

**Trust in Cross-Cultural Business-to-Business Relationships: The Case of the Former Yugoslav
Markets**

Maja Makovec Brencic

Vesna Zabkar

University of Ljubljana

Faculty of Economics, Kardeljeva ploscad 17

1000 Ljubljana, Slovenia

Phone: +386-1-5892-400

Fax: +386-1-5892-698

E-mail: maja.makovec@uni-lj.si

vesna.zabkar@uni-lj.si

Abstract

In the paper the authors present a model of trust where they integrate cultural specifics along with the manifestation and dynamic of trust. The model consists of trust, relationship commitment and values affected by the current market situation and cultural specifics. Application of the model is given by the comparison of business relationships on two former Yugoslav markets, Serbia and Croatia. The survey of more than 400 large and medium sized companies from Serbian and Croatian market showed that Serbian companies evaluate trust, relationship commitment, length and tradition of relationships on a higher level of importance than Croatian companies. The differences in trust and its evaluation in current business relationships are explained through the influence of post-war market situations and cultural implications.

Introduction and Theoretical Background

Numerous authors have defined trust and relationship commitment as vital components for relationships. In business-to-business relationships, where outcomes depend on the behaviour and intent of partners, trust is particularly crucial (Johnson and Cullen, 2002). Trust in business-to-business relationships presents a component of integrated knowledge of relationship variables, such as “trust involve a belief that one relationship partner will act in the best interests of the other partner” (Anderson and Narus (1984), Wilson and Möller (1991), Morgan and Hunt (1994)). Trust definitions derive from a number of diverse areas including social exchange theory, contractual relations theory (Macneil, 1980), trust theory (Gambetta, 1988), organisational theory, the literature on moral development, the literature on buyer-seller exchange relations (see Tynan, O’Malley, 1997). A lot of IMP contributions (e.g. Håkanson, 1982; Wilson, 1995) have clarified the importance of trust in relationship contexts. The majority of definitions of trust are focused on the ability to test the existence

of trust in an exchange relationship and rely on the notion of trust as a belief or expectation in exchange relationships (Tynan, O'Malley, 1997).

In buyer-seller relationships commitment is defined as “the desire to continue the relationship and to work to ensure its continuance” (Wilson, 1995; Anderson and Narus, 1984; Morgan and Hunt, 1994; Dwyer et al., 1987) or as “an implicit or explicit pledge or relational continuity between exchange partners (Dwyer, Schurr, Oh, 1987). The majority of literature distinguishes between three different types of commitment based on the underlying motives – affective commitment, cost-induced commitment and obligation-based commitment. Our understanding of commitment is based on affective motives such as emotional attachment, belonging and respect for the partner, which manifest in the form of a liking to develop and strengthen the relationship with another person or group (Sharma et al., 2001). Affective commitment is explained by some in terms of the congruence of values and goals among participants. This means that relationship participants have common beliefs about behaviour, goals, and policies (Buchanan 1974; Mowday et al. 1982; Brown, Lusch and Nicholson 1995; Kim and Frazier 1997).

Socio-cultural literature defines value as “an enduring believe that one mode of conduct of end-state of existence is preferable to an opposing mode of conduct or end-state of existence” (Rokeach, 1973, p.5). Values have cognitive, affective, and behavioural components. In general, a value is a preference of one mode of behaviour over another mode of behaviour and these modes are not only influenced by culture but also are very diverse when different cultures are compared (De Mooij, 1999). Morgan and Hunt (1994), define values as: shared values in business relationships are the extent to which partners

