Attitudes towards Establishing Trust, Commitment & Satisfaction in International B2B Relationships

A Comparative Study of Swedish Sellers and German Buyers in the Textile Industry.

Bachelor Thesis in Business Administration

Communication/Marketing/ Management

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Bachelor's Thesis in Communication/ Marketing/ Management

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Executive Summary

Background: Globalization has opened up new possibilities for firms of all sizes to operate internationally. In that context, especially small- and medium sized companies often have limited resources and market power, which makes efficient relationship building with new intermediaries a key component when entering foreign markets. Therefore, approaching foreign companies and potentially engaging in new business relationships should be a strategic managerial issue.

Purpose: The main objective is to analyze how Swedish SMEs in the textile industry should approach German buyers in accordance to their preferences, taking cultural differences into account, as well as maintaining and developing the relationship. The focus will primarily be on the on the stages where the initial contact has been made, thus aiming at advancing in the development process. For this to be achieved, Swedish sellers must know what values to communicate to their counterpart.

Method: A qualitative approach has been used in order answer the purpose of the thesis. We have gathered our data from ten in-depth interviews; five with Swedish sellers and five with German buyers. The essential part of the data collection was done over telephone.

Conclusion: The most critical components that are found to be vital in developing a successful buyer-seller relationship include trust, satisfaction and commitment with all their related aspects. It was found that the product offer plays a critical role in the Early Stage of the relationship development process. Communication is essential for the building of trust and satisfaction and supplements the actions of commitment shown by the parties. Having an understanding on what values the counterpart appreciates and when these are especially important in the respective stages of the relationship building enables the firm to adapt its relationship marketing to the buyers preferences in a cost efficient and successful way.

OUTLINE

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1   Introduction

1.1   Background

In the first chapter an introduction to the chosen subject is presented. The problem of the thesis is discussed and is narrowed down to the purpose; some important definitions will be explained.

During the course of increasing globalization, new possibilities for firms of all sizes to operate internationally have opened up. SMEs (Small- and Medium sized Enterprises) participate in the process of internationalization to an increasing extent, however most often not with the same conditions as large enterprises. These companies often have limited resources and market power, which makes efficient relationship building with new intermediaries a key component when entering foreign markets. In this report we will primarily investigate the main influencers in the Early- and Developing Stage in business relationship building, but also include factors affecting the future development of the cross-border interaction throughout the entire collaboration in order to provide the readers with a more comprehensive and complete account on this subject. Since many SMEs have limited span of management and divisions handling specific functions in the company, this report does not limit itself by addressing certain managers in the company structure, rather than key personnel whose tasks involve relationship marketing, export or other strategic issues.

Even though there is yet not a single definition of relationship marketing, most researchers agree that relationship marketing focuses on the buyer-seller interactions on a long-term basis and that these collaborative opportunities exist to transform individual and discrete transactions into relational partnerships (Czepiel, 1990). Berry (1983, cited in Wong & Sohal, 2002) agrees that relationship marketing involves attracting, maintaining and enhancing customer relationships, as well as Jackson (1985) who refers to industrial relationship marketing as interactions oriented towards strong, lasting relationships with individual accounts. The most accepted incentive to strive for long-term relationships is the cost efficiency of having a loyal customer base instead of having to acquire new customers frequently (e.g. Cann, 1998), the latter which convey more expenses when persuading a new costumer into acquiring the product/service for the first time in comparison with a loyal customer carrying out a re-buy. Additional benefits is that loyal customers, since they have an interest in improving the product/service at hand (due to their corresponding costs of finding a new supplier), tend to give more extensive and useful feedback on how to improve customer satisfaction.

Berry and Parasuraman, (1991, cited in Wong & Sohal, 2002) argue that acquisition of customers is merely an initial step in the marketing process, and the goal is to support already strong relationships, and to turn indifferent customers into the long-term loyal customer base. We want to take this claim one step further and argue that acquisition of customers should be seen as the initial step in *potential long-term relationships* with those firms, and the goal is not only to support already strong relationships, but to create best possible conditions for the development of the newly acquired contacts. By approaching the potential buyer in an appropriate way and continue mastering the collaboration in the right direction the firm is enabled to have control over their cooperative scheme and to develop profitable relationships when establishing contact with other firms.

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With increasing internationalization businesses of all sizes and industries recognize the opportunity and accept the challenge to expand their business on the global market. Depending on the foreign target market and the company's overall position, the process of expanding to global operations comes with a set of obstacles which have to be overcome.

In the context of relationship building and interactions between firms, some of the main challenges and cross border differences are connected with culture, which makes the foundation for social rules and codes, attitudes and believes.

Culture consists of "*those beliefs and values that are widely shared in a specific society at a particular point in time*" (Ralston et al, 1993 cited in Pressey & Selassie, 2002, p.355) and is considered to be a complex phenomenon. However, the effects of culture on business and other fields have been researched upon vastly (Steenkamp, 2001). It is widely believed that cultural differences between countries have an influence on the way how cross-national business relationships are developing (Pressey & Selassie, 2002). Therefore, when making an entry plan, it is crucial to take cultural aspects into account in order to fully understand and successfully evaluating the foreign market before entry.

The comparative study between Swedish sellers and German buyers in the textile industry was inspired by the Swedish SME Saddler Scandinavia AB, which is the leading distributor of fashion belts in the Nordic countries. After having successfully entered and established operations in the Scandinavian markets and starting their expansion to Russia and other countries, Saddler is interested in further improving their ability to interact and collaborate with clothing retail companies and, more specifically, the purchase managers in Germany. Being in the Pre-Stage of building new relationships with foreign firms (i.e. they have not yet approached any buyers but are evaluating the market and are in the early phase of preparing an entry), Saddler's situation is similar to many other SMEs when looking for new markets.

In addition to Saddlers situation serving as a good example for Swedish SMEs in this report, its current target market -Germany- also makes a great contribution to the relevance of this research. Within the last two decades, the degree of Swedish foreign trade has been steadily increasing (Statistiska Centralbyrån, 2007) and Germany is Sweden's most important trading partner after the USA (Swedishtrade, 2004). SMEs make up an important part of the Swedish GDP, where companies with up to 49 employees comprise more than two thirds out of all Swedish enterprises in 2006 (Statistiska Centralbyrån, 2007) and therefore also account for large numbers within the foreign trade activities with Germany. These facts demonstrate the importance for Swedish companies, and SMEs in particular, to be aware of the German business culture in order to build and maintain successful business relationships.

Due to the complexity of cross cultural operations, one might perceive the German business culture as similar in many aspects compared with the Swedish business culture. Yet, looking deeper into the different layers of culture can reveal substantial differences in the attitudes towards business and relationship handling on both sides. Therefore, it is of interest for all Swedish SMEs which strive for international expansion to investigate and analyze how business culture affects the success of building international buyer-seller relationships.

1.1.1 Definitions

Buyer–Seller Relationship: The nature and quality of the social and economic interaction between two parties. (Pearson Education, 2004)

B2B Marketing: (Also known as *Industrial Marketing* or *Organizational Marketing*) Activities directed towards the marketing of goods and services by one organization to another. (Pearson Education, 2004)

SME Small-and Medium sized Enterprises with <100 employees (e.g. Loveman & Sengenberger, 1991)

Relationship Marketing: A form of marketing that puts particular emphasis on building a longer-term, more intimate bond between an organization and its individual customers. (Pearson Education, 2004)

1.2 Problem Discussion

A fundamental cornerstone of relationships building is individual exchange influenced by past exchanges with the chances of future continuity. Relationship marketing, efforts to strengthen the bonds between the firm and its intermediaries, can be expressed as the process of marketing relationships and interactions between a firm and its buyers, suppliers, employees and regulators (Morgan & Hunt, 1994). An important share of business transactions takes place in business-to-business (B2B) markets in both domestic and international settings. Naturally, relationship building plays a central role in how successful the firms are in these markets. The complexity of building and maintaining profitable and long-lasting relationships even increases in international settings due to differences in culture, language and overall business practices (Anderson & Narus, 2004).

Acknowledging cultural differences and investigating foreign markets' business culture can be seen as part of the marketing research process. Still many companies fail to do extensive research in this area before entering a foreign market: *"the only marketing tool we used before going to the Baltic market was a SWOT-analysis" (Personal interview Per Wallentin*, Sales and Marketing Director of Saddler*, 2007-02-20)*. Steenkamp (2001) stresses the fact that omitting to take cultural differences between countries into account can be closely related to a number of business failures. Naturally, business people from different cultures bring their own backgrounds with them when they interact and they tend to look at the foreign culture from a self-referencing point of view (Varner, 2000). In order to prevent stereotyping and misperceptions, it is crucial for business people to actively understand the other companies' culture if they want to succeed with their objectives (Varner, 2000).

Due to the complexity and increasing competition, relationship management has become an essential part of business strategy. Most of the research suggests that globalization/internationalization and the development of the international market place are the main drivers to this trend; blurring boundaries between markets and industries (Day, 2000, cited in Wong & Sohal, 2002), shorter product life cycles, an increasing fragmentation of markets (Buttle, 1999 cited in Wong & Sohal, 2002), rapid changing customer buying patterns and more knowledgeable and sophisticated customers (Buttle, 1999 cited in Wong & Sohal, 2002; Grönroos, 1996) are some possible explanations. The objective is to obtain loyalty, trust, satisfaction and commitment in the relationship (Crosby et al, 1990; Morgan & Hunt, 1994), and in turn secure long term profitability.

As mentioned, SMEs make an important part of the Swedish and global economy, and they often have limited resources for conducting/outsourcing extensive research and other preparations before entering a new market. This combination makes this report especially interesting for them and others to read since it potentially can contribute to a more cost efficient relationship approach for them, as well as give insight in how the companies approach towards relationship building should be a strategic issue for management. Furthermore, this suggests that educating and training sellers could be one of the most profits bringing investments those internationally expanding SMEs can make. Having an accurate understanding of the other party in terms of expectations, business practices, culture and values helps the initializing party, which is most often the seller (Boles, Barksdale, & Johnson, 1996) to establish a good foundation for a successful business partnership.

Therefore, this report will be of special interest to Swedish SMEs that want to investigate the possibility to expand to the German market, especially the textile industry, and thereby need to collaborate with the foreign companies. Thus, *the main objective of this report is to investigate main factors that influence the buyer-seller Relationship Development Process between Swedish SMEs and German buyers.* Moreover, the report will provide a foundation for what to expect when approaching foreign buyers for all Swedish SMEs that want to expand internationally, this is especially applicable to those selling physical products in the retail industry in Germany. Extensive academic research in the area of relationship building has been conducted finding Trust, Commitment and Satisfaction to be major influencers of business relationship building. However there has not been found any report investigating the precise research area, as in this paper. Therefore, the objective is also to provide an academic value, especially for research within the area of SMEs and establishment of cross border relationships.

1.3 Purpose

Investigate the main factors which are influencing the phases (Pre-Stage, Early Stage, Developing Stage, and Stable Stage) in a buyer-seller relationship between Swedish sellers and German buyers.

1.3.1 Research Questions

- How do Swedish sellers and German buyers in the textile industry perceive the factors in the categories Trust, Commitment and Satisfaction in the business relationship process?
- What is the difference between Swedish sellers' and German buyers' perception of the factors in the categories Trust, Commitment and Satisfaction in the business relationship process?
- What is to take into consideration when approaching German buyers?

