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The antecedents and consequences of commitment in bank–corporate relationships: evidence from the Chinese banking market

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This study draws on the exchange relationships literature to create a model of what motivates corporate customers to continue their relationships with their primary banking services providers. The study reports the results of a questionnaire survey administered to financial managers ($N = 259$) in China. Results provide evidence for the existence of a number of antecedents and consequences of commitment in bank–corporate relationships. Notably, service quality is found to be a significant antecedent of affective commitment, which in turn leads to cooperation and continuance intentions. Implications for bank management are discussed along with avenues for future research.

Keywords: bank–corporate relationships; China; commitment; finance; structural equation modelling; survey

Introduction

Markets for corporate banking services are now facing intensified competition in the new deregulated environment. Traditional banks have lost a substantial proportion of their business to non-bank financial intermediaries (Zineldin 2005), and this has led many banks to incorporate relationship banking issues into their strategic planning in order to achieve sustainable competitive advantage (Proenca and de Castro 2005). The change in the marketplace is reflected in a paradigm shift in academic literature, with recent research highlighting the role customer relationships play in terms of future earnings, profitability, market share and customer satisfaction (Seybold 2001).

A review of the extant literature identified that empirical studies in financial services marketing generally focus on the conceptualization of relationship banking and its associated costs and benefits (for example, Boot 2000). However, little is known of what motivates corporate customers to continue their relationships with their banking service providers. Particularly, few researchers offer empirical data in the Chinese banking sector. The dearth of research is unexpected given the rapid economic development of China. For example, China's 1.3 billion people hold nearly 2.3 trillion US dollars in personal savings, and its banking sector has proved to be one of the most attractive prospects in the world for international banks and investment institutions (KPMG 2007). More importantly, the opening of the Chinese banking market in accordance with the World Trade Organization (WTO) requirements provides both Chinese domestic and foreign banks with huge challenges and opportunities (Deloitte 2007). Therefore, investigating bank–corporate relations in the Chinese banking sector is significant to practitioner audiences, allowing

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both Chinese domestic and foreign banks to incorporate service provision and relationship banking issues into their strategic planning.

This study attempts to draw on the exchange relationships literature to create a model of what motivates corporate customers to continue their relationships with a bank. A number of hypotheses relating to the relationship between the financial manager (as customer) and the bank (as service provider) are developed and empirically tested.

The remainder of this study is structured as follows. The next section reviews the literature concerning the Chinese banking sector, relationship banking and develops hypotheses relating to the antecedents and consequences of commitment. Section three describes the conduct of questionnaire survey, the development of the questionnaire and the data analysis techniques used. Section four reports the results of hypothesis testing using structural equation modelling (SEM). The final section summarizes and concludes the study.

Literature review

Research context: the Chinese banking sector

Established in 1948, the People's Bank of China (PBC) dominated the entire banking sector in China, reflecting its centrally planned economy. Since 1978, China has begun reform towards a market-based economy, with the PBC monopoly removed and a series of changes to the Chinese banking industry. Government-led banking activities were separated from commercial banking activities and four specialized state-owned banks[1] were established in the early 1990s. Competition then started to intensify in 1994, when China set up three policy-related banks[2] to promote specific financial activities under government direction and support. National commercial banks, shareholding commercial banks and non-bank financial organizations have grown rapidly owing to the government's release policy to develop all types of financial institutions. However, the four specialized state-owned banks still dominate the domestic banking market, with 1.4 million employees and 116,000 branches holding over 65% of deposits of Chinese citizens (Deloitte 2007). Additionally, to strengthen corporate governance, the Chinese Banking Regulation Commission (CBRC) was formed in 2003 to oversee the commercial banking and trust business. Although significant change has occurred within the Chinese banking sector, change has been made problematic by a number of structural issues (for example, increasing non-performing loans and inadequate corporate governance). More importantly, the banking sector has been facing global competition after China completely opened the gates to foreign banks in 2006.[3] It is anticipated the Chinese banking market will be attractive to foreign banks and create significant competitive pressures for domestic banks (Deloitte 2007).

Relationship banking

The acceptance and application of relationship marketing has grown in the financial services sector over the past two decades (Howcroft and Durkin 2000, Dibb and Meadows 2001). Berry (1983) first introduced the relationship marketing paradigm into service industries by viewing it as attracting, maintaining and enhancing customer relationships in multi-service organizations. A well-accepted definition of relationship marketing is provided by Grönroos (1997, p. 410):

> Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationship with customer and other stakeholders, at a profit, so that the objectives of all parties involved are met, and that this is done by a mutual exchange and fulfillment of promises.

Within the context of the banking sector, relationship marketing has been termed as *relationship banking* where it is in the interest of banks to establish and maintain a long-term bond with customers (Ritter 1993). Moriarty *et al.* (1983, p. 13) describe relationship banking as 'a recognition that the bank can increase earnings by maximizing the profitability of the total customer relationship over time, rather than by seeking to extract the most profit from many individual products or transactions'. Extending this view, Boot (2000, p. 10) defines relationship banking as the provision of financial services by a financial intermediary that: '(i) invests in obtaining customer-specific information, often proprietary in nature' and '(ii) evaluates the profitability of these investments through multiple interactions with the same customer over time and/or across products'. Holland (1993) differentiates relationship banking from transaction banking (that is, arms-length banking) by characterizing relationship banking as possessing: rich flows of information between both parties; a regular level of business with low margins; privileged access by the bank to large deals; strong loyalty and commitment between both parties; and expectations for a fair long-term relationship. In contrast, transaction banking focuses on a single transaction with a customer or multiple identical transactions with various customers rather than an information-intensive relationship with a customer (Boot 2000, Boot and Thakor 2000).

The bank–corporate relationships have been recognized as critical in the financial services marketing literature (Boot 2000). The relationships are said to be vital to maintain future earnings, maximize profits for both banks, reduce cost and safeguard against uncertainty for the buyer of financial services (Holland 1993, Ndubisi 2003, Seybold 2001). Other benefits of relationship banking are said to include commitment (Kassim *et al.* 2006), cooperation (Zineldin 1995), exchange of information (Boot 2000) and social benefits (Henning-Thurau *et al.* 2002).

