

# Trust, Relationship Commitment and Supply Chain Integrations in China

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## ABSTRACT

Supply chain integration (SCI) among different trading partners within a supply chain (SC) has received increasing attention from academicians and practitioners in recent years. However, our knowledge of what influences or enables SCI between trading partners, and how integrations in the SC influence the performance of the SC and firms within the SC, is still very limited. In this paper, we develop and test the measurement instruments for SCI and performance. We also investigate the impact of trust, relationship commitment on SCI and the impact of SCI on SC performance. We propose and empirically tested a model of SCI using data collected from manufacturers within the SC from China. The results show that trust and perceived strategic importance of relationship with the supplier and customers significantly improve relationship commitment. Relationship commitment positively influences SCI and SCI leads to SC performance and the financial performance of the firm within the SC. This study provides important insights for future researchers to understand trust, relationship commitment and SCI from various perspectives.

**Keywords:** Trust, Relationship Commitment, Supply Chain Integration, China

## 1. INTRODUCTION

Though the fundamental concept and importance of supply chain management (SCM) are widely accepted by both the scholars and the practitioners, there is a dearth of empirical research investigating how trust, relationship commitment influence supply chain integration (SCI) and how SCI influence the performance of the supply and the financial performance of firms within the supply chain. Previous studies identified different types of integration of SC (Markham, 2001, Narasimhan, 2001, Stank, Keller and Closs, 2001, Johnson, 1999, Morash & Clinton, 1998). Some papers analyzed the relationship between SCI and SC performance (Narasimhan, 2002, Armistead, 1993). Morgan & Hunt (1994) empirically validated the hypotheses of trust and relationship commitment as key mediating variables in ten forms of relationship marketing for tire retailers as well as their suppliers from the relationship marketing perspective. Their findings generalized that trust engenders cooperation among SC, and that relationship commitment is crucial for integrating SC partners into their key customers' business processes and established goals. Handfield & Bechtel (2002) demonstrated how suppliers and customers could build relationships based on trust and their findings further suggested that working to trust could improve SC responsiveness. Beth et al. (2003) advocated that trust and relationship commitment are placed in the highest priorities in achieving "SCI", a significant concept that promotes collaboration between SC partners for values and competitiveness.

Chen & Paulraj (2004) developed a theoretical framework that integrates strategic purchasing, supply management, logistics integration, supply network coordination, and SC performance. They made a good

attempt to synthesize a large body of literature. However, failed to examine how trust and relationship commitment enable SCI and the paper did not deal with the explanations of various types of SCI. Our study aims to build a model to represent the relationships among trust, relationship commitment, SCI, and SC performance using data collected from manufacturers from Mainland China and Hong Kong. Specifically, the objectives of the paper are as below:

- 1). To define three types of integration: customer integration, supplier integration, and internal integration and develop an instrument to measure them;
- 2). To study the relationships among these three types of integrations and how they influence SC performance and the financial performance of the firm within the SC; and
- 3). To investigate how trust and relationship commitment influence SCI.

## 2. LITERATURE REVIEW

Extensive literature has attached great importance to SCI for achieving competitive advantages (McGinnis & Kohn, 1993; Clinton & Closs, 1997), as well as operational performance (Ahmad & Schroeder, 2001; Frohlich & Westbrook, 2001; Stank, Keller and Closs, 2001). Several researchers such as Bowersox & Morash (1989) and Hammer (1990) suggested that SCI is to integrate the relationships, activities, functions, processes and locations among all channel members in the SC. Stevens (1989) proposed that integrating the SC is primarily involved in planning, coordinating and controlling materials, parts and finished goods from suppliers to customers at all different strategic, tactical and operational levels. Vickery et al., (2003) suggested that SCI should be strategically managed as a single

system as opposed to individually optimizing fragmented subsystems. But, one of the limitations of the earlier explanations is that they may not be systematic enough to differentiate integration from SCM. SCI could be illustrated as the degree to which the firm can strategically collaborate with their SC partners and collaboratively manage the intra- and inter-organization processes to achieve the effective and efficient flows of product and services, information, money and decisions with the objective of providing the maximum value to the customer at low cost and high speed (Bowersox, Closs & Stank, 1999; Towill & McCullen, 1999; Frohlich & Westbrook 2001; Vaart & Donk, 2003). Morash & Clinton (1998) investigated and compares two types SCI: external (customer and supplier) and internal (process reengineering) integration for approximately two thousand global firms. Markham (2001) investigated supplier and customer integration strategies in a global sample of 322 manufacturers. Stank, Keller & Daugherty (2001) developed and tested an instrument for measuring SCI competences as well as evaluating their relative importance to developing logistic distinctiveness.

