

# A cross-cultural perspective on relational exchange

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## Abstract

**Purpose** – This study aims to examine relational norms in cross-cultural business settings. Cross-cultural business partners may differ in their normative orientations toward relational exchange. Owing to the high extent of international trade, there is a need for developing a more nuanced understanding of cross-cultural relational exchange.

**Design/methodology/approach** – The repertory grid method was used to elicit the personal constructs characterizing the perceptions of business-to-business (B2B) relational exchange for 22 Russian and Finnish managers. These items were further categorized into categories of relational elements drawn from relational exchange literature using a content analysis. Then, the category means of scored importance and scored evaluations of domestic and foreign business partners were tested statistically.

**Findings** – Relational norms of flexibility, information exchange, long-term orientation, mutuality and solidarity were equally important to both Russian and Finnish managers. The importance of a business partner's ability seems to be culturally dependent. Sharing the same cultural background might have an adverse effect when evaluating poorly functioning business relations.

**Research limitations/implications** – The validity of these findings is limited to this context and material. Future research should repeat cross-cultural comparisons of the relational norms with more data and other nationalities.

**Practical implications** – Firms should focus on long-term orientation and mutual targets to form well-functioning cross-cultural business relationships.

**Originality/value** – This study provides new knowledge into B2B marketing literature by revealing the role of relational norms, business partner's ability and shared cultural background on functionality of cross-cultural business relations. It also demonstrates the use of the repertory grid method in studying perceptions of relational norms.

**Keywords** Cross-cultural, Buyer-supplier relationships, Relational norms

**Paper type** Research paper

## 1. Introduction

In recent years, international business-to-business (B2B) relationships have become increasingly crucial. Relationships with emerging markets are of particular interest because their high growth rate and unexploited market potential can have a significant impact on the global economy (Biggemann and Fam, 2011). Relational norms play a central part in relational exchange as a regulator of business partners' behavior, but normative expectations may differ between cross-cultural business partners. While some cross-cultural research related to buyer-supplier relationships in the emerging and transitional markets context has been carried out (Ashnai *et al.*, 2009; Hewett and Krasnikov, 2016; Barnes *et al.*, 2015; Voldnes *et al.*, 2012; Lin and Germain, 1999), there is little research exploring the particularly relational norms of this

interesting context. This study explores what Russian and Finnish managers consider to be the most important aspects in a relational exchange and how they evaluate the relational exchange of their domestic and foreign business partners.

The focus on Russian-Finnish buyer-supplier relationships is particularly interesting for several reasons. These two neighboring countries have very different cultures, sizes and political and economic systems (Dickinson, 2003). Finland has a population of approximately 5 million, and the Russian Federation, as the largest country in the world by area, has a population of approximately 140 million. According to World Bank, the gross domestic product (GDP) of the Russian Federation was \$1.326 billion in 2015, while Finland's GDP was only \$230 billion. These different economic conditions

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highlight the differences between the countries. Post-Soviet Russian transitional markets have special market circumstances, as formal institutions are still lacking after the collapse of the Soviet system (Puffer *et al.*, 2010). This weakness of formal institutions in business has been substituted by informal personal networks (Puffer *et al.*, 2010; Voldnes and Grønhaug, 2015). According to The Heritage Foundation's 2016 Index of Economic Freedom, the Russian economy still suffers with problems such as corruption and poor efficiency of legal institutions; the government also interferes in the private sector with state-owned companies. In contrast, the Finnish regulatory environment supports open-market policies, encouraging private entrepreneurship.

Previous research (e.g. Voldnes *et al.*, 2012; Ayios, 2003, 2004; Ariño *et al.*, 1997) has established that in the post-Soviet business context, formal arms-length contracts, common in the West, are inadequate for maintaining business relationships. Russian culture is considered a "high-context culture", where information is tied to people, informal communication plays a dominant role, and private and official matters are not strictly separated (Hall, 1977). These traits, combined with the low level of institutional trust, high collectivism and particularly high in-group collectivism (Hofstede, 2001; Gelfand *et al.*, 2004), mean that interpersonal relationships and connections in business are extremely important.

Culturally, Russians are characterized as collectivistic with high power distance, while Finns are individualistic with low power distance (Gelfand *et al.*, 2004; Carl *et al.*, 2004). In collectivist cultures, business relationships are founded on emotional ties and personal relationships (Tan and Chee, 2005), whereas in individualistic cultures, business relationships with long-term social bonding and dependence are more difficult to form (Samaha *et al.*, 2014). Differences in perceived power distances can also affect the building and management of cross-cultural relationships based on social exchange. In addition, cultural identity affects relations, and according to earlier studies, similar ethnicity could be beneficial for relationship management (Jiang *et al.*, 2011; Tsui *et al.*, 2002). Therefore, this study's objective is to achieve a more nuanced understanding of relational norms in a cross-cultural context.

The research questions are as follows:

- RQ1.* How does the importance of relational norms differ between Russians and Finns?
- RQ2.* In what relational norms are the differences between well- and poorly functioning relationships the highest?
- RQ3.* Do Russians and Finns view well- and poorly functioning relationships with domestic partners differently than those with foreign partners?

The findings of this study make several contributions to the current literature on relational exchange in cross-cultural settings. First, it shows that the relational norms of flexibility, information exchange, long-term orientation, mutuality and solidarity (Macneil, 1980; Heide and John, 1992; Artz, 1999; Liu *et al.*, 2009) are equally important for both collectivistic Russian and individualistic Finnish managers. Second, the perceived

importance of a business partner's ability can be culturally dependent, and sharing the same cultural background may adversely affect the ability to evaluate poorly functioning business relations. Third, as a methodological contribution, it demonstrates how the repertory grid method can be utilized to study perceptions of relational norms. As a managerial implication, this study highlights how long-term orientation and mutuality are key relational norms when building and maintaining cross-cultural business relationships.

