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The Value of Relationships in a Chinese- Western Business-to-Business Context: An Investigation on Relationship Bonds, Adaptation, Trust and Commitment

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ABSTRACT

- Title:** The Value of Relationships in a Chinese-Western Business-to-Business Context: An Investigation on Relationship Bonds, Adaptation, Trust and Commitment
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- Keywords:** China, industrial relationships, cross-cultural relationships, buyer-supplier adaptation
- Purpose:** The purpose of this study is to improve the understanding of the dynamics behind Chinese-Western buyer-supplier relationships
- Methodology:** The study takes on a partially inductive approach by commencing with exploratory in-depth interviews. The main body of the study consists of a cross-sectional survey. Data has been collected through an on-line questionnaire.
- Theoretical Foundation:** Industrial relationships with specific accounts on the role of adaptation, trust and commitment; a stream of literature in cross-cultural relationships deriving from Hofstede's culturalist legacy with specific reference to Chinese-Western relationships, including studies on relationship bonding, and the role of *guanxi*.
- Empirical Data:** Three in-depth interviews have been conducted with two international consultants and a senior purchasing executive. 37 on-line questionnaires from Chinese supplier firms based in China have been collected.
- Conclusions:** A Chinese firm's exposure to Western customers leads the former to partially adapt to a Western approach to inter-firm relationships. The strength of inter-firm bonds is found to link to trust. The level of adaptation undertaken by the exchange parties appears to directly affect the intensity of social bonds, to be the most appropriate predictor of commitment and to explain the association observed between trust and commitment.

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CHAPTER I

Introduction

The first chapter outlines the research topic, an investigation on contemporary Chinese-Western business relationships. The chapter commences with the research background, i.e. industrial marketing relationships in a cross-cultural perspective, followed by a description of the preliminary interviews conducted for this study. The next section consists of the problem discussion that focuses more specifically on relationships development between Chinese and Western firms, which then leads to highlighting two research questions. The chapter ends with the purpose of the study.

1.1 RESEARCH BACKGROUND: CHINESE-WESTERN BUSINESS RELATIONSHIPS – CURRENT CROSS CULTURAL ISSUES

This study explores business-to-business relationships, a topic which has recently received much academic attention, has been described in different forms and has generated a plethora of issues and themes such as buyer-supplier adaptation (Håkansson, 1982; Hallen *et al.*, 1999; Cox, 2001, 2004) relationships building (Morgan and Hunt, 1994; Doney and Cannon, 1997; Williams *et al.*, 1998), and cross-cultural industrial relationships (Hofstede, 1994; Buttery and Leung, 1998, Williams *et al.*, 1998; Wong and Chan, 1999; Fang, 2003; Hill, 2003).

However, despite the multiplicity of arguments and issues, a common theme in current literature and press is the need to depart from the conception of short-term, impersonal and arm-length business-to-business relationship. In today's global competitive marketplace firms are constantly seeking to gain competitive advantages. Many firms have realized that they can no longer rely on simple market-based transactions but must look ahead and into new ways of conducting business, where establishing close business relationships represents a critical strategic resource (Coulter, 2005).

This concern has particularly been noticed in cross-cultural business contexts where the countries doing businesses together are, for instance, from either an individualistic or a collectivistic nation. Hofstede (1994) categorises the different ways in which business is conducted in the world nations into groups based on his five eminent dimensions of national culture. One of these is the individualism/collectivism dimension that is in this particular study essential since it has the intention of demonstrating how people perceive themselves and relate to each other within and among groups in social and business settings (Hill, 2003:92). That cultural dimension has shown indeed to affect the way business is conducted within a competitive environment with respect to the reliance on market mechanisms (e.g. Williams *et al.*, 1998).

The individualism/collectivism dimension categorizes China as a collectivistic nation and Western cultures such as the North American, British or Scandinavian as individualistic countries (Hofstede, 1994). This, in turn, implies that Western industrial buyers and Chinese suppliers may behave differently in business contexts.

Therefore, in order to be able to benefit from a business relationship conducted in a cross-cultural context, and possibly make it a strategic resource in the future, firms must be aware of cultural differences and hurdles. This is of critical importance since culture determines national management behaviours and business practices and therefore a part of interpersonal relationships and foreign business conducts.

This paper focuses on viewing cross-cultural matters specifically in business relationships between Chinese suppliers and Western industrial buyers. Since China opened up its market to the rest of the world in 1978, Deng Xiaoping inaugurated economic reforms and the open-door policy; Western businesses have increasingly invested and operated in this world's largest emerging market, with 1.3 billion consumers. In the two subsequent decades the country showed high economic growth rates between ten to eleven percent annually and in the year of 2000 it counted for the largest recipient of foreign direct investment in the developing world (Hill, 2003: 208).

Although China's real GDP growth has today reduced its speed from 10.5% (2006) to 9.5% in 2007 and a forecasted 9% in 2008, it is expected to remain with an impressive growth rate of 7.6% in 2011 (The Economist, 2007b). The country has definitely shown its commitment to pursuing economic liberalisation, and after joining the World Trade Organization (WTO) in December 2001; it has continued to attract foreign firms that are constantly crawling over its domestic market (The Economist, 2007a).

China has been and still presents a challenging environment for Western firms for doing businesses. That is to a great part because each country's specific macro-environment and in particular the national culture influences business relationships; but when starting to realize the different national cultures, companies may understand how to establish and maintain business relationships successfully on a cross-national level.

1.2 THE INDUCTIVE INPUT TO THE STUDY

Given the research background outlined above, the present study was initiated through three in-depth unstructured interviews which gave an inductive input to the study. In addition to the thorough theoretical review, the research questions of this study were indeed inspired to a great extent by these preliminary empirical experiences with experts in the field of Chinese-Western business relationships.

The interviews were conducted with two professional consultants in the field of cross-cultural management – one Swedish and one Singaporean – and one procurement senior manager of a medium-sized Swedish enterprise who works on a regular basis with a score of Chinese supplier firms from Mainland China. Anonymity was granted to the three interviewees.

The interviews revealed a consistent contradiction between what is advocated by much of the related literature and what actually seems to take place in practice, as described by the Swedish executive.

There seemed to emerge two paradigmatic views to the discussed topics. The experienced consultant in the first place, holding Hofstede's five dimensions in hand, reiterated much of theories reported in the following sections. Similarly the Singaporean consultant discussed about much of what appears in the literature related to cross-cultural management. On the other hand it was the pragmatic senior purchasing executive who found it difficult to reconcile what the literature and the culturalism enthusiasts argue on one side and his professional experiences with Chinese suppliers on the other.

The senior supply manager did not deny the ineluctable cultural differences between Swedish and Chinese business people, but did not regard them as a hindrance to their business relationships. The only factors that according to him negatively affected his company business relationships with Chinese suppliers, as compared to Europeans or North Americans, were related to macro-environmental factors other than culture such as the deficient infrastructure and legal system.

When asked by an eminent scholar, avant-garde of the culturalist theorists, to tell him an anecdote related to the Chinese-Western *cultural clash*, the senior manager had to excuse himself for not living up to the task.

These empirical accounts contributed to a significant extent to the formulation of the research questions of this study, as reported hereafter.

1.3 PROBLEM DISCUSSION

The fact that China has been a particularly difficult place to do business in is not only due to its poor legal system, corruption and patents infringements (Hill, 2003; Ghauri and Cateora, 2006; Wong and Chan, 1999), but it is importantly related to its deeply rooted cultural values, which emphasise higher relative importance of personal relationships (*guanxi*) as opposed to Westerners' specification and enforcement of contracts and reliance on market mechanisms (Davies *et al.*, 1995; Williams *et al.*, 1998). This, in turn, suggests that the buyer-seller interpersonal relationship may evolve around what has been referred to as structural and/or social bonding. Structural bonding is "the degree to which certain ties link and hold a buyer and a seller together in a relationship as the result of some mutually beneficial economic, strategic, technological, and/or organizational objectives" (Williams *et al.*, 1998) while social bonding is related to personal relationships among individuals belonging to the different partnering organizations. (Williams *et al.*, 1998)

The respective relevance of structural and social bonding depends on a number of variables. However, it is argued that in collectivistic countries and specifically in China much more emphasis is put into social bonds. (Williams *et al.*, 1998; Wong and Tam, 2000; Gómez Arias, 1998; Buttery and Leung, 1998; Fang, 2003)

As previously mentioned, in Chinese-Western business relationships, expectations about the way relationships are established and carried on may differ between parties due to different cultural backgrounds. While Chinese suppliers may prefer a relationship more resembling the traditional *guanxi* network, i.e. steadily based on social bonding, Western buyers may be more reliant on traditional market transactions and structural bonding (e.g. Williams *et al.*, 1998). Therefore, it may be legitimate to

infer that the expectations of Chinese suppliers with respect to the level of social bonding in their relationships with Western customers do not match reality; due to this, Chinese firms may have different levels of satisfaction in this respect. Similarly, the level of structural bonding in a buyer-supplier relationship may differ according to the nationality of each of the exchange parties.

In this respect, the preliminary interviews suggested that some additional factor, not yet recognized in the pertinent literature, may be at play in determining the extent to which cultural factor affect the characteristics of inter-firm relationships in a cross-cultural setting. As the commercial interchanges between China and Western countries are booming and Chinese firms are expectedly becoming increasingly familiar on how to do business in Western countries, it can be inferred that the discrepancies in management styles and expectations about business relationships are fading away. This may indeed explain the inconsistencies between theory and practice that emerged from the preliminary interviews.

However, a firm may need to integrate its operations and tailor its offerings to the needs or peculiarities of its suppliers or customers to different degrees (Anderson and Weitz, 1992; Smith, 1998; Cox, 2001; 2004), and this may significantly affect the way buyer-supplier relationships are established and carried on. These observations and considerations legitimate the first question of the study:

How do time and experience in Western markets and the product/process adaptation undertaken by either the buyer or the supplier affect the way Chinese suppliers relate to their Western customers and their expectations and satisfaction in terms of the way business is conducted?

Regardless of the nationality of the firm in an industrial relationship, social bonding and structural bonding are found to positively relate directly to the commitment that a firm, despite of its origin, demonstrates in a long-term horizon with respect to its relationship with exchange parties (Williams *et al.*, 1998). However, other factors may be at play in determining the level of commitment between the parties, most importantly the need the exchange parties may have to integrate their operations and tailor their offerings to the necessities or characteristics of their suppliers or customers (Cox, 2001; 2004). Therefore, the type of business relationships established in a dyadic buyer-supplier relationship may be a more direct determinant of trust rather than relationship commitment since the latter varies according to other factors (Anderson and Weitz, 1992; Morgan *et al.*, 1994, 1992; Cox, 2004). Moreover, trust has been identified as a 'filter' or mediator between characteristics of the buyer-suppliers relationship such as communication on one side and relationship commitment on the other (Morgan *et al.*, 1994). All this would lead to the need to rethink the conclusions drawn by Williams *et al.* (1998) to include the above mentioned factors. This motivates the second question considered in this study.

Is the type of relationship established between a Chinese supplier and a Western buyer an appropriate predictor of supplier's commitment towards long-term relationships, or it is more suitable to consider trust as an intermediate/mediating factor? Does this depend on the product/process adaptation undertaken by either the buyer or the supplier?

1.4 RESEARCH QUESTIONS

This study aims to provide empirical evidence in order to give reliable answers to the above mentioned research questions formulated based on the preliminary study and literature review. For the ease of consultation they are once more reported below:

Question 1

How do time and experience in Western markets and the product/process adaptation undertaken by either the buyer or the supplier affect the way Chinese suppliers relate to their Western customers and their expectations and satisfaction in terms of the way business is conducted?

Question 2

Is the type of relationship established between a Chinese supplier and a Western buyer an appropriate predictor of supplier's commitment towards long-term relationships, or it is more suitable to consider trust as an intermediate/mediating factor? Does this depend on the product/process adaptation undertaken by either the buyer or the supplier?

1.5 RESEARCH PURPOSE

One purpose with this thesis is to enhance Western firms' cross-cultural sensitivity in establishing successful Mainland Chinese supplier relationships.

A better understanding of the factors at play in the process of relationship building among Chinese suppliers and Western buyers may lead to improved performance and lower transaction costs.

Secondly and most importantly, this study aims to give a valuable contribution to research for the sake of itself. As suggested by Hunt (1976), the authors of the study believe that performing research with the exclusive intention of providing practitioners with analytical tools may reduce the role of the marketing researcher from that of a scientist to that of a mere technician. The value of knowledge in itself goes beyond the mere profit and should be, according to the authors, the main driver of anyone who does research whether he or she is a student or professional researcher.

Along with the commercial interchange between the West and the East, the economic rationale for investigating Chinese-Western industrial relationships has come to force only in relatively recent times. Therefore, due to their novelty, Chinese-Western cross-cultural issues are still lacking a great deal of understanding. Many factors are at play in determining what is frequently referred to as *cultural clash*; some have been unveiled and are largely acknowledged in the academic community; others are still latent and ought to be brought to light. By endeavouring unprecedented research avenues the authors are attempting to unveil previously unrecognised issues and positively contribute to their comprehension.

CHAPTER II

Theoretical Review

This chapter presents the theoretical base of this study, which involves cross-cultural business relationships development with regards to social bonding, structural bonding, adaptation, trust and commitment. By combining existing theories and studies from several authors, a conceptual framework (Figure 2.2) and a number of hypotheses have been developed at the end of the chapter.

The presented theoretical review has been selected based on the ideas generated by the preliminary in-depth interviews and draws from the fields of industrial relationships with specific accounts on the role of adaptation, trust and commitment; a stream of literature related to cross-cultural relationships deriving from Hofstede's culturalist legacy with specific reference to Chinese-Western relationships, including but not limited to accounts on relationship bonds, and the role of *guanxi*.

2.1 INDUSTRIAL BUSINESS RELATIONSHIPS: A CROSS CULTURAL PERSPECTIVE

Relationship is developed through an exchange process (Håkansson, 1982).

Trust and commitment are the central concepts to maintain a long-term relationship between two parties (Morgan and Hunt, 1994).

2.1.1 Nature of Business Relationships in Marketing

There are different degrees of involvement into a relationship, which depend on how buyers and suppliers wish to conduct business relationships with each other. The business relationship carried out can be arm's length, where the buyers and suppliers provide each other with basic and limited specifications and information (Cox, 2004). Other ways of working are under a more collaborative business relationship, where both the buyer and supplier make more extensive and dedicated investments into the relationship. (Cox, 2004)

In any of the cases, a relationship is developed through an exchange process, where buyer's and seller's exchange of products or services evolves around money, information and sociality (Håkansson, 1982).

The *product/service exchange* provides the impetus for buyer-seller interaction and is a key in the relationship building process. The product importance for the buyer in terms of its availability of alternatives on the market and the magnitude of switching costs can affect its willingness to make inputs in establishing, developing, maintaining or improving a relationship. Conversely, for the seller the share of turnover of a specific buyer's account and demand conditions can determine its willingness to invest on relationships (e.g. Metcalf *et al.*, 1992).

Through *information sharing*, exchanging parties generate a better understanding of each other (Heide and John, 1990). There are different extents to which buyers and suppliers are willing to share commercial and technical information. Co-operation format and the degree of product complexity may also affect the level of information exchange (Metcalf *et al.*, 1992). For example, partnerships such as joint-product development and just-in-time systems require an extensive information exchange while a standard product requires less intensive ties between buyers and sellers.

Besides the exchange of information that is mainly of a technical nature, *social exchange* refers to the interpersonal relationships among members of the buying and selling parties as the sharing of personal information (Hallen *et al.*, 1991). These social interactions are said to have a positive effect on both trust (Doney and Cannon, 1997; Smith, 1998; Wong and Tam, 2000) and the long-term commitment to the relationship (Williams *et al.*, 1998).

The importance of buyer-seller relationships is increasing in industrial marketing. It is believed that close buyer-seller relationships could improve the efficiency and effectiveness of the activities along the value-chain, including but not limited to product design, production, logistic, and stock arrangement. Therefore it enhances buyer's performance while reducing costs in the value-adding process. Moreover, considering for instance just-in-time delivery/inventory systems and computerized order placement technologies also require closer relationships between buying and selling parties. In turn, a closer buyer-seller relationship allows competitive advantages to buyers in today's highly competitive global markets (Cannon *et al.*, 1999; Ganesan, 1994).

The buyer-seller relationships become more important to manufacturing firms if they rely on fewer suppliers (Cannon *et al.*, 1999). Nowadays, more and more companies reduce their number of suppliers in order to improve cost effectiveness and ensure product quality, therefore increasing the strategic relevance of those relationships.

The product features/specifications also affect the level of importance on buyer-supplier relationships. Buying parties may not easily find many alternatives to their suppliers of complicated/customized products. Even if there were enough suppliers, the buyers may still encounter risks such as failure in meeting quality requirements, shipment schedules, and social responsibility and environmental standards (Heide and John, 1990). Cannon *et al.* (1999) conclude that higher dependence and higher uncertainty result in developing a closer buyer-supplier relationship.

By and large, a buyer's or a seller's business customs and practices pursued cannot be generalised, because different parts of the world have their own specific business behaviour. Therefore, Chinese and Western businesses behaviour, styles and approaches are distinct from each other. While Western companies consider a business deal isolated from any other aspects of their society or personal and social lives, the Chinese prioritise relationship building, over formal contracts and pure economic exchanges, which is a crucial requirement for developing friendship and trust and thus welcoming the opportunity to conducting business. (Buttery and Leung, 1998; Williams *et al.* 1998; Wong and Chan, 1999)

“To Chinese people trust is very important. Whatever you promise you’ve got to keep and then people will have faith in you. You can sign all the pieces of paper you want but being trustworthy is the most important thing.” (Cheng Yu-tung, a Chinese billionaire, cited in Bociurkiw, 1990:159; Forbes, 2007 *World’s Billionaires in 2007*)

The only, secure generalisation Western and Chinese business people may make about each other is to understand the cultural variations, be sensitive to the new business environment and to aspire for success by showing their willingness to adapt when necessary (Ghuri and Cateora, 2006; 114, 115).