Collaborative relationships have become one of the most significant resources for building up competitive advantage (Dyer & Singh 1998). Much literature (Kumar 1996; Spekman et al. 1998; Bachmann, 2001) argued that trust is a useful lubricant or fundamental ingredient in maintaining cooperation and avoiding conflicts. Handfield & Bechtel (2002) found that trust could significantly contribute to the long-term stability of a SC. Understanding trust has become the top priority concern in upholding the relationships among SC partners. Trust can be conceptualized in two different levels: interpersonal trust and organizational trust (Cummings & Bromiley, 1996; Zaheer et al., 1998). On the basis of interpersonal trust, organizational trust is established. Organizational trust can be further classified into two categories: intra-organizational trust (Shockley-Zalabak et al. 2000) and inter-organizational trust (Zaheer et al., 1998). Although the issue of trust within the SC has not been studied until recently, the concept of trust has drawn considerable attention in management (e.g., Kramer & Tyler, 1995; Doney, Cannon, & Mullen, 1998) and other disciplines (e.g., Child & Mollering, 2003).

Barber (1983) and Morgan & Hunt (1994) suggested that the propensity for relational continuity and the establishment of long-term relationship are primarily in the theme of "relationship commitment". Relationship commitment can be defined as the willingness of a party to invest resources into a relationship (Dion et al. 1992; Morgan & Hunt, 1994). Gundlach, et al. (1995) further pinpointed its importance for developing and sustaining successful relational exchange. Mayer et al. (1995) and Luo (2002) also argued that the commitment is the backbone of strengthening the function of established trust. Relationship commitment can be identified into two levels: interpersonal commitment and organizational commitment (Hornby, 1995). Organizational

commitment could be further categorized into Intra-organizational (Porter et al., 1974; Mowday et al., 1982) and inter-organizational commitment (Cheng et al., 2004). With increased inter-organizational commitment, SC organizations would develop closer relationships with their SC partners; therefore, it enhances the implementation of SCI. There has been an increasing research emphasis on trust and relationship commitment in recent years.

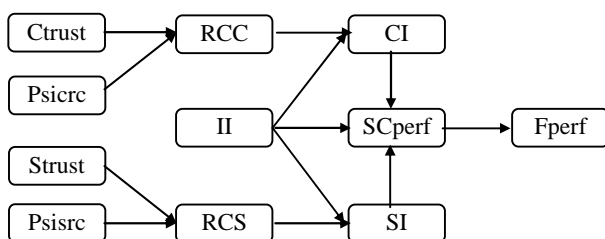
Handfield & Bechtel (2002) studied the role of trust and relationship structure in improving SC responsiveness using data from North American manufacturing firms. They suggested that trust can improve SC responsiveness and developing trust within the relationship improves supplier responsiveness even if buyers do not possess great control over their suppliers.

As cited by Chen & Paulraj (2004), a common measure of business performance is financial performance because the primary goal of business organization is to make profits for the shareholders. Financial performance has been widely used as a key measure of firm performance (Boyer et al., 1997; Boyer, 1999) and is evaluated in different dimensions. However, much literature (e.g. Dixon et al., 1990; Eccles & Pyburn, 1992) has pinpointed the limitations in relying solely on financial performance measures in SC. A broader conceptualization of performance measures includes customer service and other operational indicators. Neely et al. (1995) presented a few of the categories of performance comprising quality, time, flexibility, and cost. Van Hoek (1998) further advocated the SC firms to devise innovative measurement system as opposed to the traditional ROI-based system. Beamon (1999) presented an overview and evaluation of the performance measures used in SC models and also presents a framework for the selection of performance measurement systems for manufacturing SC. Vickery et al. (2003) included the dimensions of service performance in their customer service construct. Several researchers (Kaplan & Norton, 1992; Maskell, 1991; Gunasekaran, Patel & McGaughey, 2003) suggested that a balanced approach for the performance measurements is essential to present a clear picture of organizational performance. Actually, some recent SCI studies (Tan et al., 1998; Vickery et al., 2003) have used both operational and financial performances as indicators for the organizational performance. However, many SCI studies have measured either operational (Scannell et al., 2000; Stank, Keller and Closs, 2001) or financial performance outcomes (Ross, 2002).

