

# **National culture and its influence on dissolution communication strategies in Western versus Asian business relationships**

Susan Freeman  
Monash University

Terje I. Vaaland  
Norwegian School of Management BI,

Emma Browne  
Monash University

## **ABSTRACT**

*The objective of this conceptual paper is to identify the communication strategies that are available to companies when dissolving cross-cultural buyer-seller relationships in order to achieve effective dissolution outcomes. After the Introduction we address the importance of communication dissolution, and we propose a typology of available communication strategies. The third section emphasises the importance of understanding cultural diversity in business relationships in general and dissolution in particular. This is placed into a framework that reflects generic business cultures. In the following two sections we propose two related conceptual frameworks. The first addresses different conflict management styles that bridge the gap between dissolution communication strategies and the cultural context of which the actors are embedded. The second is a conceptual model for analysing dissolution process in a cross-cultural business relationship context.*

Keywords: cross cultural business relationships, dissolution, conceptual model

## **INTRODUCTION**

This paper focuses on the influence of national culture in the dissolution of business relationships. The influence of national culture on the functioning of cross-national buyer-seller interactions has received considerable attention in the international business literature (Varner, 2000; Kale and Barnes, 1992). Similarly, the phenomenon of business relationship dissolution is an important theoretical aspect of emerging relationship marketing theory (Alajoutsijärvi et al., 2000). However, the existing research on dissolution does not consider whether national culture influences the choice of dissolution communication strategy of the other party. One of the present limitations appears to be that business relationship dissolution studies focusing on dissolution communication strategies have not considered national culture as affecting the chosen strategy (Alajoutsijärvi et al., 2000; Giller & Matear, 2001).

Existing research on 'business relationship dissolution' examines factors influencing 'dissolution strategies' and the process of 'business relationship dissolution'. Theories and frameworks from the social-psychology discipline are incorporated to explore varying dissolution strategies (Duck, 1982; Baxter, 1985, Alajoursijärvi et al, 2000, Giller and Matear, 2001). Some of the more recent studies (Alajoursijärvi et al, 2000, Giller and Matear, 2001) have conducted research into the specific dissolution communication strategies. Furthermore, economic and competitive businesses aspects of buyer-seller relationships have been included within several of these articles (Gassenheimer et al, 1998; Gadde and Mattsson, 1987) dealing with the relationship dissolution.

However, there is little research that targets relationships across dyads. Accordingly, our knowledge on how the dissolution process is carried out between firms embedded in quite different cultures is limited. A greater understanding of intercultural forces is of great importance in ensuring that dissolutions are managed so as to maintain the potential for business relationships with foreign trading partners. Further research is thus required. Consequently we will propose two conceptual frameworks bridging the gap between dissolution communication strategies and culture. This in turn will assist us in choosing the appropriate strategy and to analyze the outcome of the strategy chosen.

### **DEFINING RELATIONSHIP DISSOLUTION**

Relationship dissolution can be defined as .."*the permanent dismemberment of an existing relationship*" (Duck 1982, p.2). This definition has been applied in social psychological studies of the dissolution of personal relationships (e.g. Baxter, 1985; Duck, 1982). A more recent definition is that a business relationship dissolution is ..."*a process where activity links, resource ties and actor bonds are broken, disconnecting the former parties from each other*" (Tähtinen and Halinen-Kaila 1997 p.560).

Both definitions describe all activity between the parties as ended, once the dissolution occurs. Although the formal communication between the entities involved may no longer continue; personal bonds may be maintained between individuals from both companies (see Havila, 1996; Tähtinen and Halinen-Kaila, 1997). For example, a supplier may keep the former customer's name in its reference list if the ex-customer agrees to it (Salminen, 1997 in Tähtinen, 1999). Certain studies have identified (Havila,

1996; Havila and Wilkinson, 1997; Salminen, 1997) that a relationship may not completely dissolve when individuals retain personal bonds developed during the dissolved relationship. Further, these personal bonds may even lead to re-establishment of the relationship later on.

This highlights the importance of managing dissolutions. In addition to the focal companies, dissolution will possibly influence other connected actors and relationships and drive changes in the network (Anderson et al., 1994; Halinen et al., 1999). Dissolved relationships are considered as part of a broader relationship network. The network itself is also assumed to influence the dissolving relationship and process of dissolution (see Felmler et al., 1990; Halinen and Tähtinen, 1999).

### **Reasons behind dissolution**

Business relationships may dissolve for several reasons. Some of these reasons are included in Table 1 below.

**Table 1 Reasons for business relationship dissolution**

<b>Reasons</b>	<b>Sources</b>
Change in management	Goldman (1995)
Completion of project (i.e. lack of informal governance)	Vaaland & Hakansson (2002)
Loss of business due to financial problems	Gassenheimer, Houston and Davis (1998)
Parties finding their needs better served elsewhere	Gadde & Mattsson (1987); Gassenheimer et al., (1998)
Change in personnel	Alajoutsijärvi et al. (2000)
The nature of business has changed	Gassenheimer et al. (1998)

The dissolution of a relationship can even be a joint decision (Alajoutsijärvi et al., 2000). Also, a change or an event in the network in which the relationship is embedded may influence an actor's decision to dissolve the relationship, choice of strategy and outcome of the relationship (Giller & Matear, 2001). For example, one of the cases in Giller and Matear's (2001, p. 104) study discussed the inter-firm relationship of a manufacturer and an advertising agency. The manufacturer did not want to dissolve the relationship with the agency; however, the actual decision to dissolve the relationship was made by the manufacturer's head office overseas. It was suggested that the reason for the dissolution was because of the global alignment of the agencies. This example

highlights the complexity of inter-firm relationships where there are numerous *influencers* and actors involved in business relationship dissolution.

Another example of a reason for the dissolution of business relationships include cases where the ending is not actor-driven but, rather, circumstantial. It should not be assumed that all relationship dissolution is negative or necessarily undesired because the dissolution of some relationships can even benefit the organisation (Alajoutsijärvi et al., 2000). For example, as suggested by the customer portfolio approach (Campbell and Cunningham, 1983; Fiocca, 1982; Alajoutsijärvi et al., 2000), the resources freed from unsatisfactory relationships can be used in generating new ones with a greater profit potential. On the other hand, dissolving a business relationship may render obsolete assets that are unique to the relationship (see Ping & Dwyer, 1993). The following section details the process of dissolution and highlights studies that have developed models of dissolution process. These developments are now discussed in detail.

