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Management Controls for Effective Inter-firm (Buyer-Supplier) Relationships: Bangladesh RMG Industry

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ABSTRACT

A large proportion of inter-firm relationships (IFRs) in the outsourcing industry fail globally to achieve their intended objectives. As such, the right management controls are required in order to support these relationships. There is however, limited empirical research on effective inter-firm (buyer-supplier) relationships (EIFRs) and management controls for specific industries. This study extends the literature by examining EIFRs and their relevant management controls in the ready-made garments (RMG) industry in Bangladesh. The RMG industry in Bangladesh is highly dependent on international buyers as they contribute significantly to the country's economy. Thus, the purpose of this study is to examine the relevant management control models to support EFIFs in the RMG industry. Accordingly, a cross-sectional survey was conducted with senior managers of RMG suppliers in Dhaka City. The results highlight the importance of market-based and trust-based control models in supporting EIFRs in Bangladesh's RMG industry.

Keywords: Management control models; effective inter-firm (buyer-supplier) relationships; transaction cost economics; Ready-made garment (RMG) Industry; Bangladesh

Introduction

Inter-firm relationships (IFRs) between buyers and suppliers have become increasingly complex due to changes in the business environment resulting from deregulation, globalisation, and rapid technological changes (Pech et al. 2021; Villena et al. 2021). A strategic alliance between firms provides the opportunity to access the essential skills and competencies necessary to succeed in the market (Das & Teng 2001; Emami et al. 2022). Business firms use inter-firm alliances to gain competitive advantages in the market, access or internalise new technologies, and share risk or uncertainty (Kale et al. 2000; Kauffman & Pointer 2022). Organisations increasingly adopt IFRs and networking as competitive tools to improve competitiveness (Tomkins 2001; Wibisono et al. 2019). Interestingly, various forms of IFRs have been developed including contractual, transactional, joint ventures, strategic alliances, as well as collaborative relationships (Carey & Lawson 2011; Liu et al. 2017; Nyaga et al. 2010). However, two-thirds of IFRs in different industries fail to achieve their expected results (Das & Teng 2001; Lunnan & Haugland 2008; Oh & Yoo 2022). Such failures were due to the absence of practical attributes of IFRs, and relevant management control mechanisms required to sustain the business relationships. The success and quality of IFRs depend largely on the right management controls or governance methods. (Carey & Lawson 2011; Jääskeläinen 2021). However, empirical works on the management control model of effective inter-firm (buyer-supplier) relationships (EIFRs) for a specific industry are still sparse and limited.

Bangladesh has one of the world's fastest-developing economies to date (Economist Intelligence 2022; Iftekhar Ahmed 2022). As a result, Bangladesh is on the route to being reclassified from an underdeveloped country to a developing country (World Bank 2022). The ready-made garments (RMG) manufacturing sector has made a considerable contribution to export earnings, employment creation, poverty reduction, and women's empowerment move in the country. As depicted in Figure 1, the country's total export amount has increased over time in the same way as its RMG industry. In fact, this sector has managed to export USD 42,613.15 million in the 2021-2022 fiscal year (Bangladesh Bureau of Statistics (BBS) 2022). The RMG exports have also conquered more than 80 percent of Bangladesh's total exports since 2013.

Nevertheless, the RMG sector in Bangladesh is not without challenges, as it faces problems resulting from the recent epidemic (Mansur & Alam 2022). The focus of the study is therefore, Bangladesh's RMG industry as it is losing its global market share to its competitors, including Vietnam, China, and Indonesia (Hossain 2019). The importance of IFRs between buyer-suppliers in the RMG industry is recognised owing to the high competition between RMG exporting countries. The primary reason for the fallouts among IFRs in Bangladesh's RMG industry was attributed to tacit promissory contracting with no written contracts or agreements resulting from a poor legal environment (Hoque et al. 2016). International buyers suspended business relations with RMG suppliers in Bangladesh for multiple industry-related reasons, which include accusations of social compliance failures (Ganguly & Human Rights Watch (Organization) 2015).

Losing business to suppliers in competing countries meant that these suppliers faced uncertainty regarding future production, smaller price bargaining scopes, risk of order cancellations, and unexpected disruption of business relationships.

With mainly international buyers, developing EIFRs supported by appropriate management controls is critical for the RMG suppliers in Bangladesh. Therefore, this study aims to identify the relevant management control models needed to support EIFRs in the RMG industry in the context of Bangladesh. This study collected survey data from 108 senior managers of 47 Bangladeshi RMG manufacturing firms. The data indicates the importance of market-based and trust-based control models in supporting EIFRs in Bangladesh's RMG industry. Further, a major significant contribution of this study is that it exhibits the effect of management control models on EIFRs in the RMG industry through transaction cost economics (TCE) theory. The remainder of this paper is organised as follows. The next section focuses on the literature, hypotheses development and theoretical frameworks. Subsequently, the research methodology and results will be discussed. Ultimately, a discussion and conclusion is provided in the final section.