Similar to relationship banking in the West, the importance of business relationships has been well-acknowledged in the context for our research (that is, China), where the relationship is termed as *guanxi* (Leung and Wong 2001). *Guanxi* literally means 'passing the gate and getting connected' and refers to relationships or social connections based on mutual interests and benefits of exchange partners (Don and Dawes 2005). *Guanxi* brings the exchange partners together through reciprocal exchange of preferential treatment for example, easy access to limited resources, increased accessibility to controlled information, and protection from external competitors (Lee *et al.* 2001). *Guanxi* is said to possess some unique features distinguishable from relationship banking in the West; for example, direct personal relationships among individuals and more implicit role expectations beyond the existing role expectations (Lee *et al.* 2001). However, some commentators (for example, Bjorkman and Kock 1995) have suggested that *guanxi* is another form of relationship marketing in China.

The conceptualization of commitment

Dwyer *et al.* (1987) describe the behavioural dimensions of a relationship development process with a five-phase model. First, the awareness phase is the recognition of a potential cooperative partnership based on self-analysis, chemistry and compatibility. In a banking context this would reflect simply an awareness in both parties that each other existed, without any formal contact taking place. Following awareness, in the exploratory phase, the ability and willingness to deliver satisfaction is tested. In bank–corporate relationships, this would be characterized by some contact, a meeting or lunch, where each party made the other aware of their organizational needs and ability to deliver.

This stage remains tenuous, as neither has made any significant investment in financial terms or management time. The third phase, expansion, is an official endorsement or approval of the relationship by key stakeholders within each partner's environment. The expansion phase is differentiated from exploratory by the level of trust that exists between the parties. In corporate banking relationships, each would have to share some proprietary information at this stage to make this work. For example, the financial manager might reveal future financial plans, and the banker might disseminate pricing and credit information. Fourth, in the commitment phase, the partners achieve a level of satisfaction from the exchange process and exclude other substitute primary exchanges partners. For commitment to occur, there needs to be a relatively high degree of input from both parties and an expectation that the relationship will continue. For example, the bank might agree to provide a committed line of credit, in return for the company to purchase other services (for example, foreign exchange, interest-rate swaps) from the banking service portfolio. The fifth and final phase, dissolution, is the outcome of unresolved problems such as operational and cultural differences.

Among the five phases of relationship exchange, commitment is recognized as the most desirable phase in relationship development between business partners (Dwyer *et al.* 1987, Ndubisi 2007). Commitment is defined as 'an implicit or explicit pledge of relational continuity between exchange partners' (Dwyer *et al.* 1987, p. 19) and is central to the foundation of successful relationship marketing (Sweeney and Webb 2007). Morgan and Hunt (1994, p. 23) argue that commitment is 'an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it'. These definitions, along with others in the exchange relationships literature (for example, Fullerton 2003), draw on the organizational behaviour literature's conceptualization of employee commitment, to inform understanding of customer commitment.

A review of current literature identified that commitment is conceptualized as a central element in the development and maintenance of long-term customer relationships. In the social exchange literature, Cook and Emerson (1978, p. 728) characterized commitment as 'a variable we believe to be central elements distinguishing social from economic exchange'. In the organizational and buyer behaviour literature, it is viewed as central as it leads to important outcomes such as decreased turnover, higher motivation, recruiting and training practice, job equity and organizational support (Porter *et al.* 1974, Caldwell *et al.* 1990, Eisenberger *et al.* 1990). In the services marketing literature, mutual commitment is said to be the foundation of the development of relationships and brand loyalty (Assael 1987, Berry and Parasuraman 1991). Therefore, commitment should be a central feature in any model that introduces relationship exchanges to the bank–corporate relationships (De Ruyter and Wetzels 1999).

Two different types of commitment are identified in the literature: (1) Affective Commitment; and (2) Calculative Commitment. Affective Commitment is an approach to viewing commitment as an affective state of mind that one partner has toward a relationship with the other (Rhoades *et al.* 2001, Fullerton 2003). Meyer and Allen (1991) regard affective commitment as the desire to continue a relationship because of positive affective feeling towards the partner. These relationships where an affective commitment plays a role are likely to be more enduring than those based solely on the material merits of the exchange (De Ruyter and Wetzels 1999).

Calculative Commitment, in contrast to Affective Commitment, is characterized by being more behavioural rather than affective (Meyer and Allen 1991, Gilliland and Bello 2002). Geyskens *et al.* (1996) defined calculative commitment as the extent to which exchange partners perceive the need to maintain a relationship, given the anticipated termination or switching costs associated with leaving. This definition implies an explicit evaluation of the costs and benefits involved in developing and maintaining the relationship, as Morgan and Hunt (1994) noted that all gains and losses, pluses and minuses, rewards and punishments are calculated.

Antecedents of commitment

De Ruyter and Wetzels (1999) identified six antecedents of commitment drawing on the prior research in the field of exchange relationships. We adopt these antecedents in this study with minor change of wording namely: (1) Shared Values; (2) Service Quality; (3) Trust; (4) Interdependence; (5) Service Portfolio; and (6) Customer Orientation.

Shared Values is a variable of significant interest in the organizational commitment literature (Chatman 1991). Morgan and Hunt (1994, p. 25) posited shared values as a direct precursor of relationship commitment, defining it as 'the extent to which partners have beliefs in common about what behaviours, goals and policies are important or unimportant, appropriate or inappropriate, and right or wrong'. Dwyer *et al.* (1987) proposed that shared values contribute to the development of commitment and trust. It was also empirically demonstrated that shared values contribute positively to the development of affective commitment (Morgan and Hunt 1994). Therefore, we hypothesize that:

H_1: There will be a positive relationship between Shared Values and Affective Commitment.

Service Quality is 'one of the most investigated constructs in the service sector' (Fullerton 2005, p. 1375) and has long been recognized as a key issue for service organizations (Ndubisi 2003). Grönroos (1984, p. 37) defined service quality as 'the outcome of an evaluation process, where consumer compares his expectations with the service he has received' and argued that customers' overall evaluations of service quality are a result of their assessment of two dimensions: (1) functional quality; and (2) technical quality. Extending this view, Parasuraman *et al.* (1988, p. 16) conceptualized service quality as 'a global judgment, or attitude, relating to superiority of the service, whereas satisfaction is related to a specific transaction'. Prior research on financial services has shown that favourable perceptions of service quality lead to positive word-of-mouth referrals, customer satisfaction, increased future usage intentions and continuity in customer relationships (Angur *et al.* 1999, Caruana 2002). It was also suggested that service quality is a significant determinant and predictor of commitment (Gruen *et al.* 2000). Therefore, we hypothesize that:

H_2: There will be a positive relationship between Service Quality and Affective Commitment.

