmieri et al. (2019) divides these actors into two as port customers and port users. According to this categorization, port customers cover shipping companies (and their agencies) as their commercial and transactional relationship with terminal operator is denser. In this categorization, port users consist of cargo owners, freight forwarders, customs brokers and all kinds of transportation and logistics companies. In this categorization, interaction between TOCs and shipping companies is sequential whereas the interactions between TOCs and their users rarely show this characteristic; thereby the use of contracts is rare as well.

Therefore, by adopting this categorization, the following parts will provide further details on the nature of the relationships between TOCs and other major port industry actors. Considering that this dissertation only focuses on the major relationships in port industry, TOCs relationships with port users is limited to the relationships with freight forwarders and cargo owners.

1.4.1. Relationship between Ports and Port Customers

As mentioned in the previous part, customers of a TOC consist of liner shipping companies and their agents which represent these companies within certain geographic area by carrying out commercial and operational duties. As the main carrier of cargo from one port to another, liner shipping companies are key actors in seaborne transportation. Objective of these companies is to meet the demands of the shippers by offering a broad range of logistics services. According to Slack et al. (1996),

success of a liner shipping company depends on its ability to meet the shipper's and freight forwarder's requirements in terms of geographical coverage, punctuality, reliability and frequency. Song (2003) underlines that liner shipping companies are facing new challenges as a result of the tough rivalry and follow differentiation strategies as well as improving economies of scale to achieve cost advantages. In order for liner shipping companies to perform well in these tasks, the collaboration between liner shipping agencies and the container terminals that their vessels call is essential. From this fact, governance of liner shipping company/agency-TOC relationship determines both parties performance on fulfilling their duties and satisfying the rest of the chain members.

From the TOC's perspective, performance of a container terminal is an outcome of their relations' strength with the customers, besides its individual servicescape capabilities (Pantouvakis and Bouranta, 2017). Within this framework, TOC-liner shipping company relation has a particular importance as it is more sophisticated covering many different facets namely operational, financial and contractual relations. Other than that, unlike the relations that the rest of the maritime supply chain actors have with TOCs, TOC- liner shipping company relation is direct in all facets (Palmieri et al., 2019). Thus, the synergy to be created in all these facets of the relationship is important for both terminals and liner shipping companies to be agile in terms of meeting the demands of maritime supply chain that they are involved (Paixão and Marlow, 2003). Based on this impact of the success of this relationship on the rest of the supply chain actors, it is more than a basic buyer-supplier relationship and resembles more of a partnership (Jacobs and Notteboom, 2011).

To maintain the relationship successfully, TOCs and liner shipping companies build their relationship on both contractual and relational elements. For the contractual part, parties typically craft contracts that cover the standard operating procedures, pricing of the services, liabilities of each party and the penalties to be applied when any of the party fails to fulfill their duties (e.g. having no available quays at the arrival of the vessel) (Fransoo and Lee, 2008). However, contracts by their own can not lead to superior performance. Due to the criticality of TOC- liner shipping company relationships within the overall supply chains, parties should also aim to enhance the relational elements for achieving long-term cooperation (Song and Panayides, 2008).

From the TOCs' perspective, ability of managing IORs successfully is the key determinant of competitiveness, considering that physical attributes of ports today are not dramatically different from one another (Notteboom, 2008). Moreover, considering the fact that now the industry has bigger and fewer shipping lines, in order to sustain their businesses, terminal operators have to find their ways to achieve shipping lines' loyalty (Martin and Thomas, 2001; Franc and Van der Horst, 2010). Therefore, to make their relationship with a liner shipping company to be long lasting, TOCs should prove their terminal management competence, improve their port service quality in response to the expectations of liner shipping companies and their customers and perform well in terms of timely vessel turnaround time (Schellinck and Brooks, 2016). It should also be noted that restructuring of the liner shipping industry via mergers-acquisitions and strategic alliances, made it even harder for TOCs to sustain their businesses. A customer churn now means substantial reduction in sales considering that even a single liner shipping company holds significant volumes of cargo by itself and with its alliance partners (Song, 2003).

From the perspective of liner shipping companies, a well-managed relation with TOC is also at the highest importance as their performance on punctuality, reliability and value generation is achieved jointly with the TOC. Consequently, shippers' and freight forwarders' satisfaction from shipping lines' services is directly associated with the joint performance of liner shipping company and TOC (Slack et al., 1996; Heaver, 2002).

The literature covers several researches focused on this particular maritime supply chain relationship under the themes of integration practices (e.g. Franc and Van der Horst, 2010; Palimieri, 2019), value generation (e.g. Schellinck and Brooks, 2016), port/terminal choice (e.g. Tongzon, 2002; Chang et al., 2008) and the changing dynamics of the relationship structure (e.g. Martin and Thomas, 2001; Heaver, 2002). Considering that the relationship between TOCs and liner shipping companies has contractual and relational elements, the success of the relationship depends on how these two governance mechanisms are developed and maintained. However, how these governance mechanisms work particularly in this relationship and how it determines the success of the relationship are the questions that have not been thoroughly

scrutinized. As this dissertation takes this issue as one of the RQs, further information will be provided in the respective parts of following chapters.

1.4.2. Relationship between Ports and Port Users

Two major actors that occupy the port user category are cargo owners and freight forwarders. Cargo owners (shipper/consignor) are the actors that generate the demand for transportation. Either directly working with the liner shipping companies or with the mediation of freight forwarders, cargo owners plan their transportation processes by purchasing the services provided by these two (Shin et al., 2018). The planning of the movement of cargo involves port choice as well. The literature on port choice from the cargo owner's perspective shows that location of the port, frequency of ship calls, port charges, frequency of cargo loss or damage, equipment availability, service quality, port efficiency and port information services are important factors shaping the decision (Talley and Ng, 2012). However, port choice by the cargo owners is mostly dependent on other transportation related choices made by the cargo owner such as carrier selection. This is due to the fact that the economic and reliability outcomes of the choices can only be determined as an aggregation. As an example to this, a port can be economically advantageous but the shipping company calling that port may not be offering competitive freight rates. Thus, despite the advantages that a port offers, the cargo owner may choose to direct their goods to another port which is economically a better option when the evaluation of total costs are made combining the port related costs with transportation related costs. Therefore, the choice is more based on the selection of "a port-oriented supply chain" that the port is an only a part of (Magala and Sammons, 2008).

Due to the limitations caused by the large quantity of cargo owners being located in a TOC's hinterland, the relationship between these two actors is indirect in many facets and involves mediation of liner shipping companies and/or freight forwarders. Therefore, these relationships between TOCs and cargo owners mostly do not involve contracts as tool for governance (Lopez and Poole, 1998). However, for the large cargo owners, TOCs may wish to craft formal contracts offering them operational/economical privileges and seek to put special relational efforts to maintain their exchange. For the small or medium sized cargo owners, this is rarely the case and

the ports carry out their marketing efforts via liner shipping agencies and freight forwarders which hold the control of these cargoes (De Langen and Pallis, 2006).

Freight forwarders are organizations with specialized knowledge of organizing movement of cargo by land, waterways and air. Broadly defined, freight forwarders serve for the cargo owners by carrying out functions such as logistics, affreightment, consultancy, clearance, documentary, consolidation, insurance, fiduciary and supervision (Schramm, 2012; 24). Due to their specialization on logistics organization, they are intermediary actors mediating the relationship between the carrier and the shipper. In this chain of relationships, freight forwarders are industrial buyers since they re-sell the services that they have bought from liner shipping companies to small and medium sized shippers (Shin et al., 2018).

Considering that freight forwarders control large share of international cargo flows, they are important intermediaries in terms of making the decision of port choice (De Langen, 2007). Therefore, their consultancy function covers the examination of the TOC alternatives for cargo owners' goods to be handled by considering several factors such as shipping frequency, location, port charges, adequate infrastructure, efficiency in operations, reputation for cargo damage and quick responsiveness to port users' needs (Tongzon, 2009). Although, TOCs and freight forwarders relationship have many facets including marketing by the TOC, joint operational processes (e.g. storage, container freight station [CFS] operations etc.), financial and transferring of related documents (e.g. cargo entry, VGM request), this relationship is mostly governed without the use of contracts. This is a result of the positioning of freight forwarders as intermediaries. Therefore, the relationship between TOCs and freight forwarders are indirect by their nature and majority part of the relationship is maintained with the mediation of liner shipping agents.

However, in order to fulfill the needs of the cargo owners, both organizations work in the same direction. From the TOCs' perspective, marketing effort on freight forwarders have become increasingly important especially due to the fact that freight forwarders are collecting high volumes of cargoes and have the ability to influence cargo owner's transportation related decisions. Especially for the freight forwarders' with large scale cargo owners in their customer portfolio, TOCs may craft contracts (without the mediation of liner shipping agencies) that provide pricing related

advantages. While these contractual elements of the relationship exists or do not exist based on the cargo volume that a freight forwarder owns, relational elements always play important role for the tasks carried out jointly by both parties aiming to fulfill logistics needs of cargo owners.

The extent of the relationship between TOCs and both of the actors in the category of port users varies depending on the services that these actors get from the TOCs. Lin (2015) states that only in a few situations, there will be opportunities for these relationships to be established as direct relationships. For instance, getting value-added services such as CFS operations, VGM weighing or any other operations that the specialized containers require may need direct relationships of TOCs and the users, expanding the scope of the exchange.



CHAPTER TWO

RELATIONAL GOVERNANCE AS AN INTERORGANIZATIONAL STRATEGY

In this chapter, the literature on interorganizational governance is discussed by comparing the two contradicting governance strategies namely relational governance and transactional governance. While the first reflects tendency of the organizations in relationship to development of certain relational norms, the latter reflects the tendency to rely on complex formal contracts, legal bonds and economic incentive systems with the aim of increasing the control (Brown et al., 2000). After introducing the requisite terminology on the two contradicting governance types and their theoretical roots, the chapter concludes with a review of literature that is focused on the role of relational norms which are the key constructs in relational governance framework.

2.1. INTERORGANIZATIONAL GOVERNANCE THROUGH SOCIAL CONTRACTING: RELATIONAL GOVERNANCE

Interorganizational governance mechanisms are organizational or structural arrangements aiming to determine the behaviors of the parties involved, in a way that would strengthen the relationship and restrain possible exchange hazards (Huang et al, 2014; Das and Teng, 1998). Although there are many theoretical perspectives that are helpful to provide insights on interorganizational exchanges, integration of RET within TCE have proved its effectuality in terms of explaining the complex and changing nature of the subject.

Rooted in institutional economics, TCE suggests that these exchanges can be governed by two different kinds of governance mechanisms, namely “markets” governance through price mechanism and “hierarchies”, governance through unified authority structure (Williamson, 1975). The general proposition of TCE is that organizations specify their governance structures by selecting between these two types in order to deal with the exchange hazards that are related with specialized asset investments, difficulties in monitoring and uncertainty (Williamson, 1985). To cope with these hazards, firms may choose to craft formal contracts that are designed to

minimize the transactional costs which might occur in any kind of contingency. Said contracts cover procedures for monitoring, details of the organizations' roles in the exchange, obligations to be performed, performance appraisal criteria, outcome targets (Wang and Fulop, 2007; Huang and Chiu, 2018) and mainly aim to bind parties together (Camen et al., 2011). Accordingly, their functions in IORs can be evaluated in three dimension namely contractual control, contractual adaptation and contractual coordination. Contractual control function works as a mechanism that precludes opportunistic behaviors, securing the relationship specific investments. Contractual coordination function is the mechanism that clarifies the roles that the parties have and the tasks that they are obliged to carry out. Finally, contractual adaptation mechanism works as a mechanism that copes with future contingencies (Mellewigt et al., 2012; You et al. 2018). However, in some cases crafting such contracts might not be as functional as it was expected to be. Even it may be costlier and result in firms' decision to vertically integrate (Poppo and Zenger, 2002).

Although the framework of TCE has provided valuable information on how firms should design their governance structures appropriately in terms of safeguarding against unexpected relational outcomes such as opportunistic behavior, it has received criticism for deemphasizing relational and social aspects of interorganizational exchanges (Pilling et al. 1994; Carson et al, 2006; Zajac and Olsen, 2010).

At this point MacNeil (1980)'s contribution has widened the scope of the subject and relational governance has been put into focus. Relational governance can be defined as the extent to which exchange partners use relational norms as governance mechanisms with the aim of reaching to a relationship quality level that would enable joint planning and coordination (Heide and John, 1992; Wang and Wei, 2007). MacNeil (1980) argues that interorganizational exchanges are positioned in the transactional/relational continuum. Transactional exchanges are discrete in nature and the organizations involved in such exchanges do not feel the need of establishing strong personal relations and interorganizational bonds (Dwyer et al., 1987). This is due to the narrow content of the said exchanges, which require not more than very limited communications. Such exchanges do not require special efforts for quality improvement of the relations as neither party is under obligation of future exchanges (Garbarino and Johnson, 1999). Relational exchanges, on the other hand, are

positioned at the other end of the continuum. The nature of such exchanges are more demanding. In a relational exchange, both parties are expected to enhance cooperative actions, mutually share burdens and the benefits that are generated throughout the process and do the planning for future exchanges. Therefore, parties involved in relational exchanges are obliged to develop a smooth social environment for their exchanges in which the quality of the relation increases within the process (MacNeil, 1980). In such exchanges, unlike markets or hierarchies, organizations focus on developing relational norms that help coping with opportunism and rely on promoting joint benefits (Zhang et al., 2003).

Rooted in the seminal works of MacNeil (1978 and 1980) and Dwyer et al. (1987), differences between discrete transactions and relational exchanges are briefly presented in Table 5.

Table 5: Major Differences Between Discrete Transactions and Relational Exchange

| Discrete Transactions | Relational Exchange |
|---|--|
| Exchange is short in duration. | Duration of the exchange is longer as the exchange parties are expecting long term benefits. |
| Two parties are involved in the exchange. | Often more than two parties involved in the process and governance of exchange. |
| Joint efforts are not necessary. | Joint efforts are carried out both in planning and performance |
| Future interdependence is low due to the simple nature of business. | Future interdependence is high as the gains are obtained from joint performances. |
| Social interaction is low as the parties do not aim to develop ongoing relations. | Communication plays a pivotal role considering that the parties thread each other as strategic partners. |
| Benefits and burdens are divided sharply. | Benefits and burdens are shared mutually. |
| Exchange does not require any risk sharing. | Parties are expected to share the risks associated with the exchange. |

Source: Adapted from MacNeil (1978 and 1980), Dwyer et al. (1987) and Ganesan (1994)

Based on the nature of the exchange, the governance mechanisms that are in operation varies. Following section will detail the interplay between two major governance mechanisms namely relational governance and contractual governance. The discussion will be carried out by reviewing the empirical research on this particular topic.

Interplay between Relational Governance and Contractual Governance Mechanisms

Unlike the TCE framework, RET perspective focuses on the role of social norms on mitigating opportunism and seeking mutual interest (Achrol and Gundlach, 1999). In addition to that, this perspective suggests that social structures are more powerful than the institutional ones in terms of explaining the economic behavior of the exchange participants. According to Macauley (1963), formal contracts are unnecessary to use in many problems related to the governance of IORs, and if they are used, the negative consequences and costs can be high. Thus, governance of the IORs through social contracting is considered as more effective than formal contracting because of the pragmatic limits of contracting law (MacNeil, 1980). In his study, Gundlach (1994) refers to this issue and states that contract law's problematic theoretical conception on interorganizational exchanges creates such limits. According to Gundlach (1994) contracting law handles interorganizational exchanges as one-time discrete events. However, in reality, modern exchanges are rarely discrete and are mostly long term oriented. Consequently, non-legal safeguards are at highest importance as they compensate the limits of the contracts.

In order to test this assumption there are many studies that evaluate the roles of both formal and social contracts in exchange relations. In their study which aims to reveal the roles of both governance types, Achrol and Gundlach (1999) finds out that social contracting has a significant effect on altering the opportunistic behaviors of the exchange partners by discouraging self-interested behaviors. Interestingly, the authors state that there wasn't any evidence on the positive effect of formal contracts' (both solely and jointly with social contracts) on the manner of the mitigation of the opportunistic actions. The findings of Brown et al. (2006)'s study on wholesaler-

supplier relations are in a similar direction. By evaluating the relationship satisfaction and level of conflicts as two significant determinants of expected IOR outcomes, the authors examine the roles of social and formal contracts (in their research respectively named as normative and explicit contracting). This study reveals that social contracting reduces conflicts and increases satisfaction, whereas explicit contracts lead to higher levels of conflicts and thus can not form a basis for generating satisfaction of the parties in exchange.

Similar to these studies, Poppo and Zenger (2002) investigated how social and formal contracts can be beneficial together and independently, by answering the question of whether they are substitutes or complements. The study revealed that these two governance mechanisms were functioning as complements by pointing out the managers' willingness to employ greater levels of focus on the norms as the contracts between the parties get more customized in time. The study of Luo (2002), which examines joint venture relationships, and the study of Lee and Cavusgil (2006), which focuses on alliance relations, have also obtained results that reveal the complementary nature of the governance mechanisms.

Despite the exploration of these studies on the joint functionality of two contracting types, the literature also provides contradictory comments as many scholars propose that integration of relational and contractual governance would cause problems because of their differing natures. In other words, since the relational governance is more about the exchanges of the trusting partners, formal contracts carry the potential to be harmful by signaling distrust (Huber et al., 2013). On this particular issue, Pinto et al. (2009) report that excessive emphasis placed on the penalties for undesirable behaviors does not necessarily help coping with opportunistic behavior. On the contrary, the authors state that such clauses are found out to be viewed as signs of suspicion. Therefore, tendency to cooperation is effected negatively as a result of decreased mutual trust.

On the other hand, although it presents diametrically opposite results, the study of Lazzarini et al. (2004) comes to the conclusion that relational governance mechanisms would fail without the instruments of formal governance implying that high levels of exchange performance requires more than trust alone. Similarly, Ngowi (2007) also underlines the importance of coexistence of the two governance

mechanisms and stresses that rather than dismissing the entire contract with the aim of substituting formal control mechanism with the relational, making adjustments on the clauses, which are determined to be detrimental, would be more beneficial. Hereby, such eliminations of certain clauses may even conduce to signs of goodwill and trust between organizations. From the viewpoint of this line of thought, leaving all the duties related to relationship maintenance to the relational mechanisms would be removing the advantages of the institutional framework that the contracts ensure (Luo, 2002). After all, said institutional framework is seen as a source of confidence in IORs that may make cooperation even easier (Von Branconi and Loch, 2004; Wang and Chen, 2006).

To help explaining the conflicting findings, there are also studies that show when and under which conditions these two contracting types may be more useful. For instance, Jap and Ganesan (2000) finds out that social contracts become more functional especially during the phases of transition, like build up and decline. As such phases are characterized by the stresses related to the change, relational governance may act as a buffer and decrease the possibility of acts with guile. A recent study carried out by Huang and Chiu (2018) reveal that contractual mechanisms positively affect cooperative performance at the exploration phase of the relationship, considering that relational dynamics of the exchange are not developed sufficiently at said phase. In following phases of the relationship (build up and maturity), however, contractual control loses its positive impact on performance whereas relational control become more significant.

Similar to these two researches, study of Carson et al. (2006) also provides valuable insight of the varying functions of two governance methods. In their study, the authors investigate how formal and social contracting perform in different uncertainty conditions. Findings reveal that formal contracts are more likely to create problems in the situation of volatility whereas social contracts are more problematic if the uncertainty is associated with ambiguity. Another research that Cannon et al. (2000) has carried out provides important findings in a similar way about the relationship between uncertainty and governance structure. In this study the authors reveal that in an environment of high uncertainty, it is very difficult to prepare the ground for the positive relationship outcomes by crafting detailed formal contracts that

are not supported by social bonding. However, it is stated that social contracting has a positive influence on performance by itself whether the uncertainty is high or low.

Focusing on the alliance performance, Lee and Cavusgil (2006) examines the effect of two governance structures and similar to the above mentioned researches, their study finds out that under high pressure of environmental turbulence social contracting provides more positive effects compared to formal contracting in terms of leveraging the IOR performance. On the other hand, authors state that formal contracting should be valued during the foundation process of an IOR, but in the following stages formal contracts lag behind social contracts in terms of their functional significance.

Taking the dependency structure of the IORs into account, the study of Lusch and Brown (1996) investigate how prevalent the contract types were used under different dependency conditions. The results of the study reveal the relationship between dependency structure and governance mechanism preference, and show that in the case of interdependence, the tendency towards social contracts is increased while formal contracts become widespread when dependence is one-sided.

The study of Cao and Lumineau (2015) which carries out a meta-analysis on the interplay between the two governance types, also should be considered as a valuable attempt on understanding their differing natures. Focusing on the supply chain relations, this study aggregates a large amount of varying findings on interorganizational governance research and provides more accurate assessment on the topic. The findings reveal that both of the governance mechanisms have positive impacts on IOR performance and satisfaction. Besides that, relation type and length are found to be highly associated with the relationship between social contracting and formal contracting. As the study suggests, in the case of vertical IORs (such as buyer-supplier relationship) the two governance mechanisms show more of a complementary nature while they are independent in strategic alliances or cross border IORs as these types of exchange relations are more open to exchange hazards due to the high levels uncertainty. When the effect of relation length is examined, the findings of the study points out its positive effects on the relationship between the two governance mechanisms. The authors explain this result by considering that a long term

relationship would enable parties to adopt less costly formal contracts as the duration of the relationship is an indicator of commitment associated to the exchange.

Beside the studies that investigate the interplay between two governance mechanisms, the stream of literature asking the question of “how does the content of the contract shape the IOR’s quality?” also provide fruitful findings that help enhancing the knowledge on social outcomes of the contracting relationships. The mentioned literature distinguishes between complete and incomplete contracts. Complete contracts are crafted with the aim of specifying all conceivable scenarios and cover details on procedures to be followed as far as possible. In contrast, incomplete contracts are crafted with the idea that not every possibility can be foreseen at the process of contracting (Hart and Holmström, 1987). Due to the mentioned differences, contract completeness level is expected to have an impact on the dynamics of the IORs (Camen et al., 2011).

However, these studies also fail to speak with a single voice or come up with an absolute answer. In her study, for instance, Praxmarer-Carus (2014) evaluates the relationship between contract complexity and perceived trust to the partner and the findings demonstrate that complex contracts can foster trust between partners if they are perceived as safeguard, a signal of commitment or a signal of competence, whereas they can also hamper trust if they are perceived as a forced tool to manage the relationship with restrictions to one another. In order to explain this contradictory result, Praxmarer-Carus (2014) underlines the role of culture and characteristics of the individuals that are in charge of managing the contractual relationships. In another study on scope of the contracts and its implications on performance, Mooi and Ghosh (2010) finds out that if the level of contract specificity exceeds the level of the complexity of the transaction, it is more likely that the relationship between the contracting parties will face with problems due to the lack of trust. Therefore, the authors suggest that the parties in a contracting relationship should initially evaluate the hazards posed by the transactional attributes and then form the scope of the contracts accordingly. In his study Lumineau (2014) approaches to this debate by taking control and coordination functions of the contracts separately into consideration. The author also underlines that the contract design may affect the trust between parties in many different ways. For instance, the author proposes that

coordination related clauses may enhance the information sharing between the parties and thus result in higher trust, but if the contractual coordination reach to an excessive level than it may create undesired rigidities which will cause distrust.

To sum up, this stream of literature focusing on “how scope of the contracts should be determined” shows that desired relational outcomes can not be achieved solely focusing on contractual governance as it’s not possible to come up with a formula for the contract design that would work in all conditions.

When all these findings in the literature are evaluated in the aggregate, it is seen that social contracting has proved to be determinative in high relationship performance, both by itself and in some cases with the synergetic effect they acquire together with the use of formal contracts. In this sense, it is important to examine the relational norms that are the building blocks of interorganizational social bonding and how these norms contribute to the IORs in terms of their performance and the atmosphere that they are embedded in.

2.2. THE ROLE OF RELATIONAL NORMS IN INTERORGANIZATIONAL EXCHANGES

Relational norms are a set of constructs that have been the subject of many branches of social sciences including psychology (e.g. Thibaut and Kelly, 1959), sociology (e.g. Granovetter, 1985), politics (e.g. Axelrod, 1986), economics (e.g. Gibbons, 1999), contract law (e.g. Macneil, 1985), marketing (e.g. Heide and John, 1992) and management (e.g. Gulati, 1995). Thanks to this vast field of work, there is a valuable accumulation of knowledge about the concept of norm and their role in various types of exchange governance.

Norms are expectations of behaviors that are set by the parties involved in a relationship with the aim of reaching to the collective goals (Gibbs, 1981; Moch and Seashore, 1981). As they determine the limits of acceptable behavior, relational norms are considered to be critical social constructs that shapes the governance of interorganizational exchanges (Griffith and Myers, 2004). Being based on mutuality of interest, norms enhance stewardship behavior and function as a facilitator of the relationships’ wellbeing. In other words, the relational norms framework aims to create

a social environment in which the unilateral interests that could harm the relationship as a whole are discouraged and the mutual benefit seeking is appreciated (Gundlach and Achrol, 1993). Due to the positive atmosphere that norms create, severity of contractual enforcement decreases (Antia and Frazier, 2001) and when a dispute arise, the organizations in exchange choose to solve it through communication.

Each individual relationship may differ in the degree of effective use of these norms, but in order for a relationship to exist, at least a minimum level of occurrence of these norms should be mentioned (MacNeil, 1987; Nevin, 1995). As exchanges between the parties become more frequent, the norms become more evident. Throughout the relationship process, the parties gain experience to understand each other's needs and expectations and manage the relationship in a more socially relevant manner (Samouel, 2007). Thus, the increased functionality of matured norms results in higher exchange productivity due to higher coordination (Bello et al., 2003; Ryu and Eyuboglu, 2007). Although it has been pointed out that the norms that are developed throughout relationship process contribute to interorganizational coordination, there are some comments that can be considered conflicting about the functionality of the norms in different levels of relationship life cycle. According to Anderson and Jap (2005), norms begin to form at the starting levels of the relationship, and as the partnership between the organizations become very close, they can become less functional in terms of maintaining the relationship as the expectations of the parties may be too high or even unrealistic.

Apart from the impact of relationship duration, cultural differences and their influence on norms comes out as another issue in the literature. Focusing on the cross-border IORs, Zhang et al. (2003) state that independent of cultural difference, the functionality of relational norms is found to be equal. Disparately, the study of Griffith and Myers (2004) demonstrates the importance of fitting relational norm governance strategies for the IORs across culturally diverse partners in terms of the functioning of norms. The authors came to this conclusion by examining the relations between U.S. firms and their Japanese and U.S. partners. Their findings reveal that norms do not function equally or similarly in two different cultural settings.

In order to better understand the role of relational norms in IOR governance and the positive relationship outcomes that comes along with their effective usage, it

would be useful to demonstrate the classification of these norms and explain their properties one by one.

2.2.1. Classification of Relational Norms

The literature has shown that organizations can achieve many positive outcomes thanks to their IORs in which the desired relational norms are adopted and developed. Besides the studies addressing the role of norms as a whole in the provision of these benefits, the number of studies examining relational norms under different dimensions are also numerous (Ivens, 2004). However, it is difficult to say that there is a general agreement on the number and content of norms. The vast majority of studies in the relevant literature have addressed one or more dimensions of norms such as *solidarity, flexibility, information sharing, role integrity, mutuality and conflict resolution*. Nevertheless, other than the above mentioned ones the constructs of *participation* (e.g. Mohr and Spekman, 1994; Jap and Ganesan, 2000), *continuity expectation* (e.g. Aulakh et al., 1996; Artz and Brush, 2000), *collaboration* (e.g. Artz and Brush, 2000), *joint problem solving* (Heide and Miner, 1992; Claro et al., 2003) and *joint planning* (Claro et al., 2003) are regarded as relational norm types by some researchers as well.

The lack of standardization in norm definitions is one of the most important criticisms of RET. According to Joshi and Stump (1999), very broad definitions of relational norms in the RET framework has made it difficult to distinguish between the scopes of the dimensions. In fact, in many studies, the consequences of norms are considered as norm dimensions or mixed with the scope of the existing norms. But still, as it is seen on Table 6 the norms of *solidarity, flexibility, information sharing, role integrity, mutuality and conflict resolution* can be considered as the main ones that have been subject to the related empirical researches. In this context, definitions of these norms will be made in order to reveal their divergent scope and to define their specific roles in IORs.

Table 6: Dimensions of Relational Norms in Empirical Studies

| | Solidarity | Flexibility | Information Sharing | Role Integrity | Mutuality | Conflict Resolution |
|-------------------------------|------------|-------------|---------------------|----------------|-----------|---------------------|
| Kaufmann and Stern (1988) | + | | | + | + | |
| Noordewier et al. (1990) | | + | + | | | |
| Boyle et al. (1992) | + | + | | | + | |
| Dant and Schul (1992) | + | | | + | + | + |
| Heide and John (1992) | + | + | + | | | |
| Heide and Miner (1992) | | + | + | | | |
| Kauffman and Dant (1992) | + | + | | + | + | + |
| Mohr and Spekman (1994) | | | + | | | + |
| Simpson and Paul (1994) | + | + | + | | | |
| Aulakh et al. (1996) | | + | + | | | |
| Dahlstrom et al. (1996) | + | + | + | | | |
| Lusch and Brown (1996) | + | + | + | | | |
| Johnson (1999) | | + | | | | |
| Brown et al. (2000) | | | | + | | + |
| Jap and Ganesan (2000) | + | | + | | | |
| Kale et al. (2000) | | | | | | + |
| Kim (2000) | + | | | | | |
| Antia and Frazier (2001) | + | + | + | | | |
| Cannon and Homburg (2001) | + | | + | | | |
| Bello et al. (2003) | + | + | + | | | |
| Berthon et al. (2003) | + | + | + | | | |
| Rokkan et al. (2003) | + | | | | | |
| Zhang et al. (2003) | + | + | + | | | |
| Hillebrand and Biemans (2004) | + | + | + | | | |
| Griffith and Myers (2005) | + | + | + | | | |
| Ivens and Pardo (2007) | + | + | + | + | + | + |
| Ryu and Eyuboglu (2007) | | | + | | | |
| Samouel (2007) | + | + | + | | | |
| Sezen and Yilmaz (2007) | + | + | + | | | |
| Wang and Wei (2007) | | + | + | | | |
| Durif and Perrien (2008) | | | | + | | |

Table 6: Dimensions of Relational Norms in Empirical Studies (Cont.)

| | Solidarity | Flexibility | Information Sharing | Role Integrity | Mutuality | Conflict Resolution |
|------------------------------|------------|-------------|---------------------|----------------|-----------|---------------------|
| Caniels and Gelderman (2010) | + | + | + | | | |
| Mysen et al. (2012) | + | | + | + | + | |
| Yaqub (2013) | + | + | | + | + | + |
| Müller and Martinsuo (2015) | + | + | + | | | |
| Ishak (2016) | + | + | + | | | |
| Rahman and Ramli (2016) | + | + | + | | | |

Source: Extended from Ivens and Blois (2004)

2.2.1.1. Solidarity

Norm of solidarity is defined as the maintenance of the IOR by putting the joint benefits of the parties as the forefront. Stated differently, rather than individual value claiming, solidarity promotes joint value creation (Rokkan et al., 2003). Thus, both parties expect the other side to behave in a way that shows that the relationship is at a high value (Heide and John, 1992). In an IOR in which solidarity is established, parties respond positively to each other's requirements and avoid actions which will adversely affect the other party (Bello et al., 2003). Based on this characteristic, solidarity is considered as a norm holding exchanges together. As a result, by establishing this norm, both parties take actions with a sense of "we" over a shared identity (Kauffman and Dant, 1992). Relatedly, the sense of "we" underscores the unity or the fellowship and demonstrates that both parties are aware of their common responsibilities (Gundlach et al., 1995). Moreover, in an IOR with high levels of solidarity, organizations aim doing way more than the predefined tasks, knowing that such actions would help to maintain cooperativeness in the relationships (Olsen et al., 2005).

2.2.1.2. Flexibility

The norm of flexibility is defined as a bilateral expectation of willingness to make adaptations as circumstances change (Heide and John, 1992). As IORs can be affected by unforeseen and changing conditions, the practices and policies that shape the relation can also be subject to change. Establishing flexibility between organizations, thus comes up as an important matter considering the positive atmosphere it creates in terms of easily adopting to this changing circumstances (Boyle et al. 1992; Griffith and Myers, 2005). Organizations showing flexibility in their behavior against their partner, implicitly indicate their good intentions and underscore the value they put on the wellbeing of the relationship. If this flexibility is reciprocal, then both sides can consider the relationship as a strategic asset that provides a wide range of action in the face of change (Johnson, 1999). In sum, the norm of flexibility functions as a coordination mechanism that enables organizations to feel more comfortable especially in an environment that is characterized by uncertainty (Wang and Wei, 2007). Moreover, such flexibility in exchanges generate desired outcomes such as cost advantages and increased channel performance, which transforms into enhanced competitive advantage in the long run (Bello and Gilliland, 1997). As argued by Slack (2005), flexibility occupies a critical position in how business relations can be strategically developed to lead organizations to desired competitive advantage.