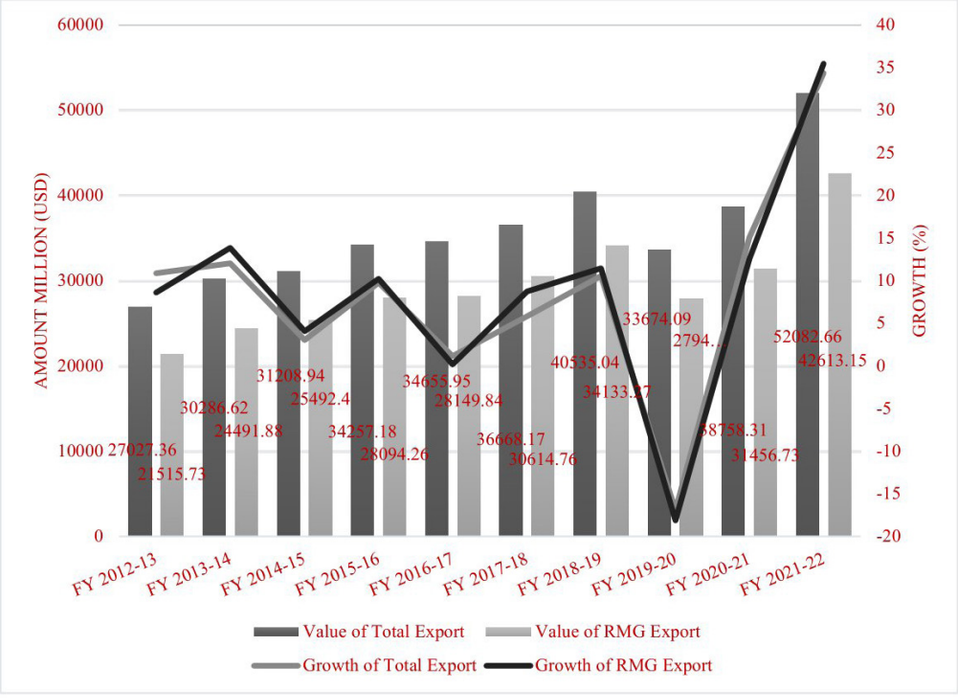

FIGURE 1. Recent trends of total and RMG export
Source: Bangladesh Bureau of Statistics (BBS) (2022)

Literature Review

EFFECTIVE INTER-FIRM (BUYER-SUPPLIER) RELATIONSHIPS OF RMG INDUSTRY

Inter-firm (buyer-supplier) relationships (IFRs) refer to the commercial interactions and processes by which buyers and suppliers cooperate for mutual gains (Jääskeläinen 2021; Squire et al. 2009). These include contractual, formal and joint venture arrangements, which were developed to correspond with changes in a business nature and its environment. For commercial sustainability, IFRs can vary from transactional to collaborative relationships (Kalwani & Narayandas 1995; Munyimi & Chari 2018). In fact, transactional, collaborative and strategic alliance relationships are the three main categories of IFRs discussed in prior studies (Arnold et al. 2012; Dekker et al. 2016; Gomes et al. 2016). Comparative studies were done on whether such relationships offer incredible benefits to the buyer and supplier firms. For example, Whipple et al. (2010) found that collaborative relationships provide greater satisfaction and performance for buying firms than transactional relationships. Munyimi and Chari (2018) however, found that transactional and strategic alliances are more significant in achieving economic sustainability compared to collaborative relationships.

Evidently, IFRs will achieve their intended objectives when relevant attributes are present to sustain their relationships. The absence of relevant attributes will undermine the effective inter-firm (buyer-supplier) relationships (EIFRs) to achieve competitive advantages. Bensaou (1999) asserts that successful buyer-supplier relationships require an inter-firm relationship appropriate to product and market conditions. However, there are currently no studies that define EIFRs for specific

industries such as RMG. Therefore, the characteristics of EIFRs relevant to Bangladesh's RMG industry have to be identified. Existing challenges such as short-term purchases, international buyers, and intense international competition from other RMG exporting countries need to be addressed as put firms in the RMG industry at a competitive disadvantage.

Drawn from the relevant literature (i.e. Powers & Reagan 2007; Wilson 1995), the elements of EIFRs to be examined for this study include frequent repetition of purchase, long-term relationships, mutual goals, performance satisfaction, trust, commitment, high-level cooperation, as well as bargaining power balance. The relevance of each element of EIFRs is discussed further below:

FREQUENT REPETITION OF PURCHASE (FRP)

Supplier companies are often expected to receive regular orders from their buyers. Similarly, buyer businesses anticipate receiving all orders from their suppliers in accordance with the product and service specifications. Gruen (1997) and Leonidou et al. (2006) revealed that buyer companies develop IFRs to acquire timely, high-quality goods, and supplier firms involved in IFRs receive continuous orders from buyer firms. Most importantly, effective buyer-supplier relationships are designed mainly to avoid future transactional uncertainty (Kannan & Tan 2006; Hoque et al. 2016). Shamsollahi and Bell (2020) discussed that the complexity of a purchase positively affects the continuity of buyer-supplier relationships. It is noteworthy that, despite the potential influence of repeat purchases on the IFRs, it has received comparatively limited attention in prior research.

LONG-TERM RELATIONSHIPS (LR)

A long-term relationship between buyers and suppliers is a joint effort by each partner to create values which cannot be made within a short period of time. Relatively, long-term buyer-supplier relationships improve firm performance (Cannon & Perreault 1999; Stouthuysen et al. 2019; Sombultawee & Pasunon 2022). Manufacturers seek long-term relationships to secure valued resources and technologies, harness supplier skills and strengths, and gain from quality and process improvements (Jääskeläinen 2021; Kalwani & Narayandas 1995; Sombultawee & Pasunon 2022). However, according to Sombultawee and Pasunon (2022), in the context of transactional viewpoints, the need for maintaining long-term relationships becomes unnecessary for the continuity of IFRs. Hence, evaluating the presence of long-term relationships as a feature of EIFRs will provide new perspectives in a situation where contractual commitments are diminishing.