“For managers, understanding cultural similarities and differences and their causes, although interesting and necessary, is not sufficient. International managers need to know how to act when working in foreign cultures. Interaction, not merely comparison, is the essence...” (Adler *et al.* 1986)

Needless to say, when business partners from different cultural backgrounds conduct business and negotiations with each other, their national cultural differences add a challenging dimension to it. Doing business in China is highly attractive due to its astonishing market size, cheap land, estates and labour and a relatively modern and efficient infrastructure, which implies that profitable businesses can be carried out. Simultaneously, China is known to be a high context culture where people are deeply involved with others, information is widely shared (Hall, 1976) and where *guanxi* permeates the Chinese society (Buttery and Leung, 1998). To the Chinese *guanxi* is to

“Attach great importance to family relations and interpersonal relationships...in attaching such great family relations, we also find social relationships important. Europeans are quite the opposite. They emphasize independence. And because they do not attach much importance to family relations, they also do not view workplace relationships as important, which affects their work, management, and managerial style.” (Worm, 1997; 140:141)

Although it has been encouraged in the West that companies should consider relationships as vital in business negotiations (Ford, 1980; Grönroos, 1989; 1990; 1994), social interaction aspects are in fact less involved in Western negotiations than in Chinese negotiations (Buttery and Leung, 1998). There is therefore a discrepancy between Western and Chinese business people in defining how relationships are developed. When business people from the West make a successful sale it does not connote that they have succeeded in building a relationship with the Chinese. (Buttery and Leung, 1998)

2.2 SOCIAL BONDING

Social bonding is referred to as personal contacts between various individuals, groups and hierarchical levels within organisations. What takes place in the contacts between the people involved are information exchanges, adaptation approvals, negotiation decisions and problems or conflicts discussions and solutions. (Turnbull *et al.*, 1996)

Turner (1970) defines social bonds as personal ties formed during interactions at work and Wilson (1995) further adds that friendship develops between a buyer and a seller when they link their personalities and interests, provide support and advices, show empathy and awareness, and start to feel affiliation and connectedness with each other.

Doney and Cannon (1997) argue that social bonding has roots from the social psychology theories, which explain the process of developing trust and facilitating decision making. They state that frequent interactions and communication in industrial buyer-seller relationships assist in demonstrating credibility, interests, motivation and confidence. Additionally, personal and noneconomic satisfaction derived from the relationship between the business-parties can enable a relationship to become more binding, stable and predictable (Dwyer *et al.*, 1987; Pfeffer and Salancik, 1978)

The social encounters are also important as they aid in enhancing the information-exchange flows, support in building and maintaining closer interpersonal relationships and allow for a better understanding of each party's needs and wants. (Doney and Cannon, 1997)

Communication is clearly a constitutive element of interpersonal relationships. In Williams and Spiro's (1985) study on communication styles in the area of personal selling, it was found that a successful sales person can identify different customer styles and thus consequently adapt his or her communication style in order to interact with the customer in an appropriate manner. It was also mentioned that salespeople's ability to observe, understand and manage different customers' communication behaviour could have effects on sales results (Williams and Spiro, 1985).

In social exchange theory (Homans, 1961) the relationship bonds are developed through a chain of successive interactions (between individuals and groups of people with different roles and from different departments) (Håkansson, 1982), which altogether provide a context, previous experiences and history between the parties involved. The social exchanges are important for reducing uncertainties, especially when the business parties have limited experiences and there exist a cultural distance between them. These exchanges are important in avoiding short-term problems and obstacles in continuing the relationship in the times between the transactions (Håkansson, 1982).

In the long-term perspective the social exchanges play a significant role in interlocking the parties or organizations with each other. The routinization of social exchanges (e.g. contacts, communication and visits) over a period of time will elucidate expectations, roles and responsibilities for enabling a sustainable buyer-supplier relationship in the long run (Håkansson, 1982).

As a result of these interactions a base of trust, satisfaction and commitment is developed and the quality of the relationship can therefore be appraised (Smith, 1998). The process of building up trust and mutual trust takes time, since the necessary social exchanges (e.g. information about product complexity or monetary issues) required, will differ depending on the type of relationship each party tries to

seek or achieve, and a party's previous experiences with the environment or situation will also have a determining role. (Håkansson, 1982)

2.3 STRUCTURAL BONDING

According to Williams et al. (1998), structural bonding can “be defined as the degree to which certain ties link and hold a buyer and seller together in a relationship as the result of some mutually beneficial economic, strategic, technological, and/or organizational objective”. The word “mutually” suggests that this concept is related to a sort of *quid pro quo*, a more or less equal exchange in terms of bottom line pay-offs. A buyer and a seller are kept together as long as both can see clearly where the advantages of a relationship can be found. The pay-off shall be tangible and when possible specified in formal contract (Smith, 1998). The definition acknowledged in this study is rather broad and encompasses but surpasses alike concepts developed for similar purposes such as task bonding (Turner, 1970) and functional bonding (Smith, 1998).

While social bonding is commitment to a person, structural bonding refers to the commitment to an organization (Jackson, 1985, cited in Williams *et al.*, 1998). As previously mentioned, social bonding is more emphasised by collectivistic countries such as China (which is also the country that demonstrates the strongest need for social bonding) rather than individualistic countries (e.g. Western countries such as the United States and Germany) where people tend to focus more on structural bonding. (Williams *et al.*, 1998)

Structural bonds are links that refer to the formal structures, procedures and agreements to relationships, which provide rules and routines of an organisation's systems and technologies, as well as the use of emails and electronic data interchanges to facilitate communication and interactions in business relationships (Smith, 1998). This provides psychological, legal and physical connections between the business parties that are likely to feel more confident with the relationship (Smith, 1998), because it is tied together with mutually beneficial economic, strategic, technological and/or organizational objectives (Williams *et al.*, 1998).

As well as social bonding, structural bonding has also been found to be an antecedent to commitment in business relationships (Williams *et al.*, 1998; Morgan and Hunt, 1994).

2.4 CHINESE CULTURE AND THE CROSS-CULTURAL ENCOUNTER

2.4.1 Individualism and Collectivism

On the international business arena contacts and interactions occur between people or groups of people from different cultural parts of the world, and social and interpersonal interactions are indeed influenced by national cultures (Hofstede, 1994, Williams *et al.* 1998; Doney, 1998; Buttery and Leung, 1998; Wong and Tam, 2001). Hofstede (1994: 5) defines culture as a collective phenomenon, since it is partly shared with people who live or lived within the same social environment. Members of this environment share learnt values, behaviours and ideas, which are considered natural and taken for granted to be pursued. Therefore, this amounts to a collective

programming of the mind that distinguishes one group or category of people from another (Hofstede, 1994: 5).

It is not until members of one group encounter a new or foreign group that a cultural shock arises, since the fundamental values of each group are not mutually shared and understood. (Hofstede, 1994: 209-211) Depending on how culturally aware or prepared each party is prior to the foreign encounter; may lead the parties to experience different degrees of distress, helplessness and hostility towards international business assignments and new situations. (Hofstede, 1994: 209-210)

With respect to Chinese-Western business relationships, one of the most influential factors contributing to the so-called *cultural clash* is the level of individualism in any given culture (Hofstede, 1994).

In Hofstede's (1994: 50) individualism/collectivism dimension, countries of the world are divided into two contrasting groupings: individualistic and collectivistic societies. This dimension describes for instance that the concept of personal relationships in businesses is defined and performed differently from one society to another. (Hofstede, 1994: 50)

In the view of collectivistic nations such as China (Table 2.1), the country characteristics indicate closely knitted social structures in comparison to individualistic nations (e.g. United States and Australia) where care is centered on the individual (Ghauri and Cateora, 2006: 74; Hofstede, 2006) and the individual's success and performance rather than the orientation towards harmony and consensus within the social group, to which people in collectivistic nations feel belonging to (Hofstede, 1994: 67-73). In addition, Williams *et al.* (1998) argue that social bonds are more dominant in business relationships among collectivistic than individualistic countries.

Western Countries	Individualism	Asian countries	Individualism
Italy	76	China	20
United States	91	Hong Kong	25
Great Britain	89	Singapore	20
Australia	90	Taiwan	17
Sweden	71	South Korea	18

Table 2.1 Values of selected Hofstede cultural dimensions. *Source:* Hofstede (1994; 2006)

2.4.2 Guanxi and Confucianism

Most Western companies have often been puzzled by how time-consuming business negotiations and deals can take in China (Wong and Tam, 2000). Others more patient in achieving success have started to realise that understanding and executing *guanxi* properly, is an important mechanism in China, for opening the right doors (Gómez Arias, 1998) to trade and investment (Buttery and Leung, 1998), building long-term business relationships and a prerequisite for actually doing business in the country. (Hill, 2003: 87) A Scandinavian manager expressed,

“in China it is a question of know-who, not know-how. Friends and connections are more important than goods and prices...” (Worm, 1997: 134)

2.4.3 Connections

Guanxi literally means relationships but is in business settings commonly referred to as “connections” (Hill, 2003: 87). Westerners that are involved in a *guanxi* network, have access to an influential person in an organisation or governmental institution (Buttery and Leung, 1998). The *guanxi* concept is deeply rooted in the Chinese culture and derives predominantly from the more than 2000-year-old Chinese philosophical tradition, Confucianism (Hill 2003:87).

The Confucian philosophy influences the Chinese business style and in the light of *guanxi*, Ghauri and Fang (2001) argue that it instructs the practical perspective and importance of interpersonal relationships. These personal relationships, connections or contacts (as often termed in Western countries) have a major role in the Chinese society and psychology (Ghauri and Fang, 2001). The *guanxi* embraces reciprocal obligations, personal favours, social networks and status matters (Gómez Arias, 1998).

2.4.4 Reciprocation

In these various forms of social and personal interactions, a continuation of reciprocal commitments and favour exchanges occur, between parties or members to reduce risks, uncertainties and inflexibilities. (Wong and Chan, 1999) The *guanxi* ties and network are built and sustained through favours exchanges, which take forms of giving small gifts, hosting dinners and helping friends (Wong and Chan, 1999; Buttery and Leung, 1998). The right *guanxi* ties can bring cheap reliable suppliers, tax concessions and approval to sell goods domestically (Buttery and Leung, 1998).

Through the reciprocation gestures of greetings, favours and gifts the Chinese demonstrate the value of empathy and concern for the other business partner and consequently allow to cementing *guanxi*. In their belief that

“if you honour me a foot, I will honor you ten feet in return” and that expressed *“courtesy demands reciprocity”* (Fang, 2003:358).

This, in turn, denotes the normal Chinese behaviour and practices that aim at mutually cultivating, developing and supporting interpersonal relationships to be brought into the future (Fang, 2003).

2.4.5 Inside and Outside of the Guanxi Network

Wong and Chan (1999) claim that *guanxi* exists in social, economic and legal spheres. In the social context, meaningful and appropriate bonds are created with members of an extended family and close friends, which are in accordance to the individual’s need rather than contribution. In the case of allocating resources to people outside the closer network such as in new business relationships, the ties depend much upon the

individual's contribution to different strangers' needs and requirements, which can be more demanding when considering the concept of protecting one's face (Fang, 2003).

Since China still lacks formal legal rules and proper distribution systems, the *guanxi* network appears to contribute to and help in enabling effective and efficient systems, in which, it permits the required trust to be established in different relationships. (Wong and Chan, 1999) A Beijing manager asserted,

“we chose our partners on the basis of their “guanxi”. They had good contacts...without good contacts we will get nowhere, so we are in constant contact with a variety of government agencies...” (Wong, 1997: 135)

In the Guanxi Positioning Map (Figure 2.1) derived from Wong and Tam (2000) four psychological “Ts” (i.e. testing, trial, teaming and trust) illustrate people's intentions and reactions in the adaptation process of developing close (insider) or distant (outsider) interpersonal relationships.

Business relationships entering the teaming quadrant entail strong *guanxi* bonds that allow higher levels of trust to be established among the parties. In the testing phase Western and Chinese business partners are seen to be “dating” each other. If this preliminary stage appears successful, a short cut can be made and allow for heading straight to the trust quadrant, since the foreign partner is considered an insider. This suggests that there is no need for passing through the teaming and trail stages in the relationship adaptation process. The closer the foreign partners are able to reach the trust stage, the closer business partners they will become, with regards to information and communication exchanges. (Wong and Tam, 2000)

By being an insider within the network of relations, mutual understandings are enhanced and exchanged significantly and smoothly (Leung *et al.* 1995).

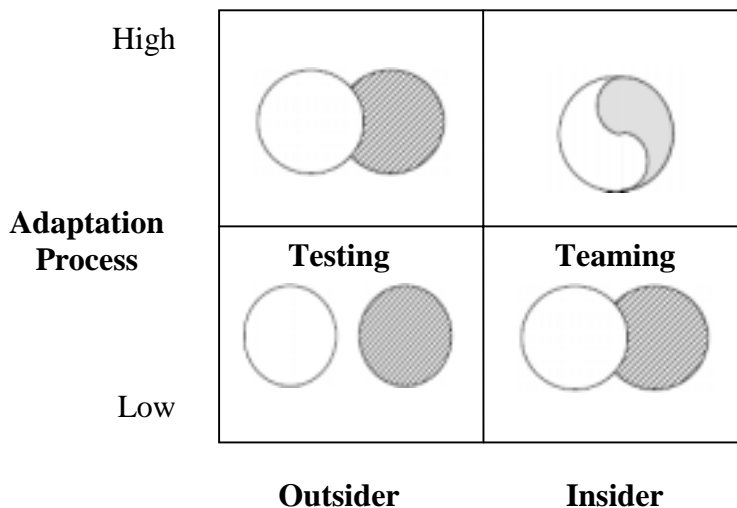


Figure 2.1: The Guanxi Positioning Map
Source: see Wong and Tam (2000) and Wong and Chan (1999)

To conclude the overview of theoretical accounts on the dynamics behind Chinese-Western industrial relationships, a few practical illustrations are reported here. Chinese and Western business deals and negotiations have been conducted for many decades, and these cross-cultural communications are carried out everyday and will continue to do so in the future, for Western companies with existing Chinese contacts but also for the ones considering to start doing businesses with China. From what has been discussed regarding the Chinese culture, the following examples can depict some common statements made from business encounters.

As reported by a Chinese negotiator a

“...very important reason why we finally chose Ericsson was that they had a “zhongjianren” [middlemen]...a Shanghainese working for Ericsson. He was a very good friend of ours, and had a good “guanxi” with both sides. Whenever the negotiation deadlocked, he explained to the parties. A friend coming to explain is always better than the same work performed by a “laowai” [foreigner]. This is in fact a question of trust.” (Ghauri and Fang, 2001: 322)

A Scandinavian businessperson claims that

“The Chinese are loyal to people, but you cannot make them loyal to something abstract, such as a firm.” (Worm, 1997: 113)

According to an experienced Scandinavian negotiator and board member,

“The Chinese do not want to do business with people who appear stressed because they do not find them trustworthy. The Chinese interpretation is that such people are not in control of things.” (Worm, 1997: 102)

The three quotes above suggest how Chinese business people, as compared to Westerns, may rely on established networks rather than traditional market mechanisms based on competition, privilege building business relationships more focused around the individuals rather than the firms they are part of and emphasise the relational component of business transactions beyond the contractual exchange in itself.

2.6 BUYER-SELLER ADAPTATION

The consideration for adaptations, carried out by one business party or two, is important and common in business relationships (Håkansson, 1982). Adaptation is a key concept in international marketing and the willingness to adapt to the other business partner is a crucial attitude (Ghauri and Cateora, 2006). Adaptations refer to investments in the adaptation of processes, products and procedures specific to the needs or capabilities of the exchange partner (Cannon and Perreault, 1999), as well as adaptations in financial agreements, delivery, pricing, information routines or social relations (Håkansson, 1982). The adaptations and modifications that take place between industrial business partners can be implemented during one single and major

transaction, or with several operations at different periods during the course of the relationship development (Håkansson, 1982).

Some organizations may decide to be involved with a business partner at a distance, since not wishing to become heavily dependent on the established relationship; whether an organisation decides to be involved closely or distantly, the need for or degree of adaptation will nevertheless concern marketing and purchasing related aspects. (Håkansson, 1982)

The advantages presented to one party or to the parties mutually are cost reductions, revenue growths, differential control, or dependence. In order to benefit from these advantages, the seller may consider modifying its marketing strategies (e.g. product, delivery, pricing and information routines) and the buyer or customer adapting its product requirements, production techniques, stocking policies and information needed to accommodate the seller's organization; by considering each partner's specific needs and requirements, the parties can together make their exchange relationship easier and benefit from it in terms of bottom-line performance. (Håkansson, 1982)

Adaptations may be reciprocated as part of the trust-building process (Hallen *et al.*, 1991), create value and build switching costs (Jackson, 1985, cited in Williams *et al.*, 1998), which thus implies commitment from the business partners in their particular chosen relationship path (Anderson and Weitz, 1992; Cox, 2004), as well as providing greater transparency in the relationship (Cox, 2004).

2.7 TRUST

Trust is a key element in relationship development (Morgan and Hunt, 1994; Moorman *et al.*, 1992; Cannon *et al.*, 1999). There are many studies discussing what trust is; how to build up trust among buyers and sellers; how the nationality affects trust development and how the trust relates to commitment. Different definitions of trust can be found.

Schurr and Ozann (1985) argue that 1) "Trust has been defined as the belief that a party's word or promise is reliable and that a party will fulfil his or her obligations in an exchange relationship". Similarly, Moorman *et al.* (1992) define trust as 2) "A willingness to rely on an exchange partner in whom one has confidence" Moorman *et al.* (1992). Ganesan (1994) reiterates the concept by saying that 3) "Trust reflects... credibility, which is based on the extent to which the retailer believes that the vendor has the required expertise to perform the job effectively and reliably" but also that trust reflects "benevolence, which is based on the extent to which the retailer believes that the vendor has intentions and motives beneficial to the retailer when new conditions arise, conditions for which a commitment was not made". Similarly Morgan and Hunt (1994) identify two main underlying patterns, 4) "Trust [exists] when one party has confidence in an exchange partner's reliability and integrity", and Doney (1998), in a similar fashion, argue that 5) "Trust as a willingness to rely on another party and to take action [that] makes one vulnerable to the other party". Anderson *et al.* (1987) limit the scope of trust to 6) "the degree to which the channel member perceives that its relationship with the supplier is based upon mutual trust

and thus is willing to accept short-term dislocation because it is confident that such dislocation will balance out in the long-term”

From the above definitions, it can be discerned that trust is one party’s belief on the other party’s two main qualities, therefore it depends on the latter’s ability to convey these images of itself to the former. The first quality is mostly referred to as *reliability*, or the credibility to fulfil the present obligations (the definitions 1, 2, 3, 4 and 5) , therefore, while the second could be referred to as *integrity* or *benevolence*, the ability to convey that mutually beneficial relationship can be attained as new conditions may arise which fall outside the scope of present obligations (the definitions 3, 4, 5 and 6). Therefore, according to the above definitions, not only trust entails that the business partner successfully demonstrates its capability to fulfil the terms of the contract (*reliability*), but also that he shows *integrity* or *benevolence* so that its partner can feel confident in its willingness to carry on a relationship that is beneficial to both parties in the long run.