The flexibility degree of an IOR is mainly associated with the activity links (such as exchanges that occur in operational and/or financial level) and resource ties and it can be determined through the evaluation of events where adjustments for changes were requested or made (Medlin, 2001). In this direction, flexibility is also associated with the agility of the organizations and their capability to rapidly respond to changing demands of the opposite parties (Pantouvakis and Bouranta, 2017). Due to the role of contracts in clarifying the liabilities of the parties in interorganizational exchanges, flexibility of the relationship is also indicated by parties' tendency to the contract clauses when such adjustments are requested. Therefore, to improve flexibility, contracts governing the exchange should also be designed in a way that enables dealing with changing circumstances (Demirel et al., 2017). In IORs that are characterized by a strong norm of flexibility, contract terms are rather composed of

soft elements (Nysten-Haarala et al., 2010). In contrast, hard contractual framework is based on risks and allocation, leaving less room for trust and cooperation (Wu et al., 2017).

Especially in the supply chain management literature, the scholars have showed a significant interest to the norm of flexibility. This is due to the fact that uncertainties faced by a member of the chain carry the potential to harm the channel performance as a whole when the other parties do not show the necessary willingness to be flexible with the aim of securing the member in need (Yu et al., 2013; Yu et al., 2017). Yu et al. (2012) touch upon this matter by illustrating the case of GREE, the world's largest specialized air-conditioner company. In said case, in times when its distributors face with dramatic decreases in their profits, GREE as their major partner in the supply chain had carried out "Vague Refund Profits Policy" to give a certain percentage of the profits gained throughout the whole year. As a result, the company had secured the continuity of its relations with distributors by applying a flexibility oriented strategy and eliminating the negative outcomes that might have occurred because of the economic changes in the distribution environment.

Due to the broadness of the norm of flexibility in IOR setting, many of the articles in the supply chain literature have focused on specific manifestations of the concept (Fayezi et al., 2014). In their seminal paper titled "A conceptual model of supply chain flexibility", Duclos et al. (2003) identifies six major flexibility components as a result of reviewing the said literature. These six components are operations system flexibility, market flexibility, logistics flexibility, supply flexibility, organizational flexibility and information systems flexibility. Other than these components, supply chain literature also covers some other flexibility components such as inbound/outbound delivery flexibility (Slack, 1983), purchasing flexibility (Swafford, 2003), expansion flexibility (Sethi and Sethi, 1990), machine/equipment flexibility (Sethi and Sethi, 1990), labor flexibility (Vokurka and O'Leary-Kelly, 2000), strategy development flexibility (Zhang et al., 2002), mix flexibility (Zhang et al., 2002), volume flexibility (Sethi and Sethi, 1990), modification/specification flexibility (Gerwin, 1987) and customer recovery flexibility (Correa and Gianesi, 1994).

In sum, as it is seen, manifestation of flexibility can occur in various forms depending of the content and the nature of the exchange between organizations. However, it should also be noted that, in many cases, different taxonomies on flexibility cause overlaps, making them difficult to be combined (Upton, 1994). Therefore, for the practical reasons, above mentioned taxonomies should be viewed as context specific manifestations of the norm of flexibility, which reflect the appreciation of norm's multi-component nature.

2.2.1.3. Information Sharing

Anderson and Narus (1990) define the norm of information sharing as “formal and informal sharing of meaningful and timely information between organizations”. In a relationship where this norm is well developed, both parties avoid the emergence of information asymmetry, thus facilitate high coordination in joint processes (Ryu and Eyuboglu, 2007). By ensuring regular flow of information, organizations gain the ability to plan their internal processes more effectively and gain advantages in reducing costs (Aulakh et al., 1996; Bello et al., 2003). Especially in highly uncertain environments, information about the environment that one party owns may be crucial for the other. Thus, sharing such information enables IORs to cope with the change and maintain their tasks without any damage (Klein et al., 1990). On the other hand, information sharing also allows parties to learn about each other’s priorities and expectations. As a result of this, parties become more knowledgeable about each other’s business and their contribution to the IOR success increases (Zhang, 2003). Conversely, in an IOR where information sharing is problematic, joint actions may easily fail and disputes between parties may arise.

As the norm of information sharing is an outcome of interorganizational communication, changes that occur in communication and information technologies shape its structure. Accordingly, both in the related literature and practice it can be seen that the concept of "information sharing" is transformed into the concept of "information visibility" in many cases. Today, quality of information technology and web based applications are used as most common infrastructures for interorganizational information flows enabling organizations to coordinate their joint

actions with upstream and downstream members of the business networks (Abuhilal et al., 2006). However, the information shared via such technology based infrastructures reflects solely one facet of the flow. Especially, the exchange of decision making information (strategic confidential information) is more related with the “willingness” of the parties to share that information rather than the quality of the technology based infrastructures. Therefore, for relationship quality to develop, organizations need to well organize the management of both their conventional and technological platforms of sharing information (Fawcett et al., 2007). As much as the improvement of connectivity through establishment of these platforms, confidence that information transferred will not be used inappropriately determines the success of interorganizational information sharing (Fawcett and Magnan, 2004).

In sum, the norm of information sharing is associated with many interrelated factors such as the range of the information –formal/informal- (Anderson and Narus, 1990), timeliness of the exchange (Anderson and Narus, 1990; Tjokroamidjojo et al., 2006), availability of the information (Cantor and MacDonald, 2009; Chen et al., 2011), quality of the information (Wiengarten et al., 2010; Chen et al., 2011; Wang et al., 2014), extent of information sharing (Wang et al., 2014), information participation (Mohr and Spekman, 1994) and the range of the information sharing platforms (Fawcett et al., 2007).

2.2.1.4. Role Integrity

From the IOR perspective, a role is defined as a pattern of behavior expected of a party. The behavioral patterns of the parties are shaped through their expectations from each other and the promises that they have made during the establishment of the IOR (Ivens, 2004; Durif and Perrien, 2008). The norm of role integrity implies the degree to which an organization’s behaviors are directed to fulfilling their obligations that are to support continuity and the wellbeing of the relationship.

The complexity of the roles that are assigned to the parties varies depending on the characteristics of the IOR. If the IOR is based on discrete transactions, then the roles to be maintained by the parties remain more stable and simplistic. In contrast, an IOR that is characterized as relational exchange demands more complex and multi-

dimensional roles to be carried out (MacNeil, 1983; Rokkan and Haugland; 2002). In this sense, the duration of the relationship should be considered as an important determinant of the scope of the role as the increased interdependencies result in more complex roles.

2.2.1.5. Mutuality

Organizations participate in interorganizational exchanges with the expectation of perceiving possible improvements from their pre-exchange positions. Hence, a fair distribution of the benefits and burdens arising as a result of the IOR is an important issue that shapes the organizations' willingness to maintain the relationship (Kaufmann and Stern, 1988). The norm of mutuality implies the degree to which an IOR is maintained through distribution of the surpluses and burdens fairly over the course of exchange (Kaufmann and Dant, 1992). The surpluses and burdens may not necessarily be equally divided between parties. In many cases both sides may agree on an apportionment that determines the terms of mutuality (Boyle et al., 1992). In an IOR in which the norm of mutuality is developed by these means, organizations' effort on fulfilling their obligations increases as they are able to gain the positive payoffs consistent with their expectations (Mysen et al., 2012). Conversely, if the parties have difficulties in establishing the norm of mutuality, the relational exchange becomes highly fragile as the unfair surplus/burden sharing may damage trading limits of one of the party.

2.2.1.6. Conflict Resolution

Conflicts are subsistent in any buyer-supplier relations caused by many reasons such as partner opportunism, goal divergence, lack of communication, domain dissensus, differences in the organizational cultures or simply due to the unexpected operational outcomes (Rosenberg and Stern, 1971; Doz, 1996; Kale et al. 2000). Considering that annihilating the occurrence of such conflicts are not always practically possible, the way that parties jointly handle the process of resolving them is always critical (Borys and Jemison, 1989). Although the role of contractual

governance mechanism in conflict resolution is obvious as contracts include clauses on the potential conflicts and the responsibilities of the parties related to them (Williamson, 1985), effective use of relational governance mechanism is found to be more determining in surpassing such situations for the sake of the relationship continuity (Dyer and Singh, 1998). Especially in the cases in which the contracts are less complete, the conflicts that arise from unspecified contingencies can only be resolved through relational mechanism in a way that mutual satisfaction of the exchange partners are ensured (Goetz and Scott, 1981).

Given that any interorganizational exchange can face with certain amounts of conflicts, it is the effort of both parties in conflict resolution that would determine both the continuity and the quality of the relationship (Deutsch, 1969). In order to manage the conflict resolution process in a productive way, readiness to engage in joint problem solving (Kale et al., 2000) besides strong two-way communication (Cummings, 1984; Mohr and Spekman, 1994) comes into prominence. Therefore, the success of conflict resolution is determined by the evaluation of organizations' ability to minimize the negative outcomes of conflicts both the ones that have occurred and the ones that have the potential to occur (Selnes, 1998). In order to have this ability, both organizations should be willing to openly discuss the conflict creating situations and be ready to accept solutions that would secure the benefits of both sides.

2.2.2. Relational Norm Development Outcomes

Since the early 90s, management and marketing scholars have investigated the roles that relational norms play and their influence on expected IOR outcomes in various settings of business-to-business exchange. In their studies, relational norms are considered to be crucial antecedents of successful long term business relations and various relationship outcome variables that are linked to this success (Ivens, 2006).

To enable comparison between their findings and better understand the aggregate knowledge on the roles that norms play, this section reviews the mentioned literature. Apparently, literature on relational norms can be divided into two distinct branches as the researches examining norms' impact on relationship quality and

interorganizational performance. Thus, this section carries out the review under such categorization.

2.2.2.1. Relational Norms' Impact on Relationship Quality

Due to the positive synergy created by relational norm development in IORs, the relationship between norms and possible effects on relationship quality dimensions (trust, commitment and satisfaction) has been a topic of interest. A brief presentation of the related literature is reviewed as follows:

In their study which examine cross-border partnerships, Aulakh et al. (1996) develop a model to identify the functions of relational norms as the antecedents of interorganizational trust. In the model, the relational norms consist of flexibility, information sharing and continuity expectation. The empirical findings support that these three norms are positively related to trust in partnerships. Moreover, the study tests the role of formal mechanisms (namely output and process control) on trust building. The authors report that neither of these mechanisms have a significant effect on trust in partnership. As a conclusion, the authors suggest that in order for IORs to be governed by high degrees of trust leading to better performance outcomes, a great emphasis should be given to the relational norm development by the organizations, rather than expecting too much from formal control mechanisms. In their study on manufacturer-foreign distributor relations, Zhang et al. (2003) report similar results on the link between norm development and trust. This study also reveals that trust that is achieved through relational norm development leads to more competitiveness in the export market for the manufacturer.

By redesigning this model the opposite way and by involving the measurement of dependence characteristics of the IORs, Sezen and Yilmaz (2007) find out that relational norms-trust relation can occur in the opposite way round. Their findings show that trust in the supplier is positively associated with the norms of information sharing and solidarity.

Focusing on commitment as another important relationship quality dimension, Jap and Ganesan (2000) employ flexibility, information sharing and participation as relational norms in their model and their findings support that the use of these norms

is positively related to supplier commitment in the perceptions of the retailers'. Moreover, the authors compare the impacts of relational norms in different phases of the relationship life-cycle and reveal the moderating role of these phases. Findings show that in the build-up phase relational norms moderates the effect of retailer's transaction specific investments on supplier commitment. However, the authors declare that such relation is not supported for the maturity phase of the relation, although expected.

In a setting of vertical partnerships between manufacturers and dealers, study of Mohr and Spekman (1994) reveal the impact of the norms of conflict resolution and information sharing on relationship satisfaction. Although their findings show that organizations' tendency to resolve conflicts in a constructive way results in more successful relationships with high levels of relationship satisfaction, the link between information sharing and satisfaction lacks support. However, the study provides verification of the impact of related constructs (communication quality and participation) on satisfaction.

Similarly, Hausman (2001) evaluates the relational antecedents of satisfaction as a relationship quality indicator. In her study, the author combines norms of flexibility, solidarity and mutuality with two major relationship quality dimensions - trust and commitment-, under a latent construct named "relationship strength". By proving the relationship between relationship strength and satisfaction as an outcome, the author discusses the criticality of social bonding in achieving desired outcomes from partnerships. As an anecdote, the author underlines that even though the significance of relationalism in IORs is obvious thanks to great accumulation of academic knowledge, the degree of organizations' tendency to such relational orientation in practice varies substantially.

The study of Ivens and Pardo (2007) evaluate both norms' and contracts' impact on relationship quality. The authors handle ten relational norms that are present in the relational exchange literature and categorize them into two as value creation norms (e.g. solidarity, flexibility, information sharing) and value claiming norms (e.g. conflict resolution, monitoring) as suggested by Kaufmann (1987). Their evaluation shows that norms positively influence satisfaction, trust and commitment but the particular influence of value claiming norms is not significant when the subject is a

small or medium sized customer. On the other hand, authors find that contracts do not impact satisfaction and commitment in the exchange, but partial support is present for the relation between contracts and trust.

Yaqub (2013)'s study on the link between relational norms and relationship quality provides broad insights on how each norms perform in terms of their influence on all three of the relationship quality dimensions. Especially by subdividing the facets that build up the relationship quality concepts and by employing large number of relational norms, the study presents a complex yet contributive understanding on the individual roles that the norms play within the business-to-business relations. In order for satisfaction to be achieved, the author finds out that the norm of conflict resolution is at highest importance as it positively affect both economic and social facets of the construct. Unlike conflict resolution, norms of flexibility and role integrity is revealed to affect only the social aspect of satisfaction, whereas solidarity is found out to have an impact on solely the economic aspect. When it comes to trust, competence-trust is found to be affected by the degree of conflict resolution and solidarity, while integrity-trust is influenced by mutuality, solidarity, flexibility and again the norm of conflict resolution. Commitment, on the other hand, is divided into three facets as continuance commitment, affective commitment and normative commitment. Continuance commitment is found to be influenced by all the relational norms tested in the model other than the norm of long term orientation. Affective commitment is revealed to be under the influence of norms of role integrity and conflict resolution. Finally, when the normative commitment is evaluated, the findings show that there is a significant relation between this dimension of commitment and the norms of mutuality, role integrity and conflict resolution.

Literature on relational norm development and its impact on quality of the relationship does not cover only the researches that test this linkage through the use of quantitative methods. For instance, the study of Mysen et al. (2012) handle the very same issue through a qualitative examination and present the findings deducted from personal interviews with the participants that are involved in the management of distributor-supplier relations in Norway. Based on these findings, the authors point out that significance of solidarity, mutuality and role integrity are partly perceived

differently by the two sides of distributor-supplier relations. However, norm of information sharing is considered to be at high importance by both sides.

2.2.2.2. Relational Norms' Impact on Interorganizational Performance

The relation between the norms and interorganizational performance have been another important part of the models developed by the scholars that investigate the nature of IORs through the lens of relational view. Considering that the theory predicts a positive effect on performance based on the idea that relational norm development would also enable efficient coordination of channel tasks, many scholars have investigated this linkage in different IOR settings and by incorporating different performance factors such as cost, profitability, competitiveness, efficiency, effectiveness and level of coordination. However, while some researches do not find any evidence for such relation between two concepts, some find partial evidence. Following review demonstrates how this issue has been handled so far in the related literature and what the findings of the articles under focus reveal.

The study of Noordewier et al. (1990) is one of the earliest research focusing on the impact of relational norms on performance. Authors handle the performance dimension from a cost-based view and focus on the buyer-vendor relationships by taking purchasing costs as an indicator of this dimension. Results show that performance impact of relational norms become apparent as the uncertainty in the exchange environment increases. That is to say, under conditions of lower levels of uncertainty, relationalism degree of the exchange does not fully function as a performance enhancer. Cannon and Homburg (2001)'s article is another research evaluating the impact of relational norms on costs associated with buyer-supplier relations. Different from Noordewier et al. (1990), this study does not handle relationalism as a higher order construct, and by employing the norms of information sharing and flexibility the study presents individual roles that these norms play on minimization of costs. Although the findings support the impact of flexibility on lowering costs of operations and acquisitions, no evidence is reported to be present when it comes to the relation between information sharing and cost minimization.

In their study, Dahlstrom et al. (1996) focus on logistics industry and evaluate the performance impact of relational norms in different governance modes. Authors divide governance modes into three as market-based exchanges, bilateral alliances and unilateral agreements. The term of market-based exchange coincides with the discrete transactions, which is previously discussed in this dissertation in terms of their general characteristics. Bilateral alliances are conceptualized as the IORs which have a focus on accomplishment of relational norm development. Unilateral agreements, on the other hand, refer to the IORs in which one of the exchange party has the power to impose formal control on the other. Findings of this study reveal that performance impact of relational norms varies based on the governance mode. For instance, in the long-term unilateral agreements, only the norm of information sharing has a significant impact on enhancing performance. In market-based exchanges, solidarity plays a prominent role improving performance. Finally, in bilateral exchanges, only the norm of flexibility is proved to be an antecedent of achieving high levels of interorganizational performance. Although performance was expected to be influenced by the norms of solidarity and information sharing as well, the findings on bilateral exchanges do not prove such linkage.

In the context of wholesaler-distributor relations, Lusch and Brown (1996) examine how form of the contracts influence relational behaviors of organizations in exchange and whether said relational behaviors lead to performance improvement. In accordance, the study hypothesizes that norms of flexibility, solidarity and information sharing are positively related to performance. Although their findings do not support this prediction, the study provides evidence for the varying impacts of normative and explicit contracts as it finds that normative contracts perform better in terms of relational norm development.

Bello et al. (2003) focus on export distribution channels and test whether relationalism truly have performance consequences. The authors handle the term performance indicated by sales and profits that the distributor carry out on behalf of the manufacturer and conceptualize relationalism as a construct consisting of flexibility, solidarity and information sharing. Their findings support the relation between the norms and performance. Thus, the authors point out the significance of said norms in accomplishing channel goals of profitability. The study of Skarmeas and

Katsikeas (2001) also carries out a similar evaluation of the relationalism-performance relation in a cross-cultural setting. Authors consider performance to be a multi-item construct involving more than financial determinants that are also used in the research of Bello et al. (2003) and covers perceptual dimensions of performance such as corporate growth objectives and level of customer loyalty/retention. Their findings also demonstrate the importance of relationalism in terms of achieving higher levels of interorganizational performance. Solely focusing on the norm of flexibility in a cross-cultural setting, Bello and Gilliland (1997) come up with the findings indicating the positive relation between this norm and export performance. The authors view the construct of export performance as a combination of expected strategic, economic and sales based outcomes. In conclusion, verification of the relation under investigation lead authors to conclude that hard task of coordinating in a cross-cultural setting can be successfully accomplished if the parties perform well in terms of being flexible to demands of each other.

Focusing on information technology projects, Müller and Martinsuo (2015) evaluate the success of the project as a performance outcome and test whether relational norm development is associated to that. The authors conceptualize project success as a combined level of performance in terms of time, cost and functionality achievement. Relational norms are handled as a meta-construct reflecting the dimensions of solidarity, flexibility and information sharing. Findings of this study support that these norms are positively correlated with the success of information technology projects.

CHAPTER THREE

RELATIONSHIP QUALITY AND INTERORGANIZATIONAL PERFORMANCE

In the IOR literature, a great importance is attached to the concept of relationship quality considering that it is an indicator of the degree of achieving the expected outcomes from the IORs. In order to enjoy opportunities for increased competitive advantage, the organizations seek involvement in high quality relationships with others that would help them achieve superior results (Jap, 1999; Cater and Cater, 2010). Hence, in order to decide whether to keep on with the existing IORs or search for other ones, organizations evaluate the degree of fulfillment of their needs and expectations within these exchanges based on their history of successful or unsuccessful encounters (Li and Ding, 2005).

As far as is known, the concept of relationship quality was first introduced in the work of Gummesson (1987) which criticizes the present marketing concept at the time being unrealistic and emphasize the potential of long term relationships. In his article, Gummesson (1987) argues the potential of the concept of quality as follows;

“Quality is in vogue. Hopefully it will stay in vogue for a long time. Quality used to be an empty word that littered marketing textbooks, strategy statements, and advertisements, and was a cliché used in bombastic speeches by salesman and executives. During the 1980s, quality is finding an identity.”

Since then, in accordance with the expectations of Gummesson (1987), the importance attached to the relationship quality concept became more obvious both from the viewpoints of practitioners and scholars. This emerging concept has proved its significance as it enabled management and marketing scholars to carry out empirical investigations that help distinguishing the successful exchange relationships from unsuccessful ones and revealing what are the features of these relationships that cause differences (Naude and Buttle, 2000). As indicated in the one of the most recent critical literature review on the relationship quality concept (see Athanasopoulou, 2009), this stream of literature have been shaped around the RQs of (1) what are the factors that increase/decrease the quality of relationship, (2) what are the consequences of relationship quality and (3) how can the researchers measure it.

3.1. CONCEPT OF RELATIONSHIP QUALITY

Before investigating this phenomenon through the previously mentioned RQs, the tough challenge for the researchers to overcome have been making the definition of the concept. Although there are many different definitions in the existing literature, the majority of these definitions' common point is that they center the word "atmosphere" considering that the concept is reflecting the degree of exchanging parties' contentedness with one another. In this context, this dissertation defines the relation quality concept as "both parties final judgment after the evaluation of relationship's strength and degree the parties' needs and desires are fulfilled (Liu et al., 2011), as well as the depth and atmosphere of the exchange relationship (Johnson, 1999). At this point it is important to note that this definition especially differs itself from the ones that are carried out by relationship marketing scholars. The relationship quality definitions of Grönross (2000), *dynamics of long-term formation in customer relationships*, or Hennig-Thurau and Klee (1997), *degree of appropriateness of a relationship to fulfill the needs of the customer*, are examples to the said ones.

What is mainly different in content of these definitions and the one that this dissertation put forward is that, the previous ones approach to the concept more of a relational outcome that the supplier side should provide to the buyer side whereas the one that is in operation thread the concept as a relational outcome that both parties of the relationship jointly create. By approaching from the relationship management standpoint and stressing that it is a degree acquired after each sides' evaluation, the relationship quality definition of this dissertation shows similarities with the definitions of Smith (1998) and Woo and Ennew (2004).

At this point, it should be noted that there are few other constructs in the related literature with very same or similar definitions that may cause confusion as they are not always clearly defined or distinguished from each other (Barnes, 1997; Bove and Johnson, 2001). For instance, *partnership quality* or *partnership success* (see Vijayasarathy, 2010; Ren et al., 2010; Srinivasan et al., 2011) is one of those prominent constructs that cause the overlap. As it can be seen in the definition of Lee and Kim (1999) - "*how well the outcome of a partnership delivered matches the participants' expectations*"-, the similarity of the two constructs is obvious and they only differ in

the type of the IOR that they cover. While the term partnership quality is generally preferred in the studies that focus on the outsourcing relationship, the term relationship quality is employed in a broader context including many different relationship types such as buyer-supplier, supply chain relations, network relations etc. (Bove and Johnson, 2001). When it comes to the similarity of these two constructs, they are more than just the definitions and partially includes the dimensions that build them up as well (e.g. inclusion of trust and commitment).

Other than that, although it has not been widely used compared to the partnership quality, relationship strength is another construct that has similarities with the concept of relationship quality. Again covering the very same dimensions, trust and commitment, this construct overlaps with the relationship quality concept in a significant portion of related studies (see Donaldson and Toole, 2000; Hausman; 2001). However, there are exceptions as well (such as Barry et al. 2008; Dagger et al. 2009) that have drawn sound conceptual framework of the term relationship strength and separated it from relationship quality.

Therefore, if they are conceptualized with very same facets, the studies that use the term partnership quality/success or relationship strength rather than relationship quality are also covered in the literature review section of this chapter. And if they are conceptualized as conceptually different constructs, such studies are not involved.

3.2. DIMENSIONS OF THE RELATIONSHIP QUALITY CONCEPT

Apart from the definition, another debate within the relationship quality literature is on the dimensions of the concept (Woo and Ennew, 2004; Athanasopoulou, 2009; Jiang et al., 2016). Despite almost all of the related studies handle relationship quality as a higher-order construct, the dimensions they evaluate under the concept seems to vary due to the theoretical foundations of the studies, their context and research aims. Apart from these three motives, it is also safe to say that many of the researches follow the path of the pioneering studies within their respective fields while deciding on the dimensions to be employed. For instance, in their pioneer study on the relationship quality in services selling Crosby et al. (1990) conceptualizes this concept using the dimensions of *trust* to and *satisfaction* with the seller party. In

their study, Storbacka et al. (1994) draw up a broader conceptual framework that links relationship quality with *commitment*, *satisfaction*, *communication* and *bonds* between the parties. Naude and Buttle (2000), on the other hand, carry out a study that specifically focus on figuring out the boundaries of the concept and their findings show that managers regard a good relationship as a combination of levels of *trust*, mutual integration of *needs*, *integration* and *power*. Apart from all these, there are many other studies between 1990 and 2000 that treated the concept of relationship quality in different ways in terms of the components that are believed to constitute this meta-construct. *Opportunism* (Dorsch et al., 1998), *cooperative norms* (Baker et al., 1999), *conflict*, *willingness to invest* and *expectation to continue* (Kumar et al., 1995a) are some of the other sub-constructs that were operationalized as relationship quality dimensions. Especially in the services context, it is seen that quality determinants that exist in the scope of this context such as service quality (e.g. Rauyruen and Miller, 2007) and service fairness (e.g. Roy and Eshghi, 2013) are incorporated as dimensions of relationship quality.

However, especially since the 2000s this lack of uniformity regarding the dimensions of this concept have been gradually decreased as the majority of the related studies linked at least two of the constructs out of *trust*, *commitment* and *satisfaction* while defining relationship quality. The starting point of this inclination can be accepted as the pioneering study of Smith (1998) as the study conceptualizes the relationship quality construct with the dimensions of trust, commitment and satisfaction for the first time in the related literature. It should be also noted that majority of the studies that followed this conceptualization have treated these three dimensions as interrelated rather than independent (Hennig-Thurau et al., 2002). Table 7 represents the major articles that covered relationship quality as a concept with at least two of the constructs out of trust, commitment and satisfaction.

Table 7: Major Dimensions of Relationship Quality Identified in the Literature

| | Trust | Commitment | Satisfaction | Additional Dimensions |
|---|-------|------------|--------------|--|
| Hennig-Thruau (2000) | + | + | + | |
| De Wulf et al. (2001) | + | + | + | |
| Hibbard et al. (2001) | + | + | | |
| Hennig-Thruau et al. (2002) | + | + | + | |
| Kim and Cha (2002) | + | | + | |
| Wong and Sohal (2002) | + | + | + | |
| De Wulf et al. (2003) | + | + | + | |
| Roberts et al. (2003) | + | + | + | |
| Farrelly and Quester (2005) | + | + | + | |
| Lin and Ding (2005) | + | | + | |
| Huntley (2006) | + | + | | |
| Leonidou et al. (2006) | + | + | + | Adaptation, communication, understanding |
| Ulaga and Eggert (2006) | + | + | + | |
| Chumpitaz Caceres and Paparoidamis (2007) | + | + | + | |
| Ivens and Pardo (2007) | + | + | + | |
| Macintosh (2007) | + | | + | |
| Moliner et al. (2007) | + | + | + | |
| Rauyruen and Miller (2007) | + | + | + | Service Quality |
| Barry et al. (2008) | + | + | + | |
| Beatson et al. (2008) | + | + | + | |
| Meng and Elliot (2008) | + | | + | |
| Palmatier (2008) | + | + | | Reciprocity norms, exchange efficiency |
| Skarmeas and Robson (2008) | + | + | + | |
| Skarmeas et al. (2008) | + | + | + | |
| Dagger et al. (2009) | + | + | + | |
| De Canniere et al. (2009) | + | + | + | |
| Qin et al. (2009) | + | + | + | |
| Liu and Zhang (2010) | + | | + | |
| Ozdemir and Hewett (2010) | + | + | | |
| Vesel and Zabkar (2010a) | + | + | + | |
| Vesel and Zabkar (2010b) | + | + | + | |
| Alejandro et al. (2011) | + | + | + | |

Table 7: Major Dimensions of Relationship Quality Identified in the Literature (Cont.)

| | Trust | Commitment | Satisfaction | Additional Dimensions |
|------------------------------|-------|------------|--------------|---|
| Chen and Myagmarsuren (2011) | + | + | + | |
| Liu et al. (2011) | + | | + | |
| Nyaga and Whipple (2011) | + | + | + | Relationship specific investment |
| Ou et al. (2011) | + | | + | |
| Zhang et al. (2011) | + | | + | |
| Chu and Wang (2012) | + | + | + | |
| Roy and Eshghi (2013) | + | | + | Advocacy, service fairness, service quality |
| Börekçi et al. (2014) | | + | + | |
| Hajli (2014) | + | + | + | |
| Ahamed and Skallerud (2015) | + | + | + | |
| Giovanis et al. (2015) | + | + | + | |
| Sarmiento et al. (2015) | + | + | + | |
| Izogo (2016) | + | | + | |
| Rahman and Ramli (2016) | + | + | + | |
| Kuhn and Mostert (2018) | + | + | + | |

Source: Author's own composition

As the table shows, the relationship quality literature that conceptualizes the construct as the sum of trust, commitment and satisfaction have gained a significant acceptance. In their study, which carries out a meta-analysis on relation quality literature, Ishak and Jantan (2010) point out that the articles that conceptualize relation quality in this way have higher citation rates compared to the rest with any different conceptualizations.

Although very limited, the studies that deploy additional dimensions such as relational norms (see Palmatier, 2008) or communication/understanding (see Leonidou et al., 2006) are considered to be contributive to the literature. However, from the relational exchange theory perspective, positioning these constructs as dimensions of

relationship quality would be troublesome, based on the fact that this theory proposes that norms developed throughout the exchange relationships are antecedents of relationship quality, not the dimensions of it.

Apart from the studies presented in the Table 7, there are few more studies on relationship quality which differentiate themselves by measuring the concept through unifying the dimensions into one construct (see Rajaobelina and Bergeron, 2009; Lahiri and Kedia, 2011; Sözüer et al., 2015; Yeh, 2016). Considering that such unification would disable investigating the interlinkages in between the dimensions, this dissertation does not follow this path and prefers to handle the dimension issue similar to the majority of the related literature which takes trust, commitment and satisfaction as the three core components or domains of relationship quality. In other words, this research also sees relationship quality as “a higher order construct made up of several distinct, though related dimensions” (Crosby et al. 1990; Hibbard et al., 2001; Roberts et al., 2003; Vessel and Zabkar, 2010b). The study of Izogo (2016) provides justifications for handling the concept of relationship quality as a disaggregated construct rather than as a composite one. In his study, Izogo (2016) measures the relationship quality in banking industry exchanges in both ways and reports that disaggregated measurement performs better.

Before examining these three indicators of the relationship quality through revealing their individual characteristics, it would be fair to mention some recent criticism on this conceptualization. Arguing that trust and commitment are key mediating variables in relationships rather than the relational outcome or the components of relationship quality, in their study which aims to generate a fresh new conceptualization of the concept, Jiang et al. (2016) solely keep satisfaction dimension of the Smith (1998)'s conceptualization and propose two additional dimensions namely communication and long-term orientation. Although this new conceptualization and proposed scale operationalization under the name of CLOSES have not become prevalent in the related literature yet, they surely hold potential for the academics that seek deeper understanding on the facets of the relationship quality concept.

3.2.1. Interorganizational Trust

The literature on IORs covers researches that are rooted on vast variety of theoretical backgrounds that are seeking to address the success factors in such relations and the ways that would guide organizations to achieve them. Among all the identified success factors, interorganizational trust is possibly the most researched and controversial of all (Blomqvist, 1997; Rousseau et al., 1998). Contradictoriness on this particular issue in the related literature covers not just the debates on the definitions or boundaries of the concept but even the debates on whether if it really has a role in the business to business exchanges or not (Bachmann and Zaheer, 2008). Considering that the issue of interorganizational trust has gained great deal of interest by researchers from various disciplinary backgrounds (mainly including economists, psychologists and sociologists), throughout the development of the literature it has always been a challenging task to adopt a multidisciplinary view as how these disciplines handle the concept are in some ways diametrically opposed. For this reason, before revealing the related proposition of this dissertation and positing where it stands among all differing perspectives, it is necessary to at least briefly put forth these ongoing theoretical debates about the role and the value that should be attached to the concept.