MUTUAL GOALS (MG)

The definition of mutual goals refers to the extent to which a buyer and supplier share goals that can be achieved only via collaborative effort along with the continuation of their relationship (Jean et al. 2012; Jääskeläinen 2021). These mutual goals provide a strong reason for IFR continuance. Similarly, O'Flynn (2009) reports that inter-firm collaboration occurs when the parties develop a willingness to enhance each other's capacity for mutual benefit and common purpose. Thus, mutual goals evidently foster and support successful IFRs and its desired outcomes (Rungsithong & Meyer 2020; Spekman & Carraway 2006). The success of IFRs between buyers and suppliers hinges on the attainment of their desired objectives, which encompass mutual goals, as highlighted by Emami et al. (2022) and Wibisono et al. (2019). Furthermore, Alghababsheh and Gallear (2020) elaborate that it is the shared expectations and aligned perspectives that empower both the buyer and supplier to recognize common and suitable approaches for realizing their mutual objectives and tasks.

PERFORMANCE SATISFACTION (PS)

According to Gruen et al. (2000) and Wilson (1995), performance satisfaction in IFRs refers to the degree to which buyers and suppliers fulfil their financial and non-financial performance. Focusing on franchise relationships, Altinay et al. (2014) concluded that performance satisfaction had a significant and beneficial effect on the levels of trust amongst business partners. Moreover, satisfaction with performance in buyer-supplier relationships has a beneficial effect on the level of trust, further encouraging the continuation of inter-firm activities (Chen et al. 2011; Leonidou et al. 2008; Mpinganjira et al. 2017). Emami et al. (2022) discovered that within the telecommunications sector, small entrepreneurial firms experience substantial and favourable enhancements in their financial, operational, and organizational effectiveness due to their involvement in strategic partnerships. However, studies on the relationship between performance satisfaction and EIFRs within the context of a specific industry are not adequate.

TRUST (TRUST)

In an organisational setting, trust in IFRs develops when partners fulfil the expectation, and requirements of the transactions. This in turn plays an important role in facilitating knowledge sharing between partners (Nooteboom et al. 1997; Nyaga et al. 2010; Rungsithong & Meyer 2020). Both buyers and suppliers gain a competitive advantage through IFRs. Trust is developed over time through the processes of learning and adaptation, which are essential to strengthening the IFRs (Agarwal & Narayana 2020; Akrout 2019), making the relationship more durable in the face of conflict and encouraging interactions between partners (Johanson & Mattsson 1987; Kauffman & Pointer 2022). Furthermore,

it was argued that trust is a crucial factor in shaping buyer-supplier relationships as it helps to reduce transaction costs and facilitates coordination in IFRs (Bag 2018; DhaifAllah et al. 2020). Kauffman and Pointer (2022) affirm this by stating that, trust develops strong IFRs and it is an influencing attribute of EIFRs.

COMMITMENT (COMT)

Aslam et al. (2022) state that commitment serves as the fundamental cornerstone of effective buyer-supplier relationships. Commitment, within the context of buyer-supplier relationships, can be defined as the explicit or implicit promise to uphold IFRs, indicating a partner's willingness to allocate financial, physical, or relational resources (Aslam et al. 2022). Commitment to business partners such as on-time delivery and quality products has been conceptualised as a requirement for operational effectiveness (Fehr & Rocha 2018; Nyaga et al. 2010). DhaifAllah et al. (2020) contend that contextual and relational elements, including commitment, significantly influence buyer-supplier relationships. Organizational commitment plays a pivotal role in shaping IFRs and is a noteworthy attribute (Kauffman & Pointer 2022). Insufficient commitment levels may hinder investments in long-term inter-firm goals. Agarwal and Narayana's (2020) statement suggests that a high level of commitment from a buyer can augment the beneficial impacts of information sharing and overall satisfaction in the relationship. The need for further research on commitment within buyer-supplier relationships has been called by numerous previous scholars, as highlighted by Aslam et al. (2022) from various perspectives.

HIGH LEVEL OF COOPERATION (HLC)

Cooperation is defined as coordinated efforts done by buyers and sellers in IFRs to create mutually beneficial results with an expected exchange over time (Butt et al. 2021). Cooperative interaction results in cooperative behaviours in IFRs between buyers and suppliers. Moreover, Emmett & Crocker (2006) concluded that cooperation is one of the main keys to successful IFRs that helps to minimise communication differences between partners. Over time, collaboration is a process with cooperative efforts to improve profit, performance, and the attainment of competitive advantages (Jap 1999; Veile et al. 2020). Fehr and Rocha (2018) described that cooperation within IFRs provides a conducive setting for the utilization of cost information management and sharing among partners. Hence, collaboration pertains to instances where separate entities collaborate to achieve goals in a mutually beneficial manner over an extended period.