Trust is said to be a 'cornerstone of the strategic partnership' (Spekman 1988, p. 79) and leads to a strong desire to maintain a relationship between exchange partners (Ndubisi 2006). Moorman *et al.* (1993) conceptualized trust as a willingness to rely on an exchange partner in whom one has confidence. Anderson and Weitz (1989) defined it as one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party. Trust is said to exist only when one party has confidence in the reliability and integrity of the exchange partner (Morgan and Hunt 1994). Adamson *et al.* (2003) and Armstrong and Seng (2000) view trust as an antecedent of commitment. Empirically, trust has a positive influence on affective commitment (Lin *et al.* 2003, Martin *et al.* 2004) and a negative influence on calculative commitment (Geyskens and Steenkamp 1995). Therefore, we hypothesize that:

H_3: There will be a positive relationship between Trust and Affective Commitment.
H_4: There will be a negative relationship between Trust and Calculative Commitment.

Interdependence is another antecedent of commitment, as Terawatanavong *et al.* (2007, p. 918) suggest it 'represents a level of cohesion in terms of roles, tasks and resources between buyers and suppliers'. High magnitude interdependence produces an environment in which trust and commitment can be cultivated because of the convergence of the partners' interests (Kumar *et al.* 1995, Izquierdo and Cillan 2004). In a state of relatively high interdependence, both partners in a relationship benefit from valued contribution from each other and create their own switching barriers (Anderson and Weitz 1989). Empirically, Kumar *et al.* (1995) provided evidence for a positive relationship between interdependence and affective commitment. Geyskens and Steenkamp (1995) reported that there is a positive relationship between interdependence and calculative commitment. Therefore, we hypothesize that:

H_5: There will be a positive relationship between Interdependence and Affective Commitment.
H_6: There will be a positive relationship between Interdependence and Calculative Commitment.

The Service Portfolio of an organization is a collection of services offered by the organization. In the corporate banking sector, banks are always willing to enrich their service portfolio in order to gain competitive advantage over their competitors. An extended service portfolio goes beyond traditional lending or funding (Boot 2000), and contains a full range of corporate banking services such as letter of credit, cash management services, currency management services and risk management services. As the service portfolio is primarily a cost–benefit issue (MacKenzie 1992), we posit a positive relationship between service portfolio and calculative commitment:

H_7: There will be a positive relationship between Service Portfolio and Calculative Commitment.

Customer Orientation is viewed as the practice of the marketing concept, which holds that, 'the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors' (Kotler 1998, p. 17). Coulter and Coulter (2002) view it as the service provider's ability to vary the services offered in terms of specific service attributes in order to suit the customer needs. By incorporating customer orientation into their strategic planning, an organization can be sensitive to customer needs and outperform their competitors (Kulp *et al.* 2004, Cross *et al.* 2007). In the financial services industry, Adamson *et al.* (2003) suggest that banks must adapt a customer-oriented approach in order to be successful in the corporate sector. Empirically, customer orientation has been viewed as mainly affectively oriented as it involves interaction between service provider and customers (Saxe and Weitz 1982). This is particularly evident in relationship banking that normally involves a high degree of interaction between bankers and financial managers. Therefore, we hypothesize that:

H_8: There will be a positive relationship between Customer Orientation and Affective Commitment.

Consequences of commitment

An ultimate objective of any organization engaged in relationships is an interest in the continuance of those relationships (Gundlach *et al.* 1995). Two dimensions key to the continuance of relationships are identified in the extant relationship literature: (1) Cooperation; and (2) Opportunistic Behaviour.

Cooperation refers to the situation in which exchange partners work together to achieve mutual objectives with expected reciprocity over time (Anderson and Narus 1990). Pesämaa and Hair (2007) view cooperation as an essential strategy to improve an organization's competitiveness. However, both parties may experience a reduction of their expected profit as cooperation requires them to invest in their relationships. Empirically, Morgan and Hunt (1994) demonstrated the presence of a positive relationship between affective commitment and cooperation. Kumar *et al.* (1994) reported that calculative commitment has a negative impact on an intermediary's desire to stay and invest in the relationship. Therefore, we hypothesize that:

H_9: There will be a positive relationship between Affective Commitment and Cooperation.

H_{10}: There will be a negative relationship between Calculative Commitment and Cooperation.

In the organizational behaviour literature, opportunistic behaviour has been described as the behaviour of a party that endangers a relationship for the purpose of taking advantage of a new opportunity, which may cause the relationship to become unstable (Gundlach *et al.* 1995). Grzeskowiak and Al-Khatib (2009) argue that opportunistic behaviour results from a multidimensional set of moral convictions held by an exchange partner. Many commentators (Klein *et al.* 1978, Provan and Skinner 1989) have suggested that an organization is likely to behave opportunistically when its exchange partner is heavily dependent on it. Empirically, Kumar *et al.* (1994) reported that business parties with higher levels of affective commitment are less inclined to engage in opportunistic behaviour, whist business parties with higher levels of calculative commitment are more likely to seek to develop alternatives to their counterparts. Therefore, we hypothesize that:

H_{11}: There will be a negative relationship between Affective Commitment and Opportunistic Behaviour.

H_{12}: There will be a positive relationship between Calculative Commitment and Opportunistic Behaviour.

Finally, commitment only becomes meaningful when it develops consistently over time and results in Continuance Intentions (Moorman *et al.* 1993). High levels of commitment and cooperation are said to lead to a strong intention to stay in a relationship (Kumar *et al.* 1994). In the corporate banking sector, continuance intentions reflect a company's intention to keep a bank as its primary financial services provider and to maintain the relationship with the bank. We therefore posit that a positive relationship will exist between cooperation and continuance intentions. We also hypothesize that opportunistic behaviour will negatively influence continuance intentions, as this type of behaviour is likely to result in the dissolution of relationships (Heide and John 1992). These hypotheses are framed as:

H_{13}: There will be a positive relationship between Cooperation and Continuance Intentions.