Ganesan (1994) sees the whole picture and supports that trust is firstly based on the partner’s credibility. Credibility is based on the extent to which sellers believe that buyers are reliable. However, he also recognises the second recurring pattern, i.e. benevolence, or the partner’s ability to demonstrate intentions beneficial to it.

2.7.1 The Determinants of Trust

Morgan and Hunt’s (1994) study on the commitment-trust theory of relationship marketing suggests that shared values, communication and opportunistic behaviour directly influence trust.

Shared values, in short, relate to the extent to which buyers and sellers have common beliefs with respect to desirable behaviours, goals and norms. Doney and Cannon (1997) further elaborate the concept of shared values in similar terms. They find that if they have common interests and values, buyers and sellers trust each other more based on intentionality and prediction process. They can easily predict each other’s future behaviour and in turn willing to rely on each other with confidence. This is to say that the closer the expectations between parties in terms of the way business is ought to be conducted the higher the trust in each other.

Communication has previously been briefly discussed in relation to social bonding. It includes informal and formal sharing of meaning and timely information between buyers and sellers. Doney and Cannon (1997) evaluate the salesperson’s characteristics in terms of their communication style. It is found that buyers will trust more sales people if they are friendly, gentle and pleasant, supposedly because they are easy to communicate with. According to them an intensive communication flow leads to mutual understanding, helps solving problems and avoids the raise of disputes, therefore fostering trust.

Similarly, Moorman et al. (1992) argue that the quality of interaction affects the trust development in buyer-seller relationships. Frequent contacts with sellers develop trusts by showing that buyers are willing to share the information that generates better performance. Social settings, pertinent to what is referred to as social bonding such as going out for dinners, or other out-of-office activities provide an informal

environment which can enhance closer interpersonal relationships, fostering better understanding of mutual needs and generating trust. Thus these settings are seen as opportunities for buyers to show their intention to build up relationships with sellers. Conversely, *opportunistic behaviour* aim to maximize self-interest in the short-term. Without economic benefits, a party is not willing to spend financial resources or time to communicate with the exchange partner and share information with them. It clearly results in decreased trust and exchange parties no longer want to maintain a relationship in future (Selnes, 1998).

2.7.2 Trust and National Culture

Doney (1998) analyses the trust building process from different angles, by showing that national culture impacts the trust-building process, as shown below. He classifies five processes for developing trust in buyer-seller relationships: calculative process; prediction process; capability process, intentionality process and transference process.

In pure economic terms, trust involves a *calculative process*, as when parties analyse the costs and rewards of developing and maintaining a relationship. In the *prediction process*, trust is developed when one party is able to forecast another party's behaviour. A partner relies on an exchange partner's past behaviour and reputation to make an assessment of its credibility and behaviour. Experience improves the partners' ability to forecast the performance of exchanged partners. The continuation of delivering promises develops confidence and trust.

The *capability process* involves determining the exchange party's ability to meet the requirements of a partner. It directly links to the credibility component of trust. The forth process is the *intentionality process*, in which trust is developed based on an exchange party's motives. A partner trusts the exchange partner if he or she is dedicated to the relationship. By sharing the same values or norms or investing and adapting to each other's requirements, parties show their intention and motivation to develop the relationship. Finally, trust is also developed through a *transference process*. It assumes that trust could be transferred from one party to another with which the trustor has little or no direct experience. In this perspective, a party trusts towards another party is based on a 'third party' referral or the exchange party's reputation.

Doney (1998) develops a model that conceptualized how national culture affects the development of trust in international buyer-seller relationship. According to him, the trust development process is different between Chinese and Western firms, as subject to cultural variations. He tests how national culture in relation to authority, self and risk affect the trust development process. They propose that Western countries with individualistic national cultures build trust based on calculative and capability processes, which are related to what is referred to as structural bonding, while China with a collectivistic national culture is more focused on prediction, intentionality and transference methods of building trust, which refer to relationships based on social bonding.

2.8 RELATIONSHIP COMMITMENT

Commitment is defined as an enduring desire to maintain a valued relationship (Moorman *et al.*, 1992). According to their definition, commitment transcends the short-term horizon as it is an *enduring* desire. It is a key element in establishing, developing and maintaining relationships because it encourages: a) cooperation among buyers and sellers b) resistance to lower the functional conflict of short-term benefits in favour of long-term rewards of maintaining the relationship and c) confidence in decision-making (Morgan and Hunt, 2004; Ganesan, 1994).

2.8.1 The Determinants of Commitment

Morgan and Hunt (1994) argue that trust is a main determinant of relationship commitment and important to relational exchanges. They identify three precursors of relationship commitment. They point out that 1) termination costs and relationship benefits, which are factors pertinent to structural bonding, directly affect commitment; 2) shared values, has a direct relationship with commitment (in addition to trust); 3) communication and opportunistic behaviour indirectly links to commitment through trust. Moreover, adaptation is a key element in building up trust, and affects the commitment indirectly (Heide and John, 1990).

Relationship termination costs and relationship benefits are essential to hold the buyer-seller relationship. *Termination costs* are all expected losses from the termination of the relationship, such as substantial switching costs and relationship dissolution expenses. High termination costs drive sellers to maintain a quality relationship with buyers (Dwyer *et al.*, 1987), lead to on-going relationships (Morgan and Hunt, 1994), and result in a higher commitment to the relationship.

Relationship benefits are main goals in profit-seeking organizations and in maintaining buyer-seller relationships. On the Chinese manufacturers' side, most of the profits are generated from exports. Even though the Chinese domestic consumption has become stronger since China joined WTO in 2001, they still rely on Western customers. Apart from financial benefits, Chinese suppliers gain technical knowledge and "know-how" by working with Western customers. On the Western buyers' side, they rely on suppliers to drive them competitive advantages in their own local markets by being able to offer products with better quality, shorter production time and lower costs. (Morgan and Hunt, 1994)

Social bonding is related to individual personal relationships (Williams *et al.* 1998; Turnbull *et al.* 1996). As discussed in the trust section, sharing common beliefs is important to build up a relationship between buyers and sellers. Frequent contact with suppliers enhances the communication level and the sharing of information formally and informally (Doney and Cannon, 1997). It also demonstrates buyers' intention to build up a strong relationship with sellers. Sellers are also more likely to build up a relationship with buyers who are friendly, nice and pleasant (Morgan and Hunt, 1994). Social bonding drives individual personal relationship among members of buying and selling parties, which in turn holds buyers and sellers together. At the same time, it creates satisfaction and trust among them and therefore, commitment and the desire to maintaining a value relationship in future (Morgan and Hunt, 1994; Ganesan, 1994).

Adaptation is essential in building up a strong buyer-seller relationship. Heide and John (1990) describe that relationship-specific adaptations are investments to meet the needs of buyers and sellers. Relationship-specific adaptations reflect an aspect of trust and commitment, which benefit buying parties in terms of cost reduction, investment return, and dependence. Metcalf et al. (1992) discuss that the development of a long-term relationships is a function of adaptation, overcoming distances and uncertainty. High level of adaptations demonstrates that sellers and buyers desire a long-term relationship and commitment to each other.

Moorman et al., (1992) describe that trust significantly affects the commitment in buyer-seller relationships. Trust is also a key variable to drive a long-term orientation in Ganesan's study (1994). Both of their arguments are mainly based on the fact that commitment involves higher level of risk and investments than trust does. That is why trust occurs before commitment. It means that higher commitment occurs only after buyers and sellers have acquired experience in dealing with each other and sellers are willing to rely on buyers with confidence. When sellers commit to buyers, they are looking for long-term relationships with buyers and are dedicated to keep the relationship in indefinitely, even when disagreement occur during the relationship development process.

2.9 CONCEPTUAL MODEL AND HYPOTHESES

The preliminary in-depth interviews, coupled with the literature review, lead to the development of the conceptual model depicted in Figure 2.2. This model illustrates different pathways to relationship commitment that are hypothesized to take place in Chinese-Western buyer-supplier relationships.

In the model shown in Figure 2.2 the dashed lines are to indicate that adaptation is also hypothesized to moderate the effect of *exposure to Western customers* on *satisfaction with social bonding* and *structural bonding* and of trust on commitment. The dashed/dotted lines connecting *satisfaction with social bonding* and *structural bonding* to commitment are to indicate that those relationships are mediated by trust. The authors reported next to the connectors are those who support or suggest those relationships.

The distinct constructs *desired social bonding* and *actual social bonding* were developed based on the assumption that a discrepancy exists between the level of social bonding desired by Chinese suppliers – corresponding to their traditional business culture – and the level of social bonding they can possibly establish with Western customers, who are likely to be more prone to rely on more impersonal relationships. Moreover, it is assumed that this discrepancy may lead to different levels of satisfaction with social bonding, represented by the homonymous variable (see Chapter 3 for a discussion on how the former variable was computed). This newly constructed variable, *satisfaction with social bonding*, is believed to be a better predictor of trust and commitment than actual social bonding would be.

On the other hand, the construct “satisfaction with structural bonding”, and therefore the differentiation between *actual* and *desired*, was not considered for one main conceptual reason. Chinese firms are said to place more emphasis on social bonding

and less on structural bonding as compared to Western firms, i.e. they expect relationships to be based to a greater extent on social bonding and to a lesser extent on structural bonding. However, while it could be argued that lower levels of social bonding than desired (i.e. differing from Chinese ‘standards’) may lead to dissatisfaction, it would be hard to argue the same for relationships with too much structural bonding as compared to expectations (i.e. differing from the Chinese ‘standard’). This is simply for the fact that a high level of structural bonding may be desirable under any circumstance, despite the fact that Chinese firms may place less emphasis on it due to cultural reasons.

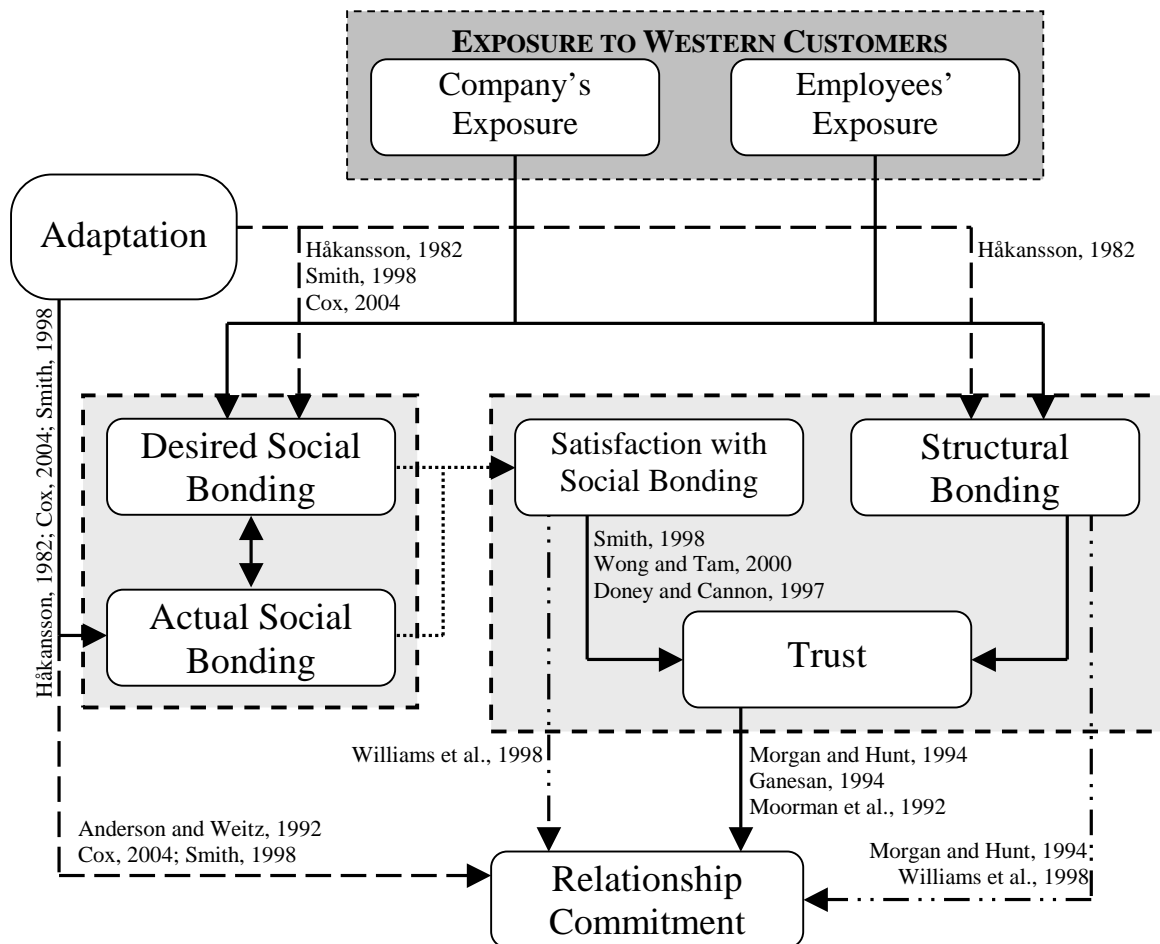


Figure 2.2 Conceptual model

Considering the opposite, i.e. dissatisfaction stemming from lower levels of structural bonding and *vice versa*, would not be in line with the purpose and meaning of the construct *satisfaction with social bonding*, which is designed to measure dissatisfaction due to different business cultures in different nations and its impact on trust and commitment. In the case of *structural bonding*, any firm can be expected to be more satisfied on a relationship kept together by “mutually beneficial economic objectives” and *vice versa*, regardless of their national culture.

As illustrated above, the two different relationship bonds considered in this study, social and structural bonding, may serve as key predictors of long-term relationship

commitment (Williams *et al.* 1998). To emphasising on one relationship over another may depend on a firm's national culture.

Chinese firms, as compared to Western firms, are said to emphasis more on social bonding in business relationship; however, as they are exposed to Western business customs, they may change their relationship style.

For this reason, it has been chosen to introduce a new variable, which shall represent the degree to which Chinese firms have been exposed to Western firms and their ability to deal with them, labelled as *exposure to Western customers*.

Hypothesis 1a: ***The firm's exposure to Western customers has a positive impact on structural bonding.***

Hypothesis 2a: ***Employees' exposure to Western customers has a positive impact on structural bonding.***

Hypothesis 3a: ***The firm's exposure to Western customers has a negative impact on desired social bonding.***

Hypothesis 4a: ***Employees' exposure to Western customers has a negative impact on the desired social bonding.***

Depending on the level of adaptation required (e.g. products, planning and processes) there may be more or less emphasis on the relationship development between exchange parties. Adaptations may affect the level of interpersonal relationships as well as structural bonding in a business partnership (Håkansson, 1982; Cox, 2004), and therefore also affect Hypotheses 1a, 2a, 3a and 4a.

Hypothesis 1b: ***The firm's exposure to Western customers has a greater impact on structural bonding in those relationships with high adaptation.***

Hypothesis 2b: ***Employees' exposure to Western customers has a greater impact on structural bonding in those relationships with high adaptation.***

Hypothesis 3b: ***The firm's exposure to Western customers has a less negative impact on desired social bonding in those relationships with high adaptation.***

Hypothesis 4b: ***Employees' exposure to Western customers has a less negative impact on desired social bonding in those relationships with high adaptation.***

Hypothesis 5: ***Adaptation has a positive impact on structural bonding.***

Hypothesis 6: ***Adaptation has a positive impact on desired social bonding.***

Hypothesis 7: ***Adaptation has a positive impact on actual social bonding.***

With respect to *actual social bonding*, it cannot be expected to be affected by the *exposure to Western customers* similarly to *desired social bonding*. When a Chinese initiates exporting to Western countries the level of social bonding keeping together

the relationships cannot be expected to be as high as in Chinese 'standards' to then decrease as the company acquires competences and experience. It may rather depend on the Western customer willingness to take on interpersonal relationship or the duration of the rapport. Therefore no casual link is hypothesized between the *exposure to Western customers* and *actual social bonding*. On the other side, Adaptation may require closer links between individuals from both organizations and therefore increase the need for and level of *social bonding*, as well as the expectations or desires with respect to it (*desired social bonding*).

As previously mentioned, it is suggested that national culture affects the development of trust in cross-cultural buyer-seller relationships (Doney and Cannon 1997). It has also been highlighted that while Western firms are more reliant to what can be described as structural bonding, the Chinese emphasize on social bonding. While Williams et al. (1998) argue that the type of relationship established in a buyer-supplier relationship may be a direct determinant of commitment others see it as a key element in the process of developing trust or that trust may have a mediating effect (Morgan and Hunt, 1994). Therefore, it may be argued that trust is a mediating factor in the association between the relationship type and commitment;

Hypothesis 8a: ***Structural bonding has a positive effect on trust***

Hypothesis 8b: ***Structural bonding has a positive effect on commitment***

Hypothesis 8c: ***Trust mediates the relationship between structural bonding and commitment.***

Hypothesis 9a: ***Satisfaction with social bonding has a positive effect on trust***

Hypothesis 9b: ***Satisfaction with social bonding has a positive effect on commitment***

Hypothesis 9c: ***Trust mediates the relationship between satisfaction with social bonding and commitment.***

While trust in buyer supplier relationship is widely acknowledge as a reliable predictor of commitment (Morgan and Hunt 1994; Ganesan, 1994) the level of adaptation required in a buyer supplier relationship has not yet been viewed in relation to commitment.

Hypothesis 10a: ***Trust has a positive effect on commitment.***

Hypothesis 10b: ***Trust has a greater effect on the commitment in those relationships with high adaptation.***

Hypothesis 11: ***Adaptation has a positive effect on commitment.***

Table 2.2 summarizes the hypotheses introduced above.