BARGAINING POWER BALANCE (BPB)

In the context of buyer-supplier relationships, power signifies one partner's capacity to exert control over the actions and decisions of the other partner (Reimann et al. 2017). An unequal distribution of power had detrimental consequences for the sustainability of IFRs (Shamsollahi & Bell 2020). In the same way, power is employed when one party seeks to elicit specific actions from another party (Han et al. 2022). Bargaining power is the ability of one party to influence the terms and conditions of a contract in its favour (Pham & Petersen 2021). Suppliers can earn more from the buyers without bargaining power by driving up prices (Nair et al. 2011). Several studies regarded bargaining power as detrimental to IFRs and underlined the necessity to contractually limit the imbalance in inter-firm power structures in order to attain bargaining power equilibrium (Handfield & Bechtel 2002; Maloni & Benton 2000; Noordewier et al. 1990). Nair et al. (2011) found that buyers and suppliers make a higher level of harmonious trade dealings when a balance of bargaining power exists in the relationships. Therefore, this study has added bargaining power balance as a characteristic of EIFRs involving buyer-supplier dynamics.

MANAGEMENT CONTROLS FOR INTER-FIRM (BUYER-SUPPLIER) RELATIONSHIPS

Management controls serve the purpose of bolstering trust among partners and facilitating smooth network operations. Additionally, these controls play a crucial role in defining the boundaries of networks by clarifying the dynamics of relationships and delineating the expected actions within them (Meira et al. 2010). The management control system offers a platform for parties to engage in discussions and foster deeper mutual understanding. The results can be influenced by the nature of the control systems and the fundamental corporate strategy that underpins them (Donada et al. 2019). However, very limited studies were found in recent years studying management control for IFRs between buyer-suppliers. IFRs transcending organisational boundaries require establishing a suitable management control system and processes (Cooper & Slagmulder 2004; Dekker 2003). Van der Meer-Kooistra and Vosselman (2000) (VMV) provide a complete analysis of inter-firm management controls by considering the transaction characteristics and environment incorporating the parties' attitudes toward the inter-firm transactions and the role of trust in achieving control between the two parties in the buyer-supplier relationships.

The management control models of VMVs describe how IFRs can be formed between outsourcing parties and suppliers and how the parties can collaborate and manage the risks associated with contractual activities. VMV control models include management control patterns and contingency variables for IFRs. Firstly, management control models of IFRs encompass three phases: contact, contract, and execution. Secondly, the selection of the best-suited management control model for successful buyer-supplier relationships is influenced by contingency

factors. Van der Meer-Kooistra and Vosselman (2000) also highlighted three types of contingency factors in their model: characteristics of transactions, transaction environment, and transaction parties. The above-mentioned control patterns and contingency factors are presented in Table 1 under three management control models: market-based control, bureaucracy-based control, and trust-based control.

TABLE 1. VMV's management control archetype of IFRs

Control Archetypes	Control Pattern of IFRs	Contingency Factors
Market-based control model	Contact phase	Transaction characteristics
Bureaucracy-based Control Model	Contract phase	Transaction environment characteristics
Trust-based Control Model	Execution phase	Transaction party characteristics

THEORETICAL FRAMEWORKS

The transaction cost economics (TCE) theory explains alternative modes of organising transactions, such as market, hybrid, and bureaucracy, which minimises transaction costs and optimises the organisational structure to achieve economic efficiency (Williamson 1979, 1986). TCE theory is adopted for the study to explain the appropriate and relevant management control model of EIFRs in the RMG industry.

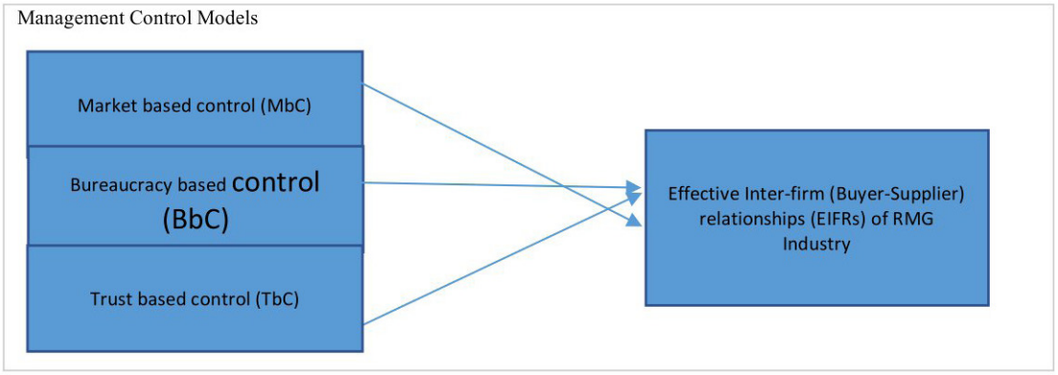

FIGURE 2. Theoretical Framework: Management Control Models for EIFRs in RMG Industry

The TCE theory is widely adopted for studies on management control practices for IFRs (i.e. Anderson et al. 2013; Meira et al. 2010). Anderson et al. (2013) found relevant management control mechanisms to address different types of IFRs risks. With the concern of coordinating, supporting planning and assessing the performance of IFRs, the management control models (Market, Bureaucracy, and Trust-based controls) proposed by Van der Meer-Kooistra and Vosselman (2000) were developed with the TCE theory as the underpinning theory. TCE is therefore, (Williamson 1979, 1986) the main theory for this study. Additionally, the notion of trust also impacts the theoretical framework of this study. Langfield-Smith and Smith (2003) argued that management control models of VMV are suitable for IFRs situations.

As shown in Figure 2, this study's theoretical framework highlights management control models as independent variables and the EIFRs of the RMG industry as the dependent variable. The management control models consist of the market, bureaucracy, and trust-based control models. Van der Meer-Kooistra and Vosselman (2000) asserted that all three inter-firm control patterns would exist in inter-firm contractual relationships, with one control mechanism being most dominant in the relationship.

