Cultural stereotyping in international business relationships

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ABSTRACT

The role of culture in the development of international buyer/seller relationships has attracted the attention of academics and practitioners in marketing and management (for example, Adler 1997; Dabholkar, Johnston & Cathey 1994; Hofstede 1994; Soutar, Grainger & Hedges 1999). This paper examines the role of national culture and stereotyping in the development of a potential buyer/seller relationship, that is, their influence at the early development stage of the relationship. Australia, Ireland and Singapore were the three countries chosen for the study. A two-stage methodology involved convergent interviews and a survey to determine the impact of cultural stereotyping on the buyer/seller relationship across these three countries. In the preliminary findings, respondents said that stereotypes were present at the early stage of the relationship and could hinder the later progress of the potential partnership. These findings are the focus of this paper and were used in the second stage methodology of a survey. Implications of these findings are that even though international trade is becoming the norm for some countries, marketing practitioners still need to be mindful of stereotypes when developing relationships with their buying and selling agents.

INTRODUCTION

Understanding of business relationships has increased through models and frameworks in the literature (for example, Anderson & Narus 1990; Dwyer, Schurr & Oh 1987; Grönroos 1994; Wilson 1995). These contributions have provided distinctions between transactions and relationships, and the stages through which relationships move. However, usually only one side of a relationship dyad has been examined (Ambler & Styles 2000; Rinehart & Page 1992), and the differences between the two sides of the dyad will be most important in the early stage of a relationship because 'working procedures' will not have been established. Research about the impact of culture and stereotyping in this early development stage of a relationship and international business needs more attention (Burns, Myers & Kakabadse 1995; Zaidman 2000).

Thus, the purpose of this research is to examine the effect of cultural stereotyping on international business relationships from the points of view of the buyer and the seller, at the early development stage of the relationship. Essentially, I argue that buyers and sellers enter potential partnerships with several, inter-related preconceived notions or stereotypes of the other party. These may be associated with the other's company

reputation, their past experiences in international markets or their culture at a national level.

This research is important for two reasons - the stage of the relationship that is examined and the effect of cultural stereotyping on that stage. Although research has been carried out on established relationships about constructs such as commitment, trust (for example, Doney & Cannon 1997; Ganesan 1994; Morgan & Hunt 1994), dependence (for example, Heide 1994; Rinehart & Page 1992), and culture (for example, Dabholkar, Johnston & Cathey 1994; Ford 1984; Schultz, Evans & Good 1999), less research has focussed on the *initial* stage of the relationship. Moreover, the under-researched impact of cultural stereotyping on this stage of the relationship and on the relationship's future possibilities, will be examined. This paper is presented in four sections. The first section discusses the research problem in more detail. Next, the methodology for this research is presented. Finally, the preliminary findings and proposed implications are discussed.

RESEARCH PROBLEM

Although culture has been a point of focus for much research within the disciplines of marketing and management, for example, the country-of-origin effect on products (Samiee 1994) - there has been little attention given to the *combined* effects of culture and stereotyping on a business relationship (for example, Miller 1999). In particular, there has been no examination of this combined effect at the early development stage of the relationship and from both sides of the dyad (for example, Ahmed, Patterson & Styles 1999; Conway & Swift 2000).

A theoretical framework was developed for this research from the literature that linked culture, stereotyping and relationship marketing for both the buyer and seller in a business-to-business market, and is shown in Figure 1. That is, the framework proposes the buyer or seller's background (of early-relational trust and experience) influences cultural stereotyping (based on beliefs about one's own culture and the other's culture), which in turn influences the environment of the initial relationship.