From the TCE perspective, relations in business contexts do not have much in common with the relations in the context of personal social life. Especially when it comes to the issue of trust, Williamson (1993) leaves no room for this notion and argues that assuming that the organizations in an economic exchange would make decisions based on trust is redundant. The rationale behind this perspective mainly underlines that the actors involved in economic exchanges are unlikely to take the risk of trusting one another since the losses when trust is misplaced would be so high. Therefore, according to the TCE perspective it is the “calculativeness” that is replaced with the notion of trust and what precisely fits when the actions of the parties involved in an interorganizational exchange is evaluated. What needs to be underlined in Williamson’s (1993) viewpoint is that the line that is drawn between the terms of calculativeness and trust. According to his perspective, decision to trust or not to trust does not involve any calculativeness. In other words, Williamson (1993) evaluates these two concepts as completely separate constructs. This point especially have

received major criticism from scholars. Stating that it's a questionable view of trust, Bachmann and Zaheer (2008) point out that on one level trust is a cognitive concept that is linked to the predictability of interactions and such predictions can be also generated from calculations of the trustor that are made out of whatever information on the trustee is present. From the very same standpoint, Bachmann and Zaheer (2008) also argue that calculativeness by itself would contrarily be even lacking considering that economic exchanges may occur in uncertain environments and the information available on the opposite party may not always lead the right way. Therefore, the authors highlight the significance of the facets of trust that are beyond predictions based on calculativeness.

Again linked to this debate, another criticism on TCE is that it does not distinguish the stages of a business exchange by making the evaluation of how calculativeness would perform in these different phases. According to Lewicki and Bunker (1996) calculativeness may take pivotal roles in the early stages on a relationship considering that social background of the relationship would not be properly established, but in the following stages the parties act less in calculative manners. Similarly, the study of Child (1998) reveals that calculative trust can be considered as a gateway to relational trust as the social interactions that take place after the initial phase of the relationship would provide more insights on the attributes of opposite party. In addition to this, taking into consideration that the value of calculativeness and other aspects of trust vary due to the relationship stage, Williamson (1993)'s arguments on the role of calculativeness are also criticized as it fits more to the characteristics of one-shot transactions. Stated differently, if the relationship does not necessarily aim to be maintained, it would be calculativeness not trust what is salient (Barney and Hansen, 1994). As it is mentioned in previous sections, classical contracting relations in which the exchange is discrete are examples of these (MacNeil, 1980). However, such relations constitute a small portion of the interorganizational relations and even in such relations trust can be sought through other channels (e.g. reputation).

Quite similarly, Coleman's (1990) rational choice theory considers the actions of the parties involved in economic exchanges to be based on rational decisions derived from the mathematically representable calculations (Cook and Santana, 2018).

What is different in Coleman (1990)'s view of the value of trust in such exchanges is that he does not completely avoid its existence. Unlike Williamson (1993), Coleman (1990) does not identify the concepts of trust and calculativeness as two separate concepts. He argues that in economic exchanges of organizations, decision to trust or to distrust is an outcome of the decision makers' calculations which take three factors into consideration; (1) the chances that the trustee will behave in trustworthy manner, (2) the potential gain for the trustor if his or her expectations does not fail and (3) the potential loss if the trustee does not act according to these expectations of the trustor. As the theory handles the issue of trust within the borders of a mathematical equation and ignores other forms of rationality that may be related with the trusting decisions of the parties, it has been criticized as being a "undersocialized" conception of interorganizational economic exchanges (Bachmann and Zaheer, 2008). According to Wittek et al. (2013) relational choice theory lacks explanations on the issue of trust due to the fact that it does not touch upon culture and identity and neglects social embeddedness. Another criticism to this perspective is that the models derived from rational choice theory overstate the cognitive capacities of decision makers' (Kramer, 1999). March (1994), for instance, notes that assuming decision makers to engage in conscious calculations in all conditions is problematic to start with.

Apart from TCE and rational choice perspectives, Granovetter's (1985) view of trust within the social embeddedness approach provides another conceptualization that has been influential in the literature on IORs. Granovetter (1985) argues that the role of trust should not be undervalued or regarded as trivial in economic exchanges. Taking into consideration that continuing economic relations often become overlaid with social content, Granovetter (1985) sees it inevitable for the organizations involved in such exchanges to develop expectations on one another's actions. In other words, unlike TCE, social embeddedness approach focuses on the IORs that are characterized as long-term relations and therefore distinguishes the difference between such relations and the discrete ones. Granovetter (1985) underlines that long-term interorganizational exchanges would not solely be under the influence of pure economic motives and they would be maintained more in a societal level leaving more space for the expectations of trust and absence of opportunism (Uzzi, 1996). After all, the way that Granovetter (1985) handles the issue of trust differs from the previously

mentioned perspectives basically because of the role he attributes to the concept. As embeddedness is a logic of exchange that promotes coordinated adaptation (Uzzi, 1996) and sets the ground for cultivating cooperation, trust is considered to act as a leverage (Bachmann, 2001).

Another theoretical background that scrutinize the value and role of trust in interorganizational setting is relational governance perspective. This perspective on interorganizational trust is more linked to the vein propounded by the social embeddedness approach than the other mentioned perspectives that handle the issue in calculative manners. Before focusing deeper on how this perspective handle the issue of trust and revealing the propositions of this dissertation derived from the said perspective, review of the related literature will be provided covering the varying conceptualizations/definitions of the concept and the foundations of it. Hopefully, this will set the ground for clear presentation of where exactly this dissertation stands within all the debates on the concept of trust.

3.2.1.1. Conceptualization of Interorganizational Trust

As briefly discussed in the previous section, conceptualization of the notion of trust has always been a hard task for the researchers, considering there are many different perspectives that handle the very same issue in different ways (Barber, 1983; Luhmann, 1988; Tejpal et al., 2013). When it comes to defining the concept, again it is not possible to say that there is a widely accepted definition that would fit in all the perspectives present in the literature. The debate on how to define trust is thus broad in scope, starting with the question of whether it is a psychological state or a choice behavior (Kramer, 1999). Other than that, the questions of whether it is linked with the ethics or not (Hosmer, 1995), or even with the social institutions that the relations are embedded in (Barber, 1983) have been some other considerations that have shaped the discussions. Besides all these, the value that should be attributed to the concept also have been the subject of discussion and have resulted defining the concept whether as an important ingredient of interorganizational exchanges or as a lubricant (Gambetta, 2000).

On the other hand, a considerable amount of commonalities exist in the definitions as well. According to Rousseau et al. (1998), in order to produce mutual intelligibility out of the ideas on trust presented by the researchers from various disciplines, it is important to seek the shared understandings of the term as a beginning. For instance, the authors point out that it is safe to say that there is an agreement on the conditions that must exist for trust to arise, when the conceptualization of various disciplines are examined. Initially, risk comes out as a precondition, as there would be no need for trust to arise if the actions of the exchange parties could be undertaken with complete certainty. Secondly, it is interdependence what is needed as a precondition of trust to emerge. Considering that trusting behavior would be unnecessary when there is no expectation on the actions of opposite party, interdependence as a precondition reflects the fact that interests of each party can only be achieved through reliance upon one another. Rousseau et al. (1998) presents the following definition based on these two preconditions;

“Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another”.

As it is seen, Rousseau et al. (1998) define trust from the viewpoint of the trustor and underlines its willingness to be vulnerable under the conditions of risk (meaning there is a possibility that trustee may act opportunistically) and interdependence (meaning that the trustor have its reasons to take the action of trusting). Similar in content but different in the viewpoint in description, Lewis and Weigert (1985) defines trust as;

“undertaking of a risky course of action on the confident expectation that all person involved in the action will act competently and dutifully”.

Although the definitions above are quite comprehensive as a result of taking various approaches to trust into consideration, even simpler definition of trust presented by Robinson (1996) should also be mentioned. Robinson defines trust as a person's/organization's;

“expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interest”.

As it is seen from the definition, trust does not only emerge as a result of expecting positive outcomes. In other words, mentioning that the opposite party is “trustworthy” may mean the said party is safe to transact with and any harmful behaviors are not expected of them.

In sum, defining trust in a way that would reflect the aggregation of economic, sociological and psychological perspectives helps us gain deeper insights on its functions (Sako and Helper, 1998). According to Young-Ybarra and Wiersema (1999), by combining the focus points of these perspectives, it can be concluded that trust is related to three main components which are dependability, predictability and faith.

Apart from all the definitions above, literature on trust includes many other. As Mayer et al. (1995) state, majority of these definitions lack simplicity and cause confusion basically because of the fact that they do not make the distinction of trust and its antecedents and consequences. For this reason, in this dissertation separate sections are allocated for the outcomes of trust as well as the foundations of it.

3.2.1.2. Foundations of Interorganizational Trust

Besides all the efforts on defining the concept of interorganizational trust and exploring the roles that this notion plays in maintenance of IORs, another important focus in the related literature have been determining the origins of it.

In their study which aims to clarify the origins of trust, Poppo et al. (2008) scrutinize three different explanations on how trust emerges between organizations; (i) expectation of continuity, (ii) prior history and (iii) both being intertwined. The authors state that the first two explanations are already present in the existing literature whereas the third is their contribution to the literature.

The first alternative origin that the authors put forth is the expectations of continuity (also referred as shadow of the future). From this point of view, it is argued that in order for trust to emerge, the attitudes and the behaviors of the exchange parties should be shaped by their willingness to cooperate. Therefore, their willingness to maintain the IOR through cooperation is stated to set the ground for achieving greater level of interorganizational trust (Ring and Van de Ven, 1992). At this point, it's underlined that such willingness would enhance both parties' involvement in many

value sharing activities such as the exchange of private information or tacit knowledge (Dyer and Singh, 1998) as they would feel confident that these exchanges will have positive returns. In sum, the idea behind the first explanation is that if both parties have expectations of continuity, greater value would be placed on future returns and this would lead to the emergence of trust since it would not be easy for any of the parties to act opportunistically and risk the expected outcomes. This logic fits more to the rational view of the economic exchanges which emphasize the forward assessment of costs and benefits (e.g. Coleman, 1990; Ring and Van de Ven, 1992).

The second alternative origin of trust that the authors put forth is the prior history (also referred as shadow of the past). Unlike the previous explanation, this view sees the origin to be related less with expectations and more with experiences. The authors underline that trust gets developed incrementally over time and prior interactions play a significant role on determining whether the opposite party deserves to be trusted or not (Gulati, 1995). This logic fits more to the relational view of economic exchanges which emphasize the role of norms and shared identity in facilitation of interorganizational trust (e.g. Blau, 1964; Macneil, 1978).

The third alternative origin that the authors put forth is the interdependence of expectations of continuity and prior history (also referred as shadow of past and future). According to this view that the authors present, the previous two approaches to origins of trust do not necessarily have to be competing. Authors support this view by pointing out how each of these origin alternatives would fail without existence of other. If the parties' expectation to continuity would be low, that would result in weak prior history in time in which the development of shared identity or norms are hard to achieve. When examined the other way round, if the prior history is weak even though the expectation to continuity is present, the parties would have difficulty in providing justification for their behavior of trusting. As a result, Poppo et al. (1998) reveal the collective positive effect of the two competing origins of trust.

Lane and Bachmann (1996)'s study is another effort that provides insights into the foundations of trust. According to their categorization, emergence of interorganizational trust can occur in three forms; (1) process-based trust, (2) characteristic-based trust and (3) institutionally based trust. Process-based trust is the form, which is similar to the "shadow of the past" perspective explained above. It

arises from long-term relations in which the parties feel confident about the future behaviors of each other as they have not experienced any disappointments so far. Thus, process-based trust reflects the belief that the opposite party will continue acting in good manners as it did in the past.

Characteristic-based trust emerges predicated on the commonalities between parties. Zucker (1986) states that in many cases, factors such as common family backgrounds, religion or ethnicity can be solely enough in order to trust one another. In organizational level, such commonalities can also include being involved in the same network or being a member of the same association. Besides that, this type of interorganizational trust may also emerge because of the commonalities between the personnel (e.g. being graduated from the same school) that are in charge of managing the IOR.

Institutionally based trust is a form of trust emergence, which is related to the institutional environment that the IOR is embedded in. It is in operation when trust is tied to the existence of formal structures. According to Zucker (1986), institutionally based trust is rooted to societal foundations, and it depends on the role that law, trade associations and other institutions play in shaping the nature of business relations (Lane and Bachmann, 1996).

Another research that conceptualized the origins of trust in its own way and attracted significant attention is Ganesan (1994)'s seminal study which focuses on the interorganizational dynamics between vendors and retailers. In this study, the author handles interorganizational trust as a twofold concept and argues that it emerges either as a result of credibility or the benevolence between the exchange parties. According to this conceptualization, credibility represents the extent to which one party believes that the opposite party has the capability to perform what is expected from them in the relationship. On the other side, benevolence reflects the extent to which one party believes that the opposite party has positive intentions to the wellbeing of the relationship when new conditions arise.

When all these explanations on how trust emerges between organizations are combined, it can be concluded that trust can be generated through maintenance of IORs by valuing communication and reciprocity (Hardy et al., 1998). In addition, the concept is clearly related to the confidence that one party has in another party to fulfill

its obligations and act according to the role that they have (Moorman et al., 1993). The emphasis put on these success factors are likely to create positive experiences in the exchanges, which in the end would become the reasons to trust and would promote willingness to maintain the cooperation. Apart from such governance efforts that are to be performed by the exchange parties, the institutionalization level of business environment in which the IOR takes place and the degree of the commonalties between the organizations can be considered as other pivotal factors that may help trust to emerge.

For the sake of simplicity, this study adopts the framework of Lane and Bachman (1996) on trust, since the dimensions proposed by Ganesan (1994) are already reflected under the dimension of process-based trust. Moreover, the dimension titled instutional trust enables the investigation on the role of formal governance mechanisms as a relationship is expected between these two constructs. Although it is more common to measure trust as a multi-item construct consisting of above mentioned dimensions, there are scholars (e.g. Selnes, 1998) that argue such operationalization does not make sense. The idea behind this argument is that above mentioned dimensions are not the foundations of trust but the antecedents which should be evaluated separately. However, this dissertation handles the concept of trust as a multi-dimensional construct, in line with the aim of evaluating its various facets within the given research setting. By doing so, it is hoped that more insights can be gained on the nature of trust, when compared to scrutinizing the concept as a unidimensional construct.

3.2.2. Interorganizational Commitment

Similar to trust, commitment in IORs has attracted attention of the scholars, given its significance in relational quality. However, as in the case of interorganizational trust, broad literature on interorganizational commitment lacks consensus regarding the definition of the concept and dimensions that builds up the construct (Skarmeas et al., 2002). Even so, the functions attached to this concept is rarely debated. This section will briefly provide a general overview of the concept and

how it is related to relationship success. Differences in conceptualizations and definitions of the concept will be thoroughly scrutinized in the following parts.

Kim and Frazier (1997a) point out that commitment is the source of motivation for the exchanging organizations in terms of working closely. Similarly, Morgan and Hunt (1994) underline that the hard task of organizing and coordinating economic exchanges between firms become easier and smoother to handle, if both sides are reciprocally committed to the relationship. The authors also state that, together with trust, commitment significantly improves efficiency of joint tasks. According to Kwon and Suh (2005), many benefits resulting from the existence of commitment in business relations occur because it prevents fragility and vulnerability of the exchanges. After all, committed organizations become well aware of each other's values and strive to achieve the common goals rather than solely focusing on individual benefits.

Furthermore, many authors link the concept of commitment with the intention maintain the exchange in the long run. Stated differently, committed organizations are expected to invest on the relation with the aim of increasing the value gained from it, rather than constantly keeping an eye on other alternatives that might generate short-term benefits (Anderson et al. 1994; Morgan and Hunt, 1994). Benefits that can be achieved through long-term relations cover reduced turnover, elimination of costs related with search and relationship start-up, economization of learning costs and the advantages related with the simpler governance structures that are based on positive synergy between organizations (Gundlach et al., 1995).

Due to the sake of such benefits, commitment requires willingness of the parties to make sacrifices when necessary (Anderson and Weitz, 1992). On that sense, interorganizational commitment is the pledge of relational continuity, whether explicitly or implicitly (Dwyer et al., 1987). The study of Anderson and Weitz (1992) sheds the light on use of these pledges to sustain commitment. The authors define pledges as the actions that bind parties to a particular IOR. These pledges are categorized into two as idiosyncratic investments and contractual terms. Due to the fact that an IOR that is built on such pledges would not carry the risk of premature exits, it is argued that they build and sustain commitment in exchanges. As Narus and Anderson (1986) argue, commitment in channel relations signals the long-term orientation of the partners. Committed parties assume that their relation is stable and

will not end before the expected long term gains are achieved (Anderson and Weitz, 1992). Especially in relations which involve high level of idiosyncratic investments or constraining contractual clauses, ending a relation is more than giving up on the expected long term gains, considering that the party that ends the relation will also face with the costs associated with said pledges (Klein and Leffler, 1981; Anderson and Weitz, 1992).

In their seminal work titled “Developing Buyer-Seller Relationships”, Dwyer et al. (1987) proposes a model of relationship development process. In their model, followed after awareness, exploration and expansion phases, commitment is positioned as the fourth phase of relationship development process. Awareness is the phase that the parties recognize each other as feasible exchange partners. Then, the exploration phase begins and the parties evaluate each other’s performances taking benefits and burdens into consideration. This phase also involves initiation of norm development and many dynamics (e.g. power, communication, bargaining) of the relation starts to form. In the expansion phase, continual increase in benefits emerges whereas the exchange parties become more interdependent. In this phase, dynamics that were initially formed in the previous phase become clearer. Of course, to reach to the expansion phase previous phases are expected to be completed with mutually appreciated role performances by the exchange parties. Commitment, therefore, is the ultimate phase to reach after all three phases are successfully completed. Geykens et al. (1999) argue that the model of Dwyer et al. (1987) is especially useful when it comes to figuring out the differences between commitment and the other quality determinants such as trust, satisfaction and level of conflicts. According to the authors, commitment is the ultimate outcome in channel relations and in order for a relationship to reach to this phase, the previous phases should be completed with high degrees of trust and satisfaction and with low levels of conflict.

In sum, majority of the research on interorganizational commitment, handle the concept as a valuable ingredient of a successfully maintained IOR. However, from another angle, some scholars argue that commitment is not always a success factor and it can also simply be a consequence of strategic decision making (e.g. Staw, 1976; Staw and Ross, 1980). In his book titled “Commitment”, Ghemawat (1991) follows this vein and argues that commitment does not necessarily generate positive outcomes.

In many cases, commitment is a negative consequence of strategic decisions made by organizations (Peteraf, 1992). The author stresses that especially when an organization invests on a relationship with specialized, untradeable and/or durable assets, organization locks itself in that relation. Seeing such commitment as a success factor is questionable considering that consequences of the investment action might not be positive, as the investments would narrow strategic options of the organization. Thus, commitment can occur even when the organization is aware that in some ways it is detrimental to its strategic flexibility. In such locked-in situations, commitment can turn into one-sided dependence.

Relatedly, Gundlach et al. (1995) argue that role that commitment would play in the success of an IOR is related with the structural characteristics of commitment. In order for commitment to be functional as a success factor, its credibility and proportionality should be at high levels. Credibility dimension reflects the magnitude of organizations' combined commitment. The higher it is, the more significant gains become expectable. Proportionality dimension, on the other hand, reflects the mutualness. If the organizations are disproportionally committed to the relationship, the one that is more committed becomes vulnerable as the other party may act opportunistically by exploiting its advantage. The results of Ross et al. (1997) also indicate that the functioning of the relationship is highly affected if the organizations perceive commitment asymmetry in the exchange. No matter whether it is correct or not, believing that counterpart is less committed to the relationship, is found to be a major rationale increasing conflicts and decreasing profits. To cope with such negative outcomes of perceived asymmetry, the authors stress the importance of communication as it helps to allay if any of the organizations has the belief on the commitment imbalance.

As a result of this two-fold nature of commitment, defining/conceptualizing the concept has been an issue of academic discussion. In the following parts, definitions and foundations of interorganizational commitment will be discussed by shedding the light on how this dissertation views the concept.

3.2.2.1. Conceptualization of Interorganizational Commitment

Again similar to interorganizational trust, definitions of interorganizational commitment mainly vary due to the viewpoint on whether it is an affective state resulting from emotional bonding or a behavioral state resulting from cognitive calculation of the relation's instrumental worth (Wetzels et al., 1998). Such differentiation in definitions of concept reflects the fact that motivations underlying organizations' intention to be committed to a relationship may also differ (Allen and Meyer, 1991; Geykens et al., 1996). To make it clear, organizations may be committed to a relationship whether because they like to maintain it or because they need to maintain it. Other than that, ambiguity of what and how many components builds up commitment precludes the establishment of a widely accepted definition of the concept (Kim and Frazier, 1997b).

Despite all that differences, the link between willingness to stay in a relationship and the commitment concept constitutes the core of all definitions presented in IOR literature. Examples of these typical and simplified definitions cover "*intention to continue the relationship*" (Scheer and Stern, 1992), "*enduring intention to develop and maintain a stable, long-term relationship*" (Gundlach et al., 1995) and "*desire to maintain membership in the dyadic relationship*" (Mohr et al., 1996). Although such definitions are successful in terms of clarity, they do not touch upon underlying motivations behind organizations' desire to maintain the relationship.

Based upon the conceptualizations of Geykens et al. (1996) and Gillian and Bello (2002) and taking "underlying motivations" into consideration, a more comprehensive definition of interorganizational commitment can be proposed as follows:

"Interorganizational commitment is one partner's psychological attachment to another resulting from an instrumental realization of the benefits of staying and the costs of leaving, and/or a sentiment of allegiance and faithfulness."

Besides the motivational states that lead to interorganizational commitment, Gundlach et al. (1995)'s conceptualization of commitment components add to our understanding of this complex construct. According to the authors' viewpoint, three main components (namely input, attitudinal and temporal components) should exist in

order for commitment to be present. Input component covers the behavioral aspect of commitment and it consists of behavioral actions that are shaped by this psychological attachment and the relationship specific investments that are carried out by the exchanging organizations. Attitudinal component reflects the recognition of the state of attachment bond and it consists of shared goals, values and sense of loyalty. Finally, temporal commitment highlights the fact that commitment does not mean much if it lacks sustainability over the long term. Therefore, temporal component of commitment reflects the consistency of both of the previously mentioned components over time.

In sum, interorganizational commitment may occur as a result of affective or calculative motivations and its degree in a relation can be examined through evaluation of behavioral actions and attitudes of the exchanging parties that represent how much they add to the longevity of the relationship. The next section will provide further insights of the concept by reviewing how commitment has been decomposed in IOR literature.

3.2.2.2. Foundations of Interorganizational Commitment

Especially in the mid-90s, due to the increased scholarly interest on the social elements that shape business relations, many scholars with management and marketing backgrounds have examined the concept of interorganizational commitment and proposed various sub-dimensions that build this concept up. In the following years, a clear majority of the empirical studies on the subject of commitment have used the operationalizations of the construct that were proposed by these seminal works. Through a chronological review of said literature, this section will explain various foundations of interorganizational commitment and present how this dissertation handles the concept.

According to Brown et al. (1995), interorganizational commitment can be divided into two as instrumental commitment and normative commitment. In the form of instrumental commitment, a channel member accepts the influence from the other party, hoping to achieve favorable returns. This type of commitment is calculative in nature, and according to the authors, it is shallower considering the fact that it lacks fostering the psychological bond. In such conditions, organization that is

instrumentally committed to the relationship mainly focuses on the possible economic rewards that the relationship can provide and the possible punishments that the other party can force. As a result, this type of commitment is rather short lived. In some studies, it is possible to see that this commitment dimension is named as calculative commitment (e.g. Gilliland and Bello, 2002). In the form of normative commitment, commitment occurs as a consequence of identification and internalization. According to the authors, such foundations build up more enduring commitment due to fact that they are based on non-economic and intrinsic conditions. Within this framework, identification reflects a psychological attachment in which a channel member accepts influence, hoping to maintain a satisfying relation. On the other hand, internalization represents the process in which the organizations in the relationship are open to internalize similar values because the content of the induced behavior is rewarding in an intrinsic manner.

Conceptualization of Brown et al. (1995) simply captures the two generic motivations that underlie the behavior of committing to an IOR on the basis of economic/non-economic conditions (Skarmeas et al., 2002). Researches that followed this seminal article especially scrutinized normative side of this framework and have provided various sub-dimensions.

Kumar et al. (1995b) proposes that there are three distinct dimensions that construct interorganizational commitment; affective commitment, expectation of continuity and willingness to invest. Authors define affective commitment as “*the desire to continue a relationship because of the positive affect toward the partner*”. Therefore, this dimension reflects the positive feelings that lead to relationship sustainability. In an IOR that is characterized by high degrees of affective commitment, it is unlikely that an organization would drop the other party even if there are many other options. Expectation of continuity, on the other hand, is related with the stability of the relationship. It reflects both parties’ intent to remain in the relationship. In an IOR which is characterized by high degrees of expectation of continuity, the joint plans are carried out aiming long-term gains, as none of the parties consider premature exits from the exchange. Third dimension proposed by the authors is willingness to invest. Authors argue that when the exchange parties desire to do more than just remain, they deepen the relationship through investments of capital and

effort. Therefore, the degree of their willingness to carry out such investments declare how much they are committed to one another. Similar to Gundlach et al. (1995), Kumar et al. (1995b) also underscore that in order for organizations to achieve success in each mentioned dimension of commitment; they should be committed to the relationship in a symmetrical manner.

In aggregate, this dissertation views foundations of commitment as an aggregation of the frameworks of Brown et al. (1995) and Kumar et al. (1995b). Brown et al. (1995)'s two generic dimensions (instrumental and normative) are the umbrella terms and normative commitment branches to the sub-dimensions proposed by Kumar et al. (1995). Considering that the model of this study expects a relationship between relational governance strategies and normative commitment, a thorough investigation can be carried out by covering the sub-simensions proposed by Kumar et al. (1995).

3.2.3. Interorganizational Relationship Satisfaction

Alongside interorganizational trust and commitment, relationship satisfaction is considered to be a fundamental determinant of business-to-business relationship quality. According to Geykens et al. (1999), when literature on channel relationship is investigated, satisfaction is found to be the most popular construct incorporated as a focal outcome in research models.

However, as a result of the abstract nature of these concepts, many researches fail to address the conceptual differences. Moreover, when the outcomes of satisfaction in channel relations are examined, it is seen that they are also similar to the outcomes achieved under the influence of high degree of interorganizational trust and commitment. To address some; just as the other two relationship quality constructs do, satisfaction enables achieving high levels of performance (Kumar et al., 1992), willingness to act collectively and cooperate (Schul et al., 1985; Brown et al., 1991). Besides, in a relationship that is characterized by high levels of satisfaction, friction between parties occur rarely (Lusch, 1976) and this lead to fewer filing of lawsuits against other party (Hunt and Nevin, 1974). Likewise, the organizations that are satisfied with their business relations are less inclined to terminate their exchanges

(Dwyer, 1980; Brown et al., 1991; Abdul-Muhmin, 2005) and even become more motivated to enhance the scope of the relationship (Selnes, 1998).

In their study which carries out a meta-analysis of satisfaction literature, Geykens et al. (1999) elaborate this matter and test whether relationship satisfaction is a construct that overlaps with other two relationship quality dimensions or is totally separate. Their analysis support that satisfaction is a distinct construct as it has different patterns of relations with structure and conduct based characteristics of the exchange when compared to trust and commitment. Authors conclude that in the sequential order, satisfaction comes first and its development triggers respectively trust and commitment. However, in the later phases of the relationship, such sequential order for satisfaction and the two other relationship quality dimensions becomes less valid, as an increase in any of them would feed the others and the one-way causal relations becomes harder to detect. As a result of this intertwined nature, the relation between satisfaction and the two other relationship quality dimensions lacks clarity in the literature. For instance, some studies report that trust is found to be a significant conditioning factor of satisfaction (e.g. Anderson and Narus, 1990; Andaleeb, 1996; Sanzo et al., 2003), whereas some others report the exact opposite (e.g. Ganesan, 1994; Selnes, 1998; Geykens et al., 1999; Chumpitaz Caceres and Paparoidamis; 2007). Same applies in the relation between satisfaction and commitment; some argue that commitment influences satisfaction (e.g. Selnes, 1998; Jap and Ganesan, 2000; del Bosque Rodriguez, 2006) whereas the others consider this causal relation to be in the opposite direction (e.g. Geykens et al., 1999; Abdul-Muhmin, 2005; Chumpitaz Caceres and Paparoidamis; 2007).

In conclusion, even though the causal ordering of relationship quality dimensions is still debatable, the evidence from the literature shows that satisfaction is an important ingredient of well governed IORs along with trust and commitment. Given that the satisfaction in channel relations is significant for expected exchange outcomes, this dissertation handles the concept as one of the three dimensions of relationship quality. Following parts will provide details on definition and the foundations of the construct, and discuss how the construct of relationship satisfaction is positioned in this dissertation.

3.2.3.1. Conceptualization of Interorganizational Relationship Satisfaction

In the earliest studies on satisfaction, the concept has been incorporated poorly in the research models even without providing a conceptual definition and it has been generally viewed as a single-item construct (e.g. Rosenberg and Stern, 1971; Hunt and Nevin, 1974; Wilkinson, 1979). However, following research on IORs viewed relationship satisfaction to be more than a one-faceted primitive construct and simply carried out more effort to reveal how it should be defined and how its domain can be specified (Ruekert and Churchill Jr., 1984). According to Ruekert and Churchill Jr. (1984), the need to better capture the essence of this construct in channel relations was a result of the already existing body of literature on job satisfaction in organization theory. Adapted from definitions of job satisfaction, Ruekert and Churchill Jr. (1984)'s definition of channel member satisfaction is as follows:

“The domain of all characteristics of the relationship between a channel partner and another institution in the channel which the focal organization finds rewarding, profitable, and satisfying or frustrating, problematic, inhibiting, or unsatisfying.”

This definition is in line with the definition of Anderson and Narus (1990); *“a positive affective state resulting from the appraisal of all aspects of firm’s working relationship with another firm”* as both of the definitions stress that it is an affective judgment as a result of evaluating many aspects of the relationship.

Again very similarly, Gassenheimer and Ramsey (1994) consider satisfaction to be an outcome of organizations’ evaluation about each other and the authors suggest that this evaluation is twofold; (i) the appraisal of the economic results in terms of efficiency and efficacy, and (ii) the appraisal of the social interaction with the partner (del Bosque Rodriguez et al., 2006). This dissertation adopts the definition of Gassenheimer and Ramsey (1994) as it is clearer on what is meant by the “all aspects of relation”.

3.2.3.2. Foundations of Interorganizational Relationship Satisfaction

In terms of the recognition of relationship satisfaction to be a construct which covers multiple dimensions, the work of Ruckert and Churchill Jr. (1984) is considered to be the first attempt in the related literature. The authors underscore that measuring satisfaction by using single-item scale has limitations based on psychometric reasons. Therefore, the authors propose a multi-item measurement tool, which is developed after interviews conducted with channel members. Their conceptualization identifies four distinct dimensions of channel member satisfaction namely product, financial, assistance and social interaction dimensions. Product dimension reflects the level of satisfaction based on the evaluation of the quality of the product that is subject to exchange. Financial dimension reflects the level of satisfaction when financial outcomes of the relation such as return of investment or profit margins are evaluated. Assistance dimension refers to the evaluation of the satisfaction level when how well the counterpart supported in matters such as cooperative advertising, on time delivery or any other action that needs the supported. Finally, the social interaction dimension reflects the level of which the interactions are handled satisfactorily. However, incorporation of these dimensions has been rare in the literature, presumably both due to their complexity (especially when the researches evaluate more than just relationship satisfaction) and its irrelevance to the IORs other than the ones in which the manufacturers are the focal organizations.

In order to make the distinction simpler, research on satisfaction that followed the study of Ruckert and Churchill (1984) handled the construct as the sum of economic and non-economic (social) evaluation of relationship as a whole. This stream has emerged as a result of the meta-analysis that Geykens et al. (1999) have carried out. Geykens and Steenkamp (2000) describes these two dimensions of satisfaction as follows;

Economic satisfaction is a positive affective response to the economically rewarding outcomes that is achieved thanks to being a part of the particular relation. As examples of such rewarding outcomes, increase in sales volume, profit margins and elimination of costs can be given. Considering that IORs are established mainly because of generating economic gains and/or benefiting from the other organization's

competence that helps reaching individual goals, economic satisfaction mirrors the productivity of the relationship.