Hypothesis Development

MARKET-BASED CONTROL (MBC) MODEL AND EIFRS OF RMG INDUSTRY

The TCE theory asserts that management control devices must be developed to support market-based IFRs in specific circumstances, including less detailed contracts, low asset specificity, and high measurability of activity and is characterised by competitive bidding (Van der Meer-Kooistra & Vosselman 2000). Suppliers require no specific investments in this model. If one party to an inter-firm relationship behaves opportunistically, alternative parties can be chosen without incurring relevant switching costs (Hakansson & Lind 2004; Sartorius & Kirsten 2005). As asserted by TCE, these characteristics of the market-based control (MbC) model are developed

to support the buyer-supplier relationships with instant contracts and frequent repetition of transactions.

The control devices of the MbC model were used to ensure the quantity and quality of the supplier's output and delivery timeliness. Payments for suppliers' efforts are directly linked to these expectations (Langfield-Smith & Smith 2003). Furthermore, when many potential transaction parties are available in the market with the same characteristics and market information, including competitive prices, IFRs run efficiently (Langfield-Smith & Smith 2003; Van der Meer-Kooistra & Vosselman 2000). In the study conducted by Donada and Nogatchewsky (2006), it was observed that the dominant buyer primarily exercises MbC within inter-firm buyer-supplier relationships. Correspondingly, case study findings indicate that companies employing MbC tend to encounter the highest level of ease in managing IFRs (Phua et al. 2011). Buyer-supplier relationships in the Bangladesh RMG industry include suppliers doing business with the same buyers for an extended period without entering into formal contracts. It signifies a market-based model of buyer-supplier relationships. Therefore, this study develops the following hypotheses:

H_1 The market-based control model has a significant positive effect on effective inter-firm (buyer-supplier) relationships in the RMG industry.

BUREAUCRACY-BASED CONTROL (BBC) MODEL AND EIFRS

Companies that take advantage of ideal IFRs require a continuous exchange of detailed information concerning the technical and economic aspects of the activities performed and the use of resources (Hakansson & Lind 2004). Underpinned by TCE, the bureaucracy-based control (BbC) model introduced by Van der Meer-Kooistra and Vosselman (2000) requires continuous supervision, performance measurement, evaluation, and a well-developed information processing system to support a successful buyer-supplier relationship in the RMG industry. In the BbC model, business partners are selected based on specific criteria as well as detailed and substantive contract writing to avoid future conflict. The payment made by buyers in this model is based on the quality of the realised outputs or activities of supplier firms which are measured regularly to justify the formation of IFRs (Langfield-Smith & Smith 2003).

The BbC model is preferable for IFRs when the environment is regarded by medium ambiguity. This means that the context is characterised by moderate asset specificity, medium to high output accuracy, and low to medium consistency of transactions (Langfield-Smith & Smith 2003; Sartorius & Kirsten 2005). The BbC model is also effective when activities are nearly comparable (Hakansson & Lind 2004). In addition, Langfield-Smith and Smith (2003) and Van der Meer-Kooistra and Vosselman (2000) concur that this model is applicable when institutional factors influence contractual rules and when buyers and sellers have a reputation for competence, a moderate risk-sharing attitude, and unequal bargaining power. The concept of BbC is aimed at optimizing inter-firm transactional relationships by incorporating social-based control mechanisms to enhance operational cooperation over time (Donada & Nogatchewsky 2006). Research also indicates that BbC plays a significant role in IFRs, typically occupying a position between market-oriented and trust-based control strategies, as evidenced by Phua et al. (2011). Moreover, Madueño and García (2015) found that the control mechanism practised by the managers of IFRs closely resembles the BbC pattern. The international buyers of the RMG industry in Bangladesh are from reputable global brands that require high-quality product specifications entailing close supervision. Thus, based on the above discussion, the following hypothesis is proposed.

H_2 The bureaucracy-based control model has a significant positive effect on effective inter-firm (buyer-supplier) relationships in the RMG industry.

TRUST-BASED CONTROL (TBC) MODEL AND EIFRS

Van der Meer-Kooistra and Vosselman (2000) highlight that trust is a significant factor in inter-firm relations that ensures cooperation between parties leading to successful relationships. The trust-based control (TbC) model appeals to IFRs since suppliers are chosen based on trust derived from long-term relationships, past contractual agreements, or a trustworthy reputation. In this relationship form, there is no clear contractual text in the contract between the buyers and suppliers. Due to the socially ingrained nature of the relationship, such IFRs opt for a TbC model that lacks legally binding agreements. In the execution phase of the transactions supported by the TbC model, control mechanisms are designed to foster buyers' and sellers' trust, goodwill, personal consultation, commitment and coordination between parties.

According to Langfield-Smith and Smith (2003) and Van der Meer-Kooistra and Vosselman (2000), the TbC model is suitable for IFRs in the following situations: When the market is highly unpredictable, has a high asset specificity, payment is not based on activity assessment and lengthy relationships. Secondly, in cases where the transaction's context is uncertain, the future contingency is unclear, and the relationships are socially ingrained. In addition, contracting parties share qualities in overcoming the information asymmetry between them by establishing goodwill trust. Besides, trust significantly impacts management control and successful IFRs (Rad 2017; Varoutsa & Scapens 2018). Phua et al.'s (2011) research demonstrated that companies characterized by TbC encounter the greatest challenges when attempting to change suppliers. In contrast, Donada and Nogatchewsky (2006) observed that TbC enhances operational-level cooperation over time, with the buying party only able to exert TbC to mitigate transaction risk. Furthermore,

Madueño and García (2015) findings suggested that the management of relationships is a hybrid approach incorporating elements of both BbC and TbC. Consequently, the following hypothesis was formulated:

H_3 The trust-based control model has a significant positive effect on effective inter-firm (buyer-supplier) relationships in the RMG industry.

