

Cultural-Specific Factors Affecting Industrial Buyer-Seller Relationships

Abstract Ford et al.'s (1998; 2003) Industrial Buyer-Supplier Relationship Development Stage Model is based on a study made in five European countries. The model should be reviewed in order to be suitable in, for example, Asian and Latin American countries. Hence, the impact of cultural distance is evaluated and different cultural-specific factors affecting the industrial buyer-supplier relationship development are proposed.

Keywords: Business Culture, Cultural Distance, Industrial Buyer-Supplier Relationship, Relationship Development

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1. Introduction

According to Abramson and Ai (1997), marketing literature has suggested that companies employ either long-term relationship marketing or short-term transactional approaches to buyer-seller relationships. However, when electing which of these two strategies to use, one needs to consider the cultural environment in which the strategy would be implemented (*ibid*). In Asia and Latin America, companies should rely more on the relationship marketing strategy and, hence, aim at developing long-term buyer-seller relationships (e.g. *ibid*, Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003). However, little research regarding the cultural-specific factors affecting relationship marketing has been conducted (Bianchi, 2005), including that completed by the IMP Group (Hyder, 2008), even though culture is significant in relationships (e.g. Fletcher, 2004; Fletcher and Fang, 2006; Hewett, Money, and Sharma, 2006; Nes, Solberg, and Silkoset, 2007), as noted above.

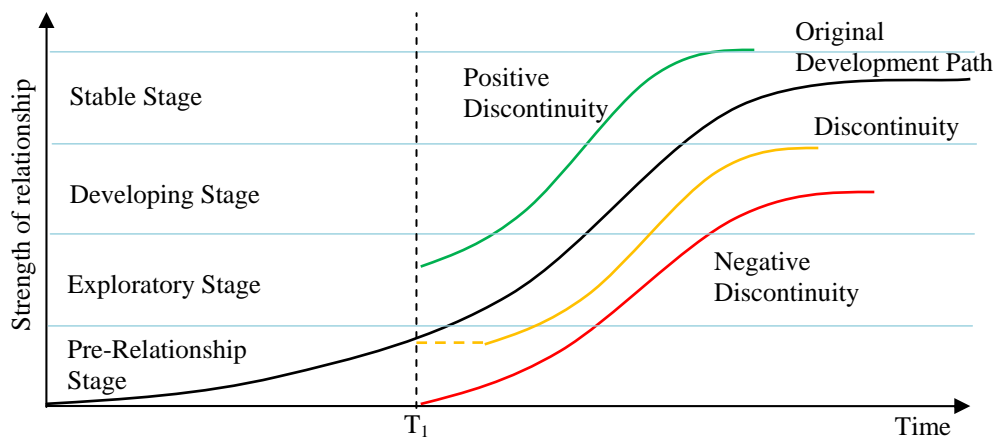
Ford (1980) and Ford et al. (1998; 2003) study the development of buyer-seller relationships as a dyad. The research was conducted in five European countries: Britain, France, Germany, Italy, and Sweden (Cunningham, 1980). However, the international business environment has widened—already during the time, when the previously mentioned researches have been completed—to include for example several Asian and Latin American countries. Fletcher (2004), Fletcher and Fang (2006), and Ha, Karande, and Singhapakdi (2004) state that research on both culture and relations have been based on developed countries. In addition, Petison and Johri (2008) have noted that, in general, the relationship development models have concentrated on developed countries. Arora (2008) states that relationships enablers, such as agents and governmental officials, have a significant role in facilitating the trade between the buyer and the seller. This is true especially in Asia and Latin America, where business is more relationship-focused compared to action-focused in the Western World (e.g. Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003).