Social satisfaction, on the other hand, is a positive affective response to the non-economic aspects of the relationship. To evaluate the degree, psycho-social aspects such as easiness, smoothness and the extent of the gratification that the relationship provides are taken into account. According to Geykens et al. (1999) in a relationship characterized by high levels of social satisfaction, organizations show respect to each other and both sides make each other feel how much effort they have centered to wellbeing of the relationship.

Due to the simpler nature, satisfaction dimensions that are proposed by Geykens and Steenkamp (2000), are operationalized in the majority of research on relationship satisfaction. As previously mentioned, this simplicity enables the dimensions to be valid in all kinds of IORs. To give some example, this conceptualization has been used in manufacturer-distributor relations (Del Bosque Rodriguez et al., 2006), supplier-dealer relations (Lai, 2007), store-tenant relations (Ramaseshan et al., 2006), sponsorship relations (Farrelly and Quester, 2005) etc. Because of the said benefits, this dissertation as well adopts conceptualization of Geykens and Steenkamp (2000).

3.3. RELATIONSHIP QUALITY DEVELOPMENT OUTCOMES: RELATIONSHIP-SPECIFIC PERFORMANCE

The literature on relationship quality covers great number of studies providing insights on what benefits can be achieved through developing sound and synergetic exchanges. As described by Huntley (2006), relationship quality with its soft nature (referring to intangibility) can generate other soft outcomes such as positive behavioral changes, as well as hard outcomes such as increased performance that can be quantified. The literature provides evidence for both.

To cover both of the aspects of relationship quality development outcomes, this dissertation employs the umbrella term “relationship-specific performance” in its model. Gebert (2013) underlines that it’s a broad concept that is used for measurement of overall success of IORs. Several definitions of the concept can be drawn based on

the literature. According to Anderson and Narus (1990), relationship-specific performance can be defined as an affective state resulting from the evaluation of all aspects of an organization's working relationship with another organization. In more details, the term reflects the degree to which the exchange is perceived to be worthwhile and productive (Mohr et al., 1996; La Bahn and Harich, 1997). For the sake of simplicity and based on the fact that RET framework provides evidence that shows the impact of relationship quality on all aspects of performance, the concept is not divided into sub-categories in the model of this dissertation.

However, following parts divide the literature based on the soft and hard natures of the outcomes that are investigated and review the related findings under the categorization of impact of relationship quality on (i) hard IOR outcomes and (ii) soft IOR outcomes. Considering that the individual roles that trust, commitment and relationship satisfaction play have been addressed in the previous parts, following literature review mostly focuses on the articles that incorporate all three of the mentioned dimensions or at least two of them in their research models.

3.3.1. Impact of Relationship Quality on Hard Interorganizational Relationship Outcomes

The IOR literature provides plethora of research examining the link between relationship quality and hard IOR outcomes. Naturally, organizations carry out exchanges with others with the aim of achieving a competitive edge that they can not achieve by their own. Therefore, performance of their IORs determines the degree of success in terms of reaching their expectations from these exchanges.

The studies on the relation between relationship quality and performance consequences do not only differ based on the type of IORs that they focus on but also varies due to the different facets of hard natured performance determinants that they are interested in. In general, scholars investigating this issue handle the construct of performance in operational and/or financial manners. With some exceptions, the literature supports the significant impact of relationship quality on both facets.

In their study of supply chain performance and its relational antecedents Fynes et al. (2008) reveal findings that show positive impact of relational quality on

performance. Authors also find that duration of the exchange is an important factor moderating this relation. In this study, performance is measured with various indicators linked with the operational supply chain outcomes such as delivery time, cost and flexibility. Nyaga and Whipple (2011)'s study is another attempt that aims to reveal the influence of relationship quality on operational performance. The authors base their investigation on buyer-supplier relations. Findings support that relationship quality has a significant impact on operational performance. Moreover, the authors examine whether the age of the relationship is a significant factor that mediates said relation between the two constructs. However, the authors state that, although they have anticipated age of the relationship to be determinant, no evidence is present to prove such link. Therefore, it is concluded that, no matter how long the relation has been in development, what really matters is whether the relationship quality is established or not. In other words, development of high-level relationship quality can be achieved free from the age of the relationship and it greatly influences the operational performance. Similar results are presented in the related literature (e.g. Joshi and Stump, 1999; Chu and Wang, 2012) as well as the results that contradicts (e.g. Fynes et al., 2008). Focusing on buyer-supplier relations, Srinivasan et al. (2011) examine the link between relationship quality and performance by also taking levels of environmental uncertainty and risk into consideration. In their conceptualization, supply chain performance covers mainly operational dimensions such as delivery performance and inventory turnovers. Results of the study show that existence of demand side risks enhance the positive impact of partnership quality on supply chain performance. The authors argue such risks may cause magnification of the positive roles that relationship quality play. This is due to the fact that coping with risks and adapting to changes is easier if the partnership is characterized by positive atmosphere. Interestingly, in uncertain environments the positive relation between quality and performance weakens.

Focusing on the exporter-importer relationships Ahamed and Skallerud (2015) incorporate export performance as a focal construct and ask whether quality of the relationship has an impact on it. Their findings reveal that relationship quality enhances both financial and strategic facets of export performance. Financial performance is related with the sales, growth in sales, profits and intensity of

transactions, whereas strategic performance reflects the fulfillment of strategic goals throughout the exchange. As the authors find the results consistent with the results of the existing literature, they advise that managers that govern export-import relations should place great emphasis on developing relationship quality in order for their business to be successful and satisfactory. Chu and Wang (2012)'s work is another research that also supports the influence of relationship quality on financial performance. Differently, this study tests the linkage in a setting of logistics users-3PL company relations. Similarly, authors underscore that closeness in supply chain relations has many benefits one of them being increased financial performance. Moreover, their results also show that information sharing is an important norm that enables this closeness. In a setting of buyer-seller relations, Huntley (2005) examines both financial (sales) and behavioral (recommendation intention) outcomes of relationship quality. Her findings are in line with the previously mentioned researches. According to the author, especially in the industrial buyer-seller relations, partnering atmosphere that is created with development of relationship quality says a lot about the success of the relationship. From the sellers' point of view, a relationship with high levels of trust and commitment results in buyers' willingness to recommend the seller to others.

In contrast to all above-mentioned results, the study of Alejandro et al. (2011) does not provide any support for the positive impact of relationship quality on performance. The authors view performance to be a reflector of organizations' margin, success and financial gain. They evaluate the mentioned impact considering both interorganizational dyads and interpersonal dyads (the relations with account managers) in automotive parts industry. However, the authors state that, either way, the level of relationship quality does not influence performance.

3.3.2. Impact of Relationship Quality on Soft Interorganizational Relationship Outcomes

Literature on relationship quality provides fruitful insights on its impact on various soft IOR outcomes as well. These soft outcomes can also be defined as relational benefits achieved by an organization as a result of being a part of a particular

IOR. In general, these benefits reflect the well-being of the relationship. When the desired level of relationship quality is achieved and the relationship becomes smooth and frictionless, the more benefits come into prominence. Intention to maintain the relationship, willingness to expand the scope of the exchange, willingness to recommend, sense of loyalty and increased relationship value are the major benefits that are proposed in the related literature. Overall, these are the positive behavioral outcomes that are influenced by the relationship quality determinants.

From a manufacturer-based perspective on supply chain relations, Su et al. (2008) evaluate the impact of relationship quality on cooperative strategy. The authors conceptualize cooperative strategy as a construct reflecting persistence, frequency and diversity. Therefore, the authors argue that in a relationship that is characterized with high levels of relationship quality, it is expected that frequency of the interactions would become denser, the extent of the relationship would become deeper and organizations' willingness to develop long-term partnership would be increased. Their analysis provides empirical support for all these relationship patterns. Thus, the authors conclude that development of business relations influences the behavioral intentions in manufacturer-supplier relations. Differently stated, if the high level of quality is achieved in their relationships, organizations view the other side of the dyad as a strategic partner and deepen the cooperation. Contrarily, the relationships that lack quality fail to grow in time in terms of frequency, persistence and diversity. The study of Ulaga and Eggert (2006) provides parallel findings. In their article, the authors research the impact of each relationship quality dimension on behavioral intentions of the organizations in a buyer-seller setting. More specifically, the authors argue that quality of the relationship would have a significant impact on organizations' decision to expand the relationship or to leave it. As expected, the study finds that commitment and satisfaction have direct impact on said behavioral intentions. Interestingly, trust is revealed to be a non-significant factor in terms of leading organizations to make such decisions on the future of their relationship. The authors discuss this finding by arguing that it might be because of the subjective nature of assessing trust. Although trust is not an antecedent in this pattern of relations, the authors mention that it is an important determinant mediating the link between commitment and satisfaction.

Another impact of relational quality, that has gained considerable currency, is on the concept of “anticipation of future interactions”. The pioneering work of Crosby et al. (1990) proposes this construct as an indicator of “stay” or “leave” decision. Their study reveals that customers’ expectation of future interactions increases based on the relationship quality that they perceive. Further researches in the literature confirms this finding in different relationship settings. For instance, in their study which focus on buyer-seller interaction in the context of trade fairs, Sarmiento et al. (2014) report that strong relation between quality and anticipation of future interactions is found. Authors also reveal that information sharing is a conditioning factor of high-level relationship quality. Again similarly, Johnson and Grayson (2005) solely focus on trust as one of the quality dimensions and report that both cognitive and affective trust significantly contributes to anticipation on future interactions in the service relationships. In aggregate, as Crosby et al. (1990) state, outgrowth of current relational problems generates low expectations of future interactions, whereas high quality form the necessary basis for continuation of the exchanges.

Another construct reflecting behavioral intention of the organizations is loyalty. Although quite similar to “anticipation of future interactions”, construct of loyalty evaluates the behavioral intention to switch or not to switch rather than to stay or to leave. Therefore, the findings in this stream of relationship quality literature are in the same line.

In their study on service firms and their customers, Liu et al. (2011) conceptualize relationship quality with trust and commitment and test whether it has an impact on loyalty. Their findings show that both facets of relationship quality have significant impact. The study of Ou et al. (2011) supports a similar relationship pattern between quality and loyalty. Differently, the authors conceptualize satisfaction and trust as indicators of relationship quality, and position commitment as an outcome. Their findings show that loyalty increases as relationship commitment is developed and relationship quality has a significant impact on this development. The study of Rauyruen and Miller (2007), on the other hand, expands the conceptualizations of relationship quality constructs by handling their sub-dimensions as well. Therefore, the authors aim to deepen the investigation of the linkage through revealing individual roles that these sub-dimensions play. Their findings show that, in business-to-business

exchanges, overall satisfaction and service quality play remarkably significant roles in developing customer loyalty. Moreover, on the role of commitment to supplier, authors find that calculative commitment does not help increasing the attitudinal loyalty of the buyer whereas affective commitment has a significant impact. Focusing on business-to-business marketing relations of advertising agencies, Chumpitaz Caceres and Paparoidamis (2007) evaluates the impacts of all three relationship quality dimensions on loyalty. Their findings show that trust and commitment have greater effect when compared to satisfaction in the context of business-to-business marketing. More evidence is present in the literature confirming the relation between quality of the relationship and loyalty in various settings; e.g. consumer services industry (Roberts et al., 2003; Lin and Ding, 2005; Roy and Eshghi, 2013; Giovanis et al., 2015), retail industry (Vesel and Zabkar, 2010b; Kuhn and Mostert; 2018), manufacturing industry (Cater and Cater, 2010), online services industry (Walsh et al., 2010; Rafiq et al., 2012) and banking industry (Rahman and Ramli, 2016).

Alongside loyalty, some of the research also incorporate the construct of “willingness to recommend” (also named as word-of-mouth) as another important behavioral outcome especially in buyer-supplier relations. In the context of service business relations, Hennig-Thurau et al. (2002) evaluate the impact of satisfaction and commitment on loyalty and word-of-mouth. Their findings reveal that both of the relationship quality dimensions have significant impacts on loyalty and word-of-mouth. Additionally, the authors report that impact of satisfaction is greater when compared to commitment. Therefore, in order for reaching to new customers, the authors advise organizations’ in services industry to focus on offerings that have the capability to create satisfaction for the existing customers. Similarly, Macintosh (2007) focuses on services industry and test the very same relational pattern, but by conceptualizing relationship quality as a higher-order construct consisting of trust and satisfaction. Their findings are in the same line with the findings of Hennig-Thurau et al. (2002) as they support the positive impact of relationship quality on loyalty and word-of-mouth communication. Kim and Cha (2002)’s study on hotel industry, Chung and Shin (2010)’s study on online shopping and Ozdemir and Hewett (2010)’s study on consumer services industry in general also support that word-of-mouth communication is strongly influenced by development of quality in relationships.

With the aim of providing alternative conceptualization of relationship quality, Woo and Ennew (2004) base their study on IMP interaction model. Their conceptualization of relationship quality incorporates cooperation, adaptation and atmosphere as dimensions. Parallel to the previously mentioned researches, the authors evaluate the impact of relationship quality on willingness to recommend. However, their findings lack support for said relationship pattern.

Another revealed consequence of relationship quality with soft nature is the relationship value. This construct reflects the value generated from the relationship between two parties when benefits and sacrifices are compared (Zeithaml, 1988). In the conceptual model of his study, Palmatier (2000) incorporates relational drivers consisting of contact density, contact authority and relationship quality. The author confirms the positive impact of relationship quality on value and also report that when analyzed jointly relationship quality has synergetic effect with other mentioned relational drivers. The study of Alejandro et al. (2011) on IORs in automotive industry provides consistent findings as their findings also show that both relationship quality with account manager and with the supplier positively influence the perceived value. In their study that focus on telecommunication services, Chen and Myagmarsuren (2011) also confirm the positive impact of relationship quality on relationship value. However, when their impact on loyalty is investigated, the authors find that relationship quality does not have a direct impact but the influence is present through the mediation of relationship value.

The model of Ulaga and Eggert (2006)'s study also incorporates relationship quality together with its perceived value, but the link is drawn in the opposite direction. The study shows that value can also be considered as an antecedent of all three relationship quality dimensions, as its impact is revealed to be significant. In detail, their findings reveal that satisfaction is strongly influenced by the perceived value of the exchange, whereas this influence is weaker on trust and commitment. The study of Moliner et al. (2007) reveal similar findings from their analysis on consumer service exchanges. The authors handle the construct of perceived value in details by incorporating dimensions such as functional, emotional and social value. They find partial support for the impact of value on relationship quality and the noticeable result that comes out from their investigation is that especially satisfaction of the consumers

is influenced by functional value generated from the exchange. The study of Barry et al. (2008), on the other hand, examine perceived value's impact on relationship quality in a setting of cross-cultural interorganizational marketing relations and find a strong relation.

When all the findings on the impact pattern of relationship quality and value are jointly evaluated, it can be concluded that any improve in one of them lead to improvement in the other. Stated differently, in a relationship that lacks quality it is not expected that the perceived quality would be high. In a relationship that lacks value it would be unlikely for organizations to put an effort on enhancing the quality of the exchange.



CHAPTER FOUR

THEORETICAL FRAMEWORK AND PROPOSITION DEVELOPMENT

This chapter begins with the presentation of the research questions and the theoretical framework employed. Thereafter, the chapter presents the propositions on the expected relationships between constructs that are conceptualized in previous chapters. These propositions are developed based on the RET framework and presented together with the related findings from both supply chain and port management literatures.

Although the concepts within the RET framework are generally handled separately in the port literature, there is an incrementally rising scholar interest on each of these concepts. This interest is a result of the paradigm change in port management philosophy, in which the relational dynamics with port users now hold a greater importance. Derived from the need of a theory-based research to reveal the role of relational dynamics integratedly, this dissertation links RET framework with contextual characteristics of port industry relations.

Therefore, the propositions presented in this chapter are to be evaluated in the following parts of the dissertation with the aim of evaluating whether the RET framework performs well in terms of understanding the characteristics of the port industry relationships.

4.1. RESEARCH QUESTIONS AND THEORETICAL FRAMEWORK

Port industry is regarded as a complex system (Caschilli and Meda, 2012), consisting of many independent rational agents that are tied through IORs to accomplish joint tasks and to co-create value (Schellinck and Brooks, 2016). Within this framework, ports' relationships with port customers cover contractual elements, whereas this is rarely the case for the relationships with port users. Said relationships are mainly indirect and operational basis without a need for contracts (Fransoo and Lee, 2008). However, the need for crafting contracts may emerge if the cargo volume is high enough to be considered as a strategic target by the port (De Langen and Pallis, 2006).

For these port industry relations, which involve both contractual and relational elements, the interplay between the two governance strategies, determine the strictness in the exchange and potentially may influence the outcomes gained from the IOR. Although this has been thoroughly studied in the supply chain literature (e.g. Brown et al., 2006; Liu et al., 2009; Wallenburg and Schaffler, 2014), the port literature does not provide any insight on the tendency of the port industry actors in terms of governance strategy choice. Before focusing on the role of relational governance in port industry, the study aims to answer the first research question (RQ) to take a snapshot of how the industry actors balance contractual elements with relational dynamics. The question is developed as follows:

RQ 1) *How are relational and contractual governance strategies formed within port industry relations?*

As mentioned in the theoretical background section, relational governance mechanism emphasizes the development of certain relational norms with the aim of creating a synergy, which in turn would lead to superior joint performance of the parties (Gundlach and Achrol, 1993). Considering that one of the main criticisms to RET framework is the overlapping nature of the norm dimensions that are conceptualized by McNeil (1974), the theory leaves some room for development by clearly defining the borderlines of each norm in a given research setting. Although it is a hard task due to the abstract nature of these concepts, Noordewier et al. (1990) argue that this can be done through revealing the norms' context-specific natures. With the aim of contributing to the theory by following the suggestion of Noordewier et al. (1990) and to the practice by what exactly relational norms represent in the port industry setting, the second RQ is developed as follows:

RQ 2) *How are relational norms of solidarity, flexibility, information sharing and conflict resolution manifested within port industry relations?*

While the two RQs discussed above are addressed to scrutinize the concepts of RET within the port industry relations as the research setting, the next two questions

are directly linked with the ascertainment of the consequences that are expected from relational governance strategies followed by ports.

The studies investigating the channel relations in the context of the general buyer-supplier relations show that development of certain norms enhance trust, commitment and satisfaction – the three dimensions of relationship quality- perceived from the exchange (e.g. Ivens and Pardo,2007; Yaqub, 2013). Although the port literature lacks any research with a focus of relational governance strategies, the researches addressing the paradigm change in port management philosophy implicitly signals that modern ports are getting more aware of the significance of these relational elements in creating synergic relations (Notteboom, 2008). From this point forth, this study aims to answer the following RQ:

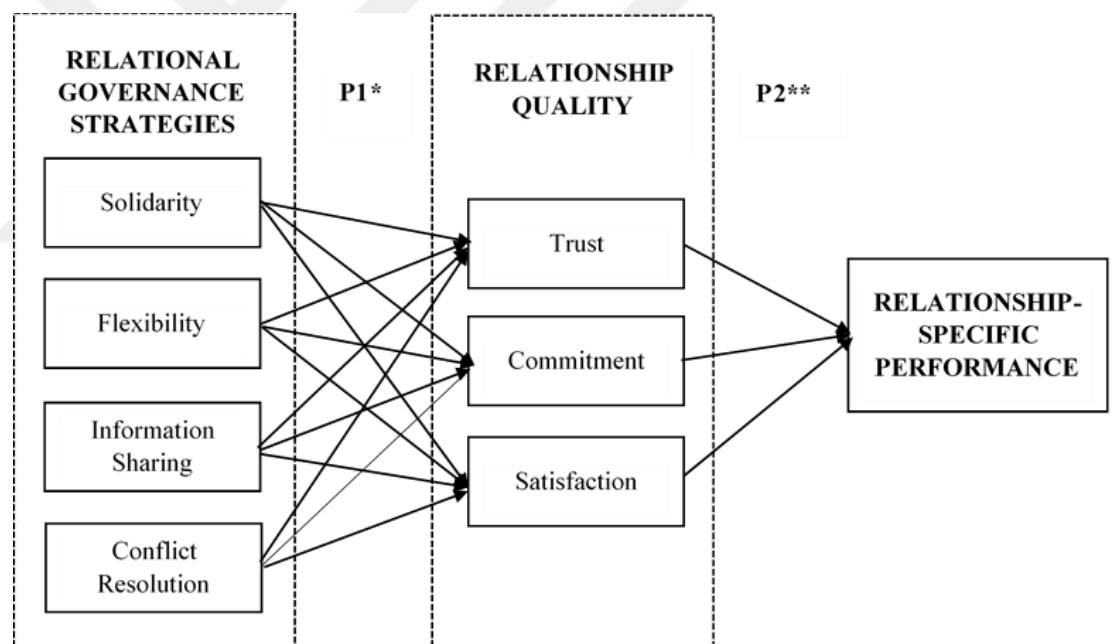
RQ 3) *Does development of relational norms of solidarity, flexibility, information sharing and conflict resolution affect quality of the exchanges within port industry relations?*

The significances of relationship quality and joint performance in the context of port industry relations are frequently underlined in the port literature (De Langen, 2004). Nevertheless, the link between these two constructs are rather implicitly explained and lacks empirical support. Rooted in the premises of the RET framework, this dissertation argues that relational dynamics can lead to performance-based relationship consequences. Many researches in the field of supply chain management support this argument, as they show that high levels of trust, commitment and satisfaction in an IOR results in enhancement of commercial and operational performances of the exchanging parties (Fynes et al., 2008; Nyaga and Whipple, 2011; Ahamed and Skallerud, 2015). Due to the fact that port industry relations are now governed with an emphasis on supply chain-oriented philosophy (Tongzon et al., 2009), industry actors are more into seeking joint solutions for the improvement of end-to-end transportation which requires their relationship to become closer and more stable (Murnane, 2017). Therefore, in order to investigate the link between quality of the exchange and the joint performance of the industry actors, the final RQ is developed as follows:

RQ 4) Does relationship quality of port industry relations affect performance of the organizations in exchange?

In order to answer the last two RQs, a research model is developed as seen in Figure 9. The research model presents the expected relationships between constructs under investigation. The first column includes relational norms as sources of relational governance strategies; the second column includes the dimensions of relationship quality and the third column includes relation-specific performance, an umbrella term representing both soft and hard consequences expected from a successful IOR.

Figure 9: Theoretical Framework



*Proposition 1: Establishment of relational norms (relational governance strategies) within port industry relations enhances relationship quality.

**Proposition 2: Establishment of *relationship quality* within port industry relations enhances *relationship-specific performance* that is achieved by both ports and their users/customers.

Following sections will provide further information on the propositions presented in Figure 9.

4.2. PROPOSITION 1: THE LINK BETWEEN RELATIONAL NORMS AND RELATIONSHIP QUALITY WITHIN PORT INDUSTRY RELATIONS

The paradigm change in the port management practices is well acknowledged and thoroughly scrutinized in the port management literature since the 2000s. This stream of literature underlines that competition between ports has reached beyond a competition that is based on physical attributes (Pantouvakis and Bouranta, 2017) or pricing of the services (Ng, 2006). In line with the supply chain management philosophy, maritime transportation chains involving ports as critical elements, can achieve competitiveness only if the relationships of the related actors are carefully managed with the aim of generating joint benefits and eliminating the risks associated with individual interest of these actors. The concept of fifth generation ports discussed by Flynn et al. (2011) and Lee and Lam (2015) also highlights the importance of relational elements in determining the success of a modern port. Moreover, many scholars stresses that the “synergy” between ports and major maritime network actors is crucial for the efficiency of supply chains (Heaver, 2002; Carbone and Gouvernal, 2007; Notteboom, 2008; Franc and Van der Horst, 2010). It can be argued that synergy of the port industry relations is a reflection of the level of relationship quality. On the other hand, several researches show that lack of relationship quality disables the integration of port industry actors (Martin and Thomas, 2001; Lam, 2013; Yuen and Thai, 2016). These researches also underline that the cooperation efforts of the port industry actors only focus on operational aspects, failing to enhance relationship quality, which is crucial for generating long-term gains for the total maritime supply chains.

Although, the recognition of the significance of relationship quality within the relationships between ports and the major maritime transportation actors is obvious, a limited effort has been carried out in terms of understanding the antecedents. Given that the existing research views the lack of relationship quality in the industry to be one of the major obstacles in the way of achieving long-term gains, it is critical to address how relationship quality may be developed.

As thoroughly discussed in previous chapters, RET framework suggests that in order for IORs to be characterized by high levels of relationship quality, certain

relational norms should be developed. Supply chain management literature presents empirical supports for the link between relational norms and relationship quality in various types of supply chain relationships. To name a few: in manufacturer-distributor relations (Zhang et al., 2003; Mysen et al. 2012), supplier-retailer relations (Jap and Ganesan, 2000), vertical partnerships (Mohr and Spekman, 1994) and in cross-border relations (Aulakh et al., 1996) the positive impact of norms on the quality of the relationship is supported.

Therefore, based on the premises of RET and the supporting empirical findings in supply chain literature, this study first suggests the following proposition regarding the tie between relational norms and relationship quality:

PROPOSITION 1. Establishment of relational norms within port industry relations enhances relationship quality.

The following sections will present sub-propositions on the relationship between each relational norm and relationship quality dimensions.

4.2.1. Impact of Flexibility on Relationship Quality within Port Industry Relations

Since the era of fourth generation ports, a modern port is described by emphasizing the importance of agility. Paixao and Marlow (2003) view the concept of agility to be as a port strategy that is responsible for developing strong links between the internal and external business environments with the aim of making ports responsive to the changing market characteristics. Similarly, Liu et al. (2009) conceptualize the concept of agility as the combination of speed and flexibility. With few exceptions (e.g. Seo et al., 2016), the term “agility” is generally preferred in port management literature rather than flexibility. When compared to the conceptualization of flexibility as a governance strategy in RET framework, the concept of agility more or less means the same. Both of the terms reflect the degree of the parties’ willingness to make adaptations to cope with the changing circumstances and unexpected situations as well as responding rapidly to each other’s changing demands (Heide and

John, 1992; Pantouvakis and Bouranta, 2017). The nuance is that norm of flexibility rather views this “willingness to make adaptations” on the contractual terms if there are (Demirel et al., 2017).

The significant role that flexibility plays in the governance of port industry relationships is already well acknowledged. Considering that agile manufacturing is a widespread trend for the manufacturing industry, such port users demand their supply chain partners including the maritime transportation actors to be coordinated with their practices (Islam et al., 2005). Therefore, “one size fits all” approach does no longer work in terms of achieving relationship quality (Christopher et al., 2006). Similarly, on the relationship between ports and liner shipping companies, the port literature stresses that certain flexibilities are needed to be provided by the ports which in turn would lead to responsiveness to the preferences of liner shipping companies (Tongzon et al., 2009). As an example to this, Mangan et al. (2008) suggest that allowing service to be maintained if the ships are out of schedule is an important flexibility that is expected from the ports. Even though such delays may have penalties specified in the contractual terms, it is the decision of managers, which would eventually determine to be flexible, or not. When all these factors are considered in the aggregate, from the viewpoints of ports, flexibility is a relational strategy that may enhance relationship quality as it shows good faith and competence. Moreover, from another angle, it is a critical factor affecting success of the overall supply chain and a characteristic that is expected from a port of fifth generation (Flynn et al., 2011).

The positive relationship between flexibility and relationship quality is empirically confirmed in supply chain management literature. For instance, the studies of Yaqub (2013) and Ivens and Pardo (2007) show that flexibility positively influences all three dimensions of relationship quality in the context of buyer-supplier relations. Moreover, several studies reveal positive relationship between flexibility with each particular dimension; satisfaction (Hausman, 2001), trust (Aulakh et al., 1996; Zhang et al., 2003) and commitment (Jap and Ganesan, 2000). Although not empirically tested, port literature also stresses that satisfaction of the port users and customers from a port as well as trust associated with the port’s competence is highly dependent on the flexibility shown by the port management when requested (Liu et al., 2009; Seo et al., 2015). Similarly, based on the rising importance of relational elements in port choice,

commitment of port users and customers to a particular port is also linked with the degree of flexibility. Based on the empirical support from similar relationship contexts in supply chains and the significance attached to the ports' flexibility in the literature, this study suggests the following proposition regarding the impact of flexibility on all three relationship quality dimensions:

Proposition 1.a. Establishment of *flexibility* within port industry relations enhances *trust*, *commitment* and *satisfaction* between ports and other port industry actors.

4.2.2. Impact of Solidarity on Relationship Quality within Port Industry Relations

Port industry involves many actors building up the chain relations and aiming to improve overall supply chain performance. However, within the chain relations each actor may have their own interests and pursue their individual goals, neglecting to put necessary effort on the improvements that may create benefits for the relationship as a whole (Van der Horst and De Langen, 2008). The academic discussions on how to make port industry relations more supply chain oriented underscore that beneficial efforts on coordination, integration or collaboration can only generate expected outcomes if the parties involved give up on self-interest seeking (Woo et al., 2013). Moreover, any problems that arise in the course of the joint processes should be handled with a special care by encouraging the spirit of solidarity and each sides of the relationship should be feeling responsible for fulfilling the needs of the other.

The study of Demirbaş et al. (2014), aiming to explore the changing roles of the ports within the supply chains, precisely concludes that the change is related with the greater emphasis put on shared vision and goals by the ports and the other industry actors. The authors also argue that the desired quality in the relationships can be achieved if the parties show willingness to understand each other's issues. The stream of literature on port service quality also provides insights on the role that solidarity plays in port industry relationships. Murphy et al. (1987) underline the differences in the perceptions of port industry actors regarding the service quality and suggest that in order for a port operator to understand the individual needs of actor groups, certain

level of communication and solidarity is needed for offering customer-oriented improvements. The study of Ugboma et al. (2007) stresses the very same matter and argues that port customers expect port staff to show their willingness to help with customer needs to feel satisfied with the relationship. On the other hand, findings of Cho et al. (2010) support that partnership degree between ports and their customers and the positive attitudes of port staff affect the satisfaction of port customers.

Although, the norm of solidarity seems to be a crucial relational element that is expected from the ports by their customers and users, the norm of solidarity is not employed in any of the research models of related empirical investigations (to the best of author's knowledge). Even though, an understanding on the role of solidarity can be illustrated from the above mentioned researches that have investigated quite similar relational elements with slightly different terminologies. When the literature on supply chain management is examined, empirical support is widely available for a positive relationship between solidarity and quality of relationship in various relationship settings (e.g. Hausman, 2001; Sezen and Yilmaz, 2007; Ivens and Pardo, 2007; Yaqub, 2013). Therefore, based on RET perspective and the support from both port management and supply chain management literatures, this study suggests the following proposition regarding the impact of solidarity on all three relationship quality dimensions:

Proposition 1.b. Establishment of *solidarity* within port industry relations enhances *trust*, *commitment* and *satisfaction* between ports and other port industry actors.

4.2.3. Impact of Information Sharing on Relationship Quality within Port Industry Relations

As in any of supply chain relationships, exchange of accurate and timely information is a critical success factor for the maritime supply chains. When the role of ports within maritime supply chains is examined, their responsibilities cover acting as an information distributor center with the aim of enabling coordination and achieving collaborative advantages. Seo et al. (2015) underline that seamless flows of containers in the maritime supply chain can only be handled, if the information sharing

is managed seamlessly. The authors also list the contents of information that is of special criticality for the joint processes to be accomplished without complications; exact location of containers, congestion related information, safety-security related information, auxiliary service information and environmental information. From the shippers' perspective, Durvasula et al. (2004) note that ports' should be ready and willing to exchange information regarding the services, shipments, bookings and related documents. Due to the developments in technology, this exchange of information is rather based on information technologies such as EDI integrations with the liner shipping companies (Song and Panayides, 2008) or web based interfaces for the use of port users. However, in terms of jointly formulating collaborative strategies and decision making, conventional ways for information sharing is still critical. Therefore, regular meetings with the liner shipping companies, freight forwarders and the major cargo owners take an important place for the development of port industry relations (Seo et al., 2016). Although, the significance of the norm is obvious in port industry relations, Tongzon et al. (2009) stress that it is not that easy to successfully build this norm in practice due to the confidentiality of certain information. The authors further discuss that certain level of trust is needed for this norm to function properly.

