**DO CULTURAL DIFFERENCES AFFECT INTERNATIONAL BUYER-SELLER RELATIONSHIPS?**


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## ABSTRACT

Relationship marketing has been widely studied in a national context, however little research has explored exchange relationships among international channel members. International relationships involve unique risks due to potential problems arising from transactions held between buyers and sellers of different cultural backgrounds. These cultural differences can negatively affect the development of relational outcomes such as trust and commitment, but the literature is not clear on this proposition.

Two hypotheses are tested with Chilean importer firms. The results show that cultural differences do not affect the level of trust and commitment of exchange relationships between foreign suppliers and Chilean distributors. Theoretical and managerial implications are derived, and suggestions for future research are proposed.



**KEY WORDS: Relationship Marketing, Cultural Differences, Trust, Commitment, Chile.**

## INTRODUCTION

One of the most significant trends in today's business environment appears to be the increase in the internationalization of firms. Internationalization is a process by which firms gradually increase their involvement in foreign markets (Johanson and Vahlne 1977). Companies from all sectors seem to be engaging in internationalization as an opportunity to achieve further growth, especially when domestic markets are becoming saturated by local and foreign competition.

With the internationalization of markets and firms, many transactions involve the transfer of goods and services across national boundaries to new world-wide markets that differ in preferences and consumption habits because of cultural diversity (Achrol 1991). To compete globally, firms are increasingly establishing relationships with other companies which operate in different cultures.

Relationship marketing has emerged as an effective way to manage these exchange relationships (Achrol 1991). Relationship marketing refers to "all the marketing activities directed toward establishing, developing and maintaining successful relational exchanges" (Morgan and Hunt 1994). Specifically c*ommitment* and *trust* are proposed as key variables for successful relationship outcomes such as long term relationships and satisfaction (Morgan and Hunt 1994; Gundlach, Achrol and Mentzer 1995). Both encourage preserving relationships by resisting opportunism and attractive short-term alternatives for the expected long-term benefits of staying with the partner (Morgan and Hunt 1994).

Although the benefits of relationship marketing have been widely studied in the marketing literature among distribution channel members (Morgan and Hunt 1994), buyers and seller relationships (Noordewier, John and Nevin 1990), and long term business-to-business relationships (Keep, Hollander and Dickinson 1998), little research has explored relationships among international distribution channel members from different cultures.

Furthermore, research on international business shows that greater cultural distance between a host country and its foreign market leads to a greater reliance on relational exchange relationships (Macniel 1980; Heide 1994). Forming lasting, productive relationships is challenging in any circumstance. However, forming them across international boundaries is even more complex due to cultural differences (Aviv, Rose and Kropp 1997). Although relationships with foreign-based distributors are attractive for entering uncertain or risky new markets, they may be difficult to coordinate. Furthermore, these relationships require more time, effort, and involve unique risks due to the potential problems of cooperating with a partner from a different culture (Lee and Jang 1998).

Although the importance of understanding cultural differences has been a cornerstone of research in international business, little has been done to link research on cultural differences with relationship marketing outcomes. Existing research has focused on the impact of cultural differences on entry mode choices, management decision-making, and equity partnerships such as those found in alliances and joint ventures. However, the link between cultural differences and the development of long term relationships between firms and their independent distributors or agents has been overlooked. Thus, this study is an attempt to address this knowledge gap, and to examine their relationships, and specific outcomes such as trust and commitment.

## LITERATURE REVIEW

### Relationship Marketing

Firms are focusing considerable attention on building sustainable competitive advantage by developing and maintaining close, cooperative long-term relationships with a limited set of suppliers, customers, and channel members. Relationship marketing refers to “all the marketing activities directed toward establishing, developing and maintaining successful relational exchanges” (Morgan and Hunt 1994). Several scholars believe that relationship marketing is the new marketing paradigm (Gummesson 1998; Sheth and Parvatiyar 1995; Achrol 1991). In addition they state that the current interest in relationship marketing represents a “fundamental reshaping of the field” (Webster 1992).

Relationship marketing began to attract attention in the early 1990’s as firms began to enter into long-term associations to counter the effects of increased customer demands and intensifying global competition. Recent research has studied relationship marketing among distribution channel members (Morgan and Hunt 1994), retailers and consumers (Sheth and Parvatiyar 1995), co-marketing alliances (Bucklin and Sengupta, 1993); buyers and sellers (Noordewier, John and Nevin 1990), and historical long term business-to-business relationships (Keep, Hollander and Dickinson 1998). However, relationship marketing has not looked extensively at international buyer-seller dyads.