### **The critical turning point in the relationship**

The *dyadic communication stage* examines how parties communicate the break-up when at least one of them has reached a decision to dissolve the relationship (Alajoutsijärvi et al., 2000; Duck, 1982). Alajoutsijärvi et al. (2000) and Tähtinen and Halinen-Kaila (1997), argue that the dyadic stage is a *critical turning point* in the dissolution process because the future of the relationship is determined. This stage is largely based on Hirschman's (1975) exit, voice and loyalty (EVL) model where the focal company either negotiates with its partner in order to restore the relationship (voice strategy) or to dissolve it (exit strategy). If the relationship is not restored the dissolution process will continue. The voice strategies will not be discussed in this paper because the focus is primarily on dissolution communication strategies (or exit strategies as labelled by Hirschman). However, communication strategies will be discussed in more detail in the next section.

### **Communicating the dissolution**

The company has to decide how to communicate to its partner its desire to dissolve the relationship, referred to as the *dissolution communication strategy* (Alajoutsijärvi et al., 2000). Alajoutsijärvi et al., (2000) adapted a model of the dissolution process adopted from social psychological works originally based on Duck's (1982) and Baxter's (1985) studies (see Table 2 below).

**Table 2. Exit and voice strategies in inter-organisational buyer-seller relationship dissolution**

	<b>Communication strategy</b>	<b>Other-oriented</b>	<b>Self-oriented</b>
<b>Indirect Communication</b>	Disguised exit Silent exit	Pseudo-de-escalation Fading away	Cost escalation? Signalling Withdrawal
<b>Direct Communication</b>	Communicated exit Revocable exit	Negotiated farewell Mutual state-of-the relationship talk	Fait accompli Diverging state-of –the relationship talk

Adapted from Hirschman, 1975; Baxter, 1985 and Alajoutsijärvi et al., 2000.

Baxter (1985) identified exit strategies that the disengager may use, namely *directness* and *other-orientation* which form a fundamental component of Alajoutsijärvi et al.,’s (2000) model.

A direct *communication strategy* involves an explicit statement to the other party of a desire to exit the relationship whereas the *indirect communication strategy* attempts to accomplish the break-up without an explicit statement of the goal. *Other oriented strategies* display explicit “face-work” (Brown & Levinson, 1978) to avoid embarrassment of the other party. On the other hand, *self-oriented* strategies generally demonstrated expedience for self at the other party's cost.

The four different dissolution communication strategies (as shown above) are discussed in detail below. Two are direct strategies: *communicated* and *revocable exit* and two are indirect strategies: *disguised* and *silent exit*.

### **Direct communication**

A very direct approach is characterized by a situation in which "*some customers stop buying the firm's products*" (Hirschman 1975, p.5). Using communicated or revocable exit, the partner company will be directly informed about the exit intention. In a *revocable exit*, the disengager company is willing to alter its dissolution decision after joint discussions. The revocable exit is an example of the *other-orientation*, as the disengager is not only willing to discuss the matter but also to look at it from the perspective of the other partner. This could be viewed as a state-of-the-relationship talk but with the added threat of exit. A revocable exit is close to the voice strategy. While the disengager explicitly states its intention to exit the relationship (mutual state-of-the-relationship talk), the strategy could lead to the repair of the relationship. The revocable exit is an example of the other orientation. In this case, the disengager is not only

willing to discuss the matter, but also to look at it from the perspective of the other partner. This could be viewed as a state-of-the-relationship talk but with the added threat of dissolution. By contrast, in the diverging state-of-the-relationship talk, the partners' views are so distant that the continuation of the relationship is not possible without change from both partners including mutual reduction in self-orientation (Tähtinen & Halinen-Kaila, 1997; Alajoutsijärvi et al, 2000).

*Communicated exit* is the second strategy based on a direct communication. This strategy removes doubt and is explicit, allowing no opportunity for discussion (*fait accompli*). In the case of communicated exit, the exit decision remains final, although it is discussed with the partner. In other words this strategy does not allow the partner to change its behaviour to permit the continuation of the relationship. In addition, if discussion does take place, it is likely to lead to disagreements about the causes of the dissolution and fault (attributional conflict). This is the reverse of a negotiated farewell that encourages discussion without hostility, allowing each party to see the inevitable end and even benefit from the relationship dissolving.

### **Indirect communication**

Indirect communication allows the initiator or disengager to respect the partner's face (Baxter, 1985) using *silent exit* strategies such as hints. By using *disguised exit*, the company wishing to end the relationship hides its real intentions. For example, it increases the partner's relational costs making the partner react by dissolving their relationship, although they may share an implicit understanding that it is ending.

### **Disguised exit**

Alternatively, the *pseudo-de-escalation strategy* means that the disengager expresses a desire to change the relationship but not to exit. For example, the disengager may wish to reduce his/her investment in the relationship, however, still keep it alive, but possibly dissolve it in the future. *Cost escalation* is where the more self-oriented disengager can try to raise the other partner's relational costs to the point where the partner starts to dissolve the relationship, such as increasing the cost of products, or making payment terms more restrictive. For the customer who is a disengager, demands for extra service or tighter delivery schedules are examples. Whereas in *signalling*, the disengager might use the public media or other actors in the network to communicate the exit decision (Ping & Dwyer, 1992).

A *silent exit* strategy, is one where no intentional communication of the exit is undertaken, but just an understanding that the relationship has ended (*fading away*). This may occur when one or both partners' decide not to discuss the dissolution in order to save the partner's face or to avoid any hurt. An example of a *silent exit* would be the end of a project, but with no further discussion on future projects. This change of behaviour or *withdrawal* would communicate the dissolution in an indirect manner.