1.4 **Delimitations**

The theory used is not limited to a specific industry or geographical area, but specialized on the relationship between buyers and sellers in different companies. In order to delimit the horizon of this vast field of study this thesis will focus on the clothing retail industry. Although this undermines the degree to which this thesis is applicable to any country, and cannot be regarded as a blueprint when preparing to approach and expand to any foreign market, we have included these aspects and –by analyzing the relationship between Swedish sellers and German buyers- show cultural differences and how a cross border analysis can be useful.

A recognized problem is that there are no given tools that enable the analysis to have a pre-determined structure to analyze the findings. Since models are used as guidelines in the framework, the report will to some extent generalize the components and characteristics of the four stages in the Relationship Building Process. Since each relationship is unique, not all of them might follow the steps in a predetermined way (Ford et al, 1998), possibly limiting the findings. In order to secure the liability and accuracy of the report while maintaining the broad span of fields in which it can be applicable and useful, we have limited the analysis to the personal interactions between individuals in cross border relationships between firms and will not take different macro environments (e.g. legal structures, political aspects) into account. Business- and national culture will be included on a general level and not in-depth.

2 Frame of Reference

The Frame of Reference aims at presenting existing theories and relevant readings for the thesis.

This thesis focuses on buyer-seller relationships in business-to-business markets in an international context during the four stages in business relationship building: **Pre-Stage**, **Early Stage, Developing Stage** and **Mature Stage**. Since the Pre-Stage and the Stable Stage are potentially those including the least changes in the development process, the main focus will be on Early Stage and Developing Stage. In order to prevent bias, as well as not to limit the possible findings, the Stage Model presented below includes all possible extends in which the firms can collaborate.

2.1 Previous Research

An extensive number of reports within business relationship marketing have investigated the influencing factors of relationship building. Since the subject span over such an extensive field, the research on this matter differs greatly in terms of countries, industries, markets, perspectives, focus, et cetera. However, regardless of the frame of reference in the respective reports, the majority of researchers have divided the influencing factors into the following categories; **Trust**, **Commitment**, **Satisfaction** and, in some cases, **Communication**. Necessary to add is that these are most often followed by sub-categories (findings), which differ more between the different cases than the above listed headings, since they correspond to the respective scope and framework of each research.

2.2 Business-to-Business Relationships

2.2.1 Relationship Marketing

The importance of relationship marketing has been increasingly recognized and accepted by scholars and practitioners during the last two decades (Dwyer, Schurr & Oh, 1987; Christopher, Payne & Ballantine, 1991). It plays a central role in relationship building since the focus and objectives of marketers are constantly changing and refers to *"all marketing activities toward establishing, developing and maintaining successful relational exchanges"* (Morgan & Hunt 1994, cited in Conway & Swift, 2000 p.1392). Relationship marketing includes components as customer care programs and customer service, and is focused on customer retention, orientation on product benefits, a high customer service level and high customer commitment (Christopher et al, 1991). Thus, the main goal of relationship marketing, in broad terms, focuses on acquiring and keeping customers in order to realize long term relationships of mutual advantage (Christopher et al, 1991).

Relational exchanges can take place in industrial and institutional markets as well as in consumer markets. However, the importance of relationship marketing is often more stressed in business-to-business contexts due to the special characteristics of professional buyers compared to private consumers. In general, one can say that business buyers are more considerate since each purchase represents an investment to the company and aims at fulfilling a higher goal, eventually leading to profit generation. Compared, consumers often buy to fulfill a personal need or want. Also, professional buyers are typically better informed about the product/service, its benefits and drawbacks, as well as alternative market offers, thus professional buyers are more likely to make rational choices. Due to the often significant quantities/ amounts involving B2B transactions, a number of people and divisions in the company are likely to be involved in the purchase process, further reducing

the risks of unsatisfactory purchases and investments. As a result, each business purchase can take a considerable amount of time and is likely to be affected by previous experiences of both, buyer and seller, thus making each relationship unique.

Another important aspect to consider is that business relationships are often complex constructs, involving frequent interaction and information exchange which might require both parties to adapt a number of aspects of their activities (Ford, Berthon, Brown, Gadde, Håkansson, Naudé, Ritter & Snehota, 2001), in order for the business relationship to work. Probably the most often cited incentive to involve in long term B2B relationships (as well as investing in relationship marketing) is that it is generally cheaper for a supplier to keep an existing customer than to attract a new one (Grönroos, 2000; Cann, 1998). Also, a long-term customer can provide feedback on existing products, he becomes a part of the selling team through creating good word-of-mouth and he can encourage new business development (Cann, 1998).

An additional benefit of relationship marketing is that a close relationship usually creates switching barriers for the buyer which gives a competitive advantage to the seller. Further, long term relationships result in reduced uncertainty, increased exchange efficiency and social satisfaction for both companies. The overall outcome is a *"gain in joint - and consequently individual - payoffs as a result of effective communication and collaboration to attain goals"* (Dwyer et al, 1987, p. 98). Companies may strive for spreading risk across a number of different suppliers or buyers instead of focusing on only a few major ones, and by doing so reducing the overall risk of delayed deliveries with significant affects on overall business, lack of incoming payments, et cetera. However, there is no "right" or "wrong" regarding optimal number of business relationships. Every company must find the balance between too few or too many in accordance to their individual goals, objectives and resources.

Yet, there exist also drawbacks that suggest that relationship marketing is not for every company. Often costs incur for maintaining the relationship, resources must be freed up and opportunity costs arise because alternatives cannot, or do not want to, be taken into consideration by one of the parties. This occurs as a result of the interdependency that has developed between the parties in an existing relationship (Dwyer et al, 1987). Relationship marketing can also have consequences on branding and marketing decisions where e.g. the company's image can be enhanced by collaborating with a well-known partner. The latter can also have negative impact on company image if the other party acts unethical or in other ways inappropriate. When it comes to company size, Harwood and Garry (2006) stress that the recognition of relationship marketing is of utmost importance especially to small and medium sized companies. This is due to the fact that small companies often lack the necessary resources which are necessary to formalize the social exchange processes of relationships, thus are less sophisticated in their approach to new markets (McAdam & Reid, 2001 cited in Harwood & Garry, 2006).

Before the decision is made to aim at establishing long-term collaborations firms must recognize that this engagement is typically more difficult when parties have inaccurate or negative predispositions of each other (Stafford & Stafford, 2003). These mind-sets in the Pre-Relationship Stage can exist due to cultural stereotyping, but also have to do with a company's or industry's image. When the first encounter with the other firm has been made and throughout the initial collaboration (the "Early Stage" in the business relationship process), the company's image is also influenced by the behavior of the person representing the firm. Therefore, it is critical for the selling company to know how they are perceived by the potential customer in order to establish a well-working relationship. From the selling company's point of view, being better prepared with regards to the business buyers' perceptions and expectations, the salesperson will be able to better meet

expectations. By doing so, customer satisfaction can be improved and the relationship will have a good foundation to start with (Stafford & Stafford, 2003).

2.3   The Relationship Development Process

A number of researchers have depicted the relationship development process, all using slightly different stage termini and descriptions according to their purpose of research. In order to better fulfill the purpose of the study a combination of different existing stage models will be used resulting in a four-stage model, which includes all stages that an ongoing business relationship might be in. This model is based on the one model by Ford et al, 1998, combined with the model found in Conway and Swift article *International Relationship Marketing* (2000.) The reason why these two are united is that none of the models were extensive enough to include all the aspects needed to capture the entire process of relationship building in an international context. Thus, stages from both models have been selected to fit the purpose of this research report.

The characteristics of a relationship change throughout its development process needs to be taken into account when analyzing business relationships (Ford et al, 1998). Additionally, the influencing factors in relationship building are likely to follow several, or all, stages in different extent. This suggests that, even though we will focus on the initial stages of relationship building once the first contact has been made (i.e. Early Stage and Developing Stage), we still need to include all part of the relationship process. Exactly what requirements needs to be fulfilled for the relationship to transfer from one stage to the next, as well as the specifics on what needs to be fulfilled in order for the relationship to qualify to the different stages, is unknown. This can possibly be explained by the uniqueness of each relationship which hinders them from following the steps in a predetermined way (Ford et al, 1998).
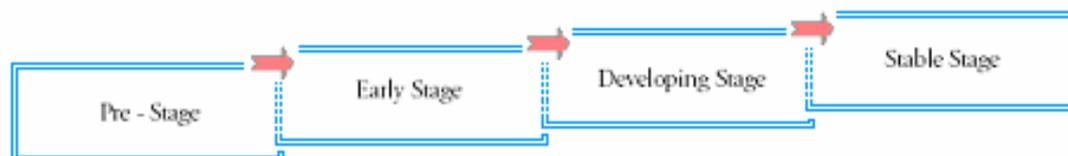
Figure 2-1 Business Relationship Process 1

2.3.1   Pre-Relationship Stage

At some point in time it becomes necessary for a company to search for new suppliers or customers. This often happens as a result of a detailed evaluation of existing customers, some overall company policy or changing requirements within an existing relationship. Moreover, a buyer firm might be dissatisfied with its current supplier which presents maybe the most likely reason why new relationships start (Ford et al, 1998). During the pre-relationship stage some sort of market scanning of the initializing company should take place where primary and secondary information are compiled about the foreign market and its potential business partners (Conway & Swift, 2000).

Finding suitable business partners can be a time-consuming process for a company whose complexity is even increased in international markets. For this, technologies like the internet provide a wide range of possibilities for companies to first of all find and then investigate on potential business partners in domestic and especially in foreign markets. Additionally, there exist organizations that support firms in doing business across borders like the different chambers of commerce and trade councils that can help to act as intermediary. At this stage it might be the case that cultural stereotypes influence the initializing company's view either in a positive or a negative way. Conway and Swift (2000) underline that it is important to develop cultural awareness and a positive attitude towards the potential foreign business partners culture before entering, as well as during, the relationship. This enables a company for a positive set up for the next stage where the first contact is made.

2.3.2   Early Stage

Once the first contact has been made, the relationship automatically transfers from Pre-Stage to Early Stage. This can happen through a number of ways, e.g.; approaching a potential customer or supplier over the phone, via email or meeting firms at trade fairs. Product and service information will be exchanged and the amount of mutual learning is at its greatest level. The relationship can start to evolve. Still, during these first contacts no commitment of either party exists.

Next, the seller and the buyer engage in negotiations and discussions regarding the first exchange. This can take place during an actual meeting or through other means of communication. Potential outcomes of the interaction and motives of the parties are still unclear to some extent and certain kinds of distances such as social distance, cultural distance or technological distance may reduce the understanding of each other (Ford et al, 1998).

First cross-cultural interaction will be experienced by the two parties and initial customer satisfaction becomes important (Conway & Swift, 2000). There still exist restricted views of the other party's expectations and possible requests and future benefits of the relationship are still uncertain especially in comparison to existing relationships. Therefore, the two companies have to personalize their interaction and must *"learn about each other as people to reduce the considerable distance between them"* (Ford et al, 1998, p. 34). Typically, a lack of trust and concern about the other party's commitment subsists in this stage. Consequently, demonstrating commitment is critical at this point in time in order to earn the trust of the future partner and necessary for a further development of the relationship. Important to remember is that not many real possibilities arise to demonstrate commitment because this stage comprises to a great extent only negotiations. Nevertheless, companies must find ways to reduce the uncertainty of the other party in order to be able to move to the next stage (Ford et al, 1998), suggesting open communication and setting common goals is essential in this phase. It is important to acknowledge that this stage presents a critical step for the further development of the relationship as most relationships fail during this stage due to a lack of cultural empathy (Conway & Swift, 2000).

2.3.3   Developing Stage

This next stage is characterized by a growing business between the companies (Ford et al, 1998) and the business partners have become psychologically closer to each other (Conway & Swift, 2000). Trust and commitment can develop between the two parties which is facilitated by a greater level of mutual understanding and empathy (Conway & Swift, 2000). The companies, however, must realize that trust can only be built on actions rather than on promises.