### 3. THE PROPOSED MODEL AND HYPOTHESES

Based on an extensive literature search and in depth interviews with more than 15 practitioners who are in charge of SCM in Hong Kong and Mainland China, we propose the following theoretical framework for SCI (Figure 1). Within this framework, we have included the

following eight theoretical constructs, (1) Trust (trust with customer (Ctrust) and trust with supplier (Strust)). Trust is defined as a willingness to rely on exchange partner in whom one party has confidence (Moorman, et al, 1992). (2) Relationship Commitment (to customers (Rcc) and to suppliers (Rcs)). Relationship commitment is defined as the enduring desire of committed party to sustain an important on-going relationship (Morgan & Hunt, 1994). (3) Supplier Integration (Si). Supplier integration refers to the core competence derived from better coordination of all the critical suppliers in a company's SC to jointly achieve improved service capabilities at lower total SC cost (Bowersox, Closs, and Stank, 1999; Lee 2000). (4). Customer Integration (Ci), Customer integration refers to the core competence derived from better coordination of all the critical customers in a company's SC to jointly achieve improved service capabilities at lower total SC cost (modified from Bowersox, Closs, & Stank, 1999). Customer integration and supplier integration can be looked as external integration compared with internal integration. (5). Internal Integration (Ii). Internal integration refers to the degree to which a firm can structure its organizational practices, procedures and behaviors into collaborative, synchronized and manageable processes in order to fulfill the customer requirement. (Leveraged from Kingman-Brundage et al. 1995; Cespedes 1996; Kahn & Mentzer; 1996; Chen & Paulraj, 2004). (6) Perceived Strategic Importance of Relationship Commitment (for customer (Psirc) and supplier (Psisrc)), (7) SC Performance (Scperf). SC performance is defined as the non-financial measures to evaluate the firm's customer responsiveness, such as SC cost, inventory level, quality, flexibility, lead-time, delivery, process time and speed, etc. (8) Company Financial Performance (Fperf). Company Financial performance is defined as financial and market measures to evaluate the firm's efficiency and effectiveness.



**Figure 1. Proposed model**

Trust and relationship commitment are salient and inter-related elements in structuring the inter-organizational interactions (Morgan & Hunt 1994) & Moore (1998). Based on the assumptions that the existence of trust reduces the perception of risk associated with opportunistic behavior and thus increases the exchange partners' confidence in the effectiveness of future relational exchange, motivating the exchange partners to commit in the relationship, Morgan and Hunt (1994), Moore (1998) and Ruyter et al. (2001) suggested that trust has an influence on relationship commitment. So we proposed the following hypotheses:

H1: Ctrust has a positive influence on Rcc.

H2: Psirc has a positive influence on Rcc.

H3: Strust has a positive influence on Rcs.

H4: Psisrc has a positive influence on Rcs.

With relationship commitment, SC partners become integrated into their key customers' business processes and more tied to established goals (Morgan & Hunt, 1994; Chen & Paulraj, 2004). Johnson (1999) investigated the strategic role of inter-firm relationships through the concept of strategic integration. Stank, Keller and Daugherty (2001) developed and tested the measures to examine empirically the relationships between internal and external SC collaboration and logistical performance. Daugherty (2002) empirically examined the role of relationship commitment based on closer buyer-seller relationships. So we proposed that:

H5: Rcc has a positive influence on Ci.

H6: Rcs has a positive influence on Si.

H7: Ii has a positive influence on Ci.

H8: Ii has a positive influence on Si.

The relationship between SCI and performance outcomes is discussed over a vast body of SC and operations literature (Colin & Mapes, 1993; Daugherty et. al., 1996 and Tan et al., 1998). For example, Armstead & Mapes (1993) identified the extent to which greater integration along the SC leads to improve operating performance. Stank, Keller and Closs (2001) developed and tested an instrument for measuring SCI competences as well as determining their relative importance to developing logistics distinctiveness. Stank, Keller & Daugherty (2001) suggested that collaboration with SC partners facilitates internal collaboration, which in turn enhances logistics performance. Frohlich et al (2001) demonstrated that SC companies with the widest degree of the arcs of integration achieve the highest level of performance improvement. So we proposed the following hypotheses:

H9: Ci has a positive influence on Scperf.

H10: Si has a positive influence on Scperf.

H11: Ii has a positive influence on Scperf.

H12: Scperf has a positive influence on Fperf.

## 4. RESEARCH METHODOLOGY

### 4.1 Sampling and Data Collection

To test the above hypotheses, we collected data from manufacturing companies in Hong Kong and Mainland China.