Research Methodology

The study adopted a cross-sectional research methodology with a self-administered questionnaire survey. A five-point Likert scale ranging from strongly disagree to agree was used to collect the participants' responses. There are 4,560 RMG factories in Bangladesh (Bangladesh Garment Manufacturers and Exporters Association 2019), with around 500 firms situated in Dhaka. To achieve the objective of the study, survey respondents must be knowledgeable in the area of buyer-supplier relationships with international buyers and must be part of the top management (chief executive officer/managing director, general manager, chief merchandising officer, chief accountant, marketing manager, and operation manager). Adopting the purposive sampling method (Etikan 2016), 50 RMG firms in Dhaka city were randomly selected to ensure these firms were dealing with global buyers. A total of 250 managers were selected as respondents from these RMG firms. In addition, to fulfil the minimum required sample size, the study adopted the formula $N > 50 + 8m$ (Tabachnick et al. 2007), where 'N' is the minimum sample size and 'm' is the number of independent variables. To meet the requirements, 1 is added to the sample. In this study, three independent variables are tested. Hence, the minimum sample size is $N = 50 + 8(3) + 1$, which is equal to 75. Therefore, the sample size in this study is more than the minimum sample required to run a regression analysis.

To determine content validity and improve the measurement of items, the survey questionnaire was first given to five academic experts specialising in the area of management accounting, and a pilot test was conducted. A total of 108 copies of the questionnaires were returned from 47 firms, which is 43.2 percent. According to Sekaran (2006), a sample size of 43.2 percent is acceptable for regression analysis. The data collection procedure was challenging and required several strategies to maximise the response rate. In the first stage, 100 Google survey questionnaires were sent to the targeted respondents through email. Since no response was noticed from the online (email) survey, steps were taken to contact and meet the respondents physically to ensure maximum responses. The demographic information of respondents and their firms is outlined in Table 1.

TABLE 1. Respondents' demographic profile

Characteristics	Categories	Overall	
		Frequency	Percentage (%)
Current Position	Chief Executive Officer/Managing Director	13	12.0
	General Manager	35	32.4
	Chief Merchandising Officer	40	37
	Chief Accountant	3	2.8
	Chief Accountant	7	6.5
	Operation Manager	10	9.3
Education	Bachelor's Degree	0	0.0
	Master's Degree	65	60.2
	MBA Degree	42	38.9
	Professional Degree	1	0.9
Working Experience	4-6 Years	2	1.9
	7-9 Years	14	13.0
	10 Years and Above	92	85.2
Number of Employees	Below 1,000	31	28.7
	1,000-4,999	45	41.7
	5000-9999	21	19.4
	10,000-14,999	5	4.6
	15,000 and Above	6	5.6
Ownership Structure	Sole proprietorship	21	19.4
	Partnership	39	36.1
	Corporation	48	44.4

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Origin of Buyers	USA & EU	52	48.1
	Asia, USA, EU	39	36.1
	EU	7	6.5
	USA	5	4.6
	Asia	5	4.5
Medium of Sale Contracts	Direct	6	5.6
	Buying House	14	13
	Both (Direct & Buying House)	88	81.5
Length of Relationship	Short-term (below 3 years)	0	0.0
	Medium-term (3-5 years)	33	30.56
	Long-term (above 5 years)	50	46.30
	Medium & Long-term	25	23.14

The study used a statistical package software SPSS (version-28) as a tool to analyse the data. In the first stage of this study, different analyses were conducted: descriptive, factor, correlation, reliability test, normality, and multicollinearity test analysis. For the second stage of data analysis, regression analysis was undertaken to answer the research question with the following model:

$$Effective\ IFRs = \beta_0 + \beta_1 MbC + \beta_2 BbC + \beta_3 TbC + \epsilon \quad \text{.....(1)}$$

VARIABLE MEASUREMENT

With the development of the RMG Industry in Bangladesh, including short-term purchases and international buyers, and the pressing need to maintain its competitiveness in facing intense international competition from other RMG exporting countries, the EIFRs variable is a composite variable consisting of elements of EIFRs as shown in Table 2. The elements are developed based on Powers and Reagan's (2007) and Wilson's (1995) studies. The measurement was widely adapted by prior studies (for example, Nair et al. 2011; Altinay et al. 2014; Hoque et al. 2016). The measurement of MbC, BbC, and TbC models was adapted from Donada & Nogatchewsk (2006), Hakansson & Lind (2004), Langfield-Smith & Smith (2003), Sartorius & Kirsten (2005), and Van der Meer-Kooistra & Vosselman (2000).

Results and Discussion

DESCRIPTIVE AND CORRELATION ANALYSIS

The relationship factors used in this study were examined for reliability by using Cronbach's alpha. Cronbach's alphas for each relationship factor exceeded the suggested level of .70 by Hair et al. (2010). The items were then subjected to exploratory factor analysis. All the items loaded onto their respective constructs were statistically significant. This procedure revealed that the factors matched the constructs used in this study (Hair et al. 2010; Sharma 1996). Table 2 lists the measures used in this study, the factor loadings, and the construct reliability.