Figure 1 Conceptual model for this research (only the buyer represented here because the seller is a reflection)

BUYER'S BACKGROUND   **CULTURAL STEREOTYPING**   **ENVIRONMENT**   **OUTCOME**
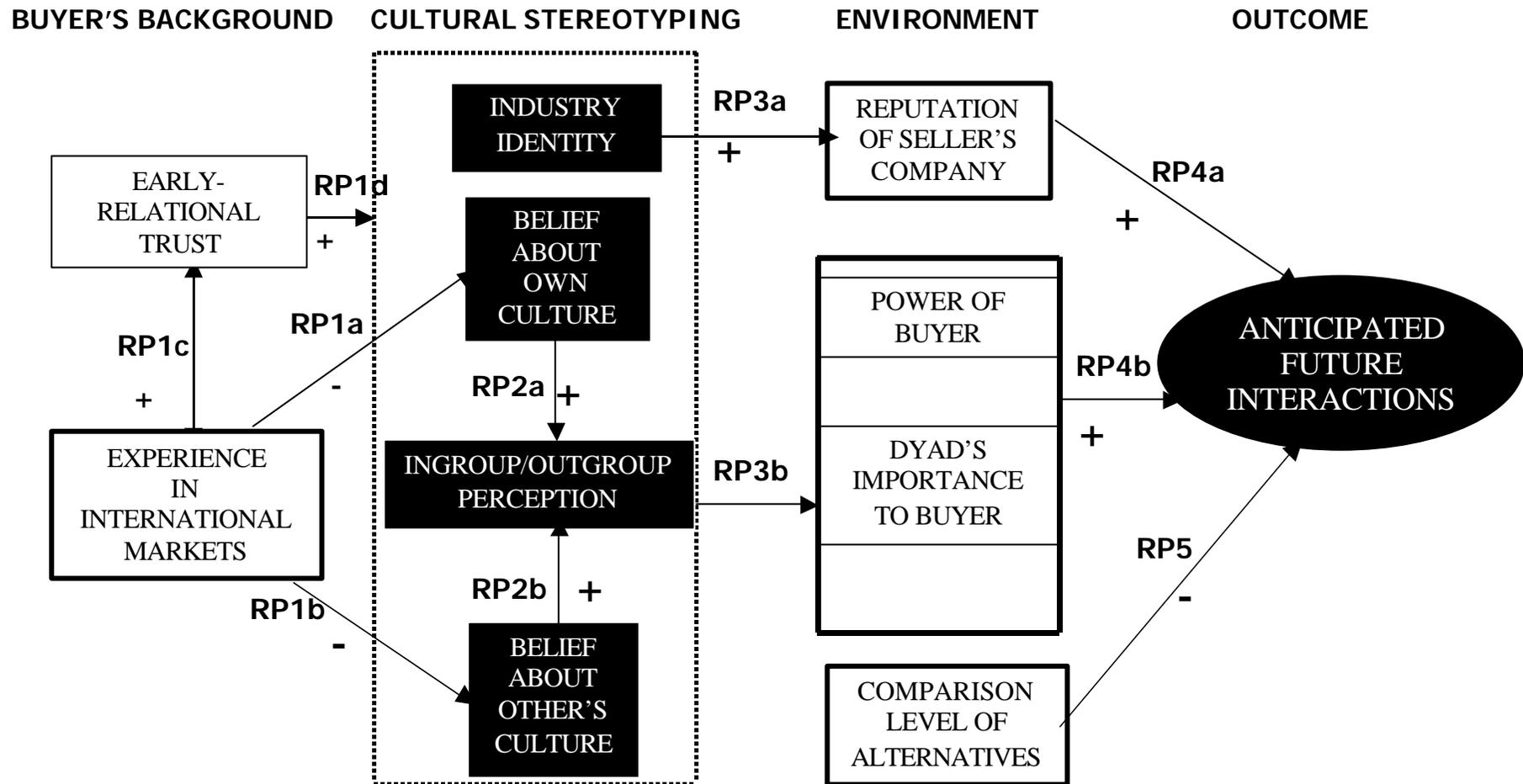
Key RP = research proposition to be tested in second, survey stage   + or – means positive or negative influence   focus area of this research
Source: developed for this research

This in turn determines whether this early stage leads to future anticipated interactions or not. Further, it proposes that the three areas of background (first two boxes in Figure 1), cultural stereotyping (dotted area in Figure 1) and the relational environment (final four boxes in Figure 1) affect the possibility of future transactions between the buyer and seller with the organisations (oval in Figure 1). That is, these three areas influence both the buyer and the seller during their initial meeting.