We selected five cities to represent China: Chongqing, Tianjin, Guangzhou, Shanghai, and Hong Kong. A mail survey combined with telephone calls was used to maximize the return rate. The questionnaire included questions on the demographic profile of the company and the questions related to the company's performance and SC performance, internal process integration,

customer integration and supplier integration, customer and supplier relationship commitments, and customer trust and supplier trust. For all these questions, a Likert scale of 1 to 7 was used. Before we launch the full-scale study, we piloted test the questionnaire using a sample of 15 companies. We revised the questionnaire based on the results of the pilot-test. We used the yellow pages of China Telecom in each one of the four cities in Mainland China and Directory of the Chinese Manufacturers Association in Hong Kong as a large sampling pool. We randomly selected the sampled companies from the lists and made telephone calls to these companies. Through the phone contacts, we make first make sure the company is a manufacturing company and then identify the right informant to fill out the questionnaire. We asked for the person who is in charge of supply chain management or the person who is knowledgeable about customer/supplier relationships and internal integration. We found the most suitable respondent is Supply Chain Manager, President, Vice President, or General Manager depending on the company. We get the company's permission to receive the questionnaire and name and address of the most suitable respondent for the survey. Then we sent the questionnaire to the most suitable respondent. A cover letter highlighted the objectives of the survey and its potential contributions to the respondents. Respondents were encouraged to participate in the survey with an entitlement to a summary report of the results. Self-addressed envelopes with return postage were also included together with the survey to facilitate the returning of the completed questionnaires. 4,569 companies were conducted via the phone and were identified to be manufacturers. A total of 1,356 agreed to receive the questionnaire and thus received the questionnaires. The response rate is 13.5% based on total manufacturing companies contacted and 45.5% based on the number of companies who received the questionnaire.

#### 4.2 Measures, Construct Validity and Reliability

In the study, we use structural equation modeling to estimate the causal relationships among the different constructs with linear structural relations (LISREL) program and a sample of 617 companies. LISREL 8.54 was used to analyze the hypothesized model. A two-step model building approach was used, wherein the measurement models were tested for the reliability and validity prior to testing the structural model. For the measurement models, Trust with customers construct is measured by two items adapted from the scale developed by Morgan & Hunt (1994). Perceived strategic importance of customer relationship and perceived strategic importance of supplier relationship are measured by four items respectively. We modified the items of strategic integration used by Johnson (1999) to assess strategic importance on SCI. Relationship commitment with customer and relationship commitment with supplier are measured by three items respectively.

We adapted the scale developed by Morgan & Hunt (1994). Customer integration, supplier integration, and internal integration are measured by eight items respectively. The scales were largely derived from the items of Narasimhan & Kim (2002), Morash & Clinton (1998), and Narasimhan & Kim (2002). SC performance is measured by seven items that were partly derived from the items of Stank, Keller & Daugherty (2001). Financial performance is measured by five items that were partly derived from the items of "firm performance" in Narasimhan & Kim (2002).

Reliability is an assessment of the degree of consistency between multiple measurements of a variable (Hair *et al.*, 1998). The most commonly used measure of reliability is internal consistency. Flynn *et al.* (1990) suggested that the most accepted measure of a measure's internal consistency is Cronbach's alpha. The generally agreed lower limit for Cronbach's alpha is 0.50 to 0.60 (Flynn *et al.* 1990; Nunnally, 1994). Cronbach's Alpha tests were performed on the constructs. Since all alpha values are above 0.8, the items tested were deemed reliable. The data collected by surveys and other empirical designs is of little use unless its reliability and validity can be demonstrated (Flynn *et al.* 1990). There are two dimensions of construct validity: discriminant validity and convergent validity. Discriminant validity is the degree to which measures of different latent variables are unique (O'Leary-Kelly & Vokurka, 1998). Convergent validity relates to the degree to which multiple methods of measuring a variable provide the same results (O'Leary-Kelly & Vokurka, 1998). In our study, we try to assess the two types of validity by confirmatory factor analysis (CFA) in structural equation models. O'Leary-Kelly & Vokurka (1998) suggested that the CFA method of assessing convergent and discriminant validity is a more powerful tool and requires fewer assumptions than the traditional MTMM matrix method. At the beginning, we construct the CFA model using Lisrel program. In the model, each item is linked to its corresponding construct and the covariances among those constructs are freely estimated. The model fit indices are Chi-Square = 5197.43 with Degrees of Freedom = 1322, RMSEA=0.069, which indicate that the model is acceptable (Hu & Bentler, 1992). Generally, a construct with either loadings of indicators of at least 0.5, a significant t-value ( $t > 2.0$ ), or both, is considered to be convergent valid (Fornell & Larcker, 1981; Chau, 1997). For our model, all of the factor loadings are greater than 0.50 and the t-values are all greater than 2.0. Therefore, convergent validity is achieved in our study. In order to assess the discriminant validity, we build a constrained CFA model, in which the correlations among constructs are fixed to 1. This model will be compared with the original unconstrained model, in which the correlations among constructs are freely estimated. A significant difference of the Chi-square statistics between the fixed and unconstrained models indicates high discriminant validity (Fornell & Larcker, 1981; Chau 1997). In our study, the differences of chi-square are significant at