H_{14}: There will be a negative relationship between Opportunistic Behaviour and Continuance Intentions.

To summarize, we have developed 14 positive or negative hypothesized relationships relating to the antecedents and consequences of commitment. We further introduce them into a hypothesized conceptual model (see Figure 1). The next section describes the conduct of questionnaire survey and the development of research instruments.

Method

Inventory administration procedure

Financial managers were chosen as respondents for our survey as these individuals manage their company's relationship with its corporate bankers (that is, primary financial services providers). The company sample was drawn from the *'Directory of Chinese Companies (Beijing Area)'*. Using stratified random sampling,[4] a sample of 800 was selected. Each questionnaire was accompanied by a personalized covering letter describing the purpose of the study and a prepaid, self-addressed envelope. The covering letter was addressed to financial managers. To increase response rate, a reminder letter was sent out two weeks later. A second reminder letter was sent out along with another copy of questionnaire.

Participants

In total, 259 usable responses were received, representing a response rate of 32.4%. Among the respondents, 54.8% were from companies within the urban area; 45.2% were from suburb area. Small, medium and large companies accounted for 64.5%, 19.7% and 15.8%, respectively. The respondents also represented companies which were engaged in the first industry (10.8%), the second industry (33.2%), and the third industry (56.0%).[5] An analysis of response by company size, location and industry classification is provided in Table 1.

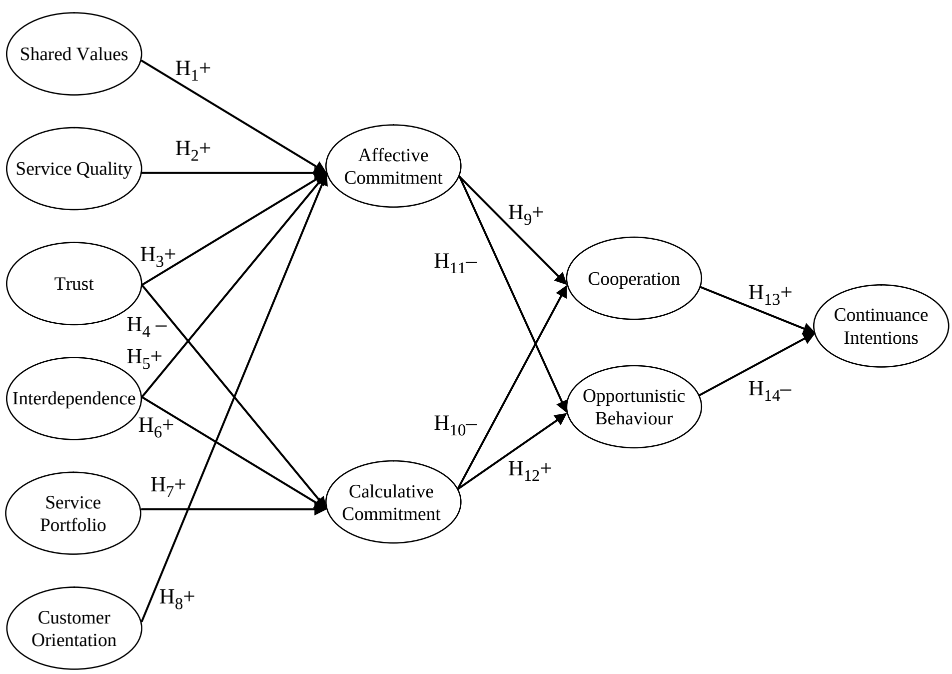

Figure 1. Hypothesized conceptual model.

Table 1. Analysis of respondents by company size, location and industry classification ($N = 259$).

Company size	No.	%	Location	No.	%	Industry classification	No.	%
Small	167	64.5	Urban	142	54.8	First	28	10.8
Medium	51	19.7	Suburb	117	45.2	Second	86	33.2
Large	41	15.8				Third	145	56
Total	259	100	Total	259	100	Total	259	100

Questionnaire development

A 34-item questionnaire was developed to measure Chinese financial managers' attitudes towards bank–corporate relationships using closed-form questions only.[6] All of the items were presented in seven-point Likert response format with the anchors 'strongly disagree' and 'strongly agree'. The questionnaire contained four sections and each of the items pertained to the constructs presented in our conceptual model. Table 2 provides examples of items used. The contents of the four sections are described as follows.

(1) Commitment. This section covers affective commitment and calculative commitment. Affective commitment is measured by three items based on the scales from organizational research (Kumar *et al.* 1995). Calculative commitment is measured by three items derived from the previous commitment research (Geyskens *et al.* 1996, De Ruyter and Wetzels 1999).
(2) Antecedents of commitment. This section covers the six antecedents of commitment aforementioned. Shared values are measured using two items derived from the scale developed by Morgan and Hunt (1994). Service quality is measured by two items derived from the scale of Zeithaml *et al.* (1990). Trust is measured by three items based on the scale of Kumar *et al.* (1995). Interdependence is measured

Table 2. Examples of items used in the questionnaire.

Construct	Number of items	Item
1. Affective commitment	3	'You want to remain a member of this bank's network because you genuinely enjoy your relationship with it'
2. Calculative commitment	3	'You want to maintain your relationship with this bank given the anticipated termination or switching costs'
3. Shared values	2	'To succeed in this business, it is often necessary to compromise one's ethics'
4. Service quality	2	'You feel that this bank's service quality is excellent'
5. Trust	3	'You can count on this bank to be sincere'
6. Interdependence	3	'There are no other banks which could provide you with the comparable services'
7. Service portfolio	2	'The service portfolio of this bank meets your expectations'
8. Customer orientation	3	'This bank tries to understand what services you really need'
9. Cooperation	4	'This bank and your company actively work together as partners'
10. Opportunistic behaviour	3	'If there is a good alternative to this bank, your will terminate your relationship with the bank'
11. Continuance intentions	3	'You expect that your relationship with this bank will continue for a long time'

by three items derived from the scale of Kumar *et al.* (1995). Service portfolio is measured by two items derived from the scale of Van der Walt *et al.* (1994) and De Ruyter and Wetzels (1999). To measure customer orientation, three items are modified from the *SOCO* scale of Saxe and Weitz (1982).