This theoretical framework was drawn mostly from North American and European sources that have examined the later development and adaptation stage, and relational continuity and maintenance stage of the relationship. In contrast, this research examines the relationship within the context of Ireland, Australia and Singapore at the *early development* stage. Although some variables were adapted for this research's framework from the literature such as reputation and comparison level of alternatives, other variables were developed in the first stage of this research such as early relational trust, and belief about another's and one's own culture.

METHODOLOGY

This research focuses on how cultural stereotyping affects the early development stage of international buyer/seller relationships, with particular reference to Australia, Singapore and Ireland. These three countries are of Europe and Oriental backgrounds, and were indeed chosen because of their contrasting cultures as shown by their different indices in Hofstede (1994). Moreover, they speak English so that the research can focus on culture without a language filter. Further, their backgrounds are diverse - European and Oriental - and there has been increasing trade between these countries in the last five years (AUSTRADE 1999).

A two-stage methodology was used to collect the data. Both qualitative and quantitative research methods have been used for this research. Qualitative methods in the first stage helped to confirm or disconfirm a model that had been introduced tentatively developed in a 'pre-paradigmatic' field (Miles & Huberman 1994). In the second stage, the researcher used quantitative research methods to test the model's applicability in a larger representative sample. Both methods used purposeful sampling to select respondents with appropriate international experience (Patton 1990). Respondents included business individuals from Australia, Ireland and Singapore, as noted above.

The focus groups were used to capture any dynamic, *group* aspects of stereotyping (Stewart & Shamdasani 1990). The convergent interviews were used to confirm, disconfirm or extend the findings of the focus groups with *individuals* (Carson et al. 2001). These methods helped establish Figure 1 and to develop scales for the survey of the second stage discussed briefly in this section.

In more detail, the first stage was made up of focus groups and convergent interviews. On the one hand, focus group methodology used groups of 6-10 people to generate ideas about a researcher's topic. This ability to discuss and query in a group situation was one of the strengths of focus groups and provided these groups with the tools to improve the quality of the ideas generated (Carson et al. 2001). For this paper, focus groups provided opportunities for participants to interact and react to other's beliefs, and to develop questions for the second part of convergent interviews (Table 3). This group interaction was important because the purpose was to examine the effect of individual's beliefs about others on others and their experiences of international marketing.

Next, *convergent* interviewing was used to explore an individual's perceptions and beliefs about a topic, in a more structured and progressive way. That is, each interview built on the next to converge on important research issues (Nair & Riege 1995). Convergence occurred when agreements had been unearthed and/or disagreements could be explained. In this way, the early interviews were loosely structured. This gave the interviewer information about the individual's beliefs on the topic of interest, which was then used for the next interview (Rao & Perry 2002). In turn, the later interviews were more structured.

These convergent interviews were appropriate for this research for three reasons - they were a way of quickly converging on issues important to the research in question, they were an efficient way of analysing the data for each interview, and this method of interviewing allowed the researcher to determine when to stop collecting data (Rao & Perry 2002). Analysis of each interview's data provided the researcher with a summary of progressive results thus far.

The power of this technique is that it is unstructured in its content, structured and dialectical in its process. That is, the points of convergence and divergence were examined after each interview, which helped develop the questions for the next

interview. This process is illustrated in Table 3 where the early interviewees did not answer as many questions as the later ones did, because they were not asked some of them. The flexibility of convergent interviewing arises out of this continuous refinement of content and process. These convergent interviews indicated when a sufficient number of interviews had been reached, that is, convergence on a list of emergent issues about stereotyping occurred, as defined above. In brief, Table 3 was generated from the focus groups and convergent interviews and in turn is the basis for discussion in the findings section.