### **Minimising the potential damage**

Businesses require an understanding of the different types of dissolution strategies, in order to avoid negative consequences affecting both parties and the connected network (Alajoutsijärvi et al., 2000). These types of dissolution communication strategies include *direct negotiated farewell* or *indirect fading away*. With the understanding of managing relationship dissolution businesses can save additional break-up costs and emotional distress can possibly be avoided (Alajoutsijärvi et al., 2000).

As to the other aspects of the ending process, Alajoutsijärvi et al (2000) and Giller and Matear (2000) suggest that by using *direct* communication and *other-oriented* strategies the disengager can minimise the potential damage due to relationship ending. Alajoutsijärvi et al's study (2000) is also important as it demonstrates that the use of different exit strategies is diverse and that the companies in their study used more than one strategy simultaneously or even at different levels, for example the person or actor or alternatively the organization. There was also evidence of companies moving from one strategy to another as a result of their counterpart's actions. Often, there were numerous individuals involved in a business relationship from both partners, and the individuals might all be using different disengagement strategies. Ford et al (1986) in their case study also suggest that these interpersonal inconsistencies seem to one of many forces driving relationships and dissolution processes. In addition, the influence of culture on conflict management has been documented in recent studies and requires further examination as a variable that can influence not only the choice of conflict management strategies but also the outcome (Kozan & Ergin, 1999; Ting-Toomey et al, 1991; Elsayed-Ekhouly et al, 1996).

## CULTURAL DIVERSITY AND CONFLICT MANAGEMENT

There are numerous definitions of culture. According to anthropologists Kluckhohn and Kroeber (1952), the essential core of culture consists of traditional ideas and their attached values. They later add that *culture is a way of life based on a system of shared meanings that are passed on from generation to generation* (Kroeber and Kluckhohn, 1963). In other words culture defines our values that lead us to prefer certain states of affairs over others (Hofstede, 1980). These values influence how people judge behaviour or situations and shared values direct people of the same culture to react in a similar way to a certain situation (Steinwachs, 1999). We can thus say that culture is "*the collective programming of the mind which distinguishes the members of one human from another*" (Hofstede, 1980, p.21).

National culture as an influence on conflict management has received increased attention in the research literature. Numerous studies have shown how styles of conflict management are affected by culture (Kozan & Ergin, 1999; Ting-Toomey et al, 1991; Elsayed-Ekhouly et al, 1996). Recent studies have extended cultural research by focusing on the differences that exist within the same country (Kozan & Ergin, 1999). Cultures are rarely homogenous entities, since subcultures based on region, religion or language may exist (Kozan & Ergin, 1999).

Ross (1993) links culture and conflict when he suggests that conflict is interpretative behaviour. Dispositions rooted in early experiences shape a culture's style of interaction with others and interpretations of behaviour. Organizational conflicts are affected by the particular interpretation members bring into the workplace.

Sinha and Tripathi (1994) have argued that both individualistic and collectivist orientations may co-exist within individuals and cultures. The interaction of these orientations, and the conditions under which they surface in the same culture, tell us more about a culture than a simple classification of culture as a whole. It is important to consider case based examples to observe 'how' and 'why' different individuals and culture's respond to a situation of conflict, despite the prevalence of cultural norms. In addition, by looking at the context of the dispute, the importance of the relationship to both actors and their respective nets provides a broader understanding of the conflict management and exit strategies that are available to each actor and the desired outcomes from that conflict situation. While personalities and cultural values are important

influences on conflict management, Kozan and Ergin's (1999) survey study of 435 Turkish employees in over 40 organizations, suggested the importance of the *context* or *situation* in understanding conflict and management styles. Culture provides a further variable to be analyzed when considering the *context* of the conflict.

We suggest that cultural variables, when applied internally, can assist in choice and selection of conflict management and exit strategies and the likely outcomes of those strategies in the particular cultural environment. Actors in companies should be more conscious of the diversity of conflict management and exit strategies available to the company. Actors, when conscious of the available strategies and with more awareness of the buyer or seller relationship in its context and cultural setting, will have enhanced likelihood of predicting specified outcomes as a result of conflict and exit strategy choice.

However, the context and importance of the relationship to both actors, together with the cultural environment are important influences on the choice of conflict management and exit strategies. These are crucial factors when either maintaining effective relationships, or to exit *beautifully* from present relationships, in an international setting (Alajoutsijarvi et al, 2000). These three components cannot be separated when analyzing conflict management and exit strategies in an international market context.

### **Can national culture be understood?**

It has been proposed that cultures encompass subjective dimensions (beliefs, attitudes, values), interactive dimensions (verbal and non-verbal communication) and material dimensions (artefacts) (LaBahn and Harich, 1997). Furthermore, Kozan and Ergin (1999) assert that dispositions embedded in early experiences shape a culture's style of interaction with others and interpretations of behaviour. National stereotyping has been well documented by Burns, Myers, and Kakabadse (1995), who find that perceptions of business people in different countries can be based on traits developed at an early age. Such perceptions, for example, can have enormous implications for negotiating a business deal. One fruitful definition of national culture is "*The collective programming of the mind acquired by growing up in a particular country* (Hofstede, 1991, p.262).

While a basic view of culture easily leads to stereotyping, research supports the assumption that a majority from a particular culture share certain cultural characteristics (Hofstede, 1980 in Varner, 2000). For example, as a general rule, Japanese culture is

more group-oriented than Australian culture (Hofstede, 1980). Varner (2000) argues that without using some generalisations, meaningful cross-cultural business communication would become even more difficult than it is already.

One of the most extensive studies in the field of intercultural research was the typology of culture by Hofstede (1980) (Steinwachs, 1999). The concept of culture has been applied to business. A major study by Hofstede (1980) defined business culture as “*learned assumptions and beliefs, attitudes and values shared by members of a group*”.

### **A typology of culture**

In the 1970's, Hofstede conducted an empirical study of IBM. The objective of the empirical study was to measure different values that are dominant among people from different nations. The results concluded that in these national cultures four dimensions of culture are present: the *power-distance relationship*; *individualism versus collectivism*; *masculinity and femininity*; and *uncertainty avoidance*. This development of a cultural dimensions typology is one of the major frameworks for understanding culture (Hofstede, 1980; 1983). This was later expanded to five dimensions when Hofstede and Bond (1988) developed *long-term versus short-term orientation* otherwise known as *Confucian Dynamism*. Those five dimensions will be further discussed in the following section.