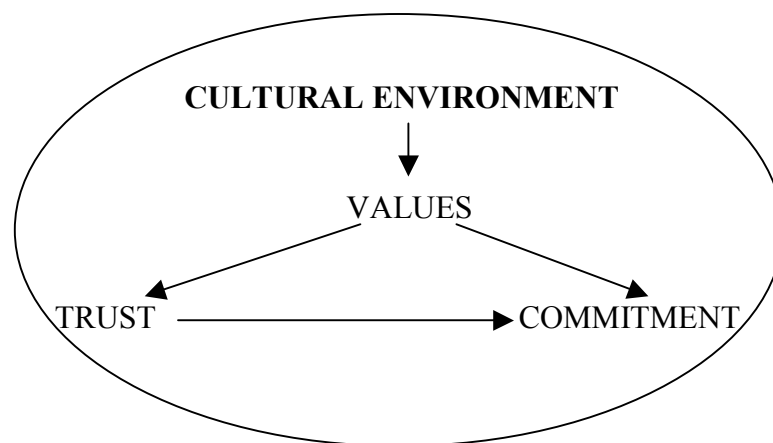
have common beliefs about goals, policies and behaviours which are important, appropriate and right. They posit shared values as a direct precursor of both relationship commitment and trust.

The literature focusing on marketing relationships is, in the majority of cases, focused on the national environment and of a western country culture and not on the international or cross-cultural context (Hewett and O'Bearden, 2001; Johnson and Cullen, 2002). The same is true when defining commitment and trust. Not a lot of researchers involve the cross-cultural components of trust and commitment in business relationships. Johnson and Cullen (2002), imply that the issue of trust in cross-cultural exchange has become compelling when expanding to foreign markets (Johnson and Cullen, 2002).

Although complex networks of buyer-seller relationships are the norm in many non-western business environments, the majority of relationship literature and research to date is based on western business societies. We can even claim that the post war situations and the destructive processes that the non-western economies, such as Serbia and Croatia have gone through, have and will profoundly affect the development, maintenance or re-establishment of business relationships. The ability and willingness to form relationships are conditioned by unique cultural contexts where the general theory of universal applicability of relationship marketing concept (e.g. Grönroos, 1994) fails. The development of relationships is therefore very much conditioned by the cultural context in which it takes place (Palmer, 2000). No matter which market we enter, every market has its own cultural and other environmental specifics that need to be considered when deciding where to develop or maintain successful business relationships (Hofstede, 2001; Trompenaars and Hampden-Turner, 1997; Johnson and Cullen, 2002; etc). By knowing the past and the current cultural context of the business environment and its possible

future developments, based on cultural awareness and understanding, companies have a certain advantage when entering such markets. For this reason we focused our research on influences of cultural context on trust and relationship commitment in business-to-business relationships. In our opinion by knowing the cultural context of a business environment and its possible future developments, companies can develop certain abilities to establish, develop and successfully maintain cross-cultural business relationships. Trust and commitment in our opinion present vital components of such cross-cultural relationships in business-to-business markets.

Figure 1: Model of trust and relationship commitment in cultural framework



Research Framework

According to the theoretical issues presented above, we developed a model, where we integrate cultural specifics along with the manifestation and dynamic of trust and commitment. The model consists of trust, relationship commitment and values affected by the current market situation and cultural specifics. Application of the model is given by the comparison of business relationships on two former Yugoslav markets, Serbia and Croatia. The differences in trust and commitment and their evaluations

in current business relationships are explained through the influence of post-war market situations and cultural implications. In the model the cultural environment (context) is included as an exogenous construct, whereas values, trust and commitment are explained as endogenous constructs.

Research Hypotheses

According to the proposed model (see Figure 1) and theoretical background explained above we developed several hypotheses:

H1: The cultural environment influences the values of business partners in business relationships.

H2: Values have an influence on trust, therefore the cultural environment also influences trust in business relationships.

H3: Values have an influence on commitment, therefore the cultural environment also influences commitment in business relationships.

The hypotheses can be supported by contributions of several authors such as Hofstede (2001), Trompenaars and Hampden-Turner (1999), de Mooij (1998) etc. Since the ability and willingness to form relationships are conditioned by unique cultural contexts (e.g. Grönroos, 1994) and also conditioned by the cultural contexts where they take place (Palmer, 2000), cultural issues in business relationships cannot be ignored. The latter reference consequently implies and theoretically grounds hypothesis 1.