TABLE 2. Descriptive Statistic

Description	No. of item	Eigen Value	Cronbach's Alpha	Mean	Std deviation
Elements of EIFRs of RMG Industry:					
Frequent repetition of Purchase (FRP)	3	1.27	.83	4.58	0.80
Long-term relationships (LR)	3	2.06	.87	4.49	0.95
Mutual Goal (MG)	4	3.75	.90	4.46	1.06
Performance satisfaction (PS)	4	3.47	.88	4.38	1.11
Trust (TRUST)	4	3.09	.90	4.44	1.02
Operational Commitment (OC)	4	2.59	.85	4.33	0.82
Financial Commitment (FC)	3	2.44	.93	4.42	1.00
High level of cooperation (HLC)	3	1.95	.77	4.27	1.03
Bargaining power balance BPB)	4	5.32	.91	4.37	0.84
Management Control Models:					
Market-based control (MbC)	5	3.84	.87	4.47	1.07
Bureaucracy-based control (BbC)	4	2.75	.89	4.33	1.4
Trust-based control (TbC)	5	2.75	.75	3.72	1.39

For elements of EIFRs of the RMG Industry, their mean scores are above four on the Likert scale of five, reflecting a high degree of agreement among the respondents. It supports that the EIFRs elements are relevant to support the buyer-supplier relationship in the RMG industry. The descriptive analysis in Table 2 also displays that the overall highest mean of 4.47 relates to the MbC variable, whereas the overall lowest mean of 3.72 relates to the TbC variable. It indicates that, on average, the respondents who belong to the top management of firms in the RMG sector of Bangladesh agreed that the management control models –MbC, BbC and TbC have an impact on the EIFRs. Finally, the overall mean scores ranking shows that the MbC model is ranked first, followed by the BbC and TbC models.

Correlation analysis is undertaken for all variables in the regression model, including EIFRs and management control models. Table 3 shows that MbC and TbC positively correlate with effective buyer-supplier relationships at significant levels, 0.26 and 0.22, respectively. Overall, none of these correlations is above 0.70, indicating no correlation issues among the regressed factors (Lind et al. 2012).

TABLE 3. Correlation Analysis

Co-efficient	MbC	BbC	TbC	EIFRs
MbC	1			
BbC	-.09	1		
TbC	.13	-.06	1	
EIFRs	.26**	-.03	.22*	1

N = 108

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed)

Note: MbC=Market-based control pattern, BbC=Bureaucracy-based control pattern, TbC=Trust-based control pattern, EIFRs=Effective inter-firm (buyer-supplier) relationships.

MULTIPLE REGRESSION ANALYSIS

A multiple linear regression analysis was also undertaken to address the research question and assess the current study's hypotheses. Consequently, the data satisfies all six conditions of multiple regression analysis: Autocorrelation, linearity, heteroscedasticity, multicollinearity, normalcy, and absence of significant outliers. Table 4 displays the regression analysis findings, where the R^2 value is 0.105 suggesting that the independent variables explain 10% of the variance in the dependent variable. ANOVA demonstrated statistical significance at the 1% level.

The regression analysis findings in Table 4 show that the MbC (coefficient 0.238, t-stat 2.531) and TbC (coefficient 0.194, t-stat 2.07) models are significant in supporting EIFRs in the RMG industry. It follows that the MbC model was the most influential, followed by the TbC model. Thus, H_1 and H_3 are Supported. The BbC (coefficient 0.008, t-stats 0.09) model however, did not support this relationship, and H_2 was subsequently rejected.

TABLE 4. Multiple regression analysis

Variables	Coefficients Value (Beta)	t-statistics	Significant
Effective inter-firm (buyer-supplier) relationships (EIFRs) = $\beta_o+\beta_1$ MbC+β_2BbC+β_3TbC+ϵ			
(Constant)		8.84	.00
Market-based control model (MbC)	.24	2.53	.01**
Bureaucracy-based control model (BbC)	.01	0.09	.93
Trust-based control model (TbC)	.19	2.07	.04*
R	.33		
R^2	.11		
ANOVA	.01		
N	108		

a. Predictors: (Constant), BbC, MbC, TbC
b. Dependent Variable: Effective inter-firm (buyer-supplier) relationships

**. Significant at the 0.01 level
*. Significant at the 0.05 level
Note:
β_o = constants or intercept
β_1 = Predictor's slope on coefficient

With significant results for MbC as the most relevant management control supporting EIFRs between international buyers and suppliers in the RMG industry, this finding is consistent with Donada and Nogatchewsky (2006). They found that buyer firms use the MbC model to support IFRs for the selection of suppliers and the execution phase of the transactions. The results of this study are also consistent with the findings of Phua et al. (2011), which indicate that companies employing MbC tend to encounter the highest level of ease in managing IFRs. Under MbC mechanisms, the RMG suppliers prefer to keep the current industry practices, including receiving purchase orders from the same buyers to sustain their businesses in a highly competitive environment, both locally and globally. As switching costs are low, and suppliers are not concerned with the specific characteristics of buyer firms In fact, the MbC model supports those suppliers to bargain for the most competitive prices as many potential buyers and suppliers are available in the market. Finally, the MbC model maintains that all market information is priced within buyer-supplier negotiations. Thus, managers of RMG supplier firms acknowledge that successful commercial relationships between buyers and sellers are contingent on completed transactions reflecting market conditions in price and product quality.