One way of showing commitment and building trust are for example adaptations made by the parties or better the willingness to adapt. Here, rather informal adaptations such as short-noticed agreements to changes or flexibility are a major indicator of commitment (Ford et al, 1998).

2.3.4 Stable Stage

As the name suggests, when the companies get to this stage then their relationship has reached certain stability and the firms have reached a mutual loyalty. This refers to their learning processes and mutual risk taking, but also to their long term investments in the relationship and their high degree of commitment. The purchase of the product/service has become a routine, standard operating procedures are established and former uncertainties could be more or less completely overcome (Ford et al, 1998). The initial level of psychic distance which mainly involves differences in language, culture and political systems (Hollensen, 2004) could be reduced to large extents and the partners experience some kind of familiarity. Communication is important in order to maintain the levels of trust and commitment, which at this stage have become the most important relationship criteria (Conway & Swift, 2000).

2.4 Influencing Factors of Buyer-Seller Relationships

Typically, most value-adding activities are considered to be conducted by the supplier and are seen as a way to keep the buyer satisfied and thus keep the relationship going. One way can be to augment the core product with services, programs and systems such as support services, after sales, logistics or advice and consulting (Anderson & Narus, 2004). The strategies employed by the companies to help the relationship to advance may differ from industry to industry and from relationship to relationship, but all of them include some form of an interpersonal interaction process (Harwood & Garry, 2006). As indicated by Conway and Swift (2000), relational exchanges are social interactions between individuals, i.e. these social relationships are a mixture of both formal relationships dictated by the actor's roles and personal relationships characterized by acquaintanceship. Therefore, satisfaction could also be enhanced by establishing social bonds between the companies through e.g. arranging social events with the aim to better getting to know the other party on a more personal level.

Business relationships aims at creating value for both parties, -values that exceed or could not have been obtained if operation individually. This is to be achieved through intangible components as **Communication, Trust, Satisfaction,** and **Commitment,** (Conway & Swift, 2000), which to a large extent are dyadic. Especially commitment and trust are often regarded as being central to the success of a relationship (White, 2000). However, more precisely how these are inter-correlated within the different stages in the relation development process is unknown.

2.4.1 Communication

Communication comprises a central part within the relationship development process, since it is a prerequisite for any type of interaction between the firms, thus affecting the relationship throughout the entire development process. It is, however, suggested that communication is especially necessary in the initial phases of a relationship in order for the seller to discover the buyer needs, expectations and uncertainties (Boles et al, 1996).

The development of a relationship is about people, about social and personal interactions, therefore the ability and willingness of both parties to communicate the core assumptions and principles of a relationship such as trust and commitment is crucial (Harwood & Garry, 2006). Two ways of organizational communication can be identified; internal and external communication (Conway & Swift, 2000). Internal communication concerns the flow of information within the company and is in particular important for the internal preparations before entering a new relationship, whereas external communications involves interactions with the companies' business environment. Language, as part of communication, plays a critical role in both internal and external communication for the companies' ability to communicate successfully, especially in international business settings with geographical distance between the parties. When physical meetings are not always possible, a relationship's development mostly relies on oral communication e.g. over the telephone, where the parties are less exposed to signals as gestures and other body language which they normally would during a physical meeting.

Communication comprises various elements such as *frequency, direction, modality* and *content* (Wren & Simpson, 1996). *Frequency* presents the amount and duration of communication and *direction* indicates whether the communication flow is one-directional or bi-directional. Bi-directional or two-way communication is said to enhance interaction outcomes whereas unidirectional communication indicates differences in the power structure of the two relationship partners.

Modality describes the medium used to communicate and includes formal ways such as written means or formal meetings which can be easily verified as well as informal communication ways such as spontaneous meetings without formal verification possibilities. Finally, *content* refers to the message that is transmitted (Mohr & Nevin, 1990 cited in Wren & Simpson, 1996). All communication efforts should be directed so as to increase interdependency of the parties which in turn increases cooperation, commitment, trust and satisfaction. Moreover, if the combination of all communication elements is favorable both parties will benefit from a continuous flow of information (Wren & Simpson, 1996).

2.4.2   Satisfaction

Mutual satisfaction is necessary for the relationship to develop and be maintained. Yet, most commonly satisfaction is looked at from a customer's point of view. In this respect Anderson and Narus (2001, p. 81) describe overall customer satisfaction as the *"cumulative evaluation of a firm's market offering"*. Customer expectations, perceived quality and perceived value are forming the overall level of customer satisfaction. If customer satisfaction is present, this results in customer loyalty (Anderson & Narus, 2001). Therefore, satisfaction is the result of expectations, but it also includes satisfaction regarding payment and overall handling of the exchange from the sellers' point of view. Grönroos (2000) emphasizes that customer satisfaction contributes to the formation of bonds between the two parties. This in turn has a favorable effect on the strength of the relationship.

2.4.3   Trust

Often there exists an uncertainty whether both parties will be open in their dealings with each other and there might always be a chance that the other party has different interests or simply disappoints. One vital factor for a successful relationship is therefore trust (Conway & Swift, 2000) and a necessary factor.

If the parties cannot trust each other the relationship cannot develop. Thus, without mutual trust the relationship will not result in mutual beneficial outcomes for the parties. For Moorman et al (1992 cited in Wilson, 1995) trust presents a willingness to rely on an exchange in which one has confidence. Trust in economic exchanges is the *"expectation that parties will make a good faith effort to behave in accordance with any commitments, be honest in negotiations and not to take advantage of the other even when the opportunity is available"* (Hosmer, 1995 cited in Conway & Swift, 2000, p. 1394). In other words, trust can be build by meeting commitments, being honest, and not acting opportunistically. It is a necessary component because not all aspects of a relationship can and need to be legalized through written contracts and agreements (Ford, 1984). Furthermore, trust should be seen as an outcome of such variables as role integrity, reliability, communication, and relational norms (Wren & Simpson, 1996) and is seen as a pre-condition for increased commitment by the parties (Conway & Swift, 2000).

2.4.4 Commitment

Moorman et al (1992) describe commitment as an enduring desire to maintain a valued relationship (cited in Wilson, 1995, p.427) which communicates that the relationship is regarded as important to the other party. One indication for the depth of commitment is the amount of investments which both partners make into the relationship, e.g. financial, time or resource-based investments. Greater investments represent greater commitment (Conway & Swift, 2000).

Commitment to a relationship is self-enforcing which means that for example customer commitment is assumed to increase as soon as the customer perceives that the selling firm is committed to the relationship (Boles et al, 1996). In addition, Wren and Simpson (1996) see commitment as closely related to satisfaction. Yet, *"the difference is that commitment implies a strong allegiance to the long-term continuance of the relationship, whereas satisfaction indicates a temporal evaluation which may or may not be enduring"* (Wren & Simpson, 1996, p. 75).

Conway and Swift (2000) describe customer orientation as the ability of a person to see a situation from someone else's point of view, thus showing clear indications of working towards mutual interests. Most often the seller must be the one that meets the buyer's needs, especially in the first stages of a relationship. In order to achieve this, the seller firm must optimally adopt a great deal of customer orientation into its company culture. Customer orientation must be apparent already before the first contact takes place and if necessary a company must make internal changes towards a more service-minded and therefore customer-oriented culture before establishing a new relationship (Cann, 1998). Moreover, it is central for the seller firm to provide more than a quality product or service if they want to create an even stronger bond. According to Cann (1998) the seller has to make an extraordinary effort which can be done in a number of ways and depends on the individual relationship and the persons involved, where trying to connect to the buyer on a personal level is commonly practiced. This type of social bonding generates additional value because it creates a comfortable and trusting atmosphere to do business in (Cann, 1998). Social bonding in a business relationship can be described as *"the degree of mutual personal friendships and liking shared by the buyer and the seller"* (Wilson, 1995, cited in Conway & Swift, 2000, p.1393), suggesting that mutual liking or empathy has important influence on the way the relationship develops. In international settings it is cultural empathy which plays an additional role (Conway & Swift, 2000), suggesting that customer orientation is especially important in cross-border collaborations.

In general each company follows certain goals when doing business which are determined by numerical figures such as profit maximization, sales turnover or the like. Bowen et al. (1989, cited in Cann, 1998) emphasize that a relationship is warranted only when there exist certain goal congruence between the business partners. Thus, for a business relationship to work, these individual goals have to be combined in order to assure a mutual beneficial outcome of the cooperation for both parties, thus indicating a deeper commitment to the other organization. However, the perception whether commitment is a necessary step in the Early Stage, (Blois, 1998) of relationship building, or when reaching the Stable Stage (White, 2000) differ between researchers. The latter researcher argues that it is not until the Stable Stage the parties can realize the greatest financial gains of common goals, whereas Blois (1998) believes this to be a prerequisite for the firms to be willing to invest in the future of the relationship from the beginning.

2.5   The Influence of Culture

Culture is regarded as a complex phenomenon and the effects of culture on business have been researched extensively (Steenkamp, 2001). It consists of *"those beliefs and values that are widely shared in a specific society at a particular point in time"* (Ralston et al, 1993 cited in Pressey & Selassie, 2002, p.355) and believed to have an influence on the way how cross-national business relationships are developing (e.g. Pressey & Selassie, 2002). Business people are well advised to view foreign business partners under the umbrella of cultural relativism. Instead of stating that the foreign culture is inferior or superior in general, one should better observe the single differences and draw conclusions based on the understanding of those differences (Hofstede & Hofstede, 2005).

Most of the literature on relationship marketing has been conducted in a general context and seldom explicitly states whether the findings are valid in a national context explicitly, or can be utilized for international relationship management. Harwood and Garry (2006, p. 108) emphasize that *"recognizing each relationship as unique is fundamental"* because each relationship varies in requirements, uncertainties and abilities of the companies involved (Ford et al, 1998). Hofstede and others argue that one can relate the most important aspects of culture to a national level, which implies that relationship marketing in international settings must take national differences into account before approaching the foreign market. Organizational culture, also known as corporate culture, can be very distinct to national culture and therefore is a subject of research on its own. The organizational culture influences the shaping of an individuals mental program to a large extent. Yet, it is experienced later in life and has lesser influence than the national culture. This is due to the fact that every person spends only a certain amount of time at the workplace, thus being influenced by various cultures in accordance with the numbers of environments exposed to. In addition is it not uncommon to change organizations within one's working life (Hofstede & Hofstede, 2005). Relating back to the most outward layer of culture, Hofstede affirms that *"managers and leaders, as well as the people they work with, are part of national societies. If we want to understand their behavior, we have to understand their societies"* (Hofstede & Hofstede, 2005, p. 20), implying that by knowing and understanding your counterpart you can potentially gain advantages in negotiations and other business transactions.

Between 1967 and 1973 Hofstede conducted one of the most extensive studies to investigate the influence of culture on work-related values on a national level. The initial study was conducted in 50 countries and 3 multi-national regions and a subsequent edition of his work listed 74 countries. The results of the study led to the well-known dimensions Power Distance (PDI), Individualism (IDV), Masculinity (MAS) and Uncertainty Avoidance (UAI), which can be used for distinguishing cultures. Scores and ranks between countries are relative, indicating differences between countries and therefore allowing for comparisons. Most scores rank from 0 to about 100 and both Germany and Sweden are part of the original IBM study. (Hofstede & Hofstede, 2005). A short explanation of the dimensions relevant to the study will be included in the Analysis.

