

# **Sources of Business Relationship Importance in Sweden, Germany, and China**

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## **Sources of Business Relationship Importance in Sweden, Germany, and China**

The topic of business relationships has received significant scholarly attention during the 1990's, and before, as a review of research in this area shows (Wilkinson 2001). A major contribution to the study of business relationships is a database established by the Industrial Marketing and Purchasing (IMP) group international research project (IMP2). The data in the IMP2 database comes from an omnibus survey instrument that includes questions regarding a respondent firm's exchange relationships with a specified other "important" firm.

The part of the European IMP2 database we use in this study concerns data gathered on dyadic business relationships of supplier firms in Germany and Sweden. The supplier companies in the study belong to different industries, ranging from raw materials to equipment. Interviews were conducted with marketing executives, who were asked to select one of the firm's most important customers in a specific country. The respondents were also asked to select a customer relationship they were responsible for and of which they had personal experience.

Wilkinson and Young used the IMP2 questionnaire to collect equivalent data in China. Independent native bilingual Chinese speakers did translations and back translations. For details of this see Dawson *et. al.*, (1997). The questionnaire was then administered to a sample of Chinese suppliers of international business customers. Officers from the Chinese Bureau of Statistics conducted personal interviews using the full IMP2 questionnaire. Interviews continued until the target sample size of 100 was achieved. As with the European data, the supplier companies in the study belong to different industries. Interviewees were marketing executives. The interviews followed the European protocol.

The augmented IMP2 database includes several questions regarding sources of business relationships (Table 1 and Figure 1). It also includes a number of questions regarding sources of importance of business relationships (Tables 2, 3, and 4). The objective of the present paper is to do a comparative analysis of the source and degree of focal firm relationship importance in Sweden,

Germany and China. The analysis is part of an on-going effort to develop a valid measure of business network connections based on the IMP2 database. Other papers working toward this end include Blankenburg-Holme, Ericksson, and Johanson (1996), and Wiley, Wilkinson, and Young (2002a, 2002b). Our focus here is on the perceived reasons for the importance of supplier-customer relations as perceived by suppliers, which relates to the general issue of value creation in business relations (e.g. Walter et al 2002).

## Results<sup>1</sup>

Results are discussed in the following order. First, we discuss ratings of the importance of third parties in initiating the focal relationship. Next discussed are the importance of units in the respondent's own firm, intermediaries, and customers. Finally, reasons for importance of the relationship with the focal firm are discussed. These relationships go in two directions: 1) reasons why the *focal firm* is important to the respondent firm and 2) reasons why the *respondent firm* is important to the focal firm. We conclude by profiling the respective countries in terms of sources and degrees of their relationship importance.

### Importance of Third Parties

**Table 1**  
**Importance of Third Parties**

<b>How important were 3d Parties in initiating the relationship?</b>	<b>Sweden</b>	<b>Germany</b>	<b>China</b>
<b>In supplier country</b>	<b>1.95</b>	<b>1.3</b>	<b>1.95</b>
<b>In any other country</b>	<b>1.35</b>	<b>1.35</b>	<b>1.7</b>
<b>In own country</b>	<b>1.45</b>	<b>1.45</b>	<b>2.1</b>

1 = no importance; 5 = very strong importance.

Note: where means are not significantly different across countries, the average value for the row across the countries is reported. Averaged numbers reported using two decimal places. Un-averaged numbers reported using a single decimal