#### **(i) Individualism versus collectivism**

This dichotomy refers to the relationship between an individual and a group to which that person belongs. *Individualists* tend to believe that personal goals and interests are more important than group interests (Hofstede 1984; Schwartz 1992; Triandis 1995), while *collectivists* are likely to be more sensitive to the interests of group welfare. A *collectivist* views the individual as part of a group and thus places group interests first. *Collectivists* do not consider themselves primarily as individuals but rather as members of an extended family or organization (Hofstede and Bond 1984). In regard to *collectivists*, Taiwanese use the word *Jen* to denote a man, "which includes the person himself plus his intimate societal and cultural environment which makes his existence meaningful" (Hofstede 1984:150). *Collectivists* value reciprocation of favours, a sense of belonging, and respect for tradition (Schwartz 1992).

*Individualists*, on the other hand, are more likely to behave in a manner that fulfils their self-interests and hence may be less likely to comply with organisational rules and

regulations when such compliance limits any personal gain (Triandis 1995). This dimension centres on organisational practices in individualistic cultures such as Australia and the Scandinavian countries contrasted with collectivistic cultures in East Asia such as Japan and China.

### **(ii) Power-distance relationship**

Individuals with higher levels of power distance are more apt to accept the inequality of power between superiors and subordinates, tend to follow formal codes of conduct, are reluctant to disagree with superiors, and believe that superiors are entitled to special privileges (Hofstede 1983). It is defined as the degree to which the members of a group or society accept the fact *that power in institutions and organisations is distributed unequally*" (Hofstede 1985:347). Hofstede (1983, 1984) consistently found that individuals who scored high on power distance tended to be more loyal to their superiors and to their companies. Low power distance found in for example Australia and Scandinavia subscribe to *equal power distribution* versus *high power distance* found in the hierarchical structures of Japanese or Chinese organisations, according to Hofstede (1984).

### **(iii) Masculinity and femininity**

Masculinity has been defined as *"a preference for achievement, heroism, assertiveness, and material success"* (Hofstede 1985, p.348). In contrast, feminine individuals are modest, humble, and nurturing. Feminine individuals are people oriented and less interested in personal recognition and determine achievement in terms of close human relationships and quality of life (Hofstede 1984). Hofstede discovered that Japan rated high on masculine dimensions (males expect an "in-charge" role). In contrast, countries like Norway and Sweden have a stronger feminine dimension, which means that roles are more fluid between males and females. Canada rated high on the masculine dimension compared with many Northern European organisational practices.

### **(iv) Uncertainty avoidance**

This refers to *"the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity, which leads them to support beliefs promising certainty and to maintain institutions protecting conformity"* (Hofstede, 1997, pp. 347-348). The tolerance for uncertainty and the means of coping with it can vary significantly from culture to culture. Individuals with high uncertainty avoidance preferred clear

hierarchical structures in organisations, relied more on written rules and instructions, were less likely to take risks, and were intolerant of deviations from organisational norms or company rules. Hofstede (1984) found that Canada and the US are low in uncertainty avoidance, i.e., they like to take risks, take individual initiative, and enjoy conflict. Whereas cultures like Japan, Hong Kong, and South Korea are high in uncertainty avoidance, i.e., do not like conflict, but pursue group harmony; people within these organisations need clear rules, procedures, and clearly defined job responsibilities.

#### **(v) Long versus short-term orientation**

This element, also referred to as *Confucian dynamism*, is designed to assess a culture's tendency toward certain Confucian traits such as the concept of time. The essential purpose of *Confucian dynamism* is to identify the time orientation of cultures. A high score along this dimension reflects a culture's tendency toward a future-minded mentality. Hofstede and Bond (1988) contend that people in nations that have high *Confucian dynamism* scores tend to associate more with the values of persistence, respect for status, thrift, and having a sense of shame. Empirical results indicate that people from Hong Kong, Thailand and Japan are high in *Confucian dynamism* values. Low scores along this dimension reveal a culture's orientation toward the present and past. Members of low *Confucian dynamism* cultures value the relative importance of personal steadiness and stability, saving face, respect for tradition, and reciprocation of greetings, favours, and gifts. Nations that scored low along this dimension included Canada, Pakistan, and the United States.

Hofstede and Bond (1988) have theorised that there is an overlap between some of the values incorporated in the *Confucian dynamism* dimension and the four original Hofstede cultural dimensions. Specifically, Hofstede and Bond (1988) proposed that nations which are high in *Confucian dynamism* (neo-Confucian countries) will score high on power distance, low on individualism, and mid-range on masculinity. Interestingly, no relationship was hypothesised between *Confucian dynamism* and uncertainty avoidance. This may have occurred as a result of the dichotomous nature of *Confucian dynamism* (with high scores as future-minded and low scores as present/past oriented). The aspect of national culture, and the preceding discussion can be summarised in the following table:

**Table 3: A typology of national culture**

<b>Power Distance</b>	<b>Masculinity vs Femininity</b>	<b>Collectivism vs Individualism</b>	<b>Uncertainty Avoidance</b>	<b>Long vs Short</b>
Equity	Masculine	Collective	Uncertainty Tolerant	Short Term
Inequity	Feminine	Individual	Uncertainty Intolerant	Long Term

Adapted from Hofstede (1980); Hofstede (1991)