International business transactions include several forms of perceived distances between the buyer and the seller firm such as, social distance, cultural distance and psychic distance. The degree of distance or difference determines the scope to which interaction and relationship development can take place between the parties. Conway and Swift (2000) illustrate that the Relationship Development Process will be harder and more resource intensive if the degree of distance is larger. Cultural Distance is described by Ford et al. (1998, p.30) as; *"the degree to which norms and values of the two companies differ because of their place of origin. When the two companies don't know each other well, this distance will often show up in national stereotypes."* Social Distance can be seen as the gap between two social groups and is mainly an outcome of cultural distance (Conway & Swift, 2000). Psychic Distance refers to *"factors such as differences in language, culture and political systems, which disturb the flow of information between the firm and the market"* (Hollensen, 2004, p54).

Since cultural differences potentially can hinder an expansion to foreign markets, most firms start their internationalization process by going to those markets which they can most easily understand. This makes it easier for them to recognize opportunities and their perceived market uncertainty is low. To conclude, it is essential for successful development of a relationship to understand the values, expectations, and motivations of all executives involved. And this, in turn, is heavily dependent on understanding cultural backgrounds (Morosini et al, 1998 cited in Conway & Swift, 2000).

3 Method

This section will provide a detailed encounter of the methodology utilized in the thesis. The Method Outline is included for the reader to be able to grasp the relation between the major parts in the thesis. Research Approach, Interviews method, Data Collection & Sample Collection, Data Processing & Analysis, as well as Reliability & Validity will follow.

In order to gather, analyze and conclude the data in accordance to the academic standards of Jönköping International Business School (JIBS), we have used the literature from the mandatory course "Research Methods for Business Students" (Saunders, Lewis and Thornhill, 2003) as main source for this report.

3.1 Method Outline

The different parts in the thesis aim at supporting each other and help to structure the report in a logical and argumentative way, allowing the reader to follow logic and a given purpose of the respective heading. More precisely, **Background** aims at providing underlying arguments of the importance of the thesis, leading to **Problem Statement**. This, in turn, takes the reader to the **Purpose** which should be reflected in both **Frame of Reference**, **Empirical Findings** and **Method,** all of which are components to be handled in **Analysis.** There will be one analysis of the Swedish findings and one of the German, later combined in the **Comparative Analysis. Conclusion** follows where the first part aims at fulfilling the **Purpose** and answer the first two Research Questions**.** The third Research Question will be separately reflected upon in the subcategory **Recommendations.**
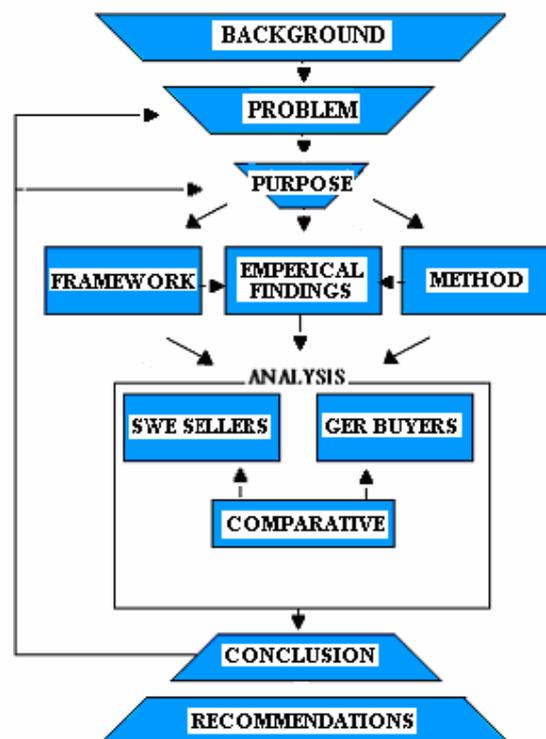

Figure 3-1 The Trapezoid (adapted from Davidson, 2001)

3.2   Research Approach

There are two possible approaches when conducting a scientific research: inductive- or deductive approach. The inductive approach involves collecting data as a first step and after the results from the findings have been collected, the theory is developed. Induction therefore focuses on the context of certain characteristics and how these are better suited for qualitative data collection. The deductive approach, on the contrary, tests a theory and starts by stating the hypotheses.

For the purpose of our research, we have chosen the inductive approach. By using this research method it is possible to understand why certain events are taking place, as well as enables a deeper understanding of why humans attach values to certain events, which is central for our analysis. Furthermore, it allows greater flexibility and opportunities to find alternative explanations (Saunders et al, 2003), which will facilitate the open-ended questions that will be asked to the respondents.

3.2.1   Quantitative & Qualitative Method

There are two possible methods of collecting primary data; the qualitative and the quantitative method. The most prominent difference between the two is that the quantitative method collects data which can be quantified, i.e. it bases its meanings on numbers. Typically, data is gathered by using questionnaires, where the respondents are asked to answer the questions by ranking them on pre-set scales. Often large sample sizes are needed and an analysis is conducted by using statistical analysis tools.

The qualitative method on the other hand is based on the meanings expressed through words and involves collecting data by using in-depth methods for example interviews (Saunders et al, 2003; Dey, 1993; Healy & Rawlinson, 1994). By using a qualitative approach, a deeper understanding of the subject becomes possible since it allows open-ended questions and enables the interviewer to add additional questions that might arise during the conversation. This would not have been possible when conducting a quantitative study since the same questions must be used in order to get reliable data (Saunders et al, 2003). In other words, quantitative research demands a consistency that restrains the flexibility which is gained when using qualitative method.

According to Saunders et al. (2003) there are different ways of gathering information by using a qualitative approach. The three most common ones are interviews, surveys and case studies. When conducting a qualitative research the importance of large sample sizes is not crucial. The understanding of the individual subject–matter, and not the quantity of the ranked data, is central to gather information for the analysis. Five interviews with Swedish sellers and five interviews with German buyers, all active in the German textile industry will be conducted, thus providing the reader with a comparative analysis and potentially address similarities and differences between the two countries.

3.3   Interviews

An interview is described as the communication between two or more persons used for purposes such as diagnosis, education, counseling, or to obtain information (University of Wisconsin, 2007). Three types of interviews exist, all with different level of formality and structure: structured, semi-structured and unstructured. The structured interview, as the name implies, is strictly bound to a pre-set structure and includes standardized questions, whereas the other two present less formal conversations. The semi-structured form includes to some extent standardization, but allows the interviewer to be flexible during the course of the interview (Saunders et al, 2003). Since company culture, structure or policies seldom are identical, we have chosen to conduct semi-structured interviews, which especially accounts for our cross-border analysis.

There are two types of interviews: face-to-face and telephone interviews. The face-to-face interview is good ways of gathering data since you approach the respondent directly, thus being able to interpret physical reactions (e.g. facial expressions, feelings). The latter is not possible when conducting the research over the phone, however, representatives of a company often lack the time to participate in face-to-face interviews. Due to this, we agreed upon conducting all of our interviews by telephone. In short, telephone interviews are an efficient way of gathering data in terms of speed, access and lower cost (Saunders et al, 2003). It also allows us to contact certain companies which otherwise would be hard to interview because of the geographical location of these companies, (Saunders et al, 2003). Most likely it will be possible to conduct the German interviews over the telephone and the Swedish face-to-face. Yet, we believe that the consistency in the answers would be less reliable if a mix in the technique will be used, especially in a comparative analysis.
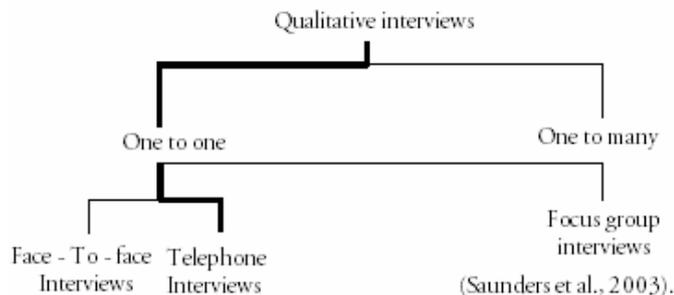
Figure 3-2 Interview Method

3.3.1   The Interview Questions

When there are large numbers of questions to be answered or when the questions are either complex or open-ended, a semi-structured or in-depth interview is the most appropriate method. (Easterby-Smith, Thorpe & Lowe, 2002). The majority of the questions created will be open-ended questions in order to gain as much in-depth information. However, the questions regarding company data will be closed questions, since the aim is to gather background information on the respondents and the respective companies. Additionally, one ranking question (scale 1-10) has been included regarding how satisfied the Swedish respondents are with their foreign counterparts in order to potentially explain exceptionally positive/ negative answers. However, these will not be subject for further analysis, except if combined with an open-ended question.

Business settings, collaborations and relationships are seldom identical. Therefore being able to adapt the questions to the individual companies is crucial for the data collection. Some of the respondents had more comments regarding business culture, while others had more to say in areas of how they established their initial business contact, thus complementing each other.

Two sets of interview questions will be created, -one for the Swedish firms and one for the German firms, due to the possible bias that misinterpretations and misunderstandings would result in. The Swedish questions will focus more on the respondent's reflections on already established business relationships with German companies/purchase managers and their impressions of the German business culture. The German interview questions will be set up as to detect what is of importance for the German business buyer but also includes questions about cross-country experiences and impressions of the Swedish business culture. In order to be able to draw comparisons between the two questionnaires the two sets of questions will be constructed as similar as possible.

A possible drawback when collecting data will be to get in contact with key persons on the respective companies, since business trips and meetings often are pre-scheduled. A more thorough description of the interviews will be given after the data collection has been made under Empirical Findings.

3.4   Data Collection & Sample Collection

The aim is to collect data from five Swedish companies in the textile industry with experiences of doing business with Germany buyers. These will be identified over the internet with help of the search engine Kompass. This Internet tool is, in contrast to e.g. Google and AltaVista, not a commercial site financed by purchase of rankings when the user searches for specific terms or phrases, but presents the company names in alphabetical order. In our project, interviewing all SME companies within the textile industry in Sweden (and their respective buyers in Germany) will be close to impossible; therefore we will randomly search for textile companies over the internet. We believe that the companies will represent both a valid and reliable sample of the industry as whole. The German companies will also be identified over the internet, representing companies in the retail business selling textile products. Next, the companies will approached over the telephone in order to identify the right respondent within the purchase department. As recommended when conducting a qualitative interview, the empirical findings included in this report will not only rely on notes from the respondents, but tape recordings from the actual interviews as well (Riley, 1996 cited in Saunders et, al 2003).

3.5   Data Processing & Analysis

We will analyze our data from an interpretive point of view. The interpretivist explains that the social world of business and its management is too complex to be fully understood in terms of words (Saunders et al, 2003). The interprevist would argue that it is not the generalize-ability which is of crucial importance. This is because the business world constantly changes, i.e. what is valid today might not reflect the truth in six months. Therefore, generalize-ability is not strived for in this study. Further, one of the strongest arguments for the interpretative view (Remenyi et al, 1998, cited in Saunders et al, 2003 p. 84) is to discover *"the details of the situation to understand the reality or perhaps a reality working behind it"*, potentially enabling us to understand differences between the respondents.

In order to structure the data, processing templates will be used to organize the data into categories that represent common subjects found during the interview, which can either be pre-determined or added during the collection. Thus, this method combines both a deductive and inductive approach (King, 1998). King (1998) mentions four different ways to modify a template; first is the insertion of a new category, as a result of relevant information gathered. Second, the codes may be inserted at different stages dependent on template hierarchy. Third, the codes can be changed, dependent on the level of importance; codes that appear to be less important in the beginning may become more useful after the data have been collected. The fourth and last method to modify the template is after the data has been collected, a code could be reclassified into a subgroup of another, as a result of two similar answers.