(3) Consequences of commitment. This section covers the three hypothesized consequences of commitment. Cooperation is measured by three items based on the scale developed by MacKenzie (1992). Opportunistic behaviour uses three items derived from the scales of Morgan and Hunt (1994) and De Ruyter and Wetzels (1999). Continuance intentions are measured by three items adopted from the scale developed by Shemwell *et al.* (1994).

(4) Demographic items. This section contains three demographic questions relating to company size, location and industry classification.

The questionnaire was translated into Chinese following Brislin's (1970) back-translation procedure. They were then piloted by bilinguals to avoid misinterpretation and pre-tested by financial managers to detect biases. This was deemed necessary, since the concern was not so much with a literal translation but with generating meaning which was as similar as possible to the English version.

Statistical analysis

The statistical analysis proceeds in three parts. First, alpha coefficients are calculated for scores yielded by the questionnaire in terms of each hypothesized constructs to estimate internal consistency reliability. Second, correlation coefficients are used to primarily assess the relationships between the hypothesized constructs. Third, the hypothesized conceptual model is tested by SEM.

Confirmatory factor analysis (CFA) using AMOS[7] (Arbuckle 2003) was undertaken to assess the fit of the conceptual model. Maximum likelihood estimation via AMOS was used to conduct CFA using the covariance matrices of the scaled scores. To evaluate the fit of the hypothesized model, Tucker-Lewis index (TLI), comparative fit index (CFI), and the standardized root mean square residual (SRMSR) were used in tandem with the root mean square error of approximation (RMSEA). To perform the hypothesis testing, standardized path coefficients were calculated and statistical significance testing was undertaken ($\alpha = 0.05$).

Results

Response bias

A number of tests for response bias were performed on the sample of 259 financial managers. Statistical significance testing was undertaken ($\alpha = 0.05$). First, the timing of response was analysed as a test of non-response bias (Armstrong and Overton 1977). Scores of the hypothesized constructs were compared between early respondents (first 50) and late respondents (last 50) in the sample, using independent samples t-test. This assumes late respondents are similar to non-respondents (Dillman 1978). No statistically significant differences ($\alpha = 0.05$) were found across the 11 hypothesized constructs and 31 questionnaire items between the early respondent group and the late respondent group. Second, companies were formed into three groups based on their company size (small, medium and large companies). A chi-squared test indicated no significant association between company size and early/late responders ($\chi^2(2, N = 100) = 0.069$, $p = 0.966$).

Third, this comparison was also applied to groups divided by geographic location (urban and suburb area). A chi-squared test indicated no significant association between geographic location and early/late responders ($\chi^2(1,\ N = 100) = 0.119,\ p = 0.942$). Finally, early and late responding companies were compared on the basis of industry classification (that is, first, second and third industry). A chi-squared test indicated no significant association between industry classification and early/late responders (χ^2 (2, $N = 100) = 0.364$, $p = 0.833$).

Considering the results of response bias tests and the response rate (32.4%), response bias is not a serious threat to the validity of this research. In addition, all respondents were financial managers who are the individuals who manage the company's relationship with its corporate bankers. The covering letters of the research instrument were also addressed to these financial managers. Consequently, the risk of uninformed response bias is considered to be minimal.

Internal consistency reliability

The internal consistency reliability of scores yielded by the constructs of the hypothesized conceptual model is assessed – see Table 3. Alpha coefficients of the constructs ranged from 0.81 to 0.94, whilst the overall reliability reached a level of 0.85. These values exceed the cut-off value of 0.70 suggested by Nunnally (1978) for instruments suitable for applied research in a variety of settings. The correlation coefficients between all the constructs in the conceptual model are shown in Table 4.

Hypothesis testing using SEM

Structural equation modeling (SEM) is used to test the hypothesized conceptual model. CFA was conducted and the hypothesized model demonstrated a satisfactory fit to the data. All model fit measures exceeded the recommended cut-off values.[8,9] The standardized path coefficients and corresponding p–values are reported in Table 5.

First, the hypothesized relationships between the two types of commitment and their antecedents are tested (hypotheses 1–8). H_1 is supported on the basis of a significant positive relationship between shared values and affective commitment (standardized path coefficient $= 0.17$, $p < 0.01$). With regard to service quality as the antecedent to affective commitment, a statistically significant positive relationship is found between service quality and affective commitment (standardized path coefficient $= 0.79$, $p < 0.01$), which supports

Table 3. Internal reliability estimates, means and standard deviations of constructs in commitment, antecedents and consequences of commitment ($N = 259$).

Construct	Alpha coefficient	Mean	Std dev
Affective commitment	0.88	4.98	1.85
Calculative commitment	0.86	4.22	1.37
Shared ethical values	0.81	5.18	1.39
Perceived service quality	0.94	5.06	1.43
Trust	0.89	4.83	1.32
Perceived interdependence	0.89	2.93	1.33
Service portfolio	0.90	4.57	1.45
Customer orientation	0.90	3.26	1.80
Cooperation	0.88	3.78	1.46
Opportunistic behaviour	0.93	3.76	1.37
Continuance intentions	0.87	5.39	1.25

Table 4. Correlations between constructs in commitment, antecedents and consequences of commitment ($N = 259$).

	AC	CC	SV	SQ	TR	ID	SP	CO	COOP	OPB
AC										
CC	0.30**									
SV	0.13*	−0.24**								
SQ	0.80**	0.15*	0.04							
TR	0.50**	−0.15*	−0.01	0.71**						
ID	−0.12*	0.29**	−0.39**	0.13*	0.31**					
SP	0.41**	0.37**	−0.01	0.35**	0.36**	0.18**				
CO	0.57**	0.36**	−0.06	0.48**	0.41**	0.23**	0.39**			
COOP	0.28**	−0.12**	0.18**	0.32**	0.21**	−0.30**	0.11	0.54**		
OPB	−0.11	0.39**	−0.36**	−0.04	−0.10	0.30**	−0.14*	0.25**	0.05	
CON	0.41**	−0.03	0.22**	0.57**	0.44**	−0.11	0.15*	0.10	0.23**	−0.27**

Notes: AC = Affective commitment; CC = Calculative commitment; SV = Shared values; SQ = Service quality; TR = Trust; ID = Interdependence; SP = Service portfolio; CO = Customer orientation; COOP = Cooperation; OPB = Opportunistic behaviour; CON = Continuance intentions. ** Correlation coefficient is statistically significant at $p < 0.01$.
* Correlation coefficient is statistically significant at $p < 0.05$.