### **Conflict management styles**

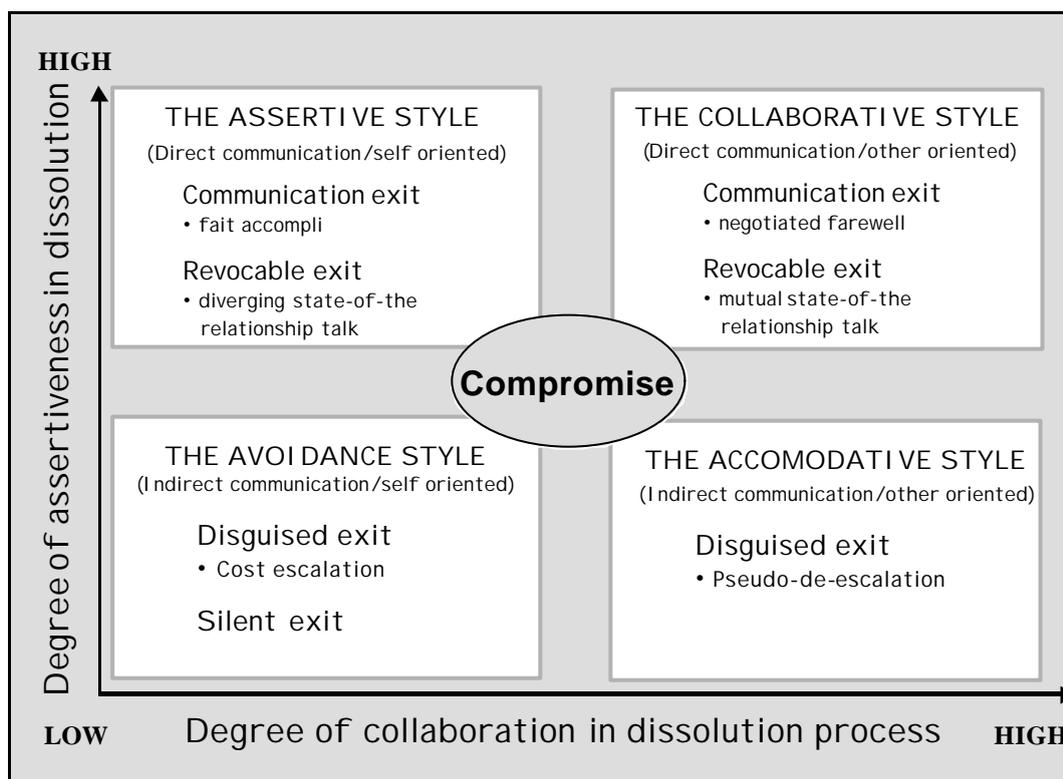
Conflict can be defined as “...*the process which begins when one party perceives that the other has negatively affected, or is about to negatively affect, something that he or she cares about*” (Thomas 1992 p. 653). Conflict and dissolution can be managed with a variety of strategies and styles (Baxter, 1985; Alajoutsijarvi et al, 2000). Conflict management styles have been described as two points on an axis, namely, *assertiveness* and *cooperativeness* (Blake & Mouton, 1964; Rahim, 1992; Thomas, 1992). *Competing styles* (high in assertiveness) involve the use of power in order to win one’s own concerns at the other’s expense. *Accommodating styles* (high in cooperativeness and collaboration) represents trying to satisfy the other party’s wishes at the expense of one’s own during the dissolution process.

The *collaboration style* or problem solving (high on both assertiveness and collaboration) involves bringing all pertinent issues and concerns out into the open and reaching a solution that integrates the different points of view. The *avoiding style*, (low in both assertiveness and collaboration), side steps the issues and shies away from open discussion. The *assertive style*, (low in collaboration and high in assertiveness), represents a direct and self-oriented view, with low desire to consider the other actor’s point-of-view or to work towards collaborative opportunities for problem solving. This type has a preference for a win-lose situation.

*The compromise* represents a mid-point on the competing versus collaboration axes. This involves splitting the differences, with both parties giving up something to find a middle ground. Thomas (1992) summarizes these styles as comprising assessment and reasoning elements. One’s choice of these styles is largely influenced by one’s thoughts relating to the conflict. These thoughts include, first, normative aspects, which is the actor’s assessment of the issue and possible settlement. Second, the instrumental

reasoning regarding the actor's behaviour. Thus, one's choice of conflict management styles maybe a function of first, the specific situation and second, one's basic orientation or behaviour disposition, towards conflict. The former is related to the contextual and temporal situation of the relationship and the latter is related to the actor's own vales that may represent culture at either a national or sub-national/sub-cultural level, especially in a multicultural society.

**Figure 1: Competing and collaborative conflict management styles in the dissolution process**



The dissolution process needs to be understood as a function of the specific situation governing the relationship as well as the nature of the conflict in its cultural setting and national norms that operate in that culture or sub-culture. The moderating effects of situational variables on each buyer-relationship will now be discussed. The discussion will include choice, use and rational of *competing* and *collaborative* conflict management styles for utilization in the dissolution process and are displayed in a typology in Figure 1 above.

We postulate that a more general understanding of the cultural norms is a reliable basis for understanding behavioural responses and outcomes in the international buyer-seller

dissolution process. For example, cultural norms operating in diverse cultures in China and Australia/Scandinavia are likely to have a significant influence on the styles of conflict management and communication strategies that are appropriate for managing long-term and effective relationships *during* and *beyond* the dissolution process. In particular, China is likely to have a cultural environment that is considerably distant from Australia/Scandinavia and more complex to manage than that found in a western context. This can be better understood with the idea of the *individualism-collectivism continuum* (Schwartz, 1992) discussed earlier.

In *collectivistic cultures* (such as China), disputes are seen as a problem of the collectivity, i.e. the group, organization or community, rather than a problem concerning the two parties alone (Wall and Blum, 1991). This view is likely to be shared by Australian/Scandinavian and for example, Chinese actors, which justifies an intrusive mediatorial style. Further, the privacy concern of *individualist cultures*, such as in Australia/Scandinavia, is not as strong a force in a more collectivistic culture. Second, use of intermediaries help, and use of conflict management and communication strategies, that help maintain harmony through face-saving, are culturally more acceptable for achieving long-term and stable relationships during the dissolution process in *collectivistic cultures* (Leung, 1987). Ting-Toomey et al (1991) found that members of collectivistic cultures are concerned not only with *saving face*, but also with *giving-face*. While *face-saving* concerns give rise to direct face-negotiating strategies and conciliational styles, *face-giving* concerns would necessitate indirect face-negotiation strategies (Kozan and Ergin, 1999) during the dissolution process.