The paper proceeds as follows. The theoretical background is provided in the next section. Section 3 describes the research method, including data collection and analysis. The results are presented in Section 4, followed by a discussion in Section 5. Contributions, implications, limitations and recommendations for future research are presented in Section 6.

## 2. Theoretical background

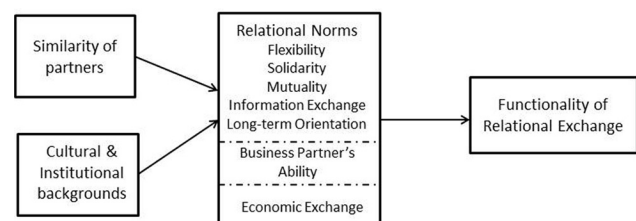
Relational exchange theory (Macneil, 1980) differentiates discrete transactions from relationship-based exchanges. Discrete transactions exchange money for measurable commodities (Macneil, 1980; Dwyer *et al.*, 1987). Relational exchange expects inter-firm business partners to engage in mutually satisfying social exchanges in long-term exchange relationships that transcend mere transactions (Viio and Grönroos, 2016). As a regulator of business partners' behavior, relational norms are crucial in relational exchange, and therefore, the theoretical framework of this study focuses on those norms.

### 2.1 Relational exchange norms as a framework for exchange

Relational norms (the shared expectations between exchange partners) govern the social exchanges between partners (Joshi and Stump, 1999). Appropriate behavior, goals or policies in relationships are determined by these norms (Heide and John, 1992; Morgan and Hunt, 1994). In the literature, typical norms include expectations of flexibility, solidarity, information exchange, mutuality and long-term orientation (Macneil, 1980; Heide and John, 1992; Artz, 1999; Liu *et al.*, 2009; Ivens, 2006). Relational norms are presumed to be the same for both parties, as they are based on expectations of mutual interest (Heide and John, 1992; Joshi and Arnold, 1997). However, the expectations of different parties are not necessarily the same in cross-cultural buyer-supplier relationships, where norms can differ because of the different cultural backgrounds.

The conceptual framework used in this study (Figure 1) combined situational factors (similarity of partners and

**Figure 1** This study's conceptual framework



cultural/institutional backgrounds) affecting relationships and different relational expectations. Human beings have a natural tendency to create social categories and label other persons as in- or out-group members of their own social groups (Tajfel and Turner, 1986). Two individuals sharing the same cultural background have a common ground of values, beliefs and norms promoting interpersonal attraction and understanding (Jiang et al., 2011). Based on similarity-attraction theory (Byrne, 1971) and social categorization theory (Tajfel, 1981; Turner, 1987), it could be argued that the cultural similarity of business partners influences partner assessments because demographic similarity between two individuals increases interpersonal attraction and liking. It has also been argued that demographically similar individuals perceive and treat each other positively, while dissimilar individuals act less positively toward each other (Tsui et al., 2002).

The relational norms as shared expectations are formed through interactions, and the perceptions of these norms are determined by the quality of the communication. In the framework of this study, “flexibility” is defined as “a bilateral expectation of willingness to make adaptations as circumstances change” (Heide and John, 1992, p. 35). “Solidarity” is a social norm of unity driven by positive values; it sometimes demands sacrifices to keep the sense of unity among parties in possible conflicts (Macneil, 1980; Achrol, 1997). “Mutuality” refers to an expectation that the proceeds of the exchange are divided fairly between the exchanging parties (Macneil, 1980). It is also defined as an attitude that the realization of one’s own benefits passes through the partner’s common benefits (Ivens, 2006; Dant and Schul, 1992). “Information exchange” is defined as “a bilateral expectation that parties will proactively provide information useful to the partner” (Heide and John, 1992, p. 35). According to Ganesan (1994), “long-term orientation” is a desire for a long-term relationship with a specific exchange partner that aims to maximize profits through a series of transactions relying on relational exchanges.

In addition to relational norms, parties of exchange have economic expectations for business relationships. Truly discrete transactions are rare, and most business transactions also include relational aspects (Fontenot and Wilson, 1997; Macneil, 1980). Also, partners may have expectations of business partners’ expertise and capability to satisfy needs. In this study, “ability”, which represents the individual’s skills or knowledge base related to the intended action, is considered the business partner’s capability to satisfy the other parties’ expectations (Rothschild, 1999). Mayer et al. (1995, p. 717) defined “ability” as a “group of skills, competencies, and characteristics that enable a party to have influence within some specific domain”. Expectations regarding ability can be culturally bounded. The above-mentioned concepts, which constitute this study’s conceptual framework, are summarized in the Figure 1.

## 2.2 Cultural differences and relational exchange

Hofstede (2001, p. 9) describes culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another”. Culture strongly affects relational exchange because culture influences norms, roles, and expectations of social exchange in business

relationships (Samaha et al., 2014). Hofstede’s (2001) cultural dimensions of individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity and long-term orientation have been found to affect aspects of business relationships such as fairness (Lund et al., 2013), trust (Cannon et al., 2010) and relationship marketing in general (Samaha et al., 2014; Ketkar et al., 2012).

Collectivism prefers a tightly connected framework where individuals can expect the relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty (Hofstede, 2001). Individualism favors a loosely connected social framework where individuals are only expected to take care of themselves and their immediate families. According to Hofstede (2001), “power distance” indicates the degree to which the less powerful members of a society admit that power is distributed unequally. Perceptions of status and power are obvious issues in all social exchange relations, and power distance affects status-based relational exchanges (Blau, 1964; Samaha et al., 2014). Members of high power distance cultures are more likely to be influenced by expertise than members of low power distance cultures (Pornpitakpan and Francis, 2001).