Hypothesis		Description	
Linear Assoc.	Dependent variable	Independent variable	
H1a	Firm's exposure	Structural bonding	
H2a	Employees' exposure	Structural bonding	
H3a	Firm's exposure	Desired social bonding	
H4a	Employees' exposure	Desired social bonding	
H5	Adaptation	Structural bonding	
H6	Adaptation	Desired social bonding	
H7	Adaptation	Actual social bonding	
H8a	Structural bonding	Trust	
H8b	Structural bonding	Commitment	
H9a	Satisfaction with S.B.	Trust	
H9b	Satisfaction with S.B.	Commitment	
H10a	Trust	Commitment	
H11	Adaptation	Commitment	
Moderation	Independent variable	Moderator	Dependent variable
H1b	Firm's exposure	Adaptation	Structural bonding
H2b	Employees' exposure	Adaptation	Structural bonding
H3b	Firm's exposure	Adaptation	Desired social bonding
H4b	Employees' exposure	Adaptation	Desired social bonding
H10b	Trust	Adaptation	Commitment
Mediation	Independent variable	Mediator	Dependent variable
H8c	Structural bonding	Trust	Commitment
H9c	Satisfaction with S.B.	Trust	Commitment

Table 2.2 Hypotheses

CHAPTER III

The Method of the Study

In order to show with greater clarity the way the present study has been conducted, the methodological choices undertaken are described following a chronological order. The following section describes the reasons that brought to the choice of the research background of this study.

3.1 THE 'ANTECEDENTS' OF THE STUDY

A question that may arise with respect to the 'antecedents' of this study could concern the reason why three marketing students would choose to write their master thesis on business-to-business marketing when the ready-to-inspire issues marketing texts authors normally refer to can be found within consumer marketing.

For the same reason that not much credit is given to industrial marketing, curiosity – that according to some shall be the main driver of a researcher – can be claimed to be a determinant of the choice of this research background.

Moreover, while in marketing textbooks much emphasis is normally put on consumer marketing, the authors of this paper may argue that what leads to a competitive advantage does not necessary take place at the lower end of the value chain. Therefore, those 'unfamiliar' marketing activities taking place behind the curtains of the business community hidden away from the magnifying glass of the media, may not indeed be less 'exciting' than what we are prone to believe marketing is mainly about.

However, an earlier decision determined by the personal backgrounds of the authors may provide an indirect answer to the question above. The choice to focus on business-to-business marketing was in fact induced by the antecedent decision to take on a cross-cultural perspective on the eventual object of study, which was determined by the personal interests of the authors. Being the three authors of the study a Swedish born Chinese aiming to rediscover her roots, a Chinese national who decided to undertake a full-immersion year-long experience in Sweden, and an Italian with an interest in Oriental cultures matured during a recent study experience in Singapore, the choice to focus on the interaction between Chinese and Western cultures came straight ahead: different cultural perspectives and experiences were there to allow for a cross-cultural study to be performed with the utmost awareness and a limited cultural bias. It is important to underline that *cross-cultural* is to refer to the *interaction* between individuals and organizations from different cultures rather than the mere comparative observation of the ineluctable cultural differences.

Given the above choice, the most obvious object of study fell within the scope of business-to-business marketing, where, as cross-national relationships between firms are increasing exponentially, people from different cultural backgrounds come into close contact and may determine what is referred to with the cliché *cultural clash*. As

the scope of the related literature may confirm, the relevance of cross-cultural issues has to do with managing relationships between firms from different cultural settings.

Once agreed upon investigating an issue related to Chinese-Western business-to-business relationships, the study took on an inductive approach and, as described below, its scope was further narrowed down only after having conducted a few preliminary interviews.

3.2 THE STRUCTURE OF THE STUDY

Once the scope of the research had been broadly defined mainly depending on the authors personal interests, it has been conducted through three main phases: the first one consisting of a few in-depth unstructured interviews with Western and ethnic Chinese professionals, the second in which a thorough literature analysis was performed and a third one consisting of a survey performed on a relatively small sample of Chinese respondents and the related subsequent analysis.

The preliminary interviews have served the purpose of generating unprecedented insights within the chosen theoretical field free from the biases imposed by existing literature.

After broadly defined directions and few issues of interest emerged following the preliminary interviews, they were reexamined and developed in light of the related theories in the field.

The insights generated by the preliminary interviews, along side with the literature that forms the theoretical foundation of this study, has generated two distinct but inter-related research questions (as presented in Chapter 1) and a number of speculations that have been conceptualized into an analytical/conceptual model (Figure 2.2), which is later validated in the form of empirically tested hypotheses.

Data was collected through a cross-sectional survey performed on Chinese suppliers of Western firms and subsequently statistically analyzed with SPSS (Statistical Package for the Social Science) in order to test the hypotheses related to each of the research questions.

3.2.1 Across two Paradigmatic Approaches

The way this study was conducted allowed reaping the advantages peculiar to two paradigmatic approaches to the way of doing business research, what have been termed social constructionism and positivism (Easterby-Smith *et al.*, 2002: 28-53; Bryman and Bell, 2003: 7-28).

Figure 3.1 shortly summarizes the two paradigmatic views along their most significant dimensions. Clearly, these two positions are not either-or choices and much of research can be said to lie within a continuum between these two extremes with respect to each of the positions summarized in Figure 3.1.

As in the social constructionist approach the purpose of the researcher is that of generating theory, a much flexible stance to the collection and interpretation of

empirical observations generally needs to be employed. Contrarily, a positivist approach entails the reliance on the trustworthiness of numbers to prove theories generated *ex ante*. While in the former approach it is accepted that the researcher has a pro-active role in the production of empirical material and their interpretation, in the latter he or she shall try to distance him or herself from the objects of study and rely to objective criteria in the interpretation of phenomena as much as it is possibly attainable.

	Social Constructionism	Positivism
Principal Orientation to the Role of Theory in Relation to Research	Inductive; generation of theory	Deductive, testing the theory
Type of Data	Qualitative	Quantitative
Ontological Orientation	Constructionism	Objectivism
Epistemological Orientation	Interpretivism	Natural science model, positivist

Figure 3.1 Positivism and Social Constructionism. *Source:* Adapted from Bryman and Bell, 2003: 25

The authors did not deem the two approaches as impermeable research philosophies and pragmatically undertook methodological choices that would best serve the purpose of the study regardless of which paradigm they can be said to belong to. The study was commenced in an inductive fashion peculiar to the approach that could be referred to as social constructionist, i.e. through unstructured qualitative interviews whose aim was not to prove theory-induced hypotheses, but rather to generate new ones. This allowed the researchers to maintain a fairly flexible approach in formulating the research questions; no propositions were made in advance based on existing literature but were conversely let emerge in a dynamic manner. As the questions of the study were suggested by the field experiences, their formulation has not been limited by the scope of and the limited insights provided by previous research. Moreover, since they were derived from clues generated by practitioners and experts within the field of international management without the bias of previous research, they may yield greater practical relevance and originality. This is not to say that the pertinent existing literature has been initially disregarded, but simply that it has had only a marginal role in the first formulation of a number of unstructured questions as the stimuli came from the unstructured interviews.

On the other side, a purely positivist approach has been *consistently* followed in refining the inductively generated questions in light of the related literature, formulating the hypotheses originating from those questions and envisioning the related research design and method. Therefore, while benefiting from the inductive commencement of the study – mainly pertinent to the social constructionist approach – in terms of originality and significance of the research questions formulated, the subsequent positivist approach to the empirical data collection and analysis allowed for higher validity and reliability of the results of the study to be achieved, therefore determining clearer and more defined indications for practitioners as well as and directions for future research.

Despite the positivist epistemological position undertaken for the main body of the study would dictate a deductive approach (i.e. testing hypothesis generated by theory), Bryman and Bell (2003: 19) suggest that epistemological positions and practice do not necessarily go neatly “hand in hand”. Strict adherence to paradigmatic views could lead to what Barthes (1977: 200-201) called the great waste of abandoned projects. The reliability of numbers together with the flexibility of an inductive approach could generate insightful results; over-relying on a deductive approach could have instead lead to neglecting or misinterpreting the relevance of the research avenues undertaken.

3.3 THE INDUCTIVE INPUT OF THE STUDY

After a preliminary screening of the literature in the field of cross-cultural buyer-supplier relationships, three in-depth interviews were conducted with two professional consultants in the field of cross-cultural management – one Swedish and one Singaporean – and one procurement senior manager of a medium-sized Swedish enterprise. The interviews were conducted in a purely inductive fashion, i.e. with the purpose of generating unprecedented and unstructured knowledge while avoiding the bias of prior research.

As the interviews’ purpose was to give some unprecedented insights into the dynamics behind Chinese-Western buyer-supplier relationships, they were conducted in order to capture the interviewees’ points of views on a number of issues related to it. The interviewers approached the interviewees trying to limiting their own pre-conceptions and their actions were limited to stimulating the interviewees to show their own views with respect to the topics of interest by “following up interesting points made, prompting and probing where necessary, drawing attention to any inconsistency in the interviewee’s answers” as Bryman and Bell, (2003: 353-355) suggest. Broad questions were asked and the interviewees were left free to indulge in and actively stimulated to reporting their own professional and personal experiences, anecdotes and opinions with respect to Chinese-Western buyer-supplier relationships.

The interviewers inevitably played an active role in the discussion and were therefore highly involved in setting the direction of the conversation, even though effort has been put to avoid setting the pace of the discussion according to pre-conceptions. Clearly, the risk of hearing what the researchers expected or wanted to hear has been consistently high. However, as the interviews solely consisted of a way to testing the ground and no conclusions have been initially drawn from them, the validity and reliability of the final conclusions of the study cannot be deemed to be compromised on the basis of this consideration.

3.3.1 Unstructured Interviews

Two of the interviews lasting two and three hours were conducted face-to-face, while the third one by telephone and lasted for approximately one hour. No tape recorder was employed, notes were written down during the interviews and subsequently transcribed in a loose format.

It should be noted that some evidence exists to suggest that while in face-to-face interviews replies can be somehow affected by characteristics of the interviewer(s)

such as gender, age and ethnicity or just from his or her mere presence – meaning that interviewees may answer according to what they think the interviewer wants to hear – in telephone interviews it may not necessary be the case (Bryman and Bell, 2003: 120). However, in telephone interviews the intensity of the communication is fairly hampered by the physical distance. The researcher cannot engage in observation and react to body and facial motions revealing, for instance, discomfort, confusion or perplexity, therefore potentially resulting in less meaningful or even misleading results (Bryman and Bell, 2003: 120).

As mentioned above, interviews were not recorded. Despite the widespread use of type recorders in interviews, according to Bryman and Bell (2003: 353-355), their use “may disconcert respondents, who become self-conscious or alarmed at the prospect of their words being preserved”. The resulting anxiety may result in rather disappointing results. Some interviewees “will not get over their alarm of being confronted with a microphone. As a result, some interviewees may not be as interesting as you might have hoped” (Bryman and Bell, 2003: 353-355).

Conversely, resorting to handwritten notes, although the researcher(s) can be less alert to pro-actively stimulate the conversation (Bryman and Bell, 2003: 353-355), may result in climate of confidentiality while avoiding the above mentioned pitfalls, therefore leading to more insightful results.

Some may argue that the interviewees interviewed face-to-face may have felt some discomfort due to the fact that they were indeed being interviewed *face-to-faces*. Three interviewers to one interviewee is clearly a somewhat uneven balance and may cause the latter to feel ‘scrutinized’ rather than interviewed. However, the interviewees were well aware of it in advance and the choice to avoid tape recording has most likely reduced the ‘guinea pig’ sensation. On the upside, recurring to multiple interviewers, besides avoiding that the conversation takes on a univocal direction set by one of the interviewer, multiplies the capacity to stimulate the conversation and grasp insightful observations made by the interviewee.

With respect to the length of the interviews, while the face-to-face interviews lasted approximately two and three hours, the telephone interview only one hour. This discrepancy is not surprising and may have different causes ranging from the interviewees’ time availability or their willingness to cooperate to the fact that a person interviewed by telephone may be less prone to engage in lengthy discussions. However, unless the duration of the interview is decreased by the interviewee non-cooperation or anxiety, short interviews are not necessary less interesting than longer ones (Bryman and Bell 2003: 355).

3.3.2 Linking Theory with the Outcome of the Interviews

As previously mentioned, from hereon the study took on a deductive approach: a thorough analysis of the literature complemented the outcome of the preliminary interviews. The analysis evolves around the broad theoretical field of buyer-supplier relationships and culminates with a closer focus on issues pertinent to cross-cultural relationships, i.e. a consistent branch of literature that follows Hofstede’s ‘legacy’

and, more pertinently to China's business culture, the concept of *guanxi*. A detailed description of the literature review can be found in Chapter 2.

The insights generated by the preliminary interviews along with the above described theoretical analysis have led to the formulation of two interrelated research questions and the development of a related conceptual framework depicted in Figure 2.2, which leads to the next phase of the study.

3.4 THE CHOICE OF THE RESEARCH DESIGN

Once a conceptual framework has been developed, the relationships present in it had to be proved on an empirical ground. The different relationships that are part of the broader conceptual framework have therefore been subjected to validation in terms of a number of empirically tested hypotheses.

Given this quest, the next question is to determine what type of empirical data is needed. Lundahl and Skärvad (1982: 88) propose a framework to determine what kind of empirical material is required when performing descriptive research depending on the knowledge gaps present on existing literature (Figure 3.2). According to this framework, depending on the specific issues considered, this study can be said to fall in either one of the two highlighted boxes in Figure 3.2.

Data Descriptive language	Exist	Do not exist
Relevant	Use present materials.	Collect new data.
Irrelevant	Develop descriptive language. Resort present data.	Develop descriptive language. Collect new data.

Figure 3.2 Four different situations when performing descriptive research. *Source:* Lundahl and Skärvad, 1982: 88; translation by Anselmson, 2001

It is useful here to distinguish between the already existing and newly proposed ideas. As previously mentioned the study incorporates in fact concepts both present in previous research and developed for this specific study. As the preliminary interviews generated unprecedented insights into the field, a corresponding descriptive language had to be developed in order to refer to it, as no accounts on it existed prior to this study. This is the case for the *exposure to Western customers* either of the firm or of its employees. As data is not available, it will then mostly fall in the bottom right corner of Figure 3.2. With respect to the variable that in this study is referred to as *adaptation*, although not referred to in these specific terms, it was developed in previous works, mainly by Cox (2001; 2004) and Eliashberg and Robertson (1988) for which however data is not available or is not suitable for the present study as it refers to different circumstances. Therefore, even though the descriptive language was modified in order to fit the purpose of this study, it can be said to fall mostly on the upper right corner of Figure 3.2. Similarly, the descriptive language pertaining to *social bonding* has been expanded in order to incorporate concepts related to the *guanxi* and that of desired and actual social bonding. However, this modification does

not consist of a major disruption. With respect to the remaining variables considered, they have been widely employed in previous studies but not specifically in the same scenarios envisioned in this study, i.e. mainland Chinese suppliers' existing relationships with Western buyers in a number of industries (see below), therefore entailing the need to collect new data (upper right corner in Figure 3.2).

Having said that data needs to be collected, the next step consists of gathering data and empirically determining causal relationships between a number of constructed variables as, for instance, that experience with Western customers changes the way Chinese suppliers relate to them (Research question 1).

3.4.1 Performing the Cross-Sectional Survey

In order to obtain the desired data, a cross-sectional survey was performed on Chinese suppliers' employees with responsibilities with respect to their firm's relationship with Western customers.

According to Bryman and Bell (2003: 48-49, 244-245), as matter of principle experiments are the only means to discern such patterns of causality, while surveys only have a limited explanatory power as they can only lead to inferring patterns of association between one or more variables. Despite the fact that an experimental design would therefore generate much more solid results, the choice of the cross-sectional survey was dictated, above all, by the fact that the independent variables considered cannot be manipulated for an experiment to take place as they consist of intrinsic or hardly modifiable qualities and attitudes of the respondents. Not surprisingly, this design is widely adopted in this field's literature.

However, Bryman and Bell (2003: 245) note that even in cross-sectional surveys it is not uncommon to draw conclusions with respect to the direction of causality based on assumptions. While in some cases despite "sound reasoning" they may not be regarded as anything else but inferences, in others the nature of the variables under consideration may yield a consistent level of confidence. For instance, in their words, "...it is impossible for the way people vote to influence their age, so, if we do find the two variables to be related [age and voting behaviour], we can infer with complete confidence that age is the independent variable." Similarly, the same could apply to H2a, H3a, H4a and H5 (see below). However, this level of confidence can clearly be achieved only in a limited number of cases and to different degrees.

3.5 THE EMPIRICAL BASE OF THE STUDY

In order to collect the needed data, both the options of performing structured interviews and self-completion questionnaires could have yielded the desired results. These methods are commonly employed in order to collect large (or relatively large) numbers of responses in cross-sectional surveys; they are relatively cheap to administer and allow collecting data having a large number of respondents subject to the same conditions (Bryman and Bell, 2003: 142-144). These data gathering tools limit the possible researcher's bias as the interaction with the respondent is null or limited in line with an ontological position pertinent to cross-sectional surveys: if the researcher had the possibility to (involuntarily) influence respondents through personal interaction, different responses could not be compared with confidence.

Moreover, as the type of empirical data that needs to be collected is known *ex ante*, the researcher does not need to get involved with the respondent as in the case of the above described unstructured interviews relating to an inductive approach, therefore he or she simply has to gather the same ‘standardized’ data from all respondents that is required for the cross-sectional comparisons to take place.

While both structured interviews and self-completion questionnaires share the latter properties which make them suitable for collecting the empirical material necessary to performing a cross-sectional survey, they also entail a different pros and cons (as illustrated in Figure 3.3) that shall be carefully considered before choosing one or another. In using self-completion questionnaires, while it is possible to design questionnaires in order to increase the clarity of the questions and minimize the impact of missing data, the language barrier is, for the present study, a factor that would inevitably hamper the accuracy of responses and lower the response rate more pronouncedly than if structured interviews had been used. In addition, regardless of language or the questionnaire’s design, response rates are ineluctably lower than in structured interviews.

Pros	Cons
<ul style="list-style-type: none"> - Cheap to administer - Fast to perform - Interviewer’s background cannot influence responses - Interviewers cannot influence responses depending on how questions are asked - The respondent can take his/her time to answer 	<ul style="list-style-type: none"> - Non mother-tongue English speaker may find it difficult to answer the questions - The interviewer cannot help respondents to answer ambiguous/unclear questions - Too long questionnaires and non salient questions can lead to missing data as respondents do not feel obliged to answer - Lower response rate

Figure 3.3 Pros and Cons of self-completion questionnaires as compared to structured interviews.
Source: Based on Bryman and Bell (2003: 142-144)

However, the resource endowment of this study would not allow for structured interviews to take place, therefore the choice inevitably had to fall on self-completion questionnaires which are cheaper and faster to administer. Nevertheless, with respect to the chosen research method the physical absence of the researcher, while determining the latter disadvantages, also entails a number of advantages compared to structured interviews as the researcher’s presence (through, for instance, appearance, age, gender or the emphasis or tone placed in each question) has nearly no possibility to influence responses (Figure 3.3).