Table 5. Result of hypothesis testing by SEM.

Hypothesis	Relationships	Hypothesized relationships	Standardized path coefficient	p-value
H_1	SV → AC	Positive	0.17	**
H_2	SQ → AC	Positive	0.79	**
H_3	TR → AC	Positive	0.16	**
H_4	TR → CC	Negative	− 0.15	0.14
H_5	ID → AC	Positive	− 0.06	0.06
H_6	ID → CC	Positive	0.27	**
H_7	SP → CC	Positive	0.31	**
H_8	CO → AC	Positive	0.24	**
H_9	AC → COOP	Positive	0.34	**
H_{10}	CC → COOP	Negative	− 0.22	**
H_{11}	AC → OPB	Negative	− 0.01	0.82
H_{12}	CC → OPB	Positive	0.39	**
H_{13}	COOP → CON	Positive	0.24	**
H_{14}	OPB → CON	Negative	− 0.28	**
CFA				
Goodness-of-fit statistics	$\chi^2 = 79.43$; df = 41; χ^2/df = 1.94; RMSEA = 0.057; SRMR = 0.076			

Note: SV = Shared values; SQ = Service quality; AC = Affective commitment; CC = Calculative commitment; TR = Trust; ID = Interdependence; SP = Service portfolio; CO = Customer orientation; COOP = Cooperation; OPB = Opportunistic behaviour; CON = Continuance intentions.
** Standardized path coefficient is statistically significant ($p < 0.01$).

H_2. A positive relationship between trust and affective commitment is identified, supporting H_3 (standardized path coefficient = 0.16, $p < 0.01$). A negative relationship between trust and calculative commitment is found as hypothesized; however, the result is not statistically significant (standardized path coefficient = − 0.15, $p = 0.14$), so that H_4 cannot be supported. A non-statistically significant relationship is also found between interdependence and affective commitment (standardized path coefficient = − 0.06, $p = 0.06$). Moreover, in this case the relationship found is negative where a positive relationship was hypothesized, so that H_5 is also not supported. A positive relationship is found between interdependence and calculative commitment (standardized path coefficient = 0.27, $p < 0.01$), which supports H_6. H_7 is supported, as a positive relationship between service portfolio and calculative commitment is identified (standardized path coefficient = 0.31, $p < 0.01$). Finally, customer orientation is positively related to affective commitment (standardized path coefficient = 0.24, $p < 0.01$), a result that supports H_8.

Second, the relationships between two types of commitment and their consequences are tested (hypotheses H_{9-14}). A positive relationship is identified between affective commitment and cooperation (standardized path coefficient = 0.34, $p < 0.01$), and a negative relationship between calculative commitment and cooperation (standardized path coefficient = − 0.22, $p < 0.01$). These findings are similar to previous research of Morgan and Hunt (1994) and Kumar *et al.* (1994); therefore both H_9 and H_{10} are supported. There is a negative relationship between affective commitment and opportunistic behaviour as hypothesized; however the result is not statistically significant (standardized path coefficient = − 0.01, $p = 0.82$), so H_{11} is not supported. A positive association between calculative commitment and opportunistic behaviour is identified (standardized path coefficient = 0.39, $p < 0.01$), therefore H_{12} is supported. A positive relationship between cooperation and continuance intentions is identified (standardized path coefficient = 0.24, $p < 0.01$), therefore H_{13} is supported. Finally, a negative relationship between

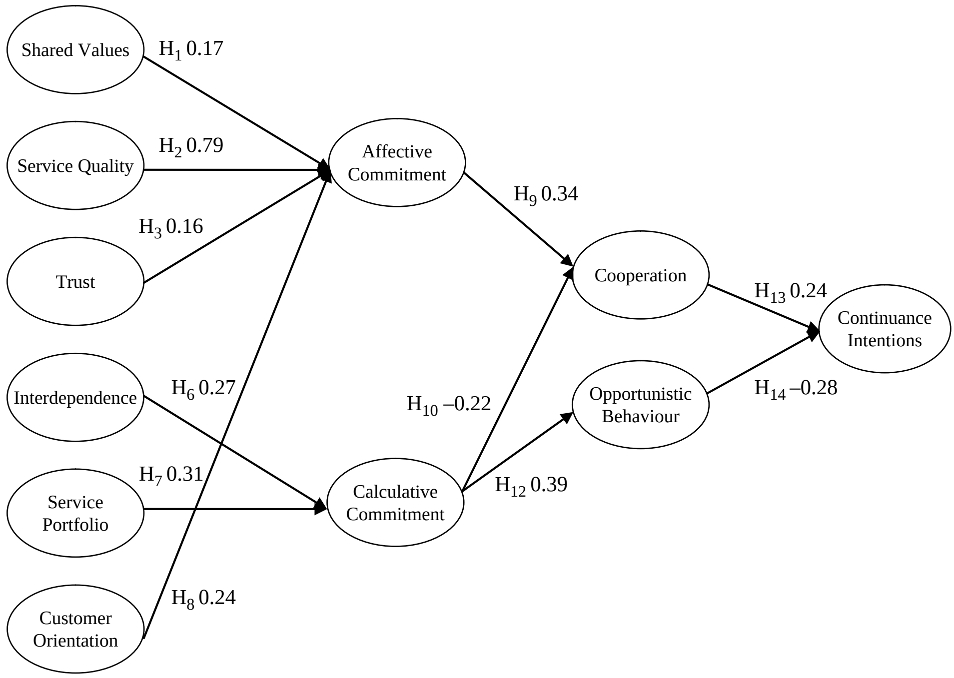

Figure 2. SEM results.

opportunistic behaviour and continuance intentions is found (standardized path coefficient $= -0.28$, $p < 0.01$), which supports H_{14}. The results of the SEM, that is, the final model, are shown in Figure 2.