In general, relational governance represented by communication, long-term social bonding and interdependence was found to be more important in collectivistic than individualistic cultures (Samaha et al., 2014; Ketkar et al., 2012). In collectivistic cultures, relationships are part of the system, and managers are assumed to be more sensitive and responsive to relational norms as governance mechanisms (Griffith et al., 2006; Ndubisi, 2004; Samaha et al., 2014).

Cultural differences influence cross-cultural business relationships. In international relationships, both parties typically deviate from their native behavior because of cross-cultural adaptation, interaction and continuous learning with the foreign partner (Ramström, 2008; Lin and Germain, 1999). Western firms in cross-cultural relationships can benefit from collectivist reciprocity norms and accept these as a way of doing business (Berger et al., 2015). Evidence has shown that failure to comply with relational norms and opportunistic behavior reduces trust and commitment (Barnes et al., 2010).

## 2.3 Russia and Finland – very different neighbors

Although neighboring countries, Russians and Finns have vastly different cultural dimensions. The main difference is that Russian culture is highly collective with very high power distance, while Finnish culture is individualistic with low power distance (Gelfand et al., 2004; Carl et al., 2004). Russia is a society with traditionally high collectivism because of its history as a communistic economic system; its recent developments toward capitalism can be labeled as “transitional markets”. In transitional markets such as China and Russia, strong relationships between buyer and supplier are valuable (Barnes et al., 2015; Samaha et al., 2014; Voldnes et al., 2012). Also, relational investments are more effective in emerging markets than in developed markets (Hewett and Krasnikov, 2016; Wang et al., 2015). In Russia, where modern capitalism and more traditional values coexist, this duality can be explained by the still-existing traits of the Soviet era, such

as favors through personal connections known as “blat” or “svjazi” (McCarthy and Puffer, 2013; Michailova and Worm, 2003; Smirnova et al., 2011; Ariño et al., 1997; Puffer et al., 2010; Voldnes and Grønhaug, 2015).

Research shows that it is easier to develop relationships in Russian markets if the sellers are culturally and politically similar to the buyers (Hewett and Krasnikov, 2016). Correspondingly, the mental distance caused by different cultural backgrounds has a negative effect on the quality of relationships, increasing the unfamiliarity and uncertainty between partners (Skarmeas et al., 2008; Möllering and Stache, 2010).

Low institutional trust is prevalent in Russia, which is reflected in business relationship norms. In Western business networks, trustworthiness is the expected norm based on the legal system, but in Russian business, trustworthiness is not the expected norm (Jansson et al., 2007) because Russian high collectivism restricts trust to one’s tight social in-group (Fukuyama, 1995; Özer et al., 2014). The role of trust is lower in Russian compared to Western companies, and Russians do not easily trust third parties outside their inner circle (Ashnai et al., 2009). Thus, Russian buyers seem to base their trust on the people in the company, not on the company itself (Voldnes et al., 2012). The tendency of Russians to combine tough business and friendship is considered a unique characteristic of the Russian business culture (Ashnai et al., 2009). Russians want to establish personal relationships before any business and tend to mix business with informal communication and pleasure (Andreeva, 2014; Ashnai et al., 2009; Voldnes et al., 2012).

This section has provided a summary of the literature relating to cross-cultural relational exchange. In the extant literature, cultural similarity and normative adaptation have proven to be beneficial for cross-cultural relationship management (Barnes et al., 2010; Berger et al., 2015; Hewett and Krasnikov, 2016; Lin and Germain, 1999; Ramström, 2008). In addition, several cross-cultural studies Ashnai et al. (2009), Hewett and Krasnikov (2016), Barnes et al. (2015), Voldnes et al. (2012), and Lin and Germain (1999) have focused on relational exchange in transitional markets. Taken together, these studies support the assertion that the special circumstances of transitional markets may be reflected in cross-cultural relationship management and relational norms.

### 3. Methodology

The repertory grid method chosen for this study was appropriate for the research topic, the perceptions of relational aspects because it is independent of the researcher’s own “assumptions about what might be important issues in the eyes of the interviewee” (Bachmann, 2011, p. 132). Thus, it is highly recommended for cross-cultural studies to prevent possible biases caused by ethnocentrism.

The repertory grid method, based on Kelly’s (1955) psychological theory of personal constructs, is a conversation-based research method intended to reveal an individual’s cognitions as bipolar personal constructs. The grid must be designed for different purposes. In this case, the grid was designed to identify elements of relational exchange and rate their importance (see Appendix 2 for an example). The method provides a focused and structured method of

communicating with interviewees on their own terms (Dackert et al., 2003). However, it is not exactly a qualitative method, as it offers a way to quantify perceptions if the elements are rated (Easterby-Smith et al., 1996). Therefore, the method produces rich material that contains both qualitative and numeric grid data in the form of the grid elements’ ratings.

The analysis methods used in this study are shown in Table I. The repertory grid method has limitations in the analysis phase because the constructs elicited with this technique are personal and must be aggregated when larger social units are studied (Dackert et al., 2003, p. 711). However, as individual personalities are not combinable, “combining data from individuals may result in substantial distortions” (Easterby-Smith et al., 1996, p. 7). This basic limitation of the method was considered in the first phase of analysis (Table I) by applying the content analysis technique for multiple repertory grids recommended by Jankowicz (2013). Thus, the personal constructs were categorized into literature-driven categories using content analysis. Then, the category means of scored importance and the evaluations of domestic and foreign business partners were tested statistically using SPSS software.

The repertory grid was designed for this study (see Appendix 2 with data). It has the following four columns as elements:

- 1 well-functioning relationship with a Finnish business partner;
- 2 well-functioning relationship with a Russian business partner;
- 3 poorly functioning relationship with a Finnish business partner; and
- 4 poorly functioning relationship with a Russian business partner.

Each interviewee gave real relationships for each element as examples. The interviewee was guided to select four as similar as possible partners related to the delivery scope, product and the importance of the product for their own business. In addition, participants were asked to target the relationship and the functioning of the relationship. The interview guide, with the complete procedure and interview questions, is shown in Appendix 1.