3.5.1 Self-Completion Questionnaires

150 questionnaires (Appendix 2) were dispatched by e-mail to Chinese respondents selected from the list of participants to an international industrial technology exhibition (see the section on sampling below). Respondents were subsequently solicited by phone to complete the questionnaire in order to improve the response rate. However, since the questionnaires were completed after the telephone conversations, the respondents were not directly influenced anyhow by the researchers.

An on-line survey software (Survey Monkey) was used in order to administer the survey. The software allows reaching respondents by e-mail; a link then directs them to the Internet site where the questionnaire can be completed by mouse-clicking on multiple questions or by filling in fields for open ended questions (Appendix 5).

The email consisted of a cover letter (Appendix 1) on which the authors briefly introduced themselves and their research project and directed the questionnaire to the desired respondents (see section below on sampling).

The system employed is much simpler than traditional e-mail methods that require the respondent to download a word file on his or her computer, fill in the questionnaire, save the file and send it back to the sender, which is a cumbersome procedure that may reduce response rates. Moreover, the on-line questionnaire avoids problems of software compatibility.

Zikmund (1997; cited in Jones, 2000) observes that respondents may be more candid on e-mail questionnaire as much as for other self-administered questionnaires. Moreover, he suggests that e-mail questionnaires may arouse curiosity because of their novelty, but also because they reach respondents when they are more likely to answer because ready to interact as they open their e-mail accounts.

Moreover, e-mail questionnaires can substitute traditional mail when the target population consists of members with universal access to Internet (Tse, 1998; cited in Jones, 2000), which is the case for the population considered for this study.

Needless to say, e-mail allows for much speedier dispatching and collection as compared to regular mail, and it is much cheaper to administer.

Despite the need for a pilot testing for a number of questions present in the questionnaire that were developed for this study, time constrains have hindered the possibility of doing so. In addition, the questionnaire has not been translated into Chinese in order to avoid the loss of meanings in translation. However, these factors are potential causes of difficulties in completing the questionnaire and unexpectedly long completion time, resulting in lower response rate and problems of missing data for some variables which may reduce confidence in the generalizability of the sample. Moreover, the accuracy of the respondents' answers can also be questioned on the same ground.

3.5.2 Target Population and Sampling

Through the whole paper so far it has been referred to the West as a whole, which may seem to imply that the Occident is considered as a monolithic entity without intrinsic differences. Contrarily, much of the research conducted in the field of cross-cultural business relationships shows that this is rather the opposite. However, just as Italians and French may sound the same to the Chinese ear or Britons may not perceive any difference between Mandarin and Cantonese speaking, the different ways of doing business in Western countries could be regarded as rather homogenous by the Chinese businessman. Clearly, this is a rather hazardous assumption and no empirical backing exists to support it. However, the (time) resources needed to

targeting Chinese suppliers according to the origins of their Western customers went way beyond the endowment of the present study; therefore it was not possible to discriminate among the nationality of the Western firms the targeted Chinese suppliers dealt with.

Having said that, the sample was selected from the list of participants to the international industrial technology exhibitions, which took place in Hannover in April 2007, after thorough consideration of a number of factors discussed below. However, the main rationale of this choice is the need to sampling firms that have a relevant experience in Western markets, and the exhibition participants' list was considered as a good sampling frame of this target population. This choice is in line with the purpose of the study, i.e. to assess the dynamics of and to give useful insights on Chinese-Western buyer-supplier relationships, which impose the need to investigate on *existing* and not hypothetical relationships. Moreover, this allowed restricting the population to a limited number of chosen industries.

The target population ought to be chosen trying to strike a balance between the generalizability of the eventual findings and the concern for their consistency. Three main factors were considered before the population selection: geographic location within China, the firms' size and their industry. While increasing the size of the sample to include companies operating throughout the whole China, the span of the industries chosen and the firms' sizes would result in a higher generalizability, by stretching too much the sample size, the risk of finding inconsistent results would increase as the heterogeneity of the respondents would determine different types of responses depending on variables not considered in the study.

With respect to the former, firms from Hong-Kong, Macao (Special Administration Regions) and Taiwan were excluded from the sample as it is common practice in cross-cultural studies concerning China due to the marked cultural differences and economical disparities. However, in the same studies not much concern has been shown with respect to possible cultural differences between different Mainland Chinese regions. It is common to see China as a monolithic national and cultural entity even though it should be unreasonable to expect such homogeneity given its astonishing size and diversity.

Great levels of disparity exist in terms of economic development and educational levels between coastal and inland provinces (Quian and Smith, 2006; Hannum and Wang, 2006). Western regions' GDP accounts for only 40% of the eastern regions and their growth, as compared to eastern regions, is more based on human capital and labor (Arayama and Miyoshi, 2004), suggesting that firms from Western regions may prioritize to a different extent the importance of technology transfer from Western customers and have in general a more conservative and inward-looking attitude in doing business. These considerations would dictate in the first place the need to carefully distinguish sampled firms on the ground of longitudinal geographical distribution.

However, since through a preliminary screening process it was found that the great majority of the firms operating in Western markets, i.e. the targets of the survey, are located in the most developed areas of China, it was decided to not discriminate

between coastal and inland regions, which has allowed for greater ease in administrating the survey.

The population selected for the survey (the list of participants to the Hannover Messe) with respect to geographic distribution could not be reasonably expected to discriminate upon any factor other than economic development since the firms capable of participating in an international trade fair are likely to be from the most prosperous regions. As previously mentioned, this is in line with the questions and purpose of the research. This however implies that the results cannot be extended with confidence to the whole China as underdeveloped regions are heavily underrepresented.

Regarding the ineluctable cultural differences between the most developed areas, which accounted for a major share of the sample size, they were deemed unimportant for the outcome of the survey, as there is not sufficient evidence to suggest that they would influence the respondents' answers. However, this is not to say that it can be excluded that those cultural differences did influence responses. Moreover, it can hardly be argued that results can be extended to border regions with more marked cultural, religious or ethnic differences such as Tibet, Xingjian or Qinghai. However, these regions however expected to account for a nil share of respondents given their utter economic backwardness. The results are therefore not expected to be applicable to those border regions.

With respect to the size of the sampled firms, the chosen sampling frame (the Hannover Messe list of participants), may exclude only very small firms that do not have enough resources to participate to an overseas fair. The assumption that firm size increases the export intensity and behaviour has determined in a number of studies the choice to include it as an independent variable in empirical studies (Bonaccorsi, 1992). Common arguments in favour of this approach are that for large firms marketing economies of scale (and therefore larger internal resources) increase the likelihood of success and the need to internationalize due to saturation of domestic markets increase on average the export intensity and resources committed to it, while for small firms limited financial and managerial resources and a different perception of risk determines the opposite (Cavusgil *et al.*, 1981; Bonaccorsi, 1992). In some studies sales turnover (Cavusgil *et al.*, 1979) and number of employees (Cavusgil and Nevin, 1981) were empirically found to have a positive correlation with export intensity. Conversely, other studies have found inconsistent or reverse results. Bonaccorsi (1992) found empirically the inconsistency of the above and proposed that small firms may be able to succeed on international markets despite limited internal resources by relying on external resources, i.e. collective experience of groups of firms (imitative behaviour) and easily accessible information.

However, Bonaccorsi (1992) observed that small firms may tend as well to undertake a flexible approach to exporting by ensuring they can exit markets relatively easy, therefore potentially affecting the commitment towards long-term relationships and in turn a number of variables present on this study. However, Hallen *et al.*, (1991) contradict this proposition from a different ground by empirically finding how inter-firm adaptation (and therefore resources and relationship commitment) may depend to a great extent on the power-dependence balance. In particular, supplier dependence on a given customer was found to positively correlate with supplier adaptation of

products and processes, which implies commitment to relationships in the long-term. Small firms could be reasonably expected to have less bargaining power with their customers than larger ones, especially if their competitive advantage, as in the case of most Chinese exporters, is not based on superior technology but on cheap labor.

The Chinese firms present at the Hannover Messe were mainly providers of automation technology, industrial machinery and plastic and metal parts and components. The scope of the industries considered in the study was purposely limited since depending on the type of industry the quality and intensity of buyer supplier relationships could be expected to differ substantially. Cox (2001; 2004) notes that depending on intrinsic features of the industry there may be more or less need for close relationships. The variable *adaptation* as it was constructed may accordingly measure variances depending on the industry type and was used as a filter (moderating variable) in order to infer the real impact of international exposure on the type of relationships firms undertake and the relationship commitment. However, this type of analysis will not be conducted for all the hypothesized relationships in order to reduce statistical complexities. Moreover, overstretching the scope of the population considered for the survey to include, for instance, very low value added industries such as agricultural products and textile may have resulted in large distortions as the type of relationships established in these industries may differ substantially from more technology intensive industries.

In addition to the industry, as one Singaporean interviewee suggested, organizational cultures may differ substantially between state owned and private enterprises. However, it would be an extremely lengthy process to find out the ownership for each sampled firm. Whatsoever, a great deal of change has taken place in the Chinese public sector since the 1990's and state owned enterprises are now increasingly subject to competition due to economic restructuring (Ghauri and Cateora, 2006; Hall, 2003) and the state sector has considerably shrunk, especially in labor-intensive sectors, along with the surge of the market economy (Frazier, 2006).

With respect to the person compiling the questionnaire, it was decided to ask in the cover letter (and reiterate in first screen of the on-line survey) specifically for respondents who have "responsibility with respect to relationships with Western customers". In other similar studies questionnaires were directed explicitly to sales people (e.g. Jones, 2000). However, Gummesson's (1999: 57-61) conception of the 'many-headed' organization would suggest to undertake the alternative approach proposed herein. He argues that as organizational structures of contemporary enterprises become more flexible, it cannot be expected to locate according to conventional organizational structures the individuals that have actual responsibilities with respect to their organization's relationship with customer, suppliers or partner firms; individuals from any tier of the hierarchy and functional department may maintain significant interactions with the other firm's employees.

Finally, according to Bryman and Bell (2003: 93-94) the representativeness of the sample depends, besides the appropriateness of the sampling frame and non-response concerns discussed below, on whether or not a random sampling method is employed. Given the fact that the respondents were chosen from an 'impersonal' list of participants, there cannot be any research bias with respect to their selection from the list. However, only firms for which a contact to a specific individual in the

organization was present (i.e. not the impersonal 'info@') were contacted so that the respondent could be addressed personally therefore increasing the response rate. This is clearly a source of bias that undermines the representativeness of the sample. On this ground, a random selection would have yielded higher representativeness. Nonetheless, it would have also implied a lower response rate, therefore indirectly decreasing representativeness. However, while it is widely acknowledged that a direct relationship exists between response rate and representativeness, it is less straightforward to assume that companies on whose corporate site there is a contact to a specific employee differ somehow from the ones that only feature an impersonal 'info@' link; therefore it was decided to prioritize a higher response rate to a random selection of firms.

3.6 CONSTRUCTS AND MEASURES

Multiple item scales have been used for nearly all the constructs employed or developed for the present study. One to five Likert scales have been used for all the measures with the exception of those related to the construct *Company operational experience* for which simple open-ended questions have been used (Appendix 3). The scale from one to five has been chosen, as most of measures adopted from previous empirical studies were based on the same measurement scale. Reliability coefficients were computed for each multiple item scale, as reported in the next chapter.

Following are described; the constructs used in this study and their related measurement scales. All items employed in the questionnaire are reported in Appendix 3.

It was decided to measure the operational experience with Western customers of the sampled firms – their *Exposure to Western customers* – with two distinct variables, one related to the businesses and one to their employees. They shall be a proxy for the ability and confidence a firm has developed in dealing with Western customers.

The *Company Operational Experience* in Western markets was measured with two different variables, a first derived from the share of Western customers and the share of total sales turnover generated by Western customers, and the second from the number of years the firms spent doing business with Western customers and in their industry.

With respect to the first, it consists of simple factual data and shall therefore be regarded as simple demographic variables as age or gender.

Regarding the second variable, it should be noted that the fact that companies with a long history within a specific industry may develop standard routines and practices that are resistant to change could have a direct causal effect on the firms' response to new ways of doing business in unprecedented markets, and therefore the dependent variables in the tested relationships. Examples of these 'cultural core rigidities' abound in literature and beyond and therefore could not be disregarded. Therefore the company's experience with Western customers was weighted against the experience within the specific industry to obtain a measure of the experience the sampled firms have with respect to conducting business in Western countries *relative* to their overall experience. This may lead to concerns about face validity, i.e. it raises the question

does this indicator actually measure what it is supposed to? Of course a clear-cut answer cannot be provided unless an *ad-hoc* investigation is performed, which is not reasonably attainable for the present study. However, considering only the absolute number of years spent doing business in Western countries could not be expected yield any patterns of association with the dependent variables considered for the reasons mentioned above, therefore a compromise had to be made with the face validity of this construct.

Correlation analysis with the designated dependent variables was computed whatsoever for both measures *years in Western countries* and *relative experience in years*.

The number of years in Western countries had to be standardized into a ranged one-to-five scale in order to compute correlation or regression with the other scales.

Contact Persons Operational Experience, the second construct that refers to the exposure of Chinese firms with Western buyer firms, refers to the experience of the personnel in charge of dealing with Western customers. The rationale for including this variable is that despite a firm may not have long experience in Western markets and only a marginal number of accounts with Western customers, it may be seeking overseas expansion and therefore relying on individuals with relevant experience in international management. The items were developed for this study with the exception of one excerpted from Wong and Leung (2001).

Social Bonding indicates to what extent a Chinese supplier aims for a business relationship based on personal interactions. Five of the scale items used for this construct were originally developed by Doney and Cannon (1997) who attempted to measure the extent of social interaction with a salesperson, and Smith (1998), who makes specific reference to “social bonds”. However, they were modified in order to be applied to Chinese-Western buyer-suppliers relationships.

The communication style employed in interpersonal relationships was deemed a fundamental feature for the descriptive purpose of this construct. Although present in the scale developed by Smith (1998), it was decided to increase its weight in the construct *social bonding* by adding a number of items developed by Williams and Spiro (1985). They argue that a successful sales person normally adapts his or her communication style in order to interact with the customer in an appropriate way, from interaction to self and task oriented, which could eventually lead to increased performance. The analogy with the hypothetical scenarios the present study is attempting to describe is clear: the type of communication style is expected to vary in the cases under analysis from that peculiar to the *guanxi* relationship, more focused on the individual conceived as outside of the business context and corresponding to the concept of *social bonding* (interaction oriented), and that more pertinent to a Western fashion, more permeated by formalities and business protocols (self and task oriented).

From Wong and Leung (2001) two items were extracted that refer specifically to peculiar values related to *guanxi*: the importance of promptly paying back favors and the concept that a reasonable time must elapse before a business relationship can be expected to turn profitable.

The scale items were slightly modified in order to refer to the two distinct constructs *Actual social bonding* and *Desired social bonding*. With respect to the former, respondents were asked how often they believed a number of occurrences descriptive of *Social bonding* took place in their business relationship with Western customers, while for the latter respondents were asked how important they deemed those same factors. Therefore the former aims to measure the frequency of social interactions while the latter their importance for the respondent. The two similar sets of questions were disposed at the beginning and bottom of the questionnaire in order to reduce respondents' bias, which however cannot be likely eliminated.

The construct *Satisfaction with social bonding* was computed by subtracting *desired* social bonding to social bonding. This construct is based on the assumption that when a seller's desired level of social bonding in a buyer-seller relationship (i.e. to what extent the business relationship is based on personal connections) exceeds the actual level he or she may feel dissatisfied about it. Contrarily, if the actual level matches or surpasses the desired level he or she may regard him/herself as satisfied. This new variable was computed because rather than (actual) *social bonding* it is perhaps more reasonable to expect a relationship between this construct and *trust* and *relationship commitment*.

Structural bonding indicates to what extent the business relationship is kept together based on mutually beneficial economic, strategic, technological, and/or organizational objectives (Williams *et al.*, 1998). The measurement scale for this construct was initially developed by Smith (1998). Although the scale items developed in his study and adopted here refer distinctly to either *functional bonding* or *structural bonding*, they neatly fit the descriptive intention and definition adopted for the present study of *structural bonding*.

The construct *Adaptation* aims to indicate to what extent the supplier or its current customers need to adapt their offerings or activities in order to comply with the partner's requirements or needs. A scale previously used in a study conducted by Eliashberg and Robertson (1988) was adopted and modified to the specific case considered in this study.

The scale measures the perceived complexity of a company's product introduction and the degree of adaptation needed by the customers. It was referred to as customer learning. Therefore corresponding items had to be developed in order to measure the same attributes but on the supplier side. However, Hallen *et al.*, (1991) account that adaptation does not occur evenly between the two parties in the business relationship but conversely depends on the power dependency balance, therefore suggesting treating buyer adaptation and supplier adaptation as separate constructs. However, eventual inconsistencies between the various indicators would be revealed by alpha and split-half reliability tests. It was assumed that level of adaptation in a buyer-seller relationship has a similar impact on the dependent variables on which correlation have been hypothesized (social/structural bonding, commitment) regardless of the party who bears the 'burden' of adaptation.

Trust, as thoroughly discussed in the literature review, may depend on the capability of the partner in a business relationship to show both *reliability* to perform short-term

obligations, and *integrity* to maintain mutually beneficial relationships beyond the scope of the present contracts. Scale items developed by Morgan and Hunt (1994) and Doney and Cannon (1997) aim to incorporate both the above mentioned features.

Finally, relationship *Commitment*, as defined in the previous chapter, is “an enduring desire to maintain a valued relationship” (Moorman *et al.*, 1992). Morgan and Hunt (1994) developed the measurement scale employed in the present study. As implied by its definition, one of the three items attempts to capture the long-term nature of commitment.

3.7 HYPOTHESES

Following are listed the hypotheses which are empirically tested in this study.