The importance of creating these long-term relationships has been made explicit by Kalwani and Narayandas (1995), who state that "supplier firms in long-term relationships with select customers are able to retain or even improve their profitability levels more than firms which employ a transactional approach". According to Juttner and Wehrli (1995), the main objective of relationship marketing is the development of long-term relationships with customers or suppliers to enhance the value of both parties. Long-term relationships create value because buyers and sellers work together to develop solutions that can enhance the profits for both firms. This involves idiosyncratic investments, which are unique to the relationship, and difficult for competitors to duplicate, and thus have the potential for building competitive advantage for the buyer-seller dyad over competing dyads (Weitz and Jap 1995).

While a number of constructs have emerged as potentially creating and maintaining long-term relationships, the greatest support has been provided for constructs such as trust and commitment (e.g., Anderson and Narus 1990; Anderson and Weitz 1989,1992; Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994, Ganesan 1994). Trust and commitment are distinct channel constructs, which are formed during subsequent phases of relationship development (Geyskens, Steenkamp, and Kumar 1999; Dwyer et al. 1987). Commitment and trust are central to successful relationship marketing because both encourage preserving relationships by cooperating with exchange partners. By developing commitment and trust, partners resist attractive short-term alternatives for the expected long-term benefits of staying with the partner. They also view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically (Morgan and Hunt 1994; Anderson and Weitz 1989, 1992; Ganesan 1994; Dwyer, Schurr and Oh 1987).

*Trust* has been identified as one of the central constructs in relationship marketing theory (Morgan and Hunt 1994). There are several definitions of trust. Trust is perceived credibility and benevolence (Ganesan 1994). Trust exists when one party has confidence in an exchange partner's reliability and integrity (Morgan and Hunt 1994). Trust has assumed a central role in the development of marketing theory for the development of long term relationships, (Dwyer, Schurr and Oh 1987; Anderson and Weitz 1989; Morgan and Hunt 1994, Ganesan 1994).

High levels of trust, characteristic of relationship exchange, enables parties to focus on the long-term benefits of the relationship (Ganesan 1994), enhancing competitiveness and reducing transaction costs (Noordewier, John and Nevin 1990). Relationships characterized by trust show greater adaptability in responding to unforeseen circumstances (Williamson 1985). In addition, inter-organizational trust mitigates opportunism in exchange contexts characterized by uncertainty and dependence (Heide 1994). Distribution channel research has shown that trust in suppliers shows higher levels of cooperation and more commitment to stay in the relationship (Morgan and Hunt, 1994 Anderson and Weitz, 1987). Trust in a supplier also reduces conflicts and enhances channel member satisfaction (Anderson and Narus, 1990). Doney and Cannon (1997) find that trusts develops in both the supplier firm and the salesperson, in a buyer-seller relationship.

*Commitment* is defined as an enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpande 1992), and as a willingness to make a short-term sacrifices to realize longer-term benefits (Dwyer, Schurr and Oh 1987). Commitment is closely related to mutuality, loyalty, and forsaking of alternatives, variables that are essential for a relationship orientation (Gundlach, Achrol and Mentzer 1995). Commitment is an essential part of successful long-term relationships (Gundlach, Achrol and Mentzer, 1995), and a key construct of relationship marketing (Morgan & Hunt 1994). Committed parties are willing to invest in assets specific to an exchange relationship, demonstrating that they can be relied upon to perform essential functions in the future (Anderson and Weitz 1992).

Commitment also reinforces future commitment intentions (Gundlach, Achrol and Mentzer 1995). The authors explain that “partners’ commitment has important inter-temporal effects, so each party’s perception of the others commitment will reinforce future commitment intentions and decrease opportunism (Anderson and Weitz 1992).

**Cultural Differences**

Culture is defined as a pattern of assumptions, values, and beliefs whose shared meaning is acquired by members of a group (Hofstede 1980). Great cultural diversity exists around the world, and even between cultures in close proximity such as those within Europe, and others such as the United States, Canada, and Mexico. In the United States, being punctual for business meetings is greatly valued as opposed to Mexico where time is not so important. Other differences are the ways people express themselves and the importance of family, work, material success, and other basic values. These differences are subtle because the essence of culture is not what is visible on the surface; it is the shared ways groups of people understand and interpret the world (Hofstede 1980).