The aim of this paper is to conceptually review Ford et al.'s (1998; 2003) Industrial Buyer-Supplier Relationship Development Stage Model in a cross-cultural environment by discussing cultural distance and, hence, mainly cultural-specific reasons, why changes occur in these relationships. The paper first gives a short overview to this stage model and cultural distance. After which the model is analyzed generally and by including differences between the business culture in the West, the East, and Latin America. Focus will be put on 1) customer satisfaction through offerings and financing, 2) the significance and influence of agents and the government, and 3) the value of stability in company representation, relationship history, organizational form, and life-cycle solutions. At the end, conclusions and managerial and theoretical implication will be discussed. The topic will be approached from the viewpoint of Western managers.

2. Ford et al.'s (1998; 2003) Industrial Buyer-Supplier Relationship Development Stage Model

According to Ford (1980) and Ford et al. (1998; 2003) buyer-seller relationships develop according to a process through time. This process consists of four stages: (1) the Pre-Relationship Stage; (2) the Exploratory Stage; (3) the Developing Stage; and (4) the Stable Stage, as presented in Figure 1.

Figure 1. *The Development of Buyer-Seller Relationships in Industrial Markets (adopted from Ford et al. (1998; 2003)).*



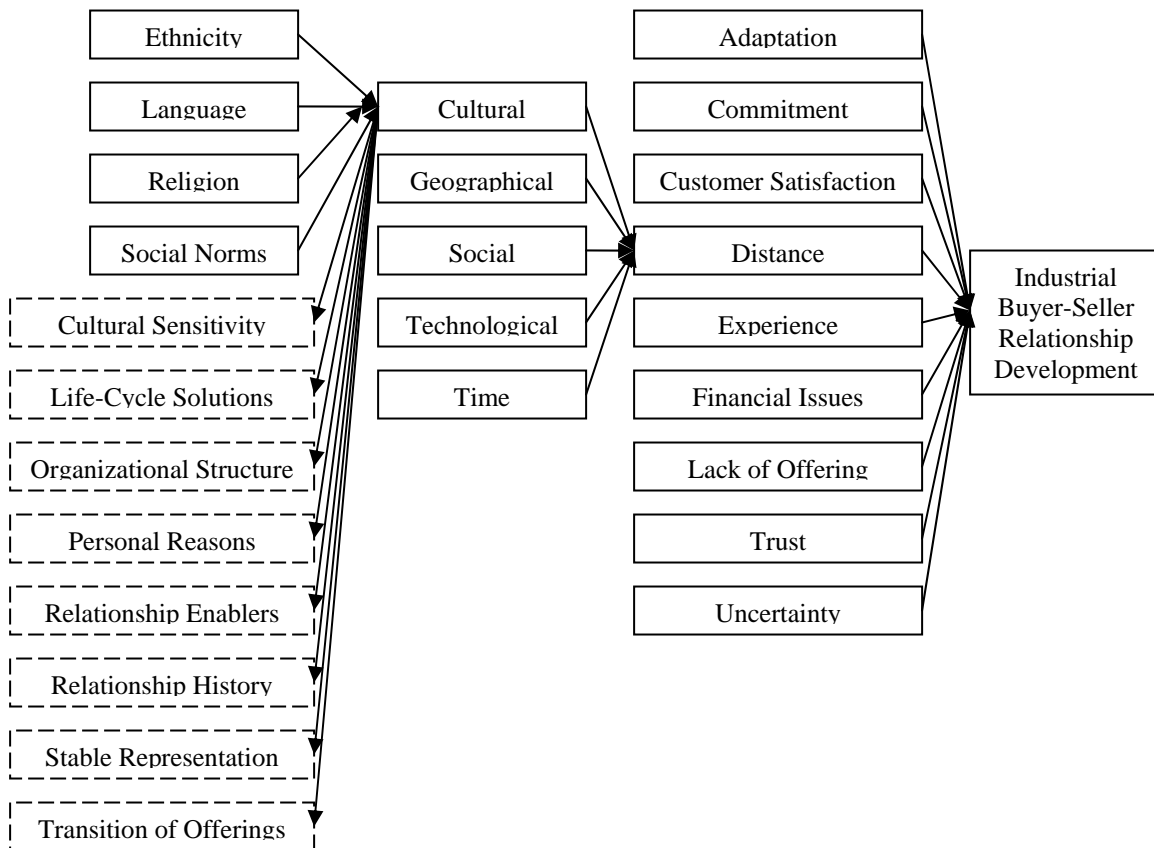
Ford (1980) and Ford et al. (1998; 2003) view industrial buyer-seller relationships as a continuum, in which each product or service delivery, negotiation, or social occurrence is part of the dyad, as represented as the “Original Development Path” in Figure 1. According to Ford (1980) and Ford et al. (1998; 2003) the relationship has a starting point and possibly an ending point, but otherwise it is continually developing. The development, however, may go backwards or skip some stage(s) (Ford, 1980; Ford et al., 1998; 2003), for which discontinuities within the relationship exist (Leminen, 2001a, 2001b, 2001c; Kaunonen and Uusitalo, 2009).