Hypothesis 1a: *The firm’s exposure to Western customers has a positive impact on structural bonding.*

Hypothesis 2a: *Employees’ exposure to Western customers has a positive impact on structural bonding.*

Hypothesis 3a: *The firm’s exposure to Western customers has a negative impact on desired social bonding.*

Hypothesis 4a: *Employees’ exposure to Western customers has a negative impact on the desired social bonding.*

Hypothesis 1b: *The firm’s exposure to Western customers has a greater impact on structural bonding in those relationships with high adaptation.*

Hypothesis 2b: *Employees’ exposure to Western customers has a greater impact on structural bonding in those relationships with high adaptation.*

Hypothesis 3b: *The firm’s exposure to Western customers has a less negative impact on desired social bonding in those relationships with high adaptation.*

Hypothesis 4b: *Employees’ exposure to Western customers has a less negative impact on desired social bonding in those relationships with high adaptation.*

Hypothesis 5: *Adaptation has a positive impact on structural bonding.*

Hypothesis 6: *Adaptation has a positive impact on desired social bonding.*

Hypothesis 7: *Adaptation has a positive impact on actual social bonding.*

H1a to H7 are related to the first question of the study. The purpose is to show that the Chinese firms’ exposure to Western customers may affect their approach, expectations and satisfaction with respect to the relationships with Western buyers. Specifically, more experienced firms, as compared to less experienced ones, are expected to rely on and desire relationship based less on social bonding and more on structural bonding. The level to which product or process adaptation is needed in

specific Chinese-Western buyer-supplier relationships is expected to positively affect the same dependent variables and have a moderating/enhancing effect on these relationships.

Hypothesis 8a: *Structural bonding has a positive effect on trust*

Hypothesis 8b: *Structural bonding has a positive effect on commitment*

Hypothesis 8c: *Trust mediates the relationship between structural bonding and commitment.*

Hypothesis 9a: *Satisfaction with social bonding has a positive effect on trust*

Hypothesis 9b: *Satisfaction with social bonding has a positive effect on commitment*

Hypothesis 9c: *Trust mediates the relationship between satisfaction with social bonding and commitment.*

Hypothesis 10a: *Trust has a positive effect on commitment.*

Hypothesis 10b: *Trust has a greater effect on the commitment in those relationships with high adaptation.*

Hypothesis 11: *Adaptation has a positive effect on commitment.*

H8a to H11 relate to the second question of the study. The purpose is to empirically show that structural/social bonding affects trust and trust in turn affects commitment; trust is believed to filter the effect of the relationship established (structural/social bonding) on commitment. Moreover, it is hypothesized that the variable need for adaptation affects commitment and moderates the relationship between trust and the latter. It should be noted that these relationships are analyzed independently from each other with both simple correlation and regression analysis; no path analysis or structural equation modeling (SEM) is employed.

3.8 THE ANALYSIS OF THE EMPIRICAL DATA

It must be noted in the first place that the theoretical model as a whole lacks validation as the necessary statistical analysis through SEM or path analysis would have required lengthy procedures incompatible with the limited time resources available for this study. On its place, simple correlation and multiple regression have been used in order to validate each of the hypothesized dyadic relationships or mediating/moderating effects on those relationships. The fundamental relationships pertinent to the distinct questions of the study have been therefore considered separately and analyzed independently from each other as component parts of the broader conceptual model. The statistical analysis was conducted with the aid of the statistical software SPSS.

Neither correlation analysis nor regression analysis are capable of demonstrating a direction of causality between two variable, i.e. that A affects B and not the contrary. However this insufficient explanatory power is not due to the employed statistical

tools themselves, but to the type of research design employed, as discussed above. Causal inferences, which by rule of thumb may be claimed only when an experiment is performed, in the case of a cross-sectional design could be only *assumed* when a variable cannot logically be said to be affected by another, as in the case of age, or *percentage of Western customers*. However, with respect to most variables considered in this study, more hazardous assumptions and approximations would be needed in order to claim causality (e.g. commitment vs. adaptation). Clearly this shortfall represents one of the main limitations of this cross-sectional study.

In this respect, the use of regression in place of correlation would not affect the strength of causality claims whatsoever. What differs from correlation is that when computing regression results change if predictors and dependent variables are switched, therefore one shall have more confidence in his or her causality assumptions.

While correlation can show patterns of association between two variables, regression shows the relationship between supposedly independent and dependent variables, based on a mere assumption of causality.

The first step in the data analysis consisted of controlling the multiple item scale internal reliability; alpha coefficients have been calculated for each of the constructs and some items had to be removed as they did not appear to indicate what the other items did, resulting in low alpha coefficients. The largely acknowledged 0.7 level has been held as a landmark for reliability with one exception, as shown in Chapter 4.

In order to test that a variable has a “positive effect” on another (hypotheses 1a, 2a, 3a, 4a, 5, 6, 7, 8a, 8b, 9a, 9b, 10a, 11) simple correlation was computed in the first place. Simple correlation allows estimating whether there could be a positive or negative linear relationship between two variables. Multiple regression has then been employed to measure whether the observed relationship were not hidden or amplified by a third variable due to multicollinearity. By computing multiple regression it is possible in fact to estimate the relationship between two variables while eliminating the effect of third variables.

With respect to the multiple regression analysis the stepwise method was employed. In short, this method is an algorithm that performs a number of operations in order to select the most predictive variables in a model. It starts by selecting the most highly correlated independent variable and then examines the partial correlation with the other independent variables in order to find additional predictors (Cooper and Shindler, 2001: 577).

In order to test moderation (hypotheses 1b, 2b, 3b, 4b and 10b), the method described by Baron and Kenny (1986) was employed. According to them, “...a moderator is a [...] variable that affects the direction and/or strength of the relation between an independent or predictor variable and a dependent or criterion variable.”

Figure 3.4 illustrates graphically the moderator model. The moderating (enhancing) effect can be proved if it can be shown that the interaction term c – i.e. the product of the predictor (e.g. *Exposure to Western customers*) and moderator (e.g. *Adaptation*) – has a significant effect on the outcome variables (e.g. *Structural bonding*). All

variable are centered (the mean of the entire sample is subtracted from each case) in order to avoid multicollinearity problems.

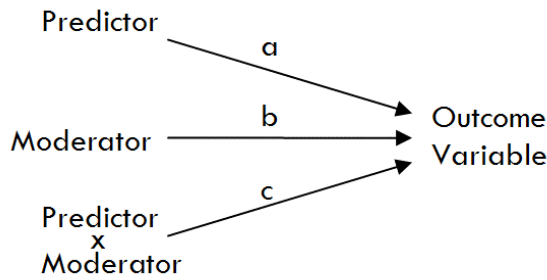


Figure 3.4 Moderator model. *Source:* Baron and Kenny (1986)

In order to test the remaining hypotheses (8c and 9c), a test of mediation is required. According to Baron and Kenny (1986), "...a given variable may be said to function as a mediator to the extent that it accounts for the relation between the predictor and the criterion. [...] Whereas moderator variables specify when certain effects will hold, mediators speak to how or why such effects occur". In the case under analysis, it is hypothesized that *Trust* moderates the moderates the effect of the *structural bonding* and *desired social bonding* on *commitment*. The causal sequence is illustrated in Figure 3.5.

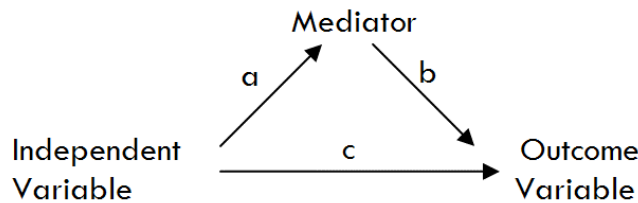


Figure 3.5 Mediator model. *Source:* Baron and Kenny (1986)

According to Baron and Kenny (1986), mediation is shown when the following conditions are met:

- (a) Variations in levels of the independent variable significantly account for variations in the mediator (path a).
- (b) Variations in the mediator significantly account for variations in the outcome variable (path b).
- (c) The effect of the independent on the dependent variable (path c) must decrease when paths a and b are controlled.

Regression analysis allows testing if all the former conditions hold.

In the next chapter, these tools and techniques are employed in order to analyze the empirical material collected through the cross-sectional survey and test the hypothesis.

CHAPTER IV

Empirical Data Analysis

In this chapter the data collected through the cross-sectional survey are displayed and analyzed with the aid of SPSS in order to validate empirically the conceptual model and the single hypotheses developed for this study.

The chapter commences with a discussion of the response rate obtained and the reliability of the multiple items scales employed, complemented by a few remarks on the implications for the validity and reliability of the study. In the main body of the chapter, after displaying descriptive statistics for each variable and briefly discussing the results, the relationships between the various constructs corresponding to the hypotheses of the study are statistically tested with simple correlation analysis and multiple regression stepwise analysis. Results are summarized in the end of the chapter. Figure 4.1 shows the structure of this chapter.

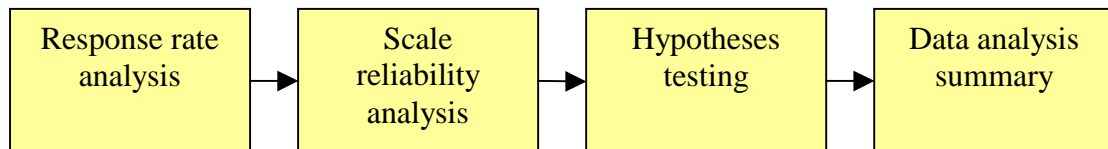


Figure 4.1 The process of data analysis

4.1 RESPONSE RATE ANALYSIS

The data analyzed in this chapter was collected through a cross-sectional survey conducted in April, 2007 on a relatively small sample of Chinese firms currently supplying Western buyers (as discussed in Chapter 3). A total of 150 emails with a link to an on-line questionnaire were sent out to Mainland Chinese firms.

These were followed up by telephone calls in order to increase the response rate. However, only 102 respondents could be contacted telephonically, either because a person in the right position to responding the questionnaire was not available at the time or because no one answered the call. Due to time constrains the calls could not be repeated.

Out of the 150 firms contacted, 37 questionnaires were filled out within a period of three weeks. This represents a total response rate of 25%. Due to the anonymity granted to respondents it is not possible however to discern different response rates for those who were successfully contacted by phone and those who were not.

During the course of collecting the empirical data, nine emails, corresponding to 6% of total, were returned due to invalid email addresses. However, alternative emails were obtained through the telephone conversation and emails sent to them again.

4% of the total phone calls were rejected. According to the respondents, the main reason for their refusal was the lack of time.

It could be expected that the fact that the questionnaire was written in English lowered the response rate and determined the problem of missing data for certain variables (for the number of respondents for each variable see Table 4.1).

Clearly claims of representatives of this sample are hampered by the small rate of response. It may be argued in fact that those who had the patience and took the time to respond differ according to some criteria from the ones who refuse; for instance, it may be legitimate to argue that those who chose to respond may score higher on *desired social bonding* than the average population.

However, published studies that recorded very low response rate are nor rare and can be found even in the most regarded journals (Bryman and Bell, 2003: 145).

Moreover, most of the questions used in this study are not related to the individuals responding or refusing to respond, but to the organization he or she is part of. Therefore, the different personal characteristic can be expected to have a lower impact on the way the questionnaires were filled out, therefore reducing concerns for representativeness.

Those individuals who refused to respond to the questionnaire directly during the phone call justified their refusal by claiming a lack of time. Clearly, it cannot be assumed that this is the primary reason for not responding, but considering working schedules and the pace of work in Chinese firms it is not unreasonable to assume that many respondents did not have time to complete the questionnaire. If lack of time is the main factors that hampered the response rate, than fewer inferences can be made about the personal characteristics of those who responded as compared to those who did not, therefore reducing concerns for the sample representativeness.

However, on the other hand it could be argued that the personnel's time availability could be determined by the organizational culture or other firm related factors that could have an influence on the variables considered in this study, therefore reducing the representativeness of the sample.

The suspect that the response rate was due to a lack of understanding of English raises further concerns for representativeness. There is a chance that the firms with the lowest *exposure to Western customers* are not properly represented.

4.2 TESTING INTERNAL RELIABILITY

Multiple and single items scales both excerpted from previous studies and developed *ad hoc* were employed in this study, as shown in Chapter 3. According to Bryman and Bell (2003: 171), employing already existing scales entails the advantage of avoiding time consuming piloting as reliability and validity testing has already been performed. Secondly it also allows comparison with previous studies results.

However, as the items composing the scales employed in this study have been adapted and in some cases drawn from different sources (Appendix 3) the above mentioned

advantages are diluted to some extent depending on how each scale was constructed. Moreover, since the target respondents of the survey were non-mother-tongue English speakers, a pilot testing should have been performed anyhow. Time constraints have hindered from performing such preliminary testing, which is a possible cause of internal reliability concerns as some of the questions may not have been understood properly. As a result, the only scale which could possibly benefit from the advantage of comparing results with previous studies is *commitment*. However, the scale was originally employed with buyers and with a one to seven scale while here the questionnaire is targeted to suppliers and a one to five scale is employed; therefore a comparison could only have a relative significance.

Constructs	No. of items (original scale)	Cronbach's alpha coefficients
Relative experience in years	1 (1)	–
Years in Western Countries	1 (1)	–
Percentages of Western customers (turnover)	1 (1)	–
Percentages of Western customers	1 (1)	–
Employees exposure to Western customers	3 (4)	0.77
Adaptation	6 (6)	0.82
Desired social bonding	10 (12)	0.70
Actual social bonding	10 (12)	0.78
Satisfaction with social bonding	10 (12)	0.69
Structural bonding	6 (6)	0.84
Trust	3 (6)	0.74
Commitment	3 (3)	0.77

Table 4.1 Reliability analysis

In order to verify the internal reliability of each construct, Cronbach's alpha coefficients were computed with the aid of SPSS. Many texts and authors suggest that an acceptable reliability alpha should surpass the threshold of 0.70 (Bryman and Bell, 2003: 77, 88). After removing some scale items (Table 4.1, Appendix 3), the acceptable level of 0.7 was reached for all the scales with the exception of *satisfaction with social bonding*. The alpha values of all the scales but one can be therefore deemed reliable according to the widely acknowledge 0.7 threshold criterion. With respect to *satisfaction with social bonding*, the recorded 0.69 fails by 1% to reach the recommended level, but the construct was accepted whatsoever. According to some it is not unreasonable to consider value slightly below the 0.7 threshold if the approach is exploratory (Hair et al., 1995, cited in Anselmsson, 2001); moreover, some even argue that alpha coefficients of 0.6 demonstrate a satisfactory level of internal reliability (Malhotra and Birks, 2003: 314).

Appendix 3 shows the items removed from each construct. In the first place, the need to remove two reverse questions (in *social bonding* and *trust*) may indicate that some respondents did fill in the questionnaire with little care. With respect to the construct *trust*, two of the three items removed consist of negative statements about clients to which the respondent is asked to agree or disagree. Clearly a supplier may feel rather discomforted to make negative statements about his own clients without any tangible assurance of confidentiality.

4.3 DESCRIPTIVE STATISTICS

The descriptive analysis of the collected data highlights differences between multiple item scales variables that may raise a number of issues, namely the higher mean value of *structural bonding* and *commitment* as compared to that of respectively *actual/desired social bonding* and *trust* (Table 4.2). However, these results cannot be compared with confidence as the measurement scales employed are of a different nature, therefore few speculations can be made.

Variables	N.	Mean	Standard deviation	Max	Min
Relative experience in years	33	0,78	0,32	1,00	0,00
Years with Western customers	34	7,03	7,23	40,00	0,00
Years with Western customers (banded)	34	2,71	1,45	1	5
Percentage of Western customers (turnover)	30	0,61	0,32	1,00	0,02
Percentage of Western customers	31	0,57	0,33	1,00	0,02
Employees exposure*	33	3,82	0,80	5,00	2,00
Adaptation*	33	3,39	0,82	5,00	1,50
Desired social bonding*	36	3,28	0,52	4,20	2,20
Actual social bonding*	31	3,31	0,52	4,20	2,50
Satisfaction with social bonding**	31	0,09	0,53	1,20	-1,20
Structural bonding*	37	3,90	0,80	5,00	1,67
Trust*	37	3,58	0,75	5,00	2,33
Commitment*	33	3,70	0,88	5,00	2,00

* multiple item scales based on one-to-five range scores

** computed by the difference of two 1 to 5 scales; possible range -4 to 4

Table 4.2 Descriptive statistics

However, the same does not hold for *actual social bonding* and *desired social bonding*, whose difference is computed in the variable *satisfaction with social bonding*. In fact, in order to assess the Chinese suppliers' level of satisfaction with respect to social bonding, it was measured whether a mismatch exists between the levels of social bonding Chinese suppliers aim for and that in their current relationships with Western customers. As shown in Chapter 3, this is based on the assumption that if the desired level of social bonding in a buyer-supplier relationship is not reached it may lead to a state of dissatisfaction.

In the case negative values are recorded for *satisfaction with social bonding* we can conclude that desired social bonding surmounts that established with current customers, when positive values are recorded the opposite is true and when the values equal zero the two cases match. Negative cases were therefore labeled as 'not-satisfied', the nil and positive ones as 'satisfied'. Frequencies and other statistics are shown in Table 4.3.

For the average respondent, the level of social bonding in its relationship with Western customers actually exceeds his or her expectations (desires). If the assumption made in the first place holds, i.e. that higher levels of *desired social bonding* as compared to *actual social bonding* translate into dissatisfaction with

respect to social bonding, than it is surprising to note that more than 70% of respondents are actually satisfied (see Table 4.3).

		Frequency	Percent	Cumulative Percent	Mean	Standard Deviation	Max	Min
Satisfied	> 0	17	54,8	54,8	0,44	0,3	1,20	0,20
	= 0	5	16,1	70,9	0	0	0	0
Not Satisfied	< 0	9	29	100,0	-0,53	0,42	-0,10	-1,20
Total		31	100,0	-	0,87	0,53	1,20	-1,20

Table 4.3 Satisfaction with social bonding, Frequencies and other statistics

Another detail that emerges from the data shown in Table 4.2, is the lower spread of *desired* and *actual social bonding* as compared to the other multiple item scales variables. The latter variables' standard deviations exceed in fact the former ones by around 0.30. While neither *actual* nor *desired social bonding* ever recorded scores above 4.20, *structural bonding* recorded the highest score with a frequency of more than 10%. However, these differences may be due to the fact that *structural bonding* measurement scale, as well as all other multiple items scales, is composed by fewer items as compared to *social bonding*, and the questions related to the latter may be more of a personal nature, implying that respondents may be more cautious in expressing extreme statements.

As mentioned in Chapter 3, the targeted sample consists exclusively of Chinese supplier with at least some exposure to Western customers. The nil minimum value of years with Western Customers (which is related to one single respondent) can be due to the fact that the Company has at least an awarded contract with a Western buyer from less than one year. In any case, the *percentage of Western customers* on the firm's customers' portfolio is at least 2%.

With respect to the variable *commitment*, the mean value exceeds the center of the scale by 0.70 points. In the study by Morgan and Hunt (1994) for which the scale was originally developed, the recorded mean value exceeds the center of the scale by 0,392. Since their study employed a one-to-seven scale, the exceeding value was standardized to the one-to-five scale employed here obtaining a value of $0.392 \cdot 0.67 = 0.26$.