Inkeles and Levinson (1969) published a broad survey of national culture. They found issues that were different world-wide and that had consequences for the functioning of societies such as relation to authority, conception of self, the concept of masculinity and femininity and the ways of dealing with conflicts. Geert Hofstede (1980, 1991) later developed a similar study during the early 1970’s, which considered responses to a questionnaire completed by over 72.215 employees of IBM working in 55 countries. Through factor analysis of the responses, he found a similarity to the work of Inkeles and Levinson. Hofstede called them “dimensions of culture.”

The four dimensions are Power Distance, Uncertainty Avoidance, Individualism-Collectivism, and Masculinity-Femininity. In 1991, Hofstede added a fifth dimension called Confucian dynamic or long-term orientation. This dimension is based on a study made on students from 23 countries, however it will not be included in this study because of the narrow scope of countries that it considers.

Power distance is defined as “the extent to which the less powerful members of organizations and institutions within a country expect and accept that power is distributed unequally” (Hofstede 1991). People belonging to high power distance countries show great reliance on centralization and formalization of authority and tolerance for the lack of authority. People from low power distance countries, consider superiors and subordinates as equal.

Uncertainty avoidance reflects the level of tolerance for uncertainty, and the way people responds to them in every day life (Hofstede 1980). People with low uncertainty avoidance tend to accept uncertainty, take risks easily, and show tolerance for opinions and behaviors different than their own. People with high uncertainty avoidance have a strong need to control environment, events and situations in the environment.

In individualistic societies, where freedom prevails, people develop a great sense of autonomy and personal achievement as opposed to a sense of collectivism and importance to social and security needs (Hofstede 1980). Individualistic people prefer to act as individuals rather than as members of groups and great emphasis is placed upon individual achievements. For collectivistic people, the group to which you belong is the major source of your identity and the unit to which you owe loyalty.

Masculine societies value male assertiveness, performance, ambition and independence and emphasize differentiated gender roles (Hofstede 1980). Female societies value nurturance, quality of life, service and interdependence.

Hofstede's five cultural dimensions have been frequently used in international management research when making cross-cultural comparisons with large samples from different countries, and are widely accepted (see Sondergaard 1994). Despite criticism of Hofstede's dimensions regarding methodology and context (Fernandez et al. 1997; Myers and Tan 2002), Hofstede's work has been extensively replicated and supported as an important part of cultural theory. For example, Chandy and Williams (1994) found Hofstede as having made one of the most significant contributions to international business research and is the third most cited author (the first two being John Dunning and Michael Porter) in international business studies published between 1989 and 1993 (Chandy and Williams 1994, p. 724).

In 1988, Kogut and Singh developed an index of cultural distance based on Hofstede's first four dimensions of culture, allowing researchers a quantitative assessment of the degree to which two or more societies differ in their characteristics. They were the first scholars to combine the four dimensions into one aggregate measure of cultural distance between countries, and this measure is widely used in marketing and business research (e.g., Agarwal 1994; Barkema, Bell and Pennings 1996; Roth and O'Donnell 1996).

Several cross-cultural studies identify specific effects of culture on different aspects of international business. For example, some studies have found that cultural differences affect the communication of problems, recommendations, and influence on subordinates (Rao and Hashimoto 1996). Specifically, executives from collectivist and high power distance countries (such as China), are found to choose decision alternatives that involve greater face saving (respect & pride for an individual as a consequence of his or her position in society), longer-term repayment of obligations and more authoritarian and less consensual decision processes. Barkema and Vermeulen (1997) explain that differences in uncertainty avoidance are especially difficult to cope with in the case of international cooperation (Hofstede 1980) because they imply differences in how people perceive opportunism and threats in their environments, and how they act upon them. This can breed disagreement and dispute between partners, and affect the venture.

Cultural differences have also been found to affect firms' intention to form strategic alliances with their foreign exchange partners (Lee 1998), negotiating tactics in international alliances (Rao and Schmidt 1998), dissolution of joint ventures (Park and Ungson 1997), shareholder value creation (Datta and Puia, 1995), and reciprocity between partnering firms (Kashlak, Chandran, and DiBenedetto, 1998).

Specifically related to relationship marketing outcomes, Anderson and Weitz (1989) found a weak relationship between cultural similarity and trust, which is congruent with Morgan and Hunt (1994), who also found a weak relationship between shared values and trust. Furthermore, Piercy, Katsikeas and Cravens (1997) found that cultural differences did not affect the efforts to develop and sustain good relationships between importers and exporters. The authors showed that when choosing a foreign supplier, importers cared about soft issues, such as fairness, trust, keeping promises, having supportive attitudes, and being helpful in emergencies, in dealing with exporters. Similarly, Lee and Jang (1998), and Cavusgil and Zou (1994), conclude that an essential factor for successful exporting firms is the development of mutually trusting, long-term relationships with their foreign exchange partners, rather than the cultural differences.