Morgan and Hunt (1994) hypothesize “that relationship commitment and trust are not only important variables in marketing relationships but also are key mediating variables in these relationships (referring to KMV model)”. Since business relationships are developed and influenced by cultural context, the vital components of relationship are trust and commitment as influenced by cultural environment. The re-examination of the commitment-trust theory (Kalafatis, Miller, 1997) showed that

relationship variables and constructs have to be examined under differing market conditions and for different sub-populations. Behaviour, intent of partners and relational continuity (e.g. Johnson and Cullen, 2002; Dwyer et al, 1987 etc.) that imply levels of commitment and trust in relationships, are therefore influenced by the values of the cultural context where business relationships take place.

Research Data

As a result of the current business challenges in the area of the countries of the former Yugoslavia, the Institute for South-Eastern Europe of the Faculty of Economics Ljubljana (ISEE) conducted a survey in September and October 2001, with the purpose to analyse the specifics of business-to-business markets in Serbia and Croatia. The survey included 420 firms from different industries in these markets. The survey was focused on the influence of trust and commitment in the cultural framework of relationships in the current business environment in these two selected markets.

Data for the research were gathered through surveying the companies in the selected markets. Medium sized and large companies (more than 200 employees), producers of consumer goods and durables (except raw-material industries) were interviewed. From both countries, in more than 200 of the largest companies (204 in Croatia and 216 in Serbia), either the CEO, marketing director or sales director, was contacted via telephone. Marketing research specialists and their trained subcontractors in each of the countries gathered the data. For the purpose of language differences, it was important to involve local researchers to contact respondents via telephone using the local language (Croatian or Serbian). Questionnaires were translated from Slovene to the Croatian and Serbian language and were then back translated, for verification. The questionnaire was tested in each of the selected markets prior to collecting the study data.

Some Cultural Aspects of Business Relationships in Serbian and Croatian Markets

The political and legal changes in these selected markets have severely affected the business environment and cultural components in business-to-business relationships. The markets have gone through turmoil and still reflect war distortion. After 1991, international trade with these markets drastically diminished due to wars (Prasnikar, 2001). Since these markets have now become wide open to the entry of foreign companies, competition has intensified. Companies knowing the culture, language, and social ties of the present business environment in Serbia and Croatia have certain advantages when entering these markets. Especially, the companies that have already successfully developed relationships with domestic businesses in either or both countries, could enjoy an advantage over the competition.

Each society has its own social foundation that influences business relationship (Palmer, 2000). In both Croatia and Serbia, political, legal, cultural and all other aspects of business relationships, are still influenced by the consequences of war and the resulting political instability, which has resulted in decreasing the economic growth and development within past years compared to earlier times. It is apparently of no matter that Slavic cultures are: relationship focused, polychronic, variably expressive and formal (Gesteland, 1999). The war deeply influenced the social, cultural and economic grounds of the two markets and, consequently, business behaviour.

When comparing the two selected cultures, we can find some interesting differences. The Croatian culture is held to be more competitive, action-oriented, and to emphasize self-fulfilment whereas the Serbian culture is relatively more cooperative, emphasizing the experience of living, and is more concerned with getting along with others. Some of these differences reflect the ancient division

between the prevailing Orthodox culture in Serbia and the Roman Catholic culture in Croatia (Huntington, 1996; West, 2001).

The relationships in these two markets are still very much based on face-to-face knowing, personal experience and managerial judgement of partner abilities, consistency and reliability. Whom an individual knows is of high importance for starting or developing the relationship. Reliability and quality of the relationship are very important factors which kept some traditional business relationships working even through the war, or helped to re-establish previous relationships by Slovenian firms in both markets. Political belief (conviction) and knowledge about political developments on the part of Slovenian suppliers or buyers is more important in the Serbian market, whereas the Croatian market is in political terms, much more stabilized (Jambresic Kirn; Povrzanovic, 1996; Franicevic, 1999). Black market methods of maintaining relationships (e.g. bribes, corruption) are still of importance in Serbian market (Jones, 2001; Gordy, 1999). Friendship, gifts, spending time together informally (wine and dine) is almost obligatory for doing business in the Serbian markets but is not so usual anymore for Croatian markets. Our observations indicate that the Croatian formal and informal aspects of maintaining relationships are developing much more towards Western types of relationships. Serbian business have not yet reached that phase of their development. The majority of business relationships in Croatia are legally based (Gundlach, Murphy, 1993), but we cannot yet claim this basis for Serbia. A very important fact regarding the importance of relationships in the Serbian market is getting proper information on time (therefore good relationships are so important). Information flows in Serbia are usually through informal channels, whereas information systems in Croatia are much more transparent.