The data include 22 interviews (60–128 min) with representatives of Russian and Finnish companies (12 Russians and 10 Finns) collected between June and November 2014. The interviewees’ firms were mostly small and medium-sized and represented various industries (see Table II). All the Finnish companies involved in this research were suppliers, while the Russian companies included both buyers and suppliers. However, buyer–supplier roles were not

**Table I** Data acquisition and analysis methods

Phase	Method or analysis
Data acquisition	Repertory grid interview to elicit personal constructs of relational exchange
Analysis methods	First-order themes by content analysis
	Frequency counts, categorization of the first order themes of relational aspects
	Statistical tests of importance scores and partner evaluations ( <i>t</i> -tests)

Table II Interviewees' background information

No.	Company	Company's no. of employees	Industry	Informant's nationality	Role B Buyer S Supplier	Gender M Male F Female	Position O Operational S Strategic
1	A	501-1,000	Machinery	Fin	S	M	O
2	B	1-10	Construction	Fin	S	M	S
3	D	501-1,000	Construction	Fin	S	M	S
4	C	>10,000	Machinery	Fin	S	M	S
5	E	11-50	Logistics	Fin	S	F	O
6	F	11-50	Logistics	Fin	S	F	S
7	G	51-250	Consulting	Fin	S	M	O
8	H	11-50	Construction	Fin	S	M	O
9	Q	51-250	Paper	Fin	S	F	S
10	T	>10,000	Machinery	Fin	S	F	O
11	C	>10,000	Machinery	Rus	B/S	M	S
12	H	11-50	Construction	Rus	S	F	O
13	I	1-10	Tourism, publishing	Rus	B	M	S
14	J	1-10	Information Technology	Rus	S	F	O
15	K	51-250	Machinery	Rus	S	F	O
16	L	1-10	Consulting	Rus	B	M	S
17	M	1-10	Consulting	Rus	B/S	M	S
18	N	1-10	Biotechnology	Rus	B/S	M	S
19	O	11-50	Logistics	Rus	S	F	O
20	P	1-10	Construction	Rus	B	F	S
21	R	1-10	Environmental tech.	Rus	S	F	S
22	S	1-10	Consulting	Rus	S	F	O

evident in this study because most of the participants held a strategic position in their company and saw themselves as both a buyer and supplier in the supply chain. All the interviewees had experience in Finnish-Russian business collaboration (from 2 to 25 years).

The study was designed so that both genders and strategic and operational managerial positions were equally represented. Seven of the 12 Russian interviewees were female, and 7 of the 12 Russian interviewees held strategic positions. The research setting was multi-industrial including machinery, construction and consulting industries. Interviewees were selected per the rule that both nationalities must be represented among the interviewees from these industries.

#### 4. Findings

A total of 535 personal constructs constituting a difference between a well-functioning relationship and a poorly functioning relationship were elicited from 22 interviewees. These constructs were first written by the interviewer and checked with the interviewee at the end of each interview; therefore, the interviewee named and approved the constructs. This arrangement reduced possible biases because of the researcher's own subjective views on the analysis of the results. The number of constructs elicited from each participant varied from 11 to 45, and the mean was 24 constructs (see an illustrative example with 34 constructs in Appendix 2). These constructs were personal, representing single individuals' perceptions of relational exchange. Please note that, despite the numerical ratings, the grids are not mathematically combinable; only the content analysis technique is a valid

analysis method for multiple grids of many individuals (Easterby-Smith *et al.*, 1996; a method description Jankowicz, 2013).

The first-order themes categorized by content analysis are shown in Appendix 3. However, in single grids, typical similarities in personal constructs (as shared perceptions) were already visible among Russians and, correspondingly, among Finns. Russians seemed to share several common constructs that were rare among the Finnish suppliers and which could be considered elements particular to Russian business culture. These elements included the importance of personal relationships, transparent business expectations, fast responses, fast decision-making, the use of emotions, regular informal communication, familiarity and the establishment of long-term relationships. The items particular to Finns were related to partner organization, problem solving or having a "win-win" attitude.

The first-order themes were further categorized into themes of relational norms (flexibility, information exchange, long-term orientation, mutuality and solidarity) and ability following deductively developed framework (see Figure 1). The economic items (e.g. price and profit) were rare and occurred only infrequently. The reason for their rarity is probably explained by the fact that the interviewees were instructed before the interviews to focus on relationships (see Appendix 1).

It should be emphasized that the classification to the second-order themes was only an intermediate target. The final targets were to statistically test the importance of different relational aspects; find the most critical relational aspects that make a difference between well- and poorly

functioning relationships for both nationalities; and compare the evaluations of the domestic and foreign partners. As some interviewees did not want to give scores, the valid data for the tests consist of 381 importance scores of personal constructs and 398 partner evaluation scores. The following paragraphs present the results of these tests.

The means of the importance scores of the categorized second-order themes and the differences between Finns and Russians in these importance scores (independent samples *t*-tests) are shown in Table III. The mean scores were high (greater than 4) because the interviewees valued their original personal constructs, giving them high importance scores. This outcome is positive because it indicates that the procedure managed to elicit items that were important relational aspects to the interviewees.

As Table III shows, there were no significant differences in importance scores between Finnish and Russian managers in relational norms. The differences were significant only in the Ability category ( $p = 0.041$ ) and Economic exchanges category ( $p = 0.069$ ). Therefore, it could be concluded that the importance of relational norms did not differ between Russians and Finns. However, it seems that Russians and Finns emphasized different aspects of the concept of ability.