In summary, the previous literature does not support any negative or positive effect of cultural difference on the development of trust and commitment in exchange relationships. Thus, the following hypotheses are stated:

*H1: Cultural differences between exchange partners does not affect the development of trust.*

*H2: Cultural differences between exchange partners does not affect the development of commitment.*

## RESEARCH METHODOLOGY

The research method used for this study was survey methodology. Survey research has proven to be a valuable tool in gathering cross-cultural research data (Jobber and Saunders 1988; Mintu, Calantone, and Gassenheimer 1993) because of its low cost, geographical flexibility, and ability to simplify coding of data into a common format.

### Measures

Well-established scales were used to measure the constructs of the model. A seven-point Likert scale was used to measure the constructs of trust, commitment, and dependence, using the end terms of “agreement” and “disagreement” o each statement (Appendix 1). For assessing discriminant validity, a factor analysis was conducted.

For the relationship trust construct, the alpha coefficient was 0.89, so it is assumed that the internal consistency of these statements is satisfactory. The value of the construct was obtained by calculating the mean score for the seven questions. Question 1 was negative and therefore was reversed when coding the data.

The relationship commitment construct was measured in a similar manner by determining the mean score for the six questions. Question 15 was deleted because of low reliability. The alpha coefficient was 0.86 for the remaining six questions. Question 3 was also reversed when coding the data.

Cultural differences was operationalized by a cultural distance measure developed by Kogut and Singh (1988), using Hofstede's national cultural scores. This measure consists in a composite cultural distance index for each firm using Hofstede's four dimension scores, and reflects the differences in the four dimensions between cultures of two countries. The formula measured the summed cultural distance between Chile and the host countries of the suppliers (see Appendix 1).

The following variables are included in the framework as control variables because previous research suggests that they may affect the development of commitment and trust in a relationship: *dependence of the importer on his foreign supplier* (measured by an 8-item scale), *length of relationship* (measured as a dummy variable), and *type of industry* (measured as a dummy variable) (See Appendix 1).

**Survey Design**

The survey design used for this study was a cross-sectional design. Cross-sectional designs limit causal inferences because the study is conducted at one point in time and temporal priority is difficult to establish. However, they are adequate to establish relationships, which is the main objective of this study.

The survey included a cover letter, a four page questionnaire, and a reply envelope with pre-paid postage. The cover letter presented the researcher, the research topic, and purpose of the study. It also solicited the respondent's cooperation and emphasized the importance of their participation. The questionnaire consisted in four pages including the instruction section, thirty-six likert-scale questions, and a final section for demographic questions, which was optional to answer in case the respondent wanted a copy of the results of the study (see Appendix 2).

The questionnaire was pre-tested with three Chilean importers that were not included in the final sample. All the pre-tests were done after the translation process was finished. Only a few modifications were made in order to make the questionnaire more comprehensive for importers, but in general it was found adequate for the sample of 200 Chilean importer firms.

**Sample**

The sample chosen was drawn from a Chilean national directory of importers, which consisted in a heterogeneous listing of Chilean importers of consumer and industrial goods, located under the *Chile Business Directory* web-page in the internet *(www.chilenet.cl)*. The sampling frame used was of the whole directory of approximate 800 importers. An exclusion criterion eliminated all the firms located outside of Santiago (capital of Chile), which left a final sample frame of 531 firms. Of these, 200 firms were chosen randomly, and conformed our final sample. The sampling unit consisted of the entire firm. For this study, owners and general managers were used as key informants for each firm, due to the nature of their business, since it is usually the top executive who has the relationship with the foreign supplier. The name of the every general manager/owner of every firm was mentioned in the import directory.

The unit of analysis for this study was the relationship between the importer respondent and *one* of his foreign suppliers. Rather than allowing informants to self select the supplier of their choice, which could have led them to choose the best or greatest supplier, they were told to think of the *last purchase* that they had made from a foreign supplier and choose the foreign supplier that they made their last purchase from. They also were told to immediately write down the country where supplier's home office was located in order to concentrate on that supplier. The supplier was not identified in order to avoid non-responses.