During the data collection and process, a simple coding to sort and explain the findings will be used. This will sort out the data into more easily understandable sub-groups which also makes the taxonomy of the findings better structured and easy to grasp. More specifically, we will use coding to differentiate the findings from the Swedish market from the facts we find from the German market. This will result in a clear empirical presentation of what and where we found these certain facts. The companies will be coded into given numbers; since anonymity of the company label was been guaranteed before the interviews were conducted. Otherwise sufficient information would not have been able to gather, due to the risk of distributing information to competitive firms.

Some of the companies have expressed resistance towards publishing company name, the interviewee's name, or other data related to the specific firm. Therefore, all identities, both Swedish and German, will be handled confidentially to avoid bias in terms of self-censorship. In exchange for providing us with answers, the companies have been offered a copy of the final report, which has been greatly welcomed. There is no indication that the report will be less reliable than if company names would be included. On the contrary, since the respective companies have expressed interest in the report, a reasonable assumption is that they will answer more truthfully when being anonymous, due to their self-interest in the report being as accurate and detailed as possible. Further, the received information will be presented *Italic*. Note: These will not be actual quotes, but statements entirely based on the notes and tape recordings from the interviews, where little or no room will be left for subjective interpretations.

The questions included in the telephone interviews will be organized and presented according to the following categories: **Facts, Relationship Establishment, Communication,** and **Relationship**. The first category aims at providing factual answers regarding number of employees, company size, and basic information of the interviewee including company position, number of years employed, number of years/months at the present position and fro the Swedish companies the extent of personal contact with their German counterparts. These latter questions will be included to secure his/her qualifications to represent the company in the study, as well as provide the reader with basic company data. These will, as mentioned, not make the core of the analysis.

The second category, **Relationship Establishment** will include preparations and previous experiences in the Swedish part, containing general questions on previous collaborations with foreign firms and what structural/organizational changes the company made before entering the German market, whereas this section in the German findings mainly will focuses on first meetings with the foreign sellers.

Communication, as it indicates, will handle how the firms have interacted and if any specific difficulties have arisen. The last section of the interviews, **Relationship,** will include open-ended questions for the Swedish and German companies respectively, and will be constructed to encourage subjective, thorough and detailed descriptions of the sellers' perception of German buying behavior, components of buyer-seller relationship, thoughts on how to support relationship building as German buyer and outcomes of previous collaborations. The answers will be numerically coded (1, 2, 3, 4, 5) combined with the letter "S" indicating that the answers are given by a Swedish seller and the letter "B" indicating that the respondent is a German buyer.

3.6   Reliability & Validity

Any study has to be critically investigated upon its reliability and validity of the generated data. A number of obstacles can occur and Kirk and Miller (1987, p. 21) stress that all measurements are to a certain degree suspect because *"no experiment can be perfectly controlled, and no measuring instrument can be perfectly calibrated."* In qualitative studies especially the question of trustworthiness is central to the researcher, as well as to the reader of the study.

Concerning the language, bias can exist by conducting interviews in one language and stating results in another one as well as comparing findings, conducted in two different languages. All interviews are conducted in Swedish and German, yet our thesis is written in English which may lead to a bias in the translation of the empirical findings. Several ways of minimizing the bias exist (Saunders et al, 2003). In this particular case all group members will be taking their own notes and translate them either from German into English or from Swedish into English. In addition, each interview will be recorded to enable all group members to reflect and compare information. A comparison of the results will be made to prevent misunderstandings and misinterpretations and bias in translation as good as possible from being made. In the case of the Swedish to English translations, our two Swedish group members could reciprocally proof-read their findings. Additionally, the translation into English will be approved by lawyer Lisa af Buren (specialized in international law) to further reduce the risk of bias.

The German to English translations will be cross-checked by another German student at JIBS. This student is also enrolled in the BACHBA course and will therefore be aware of the importance of correct translations. While the approach of conducting the interview in one language and stating the result in another may face some drawbacks, we strongly believe that this approach will lead to an overall lesser amount of errors than if the interviews were to be held in English. All companies interviewed are active in the Swedish and/or the German market but not necessarily the Anglo-Saxon one, indicating that they are more used to talk their mother tongue. Therefore, we believe that their not previously known level of business English may obstruct them from expressing themselves in a way as it is required for an in-depth interview. In addition, it might be very difficult for the respondents to answer appropriately in terms of wording and time in a stress situation like an interview.

Bias in qualitative research can also occur because of the interviewer. According to Saunders et al (2003) the interviewer may influence the respondent by imposing his own beliefs and frame of reference on the respondent which is expressed through the wording and the tone of the questions. This is a very sensitive issue because this kind of bias is frequently occurring and can hardly be prevented. Naturally, when being involved in a study for a considerable amount of time, the researcher develops a restricted mind-set concerning the specific topic.

This causes him to automatically expect others to have the same thoughts and associations on the subject. Usually this bias can be diminished either throughout the course of the interview or later during the analysis when the interviewer realizes him being trapped in a frame of reference and gets a more objective view because of the evidence of the findings on hand. In order to prevent this, the recordings of all interviews will be double checked.

Another source of bias can be found in the responses due to the interviewee's sensitivity towards certain topics. In particular within a semi-structured interview where the goal is to explore and explain situations this can make respondents reluctant to fully answer questions or cause them to provide a "socially desirable" role picture (Saunders et al, 2003). This bias is not likely to occur in this study since the questions will be constructed with a special caution not to touch too sensitive issues, without compromising the depth of the study. Moreover, the reliability of a study can be affected by the time-consuming requirements that an interview affords thus resulting in an inequality of the respondents originally aimed at and the respondents actually interviewed. In our study the aim is to sample respondents with a large degree of experience in their role and with foreign companies, i.e. Swedish respondents with experience in sales and German respondents with experience in purchasing both in context with having interactions with foreign companies.

Validity is described as the extent to which the data collection method accurately measures what it was intended to measure (Saunders et al, 2003). According to Lewis & Ritchie (2003), validity comprises two dimensions called internal and external validity. Internal validity is concerned with the focus of the study and asks the question if the issues claimed to be examined are in fact investigated (Lewis & Ritchie, 2003). External validity concerns the ability to generalize the study. It questions to what extent the results from a particular study are possible to generalize to all relevant contexts (Saunders et al, 2003).

The latter is of particular concern in semi-structured interviews and in case study approaches where the small number of interviewed parties makes generalizations to the whole population impossible. This does not mean that trends cannot be identified and that recommendations must be avoided. It simply reminds the researcher to demonstrate a certain level of care and sensitivity when it comes to making generalizations on a certain population within a specified subject.

4 Empirical Findings

In this section the gathered data will be presented. Results from the interviews are displayed and categorized through the use of simple coding.

4.1 Introduction

The responding Swedish companies all have in common that they are categorized as SMEs (<100 employees), all representatives have had a company position as Chief of Operations, Chief of Sales or Export Manager and have had *personal* contact with German purchasers, although some of them are currently using agents as intermediaries. The responding German companies were selected having different sizes ranging from small to large firms and being located in different parts of Germany. This selection was made in order to receive a broad variety of responses. Respondents were identified after their function within the purchase department, having either a central purchasing function within a larger firm or own the shop and therefore act as main purchaser. Interviewees were selected on the criteria whether they purchase from foreign suppliers in general and not specifically whether they purchase from Swedish suppliers. This enabled us to find a larger range of possible respondents and created an increased initial interest in taking part in the interview.

Even though initial reluctance and interview denials due to a lack of time of the respondents were experienced, there were no significant difficulties in assuring qualified answers thanks to a substantially large and available sample size of companies in the German and Swedish textile retail industry. However, at one occasion, an interview of a Swedish company was not completed in a satisfactory way. The questions were answered, but the depth and extent of the answers did not correspond to the other companies. This was the first interview conducted and most likely a result of the interviewer's inability to ask sequential questions that relate to each other and encourage the respondent to give more extensive and less fundamental answers. This bias was solved by contacting the person at hand a second time, this time providing us with in-depth data to a satisfactory extent. In total, 27 Swedish companies and 21 German companies were contacted in the process of acquiring a total of 10 respondents. The time spent on each interview span between 45-60 minutes.

4.2 Swedish Companies

4.2.1 Facts

4.2.1.1 Number of employees in company

S1.   45
S2.   30
S3.   60
S4.   17
S5.   80

4.2.1.2   Position of the respondent

S1.   Chief of Sales (Male)
S2.   COO (Chief of Operations/Chief Operations Officer) (Male)
S3.   COO (Male)
S4.   COO (Male)
S5.   Chief of Sales (Male)

4.2.1.3   How long have you been employed at "S" company?

S1.   16 years
S2.   5 years
S3.   7 years
S4.   4 months
S5.   23 years

4.2.1.4   How long have you been working in the sales/export department?

S1.   16 years
S2.   5 years
S3.   Last two years as COO and 5 years as Salesman
S4.   4 months
S5.   15 years as Sales Manager, before 8 years as Salesman

4.2.1.5   Do you use an agent to represent you in Germany?

S1.   No
S2.   No
S3.   No
S4.   Yes, since 3 years (from start)
S5.   Yes, since 1 year

4.2.1.6   Since when do you have business contacts to German companies / buyers?

S1.   7
S2.   7-8 years
S3.   20 years
S4.   3
S5.   2

4.2.1.7   How did you / they initialize the first contact?

S1.   The initial contact was made in the beginning of 1990, when one of our customers recommended us to a German colleague, who contacted us and we arranged a meeting.

S2.   The first contact was made when we attended a trade fair in south Germany. This was the first fair we attended in Germany. During this fair we made contact with a few potential customers. When we returned to Sweden we contacted the companies that we looked upon as potential customers and discussed future collaboration.

S3.   The initial contact was created during a trade fair about 20 years ago, the founder of the company had both personnel and business related contacts with Germany. When he saw an opportunity to expand, he used his contacts to create a business relation.

S4.   We employed an agent that had pre-existing business relations. Our agent had experience with German companies within the textile industry. This was a great advantage for us in terms of finding potential customers.

S5.   In the beginning the Chief of Operations traveled by himself, only to establish future business contact. After a while he experienced that even if he created a good relation with the potential customers the lack of an agent was very limiting, because of that he could not address an agent many potential customers rather said no to be part of a future business relation.

4.2.2   Relationship Establishment

4.2.2.1   Did your firm have any experience doing business with foreign companies before collaborating with the German company?

S1.   Yes, we have a long history of imports from countries such as USA, Switzerland, and Italy. We also export to most of the countries in Western Europe and Scandinavia. So when we expanded to Germany we had some prior experience in how important it is to understand how business is conducted in a new market.

S2.   No, this was our first business relation outside Sweden. We saw this expansion as a wild-card; we met some potential customer as mentioned before during a trade fair in Germany. We believed that this might be a good opportunity to expand and increase our shares on the international market and was regarded as a trial and error strategy.

S3.   Yes, we have a prior experience outside Sweden; some of these foreign experiences are Finland and Norway. Germany was our first business partner outside Scandinavia. For the management this was the largest organizational development due to the more comprehensive differences in how to conduct business.

S4.   Yes. Germany was our latest foreign market. Previous expansions have been over most parts of Europe such as the Scandinavian countries, United Kingdom, Ireland, France and Russia. We believed that an expansion to Germany were a natural step to increase our market shares in Europe.

S5.   Yes. Most of our foreign business contacts before expanding to Germany were with the Scandinavian countries. In terms of imports we have been in contact with a couple of countries outside Scandinavia, for example Germany.