Also, this study shows that the TbC model comes second in positively influencing EIFRs in the RMG industry. These findings support the results of Langfield-Smith and Smith (2003), who found that parties involved in outsourcing relationships tend to opt for a TbC model. They also mentioned that trust is vital in accomplishing control under a trust-based pattern. The results of the current study are further corroborated by Van der Meer-Kooistra and Vosselman (2000)'s case study, who established controls for outsourcing relationships which contain elements drawn from the TbC model. The results of this study are also consistent with the findings of Phua et al. (2011), Donada and Nogatchewsky (2006), and Madueño and García (2015). Their results demonstrated that TbC encounters the greatest challenges when attempting to change suppliers, TbC enhances operational-level cooperation over time and mitigates transaction risk, and TbC effectively addresses unforeseen non-economic issues and fosters the development of personal relationships. This study specifically highlights the fact that TbC supports effective relationships as follows. First,

suppliers of Bangladeshi RMG firms consider a long-term business relationship with the same buyers more important than a short-term or medium-term relationship for EIFRs. Second, the suppliers of RMG firms do not consider the unknown future contingencies as problematic for them to establish their relationships because of the trust developed by their buyers. Third, in the TbC model, the reputation of buyers is a key consideration for RMG suppliers to continue commercial relationships between them. Fourth, suppliers of the RMG industry consider a high level of customer competency as a significant factor for successful commercial relationships. Finally, EIFRs in the RMG sector require a high level of communication and information exchange between buyer and supplier firms.

The result of this study shows that the BbC model does not significantly support EIFRs in the RMG industry. Therefore, this result contradicts previous studies. Donada and Nogatchewsky (2006), for instance, found that buyers prefer the BbC model to other models, and studies by Langfield-Smith and Smith (2003) and Van der Meer-Kooistra and Vosselman (2000) showed that the BbC model is relevant in supporting outsourcing relationships. Additionally, Phua et al. (2011) research found that BbC plays a significant role in IFRs, typically occupying a position between MbC and TbC strategies. Madueño and García (2015) found that the control mechanism practised by the managers of IFRs closely resembles the BbC pattern. However, findings from this study indicate that detailed written contracts between buyers and suppliers are not obligatory for EIFRs in RMG Industry in Bangladesh. Suppliers of these RMG firms do not face difficulties protecting their commercial interests against their mainly international customers via brief contracts. This is consistent with Hoque et al. (2016), who state that RMG firms use a tacit promissory contracting mode to support their commercial transactions. Suppliers produce and supply finished apparel to global buyers without written contracts and agreements for repeat purchases.

Conclusion

Adopting a cross-sectional survey with senior managers of RMG firms as respondents, this study extends the literature by examining the relevant management control models to support effective buyer-supplier relationships in a highly competitive RMG industry in Bangladesh. The RMG industry was selected for this study primarily to address its current commercial challenges of losing international buyers to other RMG exporting countries. This study finds that effective management control systems for suppliers of the RMG industry are the MbC model followed by the TbC model. Thus, the two control systems are significant in supporting the EIFRs of the RMG industry. The findings contrast previous studies (e.g., Van der Meer-Kooistra & Vosselman 2000; Langfield-Smith & Smith 2003; Donada & Nogatchewsky 2006). These studies highlight that outsourcing transactions' characteristics require the TbC model as a dominant control mechanism over the MbC and BbC models. Interestingly, this study also provides empirical findings on successful IFRs. The factors include repeated purchases, long-term relations, mutual goals, performance satisfaction, trust between contracting parties, operational and financial commitment, cooperation, and a balance of bargaining power. With the elements of effective relationships empirically determined, market-based and trust-based controls would keep international buyers from doing business with the local suppliers of the RMG industry in Bangladesh.

This study contributes to the literature on the applicability of relevant management control models to support commercial transactions in the context of buyer-supplier relationships, as underlined by the TCE, for a specific industry facing intense global competition. Due to the nature of management control models and successful IFRs in the RMG firms, applying TCE theory and the concept of trust to construct hypotheses is significant. As TCE asserts that relevant management control should be implemented, this study finds that MbC and TbC are two significant management control models of inter-firm transactions in the RMG industry. These findings justify why these two management control models are particularly efficient in maintaining successful IFRs in the RMG industry. For contribution to practice, the RMG firms can use the results of this study to mobilise both MbC and TbC to sustain long-term commercial relationships with their global buyers amid serious challenges to be commercially viable. Therefore, the relevant management control models contribute to the stability of the RMG industry. Bangladesh's RMG industry has become a major player in the country's economy and is becoming more prominent in today's business world. It is evident from the available statistics that depict the industry's rapid growth and prospects.

Nevertheless, this study is not without limitations. Its primary concern is the generalisability of the above findings. Since the study sample is limited to the RMG industry, the results are not generalisable nor applicable to other industries. Moreover, the study is led by the viewpoints of the suppliers, but future studies could extend the industry sample to include buyers' perspectives. Secondly, there are no moderating or controlling factors included in this research. Therefore, future research could incorporate factors which may affect the application of such models to these relationships. In addition, future research on successful IFRs in the RMG sector may include various methodologies, theories, and processes, such as case studies, observations, and documentary analysis. Finally, it should be highlighted that this study only covers three distinctive management control models. A broadening of the existing literature by exploring various management control models for inter-firm collaborations in the RMG industry would be beneficial for future studies.

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