**Data**

Data were collected in June and July of 2002, through a standard self-administered questionnaire delivered personally to the general manager of the chosen 200 Chilean importer firms. One week before sending the survey, an electronic (e-mail) pre-notification was sent to each firm informing the main object of the study being conducted (Dillman 1978). This pre-notification helped inform respondents in advance that the survey was on its way. Another electronic reminder message was sent three weeks after the 200 surveys had reached every firm in the sample. After 45 days, the number of surveys returned by mail totaled 75, which gives a **response rate of 38%.**

Four surveys were eliminated from the analysis because of incomplete responses. Item non-response refers to when respondents do not complete all items in a survey, or refuse to answer. Statistical methods may be used to correct for non-response to the entire survey or to some items through weighting procedures or imputation. However, for this study, the missing information was crucial and very difficult to estimate because it consisted in the country of origin of the foreign supplier chosen. In addition, the process of analyzing the data through scatter plots suggested that one outlier should be eliminated in order to avoid bias. Therefore, after eliminating four surveys for non-response items, and one survey outlier, the final sample size resulted in 70 cases.

## RESULTS

The surveyed firms were shown to import and commercialize a variety of industrial and consumer goods, such as raw material, chemicals, food, toys, clothes, weapons, electric supplies, machines, and paper, from 20 different countries (Table 1). The average size of the respondent firms in terms of number of employees was between 51-100.

**Table 1: Countries Mentioned in the Survey**

| **Country** | **Responses** | **%** | **Country** | **Responses** | **%** |
|---|---|---|---|---|---|
| U.S. | 24 | 34% | S. Korea | 1 | 1.4% |
| Germany | 9 | 13% | Colombia | 1 | 1.4% |
| Hong-Kong | 9 | 13% | Holland | 1 | 1.4% |
| Japan | 4 | 6% | India | 1 | 1.4% |
| Italy | 3 | 4% | Malaysia | 1 | 1.4% |
| England | 3 | 4% | Norway | 1 | 1.4% |
| Canada | 2 | 3% | Spain | 1 | 1.4% |
| France | 2 | 3% | Sweden | 1 | 1.4% |
| Austria | 2 | 3% | Switzerland | 1 | 1.4% |
| Brazil | 2 | 3% | Thailand | 1 | 1.4% |

The respondents were mainly owners or general managers of the importer firms. Because importer firms in Chile are small and medium sized, frequently it was the owner or the top manager that has the relationships with the suppliers. In a few cases, the import manager or the product manager had the direct relationship (Table 2).

**Table 2: Characteristic of Respondents**

| RESPONDENTS | RESPONSES | % |
|---|---|---|
| General Manager | 41 | 58.0% |
| Owners | 15 | 21.0% |
| Import Managers | 06 | 8.5% |
| Product Managers | 02 | 2.8% |
| Sales Managers | 01 | 1.4% |
| Finance Managers | 01 | 1.4% |
| No Response | 03 | 5.5% |
| **TOTAL** | 70 | 100% |

**Statistical Analysis**

Following is a description of the variables used:

| | | |
|---|---|---|
| CD | = | Cultural Distance (composite measure) |
| TR | = | Trust (7- item scale) |
| CO | = | Commitment (6-item scale) |
| DE | = | Dependence (7-item scale) |
| LE | = | Length of Relationship (dummy 0,1) |
| I | = | Type of Industry (dummy 0,1) |

Table 3 provides the means, standard deviations, minimum and maximum observation, and coefficient alpha. Table 4 shows the correlation matrix.

**Table 3: Descriptive Analysis**

| | N | Min. | Max. | Mean | S. Dev. | Alpha |
|---|---|---|---|---|---|---|
| **C. Distance Index** | 70 | 0.20 | 10.00 | 5.10 | 1.95 | N/a |
| **Trust Scale** | 70 | 3.29 | 7.00 | 5.72 | 1.03 | 0.89 |
| **Commitment Scale** | 70 | 3.00 | 7.00 | 5.82 | 1.04 | 0.86 |
| **Dependence Scale** | 70 | 1.57 | 7.00 | 4.85 | 1.44 | 0.90 |

**Table 4: Correlation Matrix**

| | **LE** | **I** | **CD** | **TR** | **CO** | **DE** |
|---|---|---|---|---|---|---|
| **LE** | 1.00 | -0.29* | 0.11 | 0.33** | 0.35** | 0.37** |
| **I** | -0.29* | 1.00 | -0.04 | -0.04 | -0.20 | -0.03 |
| **CD** | 0.11 | -0.04 | 1.00 | 0.02 | 0.03 | 0.08 |
| **TR** | 0.33* | -0.04 | 0.02 | 1.00 | 0.57** | 0.27* |
| **CO** | 0.35* | -0.20 | 0.03 | 0.57** | 1.00 | 0.65** |
| **DE** | 0.37* | -0.03 | 0.08 | 0.27* | 0.65** | 1.00 |