Based on the importance of information exchange in port industry relations, many scholars have linked the norm of information sharing or related constructs (e.g. use of data sharing technology) with various outcomes such as port supply chain integration (Song and Panayides, 2008), collaboration (Seo et al., 2016) and port service quality (Ha, 2003; Yeo et al., 2015). One can argue that the impact of information sharing on above mentioned outcomes depend on the degree of relationship quality that it develops over the course of exchange. Since the significance of this norm is well acknowledged in the port literature and based on the fact that it is rather considered as a duty that a port should fulfill, this study argues that the degree of a port users' satisfaction heavily depends on the establishment of the norm. Considering that the lack of information sharing would cause distrust on the competence of the port and it would lead to unwillingness of users' to continue the relationship (if there are any other options), this study argues that the norm is an important antecedent of interorganizational trust and commitment as well. The

literature on supply chain management provides support for these arguments. Chen et al. (2011) find evidence on the positive impact that information sharing has on commitment, whereas Zhang et al. (2013) reports that trust is also dependent on the establishment of the norm of information sharing. The study of Ivens and Pardo (2007) also shows that information sharing influences all three dimensions of relationship quality.

Given the importance of this norm for the port business, this study suggests the following proposition regarding the impact of information sharing on all three relationship quality dimensions:

Proposition 1.c. Establishment of *information sharing* within port industry relations enhances *trust*, *commitment* and *satisfaction* between ports and other port industry actors.

4.2.4. Impact of Conflict Resolution on Relationship Quality within Port Industry Relations

Conflict is mostly considered as an inevitable ingredient of any supply chain relations. For the case of port industry relationships, several reasons behind this can be drawn. Firstly, as Van der Horst and De Langen (2008) underline, the industry involves actors with various interests and performance goals which in turn may cause mismatches and conflicts. Secondly, other than the liner shipping companies and major port users, a great number of organizations working with the port do not have contractual relationships, which would have set the ground for standard operating procedures. The lack of formal mechanisms and the indirectness of the relationships also can result in conflicts (Fransoo and Lee, 2008). The findings of Lai (2009) are in line with these arguments as the study shows that explicit contracts and implicit control complements each other in port industry relations. Lastly, as the findings of Ugboma et al. (2007) indicate, behaviors of the contact persons in the port is equally important for the hassle free governance of the relationships. Therefore, any interpersonal conflict occurred in between the employee of the port and the employee of the user, may turn into a conflict in the interorganizational level.

To the best of author's knowledge, the study of Bae (2012) is the only attempt which focuses on the impact of ports' conflict resolution tendency. The author finds that the capability of a port in terms of finding solutions in case there is a conflict with the customer directly affects the commitment of the customer to the port. Several studies in the supply chain management literature provides support on the positive link between the norm of conflict resolution and relationship quality dimensions as well. For instance, Mohr and Spekman (1994) reveal the positive impact of the norm on satisfaction, whereas Yaqub (2013) shows that it also facilitates competence based trust and affective commitment.

By arguing the norm of conflict resolution is not only an important facilitator of commitment but also an important ingredient in trusting and satisfactory relationships (as it is revealed to be in other supply chain settings), this study suggests the following proposition regarding the impact of conflict resolution on all three relationship quality dimensions:

Proposition 1.d. Establishment of *conflict resolution* within port industry relations enhances *trust*, *commitment* and *satisfaction* between ports and other port industry actors.

4.3. PROPOSITION 2: THE LINK BETWEEN RELATIONSHIP QUALITY AND RELATIONSHIP-SPECIFIC PERFORMANCE WITHIN PORT INDUSTRY RELATIONS

Quality of the IORs determine whether a business relationship is capable of producing benefits for the organizations or not. Literature on IOR management provides rich insights on the role that relationship quality plays in generating certain operational and commercial performance outcomes (Fynes et al., 2008; Nyaga and Whipple, 2011; Ahamed and Skallerud, 2015). Especially a great number of researches which are focused on supply chain relations, show that high levels of relationship quality results in anticipated relational benefits such as increased loyalty (Liu et al., 2011; Out et al., 2011), willingness to expand the content of the exchanges (Ulaga and Eggert, 2006; Sarmiento et al., 2014) and willingness to recommend (Henning-Thruau et al., 2002). As it is discussed in the previous chapter, this dissertation handles all of

these soft and hard indicators of the relationships' success under the umbrella concept of "relationship-specific performance".

To the authors' best of knowledge, this concept is new to port literature. Although, performance related constructs are widely used in the literature, these researches are rather focused on efficiency measurement of operational port performance. Such studies carry out individual assessments of port performances by comparing their relative efficiency to the ports that are either geographically close or size-wise similar (e.g. Cullinane et al., 2005). Mostly, said literature operationalizes TEU throughput as an operational performance indicator and employs port infrastructure and equipment data as inputs. As discussed in the previous chapters, the stream of literature which views ports as a critical node in overall supply chains, has well acknowledged that port performance is not only linked to its servicescape capabilities but also related with the IORs that are developed with its customers and users.

In this vein, this study suggests that quality of the IORs is a significant determinant of "relationship-specific performance" that is achieved, which consists of both commercial and operational benefits gained specifically as a result of being a part of an interorganizational exchange.

Apart from the above mentioned supply chain focused literature, the port literature in particular also presents several findings that explain the role of relationship quality. For instance, De Langen (2004) stresses that performance of the services carried out by ports highly depend on the quality of the relationships that they have with active players of their hinterland network. The study of Felicio et al. (2014) shows that port community dynamics, which reflects the reputation of a port on its relationships with industry actors, is an important antecedent of port performance. Bae (2012) finds that commitment between a port and its users/customers increases the sales performance of the port and the degree of participation in services development.

Rooted in the RET framework and supporting findings from both port and supply chain literatures, this study suggests the following propositions on the link between relationship quality and relationship-specific performance within port industry relations.

PROPOSITION 2. Establishment of *relationship quality* within port industry relations enhances *relationship-specific performance* that is achieved by both ports and their users/customers.

Proposition 2.a. Establishment of *trust* within port industry relations enhances *relationship-specific performance* that is achieved by both ports and their users/customers.

Proposition 2.b. Establishment of *commitment* within port industry relations enhances *relationship-specific performance* that is achieved by both ports and their users/customers.

Proposition 2.c. Establishment of *satisfaction* within port industry relations enhances *relationship-specific performance* that is achieved by both ports and their users/customers.

CHAPTER FIVE

RESEARCH METHODOLOGY AND DESIGN

This chapter starts with the explanation of the qualitative inquiry adopted. The research method is discussed by revealing the process of data collection, sampling, information on the participants and data organization/analysis. Moreover, the strategies pursued by the researcher with the aim of ensuring the rigor of the study are presented.

5.1. RESEARCH METHOD

The research method applied in this study is qualitative approach. Since the research questions that are explained in the first chapter are directed on understanding the role of relational governance strategies within the research setting of port industry relations, qualitative research design is suitable for the purpose of the study as it enables in depth investigation of the phenomenon within this specific context.

Purpose of the qualitative researches is to understand and describe a phenomenon within certain populations of interest. Although qualitative researches have certain limitations regarding generalizability of the findings, the main aim of these researches is to contribute to knowledge by revealing meanings of the constructs under investigation. By using iterative approach, qualitative research has discovery focus, which is based on exploration of experiences and perceptions of participants related to the processes or activities that they are involved in (Wu et al., 2016). Therefore, qualitative methodology was decided to be suited to the goal of this study, as the main objective is to gain insights on the perceptions of the port industry practitioners regarding the “relational norms” phenomenon and how they relate it with interorganizational governance strategies.

Pratt (2008) discusses that, despite the growing interest to the qualitative approach in management research, evaluation criteria for the quality of qualitative research are still unclear. By asking the experiences of authors that have published qualitative papers in top tier management journals, the author reveals a set of criteria deduced from these experiences and presents a guideline for researchers. The guideline

highlights five important criteria, which determine the quality of a qualitative research: links to existing theory, contribution to theory, novelty, transparency and good writing.

To fulfill these requirements, this study puts special effort on each criteria. In order to contribute to RET, the study aims at discovering the context-specific nature of the “relational norms” phenomenon. Considering that RET framework proposed by McNeil (1980) have been criticized for its broad definitions of the norms, it is believed that this attempt will contribute to the theory by revealing what exactly relational norms mean in a specific setting.

Moreover, the study aims to cover compelling discussions of the findings by linking them with the existing literature. Bradbury-Jones et al. (2014) also relates quality of the qualitative research to its connection with the theory. Following the authors’ recommendations in this manner, this study consistently applies theory throughout the entire research process. In other words, this study starts with developing research questions that are grounded on RET, continuous with data collection and analysis which is aimed at deductively finding out how RET framework performs in port industry relations and finally ends with discussion of the findings by comparing with the existing knowledge.

From the perspective of novelty, context of the port industry relationships is considered to be critical as the related literature lacks any research that is focused on relational governance strategies. In terms of transparency, the study transparently presents its qualitative research design and explains all the steps of the research process including sampling, data collection/organization and data analysis. To succeed in the “good writing” criteria, the study aims to present evidence that are thought to be convincing and interesting.

As mentioned in the first chapter, first two research questions of the study aim at discovering the role and nature of relational governance strategies in port industry relations, whereas the last two questions aim at testing the research model which is grounded on relational governance literature. For the last two questions, qualitative theory testing approach of pattern matching is utilized.

Despite the fact that quantitative research methods are considered to be performing better in theory testing (regarding generalizability), the study had several limitations to carry out such an application. The main limitation was the low

population size especially in the group of liner shipping companies. Considering that the relationships between container terminals and liner shipping companies are at high importance for this study, this limitation inherently restrained the utilization of quantitative methods.

Moreover, another limitation was present for the evaluation of relationships between container terminals and port users. This was a result of the fact that not all port users have direct and/or close relationships with container terminals. Hence, picking out the ones which are suitable for filling out questionnaire form was causing practical challenges.

5.2. POPULATION AND SAMPLING

The population of this study covers container terminals in Aliğa port cluster and the maritime supply chain actors using these terminals. Specifically, these actors are grouped under primary port customers (liner shipping companies) and port users (freight forwarders/cargo owners). In order to collect suitable data for analysis, representatives of these companies that are directly involved in the governance of business-to-business relationships were selected as participants.

To maximize the variations on the phenomenon, sampling technique is chosen as purposeful sampling. In this line, the effort has been on involving participants with various titles and from various departments so that the findings can capture different facets of the phenomenon (Patton, 1990). Considering that the container terminals are focal companies for this research, multiple participants were selected from each. Port customer and user companies were represented by one participant in each. These companies were reached via phone or e-mail and managers who are in charge of managing terminal relationships were asked for participation.

For the participant selection in liner shipping companies, another point to consider had been involving company representatives from various company profiles taking their size, cargo volume and point of origin into consideration.

For the participation selection in the group of freight forwarders and cargo owners, main focus had been on involving companies with different cargo types besides their cargo volume. Apart from these three groups of participants, three

additional interviews were carried out with one representative from customs brokerage company, one representative from inland trucking company and one representative from Aliaga Chamber of Shipping. While the first two were aimed at investigating these actors' role in port industry relations, the interview with Aliaga Chamber of Shipping was aimed at capturing the chamber's viewpoint on the port competition in the region.

Number of the participants was not predetermined. The data collection maintained until the data saturation is achieved. Theoretical saturation was evaluated within each participants group. To make sure that the data collected are theoretically saturated, qualitative data analysis software MAXQDA 18 was utilized as the software allows code comparisons between interview documents (Guest et al., 2006). In the end, 9 interviews with container terminal representatives, 9 interviews with port customers, 12 interviews with port users and 3 additional interviews with other port industry actors were carried out in between 05.12.2017 and 03.05.2019. In total, sample of the study covered 33 participants. Table 8 presents information on these interviews.

Table 8: Information on the Interviews

| Company Code | Interviewee Code | Title | Date | Duration |
|----------------------------|------------------|---|------------|--------------|
| <i>Container Terminals</i> | | | | |
| Container Terminal A | CT-A1 | Commercial Manager | 05.12.2017 | 1 h. 6 min. |
| | CT-A2 | Operations Manager | 05.12.2017 | 32 min. |
| | CT-A3 | Vessel Planner | 03.05.2019 | 1 h. |
| Container Terminal B | CT- B1 | Marketing Assistant | 12.12.2017 | 1 h. 25 min. |
| | CT-B2 | Payment Coordinator | 12.12.2017 | 1 h. |
| | CT-B3 | Product Manager | 19.03.2018 | 48 min. |
| | CT-B4 | Customer Relations Clerk | 18.11.2018 | 58 min. |
| Container Terminal C | CT-C1 | Deputy General Manager | 12.12.2017 | 31 min. |
| | CT-C2 | Sales Manager | 31.07.2018 | 45 min. |
| <i>Port Customers</i> | | | | |
| Liner Shipping Company A | LSC-A | Agency Manager | 18.01.2018 | 47 min. |
| Liner Shipping Company B | LSC-B | Agency Manager | 20.01.2018 | 1 h. 36 min. |
| Liner Shipping Company C | LSC-C | Manager of Documentation, Operation and Customer Services | 23.01.2018 | 56 min. |
| Liner Shipping Company D | LSC-D | District Representative | 23.01.2018 | 1 h. 45 min. |
| Liner Shipping Company E | LSC-E | Agency Manager | 25.01.2018 | 1 h. |
| Liner Shipping Company F | LSC-F | Operation and Logistics Manager | 15.05.2018 | 50 min. |
| Liner Shipping Company G | LSC-G | Sales and Marketing Specialist | 02.05.2019 | 45 min. |
| Liner Shipping Company H | LSC-H | Sales and Marketing Team Manager | 03.05.2019 | 1 h. 10 min. |
| Liner Shipping Company I | LSC-I | Sales Manager | 03.05.2019 | 55 min. |

Table 8: Information on the Interviews (Cont.)

| Company Code | Interviewee Code | Title | Date | Duration |
|------------------------------|------------------|------------------------------|------------|--------------|
| <i>Port Users</i> | | | | |
| Freight Forwarder A | FF-A | Operations Manager | 16.07.2018 | 54 min. |
| Freight Forwarder B | FF-B | Sales Manager | 31.07.2018 | 1 h. 2 min. |
| Freight Forwarder C | FF-C | District Manager | 02.08.2018 | 41 min. |
| Freight Forwarder D | FF-D | Business Development Manager | 07.08.2018 | 1 h. 13 min. |
| Freight Forwarder E | FF-E | Commercial Manager | 08.08.2018 | 31 min. |
| Freight Forwarder F | FF-F | Business Development Manager | 20.09.2018 | 1 h. 8 min. |
| Freight Forwarder G | FF-G | Logistics Manager | 18.01.2019 | 41 min. |
| Freight Forwarder H | FF-H | Operations Specialist | 03.05.2019 | 30 min. |
| Freight Forwarder I | FF-I | Operations Specialist | 03.05.2019 | 40 min. |
| Cargo Owner A | CO-A | Import Manager | 18.01.2019 | 35 min. |
| Cargo Owner B | CO-B | Export Manager | 23.01.2019 | 35 min. |
| Cargo Owner C | CO-C | Logistics Manager | 24.04.2019 | 40 min. |
| <i>Additional Interviews</i> | | | | |
| Inland Transport Company | ITC | Operations Manager | 25.09.2018 | 40 min. |
| Customs Broker | CB | Customs Broker | 25.09.2018 | 30 min. |
| Aliaga Chamber of Shipping | ACS | Branch Manager | 24.04.2019 | 45 min. |

5.3. DATA COLLECTION AND ORGANIZATION TECHNIQUES

This study utilizes semi-structured interviews as primary tool for gathering the information. The reason behind conducting semi-structured interviews is allowing the participants to wander off whenever predetermined questions seem to disfunction in terms of exploring more about the phenomenon (Berg, 2000). Other than the

predetermined set of open-ended questions which are generated from the relational norms literature, additional questions have been asked generally with the aim of obtaining cases/examples that would concretize the opinions of the participants on relational governance strategies. Therefore, the participants got the opportunity to express their ideas through revealing their experiences on IORs in port industry (Rosenthal, 2016). The interview questionnaire (see Appendice 1) consisted of 4 groups of questions. The questions in the first group aimed at understanding the general characteristics of port industry relationships in Aliaga. The second group included questions on constructs of relationship quality and relationship-specific performance, which evaluate the roles that are attached to these concepts. The third group of questions asked the roles of each relational norm within the port industry relations context and also aimed at understanding their context-specific manifestations. Finally, the fourth group of questions were addressed to reveal the relationships between the constructs that are employed in the research model.

Almost all of the interviews were carried out face-to-face in the offices of participants; only the interview with CT-B3 was carried out via telephone due to the request of the participant. The interviews duration varied from 30 minutes to 1 hour and 45 minutes. The variance was mainly caused by the scope of participants' companies relationships with container terminals. For instance, the interviews with cargo owners were rather short as these companies' relationships with the terminals are indirect in many facets as they involve mediation of freight forwarders and liner shipping companies.

All interviews have been recorded with the permissions of the participants. Later on, the recordings have been transcribed following the guideline of Poland (1995) and then the quotations which are particularly important for highlighting the views of participants have been translated into English. The researcher and the advisor carried out coding the interviews with container terminals separately, with the aim of comparing the coding structures to ensure the reliability of the process. Once the coders had disagreements on the codes, it was discussed and corrected based on persuasions. Especially while coding relational norms, questionnaire items proposed by Heide and John (1992) and Ivens (2006) were used for theoretical confirmation. The rest of the coding process was maintained by the researcher.

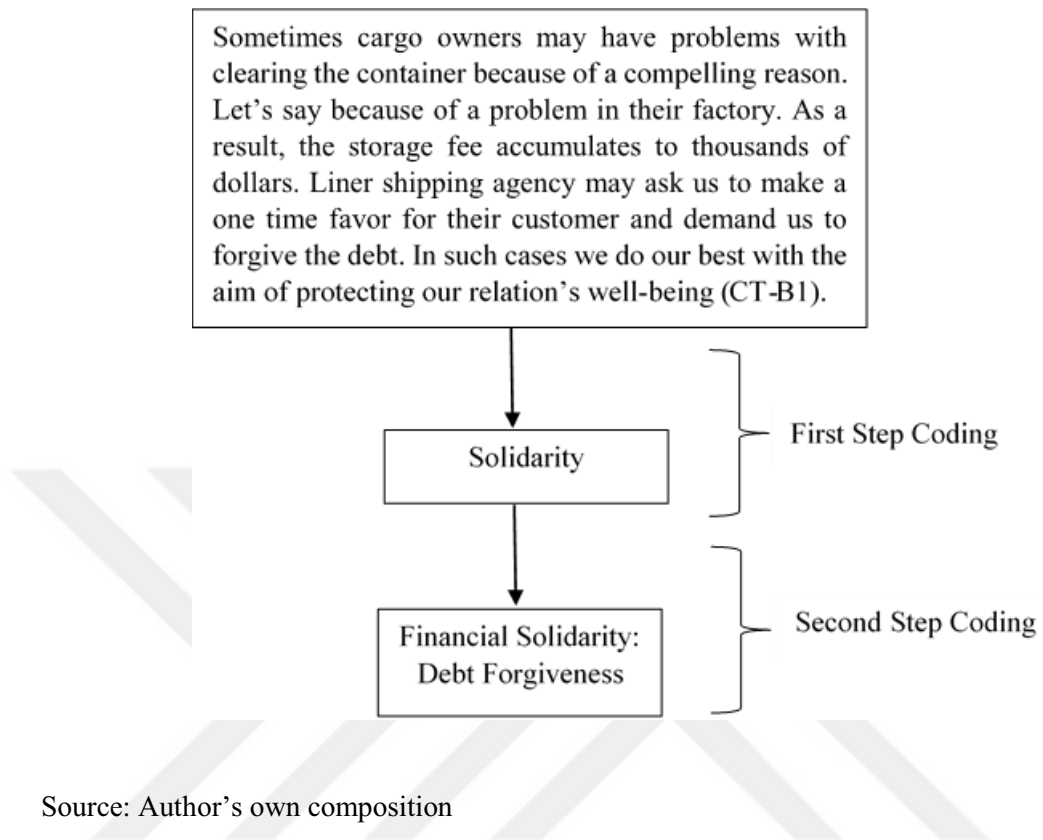
Qualitative data analysis software MAXQDA 18 has been used in all the above mentioned steps. For the organization of complex and large data sets, using such softwares are suggested for the researchers (Atherton and Elsemore, 2007). On the other hand, the use of softwares is also criticized by many scholars in cases which the researcher aims at applying quantification techniques (Dohan and Sanchez-Jankowski, 1998). In this study, quantification was not aimed and the software was only utilized for practical reasons with the purpose of enabling efficient handling of the large data. In this direction, tool of “code matrix browser” was utilized for controlling the data saturation after the coding of each interview. The tool of “code relations browser” was utilized for selecting the quotations in which the participants relate any of the constructs in the research model to another.

5.4. DATA ANALYSIS TECHNIQUE

Deciding on the tools for data analysis is a critical step in qualitative research design, considering that the data gathered are complex and unstandardized (Rosenthal, 2006). In this study, selection for data analysis technique was carried out based on the nature of research questions. While the first two research questions seek to describe the constructs under investigation in port industry relations setting, the latter two seek to test whether the propositions deduced from the theory suit the practice in this setting. Therefore, data analysis techniques employed as well as the interpretation process differed in these two groups of research questions.

To answer the first group of research questions, two-step coding procedure was applied. In the first step, participants’ comments on the roles of each relational norms and contracts in IOR governance were coded under relevant codes. In the second step, these comments were investigated once again with the purpose of categorizing the context-specific manifestations of each norm strategy, which allowed revealing the themes via second-step coding. Next, constant comparisons between the themes were performed to ensure that there is no overlaps. In the end, definite themes were defined. Figure 10 illustrates an example of the process.

Figure 10: Illustration of the Coding Process



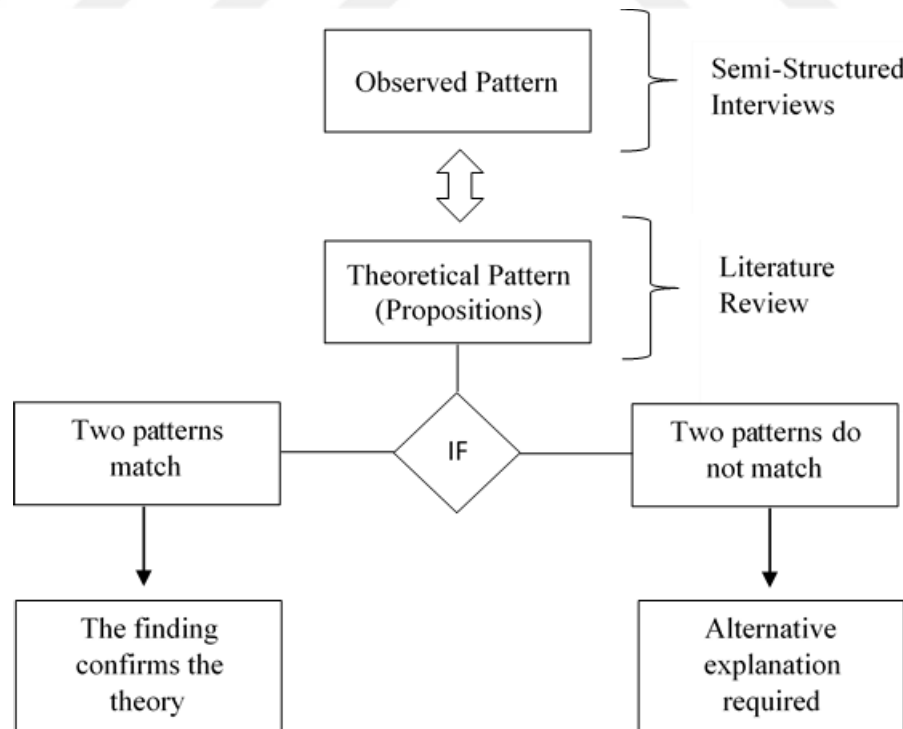
To answer the second group of research questions, pattern matching technique was used. Pattern matching is an analysis technique for theory testing in qualitative research. In this manner, the technique is based on deductive reasoning as the process starts with a theory and continues with investigating whether the theory applies to specific instances or not (Hyde, 2000).

The technique compares the predictions of a theoretical pattern with observational empirical pattern (Sinkovics, 2018). A pattern is defined as any arrangements of object or entities, which are non-random and describable (Trochim, 1989). However, these arrangements may be different in theoretical realm and an observed realm. The overall target of the pattern matching technique is to find out these differences between the predictions of a theory and what is empirically evident. Trochim (1989) underlines that the theory that is under investigation does not necessarily be developed through a formal process of theorizing, and it might be any kind of predictions of the investigator. The author further argues that in both cases the

investigator should begin with making implicit mental models as explicit as it can get, so that comparison can be carried out firmly.

As mentioned in the previous chapters, the theory to be tested via pattern matching is RET in this study. In line with the suggestion of Trochim (1989), the study first developed explicit propositions that are derived from RET framework as it is proposed by MacNeil (1974) and empirical evidences that are already revealed in the related literature. While these propositions represent the theoretical realm, data collected via semi-structured interviews represent the observational realm. By making the comparison between two, it is aimed to reveal whether the theoretical model of expected results is partially or completely matched to the observed results (Campbell, 1975). At the end of the investigation, the discrepancies of two patterns come out as the points where the theory lacks its explanatoriness on the cases where observations are made. In contrast to that, the points where two patterns match can be considered as sign of stronger corroboration of the theory (Trochim, 1989). Figure 11 illustrates the pattern matching process.

Figure 11: Illustration of the Pattern Matching Process



Source: Author's own composition

In order to avoid any mistakes on interpretations, the final section of the interview questionnaire involved direct questions asking the relationship between the constructs under investigation (e.g. *What is your opinion about the impact of relational norms on relationship quality?*). For the organization of the data revealing the opinions of the participants on the relationships between the constructs, “code relations browser” of MAXQDA 2018.

5.5. RIGOR OF THE STUDY

Certain research strategies should be developed to improve the worthiness of qualitative researches (Morse, 2015). In order to achieve rigor (also referred as trustworthiness) of the qualitative research, protocol of Wallendorf and Belk (1989) is followed and actions presented in Table 9 are taken. According to Wallendorf and Belk (1989), rigor of a qualitative study depends on the extent to which the study manages to defend its credibility, transferability, dependability, confirmability and integrity. In this context, credibility reflects the degree of representations’ fit with the interview data. Transferability shows the degree of findings’ appropriateness for the contexts other than the investigated one. Dependability is the extent to which the findings are not time or source (respondents) dependent and would be stable if the data collection was repeated. Confirmability is the degree to which interpretations were grounded on the responses of the participants and free from inquirer’s motivations, interests or perspectives. Finally, integrity reflects the extent to which interpretations are influenced by misinformation or evasions by participants.

Table 9: Rigor of the Study

| Criteria | Actions |
|-----------------|---|
| Credibility | <ul style="list-style-type: none">- Interviews were semi-structured. In case the interviewer had doubts on how to interpret the responses, additional questions were asked in order to clarify the responses.- Coding of the interviews was carried out separately by both of the authors. Whenever there was a mismatch between codes, further evaluation was carried out. Code comparison was carried out by using software (MAXQDA 18). |
| Transferability | <ul style="list-style-type: none">- Participants were selected based on purposeful sampling. Participants with various titles and company profiles were represented in the sample. |
| Dependability | <ul style="list-style-type: none">- The number of the interviews was not predetermined and data collection process was maintained till theoretical saturation was achieved.- Participants provided cases on the phenomenon that reflected a broad time range. |
| Confirmability | <ul style="list-style-type: none">- All personal knowledge of phenomenon was documented beforehand in order to be aware of potential biases.- In case participants asked what the responses of other participants to a particular question were, it was unanswered.- Findings section was designed in a way that shows the match between interpretations and the representing quotes. |
| Integrity | <ul style="list-style-type: none">- Names of the participants' companies and themselves were kept confidential.- In case the participants provided examples involving other companies, the names of those companies were also kept confidential.- In case the participants asked some of his/her responses to be "off the record", those statements were not transcribed or quoted in the article. |

Source: Author's own composition

CHAPTER SIX
A QUALITATIVE INVESTIGATION OF RELATIONAL GOVERNANCE
STRATEGIES IN ALIAĞA PORT CLUSTER

This final chapter of the dissertation will reveal research findings. These findings will be presented under four sub-sections and each of these sections will reveal the answers respectively to the four research questions that were presented in the introduction of the dissertation.

In details, the following two sections will answer RQ 1 by revealing how contractual and relational governance mechanisms are utilized in port industry relations of Aliaga port cluster. The section that follows will answer RQ 2 by presenting the manifestations of selected relational norms within the port industry relations. The final two sections will respectively answer RQ1 and RQ2 by revealing the results obtained pattern matching technique and thus present evidences that supports the research model of the dissertation.

6.1. FINDINGS ON THE INTERPLAY BETWEEN CONTRACTUAL AND RELATIONAL GOVERNANCE MECHANISMS IN PORT INDUSTRY RELATIONS

The initial research question addressed in this dissertation is as follows: How are relational and contractual governance strategies formed within port industry relations? In order to answer this research questions, the following two subsections reveal the findings on the formation of contractual and relational governance mechanisms in port industry relations respectively.

Findings revealed in these sections are supported with the quotations from the interviews. The selected quotations present the arguments of participants on the role that both governance mechanisms play in determining the characteristics of the relationships. The sections cover the interplay between the two governance mechanisms both within the port-port customer and port-port user relationships.

6.1.1. Contractual Governance Mechanism in Port Industry Relations

In order to figure out how contractual governance mechanisms are utilized within port industry relations in Aliğa port cluster, the first section of the interviews was focused on finding out whether there are differences in the content of the contracts or not. It is revealed that main function of the contracts is to set the port tariffs. Other than the tariffs, liabilities of the parties and the procedures on the joint processes is considered as more optional and thus stand as the factor that causes the differences in the content. When it comes to the tariffs, it is detected that the differences are resulted from the cargo volumes of the liner shipping companies besides the range of the services that they demand from the terminal operator. However, in terms of inclusion of the liabilities and procedures in details, the contracts have greater diversity. This diversity in the application is stated to be related with the organizational culture of both of the parties and again with the cargo volume of the liner shipping company. Focusing on both of these factors, the following statement of the terminal operator representative reveal how they are linked with the content diversity of the contracts.

CT-A1: With some of the shipping lines even a 2 pages long contract can be alright, but in contrast you can also see contracts that are 50 pages long. This might be related with the need of elaboration or the corporate cultures. As an example for the first case, it wouldn't be necessary to have a very detailed contract with a shipping line that would only use your terminal for a very limited handling volume –e.g.5000 TEU. So the volume can be determining. But there might be some shipping lines or container terminals which would always stick on detailed contracts without taking the volume of the work into account. Our preference is, for instance, to have detailed contracts that would cover all the clauses related with working conditions, insurance issues and the payment terms.

Another terminal operator representative also indicated that, the contracts that they prefer are detailed in content, covering both sides' liabilities especially on the topic of productivity undertakings.

CT-B1: Contracts cover the undertakings of both sides. For instance, in the contracts with the shipping lines our undertaking on productivity takes place. It includes the details of moves per hour and how much is needed to be paid if we perform

below or over that level. Contracts also may cover some details on berthing. For instance, we can determine a specific time that one of our berths will be assigned solely on this shipping line. If the vessel arrives out of that time period, than we can charge them a penalty fee. But if the vessel arrives at time and we have a problem in terms of berth availability, then it is us to be charged.

Similar to the above statements, one of the liner shipping company representative states that having detailed contracts is also preferred by their side. The interviewee links it with the organizational culture and makes a comparison with the viewpoints of relatively smaller liner shipping companies in the industry.

LSC-B: *Our company uses the same contract format in all of its relations with the terminal operators. It's a very detailed contract form. It's a result of being a big company. Every time an undesirable situation arises, our company adds new clauses related with that particular issue, so the contract gets updated and more detailed over time. Different from the contracts that our competitors have, probably ours have more pages on standard operating procedures. Most of the smaller companies only have a contract that is used as a price list for the port services. In our way of doing business, contract is the most appropriate place in order to enlighten the liabilities of both sides and how joint procedures should be handled. We see and use it more like a manual.*

Quite similarly, another liner shipping company representative argues that their experiences at global scale shape the content of the contracts that they craft with terminals. However, the interviewee underlines that several modifications should be carried out in order to adapt to local conditions.

LSC-I: *As our company have contracts with many container terminals around the world, our headquarters maintain the contracting processes based on these experiences. We have a template that is globally used. However, it needs to be modified based on the local conditions. A contract that our company have crafted with port of Rotterdam may not work well in Aliğa. So, the department in our headquarter, which is responsible for these contracting processes, always cooperates with us while starting a new relationship with terminals.*

One of the representatives of CT-B explains that content of the contract is considered to be a sign of long-term orientation.