*“A direct communication approach in a conflict situation may create embarrassing results for the other party and disrupt harmony. On the other hand, parties may communicate negative feelings more easily through intermediaries whose function is sometimes to soften these feelings and present them in more acceptable terms or within the context of the underlying concerns and difficulties. These tendencies of a collectivistic outlook will be most prominent in those subjects who adhere to the values of tradition, security, and conformity, and less in those subjects who have deviated from traditional values and believe in self-direction and stimulation”, (pp.255-256).*

The situation with Australian/Scandinavian and Chinese business relationships could be quite different. Australian/Scandinavian business actors represent cultures that are focused on *power* and *achievement* and not *universalism* and *benevolence* (Kozan and Ergin, 1999). This style is the reverse of self-transcendence, typically from a collectivistic culture, for example, in China, which is a contrast to the more self-enhancement styles of western cultures. Actors in relationships that value universalistic principles and benevolence are more likely to gain from the presence of neutral third parties that value more the elements of power and achievement.

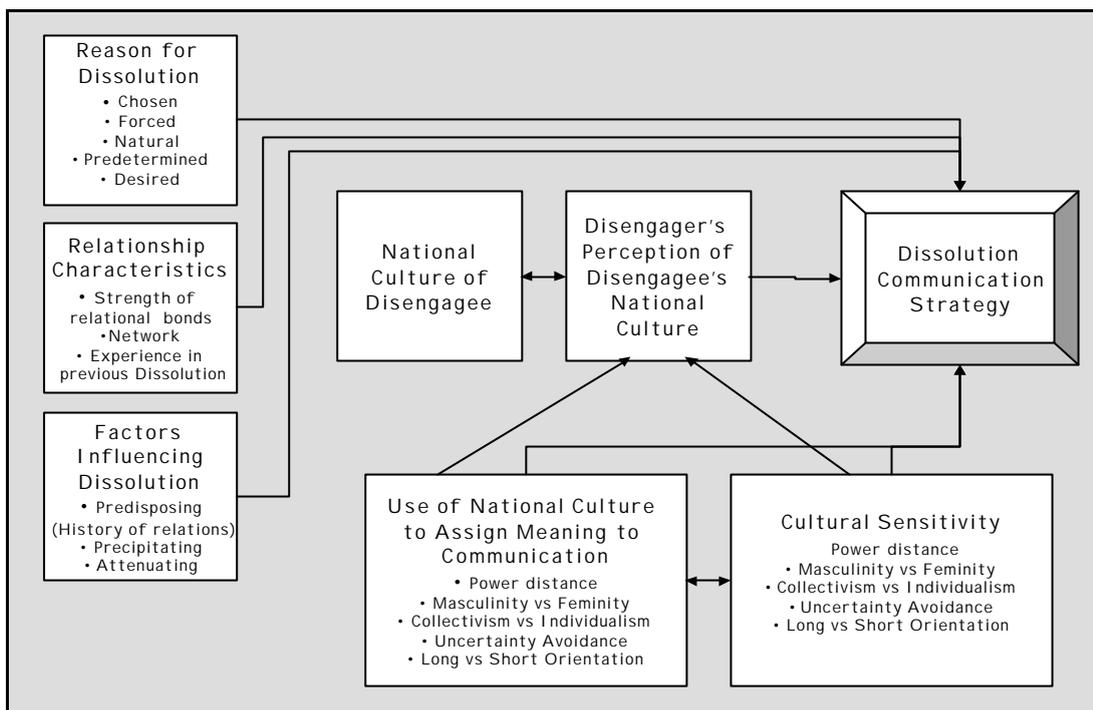
Typically, in business relationships between asian and western companies, where both cultures use and understand that management styles should be designed to be high in collaboration and low in assertiveness, we suggest that the dissolution process is more likely to result in a *beautiful exit*. However, if the reality between the actors is about a *show of power and achievement*, this is postulated as likely to impede the achievement of a dissolution process that provides present and future access to networks for the dissolution parties.

### **A CONCEPTUAL MODEL OF THE DISSOLUTION PROCESS**

The objective of this study is to examine the influence of national culture on dissolution strategies in international buyer-seller relationships. Although, Alajoutsijärvi et al's study (2000) did not consider the affect of culture regarding relationship dissolution in their study they do, however, focus on dissolution of inter-organisational buyer-seller relationships and investigate the different dissolution strategies used.

The variables to be used in this proposed conceptual model (Figure 2) are those of Baxter (1985) in respect of dissolution strategies and those of Hofstede (1980) in respect of the nature of the culture involved in the dyads considered earlier. We propose that the independent variable, *culture*, provides a frame of reference by which meaning and intent is assigned by the overseas company to the communications of the terminating company, thus affecting the dissolution outcome (dependent variable). This variable could to be measured by a content analysis of selected sociological and anthropological texts dealing with the chosen overseas culture.

**Figure 2: Proposed conceptual model of the dissolution process**



The dependent variable, the quality of the *outcome of the dissolution* communication process, will be affected by the manner in relation to the dissolution communication viewed by the other company. The overseas company will perceive the communications through the "filter" of the culture in which it resides. The interpretation that the cultural "filter" gives to those communications will have a major impact on the ultimate outcome of the dissolution. The outcome of the dissolution could to be evaluated using the study of Alajoursijärvi et al (2000), the dissolution process, which can be identified as effective, is described by the concept of the "beautiful exit".

The cultural attribute, as described in Hofstede (1980), considers the effects of culture on a multinational IT organisations. The dependent variable of our conceptual model is dissolution communication strategy as defined by Baxter (1985). The concept of culture has been applied to business. Hofstede (1980) defined business culture as "*learned assumptions and beliefs, attitudes and values shared by members of a group*". The objective of the empirical study was to measure different values that are dominant among people from different nations. These values were classified into five cultural dimensions (listed below) and are used for classification purposes for our conceptual model for the use of national culture to assign meaning to the communication process.

The results concluded that four dimensions of culture are present: the power-distance relationship; individualism versus collectivism; masculinity and femininity; and uncertainty avoidance. This development of a cultural dimensions typology is one of the major frameworks for understanding culture (Hofstede, 1980; 1983). This later expanded to five dimensions when Hofstede and Bond (1988) developed long-term versus short-term orientation otherwise known as Confucian Dynamism. These five dimensions are the framework used in our conceptual model for conceptualising national culture.