* Correlation is significant at the 0.05 level (2-tailed)
** Correlation is significant at the 0.01 level (2-tailed)

Regression analysis was used to evaluate the significance of the relationships between the variables. Two regressions were held:

**<u>Regression 1</u>**: The independent variable (CD), along with the control variables (DE), (LE), (IN), were regressed on the dependent variable (TR) (See Appendix 3). This regression gives a Beta of -0.016, (t= -0.139; p > 0.1; $R^2$=0.156). The independent variable cultural distance (CD) was not found to have a significant relationship with the development of trust (TR) (B= -0.016 p> 0.01). Regarding the control variables, the length of the relationship (LE) shows a positive significant relationship with the development of trust (TR) (B=0.32 p<0.05). The results also show that dependence of the importer on its supplier (DE) was modestly related to trust (TE) (B= 0.27, p<0.05). Finally, the type of industry of the importer (either consumer good or industrial good) (I) was not related to the development of trust (B=0.071, p>0.01).

**Regression 2:** The independent variable (CD), along with the control variables (DE), (LE), (IN), were regressed on the other dependent variable (CO).The regression of the variable (CD) on the variable (CO) gives a Beta of -0.039, ($t = -0.424$; $p > 0.1$; $R^2=0.466$) (See Appendix 3). The independent variable cultural distance (CD) was not found to have a significant relationship with the development of commitment (CO) (B= -0.039 p> 0.01). Regarding the control variables, the length of the relationship is not significantly related to commitment (B= 0.105 p>0.01). However, the results also show that dependence of the importer on its supplier was significantly related to the development of commitment (B=0.618, p<0.001). As with trust, the type of industry of the importer (either consumer good or industrial good) was not found to affect the development of commitment (B=-0.157, p>0.01). Thus, we conclude that the independent variable cultural distance (CD) is not related significantly with trust (TR) or commitment (CO). Thus, **hypothesis 1(H1) and hypothesis 2 (H2) are supported by the data**.

## DISCUSSION AND CONCLUSIONS

This study has examined the impact of cultural differences on international exchange relationships. Specifically, it has looked at the impact of Hofstede's (1980) cultural distance index on relational outcomes such as trust and commitment. The results of this study provided empirical support for the notion that cultural distance does not affect cross-border exchange relationships.

An explanation of the findings of this study is that international firms that expand abroad through relationships with host distributors, although they may experience inconveniences due to cultural differences, are able to overcome these problems and develop trust and commitment in their relationships. Accordingly, any negative effects of cultural differences on the development of trust and commitment may "wash out" because these firms are able to deal effectively with these differences.

Another interpretation of the findings of this study is that international firms which expand abroad through exporting to distributors, may in some cases experience problems as they face increasing heterogeneous cultural environments in the early stages of the development of the relationship, but overcome these problems as the relationship evolves. This is consistent with exchange theories which suggest that relationships evolve through several stages through which some buyer-seller relationships develop mutual commitment or dissolute. In this process exchange partners test each other by making small investments in the relationship until they escalate to a point which results in a high level of trust and commitment (Dwyer, Schurr and Oh 1987; Anderson and Weitz 1992; Gundlach, Achrol and Mentzer 1995). Although dissolution is implicit throughout the whole relationship development process, it might be the case that negative experiences lead to early dissolution or break up of relationships.

A final interpretation is suggested by Morosini, Shane and Singh (1998), who found that partners can develop advantageous positions and enhance cross-border performance by a process of learning and adapting to management practices and accessing the set of routines and repertoires embedded in the other national culture. Organizations may effectively accommodate cultural diversity over time as they expand increasingly to distant cultural zones by adequate cross-cultural training of their export managers and personnel related to export activities.

As a managerial implication, this study shows that cultural differences between international suppliers and their Chilean distributors were not relevant for developing trust and commitment in their relationship. In fact, in some cases Chilean importers were found to have high levels of trust and commitment with suppliers from countries considered very culturally distant such as the United States and Canada. In other cases, importers had low levels of trust and commitment for firms that belong to culturally similar countries. For example, the levels of trust and commitment developed with suppliers from Brazil, Spain, or Colombia, were lower than with suppliers form the U.S.

These findings encourage U.S. and European managers who are looking at the Chilean market for distributing their products, especially now that Chile has recently signed a free-trade agreement with the United States and European Union. Thus, cultural distance should not be a problem for developing relationships with local distributors since firms can actively manage their working relationship by increasing trust and commitment.