Results

Respondents from Serbia and Croatia were asked to express their degree of agreement with statements about their values, trust and commitment in relationship with their most important buyer. These items were measured on a seven-point Likert scale (see Table 1 for mean values, standard deviation and standard error of mean).

A comparison of different characteristics for Serbian and Croatian companies reveals interesting differences. Serbian companies, on average build relationships with their important buyers on values, trust and commitment, compared with Croatian firms. More than Croatian respondents, they respect values like reliability, seriousness of keeping promises, honesty (see Table 1 for means and significance of t-test of mean differences). Interpersonal relationships between Serbians and their buyers are built on trust, loyalty and openness; they implement business strategies together with their partners to a significantly higher degree than Croats; and strive to keep good relationships with their buyers. Serbian companies, to a higher degree than Croatian firms, regard their buyers as honest and, to a larger extent, stress the importance of understanding business habits and customs for both parties in the relationship. It is interesting, though, that the importance of tradition in the relationship with buyers is not significantly higher for the Serbian managers compared to Croatian managers (variability of answers to this question was high for both Croatian and Serbian companies). When talking about intentions to keep relationships with their buyers in the future, the Serbian respondents are more reserved and agree with the statement less than the Croatian respondents.

TABLE 1

Relationship Characteristics for Croatian and Serbian Companies: Relationship with the Most Important Buyer for the Respondent

	Country	N	Mean	Std. Deviation	Std. Error Mean
You and your partner respect values of keeping promises, reliability	Croatia	202	6,17	1,26	8,84E-02
**	Serbia	216	6,51	1,06	7,19E-02
Trust is very important in the relationship with your buyer.	Croatia	202	6,68	,77	5,44E-02
**	Serbia	216	6,88	,53	3,62E-02
In the future you intend to keep relationship with your buyer.	Croatia	201	6,04	1,33	9,35E-02
*	Serbia	216	5,71	1,56	,11
You strive to keep good relationships with the buyer.	Croatia	202	6,72	,77	5,40E-02
*	Serbia	216	6,87	,54	3,69E-02
In relationship with a buyer you put a lot of importance on tradition.	Croatia	202	5,90	1,30	9,14E-02
	Serbia	216	6,13	1,38	9,40E-02
Your buyer has been so far honest to you.	Croatia	201	5,46	1,36	9,62E-02
**	Serbia	215	5,85	1,29	8,79E-02
Your buyer keeps promises.	Croatia	201	5,36	1,35	9,50E-02
	Serbia	216	5,43	1,28	8,69E-02
Together with your buyer you implement your business strategies.	Croatia	201	5,91	1,28	9,02E-02
***	Serbia	216	6,33	1,12	7,65E-02
Interpersonal relationships between you and your buyer are based on trust, loyalty and openness.	Croatia	201	6,16	,97	6,82E-02
**	Serbia	215	6,40	,95	6,49E-02

Legend: * significance at $0.01 < p \leq 0.05$, ** significance at $0.001 < p \leq 0.01$, *** significance at $p \leq 0.001$
Scale: 1 to 7; 1 = completely disagree, 7 = completely agree

Note: Number of cases differs from the total sample size due to missing values.

The differences found may be understood in the light of the Croatian culture being more competitive, action-oriented, with the emphasis on self-fulfilment whereas the Serbian culture is more cooperative, with the emphasis on getting along with others. It is important to emphasize also the higher level of

economic development of the Croatian society that might be an additional foundation for defining and explaining differences in relationships with Croatian or Serbian companies. These findings are in line with the results of Zupanov (1998), which claims that the Croatian companies are weak in respecting their promises towards their partners. Furthermore, the business ethics of the Croatian companies in business relationships is, according to Zupanov, low; especially when dealing with domestic business partners, their employees or the state, but less so when dealing with international partners. The main reason for such behaviour may be in the low efficiency of courts and law enforcement, weak solvency of the economy, the strong political background in business decisions and also the short-term economic interests of the companies.