Nevertheless, the two values cannot be compared directly as in a one-to-seven scale there are more intermediate values to choose between and it is hard to argue whether, for example, those who choose six in a one-to-seven scale would choose three or five when facing a one-to-five scale. However, as one questionnaire was directed to Chinese respondents who are said to avoid extremes while the other to Americans who are conversely said to love extremes, the difference in values is perhaps significant. However, it is not possible to say whether this difference could be due to the fact that one sample is composed by buyers and the other by sellers or that one is composed by Americans and the other by Chinese.

4.4 HYPOTHESES TESTING

In the first place a cautionary note must be brought to attention; as previously mentioned, although the conceptual model developed for this study required complex

statistical tools as SEM or path analysis to be validated, due to the limited amount of resources available only relatively simple techniques could be employed. Besides being particularly complex and time consuming, SEM or path analysis would have required a sample size abundantly exceeding the one that was possible to obtain for this study, thus they could not possibly be employed.

Therefore the different component parts of the model have been analyzed independently from each other, implying the conceptual model *as a whole* lacks validation.

A description of the statistical method employed for the empirical data analysis can be found in Chapter 3.

For the sake of clarity, the analysis is computed following the logical order of the research questions.

4.4.1 Assessing the Influence of Experience and Adaptation on Relationship Bonds

The *percentage of Western customers* and the share of turnover generated by Western customers were found to almost coincide; therefore it was decided to exclude the latter based on the criteria that it appears to be a poorer predictor of the dependent variables considered for the construct *firms' exposure to Western customers* and that it registered four less responses.

The *relative experience in years* was also found to correlate with the *share of Western customers* with a 95% confidence level (Appendix 4). The nature of this relationship clearly falls outside the scope of the present study; however it could be conceptually explained by noting that a firm that has operated in overseas markets for a long time (in relation to its overall presence in the industry) might thus have had more chances to expand its business outside its home market. However, it was decided to exclude *relative experience in years* due to the association that emerged with the share of Western customers, for the fact that the way the relative experience was computed may raise concerns for face validity and because of its failure to show any association with the dependent variables considered. As mentioned in Chapter 3, relative years (years of business in Western countries weighted against years in the business) was employed in place of the absolute number of years in Western countries for that could reasonably lack face validity, i.e. indicate the firm's real exposure to Western customers. However, the latter was measured anyhow against the dependent variables for which *relative experience in years* was tested, but did not show any association whatsoever.

Variables		Pearson's Correlation		
		structural bonding		Desired Social Bonding
Percentage of Western Customers	1a	0,02	H3a	-0,40*
Employees international experience	2a	0,49**	H4a	0,25
Adaptation	5	0,04	H6	0,23

** significant at 1% level, * significant at 5% level

Table 4.4 Correlation analysis between the independent variables *percentage of Western customers* and *employees' exposure* and the dependent variables *structural bonding* and *desired social bonding*

Table 4.4 shows simple correlation between the hypothesized independent variables *percentage of Western customers*, *employees' exposure* and *adaptation* and the dependent *structural bonding* and *desired social bonding*. The coefficients show a negative relationship between the *percentage of Western customers* and *desired social bonding* significant at the 5% level, a positive between *employees' exposure* and *structural bonding* at the 1% level.

In order to reveal either partially or entirely spurious or hidden relationships due to multicollinearity, multiple stepwise regression was performed with respect to the former variables (Table 4.5). Results shown in Table 4.4 are reiterated; no relationship emerges of results spurious, therefore, according to the results reported in Table 4.5, hypothesis 2a and 3a are confirmed, while hypotheses 1a, 4a, 5 and 6 are rejected.

Given the found relationship hypothesized in H3a and being *satisfaction with social bonding* computed by subtracting *desired social bonding* to *actual social bonding*, a positive relationship could be expected between the *percentage of Western customers* and the *satisfaction with social bonding*. However, no relationship emerges between the two variables from correlation analysis.

Predictors		Standardized Beta Coefficients		
		Structural Bonding		Desired Social Bonding
Percentage of Western Customers	H1a	excluded	3a	-0,40*
Employees international experience	H2a	0,49 *	H4a	Excluded
Adaptation	H5	excluded	6	Excluded
	R ²			0,16
	Adjusted R ²			0,13
	Sig.			0,005

** significant at 1% level, * significant at 5% level

Table 4.5 Multiple regression analysis, stepwise method, between the predictors *percentage of Western customers* and *employees' exposure* and the dependent variables *structural bonding* and *desired social bonding*

While no relationship was found between *adaptation* and *desired social bonding*, the former registered a correlation coefficient of 0.58 with *actual social bonding* with a confidence level of 99% (Appendix 4), therefore confirming Hypothesis 7.

In order to be able to infer whether or not *adaptation* moderates the relationship between hypothesized independent variables *percentage of Western customers* and *percentage of Western customers* and the dependent *structural bonding* and *desired social bonding*, the analysis described by Baron and Kenny (1986) was employed (see Chapter 3). After centering all variables and computing the interaction term as the product of the independent and moderating variable, the dependent variables are regressed on the independent variable, moderator and interaction term. As all the interaction terms do not show any significant relationships, the hypotheses of moderation H1b, H2b, H3b and H4b are rejected (Table 4.6).

Predictors	Structural Bonding			Desired Social Bonding		
		β	Sig.		β	Sig.
percentage of Western Customers adaptation interaction term	H1b	-0,17	0,441	H3b	0,05	0,791
employees international experience adaptation interaction term	H2b	0,26	0,109	H4b	-0,10	0,590

Table 4.6 Test of moderation of *adaptation* on the relationships between the independent variables *percentage of Western customers* and *employees' exposure* and the dependent variables *structural bonding* and *desired social bonding*

4.4.2 Assessing the Impact of Relationship and Adaptation on Trust and Commitment

Table 4.7 shows the correlation coefficients between the independent variables *satisfaction with social bonding* and *structural bonding* and the dependent variables *trust* and *commitment*. The analysis reveals a significant relationship between *structural bonding* and *trust* at the 99% confidence level.

Predictors		Pearson's Correlation		
		Trust		Commitment
Structural bonding	a	0,49**	8b	0,11
Satisfaction with social bonding	a	-0,23	9b	0,07

** significant at 1% level

Table 4.7 Correlation analysis on the predictors *structural bonding* and *satisfaction with social bonding* and the dependent variables *trust* and *commitment*

As in the previous cases, the dependent variables are regressed on the supposed predictors (Table 4.8). The stepwise multiple regression confirms the results shown in Table 4.7.

Predictors		Standardized Beta Coefficients		
		Trust		Commitment
Structural bonding	a	0,49**	8b	Excluded
Satisfaction with social bonding	a	Excluded	9b	Excluded
R ²			0,24	
Adjusted R ²			0,16	
Sig.			0.005	

** significant at 1% level

Table 4.8 Multiple regression analysis, stepwise method, on the predictors, *structural bonding* and *satisfaction with social bonding* and the dependent variables *trust* and *commitment*

Neither *satisfaction with social bonding* nor *structural bonding* shows a significant relationship with commitment. Structural bonding shows however a consistent correlation with trust significant at a 1% level. Therefore Hypothesis 8a is validated,

while 8b, 9a and 9b are rejected. Hypothesis 8c and 9c are also rejected in light of these results as the conditions for a test of moderation are not met (see Chapter 3).

As the *satisfaction with social bonding* failed to show any pattern of association with the dependent variables, the same relationships were tested with *actual social bonding* in its place, without any relationship emerging whatsoever.

However, Appendix 4 highlights that an unexpected correlation coefficient of 0.44 between *desired social bonding* and *trust* is significant at the 1% level. It must be noted in the first place that five more respondents answered the questions relative to the latter construct as compared to *actual social bonding* (they were placed respectively at the beginning and the end of the questionnaire) therefore the results of the two variables cannot be directly compared. However, when excluding the cases missing for *actual social bonding*, the coefficient rises to 0.54 and is not affected when controlling for structural bonding. This unexpected result, coupled with the many theoretical accounts that link social bonding with trust and commitment, hints that perhaps the questions used to measure the latter construct may be inappropriate to measure *desired* social bonding. When asked how important each of the items composing the scale social bonding (e.g. establishing relationships based on friendship) in their relationship with Western customers the respondents may have replied how *relevant* they are in their current relationships rather than *desirable*. In future studies, using the latter expression in place of the former may yield more valid results.

Table 4.9 shows that the correlation coefficients for the relationships between the dependent variable *commitment* and both the independent variables *trust* and *adaptation* are significant at respectively 5% and 1% level.

		Commitment	
		Pearson's Correlation	Standardized Beta Coefficient
H10a	rust	0,35*	excluded
H11	daptation	0,53**	0,46**
	R ²		0,32
	Adjusted R ²		0,27
	Sig.		0.003

** significant at 1% level, * significant at 5% level

Table 4.9 Correlation analysis and regression analysis, stepwise method, on the predictors *trust* and *adaptation* and the dependent variable *commitment*

However, multiple regression stepwise analysis shows that the relationship between *trust* and *commitment* is not significant when *adaptation* is kept constant (Table 4.9). *adaptation* shows in fact correlation with both trust (although at 10% level) and commitment (1% level). The variation in *adaptation* could explain much of the variation observed in *commitment* which initially appeared due to trust; *trust* may not have any direct influence on commitment. Therefore Hypothesis 11 is confirmed while Hypothesis 10a is rejected.

Table 4.10 shows the moderation test related to Hypothesis 10b. As the non significance of the interaction term reveals, *adaptation* does not appear to moderate the relationship between *trust* and *commitment*, therefore the hypothesis is rejected.

Predictors	Commitment	
	Standardized β	Sig.
Trust Adaptation Interaction term	0,10	0,548

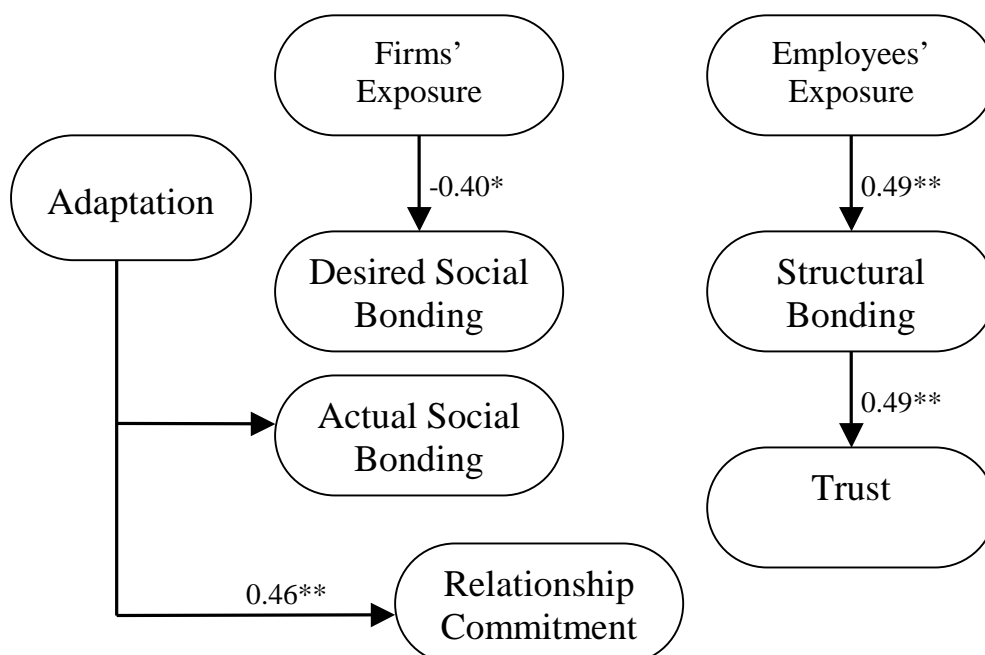
Table 4.10 Test of moderation of *adaptation* on the relationship between *trust* and *commitment*

4.5 SUMMARY OF DATA ANALYSIS

Table 4.11 summarizes the results of the hypotheses testing. From the analysis of the empirical data, it emerges that five of the hypotheses tested are confirmed, illustrated in Figure 4.2.

As expected, the exposure to Western customers affects the way relationships are established with the latter and expectations in this sense. Specifically, it leads to rely more on structural bonding and expect an inferior level of social bonding. However, strangely it appears that while the company exposure affects negatively desired social bonding, the employees' exposure affects positively structural bonding.

Adaptation, as expected shows a positive pattern of association with actual social bonding, but strangely no relationship was observed with structural bonding. While *structural bonding* has a sizable positive effect on *trust*, the level of the social bonding established in the relationship or the satisfaction with that level or the actual level does not seem to be directly linked with it.



** significant at 1% level, * significant at 5% level

Figure 4.2 Graphical representation of significant linear relationships found by testing hypotheses

Trust, that through simple correlation appeared to be correlated with *commitment*, does not show to predict the latter when controlling for *adaptation*, which is indeed positively correlated with both *commitment* and *trust*. *Adaptation* may explain the variance in *commitment* that was initially attributed to *trust*.

Hypothesis		Description			
Linear Assoc.	Dependent variable		Independent variable		Outcome
H1a	Firm's exposure		Structural bonding		Rejected
H2a	Employees' exposure		Structural bonding		Confirmed
H3a	Firm's exposure		Desired social bonding		Confirmed
H4a	Employees' exposure		Desired social bonding		Rejected
H5	Adaptation		Structural bonding		Rejected
H6	Adaptation		Desired social bonding		Rejected
H7	Adaptation		Actual social bonding		Confirmed
H8a	Structural bonding		Trust		Confirmed
H8b	Structural bonding		Commitment		Rejected
H9a	Satisfaction with S.B.		Trust		Rejected
H9b	Satisfaction with S.B.		Commitment		Rejected
H10a	Trust		Commitment		Rejected
H11	Adaptation		Commitment		Confirmed
Moderation	Independent variable	Moderator	Dependent variable		Outcome
H1b	Firm's exposure	Adaptation	Structural bonding		Rejected
H2b	Employees' exposure	Adaptation	Structural bonding		Rejected
H3b	Firm's exposure	Adaptation	Desired social bonding		Rejected
H4b	Employees' exposure	Adaptation	Desired social bonding		Rejected
H10b	Trust	Adaptation	Commitment		Rejected
Mediation	Independent variable	Mediator	Dependent variable		Outcome
H8c	Structural bonding	Trust	Commitment		Rejected
H9c	Satisfaction with S.B.	Trust	Commitment		Rejected

Table 4.11 Summary of hypotheses testing

Through the descriptive analysis emerges that for the sampled firms the desired level of social bonding actually does not exceed the actual level, as indicated by the variable *satisfaction with social bonding*. Therefore, if the assumptions made with respect to the former variable hold, on average the Chinese suppliers may not be dissatisfied with the level of social bonding established with Western clients. However, due to the above mentioned face validity concerns with respect to the construct *desired social bonding* and therefore *satisfaction with social bonding* (which is computed by subtracting it from *actual social bonding*), these results may not be reliable.

CHAPTER V

The Outcomes of the Study

5.1 RESEARCH QUESTION 1

How do time and experience in Western markets and the product/process adaptation undertaken by either the buyer or the supplier affect the way Chinese suppliers relate to their Western customers and their expectations and satisfaction in terms of the way business is conducted?

The main contribution of this study may be the introduction of a new factor to explain the way relationships are formed between Chinese suppliers and Western buyers. The empirical results suggest that this factor, the Chinese suppliers' exposure to Western customers, may affect the type of bonding that keeps together Chinese-Western industrial relationships and the related expectations. Specifically, the higher the exposure, the more the relationship type and expectations with respect to it seem to depart from the *guanxi* type to become more similar to the Western more impersonal and market based approach to industrial relationships. The more Chinese suppliers become accustomed to Western business practices, the less they seem to desire inter-firm bonds to be based on interactions among individuals and, at the same time, the more they seem to rely on 'traditional' market based mechanisms and the enforcement of contracts.

These findings may explain the inconsistencies between theory and practice found in the preliminary interviews. The collected empirical data seem to show that the exposure to Western customers by diminishing the gap in management styles may lessen the causes of friction between Chinese and Western firms.

However, if the exposure to Western customers of the firm as a whole is considered separately from that of its employees, an unexpected pattern emerges. While it is only the former, indicated by the relative amount of Western customers in the Chinese firm's customer portfolio, to negatively affect the level of social bonding a Chinese suppliers aims for, only the employees' exposure appears to affect the level of structural bonding established with Western customers.

The company exposure, indicated by the relative number of Western customers, may not be associated with the level of structural bonding as that could reasonable depend solely on the experience of those dealing with the Western clients, i.e. its employees. A Chinese firm with a large share of Western customers cannot be expected indeed to be confident and/or experienced in dealing with them unless its employees have the right skills.

An equally logical explanation cannot be envisioned with respect to the reason why a negative relationship between employees' exposure and desired social bonding was not observed.

It must be noted anyhow that the construct desired social bonding may suffer from face validity concerns due the phrasing of the questions used in the questionnaire (see Chapter 4). It may be the case that rather than measuring the desired level of interpersonal interactions in a relationship it has actually measured their importance or relevance.

With respect to the level of product/process adaptation in a buyer-seller relationship, the empirical results reiterate that it may actually affects long-term commitment, similarly to the arguments of Cox's (2001, 2004) and Anderson and Weitz (1992). The findings give an additional empirical backing to Cox's qualitative arguments and extend Weitz and Anderson's (1992) and Smith's (1998) results to a cross-cultural context.

Moreover, the buyer-seller adaptation also shows a significant relationship with the intensity of social bonding or the frequency of social interactions (*actual social bonding*). The results empirically confirm Cox's (2001, 2004) qualitative arguments, and extend Håkansson's (1982) findings to a Chinese-Western cross-cultural setting.

However, unexpectedly no relationship is found between adaptation and the level of structural bonding. In this respect, it could be argued that when high adaptation between a buyer and a seller occurs, as the exchange parties become increasingly interlocked and dependent on each other causing the costs related to breaking up a relationship to raise, the *relative* value of competitive and strategic benefits and the access to information, as well as the bottom-line economic benefits, may actually not increase or perhaps even decrease.

Outside the scope of the main question but in relation to it, the descriptive analysis suggests that, despite the difference in approaches between Chinese and Western firms with respect to the level of social bonding in inter-firm relationships, Chinese suppliers are satisfied with the level of social interactions among firms' personnel. However, due to the above mentioned face validity concerns with respect to the construct *desired social bonding* and therefore *satisfaction with social bonding*, these results may need to be empirically tested again in order to be validated.