**Limitations of the Study**

The study has several limitations. It focuses specifically on the relationship between Chilean importers and their chosen foreign supplier. Given the limited scope and small sample size of this study, caution must be used when generalizing to relationships in other country contexts. Another limitation has to do with considering channel distribution relationship from one point of view (importer) and in one point in time. Additional research considering both parties of the relationship would help enhance our understanding of the dyad relationship.

Nevertheless, the most prominent limitation is that this study relies solely on Hofstede's (1980,1991) dimension to measure cultural differences. Using countries as a unit of analysis to address cultural differences is an obvious simplification because cultural distance does not strictly follow country borders. Organizations belonging to one country may have differences between them in terms of Hofstede's dimension, and there may be considerable cultural diversity within a single culture. Additionally, attempting to base conclusions on cultural differences is complicated by the fact that these cultural dimensions and values are changing, although at a slower rate than other environmental influences. Furthermore, Hofstede's work is somewhat dated (25 years or so), and the values of people in these countries may have changed. Also, Hofstede's findings are based on the responses of IBM employees, and the values of these employees may differ from those of Chilean importers and their foreign suppliers. A final limitation is the fact that there are a number of countries which are represented by only one or two suppliers. Thus we must be cautious in drawing conclusions form this study.

**Implications for Future Research**

This study considers import relationships from one point of view (importer) and in one point in time. Additional research considering both parties of the dyad relationship would help enhance our understanding of exchange relationships. In addition longitudinal studies of relationships would be useful in assessing the characteristics of the relationship development process.

As firms expand their businesses beyond national borders, studies that involve examining which are the main antecedents and outcomes of trust and commitment in international exchange relationships are necessary. Some possible moderator and mediator variables for future research are proposed in the discussion section. Finally, incorporating measures of organizational culture, in addition to national culture is a must for future research on international distribution channel relationships.

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## APPENDIX 1: Measures

**Scale of Trust:**

1. In our relationship, my major supplier cannot be trusted at times.
2. In our relationship, my major supplier is perfectly honest and truthful.
3. In our relationship, my major supplier can be trusted completely.
4. In our relationship, my major supplier can be counted on to do what is right.
5. In our relationship, my major supplier is always faithful.
6. In our relationship, my major supplier is someone that I have great confidence in.
7. In our relationship, my major supplier has high integrity.

**Scale of Commitment:**

1. The relationship that my firm has with my major supplier is something we are very committed to.
2. The relationship that my firm has with my major supplier is very important to my firm.
3. The relationship that my firm has with my major supplier is of very little significance to us.
4. The relationship that my firm has with my major supplier is something my firm intends to maintain indefinitely.
5. The relationship that my firm has with my major supplier is very much like being family.
6. The relationship that my firm has with my major supplier is something my firm really cares about.
7. The relationship that my firm has with my major supplier deserves our firm's maximum effort to maintain.

**Scale of Dependence:**

1. If our relationship were discontinued with this supplier, we would have difficulty in making up the sales volume in our trading area.
2. This supplier is crucial to our future performance.
3. It would be difficult for us to replace this resource
4. We are dependent on this resource.
5. We do not have a good alternative to this resource.
6. This resource is important to our business.
7. This supplier’s product lines are essential to round out our product offering.
8. If our relationship were discontinued, we would have difficulty replacing this resource.

**Cultural Distance:**

Cultural difference is operationalized by a cultural distance measure developed by Kogut & Singh (1988), following Hofstede’s (1989) national cultural scores.

$\boxed{CDj = \Sigma i=1,2,3,4 \ ((Iij - Iic)/Vi) / 4}$

| | | |
|---|---|---|
| **CDj** | = | Cultural difference for the jth country from Chile. |
| **Iij** | = | Index for the ith cultural dimension and jth country. |
| **C** | = | Chile |
| **Vi** | = | the Variance of the index of the ith dimension. |

## APPENDIX 2: Questionnaire (English)

**Instructions**

Please think of the ***last purchase*** that you made from a foreign supplier that your firm represents as a distributor or agent in Chile. The supplier chosen does not have to be your biggest or best supplier; it should be the foreign supplier that you made your last purchase from. For the purpose of this survey, we will call this supplier "**Supplier X**."
Please write down the country where S**upplier X's** home office is located: _________________
Please relate your answers specifically to the relationship between your firm and the ***foreign*** supplier chosen as "**Supplier X**." For each statement, please circle the number that best describes your response to the statement. For example, if you strongly agree with a statement, circle 7; if you neither agree nor disagree circle 4, if you do not agree at all, circle 1. **Some questions may appear repetitive at times. However, it is very important that you complete the survey entirely**.
*Thank you for your cooperation*.