CT-B3: *As an example: If the contract does not involve any clause on procedures to be follow in any case of damage related issues, then it would be harder to resolve the problem. I believe that a contract that determines the responsibilities of parties in various scenarios signals the willingness of the parties to maintain the relationship in long-term. This is why they choose crafting detailed contracts and leave less room for uncertainty.*

Unlike the above examples, some of the industry actors argue that crafting detailed contracts are not necessary for the maintenance of the relationship. Statements of the liner shipping company representatives that do not feel the need of having such detailed contracts are presented below:

LSC-C: *Our contracts involve the tariffs only. In terms of the liabilities, both of the parties well know their duties as all the processes are standardized. For instance, damaged containers is an issue that might be involved in many contracts. However, we do not need to involve any statement on that issue on our port contracts, as it is now considered as a fixed procedure. Each party knows what is expected from their side.*

LSC-A: *Apart from the tariffs, contracts may involve some operational liabilities of both sides such as clauses related with berthing procedures and quay cranes' productivity in terms of move per hour. We do not need such details to be included in our contracts. Nevertheless, of course we demand information on the technical capacity and the operation procedures of the terminal operator and make and evaluation before accepting the tariffs that are proposed by their side. In the end, if any problem occurs we know that shifting to another terminal is always an option.*

In the light of these statements, it wouldn't be far off to state that the reasons behind not feeling the need of crafting detailed contracts may also vary as it can be a result of the trust between the parties and/or a result of not feeling dependent considering there are other terminal options. Especially the second reason is more related with the competitive environment of the Aliğa port cluster, which also increase the bargaining power of the liner shipping companies against the terminal operators. Below comment of the liner shipping company representative also provides insights on how power based on low dependence shapes the contractual governance from the side of liner shipping companies.

LSC-D: *In Turkey, generally liner shipping companies may be willingly reject crafting detailed contracts, since any negative outcome caused by the gray zones in the contract is more likely to be advantageous for their side. Thus, we see that many of the contracts include only the tariffs to be applied and a few statements on the liabilities of the parties’.*

When it comes to the contracts that are crafted in between ports and the users (cargo owners or their representative freight forwarders), it is found that the contracts are rather narrow-scoped, covering certain financial privileges generally about free times, storage and VGM fees. However, such necessity for crafting contracts only emerges if the port user holds a significant share of the terminal's cargo flows. Both the participants from the terminals and port user companies have underlined that few port users in the region are offered such contracts. Considering that these contracts contributes decreasing port users’ costs, these are not considered as agreements that may negatively impact the relationship. Rather, they are considered as a sign of commitment:

FF-C: *In public ports, storage fee starts to be calculated once a container takes its position in yard area and you can not ask for discounts or any free time options. In private ports of Aliğa, we have standard free times for all our shipments, and on behalf of some of our clients we have contractual agreements that give us additional free times and discounts.*

CT-C2: *For some of the exporters, we have offered exclusive fees for our VGM service. For several importers, we have provided additional two days of free time. We craft these contracts only with the port users that have significant cargo volumes and we aim their loyalty to our terminal.*

6.1.2. Relational Governance Mechanism in Port Industry Relations

With the aim of understanding how relational governance influence the contractual relationship between terminal operators and their customers/users, this section will present the investigation on the interplay between the two governance mechanisms. Although the findings in the previous section revealed that the parties’ tendency on contractual terms varied widely based on companies’ way of doing

business, their viewpoints on role of relational governance mechanism are quite similar as they all expect the complementary role of relationalism in their contractual relationships. In other words, rather than solely relying on the contractual governance, it is found that both parties see relational governance more functional in terms of determining the characteristics of their relationships. The following statements of the representatives from CT-A reveal how social elements play a role in their relationships with the liner shipping companies.

CT-C2: *If the relationship between the parties is considered as a good relationship, then any problem can be solved through ironing out. If the other party always rely on the contracts, it means that they have already given up on finding out a solution through communication.*

CT-C1: *Of course you can rely on a contract whenever you need. But I think in any kind of problem the first attempt should be jointly finding out a solution without damaging the relationship. If you buy a sweater from a store and then see that there is a problem about it, you can easily decide to never shop from that store again. But maritime business is different from many other businesses as it involves very limited number of actors. Even right after you shifted to another terminal, you might have to work with that terminal again, for instance in a case that you take slots from another shipping line.*

When the role of relational norms are considered, the situational examples provided by the interviewees have demonstrated how each norm functions in establishing relational governance. For instance, the below example underlines how behaviors based on *solidarity* helps to keep relationship quality at high levels and hinders the possible harms to the relationship that would result from the application of contract clauses.

LSC-E: *In our contracts, we request productivity undertakings from the terminal operators. However, an operation might have a hitch due to the compelling reasons. In such cases, we do not give utterance to the contract statements at first. Because, in another operation it might be our vessel that makes the operation problematic, and thus we might be the side that is making terminal waste its time. In our point of view, developing mutual comprehension should be considered essential and opportunistic behaviors should be eliminated.*

On the other hand, *flexibility* is considered as another important relational norm within the relational governance framework. Due to the high level of competition between terminal operators in Aliaga port cluster, it is considered to be a crucial determinant of the satisfaction from the relationship in the eyes of the liner shipping companies. Representative from CT-C underlines this matter as follows:

CT-C: *Importance of flexibility in our relations with port users is obvious. Especially in Turkish business life, the actors do not tend to accept the tough rules. In my opinion, flexibility is even more important than the service quality to be considered as successful in the port users' point of view. You may flex the contractual terms from time to time, to keep the customer satisfied.*

However, as the definition of the term flexibility in port industry is broad and covers making necessary adjustments both in operational and financial manners, it is better to discuss this issue by making the separation between these two aspects. The following quotations demonstrate examples on flexibility in operational manner that would eliminate the related contract clauses in order to maintain the relationship without causing dissatisfaction.

LSC-C: *Terminal operator demands us to inform them one day before for our stuffing requests. But from time to time, we may forget to inform. This is where the bilateral relations play the role. If you have a good relation, no matter what is written on the contract, the other party would do their best to help you with that operation.*

CT-C: *For the berthing operations, we have this rule called berthing window. However, from time to time the vessel may arrive outside the berthing window that we have declared to the shipping line. In such situations, the shipping lines generally demand us to be flexible and we do our best to help them.*

Nevertheless, limits of flexibility demands coming from the liner shipping companies is underlined to be the factor that determines whether it will have positive or negative impacts to the relationship overall.

CT-A2: *Being flexible is necessary but it is important to keep it in a level below impossible. Operational limits should always be considered and the range of flexibility mustn't surpass these limits. Otherwise, the results would be negative for all the parties.*

Unlike operational flexibility, financial flexibility is stated to be problematic. Considering that contracts determine the financial aspects of the relationship at least for a period of one year, it is believed that demanding such adjustments before the expiration may not always be welcomed and might even be harmful for the wellbeing of the relationship. However, again linked with the competitive environment that the terminals in Aliaga face, terminal operators underline that such demands are voiced by the shipping lines quite occasionally. The following statement of LSC-D provides insight on financial flexibility demands of the liner shipping companies.

LSC-D: *Let's be realistic. In the business life, none of the parties have to play by the rules. Even though the duration of the contract is not over, in many cases liner companies may request revisions especially in the tariffs. This is mostly because of the rapid changes in the economy. Considering that costs resulted from the port operations have an important share in the overall costs of a liner shipping company, such demands for flexibility in contracts are inevitable. The question is whether the terminal operator company has the power to reject such demands or no. Considering the competition level, it wouldn't always be easy to say no.*

Apart from the competitive environment, one of the liner shipping company representative mentioned that meeting the flexibility demands is also related with the organizational structure of the terminal. It is stated that the degree of flexibility provided by the terminals in Aliaga port cluster differs due to differences in their organizational structures.

LSC-A: *The reaction of the terminal operators to the demands for change varies due to their corporate structure and management style. In Aliaga two of the terminals are a branch of global terminal operator company and one of the terminals is a local one. Global companies may consider many of the demands odd and meeting such demands may be hard for them. They would have harder and longer demand approval procedures. While the local terminal easily makes the decision on whether saying yes or no to our demand, the global ones need more time to evaluate. Although their personnel would like to help you, it might not be possible at the end.*

When it comes to the norm of information sharing, all the participants agree on the importance of this norm, stating that the performance of the container terminal-liner shipping agency relationships are underlied on correct and timely information

exchange. Although contracts partially cover the procedures of information sharing and the scope of the information to be shared, the impact of relational governance on these processes is found out to be more determinative. Especially, sharing information on events or changes that may affect the other party is expected by both sides and considered to be a sign of putting value on the relationship. The following example provided by LSA-D demonstrates how such an attempt by the container terminal is evaluated from the point of views of the liner shipping companies.

LSC-D: *For example, from time to time the terminal may warn us about our cargo when there is a potential problem about the customs. By the side of the terminal, such information sharing is not compulsory and even the problem that we face with customs may make them earn more storage fee from us. But still, sharing that information shows how much they value our relationship's wellbeing and how trustworthy they are.*

On the norm of conflict resolution, participants state that facing with conflicts is common and mainly occurs because of the operational factors (e.g. damaged cargo, berth availability, congestions at the terminal area). Although many of the contracts involve clauses on the liabilities of the parties at the times such conflicts arise, resolution of the majority of the operational conflicts are informally standardized and carried out without referring to the contracts. Thus, both terminal operators and liner shipping companies underline that rather than the frequency of the conflicts it is the attitude of the other party that constitutes the wellbeing of the relationship. In this manner, maintaining the two-way communication and creating the atmosphere of joint problem solving are considered to be key success factors in eliminating the conflicts. One of the representatives from liner shipping companies highlights that conflict resolution capability of container terminals in Aliaga is an important factor for their comparative evaluation of the terminals.

LSC-E: *Our company is one of the few shipping lines working with all three container terminals in Aliaga. Considering that port tariffs offered by the terminals are quite close to each other, we see the main factor creating the difference between the terminals as their capabilities of managing conflict-free relationships with the shipping lines.*

When it comes to the relationship between ports and port users, contractual enforcement is rarely the case as the contracts mostly covers pricing arrangements and lacks any clauses on parties' liabilities or operational procedures. This is due to the fact that the port-port user relationship is narrow in scope, compared to the port-port customer relationships. Therefore, findings on this particular relationship does not provide much insight on evaluation of the interplay between the two governance mechanisms.

However, similar to the port-port customer relationships, it is found that relational governance strategies play significant roles in determining the productivity of the port-port user relationships. Although these relationships are indirect in many facets and governed with the mediation of liner shipping companies, both parties expect certain levels of relationalism to be involved. In this particular relationship, relational governance helps smoothing the strictness of rules that are established by port management. Although most of the participants argued that such smoothing is carried out by all the terminals quite often, several participants have stressed that the terminals' willingness to act within the framework of relationalism varied based on their organizational structures. The following quotations provide examples of this argument:

CO-A: *One of the terminals in Aliğa had strict productivity targets set by its headquarter abroad. Therefore, the terminal was working solely on their own performance improvement rather than taking care of the factors that make us dissatisfied.*

CO-B: *One of the terminals was insisting on complying with the rules they established no matter what our demand is about. I believe that this was because of being it a branch of European GTO. Planning is a hard task in Turkey due to the external factors. Complexity of logistics processes can not be managed under such strict rules.*

When the participants from the terminal operating companies were asked about the norms of role integrity and mutuality, it has been argued that these two norms do not fit well to the framework of port industry relationships. For the case of role integrity norm, it was discussed that this norm does not tell much about the degree of relationalism in the port industry context since the roles of the parties in the exchange

are already clear. Likewise, the interviewees argued that the norm of mutuality is not at great significance for the port industry relations, as the relationship does not necessarily generate financial or operational gains that needs to be fairly distributed. Based on these arguments proposed in the interviews with the participants from terminal operating companies, it was decided by the researcher to remove these two norms from the research model.

6.2. FINDINGS ON THE MANIFESTATIONS OF RELATIONAL NORMS IN PORT INDUSTRY RELATIONS

One of the challenges in qualitative research is structuring the findings from the data that involves vast amount of interwoven information. In order eliminate the interwovenness, this study seeks to overview the context specific nature/meaning of the relational norms by sorting how each of them manifests itself within both port-port customer and port-port user relationships. Therefore, for each relational norm, a thematic process has been utilized through matching the manifestation of the norm with representative quotes, which the theme is deduced from. As a results, findings presented in following subsections answer the second research question of this dissertation: *How are relational norms of solidarity, flexibility, information sharing and conflict resolution manifested within port industry relations?*

The findings are presented in separate sections for the port-port customer relations and port-port user relations, considering that characteristics and scope of these relationships result in different norm manifestations.

6.2.1. Manifestation of Relational Norms in Port-Port Customer Relations

Although the relationships between ports and customers start on a contractual basis, they achieve the desired performance levels by developing certain relational norms within the process. The context-specific manifestations of the norms of solidarity, flexibility, information sharing and conflict resolution developed in these relations were determined and related findings were compiled under each sub-heading.

6.2.1.1. Solidarity in Port-Port Customer Relations

What makes the norm of ‘solidarity’ become prominent in port-port customer relationship is the fact that this relationship exhibits a characteristic of partnership relation along with buyer-seller relation. As a result of this point of view, solidarity is found to be prominent in various facets such as operational and financial dynamics of the relationship.

Operational manifestation of ‘solidarity’:

In operational side of the relationship, both parties’ tendency to adopt *solution-focused approach* is one of the determinants of solidarity due to the confidence it provides to the parties. Especially, the problems that may occur in ‘voyage schedule of the liner shipping company’ has been found to be critical, and it has emerged that container terminals showing high solidarity in such cases are highly valued by the liner shipping companies.

Another operational manifestation of solidarity is *bilateral understanding* in between parties. Considering that terminal operations are inherently open to many disruptions, presence of bilateral understanding prevents any damages to the relationship and protects the longevity of it. Specifically, the positive attitude of a party, when the other party causes an ‘operational disruption’ as a result of a compelling reason, is considered to determine solidarity.

Joint planning of investments is also evaluated as a manifestation of solidarity. Container terminals that are planning their investments with the participation of liner shipping companies in the decision making process are considered as strategic partners, since they allow port customers to voice their demands on improvement of the operational processes.

Procedural integration is another area for manifestation of solidarity. Throughout the relation, one of the parties may have procedural changes in their way of doing business and request the other party to adapt. In such cases, ‘the other party’s willingness to adapt’ to the procedural changes and ‘the effort they put in order to integrate’ have been found to be significant indicators of a high degree solidarity.

Financial manifestation of ‘solidarity’:

When it comes to the financial dimension of the port-port customer relationship, solidarity initially manifests itself in *joint planning of the offerings* for ‘special cargo owners’. Considering that while choosing a liner shipping company, cargo owners evaluate not just the cost of maritime transportation but also ‘the costs associated with the terminal used’, winning over a cargo owner may require a joint effort of the two. From the viewpoint of the liner shipping companies, ‘container terminal’s effort on being supportive in such financial matters at the expense of lowering their profits’ is considered to be a sign of solidarity. Even though such arrangements are not expected for all customers, it is stated that joint planning actions are crucial for the ones with high profitability opportunities.

Another financial manifestation of solidarity occurs in *debt forgiveness*. Although relatively rare, whenever one of the parties faces with an exorbitant sum of debt, ‘the other party may demand forgiveness of the debt or an adjustment’. It has been found that such adjustments are considered to be common in port-port customer relations and even crucial for securing the longevity of the relationship.

Looking out for one another’s monetary interest is another solidarity manifestation deduced from the interviews. According to the participants, although such actions are above the obligatory duties of the parties, they are important indicators of solidarity due to the ‘promotion of shared identity’. Examples on this issue especially include container terminal’s suggestions to the liner shipping company in cases where their terminal related costs are unnecessarily high and can be amended through some practical modifications. Table 10 demonstrates, above mentioned themes in manifestation of solidarity and the representative quotes from the interviews.

Table 10: Manifestation of “Solidarity” in Port-Port Customer Relations

| | Manifestation | Quotes from interviews |
|--------------------|---|--|
| Operational | Solution-Focused Approach | Shipping lines sometimes request to depart before the predetermined time and ask for faster handling operation. In such situations, we may provide more resources (e.g. cranes, gangs) to speed up the operations in order to solve their problem with voyage schedule (CT-A1). |
| | Bilateral Understanding | Because of the power outage, the terminal may be unable to accomplish the operations within the expected time. Obviously such situations cause monetary loss for the ship owner. So it’s the right of the liner shipping company to charge us the price that is determined in the contract. However, knowing that it’s a long term relationship and any other time similar operational delays can occur because of themselves, bilateral understanding is valued in terminal-agency relations (CT-B2). |
| | Joint Planning of Investments | CT-C recently purchased two additional ship-to-shore gantry cranes. It was jointly planned by the container terminal and the liner shipping companies. The liner shipping companies were demanding an improvement in Cargo handling productivity and directed the terminal to carry out this investment. I believe that it is a sign of solidarity, since it resulted from the participation of industry actors for understanding eachother’s performance expectations (ACS). |
| | Procedural Integration | One of the container terminals we work with is going through a system change. They will request some new documents related to the cargo specifications to be presented at the gate entry of the containers in advance. Even though this change will require extra effort from us, we show our willingness to adapt to this change. Such procedural changes may occur in both sides, and the parties should be in solidarity (LSC-F). |
| Financial | Joint Planning of the Offerings | From time to time, liner agencies ask us to make some special offers for a specific customer they want to win over. Then we work together with the line to jointly plan the offering. For instance, we did this for a big company in food industry recently. We offered this company the free time that they needed and made them work with our terminal and the liner shipping company that called us (CT-C). |
| | Debt Forgiveness | Sometimes cargo owners may have problems with clearing the container because of a compelling reason. Let’s say because of a problem in their factory. As a result, the storage fee accumulates to thousands of dollars. Liner shipping agency may ask us to make a one time favor for their customer and demand us to forgive the debt. In such cases we do our best with the aim of protecting our relation’s well-being (CT-B1). |
| | Looking out for One Another’s Monetary Interest | Container terminals’ duty is to carry out whatever operation is requested by the liner shipping company. In some cases, what they request can be unnecessarily costly for their side and we feel the need to advise them to make it in a more productive way. Although not giving this advice would provide us with even more profit, we do it because of the value we attach to the solidarity in our relations (CT-B3). |

6.2.1.2. Flexibility in Port-Port Customer Relations

Similar to the norm of solidarity, ‘flexibility’ in port-port customer relations is manifested in both operational and financial dimensions. When the role of flexibility is discussed, the interviewees from the liner shipping companies have underlined that operational flexibility is significantly interrelated with the satisfaction from the terminal and even has the potential to be a determinant of their terminal choice. Due to the nature of the logistics business, as the circumstances may frequently change, lack of flexibility has been found to be a prominent hurdle for the continuity of the relationship.

Operational manifestation of ‘flexibility’:

The operational issues related with the expectation of flexibility are mentioned to include *cut-off dates*, *berthing operations*, *gate operations*, *handling operations* and the issues related with the operational *information flow*. Although the contracts between parties reveal how such operations should be carried out and what the liabilities of the parties are throughout these operations, the interviewees have revealed that it is a common practice to avoid the contract clauses and be more flexible in management of the operations for the sake of relationships’ well-being.

Financial manifestation of ‘flexibility’:

When it comes to the financial dimension, a great importance is attached to the flexibility in *tariffs*. Whenever changes occur in the economic conditions of seaborne trade, discounts in tariffs are stated to be asked for. Other than that, providing additional free times for specific cargo owners is another common flexibility demand of liner shipping companies.

Despite it is rare, it’s stated that especially the agencies of liner shipping companies with high volumes may demand lowering the renomination charges as well. Renomination charge is the fee that applies to containers booked for a particular vessel but not shipped for whatever reason. Considering that high volume agencies may face with relatively higher risk in such cases, the more probable it is to cause a conflict. For this reason, the interviewees have underlined that in cases where the renomination charge gets too high, it’s more likely that the container terminal would be flexible and

lower the charge. Representative quotes for the manifestation of flexibility are presented in Table 11.

Table 11: Manifestation of “Flexibility” in Port-Port Customer Relations

| Manifestation | | Quotes from interviews |
|---------------|---------------------|---|
| Operational | Cut-Off Dates | Cut-off is the final date that the containers should enter our terminal. We do our best to flex that whenever it is demanded (CT-C1). |
| | Berthing Operations | For the berthing operations, we have this rule called berthing window. However, from time to time the vessel may arrive outside the berthing window that we have declared to the shipping line. In such situations, the shipping lines generally demand us to be flexible and we do our best to help them (CT-C1). |
| | Gate Operations | There might be special trading seasons and flexible gate hours may be requested by the liner shipping companies. For specific periods, it's doable. We don't reject such requests (CT-A1). |
| | Handling Operations | If the shipowner requests a slower handling, the terminal does it whenever it is possible. If the shipowner requests faster handling, the terminal does its best to make it fast. This flexibility helps us to arrange our scheduling (LSC-A). |
| | Information Flow | Terminal demands us to prepare an excel document prior to the entrance of containers. Because of the workload, from time to time it may not be possible to fulfill this requirement. So we try to overcome the problem through carrying out the information flow via phone. Of course it's their decision whether to accept it or not. Informal relations play a great role in their decision to be flexible or strict (LSC-C). |
| Financial | Tariff | <p>(1) We have contracts with shipping lines but we don't have to rely on the contract in every case. For example, the contract may be ensuring the amount of the payment that we will receive for a service, but the shipping line may request some discount stating that they would otherwise suffer from loss. For the continuity of our good relationship, such demands can be considered (CT-B1).</p> <p>(2) We may demand additional free time different from the free times determined in the contract for empty containers or full export/import containers. You can't demand this over and over again. But some circumstances might be changed or an arrangement can be up for discussion for a specific (highly profitable) cargo owner. Terminal checks their financial status and whether accepts or rejects (LSC-E).</p> |
| | Renomination Charge | Our contract with the terminal secures 30% renomination free of charge. However, from time to time we might exceed the 30% and even reach to levels of 60%-70%. This is a result of working with high volume cargo owners. For instance, If one of them has troubles with their planning, this hugely effects our vessel plans. In such situations, we expect the terminal to be flexible and to be willing to solve the problem through ironing out (LSC-B). |

6.2.1.3. Information Sharing in Port-Port Customer Relations

Manifestation of ‘information sharing’, on the other hand, is associated with the effective use of the platform(s) where the information is exchanged and the quality of these exchanges.

Information sharing platform perspective:

According to the interviewees from the liner shipping companies, the difference between the terminals in terms of information sharing arises from the capability of the *EDI technology* that they provide and the importance these terminals attach to the *meetings* and the *reports*. The more efficiently these platforms are used for the information exchange, the more satisfied liner shipping companies become. This is due to the fact that the information that container terminals share is of great importance for the strategic decisions that liner shipping companies are up to take.

Information quality perspective:

From the information quality perspective, the *timeliness* and the *correctness* of the information shared play significant roles for the norm of information sharing to be manifested. Due to the characteristics of logistics operations, any misinformation or the latency in the information exchange can cause conflicts that would affect the supply chain as a whole both operationally and financially. From the liner shipping companies’ perspective, it has been stressed that such misinformation or latency in the information exchange may put them in the tight spot as they pass the information to the cargo owners or their representatives.

Linked with the timeliness of the information sharing, another important facet is the *reachability* of the parties whenever the other party is in need of information.

In sum, in order to maintain a hassle-free port-port customer relation, parties expect each other to display sensitivity in ensuring the quality of the information shared both digitally through EDI and written/verbally through conventional channels. As in any channel relationship, the information is passed through channel actors and any problem in the information exchange prevent the completion of the joint processes. For the port industry relations, the information sharing between container terminals and liner shipping companies is of great importance, as these two actors co-create the information that is needed to be transferred to the other end of the trade. Table 12

presents the related interview quotes reflecting the above mentioned manifestation dimensions for the norm of information sharing.

Table 12: Manifestation of “Information Sharing” in Port-Port Customer Relations

| | Manifestation | Quotes from interviews |
|-------------------------------------|----------------------|--|
| Information Sharing Platform | EDI | EDI integration enables the flow of direct information exchange between the terminal and its users. Operational and commercial information are traced and exchanged through this integration. For instance, container tracking or gate procedures are carried out via EDI (CT-C). |
| | Meetings | Meetings with liner shipping agencies have great importance in information sharing. Especially when we start a new contractual relation, meetings are beneficial for discussing the gray zones. Meetings also play an important role for establishing coordination between organizations (CT-A1). |
| | Reports | The reports that the terminal is supposed to provide are important channels for sharing information. In this matter, apart from the timeliness of the report, its content is important considering that we take strategic actions based on the information presented in it (LSC-F). |
| Information Quality | Timeliness | Sometimes the terminal can be late to inform us about the vessel’s departure. But there is a time window that we should inform our agency abroad and the latency may cause trouble for us. When there is a timeliness problem of the information exchange between us and the terminal, it affects the whole chain (LSC-A). |
| | Correctness | Operational processes are carried out by instructions based on information sharing. If the information we receive from the liner shipping company is totally correct, then our practice would be successful. The more incomplete the information is the more problematic the operation gets (CT-A2). |
| | Reachability | For us to feel satisfied with the relationship, personnel of the port should be reachable 24/7. Especially in peak hours, receiving information from the terminal via phone or e-mail gets hard. (LSC-F). |

6.2.1.3. Conflict Resolution in Port-Port Customer Relations

Findings reveal that, manifestation of the conflict resolution norm lays in attitudinal characteristics of the ports and port customers. As mentioned in the previous section, conflicts occur occasionally between the port industry actors based on various reasons such as productivity losses, delays in operation, port congestion and damage done to the vessel or to the cargo. Although the interviewees agreed on that such conflicts can not be fully prevented, positive attitude of the other party is underlined to be the major determinant of the conflict resolution success. Therefore, manifestation of conflict resolution in port-port customer relations is revealed under the theme of positive attitude towards conflicts.

Positive attitude towards conflicts:

Manifestation of conflict resolution within port-port customer relations are grouped under five categories; *avoiding favouritism, receiving complaints, accepting responsibilities, joint problem solving* and *persuasion*.

Considering that each of the container terminals in Aliaga work with more than just one liner shipping company, the terminals' favouritism for one of the liner shipping companies may result in conflicts with the others. The interviewees have underlined that it is normal when container terminals provide certain favors to the customers that they have closer relationships with. However, it was also argued that such favors can sometimes result in hindering the fulfillment of responsibilities for the other customers. In particular, it was determined that the favoritism shown to a liner shipping company in the berthing operations is quite open to conflicts as this may result in delays for the other companies' operations. Therefore, it is expected from the terminals to be fair especially in situations that more than one port customer have the same operational demands. Consequently, findings indicate that a special effort must be put by the container terminals to *avoid favouritism*.

Moreover, it is found that *receiving the complaints* of the liner shipping companies are considered to be significant for elimination of potential conflicts between parties. Likewise, the interviewees stressed that both parties should show their willingness to be involved in *joint problem sharing* and *accept their responsibilities* once a conflict occurs.

Besides, it was argued that *persuasion* is an important conflict resolution technique for the relationship between container terminals and their customers. Especially for the invoicing of cargo handling operations, persuasion through providing evidences for the operations that creates additional costs is considered to be a useful tactic for elimination of conflict risks. Table 13 presents the findings regarding the manifestation of conflict resolution within port-port customer relations.

Table 13: Manifestation of “Conflict Resolution” in Port-Port Customer Relations

| Manifestation | | Quotes from interviews |
|-------------------------------------|----------------------------|---|
| Positive Attitude towards Conflicts | Avoiding Favouritism | Berthing operations are open to many conflicts if the vessels of two different shipping lines arrive approximately at the same time. You need to set up some rules for such situations. To avoid such conflicts, we have switched to “berthing window” practice which arranges berthing time in advance to vessel arrivals. But still you need to be fair in your planning so that your customers can feel that you are trustworthy. If you favour one of the shipping line at every turn, you may lose your trustworthiness (CT-C1). |
| | Receiving Complaints | How often conflicts occur? How much can you resolve them? These are the questions that we need to think of in order to make our customers satisfied. In order to eliminate such conflicts, we first carefully examine the complaints and start finding solutions beforehand (CT-A1). |
| | Joint Problem Solving | Contracts may have some gray zones and these may result in conflicts. However, such problems should be solved through participation of the both sides. Each side should do their best to iron out and find out solutions that make sense for both sides (CT-A1). |
| | Persuasion | Sometimes the stowage plan that is prepared by the previous port of call does not match with exact positions of the containers. In such situations we need to make additional handlings to reach to the containers that we are supposed to discharge. This is called restowing and each restowing should be invoiced to the liner shipping company. While doing these operations we take photos of the containers that are not positioned as it declared to be in the stowage plan. If we don't do this, a conflict may occur between us and the liner shipping company. Photos are evidences for us to easily persuade that the additional costs were resulted from the mistakes of the previous port of call (CT-A3). |
| | Accepting Responsibilities | There have been several times that our vessels were damaged because of the poor cargo handling operations of the terminal. However, they accepted the responsibility to cover for the damage, leaving no chance for a conflict to occur (LSC-F). |

6.2.2. Manifestation of Relational Norms in Port-Port User Relations

The extent of the relationships between ports and port users is rather narrow when compared to the port-port customer relations. Moreover, these relationships are majorly governed indirectly with the mediation of port customers. Nevertheless, as the findings of the previous chapters reveal, certain relational norms are being developed as the duration of the relationship increases in port-port user relations. The context-specific manifestations of the norms of solidarity, flexibility, information sharing and conflict resolution developed in these relations were determined and related findings were compiled under each sub-heading.

6.2.2.1. Solidarity in Port-Port User Relations

Although the relationships between container terminals and port users are indirect in many facets, the changing role of ports within supply chains has resulted in closer cooperations both with cargo owners and their representative freight forwarders. This increasing closeness is linked with the solidarity that is shown by both sides of the relationship. Solidarity is found to be manifested both in operational and financial aspects of the relationship. As the relationship between the terminals and port users are more direct in landside operations, any solidarity that is shown by the port in these operations both in operational and financial manners are considered to be important by the port users.

Operational manifestation of 'solidarity':

In operational side of the relationship, port users consider cooperation between the parties on *joint planning of investments* as a sign of solidarity. Considering that each cargo type have its specialities that may require special equipments or infrastructures for its operations, container terminals are expected to ask their users for advise while planning related investments. For the port users, such investments which are jointly planned by both parties are considered to be important in determining the success of the operations in terms of greater capacity utilization of container stuffing and lesser damage. The interviewees have underscored that not all the terminals in Aliaga have the suitable equipments for their cargo operations and any intention to cooperate for joint planning would strengthen their relationships. For the terminals, such cooperations enable well-directed service development opportunities.

Moreover, the findings show that solidarity is felt by the port users when the container terminals *act as a coordinator* of the operational relationship between rest of the port industry actors, especially the relationship between port users and liner shipping agents. Container terminals are capable of coordinating the other chain members. They receive all the information on cargo operations and hold the ability to confirm any information that is asked, since these operations are carried out in port area. By doing so, container terminals can help port users with its operations procedures as any mistake or negligence in their declarations can be detected by the terminal.

Giving advisory opinions is another area for manifestation of solidarity in port-port user relationships. Especially for the freight forwarders, a close relationship with the container terminals are considered as important since they can generate logistics solutions for their customers based on the advises they get from the terminal managers. Freight forwarders argue that knowledge is one their most important assets and any support of container terminals in this manner are accepted as a sign of solidarity.

Financial manifestation of ‘solidarity’:

Due to the narrow scope of monetary interactions between the parties, financial manifestation of solidarity is also rather limited in port-port user relationships. However, especially for the cargo owners which hold high volumes of cargo, *exclusive pricing* for the operations (e.g. VGM, stuffing/unstuffing) is offered by the container terminals in Aliaga. The cargo owners considers the exclusive pricing as a favor which strengthen the relationship with container terminals. Representative quotes for the manifestation of solidarity are presented in Table 14.