Russian interviewees valued business competence more than technical competence. Special knowledge of how to do business in Russia and marketing competence were both highly appreciated:

Also, if [a] Finnish company ignores the reality of [the] Russian business environment, all this bureaucracy, huge competition, so Finnish company ought to see the complexity of the business environment in Russia, and if not to understand that 100 per cent, at least to demonstrate that there is understanding of this complexity and reach of certain level of trust to the Russian partner in handling this complexity. That should be demonstrated, and this is very important. There are different ways demonstrating this like being very accurate with documents, asking questions about different challenges if there is no clear understanding of some situation, just asking questions (A Russian interviewee).

Technical competence played a more important role for Finns than Russian interviewees. Finns also saw competence as more related to a business partner's organizational competence than the key person's competence. In other words, if the partner's organization is well organized, Finns will perceive the partner's firm as being competent:

It is related to the company's way of working to hire persons who act in a certain way. In any case, the process and the equipment should work well,

in every operating model. Money talks [laugh], so there is no such good customer relationship, that it would tolerate an unworkable delivery, or if it [technical problem] is not corrected (A Finnish interviewee).

The differences between well- and poorly functioning relationships were the highest in the "Mutuality" and "Long-term orientation" categories (see paired samples *t*-tests in Appendices 4 and 5). These were the most significant relational norms differentiating well- and poorly functioning relationships, and this difference was observable in both domestic and foreign relationships. The most frequently mentioned mutuality themes with both nationalities were mutual targets and mutual understanding. Russians also seem to value economic exchanges, like profits. It should be noted that in particular categories (e.g. flexibility), there was insufficient values to be able to perform calculations, but this was unavoidable.

In general, when comparing domestic and foreign business partners, well-functioning relationships with domestic partners were evaluated more highly than well-functioning relationships with foreign partners. Finns also ranked their domestic poorly functioning relationships more highly than their foreign poorly functioning relationships. Russians scored their poorly functioning domestic partners lower than their poorly functioning Finnish partners (paired samples *t*-tests in Table IV). However, the difference was small (mean of poorly functioning domestic 1.882; mean of poorly functioning Finnish 2.103), although significant ( $p = 0.017$ ). For Russians, a poorly functioning domestic relationship seems to be riskier because of close social links and the threat of the loss of reputation:

Hmm, still it's more like they, they [poorly functioning Russians] can steal your money, or they can make bad reputation for you because you are still on your local, your own market, you will have to be very careful that you will have more friends than enemies. Otherwise, people are just alike, they listen to each other, and somebody saying that's the bad company, and we tried with it, and it doesn't work, so, of course, it little bit killing your image (A Russian interviewee).

For Finns, poorly functioning relationships are seen as short-sighted transactions focusing on prices:

It is common to both [domestic and foreign poorly functioning relationships] that business may not be long-term orientated. One can switch between suppliers, or they have very short-sighted attempts to lower the price of something e.g. the price of the product. It is actually common to both [Russian and Finnish] bad relationships (A Finnish interviewee).

Table III Scored importance of the categorized relational aspects (5 = very important; 1 = less important) and differences between Finns and Russians in importance scores (independent samples *t*-test)

Categories	Finns			Russians			Finns vs Russians <i>t</i> <sup>a</sup>
	Mean	<i>N</i>	SD	Mean	<i>N</i>	SD	
Ability	3.943	53	0.949	4.255	55	0.552	-2.073**
Economic exchanges	3.000	7	0.816	4.286	7	1.496	-1.996*
Flexibility	2.000	1		4.000	2	0.000	-
Information exchange	4.000	48	0.715	4.038	52	0.816	-0.250
Long-term orientation	4.167	6	0.753	4.100	10	0.994	0.141
Mutuality	4.176	17	0.529	4.167	12	0.577	0.047
Solidarity	4.175	63	0.890	4.271	48	0.893	-0.564
Total	4.015	195	0.864	4.183	186	0.791	

Notes: <sup>a</sup>The *t*-test statistics are shown for equal or unequal variances based on Levene's test of equal variances \* $p < 0.10$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

Table IV Evaluations between domestic and foreign partners (paired samples t-tests)

Nationality	Paired differences	Mean	SD	Standard error	t	df	p
<b>Finns</b>							
Pair 1	WF_OWN - PF_OWN	2.087	1.200	0.086	24.281	194	0.000
Pair 2	WF_FOR - PF_FOR	2.492	1.047	0.075	33.235	194	0.000
Pair 3	WF_OWN - WF_FOR	0.441	1.149	0.082	5.360	194	0.000
Pair 4	PF_OWN - PF_FOR	0.846	1.508	0.108	7.834	194	0.000
<b>Russians</b>							
Pair 1	WF_OWN - PF_OWN	2.434	1.316	0.092	26.346	202	0.000
Pair 2	WF_FOR - PF_FOR	1.788	1.723	0.121	14.784	202	0.000
Pair 3	WF_OWN - WF_FOR	0.424	1.293	0.091	4.669	202	0.000
Pair 4	PF_OWN - PF_FOR	-0.222	1.307	0.092	-2.417	202	0.017

Notes: WF\_OWN = a well-functioning domestic relationship; WF\_FOR = a well-functioning foreign relationship; PF\_OWN = a poorly functioning domestic relationship; PF\_FOR = a poorly functioning foreign relationship

## 5. Discussion

This study answered several questions. First, it showed how the importance of relational aspects differed between cross-cultural business partners. Second, it identified in which relational aspects the differences between well- and poorly functioning relationships were the highest. Finally, it demonstrated how Russians and Finns viewed well-functioning and poorly functioning relationships with domestic partners differently than with foreign partners.

Relational norms of flexibility, information exchange, long-term orientation, mutuality and solidarity (Macneil, 1980; Heide and John, 1992; Artz, 1999; Liu et al., 2009) were found to be equally important to both Russian and Finnish managers. These were found to be equally important despite the difference in collectivism and individualism between Russian and Finnish managers. Previous research Griffith et al. (2006), Ndubisi (2004) and Samaha et al. (2014) has established that in the collectivistic cultures, managers are presumed to be more sensitive and responsive to relational norms. So, it might be assumed that norms would be more important in the collectivistic cultures as regulators of behavior. However, the findings of this study did not support this assumption.