Discussion and implications

Discussion

This study aims to create a model of what motivates corporate customers to continue their relationships with their primary banks. By reference to the exchange relationships literature in the West, we proposed a conceptual model by hypothesizing positive or negative relationships between the constructs relating to commitment. The model was tested using a research instrument specifically designed for the purpose, and data collected from 259 financial managers in China.

Our results show that sufficient evidence exists to support the hypothesized positive relationships between the antecedents of commitment and the two types of commitment (Affective Commitment and Calculative Commitment). Shared Values is positively associated with Affective Commitment. Service Quality is an important indicator of Affective Commitment, with a high standardized path coefficient value (0.79). This result is in line with the prior research in the field of financial services (Angur *et al.* 1999, Caruana 2002). Trust is positively associated with Affective Commitment, which reflects prior work by and Morgan and Hunt (1994). Finally, Customer Orientation is positively related to Affective Commitment, supporting the findings of Saxe and Weitz (1982).

Considering Calculative Commitment, the results suggest a positive relationship between Interdependence and Calculative Commitment, which provides strong support to Geyskens and Steenkamp (1995). It is also demonstrated that Service Portfolio is positively associated with Calculative Commitment.

Considering the consequences of commitment, a positive relationship is found between Affective Commitment and Cooperation, supporting the findings of Morgan and Hunt (1994). Corporate customers and their banker become more dedicated to cooperate together to achieve the mutual goals when they have affective feelings towards each other. Moreover, our results extend existing findings in that high levels of cooperation are found to lead to a strong intention for corporate customers to keep the bank as its major financial service provider. Consequently, Affective Commitment leads to affirmative Continuance Intentions.

Calculative Commitment is negatively related to Cooperation which is consistent with the previous research of Kumar *et al.* (1994). Corporate customers are subject to a reduction of profit, as staying in a relationship enforces them to invest in the relationship. This exposes the existing relationship to insecurity that stimulates corporate customers to switch to other banks for lower cost. Consequently, corporate customers with higher levels of Calculative Commitment are more inclined to exhibit opportunism and hence discontinue the relationship. This is an important finding, as it demonstrates that commitment can both enhance and undermine continuance intentions. While affective commitment reduces switching intentions, calculative commitment without an affective dimension increases the likelihood of the dissolution of the relationship.

Collectively, the final model is found to be more parsimonious than the hypothesized conceptual model. Considering the antecedents of commitment, shared values, service quality, trust and customer orientation are the four precursors of affective commitment; interdependence and service portfolio are the two precursors of calculative commitment. Considering the consequences of commitment, affective commitment leads to cooperation and results in continuance intentions; calculative commitment leads to opportunistic behaviour and failure to cooperate, and hence pushes a relationship into a state of discontinuance or dissolution.

The data collected from 259 financial managers in China provided an excellent fit to our hypothesized model. Psychometric support was found for a majority of 11 (of 14) hypotheses, despite the fact that the hypothesized relationships were proposed on the basis of the exchange relationships literature in the West. This is another important finding, as although a large cohort of commentators (for example, Davies *et al.* 1995, Lee *et al.* 2001) have suggested that business relationships in China possess some unique cultural features (for example, *guanxi*), our hypothesis-testing results indicate that many concepts in the exchange relationships literature in the West can be adopted into the Chinese corporate banking sector.

Implications

The policy implications arising from this investigation for bank management and treasury practitioners are many and varied. The positive relationships between the antecedents of commitment and two types of commitments suggest that bank management should cautiously consider which kind of shared values corporate customers expect from their banks (Wetzel *et al.* 1998). The creation of trust in the relationship could also be a focus for both bankers and financial managers. Trust arises if the service provider is honest and benevolent with the customer; therefore, fair treatment, open communication and cooperative orientation should be considered to build up the blocks of trust (Geyskens *et al.* 1996). Bank management should also carefully target the market and gain access to those customers who genuinely wish to engage in relationships with their bankers.

In particular, our results suggest affective commitment is significantly influenced by service quality. We conclude that service quality is a significant precursor of affective commitment, which in turn leads to cooperation and continuance intentions. Given intense competition within the corporate banking market, bank management should be aware of the importance of service quality in contributing to the development of good bank–corporate relationships (Turnbull and Moustakatos 1996). Banks will benefit economically from focusing their efforts on improving service quality, for example, regularly visiting corporate customers, providing adequate training for bank staff, and recruiting staff with social skills that assist the development of long-standing customer relationships.

To foster calculative commitment, bank management should concentrate more on service portfolio and other technical quality matters, that is, *what* is provided, rather than the functional quality issue, *how* the service is provided (Grönroos 1984). However, bank management should also try to avoid those relationships where corporate customers only demonstrate calculative commitment, as our results identify calculative commitment as positively associated with opportunistic behaviour and negatively correlated with cooperation, reducing expectations of relationship continuation. Without a genuine attempt to develop affective commitment, banks' efforts to develop their relationships with corporate customers will be ineffective.

Finally, this study has four limitations that are suggestive of future research. First, concerns may arise with regard to the lack of complexity of the constructs used in the hypothesized conceptual model. Actually, only the major constructs in the exchange relationships literature were adopted in the conceptual model. Other possible constructs in the commitment literature may be added into the model, for example moral commitment, that is, the feeling of obligation to stay with an organization or partner (Kumar *et al.* 1994). Other potential constructs that have been identified from the relationship banking literature may also be included, for example exchange of information (Boot 2000), communication (Adamson *et al.* 2003) and word-of-mouth (Henning-Thurau *et al.* 2002, Wong and Zhou 2006). Second, several relationships remain uncertain, as three hypothesized relationships were found to be statistically unsupported: the relationship between Trust and Calculative Commitment; the relationship between Interdependence and Affective Commitment; and the relationship between Affective Commitment and Opportunistic Behaviour. This could be due to the specific nature of the Chinese banking market we investigated, and hence further research is deemed necessary to illuminate these unclear relationships. Third, this study has hypothesized and empirically tested many relationships between the constructs relating to affective and calculative commitment. However, it would be both interesting and necessary to examine other direct relationships that may exist between the hypothesized constructs in our conceptual model. For example, further research could usefully test the relationship between trust and cooperation and the relationship between trust and continuance intentions. Finally, the data were collected from corporate customers in China and hence the finding of this study should be cautiously translated to other contexts. A direction for further research would be to replicate this study in other cultures (for example, Korea and Thailand) to assess the structure of committed bank–corporate relationships.