4.2.2.2 Was there a need to make internal preparations or organizational changes before you partnered with the German company?

S1.   No. For the time being, we do not feel that Germany was an important market, since it was more of a coincidence that we expanded. Therefore we have not conducted any form of market analysis or other kind of market investigations. We listen to our existing customer and evolve our relation through an open and honest communication and believe that this will result in close and successful relationships.

S2.   No. Our expansion to Germany was more of a wild-card. We did not have any high expectations; we saw this as gaining experience in the foreign market. During our development in Germany, we conducted more professional market analysis and what potential we have in expanding on the market.

S3.   No. This was a one-man decision from our founder. He relied on his private and existing business relations in Germany, so we did not conduct any organizational reforms. Instead we adopted and evolved during the way.

S4.   No. We did not change our organization; we relied on our agent and his prior experience. As mentioned before, our agent had knowledge in the German language and its business culture. I believe that all organizations have to change in some terms to adapt to the new market, even if those changes do not have to be radical.

S5.   No. In the beginning we established all business relations personally. Many of our business contacts were very positive and eager to start a business relation, but when they realized that we did not have an agent most of them "dropped out". We believe this was because they wanted to have a direct contact that they communicate with.

4.2.2.3 What internal resources did you already have, which were especially useful when partnering/establishing the relationship?

S1.   Inside our organization, most of our staff spoke fluently German. Some of them had studied in Germany and had a good basic knowledge in German business culture, something we experienced as vital for a good relation.

S2.   We had the knowledge how business is conducted in Germany. We believed that these skills were sufficient and our product would nearly "sell by itself".

S3.   Since the founder was the one who initially created the relation in Germany, he was the contact person in-terms of orders, compliances etc. Today the company has a more "standardized" organizational structure where we have an export and sales department.

S4.   We did not re-structure our organization, instead we hired an agent. As mentioned before our agent had extended knowledge in both the German language and its culture, he also possessed pre-existing contacts that later became our customers. We believe that our expansion was successful not only because of our agent but also because our products were popular and "sold-themselves".

S5.   The most significant problem we encountered when entering Germany, was that our German business buyers wanted a contact that they personally could contact. This contact needed to be able to answer all types of question regarding products, delivery, prices and so forth. The Germans want to have someone they can rely on, and if something does not work as it is suppose to, they have someone to hold responsible.

4.2.3   Communication

4.2.3.1   What means do you use to communicate?

S1.   E-mail is clearly the most used mean of communication. When a problem arises both parts usually want to solve this over telephone, because there is less risk of misunderstanding.

S2.   Different but for the day to day communication e-mail is the most common way of communicating, for orders or more complicated questions it is mostly telephone.

S3.   Absolutely e-mail, both parties continually check their e-mail for eventual new mails. We have not encountered any barriers with this type of a day-to-day contact.

S4.   We use telephone and e-mail 50/50 depending on the situation, mostly e-mail for the daily contact. I can personally recommend telephone when discussing larger question, such as large orders or discussions regarding prices. But generally it is approximately the same.

S5.   E-mail and telephone 50/50 depending on the situation and the "size" of the questions that's being asked, larger question are usually being held over telephone or personal meetings.

4.2.3.2   In which language(s) do you communicate?

S1.   English

S2.   English.

S3.   English

S4.   English. On the other hand our agent speaks German with our customers and Swedish with us.

S5.   English and German, depending on who we are talking to. Some of our German business partners do not master English very well.

4.2.3.3   Have you experience any communication difficulties with German buyers?

S1.   Except that we are not skilled in German and they are no experts in English, other problem in the day to day business could not be identified.

S2.   There were some cultural differences, usually in terms of how we perceive what has been said and agreed upon. The Germans are strict and formal in their way of acting, hindering constructive discussions hard sometimes.

S3.   In the beginning of our business relation with our German partner we recognized that their skills in the English language were insufficient. This was a problem due to that our skills in the German language were not very comprehensive. Besides that, there were no circumstances that we thought of as problems.

S4.   In the beginning of our relation we relied on our agent who had comprehensive knowledge in both the German and Swedish language. This was a great advantage because no misunderstandings or problems arose due to lack in language or social skills. We encountered some problems in the beginning, these were mostly logistic ones and the reasons were probably due to the many orders we received in the beginning of our relation. Today everything works perfectly and the logistics problem have been solved.

S5.   We did not encounter any barriers in language; on the other hand most of the German companies that we have done business with in our opinion lack the ability to give fast and concrete answers. We feel that in most of the companies that we cooperate with, there is a very high level of bureaucracy. This did not fit our pre-existing business model were we acted more flexible and responded fast on questions from our customers.

4.2.4   Relationship

4.2.4.1   What do you expect from a successful buyer-seller relationship?

S1.   Trust between the firms is the key that potentially not only contributes to long-term profit for both parties, but also helps establish routines that help the day-to-day collaboration. Thus, demanding fewer resources, both in terms of time and money, than a less developed/successful relationship. These routines can include means of communicating (e.g. both parties prefer to use e-mails for re-ordering, but phone calls for special inquiry and physical meeting when dealing with extremely large orders), delivery and re-order routines, complains, etc. A mutual strive for "win-win", trust and an open communication in order to help each other, and the relationship to improve are the most important things.

S2. The primary goal is of course to increase profits for the company, but the link to new markets and the expertise and experience is what makes relationships with foreign firms most interesting and worth investing. So in this respect we expect a successful relationship to help us expand internationally and, in turn, help increase profitability.

S3. Profit maximization is the overall goal, but gained market shares and a long-term strive from both sides is central to successful business relationships. This demands that the firms work together towards building trust (which leads to a certain security), creating a relationship worth investing in and contributing to a good working environment and business climate. For this to happen, there can be little, or no, doubt that the counterpart intends to maintain the collaboration.

S4. To increase profit through quantitative expansion on markets that would have been unreachable without support from other firms. Our entire business culture is based on long-term relationship building with as prestigious chains/stores as possible. This is achieved through personal (face-to-face) communication with key persons, with the aim to create personal contacts and relationships. Business relations make a very large portion of the environment in which we work in. Thus, this affects our everyday working environment and company culture.

S5. The goal is to increase the number of markets in which we operate. The main advantage when maintaining a relationship is that it makes it easier to fight off competitors and new comers that try to take your market shares, or potentially can hinder you from acquiring a larger portion of that market.

4.2.4.2 How do you want your counterpart to act in order to meet these expectations?

S1. They should be willing to open up and take initiative for the relationship to develop into something more personal, by honest dialogues. Large companies often involve groups of people in the decision making process and different people depending on the request. For the communication to be efficient they need to have a good internal communication and collective thinking. Also, their company policy needs to encourage long-term relationships and include guidelines on how this cooperation should be achieved. A common obstacle is that they prefer to use many suppliers instead of a few selective ones. This makes it harder to reach the "trust stage", since they project a feeling that, true or not, you are constantly subject for price comparison. This is an indication that they have short term intentions and you easily can be replaced. The response from your side is of course that we look for other firms where mutual trust and long-term profitability is preferred.

S2. The buyers should be positive towards putting up common goals and to stick to what has been agreed upon. They must be willing to have a frequent dialogue for the relationship to advance in a reasonable extent of time. This is especially important when there is a geographical distance.

S3. They must truly work towards improvement and to conduct business "with body and soul" and need to be both professional, in the sense that they have routines to handle problems, to collaborate (everyone knows who is in charge of what), and at the same time be flexible and not too bureaucratic. They should also share valuable information with our company.

S4. They handle their payments and all fundamental things in an excellent way and, of course, order as much as possible. They need to be problem solvers who see possibilities instead of only problems and act in a pleasant and professional way.

S5. The most important thing is that they response fast on inquiries and are able to act fast and flexible when we need them to.

4.2.4.3 How would you define *Trust*?

S1. Trust is an understanding that develops over time. It makes the foundation for good and profitable relationships and makes us value the contact more and give them especially good service, accept special inquiries, etc. It is very important in relationship building, but unfortunately not always prioritized as high as it should be.

S2. Evolves through acting in predicted patterns. You have agreed on, spoken out loud or not, being honest and fulfilling your obligations. Trust is very important to establish, it is time-consuming and sometimes hard to establish- and can easily be ruined by acting contradictory, inconsistent or being too vague in your communication. Ones it is broken it can be harder to build up than it was in the first place.

S3. An open relationship that builds on truth.

S4. You keep your promises and communicate in a constructive and open way, which is very important for the relationship to work.

S5. To learn to have an open dialogue about problems that may we may be facing, or problems already arisen. We need to know that we aren't "played off" against another supplier, but that there is a mutual understanding that we both are willing to solve problems instead of trading each other off. Mutual trust is very important in relationship building.

4.2.4.4 How do you define *Commitment*?

S1 Commitment is clear indication that you value the relationship and that it is worth investing time and effort in. It is a mutual understanding that builds on a balance between giving and taking which needs to be balanced. If one party commits more than the other, there is a risk that the positive circle (mutual strive for "win-win" and benefits of cooperating) is broken and the relationship is at risk. It is important to communicate but often showed through actions rather than a feeling, such in the case of trust. Committing often means that the buyer reorders from us, which we embrace by treating him extra well in term of discounts and service.

S2. Engagement in what is best for the two companies, which makes a very important part of the relationship. Working actively towards company goals and common goals set up with the other firm.

S3. That you really fulfill what you promise without any unnecessary mistakes, delays or drawbacks. True commitment is when you set the bar higher (for example when it comes to providing service) than you have to, just because the relationship benefits from it. "What comes around goes around!"

S4. You don't deliver, or present, anything which isn't perfect.

S5. It is a prerequisite for cooperation and a healthy relation.

4.2.4.5 How do you define *Satisfaction*?

S1. We get satisfied when the customer shows that he is satisfied by re-ordering. The customer invests by placing large orders frequently. After we have established routines that fit our organization, as well as meet customer needs, the relationship becomes much more efficient and profitable for both sides. It is important, but not as fundamental prerequisite for the relationship to work as commitment and trust, since the level of satisfaction can change more easily.

S2. When the budget is met and you get feedback so you can improve your products and service, which is very, very central to us.

S3. Re-buys and large orders means that the customer is satisfied, which satisfies us. However, we are never looking at reaching fully satisfaction since that means not striving towards constant improvement, which increases the risk that you loose your competitiveness against competitors. If this happens the customer might change supplier, or the two companies hinder each other to excel and develop, leading to that both the supplier and the buyer looses in respective markets. In this respect, satisfaction is not something we value high. Relationships should aim at pushing each other in becoming better. Through increased profit for both companies, a "special bond" is created between the firms, leading to mutual satisfaction.

S4. You keep what you promise, which is connected to "the trust" and just as important.

S5. A new order from the customer often means that they are satisfied with the last order. Loyal customers make an important part of our turnover, so meeting customer needs in a satisfactory way is one of the most important ingredients for a good relationship.

4.2.4.6 What factor/characteristic do you regard as <u>most</u> important in relationship building? *Trust, Commitment, Satisfaction* **or** *other*? **(of** *other*, **which?)**

S1. Trust

S2.   Trust

S3.   Commitment is a definite prerequisite for us to be willing to invest anything "extra" in the relationship, which is particularly important in the beginning of a relationship and for it to develop into something deeper. Dedication to create successful deals, both in a long-term perspective and in the near future is most important and needs to be communicated to each other.

S4.   Satisfaction. If the relationship lasts it must have this foundation to stand on.

S5.   Trust is most important through out the entire relationship.

4.2.4.7 What are typical common goals for you and your foreign counterparts?

S1.   To develop/improve the products together. Work to make the processes more efficient and reliable, and together take market shares and increase turn over.