The business partner's ability was more important to Russians than Finns. The reasons for this difference may be explained by several factors including cultural differences or differences in the institutional framework affecting markets. In addition, Russians seemed to be more focused on business competence and less on technical competence than Finns, indicating differences in the expectations of ability. These differences, consistent with the findings of Ayios (2004), could also indicate that the local market expertise of foreign companies is highly valued in Russia.

Although it was not surprising that the relational norms of long-term orientation, mutual targets and mutual understanding seemed to have the highest difference between well- and poorly functioning relationships, it was notable that this was the case with both Finns and Russians. Thus, different cultural backgrounds do not decrease the relevance of these norms in the cross-cultural exchange.

Russians scored their poorly functioning domestic business partners lower than their poorly functioning Finnish partners. This outcome is somewhat contrary to earlier studies (e.g.

Armstrong and Yee, 2001; Crosby et al., 1990; Hewett and Krasnikov, 2016; Smith, 1998) showing that perceived similarity of partners always facilitates relationship management. The different result of this study, related to poorly functioning relationships, might be explained by transitional market circumstances, which are characterized by a higher risk of opportunistic behavior (Luo, 2006; Zhou and Xu, 2012). Thus, similarity arising from a shared cultural background might not always be beneficial. This finding also confirms the assumption presented earlier that the special circumstances of transitional markets may be reflected in relationship management.

## 6. Contributions, implications, limitations and future research

This study contributes to the literature on relational exchange in cross-cultural settings in several ways. First, as the principal theoretical implication, it argues that relational norms of flexibility, information exchange, long-term orientation, mutuality and solidarity (Macneil, 1980; Heide and John, 1992; Artz, 1999; Liu et al., 2009) can be equally important for business partners of dissimilar cultural backgrounds. Second, it claims that the importance of a business partner's ability can be culturally dependent and sharing the same cultural background might have a negative effect on business relations. Third, as a methodological contribution, it shows how the repertory grid method can be utilized for studying perceptions of relational norms. Finally, as a managerial implication, this study reveals what relational norms, long-term orientation and mutuality (especially mutual targets and mutual understanding) should be focused on to build and maintain cross-cultural business relationships.

One limitation of this study is that the validity of these findings is restricted to this context and material. Also, the term "well-functioning relationships" was used in the interviews and, although it was the best choice for the interviewees, it might not theoretically be the optimum term for describing the "functionality of relational exchange". The different interview languages can also be viewed as limitations. The interview languages were Finnish, English or Russian, depending on the interviewee's nationality and preference. In addition, the small sample size means caution must be applied. Future research comparing the importance of

relational norms should be repeated with more data, possibly with several other nationalities. These findings hopefully encourage future researchers to apply a repertory grid, enabling interviewees' authentic views to provide a deeper understanding of the cultural, institutional and contextual aspects of relational exchange.

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## Further reading

- Naudé, P. and Buttle, F. (2000), "Assessing relationship quality", *Industrial Marketing Management*, Vol. 29 No. 4, pp. 351-361.

## Appendix 1. Research procedure and interview questions

### The opening words

We are interested to know your personal opinions and experiences of well-functioning vs poorly functioning relationships with business-to-business (B2B) partners. We appreciate your true feelings, attitudes and perceptions and hope you will tell your experience informally and freely with your own words.

Let's talk about well- and poorly functioning B2B relationships [ . . . ].

Can you name four real-life examples of well- and poorly functioning B2B relationships? These are a well-functioning relationship with a Russian business partner, a well-functioning relationship with a Finnish business partner, a poorly functioning relationship with a Russian business partner and a poorly functioning relationship with a Finnish business partner (An interviewee wrote these 4 examples into the cards. These cards were shown as triads, and the following 12 questions using different element combinations (card combinations) were asked).

### Well-functioning relationships – compared to each poorly functioning relationship

How is a well-functioning relationship with a Russian business partner similar to a well-functioning relationship with a Finnish business partner?

If you compare these well-functioning relationships with a poorly functioning Russian business partner, what is the difference?

If you compare these well-functioning relationships with a poorly functioning Finnish business partner, what is the difference?

### Russian relationships – compared to each Finnish relationship

How is a well-functioning relationship with a Russian business partner similar to a poorly functioning relationship with a Russian business partner?

If you compare these Russian relationships with a well-functioning Finnish business partner, what is the difference?

If you compare these Russian relationships with a poorly functioning Finnish business partner, what is the difference?

### Finnish relationships – compared to each Russian relationship

How is a well-functioning relationship with a Finnish business partner similar to a poorly functioning relationship with a Finnish business partner?

If you compare these Finnish relationships with a well-functioning Russian business partner, what is the difference?

If you compare these Finnish relationships with a poorly functioning Russian business partner, what is the difference?

### Poorly functioning relationships – compared to each well-functioning relationship

How is a poorly functioning relationship with a Russian business partner similar to a poorly functioning relationship with a Finnish business partner?

If you compare these poorly functioning relationships with a well-functioning Russian business partner, what is the difference?

If you compare these poorly functioning relationships with a well-functioning Finnish business partner, what is the difference?

At the beginning of an interview, the rows of the grid were empty. The personal constructs in the rows (see [Appendix 2](#)) were elicited during the interview from the interviewee's answers. At the end of the interview, these high-quality indicators were approved by the interviewee and inserted into the rows of the repertory grid with their opposite's poles as low-quality indicators. The interviewee then rated each business relationship (element) on the constructs using a rating of 1 (low) to 5 (high) (e.g. an extremely reliable partner scored a 5, and an extremely unreliable partner scored a 1.) The importance of each construct was also rated using the same scale. The interviewee was allowed to make these assessments alone and undisturbed, using the form. In addition, the entire interview was recorded and transcribed verbatim.