Separate interaction exchanges or critical and non-critical episodes may affect the industrial buyer-seller relationship in several ways: 1) positively, 2) negatively, or 3) neutrally (Schurr, 2007). In Figure 1, a positive discontinuity (in green) presents a situation in which suddenly at time T_1 the relationship strengthens suddenly. The negative discontinuity, in red, is an opposite situation. The discontinuity, in yellow, shows a situation in which the relationship has a gap in the strengthening due, for example, for a lack of liquidity of the customer or governmental issues. These interaction episodes lack of research, including that conducted by the IMP Group (ibid).

According to Ford (1980) five factors determine in which stage an industrial buyer-seller relationship is in: 1) Adaptation, 2) Commitment, 3) Distance, 4) Experience, and 5) Uncertainty. Distance can be further divided into five variables: 1) Cultural Distance, 2)

Geographical Distance, 3) Social Distance, 4) Technological Distance, and 5) Time Distance (ibid; Trimarchi, 2002), as presented in Figure 2. In this paper, the focus will be on Cultural Distance and the impact of that on industrial buyer-seller relationships.

Figure 2. *Factors Affecting Industrial Buyer-Seller Relationship Development (Relations between factors omitted).*



Cultural Distance and Psychic Distance have been previously been used interchangeably (Prime, Obadia, and Vida, 2009; Sousa and Bradley, 2006). However, Cultural Distance is part of Psychic Distance instead of being identical terms (Brewer, 2007; Prime, Obadia, and Vida, 2009; Sousa and Bradley, 2006). The difference is that Psychic Distance is measured at the individual level, whilst Cultural Distance is determined at the national level (ibid). Cultural Distance has been defined in several ways (Prime, Obadia, and Visa, 2009; Sousa and Bradley, 2006), including one by Harvey and Griffith (2002) as the difference between the norms and values between two societies. Lee et al. (2008) view the distance rising from differences in languages, business practices, marketing infrastructure, and legal/political system. Cultural Distance seems the larger, the more “different” the other culture is (Conway and Swift, 2000). According to the CAGE Distance Framework, Cultural Distance consists of four attributes: 1) language, 2) ethnicity, 3) religion, and 4) social norms (Ghemawat 2001), as shown in Figure 2. However, Shenkar (2001) has criticized the operationalization of this term.

Cultural-Specific Factors that create the discontinuities are shown in Figure 2 in the boxes that are dashed and will be discussed subsequently. First-of-all, the other general factors affecting the development of industrial buyer-seller relationships than those mentioned by Ford (1980) will be illustrated, after which the discussion will be more culturally specific.

3. Customer Satisfaction through Offerings and Financing

According to Bolton (1998), the duration of industrial supplier-customer relationships can extensively be explained through the satisfaction levels customer experience. Satisfaction levels also affect the purchase intentions that customers have and therefore these relationships (LaBarbera and Mazursky, 1983). Customers need to be kept satisfied, so that they purchase as much as possible during the relationship. In addition, the costs for finding a new partner will be diminished.