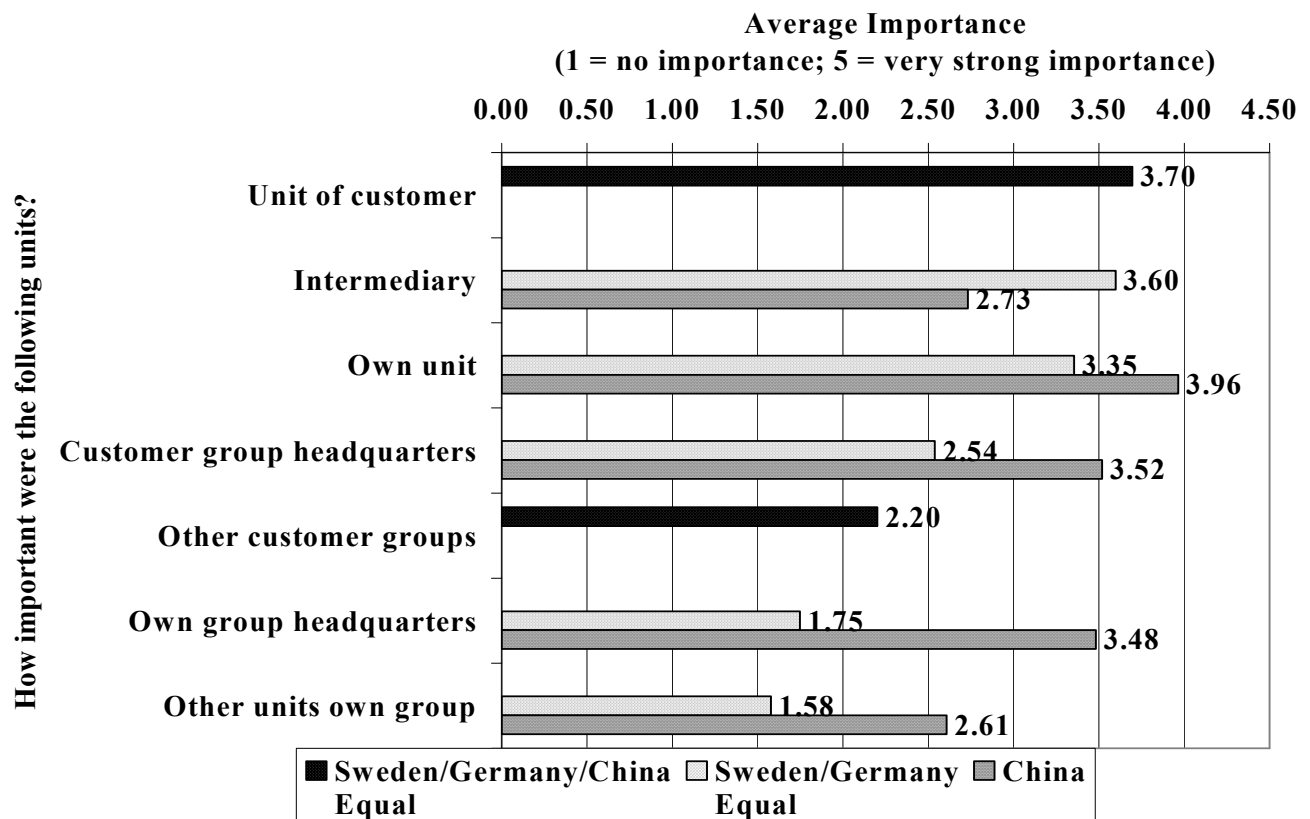
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<sup>1</sup> We use multivariate analysis of variance (MANOVA) to compare the mean responses to each category of questions. Since there are many questions, and hence many hypotheses to be tested, MANOVA allows us to control the error rate in judging whether or not the difference in response across countries is significant.

Table 1 presents the average rated importance of third parties in initiating the focal relationship. The fact that the average ratings are largely in the “1’s” (no importance) indicates that third parties are *not* considered important in any of the countries. A common pattern is that German firms rate third parties as less important than either Sweden or China. Third parties in the *supplier country* were rated highest in Sweden. Third parties in their *own country* were rated highest in China.

### Importance of Business Units

**Figure 1**  
How important were the following different units within your own company, the intermediary, or the customer’s company for initiating the relationship?



Note: Where means are not significant at  $p \geq .05$ , average over groups reported. Where group mean is significant  $p \geq .05$ , values for individual groups are reported.

Figure 1 presents results for the average importance ratings of units in the respondent’s own firm, intermediaries, or customers. The average ratings for Sweden and Germany do not differ across the units (multivariate  $p \geq .05$ ). Units of customers and the intermediaries were rated as most

important in Sweden and Germany. “Own unit” was third in importance. “Customer group headquarters” and “other customer groups” rated fourth and fifth, respectively.

In contrast to the European countries, “own unit” is ranked first in China. “Unit of customer” ranks second, but “own group headquarters” and “customer group headquarters” ranked third and fourth. The orderings for China suggest a more centralised, less market-oriented orientation. The largest differences between Sweden/Germany and China are on the average importance ratings for “own group headquarters” and “other units own group.” Sweden/Germany rate these units as much less important than do the Chinese, implying a more decentralised orientation among the European than the Chinese firms.