## Appendix 2

Table AI An example of an individual's repertory grid (Russian manager)

Importance 5 = very important; 1 = less important	Positive pole of construct, e.g. extremely reliable is 5 High-quality indicator	Evaluations (5-1) Well-functioning relationships		Evaluations (5-1) Poorly functioning relationships		Negative pole of construct, e.g. extremely unreliable is 1 Low quality indicator
		Russian business partner	Finnish business partner	Russian business partner	Finnish business partner	
4	Focus on strategy	3	4	2	2	Tactical approach
4	Common long-term goal	5	5	1	1	Short-term
4	Long partnership	5	5	1	1	Periodical partnership
4	Common vision	4	4	2	2	Separate visions
4	Common values	4	4	2	2	No common values
3	Existing concrete business models	3	3	3	3	Intuitive approach
4	Clear expectations	4	4	2	2	Unclear expectations
4	Less formal	3	1	3	4	Formal
4	Similar background	4	2	2	2	Different
4	Flexibility	5	4	2	2	No flexibility
4	Reliable	4	4	2	2	Unreliable
5	Follows agreements	5	5	1	1	Makes changes without asking
5	Aware the Russian way of doing things	5	5	1	1	No knowledge of Russian ways
5	Extra check later what we have agreed earlier	5	5	1	1	No contacts, poor feedback
4	Openness for inventions	5	1	2	4	No motives to invent something
4	Openness in knowledge sharing	4	2	2	4	No openness
4	Practical	4	2	2	4	Theoretical
5	Emotional personal contacts	4	2	2	4	Just business
5	Personal trust	4	2	2	4	No personal trust
4	Strategic long-term orientation	4	4	2	2	Episodic orientation
4	Participatory approach	4	2	2	4	Official-soldier hierarchical relationship
3	Structured processes	3	4	3	2	Unstructured
4	Explaining processes to through communication	4	3	2	3	Lack of communication
4	Open-minded approach	4	2	2	4	Narrow minded approach
4	Experienced	2	4	4	2	Lack of experience
3	Emotionally driven	4	2	2	4	Just business
3	Will to listen partner	4	2	2	4	Unwillingness to listen partner
4	Professionalism	2	4	4	2	Amateur
3	Will to learn	4	2	2	4	Unwillingness to learn
2	Common historical background	4	2	2	4	No common history
3	Transparency of processes, who is responsible, etc.	4	4	2	2	No transparency
3	Feeling trusted	4	2	2	4	Not feeling trusted
4	Ready to share knowledge	3	2	2	3	Not ready to share knowledge
4	Will to adopt the best Russian practices	4	2	2	2	Ignore Russian practices

## Appendix 3

Table All Second-order categories and first-order themes

Russians			Finns		
Second-order category	First-order theme	<i>n</i>	Second-order category	First-order theme	<i>n</i>
Flexibility	Flexibility	9	Flexibility	Flexibility	3
Flexibility	Customer service attitude	3	Solidarity	Personal relationship	19
Solidarity	Goodwill	20	Solidarity	Goodwill	17
Solidarity	Keeping promises	20	Solidarity	Trustworthy	12
Solidarity	Integrity	10	Solidarity	Keeping promises	9
Solidarity	Personal relationship	13	Solidarity	Integrity	6
Solidarity	Trustworthy	12	Solidarity	Desire to commit	3
Solidarity	Feelings	6	Solidarity	Small cultural differences	3
Solidarity	Familiarity	5	Solidarity	Familiarity	1
Solidarity	Predictability	2	Mutuality	Mutual targets	8
Solidarity	Desire to commit	2	Mutuality	Mutual understanding	4
Solidarity	Fair	1	Mutuality	Common values	2
Solidarity	Support	1	Mutuality	Win-win	2
Mutuality	Mutual targets	6	Mutuality	Reciprocity	1
Mutuality	Mutual understanding	5	Mutuality	Mutual satisfaction	1
Mutuality	Reciprocity	1	Information exchange	Communication quality	36
Mutuality	Common values	2	Information exchange	Ease of trading	12
Mutuality	Mutual satisfaction	1	Information exchange	Cooperation	5
Information exchange	Communication quality	26	Information exchange	Easy common decision-making	3
Information exchange	Openness	15	Information exchange	Easy problem-solving	3
Information exchange	Informal communication	10	Information exchange	Confidentiality	1
Information exchange	Cooperation	7	Information exchange	Informal communication	1
Information exchange	Fast responses	6	Long-term orientation	Regular customer	5
Information exchange	Ease of trading	5	Long-term orientation	Long-term relationship	1
Information exchange	Accessibility	3	Ability	Business competence	31
Long-term orientation	Long-term relationship	7	Ability	Technical competence	19
Long-term orientation	High motivation	2	Ability	Well organized	8
Long-term orientation	Regular customer	3	Ability	Language skills	4
Ability	Business competence	57	Ability	Well known firm or product	2
Ability	Technical competence	15	Ability	Speed	1
Ability	Well-known firm or product	4	Economic exchanges	Trustworthy in payments	4
Ability	Cultural knowledge	4	Economic exchanges	Fair price	3
Ability	Reputation	3			
Ability	Ability to decide quickly	3			
Ability	Language skills	2			
Ability	Well organized	2			
Economic exchanges	Fair price	3			
Economic exchanges	Profitable business	1			
Economic exchanges	Trustworthy in payments	4			
	Total	305		Total	230