There also exist natural reasons, why discontinuities bear in relationships. Sometimes, suppliers are not able to solve the customer's problems due to lack of knowledge in a specific field. Customers may not have the liquidity during the exact point-in-time to purchase the solution they need, i.e. the price of the offering may be too high, and, thus, a discontinuity may bear, as shown in Figure 1.

4. The Significance and Impact of Agents and the Government

According to Arora (2008), buyers need to note not only the suppliers, but also other stakeholders of this organization. In the Asian market, agents are required to get acquainted with the most suitable or beneficial actors. Several disastrous attempts to entry the market independently without any (suitable) contacts by Western companies in the Asian market have occurred. (e.g. Backman and Butler, 2007; Boos, Boos, and Sieren, 2003) The situation is similar in Latin America (e.g. Becker, 2004). Agents also affect the availability of products and services (Arora, 2008). Arora (2008) and Havila, Johanson, and Thilenius (2004) even go so far claiming that in some cases the buyer and supplier do not even have a personal relationship, but the trade is completely conducted through an agent. However, even though strong relationships with agents exist, it does not mean that the buyer or supplier would be loyal. Hence, separate buyer-seller relationships always need to be developed. (Arora, 2008)

In Asia and Latin America, business is viewed as long-term action aiming at benefitting the society as a whole. Hence, the Asian and Latin American business people are interested in how the Western counter partner may help the society to develop. (e.g. Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003) The government has a larger role in several Asian countries due to more closed countries (e.g. Backman and Butler, 2007; Boos, Boos, and Sieren, 2003). The Western party, therefore, needs to act more closely with the government and have good relations with her in many countries (e.g. Arora, 2008; Backman and Butler, 2007; Boos, Boos, and Sieren, 2003).

As mentioned above, Ford et al.'s (1998; 2003) model illustrates the buyer-seller relationship as a dyad. However, as discussed above, often in the Asian and Latin American countries agents and the government play such a significant part in the buyer-seller relationship that it can be seen as a triad or even a quartet. In these cases, Ford et al.'s (1998; 2003) model would need to be reviewed to consider these cultural-related issues.

5. The Value of Stable Company Representation, Relationship History, Organizational Form, and Life-Cycle Solutions

According to Andersen and Kumar (2006) and Björkman and Kock (1995) personal relations are significant in industrial buyer-seller relationships and may even be a requisite for business exchange. Ford (1980) and Ford et al. (1998; 2003) have further noted that stable company representation in the European business environment may be both beneficial and problematic. A relationship may be personified in a person why it is significant to maintain the same representative. However, this person may also begin to act in favor of the counter partner, if it is an ultimately important client or supplier for her/his company as well as due to the continuity of her/his job. (Ford, 1980; Ford et al., 1998; 2003) In Asia, the stability of the company representation is significant already during the first round of negotiations. Before actual negotiations can begin in Asia, a relationship needs to exist between the parties. Always when even one person from the negotiating team changes (the negotiating team should at all times consist of at least two company representatives) the negotiations begin from the top as trust between the parties needs to be built before business can/will be discussed. (e.g. Backman and Butler, 2007; Boos, Boos, and Sieren, 2003) In Ford et al.'s (1998; 2003) model this would mean that every time the representation within a company changes, the relationship would return to Stage 1 (see Figure 1) or a negative discontinuity within the model would bear (Kaunonen and Uusitalo, 2009).