0.001 level. So, the discriminant validity is ensured.

#### 4.4 Structural Model and Hypotheses Testing

The structural model was analyzed based on the measurement models using the maximum likelihood estimation method. Table 1 shows the structural equation model and standardized coefficients. Eleven coefficients shown were significant at 0.05 levels. The initial model as shown in Figure 1 was tested, resulting in eleven significant path coefficients (H1-H9, H11-H12), suggesting the support in the data for the relationships. The data supported hypotheses H1-H9, and H11-H12. But hypothesis ten is not supported by the data. That means that supplier integration has no significant positive influence on SC performance. The results support the proposed structural equation model and the underlying theory except one hypothesis. The goodness of fitness indices for our model are  $\chi^2(1355) = 5900.35$ , NFI = 0.99, CFI = 0.99, RMSEA = 0.074, Standardized RMR = 0.015. These indices are better than the threshold values suggested by Hu & Bentler (1992). Therefore, our model can be accepted for future discussion.

**Table 1. Standardized path coefficients**

	Trus t	Stru st	Psic rc	Psis rc	Rcc	Rcs	Ii	Si	Ci	Scperf
Rcc	0.17		0.83							
Rcs		0.15		0.85						
Ci					0.64		0.36			
Si						0.35	0.62			
Scperf							0.11	-	0.88	
Fperf										0.96

“-” means insignificant path coefficient at 0.05 level.

#### 5. DISCUSSION AND MANAGERIAL IMPLICATIONS

The result of our hypothesis testing shows that a manufacturer's trust with the supplier (customer) has significant positive impact on the relationship commitment to the supplier (customer). That means that a company with a higher level of trust with customers/suppliers is more likely to have a stronger commitment to its relationships with its customers/suppliers. To enhance relationship commitment with its customer or supplier, the company can either select partners that it can trust or build the trust through proper management of the relationships. The existence of trust can help to reduce the perceived risks in the relationships and thus enhance the relationship commitment. Based on trust, commitment is formed to extend the relationships and trust often precedes the committed investment. This conclusion was also supported by some other researchers. Morgan & Hunt (1994) and Moore (1998) stated that trust and relationship commitment are salient and inter-related elements in structuring the inter-organizational interactions. Greyskens, Bernedict, Steenkamp & Scheer (1996) found that higher trust increases affective

commitment between to marketing channel members. The results of our study highlight the importance of trust between the manufacturer, its supplier and its customer.

The result of our study also indicates that perceived strategic importance of relationship with supplier or customer significantly impacted relationship commitment. That means that companies that perceive the greater strategic importance of developing and maintaining relationships with its supplier or customers are more likely to have a level of commitment with their supplier or customers. Many companies have considered strategic partnerships with its customer or supplier as strategic asset and have used this asset to gain competitive advantages in the market place. Some companies have developed customer relationship management (CRM) systems to help develop and maintain their relationships with their customers. Our findings indicate that companies will make strong commitment to the relationships with their partners when they consider such a relationship as of strategic important to them.

Relationship commitment is found to significantly impact SC external integration. That means that companies with a stronger relationship commitment to customers/suppliers are more likely to have a greater extent of customer/supplier integration. Since SC integration requires investment in time and other resources, the partners must have strong commitment in the relationship before they are willing to invest in SC integration activities. With a higher level of relationship commitment, the customers or the suppliers are more likely to cooperate with the manufacturer. So the manufacture will have less difficulty to integrate the customers or suppliers with its own operation process in the SC to achieve the competitive advantages.