The second stage of the methodology was also in two parts – scale development and a survey. These two parts are mentioned only briefly here because this paper's focus is on theory building that led to Figure 1, and theory testing will be considered later. Scales were developed for the four constructs under the heading of 'cultural stereotyping' shown in Figure 1. The first stage methodology provided all possible items to measure these four constructs. Further scale development was carried out in two steps (Churchill 1979; Flynn & Pearcy 2001).

The first step in part one of the second stage involved asking 12 representative respondents to assign items to the constructs by associating terms (Anderson & Gerbing 1991). Table 1 shows, for example, which of the three countries could be measured with the item of 'domestic focus'. Then, substantive validity tests were conducted to assess whether the measures reflected the constructs in question (Anderson & Gerbing 1991) (shown in Table 2). In turn, these purification tests helped the researcher to determine items for elimination. The next step involved a larger group of respondents who, again, assigned items to the posited constructs. This time a confirmatory factor analysis was carried out to confirm the items measured the construct (Flynn & Pearcy 2001; Rossiter 2001). Finally, these items were inserted into a survey in question form. In brief, the framework of Figure 1 has been carefully established.

Table 1 Example of responses for scale development

Constructs, items or measures	Australia	Singapore	Ireland
Westernised			*
Trustworthy			*
Friendly			*
Easy-going			*
Domestic focus	*		
Arrogant		*	
Time sensitive		*	
Neutral			*
Individually focussed		*	
Formal business people		*	
Pragmatic		*	
Aggressive		*	
Globally focussed		*	
Inflexible to change		*	
Honest			*
Price oriented		*	
Group focus	*		
Efficient		*	
Educated			*
Cut and dried		*	
Informal business people			*

Note: * indicates item attributed to construct.

Source: analysis from field data.

RESULTS

Return to the first, qualitative stage of this establishment in more detail. This section discusses the major findings from these qualitative research methods, which are also identified in Table 3. This table highlights the findings *particularly* appropriate for this research. Essentially, I found that the framework of Figure 1 was appropriate because of its treatment of trust, background and stereotyping.

Constructs	Company characteristics		Individual characteristics		Assessment indices	
Items or measures	Industry identity of the firm	Reputation of the firm	Early relational trust	Ingroup perception: similarity of other to you	$p_{sa} = \dfrac{n_c}{N}$	$c_{sv} = \dfrac{n_c - n_o}{N}$
Honesty	0	8	3	1	0.67	0.42
Possess language of industry/product	10	1	0	1	0.83	0.75
Company product/service portfolio	6	3	2	0	0.54	0.27
Reliance	1	6	5	0	0.50	0.08
Quality of product/service	3	7	0	2	0.58	0.33
Similarity of social culture	1	0	4	7	0.58	0.25
Business ethics	0	8	2	2	0.67	0.50
Size of company	10	2	0	0	0.83	0.67
Reputable brand/name	3	7	2	0	0.58	0.33
Industry experience	4	4	2	2	-	0
Payment history	1	7	4	0	0.58	0.25
Reciprocity	0	1	9	2	0.75	0.58
Business culture	2	1	1	8	0.67	0.5
Presence in the industry	10	1	1	0	0.83	0.75
Credibility	1	10	1	0	0.83	0.75
Expectations	2	5	4	1	0.42	0.08
Word of mouth	0	4	6	2	0.50	0.17
Confidence	0	4	4	4	-	0
Business experience of other	1	2	5	4	0.42	0.08
Size of transaction	4	1	2	5	0.42	0.08
Nationality	3	0	4	5	0.42	0.08
Perception of other individual	0	0	5	6	0.54	0.09
Negotiation skills	0	3	3	6	0.50	0.25

Key p_{sa} = proportion of substantive agreement c_{sv} = substantive validity coefficient n_c = number of respondents assigning item to construct
      N = total number of respondents   (12) n_o = highest number of assignments of the item to any other construct in the set