In order to provide input to western, and particularly Australian/Norwegian businesses, the western company will be the party referred to in this paper as the disengager. For example, Australian/Norwegian terminating organizations may have a relevant understanding of the national culture within which the overseas company operates and adjust its communications accordingly. It is possible that the Australian/Norwegian companies may have an inappropriate evaluation of the host culture of the overseas company in accordance with which it designs its communications. It is also possible that the Australian/Norwegian terminating organisations assume that they share with the foreign organisation an international business culture in which values have similar weightings. A final possibility is that the Australian/Norwegian companies take no account of cultural considerations in shaping their communications. This precursor variable may affect the nature of the communications, the interpretation of those communications by the foreign organisation and consequently the dissolution outcome.

It is proposed that the independent variable, culture, provides a frame of reference by which meaning and intent is assigned by the overseas company to the communications of the terminating Australian/Norwegian companies, thus affecting the dissolution outcome (dependent variable). This variable is to be measured by a content analysis of selected sociological and anthropological texts dealing with the chosen overseas culture.

The dependent variable, the quality of the outcome of the dissolution communication process, will be affected by the manner in which the dissolution communications are viewed by the overseas company. The overseas company will perceive the communications through the "filter" of the culture in which it resides. The interpretation that the cultural "filter" gives to those communications will have a major impact on the ultimate outcome of the dissolution. The outcome of the dissolution could to be

evaluated using the study of Alajoutsijärvi et al (2000), the outline for which is found in her concept of the "Beautiful Exit".

Finally, it has been suggested that sensitivity to a partner's culture leads to better communication (Kale and Barnes, 1992). LaBahn and Harich (1997) conducted an empirical study of the effects of sensitivity on national business culture on communication, conflict and performance in cross-national channel relationships. They define sensitivity to national culture as a firm's understanding of and adaptation to its exchange partner's domestic business practices as perceived by its partner. This definition is based on studies that emphasise that cultural understanding and adaptation is important in cross-national relationships (Francis, 1991; Kraft and Chung; 1992, LaBahn and Harich, 1997). Results showed that partner sensitivity to national business culture increased effective communication and decreased conflict, which affected relationship performance. LaBahn and Harich (1987) suggested that when corporations interact with other cultures, immediate understanding cannot be guaranteed. The cultural attribute is described in Hofstede (1980) which considered the effects of culture on a multinational IT organisations as is discussed above and is the framework used in our conceptual model for defining cultural sensitivity.

## **CONCLUSION**

There is limited research in the area of the effects of culture on international business dissolution strategies, despite the suggestion of the importance of culture (Baxter, 1985) in business dealings. There is a need for such research because of increasing cross-national business relationships, particularly between western based and asian based companies (ABS, 2001). A useful model of strategies for dissolution is found in the work of (Alajoutsijärvi et al., 2000). This has been adopted in this paper to classify the dissolution strategies that companies may utilize in Table 1 and then presented within a typology of collaborative or competing approaches to the dissolution process (Figure 1).

The critical relationship is that of the dissolution communication strategy and the culture in which the business relationship is being dissolved. It is postulated that this relationship should shape and inform the cultural sensitivity of the organisation dissolving the business relationship. It is the objective of this paper to further postulate the effects of cultural expectations of the disengaged party on the success of the

dissolution outcome in light of the dissolution communications used by the disengager. The international business relationship context discussed were those between business organisations in western and East Asia markets, such as Australia/Scandinavia and China. We suggest that the insights provided by this conceptual paper will assist international marketers in determining communication dissolution strategies in cross-cultural relationships that will minimise negative costs on both partners and the embedded network.

Therefore, it is proposed that the national culture of the disengaged party will affect the way in which the disengager perceives communications designed to dissolve the relationship and shape the disengagee's reaction to the communication. Further, research, addressing dissolution communication strategies within business relationships more generally, is detailed because of the paucity of information addressing international buyer-seller relationship dissolution. The complex and dynamic nature of dissolution of a buyer-seller relationship requires (Alajoutsijärvi et al., 2000; Giller & Matear, 2001) sensitivity to be managed effectively. It is proposed that the dissolution of an international buyer-seller relationship should call for greater sensitivity of international marketing practitioners managing the dissolution process between cultures that are distant and complex by nature. Management of dissolutions is imperative to minimise costs not only to both buyer and seller but also to the embedded network (Alajoutsijärvi et al., 2000).

## REFERENCES

- Australian Bureau of Statistics, International Merchandise Trade, Australia, June Quarter 2001 (Cat. No. 5422.0)
- Alajoutsijärvi, K., Möller, K. and Tähtinen, J (2000), "Beautiful exit: how to leave your business partner", *European Journal of Marketing*, 34 (11/12), 1270-1289.
- Anderson, J.C., Häkansson, H. and Hohanson, J. (1994), "Dyadic business relationships within a business network context", *Journal of Marketing*, Vol. 54, January, 42-58.
- Baxter, LA. (1985), "Accomplishing relationship disengagement", in Duck, S. and Perlman, D. (Eds), *Understanding Personal Relationships. An Interdisciplinary Approach*, Sage, London, 243-65.
- Blake, R. and Mouton, J.S. (1964), *The managerial grid*. Houston, Gulf.