This finding is partially supported by the results of several previous studies in different contexts. Morgan & Hunt, (1994) and Chen & Paulaj (2004) found that SC partners become integrated into their key customers' business processes and more tied to established goals with higher relationship commitment. Prahinski & Benton (2004) indicated that the buying firms should increase their efforts on cooperation and commitment in order to augment the supplier's commitment to ensure better supplier performance. However, no previous studies have investigated the impact of relationship commitment on the SCI. Our results indicate that a company needs to gain commitment to the relationship with its supplier or customers in order to achieve a higher degree of integrations with them. To achieve a higher level of commitment, the company must first recognize the strategic importance of relationship with its supplier or customer. Furthermore, the company must develop trust with its customers or the suppliers.

SC internal integration is found to have a positive influence on customer and supplier integrations. This means that companies with a greater extent of internal

integration are more likely to have a greater extent of integrations with its customer and supplier. The managerial implication of this finding is that the company needs to first integrate internal processes before it can effectively integrate with its customers and suppliers. This finding is different from what was found by Stank, Keller and Daugherty (2001). They suggested that collaboration with external SC entities increased internal collaboration, which in turn improves service performance. However in their study, they did not measure customer and supplier integration separately. Furthermore, the measurement items used in their internal and external collaborations do not capture all aspects of internal and external integrations. By using a more detailed list of measurement items, we are able to measure the different aspects of supply chain integrations. We believe that our findings are more logical. Internal integration is about the integration of the different internal functional departments, such as data integration, enterprise application integration, inventory management integration, periodic interdepartmental meeting, cross-functional teams, etc. The companies with a higher level internal integration can more effectively integrate their processes with the customers' or the suppliers' processes. If the companies have a bad internal integration, such as a low-level data integration, it is difficult for the companies to share or exchange information with their customers or suppliers. Without an integrative inventory management, a company will have little chance to share their production plans with the customers or suppliers. Therefore it makes more logical sense for a company to focus on internal integration first, then to integrate with the supplier and the customer.

The result of our study also indicate that both internal integration and customer integration significantly impacted SC performance, and SC performance has a positive influence on financial performance of the firm. It is interesting that supplier integration does not have a significant effect on SC performance. This might be because that manufactures in Mainland China and Hong Kong paid more attention to the customers. In order to get orders from the customers, manufacturers have to work hard to meet their requirements and respond to their requests quickly. Therefore, they are working hard to integrate their processes with the customers. As a result, customer integration contributed significantly to SC performance. For supplier integration, however, the manufacturer may not think that it is very important, and does not spend much resource to improve the inter-organizational processes with the supplier. They may just require the supplier to hold more inventories to buffer against uncertainty in the supply. This might be the major reason for the insignificant impact on the supplier integration on SC performance.

The relationship between SCI and performance has been discussed over a vast body of SC and operations literature. For example, Stank, Keller and Daugherty (2001) suggested that collaboration with SC partners

facilitates internal collaboration, which in turn enhances logistics performance. Frohlich & Westbrook (2001) demonstrated that SC companies with the widest degree of the arcs of integration achieve the highest level of performance improvement. Such previous researchers only tested the association between integration and SC performance. However, business executives may be concerned about both SC and financial performance. Our study also indicates that SC performance has a strong positive effect on financial performance. Therefore, manufacturer that want to improve financial performance needs to invest resources in both internal and customer integration to enhance the performance of the supply chain.

## 6. CONCLUSIONS

In this paper, we identified three types of integrations in supply chain and developed an instrument to measure SCI. We also investigated the relationships between the different types SCI, SC performance and the performance of the firm within the SC. Our result shows that internal integration positively influences supplier integration and customer integration. Furthermore, we found that customer integration and internal integration significantly influence SC performance and SC performance significantly influences the financial performance of the firm within the supply chain. However, supplier integration does not significantly influence SC performance. These findings enhance our understanding of how SCI influence performance and provide important guidelines for SC managers to enhance their financial performance through SCI.

In this study, we also investigated the impact of trust and relationship commitment on SCI. It was found that trust and perceived strategic importance of relationships with the customer and supplier significantly enhances relationship commitment with the supplier and customer. Relationship commitment, in turn, significantly improves SCI. Therefore, a company that wants to improve supply chain performance through SCI really needs to attach strategic importance to the relationship with the supplier and customer. Furthermore they must build trusting relationship with the customer and supplier.

This study is one of the first studies that examine the impact of trust and relationship commitment on SCI in from China. The findings from this study provide significant insights for practicing managers to enhance the performance of their supply chains. Furthermore, the models and instrument developed in this study can be used in future studies and thus this study also contributes greatly to the SCM literature.

**Note:** References are not provided due to space limitations. They are available from the authors upon request.