1. Supplier X provides us with good assistance in the solution of any problems involving the supplier's product/services.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

2. The relationship that my firm has with Supplier X is something we are very committed to.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

3. The relationship with Supplier X is flexible in accommodating one another if special problems/needs arise.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

4. My firm intends to share confidential information with Supplier X in the future.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

5. We have no complaints regarding Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

6. It would be difficult for us to replace Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

7. In our relationship, Supplier X is perfectly honest and truthful.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

8. If our relationship were discontinued, we would have difficulty replacing Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

9. In our relationship, Supplier X cannot be trusted at times.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

10. The relationship that my firm has with Supplier X is very important to my firm.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

11. My firm plans to commit more decisions to Supplier X in the future.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

12. Supplier X goes out of its way to make us happy.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

13. Staying together with Supplier X in the face of adversity/challenge is very important for both firms.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

14. In our relationship, Supplier X can be trusted completely.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

15. The relationship that my firm has with Supplier X is of very little significance to us.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

16. In our relationship, Supplier X has high integrity.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

17. In our relationship, Supplier X can be counted on to do what is right.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

18. Supplier X is important to our business.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

19. The relationship that my firm has with Supplier X deserves our firm's maximum effort to maintain.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

20. The relationship with Supplier X is based on mutual benefit and trust.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

21. The relationship with Supplier X extends across many complex responsibilities and multiple tasks.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

22. In our relationship, Supplier X is someone that I have great confidence in.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

23. When disagreements arise in our relationship with Supplier X, all facts are re-addressed to try to reach a mutually satisfactory compromise.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

24. Supplier X helps reduce our concerns by providing useful information.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

25. The relationship that my firm has with Supplier X is something my firm intends to maintain indefinitely.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

26. My firm intends to allocate more resources to the relationship with Supplier X in the future.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

27. Supplier X’s product lines are essential to round out our product offering.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

28. If our relationship were discontinued with Supplier X, we would have difficulty in making up the sales volume in our trading area.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

29. We are delighted with our overall relationship with Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

30. Supplier X is crucial to our future performance.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

31. The relationship that my firm has with Supplier X is very much like being family.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

32. We are dependent on Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

33. We do not have a good alternative to Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

34. In our relationship, Supplier X is always faithful.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

35. The relationship that my firm has with Supplier X is something my firm really cares about.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

36 My firm would like to have more suppliers like Supplier X.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Strongly Disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly Agree |

Finally, I would like to as a few questions for statistical purposes only:

1. - What is the main product that you buy from your supplier? ________________________

2.- How long have you had business relationships with supplier X? (Please circle)

1. Less than 1 year
2. 1 – 2.9 years
3. 3 – 4.9 years
4. 5 – 9.9 years
5. 10 – 20 years
6. More than 20 years

3.- For how many foreign suppliers does your Company currently act as a distributor? ___________________________________

4. - How many people in total work in your company in Chile: (Please circle)

1 Less than 50
2 51-100
3 101-500
4 501-1000
5 More than 1000

5. - Please indicate the following information:

1 Your Name :_________________________________________________

2 Your job title :_________________________________________________

3 Company Name :_________________________________________________

4 Phone Number :_________________________________________________

5 Fax Number :_________________________________________________

6 E-mail Address :_________________________________________________

*Thank you very much for your participation. Please write down any additional comments or suggestions you have regarding this survey.*

***Please return the completed survey by using the pre-paid return envelope provided, or by fax to 1 (613)533-2325.***

## APPENDIX 3: Regressions

**Regression 1 CD - TR**

| | St. Beta | t | Sig. |
|---|---|---|---|
| **CD** | **-0.016** | **-0.139** | **0.890** |
| DE | 0.157 | 1.277 | 0.206 |
| LE | 0.320 | 2.500 | 0.015 |
| IN | 0.071 | 0.604 | 0.548 |

*R= 0.395 R2=0.156 Adj. R2=0.104*

**Regression 2 CD - CO**

| | St. Beta | t | Sig. |
|---|---|---|---|
| **CD** | **-0.039** | **-0.424** | **0.673** |
| DE | 0.618 | 6.307 | 0.000 |
| LE | 0.105 | 1.029 | 0.307 |
| IN | -0.157 | -1.668 | 0.100 |

*R= 0.682 R2=0.466 Adj. R2= 0.433*