Notes

1. The four specialized state-owned banks include Agricultural Bank of China, providing banking services for agricultural and rural industrial projects, Bank of China, conducting foreign exchange operation, China Construction Bank, providing loans for fixed assets investment, and Industrial and Commercial Bank of China, majoring in industrial and commercial business.

2. The three policy banks include State Development Bank for infrastructure financing, Export–Import Bank for trade financing, and Agricultural Development Bank for agricultural financing.
3. China accessed the World Trade Organization (WTO) in December 2001. According to the WTO timetable, the entrance impediments of the Chinese banking market were fully removed in December 2006, and foreign and domestic banks should be able to provide the same products to all customers throughout the country.
4. The stratified sampling was based on both company size (that is, small company, medium company and large company) and geographic location (urban area and suburban area).
5. The classification criterion of company location, size and industry was enacted by the Statistics Bureau of Beijing in 2002.

Urban area:	Within the 4th Ring Road (Beijing)
Suburb area:	Beyond the 4th Ring Road (Beijing)
Small company:	Less than 50 people
Medium company:	Between 51–100 people
Large company:	More than 101 people
The first industry:	Agriculture, forestry, stock raising and fishery
The second industry:	Mining, manufacturing, construction, production and distribution of electricity, gas and water
The third industry:	All the rest industries apart from first and second industries, including transport, communication, wholesale and retail, eating and drinking, finance and insurance, real estate, services and government, etc.

6. The questionnaire is attached in the Appendix.
7. AMOS is a statistical program to perform structural equation modelling, a form of multivariate analysis.
8. The combinational rule of RMSEA < 0.06 and SRMR < 0.08 for samples ($N < 500$) was used, as it is 'extremely sensitive in detecting models with mispecified factor covariances' (Hu and Bentler 1999, p. 26).
9. Many authors (Marsh *et al.* 1998, Hu and Bentler 1999) warn against use of more common goodness-of-fit indices such as the goodness-of-fit index (GFI) and adjusted goodness-of-fit index (AGFI) which are widely used in the structural equation modelling literature.

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Appendix: The questionnaire

The following set of statements relate to the relationship between your company and its *primary* Chinese bank. Please indicate the degree to which you would agree with the following statements. (Circling a 1 means that you strongly disagree; circling a 7 means that you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are.)

	Strongly disagree						Strongly agree
1. Even if you could, you would not drop this bank because you like being associated with it.	1	2	3	4	5	6	7
2. You want to remain a member of this bank's network because you genuinely enjoy your relationship with it.	1	2	3	4	5	6	7
3. Your positive feelings towards this bank are a major reason you continue working with it.	1	2	3	4	5	6	7
4. There is just too much time, energy and expense involved in terminating your relationship with this bank.	1	2	3	4	5	6	7
5. You want to maintain your relationship with this bank given the anticipated termination or switching costs.	1	2	3	4	5	6	7
6. This bank benefits your company (e.g. profit) more than any other banks.	1	2	3	4	5	6	7
7. To succeed in this business, it is often necessary to compromise one's ethics.	1	2	3	4	5	6	7
8. If an employee is discovered to have engaged in unethical behaviour that results primarily in personal gain (rather than corporate gain), he or she should be promptly reprimanded.	1	2	3	4	5	6	7
9. You feel that this bank's service quality is excellent.	1	2	3	4	5	6	7
10. You are satisfied with the services provided by this bank.	1	2	3	4	5	6	7
11. You can count on this bank to be sincere.	1	2	3	4	5	6	7
12. Though circumstances change, you believe that this bank will be ready and willing to offer you assistance and support.	1	2	3	4	5	6	7
13. When it comes to things that are important to you, you can depend on this bank's support.	1	2	3	4	5	6	7
14. There are no other banks which could provide you with the comparable services.	1	2	3	4	5	6	7
15. It would be difficult for your company to switch to another bank.	1	2	3	4	5	6	7
16. The cost of switching to another competing bank would be prohibitive.	1	2	3	4	5	6	7
17. You make use of a large portion of the range of services offered by this bank.	1	2	3	4	5	6	7
18. The service portfolio of this bank meets your expectations.	1	2	3	4	5	6	7
19. This bank tries to understand what services you really need.	1	2	3	4	5	6	7
20. This bank tries to provide an accurate expectation of what the product/service will do for your company.	1	2	3	4	5	6	7
21. This bank tries to help your company achieve its goals.	1	2	3	4	5	6	7
22. This bank and your company actively work together as partners.	1	2	3	4	5	6	7
23. The working relationship between your company and this bank can be characterized as one where there is a lot of mutual cooperation.	1	2	3	4	5	6	7
24. This bank helps out your company in whatever ways you ask.	1	2	3	4	5	6	7
25. Your company helps out this bank in whatever ways it asks.	1	2	3	4	5	6	7

26. If there is a good alternative to this bank, you will terminate your relationship with the bank.	1	2	3	4	5	6	7
27. To accomplish its own objectives, sometimes this bank alters the facts slightly.	1	2	3	4	5	6	7
28. To accomplish its own objectives, sometimes this bank promises to do things without actually doing them later.	1	2	3	4	5	6	7
29. You expect that your relationship with this bank will continue for a long time.	1	2	3	4	5	6	7
30. You plan to continue your relationship with this bank.	1	2	3	4	5	6	7
31. The renewal of your relationship with this bank is virtually automatic.	1	2	3	4	5	6	7

Demographic items:

1. How many people does your company employ?

☐ Under 50 ☐ 51–100 ☐ Over 101

2. Where is your company based?

☐ Inside the 4th Ring Road ☐ Outside the 4th Ring Road ☐ Other

3. In which industry is your company?

☐ Agriculture, forestry, stock raising and fishery

☐ Mining, manufacturing, construction and production

☐ Distribution of electricity, gas and water

☐ Transport, communication, wholesale and retail, eating and drinking

☐ Finance and insurance, real estate, services and government

☐ Other, please specify_____________

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