### **Reasons for Importance**

Tables 2, 3, and 4 present the rank order of the mean ratings for:

- Why the focal firm are important to the respondent firm.
- Why the respondent firm is important to the focal firms.

In all three countries, the most important reason the *respondent firm*’s importance to the focal firm is that it is a major supplier (i.e., “amount buys”). With one exception, the most important reason the *focal firm* is important to the respondent firm is “amount buys.” The one exception is Germany, where the most important reason is that the focal firm enhances the respondent firm’s image in the focal firm’s country and that the focal firm is a bridgehead for expansion in the focal firm’s country. “Amount bought” is third in Germany. There is agreement across countries on the importance of the *focal firm* for anticipating market trends. This is rated fifth in importance in all three countries.

**Sweden.** Table 2 presents the results for Sweden. After “amount bought,” the three most important reasons for the focal firm to be important to the respondent firm have to do with the *focal firm* enhancing the respondent firm’s image, or serving as a bridgehead for expansion into the customer country. The general pattern is that reasons associated with market development strategies rank high and reasons involving technical knowledge transfer rank in the middle, while gaining access to local institutions ranks at the bottom for Swedish firms.

When it comes to reasons the *respondent firm* is important to focal firms, demand related issues also rank highly. Being a major supplier ranks highest and being a safeguard parallel supplier ranks third. After supply related issues, reasons associated with technical, knowledge transfer rank at the top. Being a source for technical development is second, a source of product technical ideas is fourth, and production technical ideas is fifth. The respondent firm being a conduit for the focal firm's market development efforts in Sweden and providing access to other institutions ranks at the bottom.

**Table 2**  
**Means and Rank Order of Reasons for Importance**  
**Sweden**

	Sweden			
	Them to Us		Us to Them	
	Rank	Mean	Mean	Rank
Amount buys	1	3.9	4.2	1
Enhances image in that country	2	3.6	2.4	6
Enhances image other country	3	3.2	2.2	7
Bridgehead expansion cust country	4	3.2		
Anticipates future market trends	5	3.1		
Technical development	6	3.0	3.3	2
Product tech. ideas	7	2.9	2.9	4
Bridgehead expansion other country	8	2.8	1.9	8
Facilitate other operations	9	2.4		
Range buys	10	2.2		
Production tech. ideas	11	1.8	2.5	5
Access other organisations (local banks, etc.)	12	1.7	1.5	10
Access organisations other countries	13	1.7	1.5	10
Safeguard, parallel supplier			3.1	3
Bridgehead expansion our country			1.6	9

1 = Strongly Disagree; 5 = Strongly Agree.

**Germany.** German results are presented in Table 3. With respect to reasons why the *focal firm* is important to the respondent firm, the ordering of reasons in Germany is similar to that in Sweden, although market development issues rank higher than demand related ones. Gaining access to institutions, such a banks, and gaining technical ideas for production rank at the bottom.

Generally, German firms rate the importance of benefits to be gained from focal firms lower than do Swedish respondents.

Turning to reasons why the *respondent firm* is important to the focal firm, both Germany and Sweden rank demand related issues at the top. Amount buys is first and “safeguard, parallel supplier” in the upper half of importance. Gaining access to German markets and institutions are ranked at the bottom and reasons associated with technical transfer are ranked in the middle.

**Table 3**  
**Means and Rank Order of Reasons for Importance**  
**Germany**

	Germany			
	Them to Us		Us to Them	
	Rank	Mean	Mean	Rank
Enhances image in that country	1	3.5	3.4	2
Bridgehead expansion cust country	2	3.0		
Amount buys	3	2.9	3.8	1
Facilitate other operations	4	2.9		
Anticipates future market trends	5	2.7		
Range buys	6	2.5		
Product tech. ideas	7	2.2	2.6	3
Enhances image other country	7	2.2	2.2	6
Access other organisations (local banks, etc.)	7	2.2	1.1	9
Technical development	10	2.1	2.6	3
Bridgehead expansion other country	11	1.7	1.4	8
Access organisations other countries	12	1.5	1.1	9
Production tech. ideas	13	1.4	1.8	7
Safeguard, parallel supplier			2.2	5
Bridgehead expansion our country			1.1	9

1 = Strongly Disagree; 5 = Strongly Agree.