Table 14: Manifestation of “Solidarity” in Port-Port User Relations

| Manifestation | | Quotes from interviews |
|---------------|-------------------------------|---|
| Operational | Joint Planning of Investments | We sit and talk with the cargo owners for cooperation. They may have special requirements about their stuffing/unstuffing operations that we need to make certain equipment investments to become capable of providing service. We see these cooperations with cargo owners as opportunities to improve our services (CT-C2). |
| | Acting as a Coordinator | We had a partial shipment that involved two cargo owners. One of them completed its procedures but the other one missed providing the shipping note. Once the container has arrived to its destination, it needed to be returned as what was declared was less than what is really in the container. To overcome such mistakes, it can be expected from the terminals to correct the mistakes of its users as they have all the information that has passed by all the other actors. I believe it would be a sign of solidarity if they warned us (CO-C). |
| | Giving Advisory Opinions | With some of the terminals we feel a special synergy. For instance, the commercial manager of one terminal recently provided us the list of lashing companies that he thinks we can work without having any problems. When you think about it, it is not a duty of him. But what he has done is a favor that shows how much he values our relationship (CO-B). |
| Financial | Exclusive Pricing | Our logistics purchasing department carried out the meetings with the terminal operator which we work with the most. Considering the cargo volume that our company holds, the terminal offered us exclusive prices. Not all the terminals would do the same I guess. It contributes our company a lot in terms of cost minimization (CO-A). |

6.2.2.2. Flexibility in Port-Port User Relations

Similarly, the norm flexibility in port-port user relations has operational and financial manifestations. The interviewees from cargo owners underline that although they accept the operational rules that are established by the container terminals, too much strictness of these rules may cause operational inefficiencies and additional costs. Especially when the cargo owners can not fulfill what is expected from their side because of the external factors (e.g. congestion, overload in electronic customs system), certain levels of flexibility is demanded from the terminals to allow cargo owners access to the terminal services. The participants link the norm of flexibility to their satisfaction with the relationship, since operational flexibility shown by the terminal helps them carrying out their imports/exports without any disruptions whereas financial flexibility helps them to lower unexpected costs and to achieve easy terms of payments.

Operational manifestation of 'flexibility':

The operational issues related with the expectation of flexibility are mentioned to include *gate* and *CFS operations*. Although all three terminals in Aliğa port cluster have rules on these operations such as predetermined time window to send service request, it is found that the terminals are flexing these rules in certain levels based on the closeness of the relationship and the significance of the demand. Both the interviewees from container terminals and port users agree that rules are needed for port operations to avoid disorganization. However, they highlight that certain flexibilities are essential for logistics processes and the balance between strictness and flexibility should be kept in order to maintain performance without hampering the satisfaction of the users.

Financial manifestation of 'flexibility':

When it comes to the financial manifestation of flexibility, cargo owners which hold high volumes of cargo demand flexible arrangement of the payments as well as lowered storage fees in cases which their cargo is stored more than the predetermined free time. Therefore, flexibility in *tariffs* and *payment terms* are found as the manifestations of the norm in port-port user relations. Table 15 presents these manifestations together with representative quotes from interviews.

Table 15: Manifestation of “Flexibility” in Port-Port User Relations

| Manifestation | | Quotes from interviews |
|---------------|-----------------|--|
| Operational | Gate Operations | We had problems with the gate hours. It is a big problem if your trucks wait in the line for hours and leave without picking up the import container or bringing in the export container. In such cases, your operations delay for one day and you face additional costs. The terminal helped us with this problem by flexing their gate hours (CO-A). |
| | CFS Operations | Under normal conditions we are expected to send our stuffing requests before 4 pm in order to be served the day after. However, there are times we may need flexibility. Although sometimes we send our request later than 4 pm due to unexpected events, we tell the terminal how urgent it is for us to be stuffed the day after. Generally they understand us and flex their rule (CO-B). |
| Financial | Tariff | Usually we have 15 days of free times but sometimes our containers wait around 20 days. To improve our commitment, they lower the storage fee charge, lets say 2 or 3 dollars per container (CO-C). |
| | Payment Terms | We have carried out deferred payment arrangements with the terminal. Any flexibility in payment terms helps us financially (CO-A). |

6.2.2.3. Information Sharing in Port-Port User Relations

Manifestation of the norm of information sharing is examined under two perspectives; information sharing platform and information quality. Similar to the port-port customer relations, productivity of the relationship between ports and the users depends on smooth exchanges of information. For the freight forwarders, the information that is provided by the ports regarding the cargo owners’ operations is of prime importance. Since freight forwarders success of satisfying the cargo owners depends on their capability to organize movement of the containers with no operational disruptions, any lack of information from the terminals is capable for creating risks in terms of problem-free operations. In a broader perspective, information on the capabilities of the terminals is needed to be introduced well to the freight forwarders so that they can provide logistics solutions for the cargo owners by using these capabilities. The same applies to the cargo owners with high cargo volumes since these companies carry out majority of their operational processes through their logistics departments.

Information sharing platform perspective:

According to the interviewees, *web based technologies* are essential tools for exchanging standard information. It is argued that not all the terminals in Aliaga

perform well in terms of their web sites' capabilities and several of the port users have mentioned that especially the information on VGM requests are better handled if the terminal's web portal is designed to involve such option. On the other hand, conventional channels for informing operation requests is considered to be slower and less reliable. Although, *EDI technologies* are not yet utilized in between container terminals and port users of Aliğa port cluster, one of the cargo owner companies have informed that they are considering EDI investments together with the terminal that they have close relationships with. Another important manifestation of the norm is associated with the importance that these terminals attach to the customer visits. Especially the interviewees from large scale cargo owners mentioned that representatives of the container terminals frequently visit them whether in their offices or in fairs. *Customer visits* are considered as an opportunity to discuss the shortfalls of operations and developing exclusive logistics solutions.

Information quality perspective:

From the information quality perspective, port users underscore the importance of *correctness* and *timeliness* of the information. While correctness of the information disables any risks of operational disruptions which in turn cause additional costs, timeliness of the information exchange is important for port users especially when an action is needed to be taken to overcome said risks. As mentioned in the previous sections, the relationship between container terminals and users are indirect to a great extent. However, the port users argue that terminals should be willing to exchange information *directly* (without mediation of liner shipping companies) to allow them become more agile once a problem occurs in their cargo operations. When it comes to *reachability*, port users consider it as another important indicator of information sharing norm. Quite similarly, reachability is considered as a key aspect of information sharing that is necessary for the tracking of operations. Table 16 presents these themes together with representative quotes from the interviews.

Table 16: Manifestation of “Information Sharing” in Port-Port User Relations

| Manifestation | | Quotes from interviews |
|------------------------------|------------------------|---|
| Information Sharing Platform | EDI | At the beginning of our relationship we were unsure whether we will have a smooth relationship or not. Then we became closer as we developed strong communication. Now we are exchanging ideas on how we can improve our processes. Investing on EDI is now a plan we are working on. If we can manage this, it will improve our integration with the terminal (CO-A). |
| | Web Based Technologies | I believe that 99% of the work we carry out with cargo owners can be managed through a web based system. Our terminal has a system like that but it need some improvement. User friendly web pages and cell phone applications are now very important platforms for the information exchange with cargo owners. Said platforms allows cargo owners to access many information about their containers and to send requests (CT-C2). |
| | Customer Visits | We have good communications with the terminals. Their representatives visit our office for telling us what their terminal can add to our performance. We get informed about the solutions they can provide for our customers. These visits are important for increasing our closeness (FF-F). |
| Information Sharing Quality | Timeliness | We ask for our cargoes’ VGM results. It is the most important information demand of us. Some of the ports send it two hours after the weighing and some others carry out all their VGM operations and inform the cargo owners at the end. In order for us to finalize the customs procedures this information is crucial. The time that is spent waiting for the information lowers our speed and limits our problem solving capabilities if any of our containers was overloaded (CO-B). |
| | Correctness | Correctness of the information that the terminal provides us is very important. If we receive an incorrect information from the terminal, it means we will inform our customer incorrectly. It damages our reputation and trust that we are working hard to develop (FF-C). |
| | Reachability | Especially in peak hours it gets hard to get any information that we request from the terminal. We call them and tell that we need to get informed about the status of our cargo so that we can arrange transportation. They ask us to send an e-mail and they don’t even reply fast (CO-B). |
| | Directness | Sometimes we can not figure out which of the actors (terminal or the liner shipping company) have caused disruption of the information flow. Some of the liner shipping companies and terminals manage this better as they add us on their e-mail exchanges. Thus, the information exchange becomes more direct for us as we transparently see what is really going on about our operations. Indirect information exchange limits our actions and we can fail to react fast (FF-A). |

6.2.2.4. Conflict Resolution in Port-Port User Relations

Findings reveal that conflicts between container terminals and their users occur especially when the terminals fail to perform their duties on cargo operations. Mainly such operational failures arise from poor planning of the processes, limitations of the terminal in terms of operational capabilities and operational errors that cause damage to the cargo. Although these sources of conflicts are considered to be important risk

factors for the relationships to maintain its quality, the interviewees underscored that it is the attitude of the terminal that determines whether these conflicts would damage the relationship or not. Therefore, similar to port-port customer relations it is found that the norm of conflict resolution manifests itself within the port-port user relations under the theme of positive attitudes towards conflicts.

Positive Attitude towards Conflicts

Within this theme successful conflict resolution in port-port customer relations are grouped under 4 categories: *avoiding favouritism*, *receiving complaints*, *accepting responsibilities* and *joint problem solving*. *Avoiding favouritism* in the context of port-port user relations have two facets. Firstly, the cargo owners expect the terminals to be fair in operational processes especially in times when certain flexibilities are asked for. Secondly, some of the port users have argued that the terminals should avoid favouritism by equally looking after the interests of liner shipping companies and cargo owners. It is argued that in some cases the terminals fail their duties on yard operations for the sake of performing better on the quayside as the liner shipping company demands.

Moreover, receiving complaints is considered as another positive sign of conflict resolution. The interviewees underline that gate congestions were especially a major source of conflicts between the parties and it has been resolved through two-way communication. Similarly, joint problem solving and accepting responsibilities play pivotal roles in conflict resolution as the conflicts are grounded on operational matters. These matters require both parties willingness to exchange ideas on solutions and open discussion of the shortfalls is considered to be important for betterment. Especially for the cargo owners with high cargo volumes, some operational challenges is found to occur due to the complexity caused by volume. The terminals are expected to show willingness to provide exclusive solutions for such users. Table 17 presents these themes together with representative quotes from the interviews.

Table 17: Manifestation of “Conflict Resolution” in Port-Port User Relations

| Manifestation | | Quotes from interviews |
|-------------------------------------|----------------------------|--|
| Positive Attitude towards Conflicts | Avoiding Favouritism | (Referring to one of the terminals in Aliaga) This terminal solely focuses on its performance on quayside operations. This is because they do not consider cargo owners as their customers and only care for the interests of the shipowners. For instance, when the vessel was docked, they were cutting all the yard operations and shifting their personnel to the quay operations. When a new vessel docked we were having troubles picking up our containers that have arrived with the previous vessel, since they weren't giving necessary attention to the yard operations (CO-A). |
| | Receiving Complaints | In Aliaga one of the major conflict between the terminals and their users were caused by the problems on gate congestion. Now the terminals are considering the users' complaints more seriously. For instance, one of the terminals is now investing on gate technologies which will provide a solid solution for the congestion problem (ACS). |
| | Joint Problem Solving | The terminal that we use the most have some limitations on its CFS area. At the beginning of our relationship, this limitation was a big problem as it made harder for my customer to plan its manufacturing. We asked the terminal to jointly develop a solution for our customer. Now we send them a list in each shipment, which shows the containers' order of priority. Once the terminal finishes the operations of each container, their personnel send us an e-mail declaring the container that is ready for transportation (FF-G). |
| | Accepting Responsibilities | We had a conflict with one of the terminals about their stuffing operations. Although they have confirmed our stuffing request, our operation was delayed for a day. I talked to the customer service department on the issue and asked why they have accepted requests more than their capacity is capable of handling. They didn't accept any responsibility. It's a significant amount of money that we pay to the inland transportation company and in such cases you lose it just because the terminal did a bad plan (FF-E). |

6.3. INVESTIGATING THE IMPACT OF RELATIONAL GOVERNANCE STRATEGIES ON RELATIONSHIP QUALITY

Findings presented in this section are obtained through pattern matching technique, which is used for comparing empirically based patterns emerged from the interviews with propositions derived from RET framework. Therefore, the results are revealed on each proposition by highlighting the supporting evidences that match with the predictions of the research model as well as the mismatches that require further questioning of the propositions. In this line, the findings revealed in this section provides answers for the third research question of the dissertation: *Does development of relational norms of solidarity, flexibility, information sharing and conflict resolution affect quality of the exchanges within port industry relations?*

Proposition 1.a suggests that developing the norm of flexibility in port industry relations results in increased trust, commitment and satisfaction. All the interviewees from container terminals, port customers and users support this proposition. In broadest sense, this support is based on the fact that flexibility is seen as a crucial element in logistics operations. Any operational and financial flexibility that is offered by the terminals are important promoter for relationship quality development.

Flexibility is considered as a norm that signals the willingness of a container terminal in generating customized solutions in operational and financial manners. Both for the port customers and port users, trust is highly associated with the degree of flexibility that a container terminal can offer. The empirical findings show that lack of flexibility creates distrust since port customers and port users believe that it would end in operational disruptions, thereby financial losses. Vice versa, when certain flexibilities are offered to these parties, they view the container terminal as a strategic partner to be trusted, especially in times which an operational challenge is faced as a result of external factors. When the dimensions of trust is evaluated, it is clearly seen that flexibility is more linked with process-based trust in port industry relations. The degree of flexibility that a container terminal can offer mostly depends on the history of the relationship. While the flexibility demands of port customers and users are thoroughly scrutinized at the initial phases of the relationship, the degree of the terminal's willingness on flexibility increases as the relationship gets closer. As a result, the development of the flexibility norm enhances benevolence of the parties.

The same applies in the norm's relationship with commitment. Especially the port customers argue that flexibility is an important factor for their port choice decision. This is due to the fact that certain flexibilities are necessary for port customers to succeed at their key performance goals such as well managed schedule planning and operational cost minimizations. In this manner, norm of flexibility is found to be directly linked with normative commitment as it generates positive affect toward the terminal and secures stability of the relationship.

For the port users, if the container terminal that they work with rejects any flexibility demands without even asking the reasons behind, it is considered as a negative affect that might direct them to switching to other alternatives if there are any. The interviewees from port users were inclined to compare the terminals in Aliaga

port cluster in terms of their willingness to flex operational rules when necessary. Their arguments revealed that the attitudes of the container terminals in Aliğa differs from each other, and they feel more committed to the terminals which show greater willingness to understand the reasons behind their flexibility demands and make the decision of flexing or not accordingly.

From the interorganizational satisfaction perspective, flexibility is considered as a relational element that is at highest importance. The interviewees from container terminals underscore that the competition between the terminals in the region is mostly based on their capabilities of meeting customers/users flexibility demands. As previously discussed, flexibility in port industry relations manifests itself both in operational and financial manners. Financial flexibilities provided to port customers (in tariffs and renomination charges) and to port users (in tariffs and payment terms) are therefore critical in developing economic satisfaction. Social satisfaction, on the other hand, is found to be more related with the operational flexibilities as they help achieving smoothness in the operational procedures. On the contrary, lack of flexibility is believed to carry the risk of decreasing satisfaction level of both port customers and users tremendously.

The interviewees from the container terminals stressed this viewpoint by arguing that flexibility is not even a strategic option, it is rather an obligation for the terminals in Aliğa. This argument was mostly linked to the rivalry in Aliğa port cluster as well as the characteristics of Turkish business life. Some of the quotes from interviews that support proposition 1.a are presented in Table 18.

Table 18: Supporting Evidence for Proposition 1.a

| |
|---|
| <p>Proposition 1.a. Establishment of <i>flexibility</i> within port industry relations enhances <i>trust, commitment</i> and <i>satisfaction</i> between ports and other port industry actors.</p> |
| <p>Representative Quotes from Interviews</p> |
| <p><i>Flexibility> Interorganizational Trust</i></p> |
| <p>(1) (Interviewee compares the terminals in terms of their flexibility) ...CT-A is a more disciplined port, but it is easy to get used to their way of doing business. CT-B is a terminal that is hard to work with, since there is very little room for flexibility due to their company policy I guess. CT-C is more open to customer demands and you can trust them beforehand that they will work out a way to meet your flexibility demand (LSC-C).</p> <p>(2) Flexibility was the main criteria for our decision to use the terminals in Aliğa instead of Port of İzmir. They have provided us the flexibilities that a public port would never provide. This is why we trust them. For instance, knowing that they will provide us additional free times when it is necessary, is a great relief and this results in our trust to them (FF-C).</p> |
| <p><i>Flexibility> Interorganizational Commitment</i></p> |
| <p>(1) I think that commitment can easily be achieved through port integration, which requires certain levels of flexibility. If the parties are integrated and certain benefits are achieved due to this, it would be so hard for a port customer to switch to another port (LSC-D).</p> <p>(2) After all it is all about the money. if a terminal can help our company to reduce costs, of course this make us more committed to them. For instance, any flexibilities on free times may help us save hundreds of dollars for only one shipment. Due to this reason, we prefer the liner shipping companies which call the terminals that provide us such opportunities (CO-C).</p> |
| <p><i>Flexibility> Interorganizational Satisfaction</i></p> |
| <p>(1) Flexibility is what is expected from us. Especially in Turkish port industry, this is not even an option. If you give up on flexibility, it takes a minute to make the port users dissatisfied. Then you lose in competition (CT-B3).</p> <p>(2) Importance of flexibility in our relations with port users is obvious. Especially in Turkish business life, the actors do not tend to accept the tough rules. In my opinion, flexibility is even more important than the service quality to be considered as successful in the port users' point of view (CT-C1).</p> <p>(3) Especially the liner shipping companies may request longer free times or demand discounts on storage charges. Sometimes you may check the costs and benefits. When it seems feasible fulfilling such demands would enable you to provide their satisfaction (CT-C2).</p> |

Proposition 1.b predicts a relationship between the development of solidarity in port industry relations and increased trust, commitment and satisfaction. Pattern matching results support this prediction. Findings show that solidarity is a critical relational governance strategy that a container terminal can pursue to gain a competitive edge. Solidarity is manifested through operational and financial manners in both port-port customer and port-port user relationships. In both ways, this relational norm reflects how much value a container terminal attaches to their exchange parties

and whether it is showing necessary willingness to internalize these parties' problems. Thus, development of solidarity helps container terminals and their customers/users to better understand the areas of development in joint tasks. It is found that, these actors understand each other's individual goals and avoid any actions that would cause the other party to fail in reaching these goals by developing solidarity throughout the relationships.

For the port industry relations, the examples illustrated by the interviewees provide rich insights on how there might be goal mismatches between the industry actors. From the financial perspective for instance, many unexpected costs can be faced by port customers when they poorly perform their operational planning at container terminals. Although this would allow container terminals to charge additional fees and earn more, container terminals may choose to show their solidarity by making a favor of not charging and increase the quality of the relationship for the sake of gaining long-term benefits. The interviewees from both port customers and port users argued that solidarity shown by a container terminal is what exactly makes the difference in between a good and a bad port supply chain. This is linked with the fact that a container terminal which does not show any willingness to act in solidarity is considered as a static terminal, failing its duties on supply chain orientation.

Empirical findings show that the interviewees posit a strong relationship between solidarity and relationship quality. Interviewees from the port customers underscore that container terminals should treat them as strategic partners. In this framework, solidarity is considered as an important norm helping these parties to become closer and develop necessary levels of relationship quality. Trust emerges when a container terminal shows solidarity mainly through performing beyond their duties that are predetermined in the contracts. Such a strategy helps gaining port customers' trust, as the port customers make sure that the container terminal is putting a special effort on enhancing the value generated from the relationship and acting in accordance with a "shared identity". Similarly, the interviewees from the port users argue that solidarity is related with the container terminals' willingness to develop close cooperations with the aim of developing their services based on port users' expectations. Such expectations involve development of operational solutions specific to the needs of cargo types and financial solutions, which are customized for the needs

of cargo owners (particularly the ones with high cargo volumes). By performing in accordance with the norm of solidarity, a container terminal gains the trust of its port users, since this makes port users to make sure that the terminal is aiming to improve the relationship through putting the joint benefits of the parties as the forefront.

For the case of the relationship between solidarity and commitment, similar arguments were made by the interviews. The interviewees from port customers argued that, since the success of a port-port customer relationship heavily depends on the degree of solidarity, any lack in this manner would decrease the commitment and even cause exits from the relationship. It is underlined that long-term port-port customer relationships are important for increasing both parties' productivities and finding alternatives for such relationships becomes harder. For the relationships between container terminals and port users, solidarity is considered to have a rather limited role in determining the level of commitment but all of the interviewees accepted that these two constructs are linked to one another. However, especially for the cases in which solidarity within the relationship have resulted in providing customized solutions, certain levels of commitment occurs as such solutions become harder to be replicated in other relationship alternatives. For instance, joint planning of investments (as a manifestation of solidarity) can lead to superior operational performance which in turn decrease the costs of certain operations to a great extent. In such cases, cargo owners may feel more committed to the relationship with the container terminal that provides such benefits and chose to direct all their cargo flows to this container terminal. In comparison with the port-port customer relationships, commitment in port-port user relationships rather shows instrumental characteristics as it is based on calculativeness. The reason behind this difference can be explained by the differences in the scope of the exchanges. While port-port customer relationships have more room for the manifestation of solidarity, port-port user relationships' narrow scope as well as its indirectness disallows such interactions.

From the interorganizational satisfaction perspective, development of solidarity result in satisfied port customers and port users both in social and economic dimensions of satisfaction. Any action taken by container terminal that is in accordance with solidarity is considered as a sign of a good relationship. Considering that certain solidarity manifestations occur in unexpected events (e.g. liner shipping

companies' struggles with the delays in vessel schedule), such solidarity actions of the terminal basically prevent the bottlenecks in port supply chains and generate benefits for all the port industry actors involved. Moreover, financial solidarities which result in lowering operational fixed costs or the costs resulted from unexpected events result in economic satisfaction of the parties. Some of the quotes from interviews that support proposition 1.b are presented in Table 19.

Table 19: Supporting Evidence for Proposition 1.b

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| Proposition 1.b. Establishment of <i>solidarity</i> within port industry relations enhances <i>trust, commitment</i> and <i>satisfaction</i> between ports and other port industry actors. |
| Representative Quotes from Interviews |
| <i>Solidarity> Interorganizational Trust</i> |
| (1) It's not a duty of the terminal to warn the liner shipping agency when there is a probability of problem occurrence (e.g. in customs process) about their containers. But when they do it, they earn our trust (LSC-D). (2) If the terminal takes our advices for their investment plans and invest on whatever our cargo operations need for improvement, then we can trust them. We would'nt have any doubt on whether they know how to perform operations or not as they have taken our advices (CO-C). (3) If we feel that the container terminal is considering us as an easy picking rather than a strategic partner, then the trust ends (LSC-D). |
| <i>Solidarity> Interorganizational Commitment</i> |
| (1)I have a theory on commitment. If you do what is expected from you, the impact would be weak. If you do anything beyond your role, you make your partner feel solidarity. ...In some cases, what customers request can be unnecessarily costly for their side and we feel the need to advise them to make it in a more productive way. Although not giving this advice would even make us earn more, we do it because of the value we attach to the solidarity in our relations. This goes beyond our role, makes the difference (CT-B3). (2) (<i>Lists the terminals that he has worked with and compares</i>) If I had to choose only one terminal to keep working with, I would choose CT-A. They seek solutions for our improvement and we seek solutions for their improvement (LSC-C). |
| <i>Solidarity> Interorganizational Satisfaction</i> |
| (1) Liner shipping companies often have problems with their service schedules. In such cases, we put special effort and show our solidarity. For instance, if assigning additional quay cranes would help, we do it. Even though doing so creates additional costs, it contributes to customer satisfaction (CT-A2). |

Proposition 1.c predicts a determinant relationship between the norm of information sharing and relationship quality dimensions. As revealed in the previous sections, information sharing is considered as an important relational governance strategy which is manifested through the willingness of the container terminals to exchange information that is correct, timely and easily reachable. Moreover, it was

highlighted by the interviewees that information sharing platforms should be well utilized by the container terminals to succeed in this strategy.

Pattern matching results support this proposition. This is simply due to the need for strong information exchanges in port supply chains to avoid any disruptions in the joint operational tasks. In the interviews, port customers highlighted that any misinformation or delay in the information exchange would create bottlenecks which would eventually result in operational problems and relatedly in financial losses. Moreover, for the relationship between the terminals and port customer, information sharing is considered as a significant norm that enable joint strategic planning. This is related with the fact that the container terminals generate many information that may be beneficial for port customers to develop their operational planning. For instance, information on berth occupancy and port productivity measurements are essentially important and expected to be shared transparently since having these informations would enable port customers to better arrange their plans for the rest of the logistics processes in other ends of the chain (e.g. arrangement of the port calls in other container terminals).

Therefore, the interviewees from the port customers consider the relationship between information sharing and trust to be obvious, due to the significance of the information that is shared. In this framework, quality of the information that is exchanged particularly plays an important role in determining the development in trust in day-to-day interactions. Any lack in quality (e.g. untimeliness or incorrectness) hampers trust, as it would lead port customers to fail at passing the information to the rest of the channel members such as freight forwarders, cargo owners, inland truck operators and their own agencies abroad. The same applies for the role of information sharing that is beyond day-to-day interactions and more related with joint strategy development. The interviewees underscored that sharing of strategically important information is expected from the container terminals to increase the partnership's agility. Thus, sharing of strategic information is also considered as a generator of trust. In that sense, information sharing in day-to-day interactions can be considered as a facilitator of competence-based trust (since it reflects the capability of the terminal in managing the information exchange processes), while sharing of the strategic

informations can be considered as a facilitator of process-based trust (since it is better performed as the relationship becomes closer).

When it comes to the container terminals' relationships with port users, role of information sharing is rather important in day-to-day operations since these exchanges do not necessarily require exchanges of "strategic" information as much as in the case of port-port customer relationships. Within this scope, directness of the information sharing, meaning the exchange of information without the mediation of liner shipping companies, becomes particularly important. The interviewees from the port users argue that their trust to the container terminal enhances when the container terminal succeed at sharing information at high quality levels.

Likewise, the results from the interviews show that information sharing has an important role in developing commitment with both port customers and port users. Both parties consider that their relationships with the container terminals would lack in productivity, if the container terminals can not show their competence on managing the information flows that is necessary for the smoothness of operations. In that sense, both port customers and port users mentioned that such incompetence of a terminal may lead to their decision of seeking for other alternatives. Based on the very same arguments, both parties link information sharing quality with their degree of satisfaction from the relationship.

In consequence, development of information sharing norm within the port industry relationships is an important relational governance strategy that is expected from the terminals to pursue. Especially the interviewees that use more than one of the terminals in Aliaga port clusters argued that not all their relationships with terminals have the same levels of success in terms of the development of this norm. Therefore, the terminals that outperform in terms of its information sharing capabilities are likely to gain a competitive edge. It can be suggested that container terminals should develop IT solutions that matches perfectly with the expectations of their customers/users especially for the day-to-day information exchanges. Some of the quotes from interviews that support proposition 1.c are presented in Table 20.

Table 20: Supporting Evidence for Proposition 1.c

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| <p>Proposition 1.c. Establishment of <i>information sharing</i> within port industry relations enhances <i>trust</i>, <i>commitment</i> and <i>satisfaction</i> between ports and other port industry actors.</p> |
| <p>Representative Quotes from Interviews</p> |
| <p><i>Information Sharing> Interorganizational Trust</i></p> |
| <p>(1) Trust is related with the reliability of the information that the container terminal provides. When you start to work with a terminal, you evaluate the information that they have provided on its productivity. If the reality does not match with the guarantees given about its capabilities, then you lose your trust (LSC-B).</p> <p>(2) In any situation of cargo damage, we expect container terminal to immediately inform us about the event. We need to know how and where it happened or if it is a fault of the terminal or not. We expect them to be feel responsible and show us that they are willing to fix the problem. If they don't manage the process right, it creates our distrust (LSC-D).</p> <p>(3) The data related to our operations is transparently traceable even through cell phone applications. By providing such data without any human interference, we make it easy for shipping lines to check on our performance outcomes such as monthly handling volumes, rates, time spent on gate. Such practices definitely result in higher reliability and trust (CT-C1)</p> |
| <p><i>Information Sharing> Interorganizational Commitment</i></p> |
| <p>(1) We need to exchange information with our users in order to show what we already have that might serve for their needs and to understand what we need to work on to improve our services. Commitment of the users can be achieved if only we can develop our services through close cooperation with them (CT-B3).</p> |
| <p><i>Information Sharing> Interorganizational Satisfaction</i></p> |
| <p>(1) For us to feel satisfied with the relationship, personnel of the port should be reachable 24/7. Especially in peak hours, receiving information from the terminal via phone or e-mail gets hard. (LSC-F).</p> <p>(2) The routine information sharing should be developed well. But what really makes us satisfied is the success degree of the container terminal to meet our information demands when we are faced with an urgent operational situation (FF-E).</p> <p>(3) Sometimes by sharing information on our berth availability with the shipping line, we may help them to bring their costs down. For instance assume that our berths will be occupied at the time that the vessel is planning to arrive. Informing the vessel on this matter may make them slow steam and benefit economically. Sharing such information shows that you are good partners which are aware of each other's performance concerns. Of course this results in customer satisfaction (CT-A2).</p> |

Proposition 1.d emphasizes the significant relationship between the norm of conflict resolution and relationship quality within the context of port industry relationships. As revealed in the previous sections, the degree of conflict resolution depends on the positive attitude of the container terminals towards their customers/users. Considering that the container terminals are embedded in global supply chains in which there are numerous actors with their own individual objectives, the relationships that a container terminal has with these actors are very open to

conflicts. Although all of the interviewees underlined that certain levels of conflicts are considered to be expected and thus difficult to fully avoid, it was argued that the terminals' willingness to resolve such conflicts make the difference in terms of developing relationship quality. In this line, the pattern matching results show that prediction of proposition 1.d is supported as the interviewees agreed on the role that conflict resolution play in developing port industry relationships that are characterized by high degrees of relationship quality.

In order for a container terminal to gain its customers'/users' trust, the interviewees underlined that container terminals should be focused on generating proactive solutions which would decrease the frequency of conflict occurrence between parties. Previously explained findings on the manifestation of this norm highlight that container terminals are expected to receive complaints from the other industry actors and jointly develop solutions which would decrease the chance of a conflict to repeatedly occur.

Moreover, the findings revealed that it is expected from the container terminals to show willingness for solving the problems jointly with the related parties and accept their responsibilities once a conflict occurs resulting from their own mistakes. According to the interviewees, trust between the parties develops by taking such a position towards the conflicts, since the resolution of the conflicts would be carried out smoothly and even become capable of improving the relationship.

In that sense, development of conflict resolution norm is found to be positively influencing the process-based trust. As the container terminals show their capabilities on finding out mutual solutions, these positive experiences in conflict management gradually result in port customers/users' trust in container terminals' competence. The experiences that was expressed by the interviewees have involved several extreme events that have caused conflicts as well (e.g. damage given to the vessel during handling operations, which have caused 10 days of delay in ship owner's service schedule). It was argued by the interviewees that a well-developed relationship in terms of the norm of conflict resolution would easily handle even such extreme cases, since high level of trust is already established.

In parallel, positive attitude that a container terminal forms towards conflicts is considered as a strong facilitator of commitment as well. Quite similarly, the link

between conflict resolution and interorganizational satisfaction was frequently addressed in the interviews.

This is again linked with the nature of port industry relationships as certain levels of conflicts are inevitable. However, the interviewees underlined that not all the container terminals in Aliaga port cluster perform at similar levels. Therefore, the interviewees emphasized that conflicts which are hardly resolved in their relationships with the terminals make them lose their willingness to invest more to the relationship and generate negative affects toward the terminal. For the terminals’ relationships with port customers, especially “too much tendency towards contractual governance” is argued to be an obstruction in the development of conflict resolution norm. Similarly, strictness of port operational rules is underlined to be a risky factor for the terminals’ relationships with port users when a conflict emerges. Due to the differences in their success of developing conflict resolution norm with port customers/users, establishment of this norm stands as an important relational governance strategy for the container terminals in Aliaga. Table 21 provides supporting evidences for proposition 1.d.

Table 21: Supporting Evidence for Proposition 1.d

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| Proposition 1.d. Establishment of <i>conflict resolution</i> within port industry relations enhances <i>trust, commitment</i> and <i>satisfaction</i> between ports and other port industry actors. |
| Representative Quotes from Interviews |
| <i>Conflict Resolution > Interorganizational Trust</i> |
| (1) Berthing operations are open to many conflicts if the vessels of two different shipping lines arrive approximately at the same time. You need to set up some rules for such situations. To avoid such conflicts, we have switched to “berthing window” practice which arranges berthing time in advance to vessel arrivals. Still you need to be fair in your planning so that your customers can feel that you are trustworthy. If you favour one of the shipping line at every turn, you may lose your trustworthiness (CT-C1) |
| (2) In public ports, you need to have personal connections with the key personnel to resolve a conflict. Otherwise, it is almost impossible to figure out who to contact with for your problems to be resolved. However, in our relationships with the private ports in Aliaga, conflicts are resolved through communication very easily. This is why we trust more and prefer to work with them (FF-D). |

Table 21: Supporting Evidence for Proposition 1.d (Cont.)