The stability of representatives of Western companies is even more difficult as buyers and suppliers interact with each other at different organizational levels (Eriksson, Majkgård, and Sharma, 1999). The organizational forms described by Bartlett and Ghoshal (1995) and updated by Harzing (2000) consider this as well as the local responsiveness of the organization. Hence, companies should aim at having as transnational organizations as possible. Transnational organizations allow separate business units or subsidiaries to develop strong relationships with each other, as the conglomerate consists of independent units bounded by business relationships (Bartlett and Ghoshal, 1995; Harzing, 2000). Hence, the organization is more used to developing relationships with units from different cultures. However, agents or governmental officials are not needed to enable these relationships, as they are somewhat naturally borne, but the experience different business units receive from this organizational type helps them to create relationships with outsiders as well.

The previous relationships that the parties have had affect how they view the current relationship. Usually, the customers enter new relationships with lower expectation levels (Ganesh, Arnold, and Reynolds, 2000; Håkansson and Ford, 2002). A positive

discontinuity (see Figure 1) bears, when the new supplier is able to surprise the customer by providing over the expectation level. These kinds of positive encounters allow the relationship to be longer in duration and stronger in strength. The relationship history is especially significant in Asia and Latin America, where relationships are initially and first-and-foremost personal ones even in business (e.g. Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003). Hence, company representatives need to be on their best behavior always, when dealing with their counter partners in order to attain a strong relationship.

Life-cycle solutions naturally develop and strengthen industrial buyer-seller relationships. As the duration of the provision of the solution lengthens the dependence of the parties increase. (Hald, Córdón, and Vollmann, 2008) Commonly life-cycle solutions are provided in such a way that suppliers name a Key Account Manager to cater to all the needs of the customer. Hence, the representation of the company is more stable. Normally, in cases where the provision of the offering varies from industrial services (being pre-, current, or post-services) to machinery and vice versa, the representation within the corporation changes. This may cause problems due to cultural traits, including trust-related issues.

Asians and Latin Americans value local presence as it shows that the Western companies have long-term goals and are willing to help the society through for example tax returns. This implies that the Western expatriate, who is usually sent to establish an Asian or Latin American subsidiary, should remain there for at least five years instead of the two years, for which time period expatriates usually are sent. It is also significant for Western companies to introduce local top level employees as soon as possible to ensure continuity and fewer cultural differences. (e.g. Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003)

Business relationships in Asia and Latin America are primarily personal relationships, which have developed into business ones. Asian and Latin American companies are often family-owned organizations, for which firms want to experience longevity in the industrial buyer-supplier relationships in order for elderly to know that their retirement days will not be an encumbrance for their children and to ensure that their children will have a prosperous future. (e.g. Backman and Butler, 2007; Becker, 2004; Boos, Boos, and Sieren, 2003) As business is so personal in Asia and Latin America, unpredictable and possibly inexplicable reasons may cause industrial buyer-seller relationships to develop or discontinuities to bear. Personal reasons may include nepotism or want for change or variation, as Roos and Gustafsson (2007) have suggested.

6. Conclusions

Ford et al.'s (1998; 2003) Buyer-Seller Relationship Development Stage Model is based on a study done in five European countries: Britain, France, Germany, Italy, and Sweden (Cunningham, 1980). Its compatibility in other cultural environments is questionable. This paper gives examples of the Asian and Latin American business culture in which relationships are significant and, hence, relationship enablers, i.e. agents, are often

necessary as well as having strong relationships with the government. Ford et al.'s (1998; 2003) model does not consider this as the buyer-supplier relationship is viewed as a dyad. The stability of the company representation and organizational form also affect the buyer-seller relationship development as well as relationship history and the offering provided. It would be useful to further study, i.e. empirically, the impact of the cultural-specific factors mentioned have on the development of industrial buyer-seller relationships.

Managers should notify the differences that exist, when functioning in different cultural environments—as noted by several different authors (e.g. Hofstede, 1980; Hofstede and Hofstede, 2005) already previously. The cultural environment affects the way in which businesspeople from different cultural backgrounds view how—in this case—industrial buyer-supplier relationships develop. In the East and Latin America, business is not just actions, as is the Western view, but instead personal relationships.

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