S2.   (Could not give any examples)

S3.   That you work with the same product portfolio (to develop it) and strive towards agreements that has been set up. This way, a very important goal is to work towards the goals/objectives agreed on and not change direction without approval. If there is an understanding that the next target market (they want to expand internationally from Germany and keep us as suppliers in the new market) will be China, investigating the American market (as substitution for Chinese) without our knowledge is not acceptable.

S4.   High quality clothes at a good price.

S5.   (Could not give any examples)

4.2.4.8 Do you experience differences in the relationships with Swedish companies compared to foreign companies?

S1.   The geographical distance makes it harder to have a continuous physical contact. Due to this, both parties have to be particularly clear and precise in the communication. Frequent contacts over the phone, combined with e-mails have a greater importance working internationally.

S2.   Yes. The largest difference when it comes to communication is that the Germans aren't as much for "small talk" as Swedish business men, especially during the negotiation process. The German business culture is more concentrated on getting things done related to business, than to socialize and connect on a personal level. They have a more disciplined agenda, one could say.

S3.   No, there are no major differences except that we use English as business language. We consider all of our customers equally important so we do not favor anyone by acting differently.

S4.   Yes. The Germans have a "harder" business culture than we have in Sweden, which can result in difficulties to penetrate the market. This is not, in my experience, related to basic communication difficulties (language barriers) as much as understanding the business culture and their way of collaborating, as well as an overall though competitive environment. You need to be willing to adapt to their somewhat overly strict and impersonal way of doing business.

S5.   Yes. They are harsher many times and strict when it comes to being punctual, deliver on time, etc.

4.2.4.9   Did you encounter any problems when partnering with German firms?

S1.   No, nothing at all.

S2.   Yes, there have been problems all the way with different types of certificates, although EU has made it easier. The German firms have not been very flexible in meeting our inquiries and adapt to our suggestions, sticking to "their way" of doing business.

S3.   Yes, consider themselves as "the best" in every aspect and seem to have difficulties in seeing the advantages of building a relationship/ cooperating on equal terms.

S4.   Yes, before the relationship has developed to a more personal one, they are cautious and suspicious. Once you have decided to do business, they always keep what they promise!

S5.   No. But you need to have a partner in Germany to gain their trust.

4.2.4.10   What would you regard as typical personal German buyer characteristics?

S1.   They are very strict with advance planning, keep their timetable and are overall well organized. They stand for what they say and are very careful what they promise and how they express themselves. They are not very flexible, however.

S2.   Very demanding and strict when compared to the more talkative and socially constructed business culture that we have in Sweden. They probably see us as somewhat" muddled" and vacillating.

S3.   Absolutely not flexible! If an unreasonable low price is set in a catalogue by mistake, it is very long and time consuming process of making such changes. It is hard to keep the Germans pleased when such is necessary. They are not very accommodating. For example, if you contact them to ask some questions, they often reply by asking "why do you need to know that", instead of being more service minded and helpful.

S4.   They are generally very strict and exact with details, almost in a military way.

S5.	They are utterly correct and always make you feel welcome. They are very hierarchical and strict, which can demand that your firm is extra flexible, something that you need to be aware of.

### 4.2.4.11	How *satisfied* are you with the relationship to your German business partners? (Scale 1-10)

S1.	8. This is purely based on how much they order from us. (Order more= >8, order less= <8).
S2.	6. Their strict way of acting and communicating can be too much sometimes.
S3.	6.
S4.	9. Very satisfied. There are of course small changes in their business behavior that could be improved to serve us better, but no things of greater importance.
S5.	10. Nothing can be improved in our relationship.

## 4.3	German Companies

## 4.3.1	Facts

### 4.3.1.1	Number of employees in company

B1.	25,000 in whole company; 150 persons in purchase department
B2.	10
B3.	80
B4.	1200 in whole company, 6 in purchase department
B5.	3000 in whole company, ca. 40 in purchase department

### 4.3.1.2	Position of the respondent

B1.	Central Purchase Manager, (Male)
B2.	COO (Female)
B3.	COO (Male)
B4.	Central Purchaser (Male)
B5.	Product Manager (Female)

### 4.3.1.3	How long have you been employed at "B" company?

B1.	12 years
B2.	6 years
B3.	15 years
B4.	20 years
B5.	10 years

### 4.3.1.4	How long have you been working in the purchase/import department?

B1.   12 years, in total 20 years experience within purchasing
B2.   6 years
B3.   15 years
B4.   20 years, in total 30 years experience within purchasing
B5.   10 years

4.3.2   Relationship Establishment

4.3.2.1   Do you currently have business relationships to foreign suppliers?

B1.   Yes, Asia (China, Bangladesh etc), Europe (e.g. Denmark)

B2.   Yes, mostly with Italy but also with Spain, USA, UK and Belgium

B3.   Yes, we have business relationships with many foreign suppliers. Yet, all of them have their sales representatives or own subsidiaries in Germany. Therefore, we interact mainly with German speaking people. When we communicate with Tommy Hilfiger for example we have our contact person in Hamburg.

B4.   Yes, Asia and Italy

B5.   Yes, Italy, Spain, Asia (China, Vietnam), Netherlands, UK

4.3.2.2   How do you normally get in contact with new suppliers?

B1.   This differs depending on the product since the company acquires a mixture between private brands and manufacturer brands. We actively search for contacts with new suppliers through an import department and utilize professional purchasers with experience in the certain product group. On the other hand, suppliers get into contact with us either through personal contacts or at trade fairs. E-mails are a quite in-effective way due to the masses of mails that daily reach my mail account.

B2.   We usually visit trade fairs in Düsseldorf and Munich. It happens frequently that sales representatives approach us in our shop but we do not like that very much and consequently do not purchase anything from them.

B3.   Usually through trade fairs or through recommendations of other retailers in the same industry that have had contacts with a certain supplier. We don't like when sales agents come directly into our store. This is rather disturbing for us.

B4.   Suppliers usually get into contact with us, mostly over emails, letters or sample shipments but we also travel to other countries to find new suppliers by ourselves.

B5.   Suppliers write us emails or call up which I always find a bit difficult. I prefer to meet people face-to-face. Trade fairs are therefore the preferred way to get into contact.

4.3.2.3 What is important for you that the seller demonstrates after the first contact?

B1. There is nothing in particular which I can think of at the moment. Finally, it is the offer which is the most important component and second depending on the offer whether an agreement can be made.

B2. The seller must show sympathy, absolute competency including knowledge about his products, credibility and service-orientation.

B3. A seller must demonstrate that he wants to build up some sort of continuity for future interactions with him/her. This is expressed for example in offering products that not only last one season but promise to be consistent in sales potential over several seasons. Moreover, other factors such as a seller's performance, suitable delivery rhythms, prices and trends are critical. Innovative and fashionable products are a plus.

B4. First of all, the supplier's conditions of facilities are important, whether the supplier has right factory capacity including machinery etc. Then the supplier must demonstrate a certain flexibility as pre-condition and must convince us with aspects like delivery conditions, product quality, origins of materials (e.g. no child labor)

B5. Credibility concerning promises, delivery dates, quality of the products etc. but the product stands on first place. The product must be appealing to us in terms of fashion, but also from a cost-benefit point of view.

4.3.2.4 Do you normally have a business meeting?

B1. Yes, but this depends on the location of the supplier. In general, meetings with European suppliers are more frequent than meetings with Asian suppliers.

B2. Normally, no.

B3. Yes, if we are interested than we arrange normally a business meeting in a fashion center which serves as a hub for the Northern region. There, sales representatives have their offices and showrooms were they present their collections to us. If no showroom is available, the collection is presented in our premises. It also happens that we order directly at the trade fair. In that case there is no direct subsequent meeting but the seller usually calls up within the season to find out how the products are selling, how the brand has developed in our store and if everything is to our satisfaction. In that case he frequently offers an intermediate collection. With large suppliers such as Esprit we usually meet up to 12 times per year, depending on the number of intermediate collections. With smaller ones meetings take place around 2 to 5 times per year.

B4. No, not always. This usually happens only when the supplier has convinced me in the forefront by working in the right country, having the right delivery capabilities and good prices.

B5.   This is very different. Sometimes we buy directly at the trade fair, at other times takes a meeting place in our company where the supplier presents his/her collection and facts such as payment and delivery terms are discussed.

4.3.2.5   Which aspects do you regard as important during the first actual meeting?

B1.   Mostly this is dependent on the product and the overall offer. If we think that the product fits into our concept and the cost-benefit ratio is suitable for our end-consumers, further interactions are certainly considered.

B2.   The seller must prove to have sufficient knowledge about the product, as well as ability to demonstrate how it fit our needs.

B3.   The seller must demonstrate continuity.

B4.   Personal seller aspects are less important, must fit somewhat but certainly it is most important that the company convinces me through excellent capacity.

B5.   Credibility

4.3.3   Communication

4.3.3.1   What means do you use to communicate?

B1.   Telephone and e-mail
B2.   Email, telephone and fax
B3.   Most business is still done over the telephone but the Internet gets increasingly important. Orders are made by fax.
B4.   We utilize many ways to communicate. A lot of communication flows through emails but also postal shipments and personal meetings.
B5.   Mostly over email, but also over the telephone and through personal meetings

4.3.3.2   In which language(s) do you communicate?

B1.   We communicate in German with the German firms and English with everybody else. English is an absolute pre-requisite for the purchaser's job in a large enterprise and every person in our purchase department knows English.
B2.   German, English and Italian
B3.   German
B4.   English
B5.   Both German and English. For our Italian customers we make use of the services of a translator.

4.3.3.3   Do you normally encounter any problems in the communication with foreign firms?

B1. The language but also the meaning of the words is often different and because of that understanding each other can become quite tricky sometimes. When dealing with foreign business partners, one has to be aware of the fact that peculiarities and differences between the cultures exist. Negotiations in China for example demand a large degree of sensitivity and knowledge about the foreign culture. One must be aware of habits for example that Chinese people seldom say directly "no" but "yes or maybe" instead. Additionally, one must know the concept of loosing face and avoid e.g. confronting a Chinese directly in the case of underperformance. Our company has incorporated the dealings with foreign cultures into our core competencies called intercultural competence. It is crucial to demonstrate sensitivity towards the foreign culture and to be able to understand the problem.

B2. Insufficient language knowledge as well as cultural differences can create problems. Besides that, we have no serious negative experiences.

B3. There are none since all business is currently conducted over German sales representatives or subsidiaries.

B4. During my whole career I did not encounter greater difficulties when traveling to foreign countries such as Asia. I was always warmly welcomed and the people in Asia show a tremendous hospitality. But it is certainly crucial that you adapt to the habits and national customs of the foreign culture. If you show some empathy, than you will be usually welcomed very warmly, additionally, it is a must to have good business English skills. There were never any communication difficulties in Asia, but our firm had great language problems with the Italian suppliers. Therefore, we use a translator when communicating with our Italian business partners.

B5. In general, there exist no critical language barriers. Having the product as common communication aspect, there is always a way to express and understand each other. It was hard to get the Italian suppliers to comply to more discipline and reliability.

4.3.4   Relationship

4.3.4.1   What do you expect from a successful buyer-seller relationship?

B1. I consider reliability, trust, partnership, effectiveness and capability as critical components. Furthermore, the combination of product and price must fit. This is especially important with respect to our final consumers. The cost-benefit ratio for the consumer must be acceptable so that he/she does not get the impression of being cheated on. Our aim is to establish long-term relationships with a concentration on a limited number of suppliers. The concentration on a small number makes it easier for us to develop close relationships. In the end it is the offer which is the most important component and depending on this, whether an agreement can be made.