It is interesting to note that the intentions to keep the relationships in the future are stronger for the Croatian companies. This is consistent with our understanding of the Serbian culture as being closer to collectivist cultures that do not accept a clear plan about what is going to happen. Croatian culture is closer to individualistic cultures that are more likely to write out a plan about the future development of the relationship.

Two group discriminant analysis was used to examine whether respondents from Croatia vs. those from Serbia attach different agreement with the nine statements related to their values, commitment and trust with the most important supplier. The dependent variable was their country of origin, the independent variables were given in Table 1. The overall discriminant function was weak, indicating significant differences between Serbian and Croatian firms. The results indicate that compared with respondents from Croatia, respondents from Serbia more strongly agree with the statement that they fulfil their business plans together with their buyers, they highlighted the importance of trust in business

relationships and emphasized the honesty of the buyer in the business relationship in the past. They expressed less likelihood of keeping the relationship with the same buyer in the future. The hit ratio from the classification matrix (the number of correctly classified and misclassified cases) however shows only 65% of original grouped cases (according to the country of origin) correctly classified. The square of the canonical correlation associated with the discriminant function indicates that only 10% of the variance in the country is explained or accounted for by this model. The estimated discriminant function is still significant (Wilks' lambda associated with the function 0.8 transforms to a chi-square of 50,2 with 4 degrees of freedom, which is significant beyond the 0.05 level) (Table 2).

TABLE 2
Standardized Canonical Discriminant Function Coefficients

Variable	Coefficient
Trust is very important in the relationship with your buyer.	,504
In the future you intend to keep relationship with your buyer.	-,860
Your buyer has been so far honest to you.	,612
Together with your buyer you implement your business strategies.	,548

Correlations were calculated separately for the Croatian and Serbian respondents in order to determine how strongly are pairs of variables related when the effect of country is controlled, if there is an association between variables of trust, commitment and values. It is hypothesized that the variable of the perceived respect of values would be correlated with perceived honesty of the buyer and with the importance of tradition (all items related to values). The correlations are significant for Croatian respondents whereas they are not for Serbian respondents. Furthermore, it is hypothesized that the variable of importance of trust, perceived promises keeping and perceived trust in interpersonal

relationships between the buyer and the seller (all items related to trust) would be correlated between themselves. Again, the correlations are significant for the Croatian respondents and not for the Serbian respondents. Similarly, items related to commitment (intention to keep the relationship in the future, efforts to keep good relationship with the buyer and joined implementation of business strategies) are more correlated for Croatian than for Serbian respondents. In general, the correlations in Serbian responses are low showing that Serbian respondents did not perceive the different items of values, commitment, and trust as being related.

The set of 9 items measuring respondents attitudes were factor analysed separately for respondents from Serbia and Croatia to determine the underlying factors of values, commitment and trust. Factor analysis was performed on the explanatory variables. Each factor was composed of variables that loaded 0.60 or higher on that factor. Factor 1 seemed to capture the values, factor 2 tapped into trust and factor 3 revealed commitment characteristics.

Specifically, on factor 1 – Values, the following variables were loaded: respect for values of keeping promises, reliability, importance of tradition in the relationship, honesty.