Trust. Overall, these preliminary findings offer assistance in the understanding of this stage of the relationship and of international business buyer/sellers negotiations. Firstly, comments made during the focus groups and interviews suggest that the factors considered when entering a foreign market or international negotiations are different to those that are considered later in the relationship. Incidentally, these findings about factors were relevant whether the person involved was a buyer or a seller. Although past literature has identified established relationship factors such as commitment and trust (for example, Morgan & Hunt 1994; Ramsey & Sohi 1997), there has been little evidence of how they are considered at this early stage. For example, trust emerged as an essential component when in the early development stage of any relationship. As one participant said, '…someone has to show trust first to build the relationship. If that doesn't happen, it stays restricted and its hard to do business like that on an on-going basis.' Thus, early relational trust should remain in the initial theoretical framework.

Indeed, this early relational trust can be the foundation on which the relationship is built. For example, "trust is very important and I think before you get to this stage [cultural stereotyping], to be able to understand that, they have to be able to trust you…" and "…you have to trust each other if you want to develop this relationship". Respondents agreed that this was an important aspect in the initial phases of the relationship (total column at top of Table 3).

Cultural background and experiences. Previous literature has suggested that a similar cultural background would aid in the development of the relationships (for example, Conway & Swift 2000; Fletcher 1996). However, the preliminary findings suggested otherwise. Indeed, one participant from Australia said that he would not do business with the British again because "they were the most untrustworthy [business counterparts] you can get".

Table 3 Preliminary findings from convergent interviews and focus groups of particular relevance to this research's theoretical framework.

Elements of framework	Sample constructs of element	FG1	CI1	CI2	CI3	CI4	CI5	CI6	CI7	CI8	CI9	FG2	Total agree
Background	Product/market demand	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
	Market research	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	8
	Company research	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
	Assess competition	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	-	9
	Cultural awareness	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
	Business practices	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	9
	Early-relational trust	H	H	✓	✓	H	✓	✓	H	H	H	H	11
	Past experiences (international and domestic)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Industry identity	Quality of product/service	✓	b	b	n/c	✓	H b	-	✓	✓	✓	✓	9
	Portfolio of company	-	-	-	✓	n/c	b	-	✓	✓	-	✓	5
	Reputable brand	-	-	✓	✓	✓	✓	-	✓	✓	✓	✓	8
	Industry experience	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
	Payment history	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
	Language of industry	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	10
Beliefs about other/own culture	Similar cultural background	✓	-	✓	x	x	n/n	n/n	n/n	n/n	n/n	n/n	2
Examples of perceptions	Australia – domestic focus	-	✓	-	✓	✓	✓	✓	-	✓	-	✓	7
	Singapore – westernised	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	7
	Ireland – friendly	-	✓	-	-	✓	✓	✓	✓	✓	-	-	6
Environment	Face-to-face meeting to begin business	-	✓	n/c	✓	✓	H	H	H	H	H	H	9
Comparison level of alternatives	Number of options (competitors)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	10
Reputation of other company	Honesty	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
	Reputation of company	✓	✓	n/c	✓	✓	H	-	✓	✓	✓	H	9
	Reciprocity	-	✓	b	✓	✓	H	✓	✓	✓	✓	✓	10
Power and importance	Size of transaction ($)	x	✓	✓	✓	✓	✓	-	✓	✓	✓	-	8
	Ability to meet demand	✓	H	-	✓	H	✓	✓	✓	H	✓	-	9

Key   FG focus groups   CI convergent interviews
✓   mentioned/agree   - not mentioned   H strong agreement   x disagree   n/n not necessarily a factor   b buyer's concern   n/c not considered
a factor

Another respondent told of a story that led his company into a foreign market before they could operate domestically, simply because the home market wanted evidence that the product sold overseas. That market needed more reasons to support the company than just that it was a company from their 'homeland'. Indeed, some business executives have been reported entering markets that may not be defined as culturally similar to their own but because they have a family or friend connection there or because they speak the language. Thus, cultural similarity was not necessarily a factor that made international trade easier (total column in middle of Table 3).