5.2 RESEARCH QUESTION 2

Is the type of relationship established between a Chinese supplier and a Western buyer an appropriate predictor of supplier's commitment towards long-term relationships, or it is more suitable to consider trust as an intermediate/mediating factor? Does this depend on the product/process adaptation undertaken by either the buyer or the supplier?

Despite different contributions suggesting that a higher level of social bonding may increase the level of trust and commitment (also in a cross-sectional setting), this study could not empirically show any similar associations (neither *actual social bonding* nor *satisfaction with social bonding* were found to be correlated with trust). However, a significant relationship was found between the construct *desired social bonding* and trust. As mentioned above, serious concerns for face validity of the latter construct emerged after the data collection. It is possible that rather than measuring the desirability of social interactions in a relationship, the construct has actually

measured its relevance or importance in the Chinese suppliers' current relationship with Western customers. Therefore, these results would reinforce the similar accounts made by Doney and Cannon (1997), which however focused on the buyer's side, and Smith (1998) and extend them to a cross-cultural setting. Wong and Chan (1999) and Wong and Tam (2000) also found a relationships between social bonding and trust among Chinese managers. These results may confirm that the same applies when Chinese firms are dealing with Western customers.

With respect to structural bonding, despite the lack of accounts directly linking it with trust and contrarily to Smith (1998) findings the empirical results do show a significant pattern of association between the two constructs, but not between the former and commitment. Conversely, Williams et al. (1998) empirically found that the level of structural bonding in a setting similar to that envisioned in this study may have a direct impact on commitment. A possible explanation could be that trust actually mediates the relationship between structural bonding and commitment, although no *significant* relationship could be found between trust and commitment and therefore the empirical data collected for this study does not support it.

The analysis of the collected empirical material suggests that the level of adaptation in a relationship may be the strongest predictor of long term-commitment. Trust, regarded by many as a main determinant of long-term commitment, according to the collected empirical data appears to be a rather poor predictor. Although it appears to be related to commitment through simple correlation, it fails to do so when controlling for the level of adaptation. As suggested by Hallen et al. (1991), the level of adaptation may be related in fact not only to commitment but also to trust, and therefore explain to some extent the association frequently observed between trust and commitment. Future studies should therefore perhaps consider the level of adaptation between the exchange parties when trying to assess the effect of trust on commitment.

5.3 IMPLICATIONS

5.3.1 Emerging Theoretical Issues

The main contribution of this study is the finding that a new factor, the exposure to Western customers, may explain to some extent the way social and structural bonds are approached and sought after by Chinese suppliers in their relationships with Western customers. However, this study is limited in the fact that it only endeavours a Chinese perspective. Future contributions shall complement these findings with a Western perspective in order to get a clearer picture of the cross-cultural adaptation process. The question that awaits an answer is whether the Chinese firm is the only party in the exchange adapting its management style to Western standards, or if Western firms do adapt to some extent to the Chinese management culture as well. Moreover, it shall be assessed whether this cultural adaptation process depends on other factors such as the power balance in a relationship. Examining the Western perspective in the cultural encounter and taking a comparative approach could perhaps unveil new interesting dynamics and issues.

The study also suggests that the intensity of the bonds that keep together an industrial relationship may be more directly linked to trust than commitment. Despite the lack of

direct hints, this finding may urge future studies to consider trust as a mediating factor between the intensity of the relationship bonds and commitment.

Moreover, the empirical findings brings to light the fact that the relationship frequently observed between trust and commitment may be explained to some extent by the level of adaptation in buyer-seller relationships, therefore advising future researchers to consider the latter factor when assessing the impact of trust on commitment.

5.3.2 Managerial Implications

This study has not shown any connection between the intensity of bonds in an industrial relationship, whether social or structural, and commitment, which may represent the most desirable bottom end outcome in a close relationship. However, the empirical results do suggest that these bonds may be directly linked with trust, which should be a desirable feature in any given buyer-seller relationship.

By suggesting how the exposure to Western customers affects the way Chinese firms develop bonds in buyer-seller relationships, this study provides Western buyers useful insights with respect to the way they shall approach Chinese suppliers and what to expect from those relationships.

While a great deal of care may be needed when approaching inexperienced Chinese sellers to keep away from the so-called *cultural clash*, with more experienced ones in dealing with Western firms, a more expedite approach may yield the desired relationship outcomes.

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APPENDICES

Appendix 1

QUESTIONNAIRE E-MAIL – COVER LETTER

Dear Sir or Madam,

We are master's students currently undertaking a master's program in International Marketing and Brand Management at Lund University in Sweden. We are now working on a research project about Chinese-Western buyer-supplier relationships. Its purpose is to enhance Western firms' cross-cultural sensitivity in order to establish successful relationships with Mainland Chinese suppliers.

We would be grateful if you could take 15 minutes to fill in a short questionnaire at <http://www.surveymonkey.com/s.asp?u=130323618308>. Your information would provide us with very valuable insights.

Please kindly note that the questionnaire should be filled in only under the following conditions:

1. Your company is located in Mainland China (not in Hong Kong, Taiwan and Macao)
2. Your company has ongoing relationships with Western companies
3. You are responsible for business relationships with Western customers.

We would be glad to submit you a copy of our research paper in June 2007 upon your request. If you have any questions about the research project, please do not hesitate to contact us at ***.

Thank you very much for your support in advance.

Yours sincerely,

Marco Rossetti
Mary Huynh
Pui Li
Master's students
School of Economics and Management
Lund University
Lund, Sweden

Appendix 2

QUESTIONNAIRE

1. In which year did your company start the business in the industry?

2. How many years have your company done business in Western countries?

3. How important are each of the following statements in your organization's relationships with Western customers?

Not very important	1	2	3	4	5	Very important
Meeting customers away from the work place for breakfast, lunch, dinner or other social activities	1	- 2	- 3	- 4	- 5	
Talking to customers about family, sports or other personal interests	1	- 2	- 3	- 4	- 5	
Sharing personal advice and support	1	- 2	- 3	- 4	- 5	
Showing empathy/concern for the other's well being	1	- 2	- 3	- 4	- 5	
Having friendship	1	- 2	- 3	- 4	- 5	
Waiting with patience is a must in establishing a profitable relationship	1	- 2	- 3	- 4	- 5	
The customer tries to impress me with himself	1	- 2	- 3	- 4	- 5	
The customer is easy to talk with	1	- 2	- 3	- 4	- 5	
The customer likes to talk to people	1	- 2	- 3	- 4	- 5	
The customer wants to complete the business deal as quickly and effectively as possible	1	- 2	- 3	- 4	- 5	
The customer is personally interested in socializing	1	- 2	- 3	- 4	- 5	
Promptly paying back a favor	1	- 2	- 3	- 4	- 5	

4. With respect to your organization's relationship with current Western customers, what is your opinion regarding the following statements?

Strongly disagree	1	2	3	4	5	Strongly agree
In our relationship, my customers can be counted on to do the right thing	1	- 2	- 3	- 4	- 5	
The people from the purchasing departments are not trustworthy	1	- 2	- 3	- 4	- 5	
The people from the purchasing departments are frank in dealing with us	1	- 2	- 3	- 4	- 5	
The people from the purchasing departments do not make false claims	1	- 2	- 3	- 4	- 5	
The people from the purchasing departments do not seem to be concerned with our needs	1	- 2	- 3	- 4	- 5	
In our relationship, my customers have high integrity	1	- 2	- 3	- 4	- 5	

5. How important are each of these factors in your organization's relationships with Western customers?

Not very important	1	2	3	4	5	Very important
Long term economic benefits	1 - 2 - 3 - 4 - 5					
Competitive or strategic benefits	1 - 2 - 3 - 4 - 5					
Access to knowledge and technology	1 - 2 - 3 - 4 - 5					
Sharing of industry and competitive information	1 - 2 - 3 - 4 - 5					
Electronic linkages to manage the value chain activities	1 - 2 - 3 - 4 - 5					
Guidance of formal contracts/agreement	1 - 2 - 3 - 4 - 5					

6. Express an opinion about the following statements.

Strongly disagree	1	2	3	4	5	Strongly agree
The last new products/services we introduced required major adaptations by the customer (e.g. product(s), production process or planning)	1 - 2 - 3 - 4 - 5					
The relationships that my firm has with our Western client firms deserve our firm's maximum effort in order to be maintained	1 - 2 - 3 - 4 - 5					
Within the last year we heavily invested into specific assets in order to comply with customers' requirements	1 - 2 - 3 - 4 - 5					
It takes time until we can really adapt to the customers' products specifications	1 - 2 - 3 - 4 - 5					
Within the last year we performed major adaptations to our products and processes to comply with customers' requirements	1 - 2 - 3 - 4 - 5					
It takes time until the customer can really understand the full advantages of our product(s)/service(s)	1 - 2 - 3 - 4 - 5					
The relationships that my firm has with our Western client firms are something we are very committed to	1 - 2 - 3 - 4 - 5					
The relationships that my firm has with our Western client firms are something my firm intends to maintain indefinitely	1 - 2 - 3 - 4 - 5					
The last new products/services we introduced required major investments in specific assets by the customer	1 - 2 - 3 - 4 - 5					
We are accustomed to doing business with Western companies	1 - 2 - 3 - 4 - 5					
Our people have the right skills for doing business in an Western business environment	1 - 2 - 3 - 4 - 5					
Our people have had working experience in Western countries	1 - 2 - 3 - 4 - 5					
It is easy to understand Western customers approach to doing business	1 - 2 - 3 - 4 - 5					

7. With respect to you organization’s current Western customers, how often do the followings occur?

Almost never	1	2	3	4	5	Very frequently					
Establishing a relationship based on friendship		1		2		3		4		5	
Showing empathy/concern for each other’s well being		1		2		3		4		5	
Sharing personal advice and support		1		2		3		4		5	
The customer wants to complete the business deal as quickly and effectively as possible		1		2		3		4		5	
The customer likes to talk to people		1		2		3		4		5	
The customer tries to impress me with himself		1		2		3		4		5	
The customer is easy to talk with		1		2		3		4		5	
The customer is keen on paying back favors		1		2		3		4		5	
Meeting customers away from the work place for breakfast, lunch, dinner or other social activities		1		2		3		4		5	
Talking to customers about family, sports or other personal interests		1		2		3		4		5	
The customer is personally interested in socializing		1		2		3		4		5	
Our customers can wait with patience for a profitable relationship to be established		1		2		3		4		5	

8. With respect to the following questions, please try to give the most approximate figure.

a. What percentage of your customers is from Western countries?

b. What share of your business’s turnover is generated from Western customers?

Appendix 3

CONSTRUCTS AND MEASURES

For all the measurement scales employed in this study one to five Likert scales were employed. The shaded areas indicate the items that had to be removed for internal reliability concerns.

SOCIAL BONDING

(a) How important are each of the following statements in your organization's relationships with Western customers?

Anchor: not very important – very important

(b) With respect to you organization's current Western customers, how often do the following events occur?

Anchor: not very often – very frequently

Doney and Cannon (1997)	
Original Item	Adapted Item
(1) Meet away from the workplace. (2) Meet over breakfast, lunch or dinner.	Meeting customers away from the work place for breakfast, lunch, dinner or other social activities.
Talk about family, sports or other personal interests.	Talking to customers about family, sports or other personal interests.
Smith (1998)	
Original Item	Adapted Item
Empathy/concern for other's well being.	Showing empathy/concern for the other's well being.
Friendship.	(a) Having friendship. (b) Establishing a relationship based on friendship.
Sharing of personal advice and support.	Sharing personal advice and support.
Williams and Spiro (1985)	
Original Item	Adapted Item
The customer tried to impress me with himself.	The customer tries to impress me with himself.
The customer likes to talk to people.	The customer likes to talk to people.
The customer was easy to talk with.	The customer is easy to talk with.
The customer wants to complete his shopping as quickly and effectively as possible.	The customer wants to complete the business deal as quickly and effectively as possible.
This customer seemed interested in me not only as a sales person, but also as a person.	The customer is personally interested in socializing.

Wong and Leung (2001)

Original Item	Adapted Item
Patience is a must in making money.	(a) Waiting with patience is a must in establishing a profitable relationship. (b) Our customers can wait with patience for a profitable relationship to be established.
To pay back favor is more urgent than debt.	(a) Promptly paying back a favor. (b) The customer is keen on paying back favors.

STRUCTURAL BONDING

How important are each of these factors in your organization's relationships with Western customers?

Anchor: Not very important – very important

Smith (1998)

Original Item	Adapted Item
Economic benefits.	Economic benefits.
Sharing of industry or competitive information.	Sharing of industry and competitive information.
Competitive or strategic benefits.	Competitive or strategic benefits.
Electronic ties or linkages between your organizations such as electronic mail, access to computer databases, or support systems.	Electronic linkages to manage the value chain activities.
Access to knowledge or technology.	Access to knowledge and technology.
Guided by formal contracts and agreements.	Guidance of formal contracts/agreement.

ADAPTATION

Express an opinion about the following statements.

Anchor: strongly disagree – strongly agree

Eliashberg and Robertson (1988)

Original Item	Adapted Item
The last new product/service we introduced required a major learning experience by the customer.	The last new products/services we introduced required major adaptations by the customer (e.g. product, production process or planning).
It takes time until the customer can really understand the full advantages of our new product/service.	It takes time until the customer can really understand the full advantages of our product/service.
N/A	The last new products/services we introduced required major investments in specific assets by the customer.

N/A	Within the last year we performed major adaptations to our products and processes to comply with customers' requirements.
N/A	It takes time until we can really adapt to the customers' products specifications.
N/A	Within the last year we heavily invested into specific assets in order to comply with customers' requirements.

EMPLOYEES' EXPOSURE TO WESTERN CUSTOMERS

Express an opinion about the following statements.

Anchor: strongly disagree – strongly agree

Scales developed for the present study

We are accustomed to doing business with Western companies.

Our people have the right skills for doing business in a Western business environment.

Our people have had working experience in Western countries.

Chu and Weiz (1987)

It is easy to understand Western customers approach to doing business.

FIRM'S EXPOSURE TO WESTERN CUSTOMERS

Scales developed for the present study

How many years has your company operated in this industry?

How many years has your company done business in Western countries?

How many Western customers does your business have? What is an approximate percentage on the total?

What share of your business's turnover is generated from Western customers?

RELATIONSHIP COMMITMENT

Express an opinion about the following statements.

Anchor: strongly disagree – strongly agree

Morgan and Hunt (1994)

Original Item	Adapted Item
The relationship that my firm has with my major supplier is something we are very committed to.	The relationships that my firm has with our Western client firms are something we are very committed to.
The relationship that my firm has with my major supplier is something my firm intends to maintain indefinitely.	The relationships that my firm has with our Western client firms are something my firm intends to maintain indefinitely.
The relationship that my firm has with my major supplier deserves our firm's	The relationships that my firm has with our Western client firms deserve our

maximum effort to maintain.	firm's maximum effort in order to be maintained.
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TRUST

Express an opinion about the following statements.

Anchor: strongly disagree – strongly agree

Morgan and Hunt (1994)	
Original Item	Adapted Item
In our relationship, my major suppliers can be counted on to do the right thing.	In our relationship, my buyers can be counted on to do the right thing.
In our relationship, my major supplier has high integrity.	In our relationship, my buyers have high integrity.

Doney and Cannon (1997)	
Original Item	Adapted Item
This salesperson has been frank in dealing with us.	The people from the purchasing departments are frank in dealing with us.
This salesperson does not seem concern with our needs.	The people from the purchasing departments do not seem to be concerned with our needs.
This salesperson does not make false claims.	The people from the purchasing departments do not make false claims.
This salesperson is not trustworthy.	The people from the purchasing departments are not trustworthy.

Appendix 4

SIMPLE CORRELATIONS AMONG ALL VARIABLES

	Predictors						Dependent Variables					Commitment
	Relative Experience in Years	Years in western countries	Percentage of western customers	Employee's exposure to Western customers	Adaptation	Desired Social Bonding	Actual Social Bonding	Satisfaction With Social Bonding	Structural Bonding	Trust		
Number of items	1	1	1	1	3	10	10	10	6	3	3	
Alpha Coefficients	-	-	-	.768	.818	.700	.782	.689	.835	.737	.769	
Relative Experience	r.c sig N											
Years in western countries		r.c sig N										
Percentage of western customers			r.c sig N									
Employees' Exposure to Western Customers				r.c sig N								
Adaptation					r.c sig N							
Desired Social Bonding						r.c sig N						
Actual Social Bonding							r.c sig N					
Satisfaction With Social Bonding								r.c sig N				
Structural Bonding									r.c sig N			
Trust										r.c sig N		
Commitment											r.c sig N	

****** Correlation significant at the 0.01 level (2-tailed)

***** Correlation significant at the 0.05 level (2-tailed)

▨ Correlation due to variables computation

□ Hypothesized relationships

⊘ Excluded variables

Appendix 5

EXCERPTS FROM SURVEY MONKEY – ONLINE QUESTIONNAIRE

Marketing Research on cross-cultural buyer-supplier relationships Exit this survey >>

1. Declaration

Before answering the questionnaire, please note that

1. Participation is totally voluntary, anonymous and confidential
2. All collected information will be available only to the members of the research team and used for academic purpose
3. All questions shown in this survey are only under our own responsibility. No liability should be claimed on our school and professors.

If you have any enquiries, please contact us at chloe5988@gmail.com

Thank you very much for your co-operation in advance.

Marco Rossetti
Mary Huynh
Pui Li

Masters students
School of Economics and Management
Lund University

声明:

在您回答问题前, 请注意。

1. 自愿参与, 信息保密。
2. 所有信息仅供研究小组成员使用。
3. 我们对调查问卷中的所有问题承担所有责任, 我们的学校与教授对此活动无直接责任关系。

如果您有任何要求, 请和我们联系, chloe5988@gmail.com

非常感谢您的合作

马蓉, 玛丽, 李贝
研究生
国际市场与品牌管理系
隆德大学

Next >>

Marketing Research on cross-cultural buyer-supplier relationships (2007) Exit this survey >>

4. How important are each of the following statements in your organization's relationships with Western customers?

	1. Not very important	2	3	4	5. Very important
Meeting customers away from the work place for breakfast, lunch, dinner or other social activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Talking to customers about family, sports or other personal interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sharing personal advice and support	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Showing empathy/concern for the other's well being	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Having friendship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Waiting with patience is a must in establishing a profitable relationship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer likes to impress me with himself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer is easy to talk with	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer likes to talk to people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer wants to complete the business deal as quickly and effectively as possible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer is personally interested in socializing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promptly paying back a favor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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