- Brown, P., and Levinson, S. (1978), "Universals in language usage: Politeness phenomena" in Goody, E. (ed) *Questions and Politeness*. New York: Cambridge University Press.
- Burns, P., Myers, A. and Kakabadse, A. (1995), Are national stereotypes discriminating? *European Management Journal*, Vol.13, 2.
- Campbell, N. and Cunningham, M. (1983), "Customer analysis for strategy development in industrial markets", *Strategic Management Journal*, Vol 4 (4), 360-80.
- Duck, S. W. (1982), "A topography of relationship disengagement and dissolution" in Duck, S.W. (ed.), *Personal Relationships 4: Dissolving Personal Relationships*. Academic Press: London & New York.
- Elasayed-Ekhouly, S. M., and Buda, R. (1996) Organisational Conflict: A comparative analysis of conflict styles across cultures, *International Journal of Conflict Management*, Vol.7, 71-81.
- Felmlee, D., Sprecher, S. and Bassin, E. (1990), The Dissolution of Intimate Relationships: A Hazard Model, *Social Psychology Quarterly*, Vol 53 (1), 13-30.
- Fiocca, R. (1982), "Account portfolio analysis for strategy development, *Industrial Marketing Management*, Vol 11(1), 53-62.
- Ford, D., Håkansson, H. and Johansson, J. (1986), "How do companies interact?", *Industrial Marketing and Purchasing*, Vol 1(1), 26-41.
- Gadde, L., and Mattsson, L. (1987), "Stability and change in network relationships", *International Journal of Research in Marketing*, 4 (1), 29-41.
- Gassenheimer, J., Houston, F. and Davis, J. (1998), "The Role of Economic Value Social Value, and Perception of Fairness in Interorganisational Relationship Retention Decisions", *Journal of the Academy of Marketing Science*, 26 (4), 332-337.
- Giller, C. and Matear, S. (2000), "The termination of inter-firm relationships", *Journal of Business and Industrial Marketing*, 16.
- Goldman, K. (1995) Kmart Gives Campbell Mithum Blue Light to Handle Account“ *Wall Street Journal*, April 18, 7.
- Halinen A. and Tahtinen, J. (1999), *Towards a Process Theory of Relationship Dissolution*, Turku School of Economics and Business Administration, Series Discussion and Working Papers 9.
- Havila, V. (1996), *International Business-Relationships Triads - A Study of the Changing Role of the Intermediating Actor*, Doctoral thesis no. 64, Department of Business Studies, Uppsala University.

Havila, V. and Wilkinson, I. (1997), "The principle of the conservation relationship energy; or many kinds or new beginnings", *Proceedings 13<sup>th</sup> IMP Conference*, 279-304.

Hirschman, A.O. (1975), *Exit, Voice and Loyalty. Responses to Decline in Firms, Organisations and States*, 4<sup>th</sup> reprint, Harvard University Press, Cambridge.

Hofstede, G. (1980), *Culture's consequences: International differences in work-related values*. Beverly Hills: Sage Publications

Hofstede, G. (1991), *Cultures and organisations: Software of the mind*. London: McGraw Hill.

Hofstede, 1997, 347-348

Hofstede, G. and Bond, M. (1984), 'Hofstede's culture dimensions: an independent validation using Rokeach's Value Survey', *Journal of Cross-Cultural Psychology*, Vol.15 (4), 417-433.

Hofstede, G. and Bond, M. (1988), "The Confucius Connection: From Cultural Roots to Economic Growth." *Organizational Dynamics*, 16 (4), 5-21.

Kale, S. & Barnes, J. (1992), "Understanding the Domain of Cross-national Buyer-seller Interactions." *Journal of International Business Studies*, 23, 101- 132.

Kluckholn, C. and Kroeber, A., (1952), *Culture: A critical review of conceptions and definitions*, Vol.47, (1), Cambridge, Peabody Museum.

Kozan, K., and Ergin, C., (1999), The Influence of Intra-cultural Value Differences on Conflict Management Practices, *The International Journal of Conflict Management*, Vol.10, No.3, 249-267.

Kroeber, A and Kluckholn, C (1963), *Culture: A Critical Review of Concepts and Definitions*, NY, Vintage

LaBahn, D. and Harich, K. ((1997), Sensitivity to National Business Culture: Effects on U.S.-Mexican Channel Relationship Performance, *Journal of International Marketing*, 5 (4), 29-51.

Leung, T., (1987), Some Determinants of Reactions to Procedural Models of Conflict Resolution: A Cross-National Study, *Journal of Personality and Social Psychology*, Vol. 23, 898-908.

Ping, R. and Dwyer, F (1992), A preliminary model of relationship termination in marketing channels' in Frazier, G (ed), *Advances in Distribution Channels Research*, JAI Press, Greenwich, CT.

Rahim, M.A.,(1992), *Managing conflict in organizations* (2nd ed.), New York, Praeger.

Ross, M. (1993), *The culture of conflict: Interpretations and interests in comparative perspective*. New Haven, Yale University Press.

Salminen, R. (1997), Role of References in International Industrial Marketing: A Theory-Building Case Study about Supplier's Process of Utilizing References, in Tähtinen, J. (1999), *The Existence and the Dissolution of a Business Relationship in Tailored Software Business. A Theoretical Framework*, Department of Economics, University of Oulu, Research Reports.

Schwartz, S. H. (1992). Universals in the content and structure of values: Theoretical advances and empirical tests in 20 countries. *Advances in Experimental Social Psychology*, 25, 1-65.

Sinha and Tripathi (1994)

Steinwachs, K. (1999), Information and culture – the impact of national culture on information processes, *Journal of Information Science*, 25 (3), 193 –204.

Tähtinen, J. and Halinen-Kaila, A. (1997), "The death of business triads: the dissolution process of a net of companies", *Proceedings of the 13<sup>th</sup> International Conference on Industrial Marketing and Purchasing*, Lyon, September, 553-90.

Tähtinen, J., and Halinen-Kaila (1999), "The Death of Business Triads, The dissolution process of a net of companies", in *Proceedings of the 13<sup>th</sup> IMP Conference*, Lyon, France.

Thomas, K.W. (1992), Conflict and negotiation processes in organizations in Dunette, M. (ed.), *Handbook of industrial and organizational psychology*, 2nd Ed., Vol.3., Palo Alto, Consulting Psychologists Press. 651-717

Ting-Toomey, D., Trubisky, G., Yang, P., Kim, Z., Lin, S., and Nishida, T. (1991), Culture, face maintenance, and styles of handling interpersonal conflict: A study of five cultures. *International Journal of Conflict Management*, Vol.2, 275-296.

Triandis, H. (1995), *Individualism and collectivism*, Boulder, Westview Press.

Vaaland, T., & Hakansson, H. (2002) "Exploring Interorganizational Conflict in Complex Projects", *Industrial Marketing and Management*, (forthcoming).

Varner, I. (2000), The Theoretical Foundation for Intercultural Business Communication: A Conceptual Model, *The Journal of Business Communication*, 37, 1.

Wall, J. and Blum, M. (1991), Community mediation in the People's Republic of China, *Journal of Conflict Resolution*, Vol.35, 3-20.