**China.** Table 4 presents results for China. Here the pattern for the reasons is quite different from Sweden and Germany. Aside from demand related issues, *focal customers* are rated as important to Chinese firms because they enhance the image of the respondent firm, or provide a bridgehead for expansion. Surprisingly, aside from facilitating other operations, technical knowledge transfer issues do not rank highly.

Demand related issues dominate the reasons for *respondent firm's* importance to focal firms. “Amount buys” ranks first and being a safeguard, parallel supplier second. Market development issues rank third and fourth: enhance image in focal firm country is third and bridgehead for expansion to China is fourth. Technical knowledge transfer issues come next. Access issues to other countries rank last.

**Table 4**  
**Means and Rank Order of Reasons for Importance**  
**China**

	China			
	Them to Us		Us to Them	
	Rank	Mean	Mean	Rank
Amount buys	1	4.4	3.9	1
Facilitate other operations	2	3.3		
Range buys	3	3.2		
Bridgehead expansion cust country	4	3.1		
Anticipates future market trends	5	3.0		
Enhances image in that country	6	3.0	2.5	3
Enhances image other country	7	2.8	2.2	8
Bridgehead expansion other country	8	2.7	2.2	8
Product tech. ideas	9	2.4	2.3	7
Production tech. ideas	10	2.3	2.4	6
Technical development	11	2.2	2.4	5
Access other organisations (local banks, etc.)	12	2.0	2.1	10
Access organisations other countries	13	1.9	2.1	10
Safeguard, parallel supplier			3.2	2
Bridgehead expansion our country			2.5	4

1 = Strongly Disagree; 5 = Strongly Agree.

### Discussion and Conclusion

The results reported above are for dyadic relations between respondent and focal firms. Respondents provided judgments of the importance of various factors in influencing the relationship between itself and an important customer. Judgments were provided regarding:

- Importance of third parties.
- Importance of units within and outside the firm.
- Reasons and sources for importance.



Respondents were asked to evaluate the importance of reasons for why the focal firm was important to them and why they were important to the focal firm.

Respondents in all three countries considered third parties not to have important influence on the relationship with the focal firm. If there is an exception to this rule, it is that Chinese firms rate third parties in their own country to be significantly more important than do European countries. This possibly reflects the fact that China is a transitional economy moving from command to market-based control. This supposition seems to be supported by ratings for the importance of business units inside and outside the firm. The ratings on these factors were not significantly different between Sweden and Germany. Respondents in both countries rated units outside their firm as more important than units within the firm. In contrast, Chinese respondents gave relatively higher ratings to units of their own firm. The impression for European firms is that of decentralisation and customer orientation, and for Chinese firms more of centralization, and a firm orientation. This also is suggestive of a carry over from a command economy.

Turning to sources and reasons for importance, demand related and market development issues are considered most important in all three countries. Being a major supplier is the highest rated reason for the *respondent firm* being important to the focal firm. The fact that the *focal firm* buys a lot from the respondent firm is the most important reason for its importance. Germany is a partial exception here with “amount bought” ranking third. Market development issues rank first and second in Germany, while they rank second and third in Sweden. In short, marketing related issues are rated as most important in European countries. Perhaps it should not be too surprising, but marketing related issues also are rated highest in China. Aside from the dominant importance deriving from a member of a dyad being a major source of demand (or supply), the prevailing pattern is that importance derives from:

- Focal firms being a conduit for gaining access to markets by the respondent firm.
- Respondent firms being a source technical knowledge for the focal firms.

- Gaining access to other organisations is not considered a source of importance in any of the three countries.

It is not too surprising that Sweden and Germany do not rate the importance of gaining technical knowledge highly (compared to demand and market access.) What may be surprising is the low importance Chinese firms assign to issues involving technical, knowledge transfer. Within this pattern, however, the European firms rate the technical knowledge they provide as more important to the relationship than the technical knowledge they get. Chinese firms, on the other hand, rate the technical knowledge they get more highly than that they provide.

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