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| <p>Proposition 1.d. Establishment of <i>conflict resolution</i> within port industry relations enhances <i>trust, commitment</i> and <i>satisfaction</i> between ports and other port industry actors.</p> |
| <p>Representative Quotes from Interviews</p> |
| <p style="text-align: center;"><i>Conflict Resolution > Interorganizational Commitment</i></p> |
| <p>Our commitment to a container terminal depends on whether they can provide reliable and timely solutions once we have a problem in our operational processes. If certain conflicts occur in each time, we advise our cargo owners to shift to another terminal whenever there are alternatives (FF-I).</p> |
| <p style="text-align: center;"><i>Conflict Resolution > Interorganizational Satisfaction</i></p> |
| <p>How often conflicts occur? How much can you resolve them? These are the questions that we need to think of in order to make our customers satisfied. In order to eliminate such conflicts, we first carefully examine the complaints and start finding solutions beforehand (CT-A1).</p> |

Although the pattern matching results support the significant link between the development of each relational norm and relationship quality of port industry relations, several issues should be addressed which preclude this link. Especially for the relationships between container terminals and their customers, it was argued by several interviewees that development of relational norms is not always enough for establishing interorganizational commitment. This was explained by the fact that a port customer’s decision to continue or to exit from the relationship with the terminal, is mostly carried out by their headquarters. In most cases, even though their existing relationship with the terminal have been achieved great levels of relationalism, new alliance arrangements and/or joint service plannings with other liner shipping companies can compulsorily require them to switch to another terminal. In that sense, dyadic relationships between container terminals and their port users in local level, can be influenced by global decisions taken by the port customers’ headquarters. Thus, it hampers the continuity of the relationship no matter how much has been done to strengthen the relationship in terms of relational governance. The following quotations express this view:

LSC-B: *In our company, relationships with the container terminals are governed in a global framework. For instance the relationships with the container terminals in Turkey is governed by the purchasing department named “South Europe Local Operations Department” which is located in Spain. In this region there are around 130 terminals and each year this department chooses the ones that we will be*

working for the next year. So it gets hard to say that "commitment" is an important factor for us, as there might be situations in which we need to switch to another terminal, just because our headquarter has crafted a new contract which is economically or strategically a better option.

LSC-I: *We were using CT-C for all of our services and we were quite happy with what we get from this relationship. Then, we made a joint service arrangement with another liner shipping company since we belong to the same alliance. The other liner shipping company insisted on carrying out this service with CT-B, so we had to leave CT-C. It was a decision taken in a meeting by the top management of both companies. They discuss the decisions of port choice in the global framework and they bargain on all the port calls of the liner services. It is a matter of compromises and you don't get to choose all the port calls of the service if you are involved in an alliance.*

In conclusion, results of the pattern matching for proposition 1 show that there is a positive relationship between relational governance strategies and relationship quality. However, commitment between the parties can be negatively influenced by the external factors and decrease the impact of relational norms in the local setting.

6.4. INVESTIGATING THE IMPACT OF RELATIONSHIP QUALITY ON RELATIONSHIP-SPECIFIC PERFORMANCE

Findings presented in this section are obtained through pattern matching technique, which is used for comparing empirically based patterns emerged from the interviews with propositions derived from RET framework. Therefore, the results are revealed on each proposition by highlighting the supporting evidences that match with the predictions of the research model as well as the mismatches that require further questioning of the propositions. In this line, the findings revealed in this section provides answers for the final research question of the dissertation: *Does relationship quality of port industry relations affect performance of the organizations in exchange?*

Proposition 2.a asserts that establishment of trust within port industry relations has a positive relationship with relationship-specific performance. The results obtained from the interviews support this proposition. As discussed in the previous section trust between container terminals and the major industry actors improves through the

development of relational norms. Pattern matching results show that the degree of trust between these parties that is achieved through relational governance, in turn, generates certain soft and hard relational outcomes as predicted by the proposition 2.a. For the hard relational outcomes, the results indicate that trust enhances both financial and operational aspects of business performances of the parties in exchange. In details, interviewees argued that high levels of trust to the container terminal allows port customers/users to better plan the logistics processes. Considering that operational processes carried out by container terminals are only a portion of the overall supply chain processes, trust that is generated by a container terminal results in increasing the capability of managing sequential processes in the supply chains. From the perspective of the port customers, this includes the better management of the service schedules for the rest of the port calls. From the perspective of the port users, trust to a container terminal mainly is linked with the timely and problem-free operations, which does not interrupt the flow of the goods to the end user.

When the impact of trust on financial outcomes are considered, interviewees argue that unexpected costs caused by operational bottlenecks or problems are unexpected from the container terminals that they developed certain levels of trust with. In parallel, it is observed that financial concerns of the port customers/users are well-understood by the container terminals that are considered as trustworthy. In addition, especially the port users stressed that working with a container terminal which fails to develop trust would lower the success of their sales. This is based on the argument that a trustworthy relationship with the container terminal increases their sales capabilities as they can make the other end of the transaction (importer or exporter) sure that there will not be any problems regarding port operations. Table 22 presents the evidence that support the positive link between trust and relationship-specific performance.

Table 22: Supporting Evidence for Proposition 2.a

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| <p>Proposition 2.a. Establishment of <i>trust</i> within port industry relations enhances <i>relationship-specific performance</i> that is achieved by both ports and their users/customers.</p> |
| <p>Representative Quotes from Interviews</p> |
| <p style="text-align: center;"><i>Trust > Relationship-Specific Performance</i></p> |
| <p>(1) For us, a container terminal that is trustworthy is the one that has high levels of transparency in their operations. Thanks to the advanced port technologies, it is now easier to succeed in this. Such transparency increases our capability to govern our channel relationships based on trustworthy information and thereby allow us to better plan the logistics processes that follow (LSC-G).</p> <p>(2) Working with a trustworthy container terminal lowers the costs and makes you a good exporter in the eyes of the importer. For instance, assume that we have problem with the loading of our cargo. Even though the importer would know it was the fault of container terminal, it is us to be blamed as we are responsible for the managing the process. Thus, you need a container terminal that you can trust on its competence. Otherwise, it may even result in customer churns for us (CO-C).</p> <p>(3) Trust develops in time. At the beginning of our relationship we were unsure whether we will have a smooth relationship or not. Then we became closer as we developed strong communication. Now we are exchanging ideas on how we can improve our processes. Investing on EDI is now a plan we are working on. If we can manage this, it will improve our integration with the terminal (CO-A).</p> <p>(4) As forwarders, we sell the service that we get from container terminals and liner shipping companies. So if these parties are reliable on what they say they are capable of, it would increase our success at sales (FF-B).</p> |

Proposition 2.b predicts a determinant relationship between establishment of trust within port industry relations and relationship-specific performance obtained from the parties in exchange. Pattern matching results confirm this relationship.

Findings indicate that development of relational norms contribute the sense of commitment in the exchanges, which in turn result in positive performance outcomes. When asked about the role of commitment, the interviewees argued that container terminals’ investments that are directed to customers/users’ special demands were considered to be an important sign for it. Furthermore, by providing examples from their relationships with container terminals, they illustrated how these investments have resulted in lowering the operational costs and increasing operational productivity. The examples that the interviewees expressed were focused on the investments that are carried out due to the user’s demands, which in the end help increasing the productivity of stuffing operations by investing on more efficient equipments and designing port infrastructures in a way that decreases operational bottlenecks causing delays. In aggregate, these arguments reflect the significance of commitment for taking collaborative actions that lead to superior joint performance.

Other than these hard relational outcomes that are achieved through commitment, some of the interviewees argued that the degree of commitment in the relationship would determine their loyalty to the terminal, since its lack would cause looking for other alternatives. Especially the port users' which use the CFS services of the terminals in Aliaga highlighted that low levels of commitment shown by the container terminals inevitably oblige them to work with third party storage depots even though they would prefer to handle these operations in container terminals (if certain investments were made). In this line, it can be concluded that lack of commitment is also considered as a prohibitor for the expansions in the scope of the exchanges. Table 23 present several quotations, which support the predictions of proposition 2.b.

Table 23: Supporting Evidence for Proposition 2.b

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| <p>Proposition 2.b. Establishment of <i>commitment</i> within port industry relations enhances <i>relationship-specific performance</i> that is achieved by both ports and their users/customers.</p> |
| <p><i>Commitment > Relationship-Specific Performance</i></p> |
| <p>(1) There are some areas for development that a container terminal can show us how committed they are to our relationship. For instance, we are expecting them to invest in AEO certification for their CFSs. Once they do this investment, they will lower our customs related costs tremendously and increase the speed of import/export procedures. If they show their commitment through AEO investments, we are ready to expand our relationship by directing our stuffing operations to terminals' CFSs (CO-B).</p> <p>(2) Container terminals in Aliaga show their commitment to other industry actors by close communications and solution-focused approaches. It is hard to expect this from a public port. Thus, the relationships with their users are based on the sense of loyalty (ACS).</p> <p>(3) The container terminal that we use the most gives us the confidence that they are committed to our relationship. In a port-port user relationship that is characterized by commitment, you don't expect any disruptions in logistical processes as the container terminal makes sure that everything goes as you demand it to be. In addition, this eliminates unexpected costs caused by delays in the operations. Thus, we conveniently sell our products abroad, as we become able to state that nothing will go wrong in the transportation process (CO-C).</p> <p>(4) We use all three container terminals in Aliaga. But in terms of commitment, there is only one terminal (referring to CT-C) that we feel committed to. When a client of us demand anything "special", I direct their cargo to CT-C as I am sure that anything we demand will be welcomed (FF-C).</p> <p>(5) CT-A invested in the equipment that is necessary for stuffing a specific type of cargo in the most efficient way. I believe this shows their commitment to us. None of the other two terminals cared about it when we voiced this demand. Thanks to this equipment, we are now able to load more cargo in a container. When you consider our volume, this results in tremendous savings (FF-H).</p> |

Finally, proposition 2.c emphasizes the determinant relationship between establishment of satisfaction within port industry relations and relationship-specific performance obtained from the parties in exchange. Pattern matching results provide verification for this proposition as well.

Similar to the other two relationship quality dimensions, satisfaction obtained from the exchange is considered as a significant relational determinant which influence the business performances of the parties in exchange. The interviewees mainly layed emphasis on the fact that Aliaga port cluster is characterized by high degrees of rivalry between the three container terminals and argued that unsatisfactory relationships with the container terminals would result in switches in port choice. In this line, it has been argued that if the port users are unsatisfied with their relationships with the container terminal, this dissatisfaction would be voiced and influence the port customers decision to craft contract for the following year. In other words, the interviewees consider satisfaction as the ultimate relationship quality construct as it is more of an overall assessment of the relationships' wellbeing. Therefore, they link their satisfaction from the relationship to the soft relational-specific performance indicators of intention to maintain the relationship and sense of loyalty.

Moreover, several participants have underlined that the impact of word-of-mouth is high for certain types of cargo owners. Especially the participants from the freight forwarding companies argued that container terminals in Aliaga are not equally successful at satisfying the demands of cargo owners of certain cargo types, such as marble and iron/steel. Further they mentioned that once a container terminal persuades one of the bigger players of these industries to work with them, it becomes easier for them to market their services to the rest of the industry actors. In sum, both for the relationships with port customers and port users, it is argued that lack of satisfaction is a critical factor for termination of the transactions. Table 24 presents the representative quotations.

Table 24: Supporting Evidence for Proposition 2.c

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| <p>Proposition 2.c. Establishment of <i>satisfaction</i> within port industry relations enhances <i>relationship-specific performance</i> that is achieved by both ports and their users/customers.</p> |
| <p><i>Satisfaction > Relationship-Specific Performance</i></p> |
| <p>(1) Word spreads very quickly among marble traders. If a container terminal makes a marble trader satisfied with the services, it may become easier for the terminal to convince other marble traders and thus increase the demand (CO-C).</p> <p>(2) If a terminal fails to satisfy its users, cargo owners and freight forwarders put a strain on the liner shipping companies to switch to another terminal. Considering that these are all chain relationships, any actor that decreases the satisfaction of the rest eventually gets punished (ACS).</p> <p>(3) Number of services that the liner shipping companies have is increasing very fastly in Aliğa port cluster. Simply, the container terminal which can develop its customers' satisfaction the most, gets a bigger share of the cargo flows (CT-B4).</p> |

CONCLUSION

Since the 60s, the ports have undergone a remarkable and rapid restructuring of the management philosophy. At present, the tasks undertaken by ports in supply chains have expanded considerably and the importance of the relations of ports with other maritime industry actors has been getting more recognizable (Murnane, 2017; Pantouvakis and Bouranta, 2017). The main reason for this is the recognition of the importance of the supply chain performance in an integrated manner beyond the individual performance of the actors within these chains (Robinson, 2002). Flynn and Lee (2010)'s conceptualization of fifth generation ports underlines the same. The authors argue that competition between ports are now much denser when compared to the ports of previous generations and suggest that the managerial paradigm change experienced by the modern ports are based on the shift towards a greater emphasis on supply chain orientation and superior service quality.

This dissertation started with the consideration that ports should pursue relational strategies which would help them to be viewed as strategic partners of the rest of the chain members rather than a passive service provider. The objective was to reveal whether the relational governance strategies which are mainly based development of relational norms with major port industry actors would lead ports to achieve competitive positioning through the establishment of long-term relationships. Results of this study indicate that relational governance strategies are critical antecedents for the development of relationship quality in port industry relations and ports pursuing these strategies are more likely to enjoy performance related improvements compared to the ports which strongly rely on contractual governance. Following section will carry out a more detailed evaluation of the findings through creating links back to the literature.

Discussion of the Findings

Recent literature on port management has provided insights on the significance of developing long-term relationships with port customers and users. It has been

argued that ports and their customers/users need to view each other as strategic partners and seek for collaborative solutions to improve the end-to-end supply chains.

Based on the realization of current characteristics of competition in port industry, the relationships between port industry actors are changing from adversarial towards partnership (Demirbas et al., 2014). Likewise, it was underlined that improvement of the services that a port provide can only be achieved if these parties develop collaborative relationships rather than contractual (Woo et al., 2013). Although it is now well-acknowledged that success of the port management depends on its successfully governed IORs with customers/users, the literature on port management lacked providing answers for the question of “what are the strategies to be pursued for achieving this success?”.

By focusing on relational governance strategies adopted from RET framework, this study evaluated the impact of relational norm development on achieving desired performance outcomes which may lead the ports to become more competitive. The orientation of the research was qualitative which allowed for revealing context-specific meanings of the norms of solidarity, flexibility, information sharing and conflict resolution (together called as relational governance strategies). Moreover, the findings have shown that development of these norms plays an important role in constituting trust, commitment and satisfaction in between parties, which in turn help improving operational and financial performances of the parties.

For instance, the norm of solidarity within the terminal-agency relationship is found out to be manifested in operational and financial manners, reflected by the degree of the shared identity. The more the parties treat the relation as a partnership rather than a buyer-supplier relation, the easier it gets for them to observe the spirit of solidarity in the behaviors of the other party. Especially working in coordination comes out to be a prominent solidarity indicator while handling the demands of the cargo owners.

When it comes to flexibility, the manifestation of this norm also occurs in operational and financial manners. Each party accepts the fact that the changing circumstances are part of the nature of logistics business and strictness of a party is considered to have harmful consequences for the maintenance of a high quality relation. At this point, what is expected from the parties is to be understanding

whenever the other party unintentionally disrupts the operational flow and to be supportive whenever the economic conditions disable the fulfilment of the financial obligations predetermined in the contract. Several other researchers underlined the significance of flexibility in port industry relations as well. Findings of this study on the manifestation of flexibility is consistent with the arguments of Tongzon et al. (2009) and Mangan et al. (2008), as their studies also showed that major port industry actors are expecting ports to flex the terms in case there is a change in the joint processes that might create negative impacts such as delays in operation or occurrence of unexpected additional costs.

The norm of information sharing, on the other hand, is also at high importance as a result of the nature of logistics business. For this norm to be successfully maintained, both parties expect each other to keep the other party informed, also taking the quality of the information into consideration, as any inconvenience in this matter may result in bilateral distrust. Besides the quality of the information shared, the platforms where these exchanges take place are also expected to be well managed. Port management literature already acknowledges the significance of this norm. For instance Se et al. (2015) underlined that development of the norm of information sharing decreases the chances of a logistics disruption to occur. Moreover, the study of Durvasula et al. (2004) showed that IT based developments are at highest importance for ports to gain a competitive edge. Findings of this study on information sharing norm is expected to guide the port managers to better understand how they should perform their tasks on acting as an information hub in maritime supply chains.

For the establishment of conflict resolution norm, the positive attitude towards conflicts should be shown by the port managers. It has been found that port managers are expected to develop strategies that eliminate the risk of conflict occurrence. For instance, this can be done by avoiding favoritism and receiving complaints of the port customers/users. However, many conflicts may still occur even though all proactive strategies have been pursued. In such cases, it is expected from port managers to show their willingness to resolve the conflict jointly with the port customer/user and accept the responsibility if the conflict is caused by the mistakes or poor performance of the port.

Based on the results obtained from the pattern matching, it was found that development of above mentioned relational norms is a significant driver of relationship quality in port-port customer/user relations as predicted. Therefore, the findings on the link between relational norms and relationship quality are consistent with those of other empirical studies in supply chain management literature. Similar results were obtained from different IOR settings such as cross-border partnerships (Aulakh et al., 1996), manufacturer-dealer relationships (Mohr and Spekman, 1994) and distributor-supplier relationships (Mysen et al., 2012).

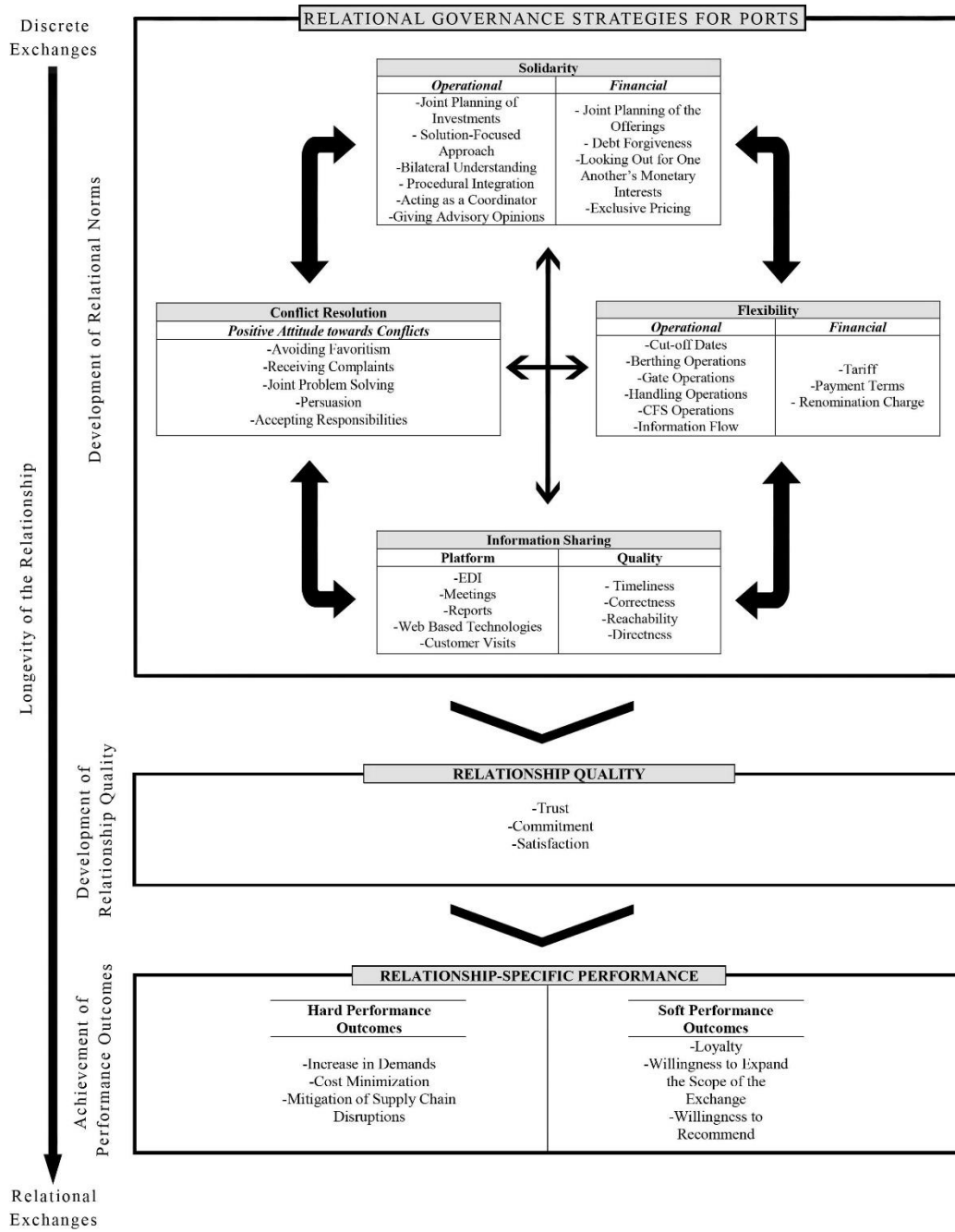
However, findings of this study also revealed that development of commitment through relationalism is not equally as easy as the development of trust and satisfaction in port industry relationships. To put it more explicitly, it was found that commitment is rather vulnerable, basically based on the fact that liner shipping companies' port choice decision is mostly made by their headquarters. This shows that port-port customer relationships are not as dyadic as is generally assumed. No matter how much has been done in terms of developing relationalism in the local setting, decisions on the future of this local relationship is influenced by the global strategies of the port customers' headquarters. Alliance arrangements or vessel sharing agreements between liner shipping companies are examples to this. It was revealed that there had been liner shipping companies shifting from one terminal in Aliaga to another as a result of starting a joint service with an alliance member through vessel sharing agreements. In such cases, the degree of relationalism between the liner shipping company and its primary port of call naturally loses its impact on the decision to stay in the relationship, as the port choice decision may be handed over to the headquarters of both liner shipping companies in the alliance. Briefly stated, even though development of relational norms within port-port customer relationships is found to be necessary for the development of commitment, it may not always guarantee the longevity of the relationship.

There are several other researches in the port literature that highlight the very same problem with commitment from different point of views. For instance, Martin and Thomas (2001) argued that cooperation between port industry actors are carried out solely in operational level and it does not guarantee the achievement of commitment of the parties as it should be. The studies of Lam (2013) and Yuen and

Thai (2016) underscored that this lack in commitment hampers the integration between ports and major port industry actors. The reason behind the lack of commitment was argued to be the power imbalances between the actors. Notteboom (2002) and Franc and Van der Horst (2010) also argued that decreasing number of actors in liner shipping industry have resulted in increased power for the liner shipping companies against ports. When all the related findings revealed in the literature are evaluated in aggregate, it can be concluded that ports are now challenged by the changing competition dynamics which make it even harder for them to develop long lasting relationships with the liner shipping companies. Even though development of relational norms may not guarantee the commitment of the liner shipping companies, still it is an important strategy to at least lower the chances of customer churns. Further to that, it can be suggested for the port managers to decrease the ports dependence on a single liner shipping company and develop strategies that structures a customer portfolio which spreads the risks associated with these potential customer churns.

When it comes to the link between relationship quality and relation-specific performance, the pattern matching results also showed that the port industry relations improve in productivity once the high levels of relationship quality is achieved. It was found that the port industry relations which are characterized by high levels of trust, commitment and satisfaction are more likely to generate positive impacts on the business performances of both ports and their customers/users. These involve hard performance outcomes such as mitigation of supply chain disruptions, cost minimization and increase in demands. In terms of the soft outcomes, enhance relationship quality in port industry relations lead port customers/users to feel loyal to the relationship, to show willingness to expand the scope of the exchange and to recommend the port to other industry actors. The literature on port management does not say much about the link between relationship quality and its impact on the business performance of the parties in exchange. It is believed that the findings of this dissertation contribute to the understanding of the role of relational dynamics in port industry. Figure 12 summarizes the findings revealed in this dissertation.

Figure 12: Summary of the Findings



Source: Author's own illustration

Theoretical Implications

There are several theoretical implications provided by this dissertation to the literatures in both port management and IOR governance. The first theoretical contribution to the port management literature is the identification of relational norms that are positioned as the antecedents of relationship quality and relationship-specific performance. Although the port literature implicitly suggests that certain levels of relationalism is needed for port industry actors to succeed at improving the performance of the supply chains that they are embedded in, it falls short in identifying the strategies that should be pursued by the ports to achieve this. This dissertation addresses the gap by revealing the most prominent relational norms for the port industry relations setting and scrutinizes how each of these norms are manifested in both port-port customer and port-port user relationships. By doing so, this dissertation shows what strategic actions must be taken by the port management with the aim of ensuring the development of relational norms. Some studies in the port literature have empirically shown that there are problems in achieving the port supply chain integration (Lam, 2013; Yuen and Thai, 2016) and desired levels of joint performance (Martin and Thomas, 2001) due to the low quality of the relations in between ports and port customers/users. Therefore, the findings of this study are believed to contribute to the literature, since it provides an answer by showing that the problem with low quality port industry relations can be altered by pursuing relational governance strategies.

Another novelty of this dissertation is the way how it employs RET. The qualitative approach followed in the research allowed the researcher to overcome the practical challenges that were caused by the shortcomings of the theory. Main criticism to relational governance literature, is on the lack of effort that the authors show in order to eliminate intertangledness and abstractness of the norm concepts (Joshi and Stump, 1999). In other words, accumulated knowledge on the role that the norms play now leads the researchers to take a closer look at the norms with the aim of gaining deeper understanding on the ways that they occur in specific contexts. As Noordevier et al. (1990) have argued, relationalism does not exist in a context-free vacuum and their context specific meanings are needed to be explored. For this reason, by sorting how each norm manifests itself within the port industry context, this study overcomes the

abstractness problem and concretizes the extent of each relational norm. It is believed that these findings can contribute to the relational governance literature as well, since they show that development of relational norms could be totally different depending on the type of IORs that are investigated.

Managerial Implications

Findings of this dissertation address several implications for port managers. Although the lack of quantitative testing and the narrowness of the research context (Aliaga port cluster) create limitations on generalizing the findings, it is believed that the findings may provide insights for the port managers in terms of understanding the impact of relational governance strategies on the development of successful port supply chains. The managerial implications are listed as follows:

- Findings of this dissertation demonstrated that relational governance is at highest importance in managing business exchanges in port industry. Also, it is safe to state that terminals' tendency on relational governance is even a selection criteria for many port customers/port users. In this sense, development of relational norms within the port industry relationships makes the terminals more competitive as it makes their customers/users more satisfied and committed to the relationship.
- Especially the development of the norm of flexibility is found to be crucial considering that many of the logistics activities request the related parties to be able to make necessary adjustments whenever needed. On the other hand, the other three norms that this study covers (information sharing, solidarity and conflict resolution) are considered to be significant in creating a relational atmosphere that helps to build trust and commitment. Thus, both sides of the relationship see these norms as facilitator of the future of the relations. Considering that competition between ports are getting denser due to the increased number of port investments, ports may gain a competitive edge by pursuing these relational governance strategies and secure the longevity of the exchanges with their customers/users.

- The findings of this dissertation showed that port industry actors' perceptions on the need for crafting complex/detailed contracts differs depending on their organizational culture. While some of the actors perceive complex contracts as a sign of professionalism, some others argue that such contracts do not lead to expected performance outcomes since they may limit the actors' capability to adapt to changes. Even though these two viewpoints are total opposites of one another, both sides of the argument agree on that too much tendency to rely on formal contract harms the relationship. Thus, it is important for port managers to pursue strategies that leave more room to relationalism in their exchanges rather than contractual mechanisms. However, findings of the study also show that certain contract based arrangements can also influence relationship quality in a good way. For instance, financial privileges provided for the port users on a contractual basis are considered as a driver of commitment. It can be concluded that, contracts between ports and their customers/users should be focused on the terms on exclusive benefits rather than terms on penalties or strict liabilities.
- It is believed that the findings of this study that present how each relational norm are manifested in port industry relations can be considered as a guide for port managers governing these relationships, without overlooking the fact that these findings are deduced from a specific region and can manifest differently in different business environments.

Limitations and Suggestions for Future Research

This study is subject to several limitations typically associated with the qualitative research strategy. In this line, the main limitation of this dissertation is that it focuses particularly on the port industry relations in Aliğa Port Cluster. Therefore, the findings revealed in this study lacks in external validity.

The reason behind carrying out the study within this specific context was mainly based on the fact that the cluster was considered to be suitable for easily revealing the role that relational elements play since the three terminals in the cluster does not have significant spatial differences which would help them to gain the

competitive edge. Similar researches can be carried out in other port clusters and allow for comparisons. For instance, further research can provide deeper and more extensive understanding of the manifestation of relational norms in environments with different cultures, levels of institutionalization, balance of power and degree of competitiveness.

It is expected that the level of competition within the port clusters might influence the tendency to relational governance. A study adopting multiple case study strategy is needed to further test this influence. In this sense, the container terminals in different regions of Turkey which are working in substantially different competitive environments can be compared to see whether if the degree of relationalism is linked to the pressures of competition or not.

Another limitation of this study was related with the data utilized for the analysis. The data is collected only from 33 semi-structured interviews. Although secondary data such as the contracts crafted by container terminals and their customers/users would be useful in terms of data triangulation, the majority of the participants rejected to share these documents because of their confidentiality.

What is more, a quantitative study could provide more generalizable empirical findings by testing the model proposed in this dissertation. However, carrying such a research in a local setting would face certain limitations based on the small sample size of the liner shipping companies. Therefore, further studies may test this model for instance in an international or a country-wide setting and eliminate the problem with the sample size by increasing the number of analysis units.

It is believed that findings presented in this study regarding the manifestations of relational norms can be utilized for the operationalization of relational norms constructs for an IOR research in port management field. Considering that operationalizations of the existing relational norms scales are criticized for carrying out the measurement in a context-free vacuum, a scale development for the relational norms in the context of port industry relations can be carried out by benefiting from the findings of this study.

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APPENDICES

Appendix 1: Semi-Structured Interview Questions

General Questions on Port Industry Relations:

- 1: In your perspective, what is the role of ports in the supply chain?
- 2: How would you describe the competition among container terminals in Aliaga?
- 3: In port supply chain relations framework, what/who are the important actors/players that terminal operators deal with? Which of these relations are contract-based?
- 4: How should a terminal operator-liner shipping company relationship be governed? What aspects define a well-governed relationship?
- 5: How should a terminal operator-freight forwarder relationship be governed? What aspects define a well-governed relationship?
- 6: How should a terminal operator-cargo owner relationship be governed? What aspects define a well-governed relationship?
- 7: What kind of differences might occur if the terminal operator- port customer/user relations governed well or poorly?
- 8: What is the role of contracts in port industry relations?

Questions on Relationship Quality and Port Supply Chain Performance:

- 9: What are the indicators of relationship quality in port supply chains?
- 10: What can be done in order to earn the trust of port customers/users?
- 11: What can be done in order to ensure the commitment of port customers/users?
- 12: What can be done in order to ensure the satisfaction of port users?
- 13: How significant is terminal operator- port customer/user based performance when measuring port supply chain performance?
- 14: What are the relational-specific performance outcomes that can be expected from the port industry relations? What kind of difference does the choice of port make regarding a supply chain's performance?

Questions on Relational Norms:

15: What is the role of solidarity in port supply chain relationships? How is solidarity realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

16: What is the role of flexibility in port supply chain relationships? How is flexibility realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

17: What is the role of information sharing in port supply chain relationships? How is information sharing realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

18: What is the role of conflict resolution in port supply chain relationships? How is conflict resolution realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

19: What is the role of role integrity in port supply chain relationships? How is role integrity realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

20: What is the role of mutuality in port supply chain relationships? How is mutuality realized and what positive outcomes can it produce? What can be the distinctive features for ports on this matter?

21: Are there any other relational norms that you would deem important in port supply chain relationships?

22: Which are the stand-out relational norms in the port-supply chain relationship?

23: Are the relational norm strategies of ports standard and apply to all port users? What kind of factors come into play when forming these strategies?

Questions on the Research Model:

24: What are your thoughts regarding the effect of relational norms on relationship quality?

25: What are your thoughts regarding the effect of relationship quality on port-supply chain performance?