In turn, past experiences and perceptions held about other cultures are suggested to affect the success of international trade negotiations. Firstly, these experiences can be positive or negative and can have a significant effect on the future of the transaction. For example, one respondent made the comment that "past experience would affect you going into markets again or where you go…". Others said that "bad experiences can burn them and prevent them from going back in" and "you use your previous experience in that region and check out that agent on (certain) conditions". Furthermore, these experiences did not only stem from past business with international markets, individuals also drew on personal experiences outside the business context – "you may have had no experience from international markets but you may have had some experience with people from other countries. International experience doesn't necessarily have to be a market specific experience."(shown at top of Table 3).

Cultural stereotypes. Consider cultural stereotypes next, that is, perceptions and preconceived ideas held about other cultures in international markets. Individuals did hold preconceived ideas about different cultures and these ideas could hinder future business with the organisation in question. Moreover, most were aware of the preconceptions held by individuals but also each business individual should enter a transaction mindful of the other's culture and their own preconceived ideas held about that culture. One respondent said, "if you allow it to become an issue then you're just cooked. You can either confirm his [buyer's] initial perceptions of you being an arrogant group of people or you can have him say that this guy is somewhat different that what I expected." Similarly, another interviewee mentioned, "I do think that we do have preconceptions but if you're aware of this then it doesn't become an issue".

In turn, these preconceived notions could stunt the progress of the interaction or relationship, for example, "preconceived ideas can cloud judgement and jeopardise future business relationships…" Furthermore, these perceptions were present only at the beginning stages of the transaction. Respondents stressed that these preconceived ideas dissipated once trust and a relationship were developed between parties. These comments have supported the framework that will be tested in the second stage of the methodology.

Finally, there was a shared understanding of what culture is in business, in the convergent interviews. Not only did respondents use similar words and phrases to describe what they understood as culture, but they also differentiated between a social or country culture and a business culture. That is, both social culture and business culture to be important when dealing internationally. For example, one respondent acknowledged that "the way people see you socially and business wise is important and you have to give 100 per cent to both. If you fail on one and are successful on another then it won't work. They've both got to work." Others distinguished between the social or country aspects of culture that included religion, food, the way one thinks, for example, and the business aspects of culture that included gestures, sense of time and how these social aspects affected the business culture.

Broadly, this first stage methodology indicated support for the theoretical framework and uncovered items that can be used in the survey. Respondents provided feedback on the model in Figure 1 indicating that it was a sound one. For example, a focus group participant said, "If you're looking at building a relationship or a number of transactions over time then what you have here and what we've been talking about is totally relevant. I think it applies to the view of building relationships". Another respondent confirmed that the model 'put i [the process] nicely'. In brief, the respondents believed that the model was comprehensive and illustrated the process well.

Implications for practice and policy

Findings will help marketing practitioners in their training or instructional techniques for their buying and selling agents. Furthermore, global and domestic firms will be able to use these findings to improve their negotiating power and accuracy in the international market in order to gain competitive advantage over the current market. In turn, government trade organisations will be able to use the findings related to cultural

stereotypes, with a view to modifying or changing these perceptions, and thus enhance trade relations between these three countries.

Implications for further research include extending the research beyond the limitations of the three countries of this research and integrating cultural stereotyping into other stages of relationship marketing models. Of course, the second, survey stage will also extend the analytic generalisation of the first stage described here (Yin 1994).

CONCLUSION

In conclusion, there is little research about the interaction between culture and stereotyping at the initial stage of the international business relationship. This paper has presented the preliminary findings for this research and indicated that cultural stereotypes do exist and can hinder future transactions. This research will further extend these findings to a larger population and in turn, the generalisation of the final results.

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