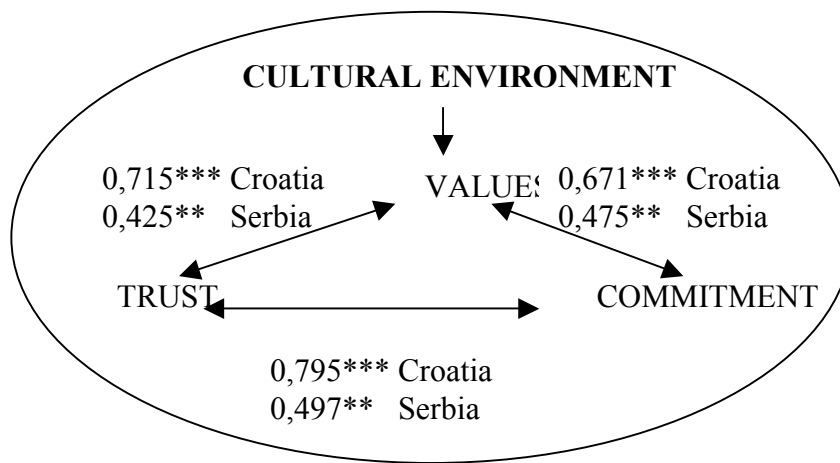
On factor 2 – Trust, the importance of trust in relationships with buyers, perception of buyer's keeping promises and trust, loyalty and openness in interpersonal relationships were loaded.

On Commitment (Factor 3), the variables of future intentions to keep the relationships, efforts to keep good relationships and common implementation of business strategies, were loaded.

There were differences between Serbian and Croatian respondents: the variance explained by these factors was higher for Croatian companies (63%) compared to Serbian companies (43%) showing that

the described factor model is less appropriate for the Serbian companies than for the Croatian ones. Also, measures of importance of tradition loaded low on the values factor, similarly the measure of efforts for keeping relationships on commitment factor. All in all, the proposed factors seem to be less suitable for the data reduction in the case of Serbian respondents compared to the Croatian ones.

Figure 2: Correlations between factors of trust, commitment and values in cultural framework



In the model, the cultural environment is included as an exogenous construct, whereas values, trust and commitment are endogenous constructs. The relationships between constructs of values, trust and commitment are measured through correlation between factors 1-3. The correlations reveal strong connections between values and trust, values and commitment and trust and commitment. The direction of the relationship (which of the constructs is the cause and which the consequence), could not be determined on the basis of the method selected.

Nevertheless, the comparison between Serbian and Croatian respondents reveals that the proposed model of relatedness between values, commitment and trust is more applicable to Croatian respondents than to Serbian as measured in this analysis (Figure 2). The results indicate that values play a less important part in the areas of trust and commitment in the business relationships for Serbian respondents compared to Croatian ones. The relatedness between trust and commitment is weaker for the Serbian respondents compared to the Croatian ones.

Conclusions and Further Research

In the paper we explore the nature of relationship marketing in cultural contexts. The model consists of trust, relationship commitment and values affected by the current market situation and cultural specifics. The literature focusing on marketing relationships is in the majority of cases focused on a national environment and culture, and does not address international or cross-cultural contexts, which is the focus of our research. Specifically our research findings deal with the effects of trust, relationship commitment and values in the post war markets of Serbia and Croatia, on the development, maintenance or re-establishment of business relationships. The research indicates interesting differences between the two cultures. The Croatian culture is held to be more competitive, action-oriented, and to emphasize self-fulfilment whereas the Serbian culture is relatively more cooperative, emphasizing the experience of living, and is more concerned with getting along with others. Serbian companies, on the average more than Croatian ones, build relationships with their important buyers on values, trust and commitment. More than Croatian respondents they respect values like reliability, seriousness of keeping promises, honesty. It is interesting, though, that the importance of tradition in the relationship with buyers is not significantly higher for the Serbian managers compared to Croatian managers. The research also shows that the Croatian companies are weak in respecting their promises

towards their partners, although their intentions to keep the relationships in the future are reported as stronger. This is consistent with our understanding of the Serbian culture as being closer to collectivist and Croatian culture closer to individualistic cultures. The two group/cultures discriminant analysis reveals that the intention to keep relationships in the future, honesty, importance of trust and common implementation of business strategies, are the most important predictors in discriminating between the Serbian and Croatian companies.

The factor analysis revealed the factors of: values, trust and commitment. It is interesting to note that the proposed factors seemed to be less suitable for the data reduction in the case of Serbian respondents compared to Croatian ones. The reason for this result could lie in the western perception of business relationships. Namely, the majority of relationship literature and research to the date is based on Western business societies. The latter finding indicates the strong need for the development and adaptation of concepts, research measurement and model development for business relationships in non-Western cultures.

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