## Appendix 4

Table AIII Finnish managers; paired samples *t*-tests of partner evaluations

Aspect	Paired differences	Mean	SD	Standard error	<i>t</i>	df	<i>p</i>
<b>Ability</b>							
Pair 1	WF_OWN - PF_OWN	1.585	1.200	0.165	9.616	52	0.000
Pair 2	WF_FOR - PF_FOR	2.491	0.953	0.131	19.022	52	0.000
Pair 3	WF_OWN - WF_FOR	0.472	1.219	0.167	2.818	52	0.007
Pair 4	PF_OWN - PF_FOR	1.377	1.559	0.214	6.430	52	0.000
<b>Economic exchanges</b>							
Pair 1	WF_OWN - PF_OWN	2.000	1.414	0.535	3.742	6	0.010
Pair 2	WF_FOR - PF_FOR	2.429	1.134	0.429	5.667	6	0.001
Pair 3	WF_OWN - WF_FOR	-0.286	1.113	0.421	-0.679	6	0.522
Pair 4	PF_OWN - PF_FOR	0.143	0.900	0.340	0.420	6	0.689
<b>Information exchange</b>							
Pair 1	WF_OWN - PF_OWN	1.938	1.174	0.170	11.431	47	0.000
Pair 2	WF_FOR - PF_FOR	2.208	1.071	0.155	14.285	47	0.000
Pair 3	WF_OWN - WF_FOR	0.708	1.129	0.163	4.346	47	0.000
Pair 4	PF_OWN - PF_FOR	0.979	1.523	0.220	4.455	47	0.000
<b>Long-term orientation</b>							
Pair 1	WF_OWN - PF_OWN	2.833	0.753	0.307	9.220	5	0.000
Pair 2	WF_FOR - PF_FOR	2.667	1.506	0.615	4.339	5	0.007
Pair 3	WF_OWN - WF_FOR	0.333	1.966	0.803	0.415	5	0.695
Pair 4	PF_OWN - PF_FOR	0.167	0.983	0.401	0.415	5	0.695
<b>Mutuality</b>							
Pair 1	WF_OWN - PF_OWN	2.765	1.091	0.265	10.444	16	0.000
Pair 2	WF_FOR - PF_FOR	3.000	0.791	0.192	15.646	16	0.000
Pair 3	WF_OWN - WF_FOR	0.177	0.883	0.214	0.824	16	0.422
Pair 4	PF_OWN - PF_FOR	0.412	1.004	0.243	1.692	16	0.110
<b>Solidarity</b>							
Pair 1	WF_OWN - PF_OWN	2.365	1.097	0.138	17.113	62	0.000
Pair 2	WF_FOR - PF_FOR	2.556	1.089	0.137	18.623	62	0.000
Pair 3	WF_OWN - WF_FOR	0.365	1.067	0.134	2.715	62	0.009
Pair 4	PF_OWN - PF_FOR	0.556	1.553	0.196	2.839	62	0.006

Notes: WF\_OWN = a well-functioning domestic relationship; WF\_FOR = a well-functioning foreign relationship; PF\_OWN = a poorly functioning domestic relationship; PF\_FOR = a poorly functioning foreign relationship

## Appendix 5

Table AIV Russian managers; paired samples t-tests of partner evaluations

Aspect	Paired differences	Mean	SD	Standard error	t	df	p
<b>Ability</b>							
Pair 1	WF_OWN - PF_OWN	2.223	1.517	0.187	11.928	65	0.000
Pair 2	WF_FOR - PF_FOR	2.121	1.441	0.177	11.956	65	0.000
Pair 3	WF_OWN - WF_FOR	0.030	1.163	0.143	0.212	65	0.833
Pair 4	PF_OWN - PF_FOR	-0.076	1.428	0.175	-0.431	65	0.668
<b>Economic exchanges</b>							
Pair 1	WF_OWN - PF_OWN	3.571	0.787	0.297	12.010	6	0.000
Pair 2	WF_FOR - PF_FOR	1.714	2.870	1.085	1.580	6	0.165
Pair 3	WF_OWN - WF_FOR	0.571	1.552	0.571	1.000	6	0.356
Pair 4	PF_OWN - PF_FOR	-1.286	1.604	0.606	-2.121	6	0.078
<b>Information exchange</b>							
Pair 1	WF_OWN - PF_OWN	2.185	1.167	0.159	13.763	53	0.000
Pair 2	WF_FOR - PF_FOR	1.259	1.915	0.261	4.832	53	0.000
Pair 3	WF_OWN - WF_FOR	0.741	1.580	0.215	3.444	53	0.000
Pair 4	PF_OWN - PF_FOR	-0.185	1.361	0.185	-1.000	53	0.322
<b>Long-term orientation</b>							
Pair 1	WF_OWN - PF_OWN	2.800	0.633	0.200	14.00	9	0.000
Pair 2	WF_FOR - PF_FOR	2.300	1.767	0.559	4.116	9	0.003
Pair 3	WF_OWN - WF_FOR	-0.100	0.876	0.277	-0.361	9	0.726
Pair 4	PF_OWN - PF_FOR	-0.600	0.843	0.267	-2.250	9	0.051
<b>Mutuality</b>							
Pair 1	WF_OWN - PF_OWN	2.667	0.985	0.283	9.381	11	0.000
Pair 2	WF_FOR - PF_FOR	2.333	0.888	0.256	9.106	11	0.000
Pair 3	WF_OWN - WF_FOR	0.417	0.793	0.229	1.820	11	0.096
Pair 4	PF_OWN - PF_FOR	0.083	0.289	0.083	1.000	11	0.339
<b>Solidarity</b>							
Pair 1	WF_OWN - PF_OWN	2.692	1.307	0.181	14.858	51	0.000
Pair 2	WF_FOR - PF_FOR	1.692	1.744	0.242	6.998	51	0.000
Pair 3	WF_OWN - WF_FOR	0.654	1.153	0.160	4.090	51	0.000
Pair 4	PF_OWN - PF_FOR	-0.346	1.203	0.167	-2.075	51	0.043

Notes: WF\_OWN = a well-functioning domestic relationship; WF\_FOR = a well-functioning foreign relationship; PF\_OWN = a poorly functioning domestic relationship; PF\_FOR = a poorly functioning foreign relationship

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