The success and efficiency of a relationship can be measured on different variables, for example by looking at warehouse turnover. Yet, it is not possible to get an accurate picture by only one number.

B2.   The most important aspects are reliability and honesty. Moreover, the goal is to develop partnership concepts and long-term collaborations where it is possible to understand and trust each other blindly.

B3.   The most crucial factor is the performance of the supplier and the relationship. This is expressed by the products' sales turnover / success and their cost-benefit ratio. Second, the return of faulty items or mistakes in orders must be handled appropriately by the supplier. Moreover, if certain items cannot be sold the supplier must be flexible and take them back. If an orange jacket for instance does not sell as expected, the supplier should agree on taking the article back. The sales agent should also be able to initialize change transactions of articles that are more requested in another shop and react instantly in the case of short-comings. So far more partner-like relationships existed with the sales representatives and suppliers. The duration of our existing relationships is very different, ranging from 20 to 25 years with the strong and good firms such as Esprit or Boss, to 8 or 2 years with smaller suppliers.

B4.   Continuity, since it is shown in the cost-benefit ratio, the quality standards, processing standards and in the timely delivery. This is important with concern to our end consumers which expect constant quality products. We are generally interested in long-term interactions but we of course include all the time new suppliers into our portfolio when trends and customer wants change.

B5.   We are very much dependent on the accuracy and timeliness of the delivered goods. Therefore, reliability and credibility are of great importance. We aim at developing a basis for mutual trust with our business partners and we are also interested in common activities such as working together with advertising campaigns. With our private brand suppliers we have a much closer relationship than with our manufacturer brand suppliers. With the former, we look at flexibility, speed and capacity for re-orders but also at the possibility to design own products which the supplier should be able to manufacture for us. Our goal is to concentrate on a limited number of suppliers with which we want to build up long-term business relationships.

4.3.4.2   How would you define *Trust*?

B1.   Trust means that the salesperson must stick to agreements made. This is important because many agreements in the retail industry are made orally for example the amounts of   purchases and it can easily concern a sum in the millions. Mostly only mantel agreements   exist. There is a phrase saying: "Among good business partners (in the retail business) it is the spoken word that counts, not the contract." It takes about six to nine months to develop the basis for trust within a new relationship. It is of highest importance for us to be able to trust our suppliers.

B2.   A supplier can build trust by offering fair business terms and conditions (cost-benefit-ratio must fit the product quality), demonstrate service-mindedness and by understanding my customer needs.

B3.   First of all, the importance of trust depends on the size of the supplier and more importantly on the amount which is purchased from a certain supplier. If only socks are purchased, trust to this particular supplier is maybe less important than if large amounts of items within a segment are purchased from a firm. This is because the possible mistakes have a greater effect on the business. But if a large degree of trust exists it is always favorable also for the smaller suppliers because then we can give their sales representative more freedom in decision-making concerning the collection. He/she can go for example into our shop and stock up his items after his own ideas of what sells and what does not. He should know best which of his products are important and right. When it comes to personal traits, the competence of the sales representative is critical. We have to have trust in his promises and statements which concern his products in our store. The seller must understand and observe if we are able to manage his products. Some shops can handle a distinct manufacturer better than other shops. For the latter, the manufacturer brand might simply not fit into their brand portfolio and a sales representative must be able to recognize things like that and communicate them in a trustworthy manner.

B4.   That we get what we order. This includes continuous and timely delivery, constant quality levels and that we do not get tricked when receiving the products and for example receives inferior quality than ordered and paid for. This will be revealed fairly quickly and would present a good reason for us to end a relationship, in other words; we must trust our partners in order for the relationship to exist.

B5.   Trust means that you can rely on a supplier's honesty in terms of product quality and price. I do not want to find out that I paid too much for a product with less quality when the goods are delivered or controlled.

4.3.4.3   How do you define *Commitment*?

B1.   The supplier is attentive towards our needs and willing to set up goals that serve our company in the long run.

B2.   Commitment from the suppliers side means offering additional services, showing goodwill in certain matters and simply being available for me in case of questions or problems regarding his/her products.

B3.   This depends if the commitment of the sales agent towards his/her own company is meant or the commitment towards our firm. We don't need somebody who calls three times a day to ask if we need five additional jackets because he just got them spare. That is clearly the wrong commitment. For us it is important that the sales agent supports us with the sale of the products which are already in the store.

B4. Commitment and especially flexibility is crucial since we are working in a fast-pacing industry. The seller must demonstrate 100 % commitment towards his products and our company.

B5. We work a lot with manufacturer brand suppliers that usually meet us twice per year to take their orders. I would expect from a good supplier that he/she calls up in between meetings from time to time, without going on our nerves, to ask for information how everything works with the product and if we encounter any difficulties with the sale. Summarized, the supplier should demonstrate interest in our business and not only focus on his sales.

4.3.4.4 How do you define *Satisfaction*?

B1. Our satisfaction with a supplier depends very much on his/her reliability but also on the provided range of products, therefore satisfaction is what's make us want to continue collaborate or not. The products must fit our current concept and must have an appropriate sales turnover.

B2. I am satisfied with a relationship when I get the feeling that the supplier acts after my best interest.   .

B3. Satisfaction with a relationship is in fact the outcome of the other components like trust and commitment. For me this pure numerical variable which can be measured by the degree of performance or the profit margin. A high profit margin certainly increases satisfaction. It has nothing to do with personal characteristics of a sales agent or the supplier firm. The satisfaction with the relationship is certainly the result of the performance. If I am not satisfied with the sales numbers of the products it does not matter how friendly the sales representative is, the relationship will be ended regardless.

B4. Satisfaction with a relationship is indispensable and very much depends on the commitment and trust displayed by the supplier.

B5. We are satisfied if the supplier could manage to install a basis for trust and credibility.

4.3.4.5 What could be typical *common goals* for you and your foreign counterparts?

B1. The goal is to create business with each other but also the profits are very central. For us it turned out to be useful to create a benchmark with other comparable suppliers in order to define common goals with a certain supplier. Furthermore, it is important that the products sell themselves. All of our calculations and definitions of goals are made having the end consumer in mind.

B2. Common goals can be seen in symbiotic success and mutual growth.

B3. Common goals are specified together with the supplier or his agent in the business plan. Here it is important how the supplier brand will be presented in our shop and how their products work for us. Indeed, how their products work

for us not the firm it-self. This is determined by indicators such as sufficient delivery capacity and inventory turnover and makes an important part in relationship building.

B4.   The common goal is to continue with a successful business relationship into the future and to realize mutual satisfying sales and profits.

B5.   The formulation of common goals is especially important for us since we concentrate and are thus more dependent on a small number of suppliers. Common goals are necessary in order for both partners to benefit from the relationship. For our private brand suppliers we aim at developing a close and strong relationship. With the large manufacturer brands the expectations are much more defined by commercial parameters such as sales turnover or profit and negotiations take place at a higher decision-making level within the organization. The supplier's goal is to sell as much as possible to us whereas our goal is to own he highest possible margin with selling their products.

4.3.4.6   What factor/characteristic do you regard as <u>most</u> important in relationship building? *Trust, Commitment, Satisfaction **or** other*? **(if** *other*, **which?)**

B1.   Seller capacity and efficiency is probably most important. This is followed by satisfaction and then trust.
B2.   Satisfaction
B3.   Satisfaction
B4.   Trust
B5.   Common goals

4.3.4.7   Do you experience differences in the relationship with German companies compared with foreign firms?

B1.   Of course do differences exist, but it depends on the industry. In the textile industry for example a lot of products and materials are purchased in Asia. Usually the contact is more intensive with German partners since it is possible to meet more frequent and to communicate easier.

B2.   I experienced that foreign suppliers are often less reliable than German suppliers. This unreliability is expressed through not returning calls and not attending appointments.

B3.   We always use agents with foreign firms, but in general collaborating with foreign firms always brings certain insecurity, since you cannot be sure of their business practices to the same extent.

B4.   I cannot see any crucial differences since everybody is interested in making a business. Naturally, every country utilizes its capacities differently and therefore do differences with respect to e.g. wage levels or others exist.

B5.   In my opinion German suppliers are generally top organized, have excellent logistics, accurate delivery schedules and reliable order processing.

Stereotypically spoken, the Italians for example are the exact opposite. They are unorganized, have difficulties with delivery compliances, and they frequently do not hold promises previously made. From a personal point of view, Italians and Dutch people have certainly an easier likeable personality than Germans but are unfortunately often less reliable.

4.3.4.8 How much do you perceive business *culture* to affect business relationships?

B1. We have very good relations to our foreign business partners. Certainly, there is always space for improvement but the foreign culture is usually not a barrier for us for developing a good relationship but you definitely have to know how to behave when it comes to interactions with a foreign party.

B2. I think that the foreign business culture has an immense influence on the smooth development of the relationship. With the Italians for example their culture means "If not today then maybe tomorrow" which is not in correspondence with my cultural beliefs of how business is conducted.

B3. In general, cultural differences can create problem since business practices differ between countries.

B4. If you prepare for the different cultural aspects there are usually no problems.

B5. The foreign culture has certainly a great impact but this is generally no obstacle for us to establish and maintain business relationships with foreign firms. One has simply to prepare for difficulties that might arise.

4.3.4.9 How would you describe typical Swedish seller characteristics?

B1. Swedish people are relaxed, fast with saying "you" and uncomplicated but at the same time very professional, pragmatic and reliable. That does not mean that I would automatically trust a Swedish firm more than a German one. In addition, Swedes do not care very much about the outward appearance but regard social competencies as more important.

B2. I regard Swedes as very nice and well-behaved people.

B3. Being located in the North of Germany, we have a lot of Scandinavian including Swedish customers. I perceive Swedes as very open-minded and happy persons acknowledging that, when being in holidays one is always in a slightly better mood.

B4. I cannot really say anything to this question since I had no previous contacts with Swedes.

B5. I consider Swedish people to be very open-minded, optimistic and life-loving persons which are clearly more courageous in terms of fashion than the Germans.

5 Analysis

In the following section the Empirical Findings will be analyzed in relation to the Frame of Reference presented in the thesis. The aim is to fulfill the purpose and process and structure the findings to give them a deeper meaning to the reader, as well as make the foundation for the Conclusion and Recommendations that will follow.

The analysis is divided into two parts. The first part examines the individual Stages of the Relationship Development Process where the Swedish sellers' and the German buyers' responses will be analyzed in relation to the respective Stages. Every stage will be opened with a brief retrospect of the most central principles of each stage in the Development Process. However, the analysis will not be limited to the theories listed in the introduction to each stage. These are included as a reminder for the reader of what signifies the respective stages. The second part includes a comparative analysis between the Swedish and the German findings, where differences as well as similarities are pointed out. Note: The parts indicated by *italic* are not actual quotes, but based on the translated data retrieved during the interviews.

5.1 Pre-Stage

This stage comprises the efforts of the initiating firm of finding out information about potential business partners. It can include foreign market analysis and other means of research, as well as cultural preparations and shall support the firm when initializing the first contact. Since the study was conducted from a Swedish seller's point of view, the questions were prepared accordingly. Consequently, there will be no findings for the German buyers concerning the Pre-Stage.

5.1.1 Swedish Sellers

After the data was collected it became apparent that internal preparations are practiced by few firms, especially the Swedish SMEs. None of the respondents stated to have conducted any research on the new market, or any explicit internal changes, prior to entry to the German market. Reasons for this were that the *expansion was more of a coincidence* (S1) or seen as a *wild-card* (S2; 4.2.2.2). Yet, two of the respondents had met their future customers at trade fairs in Germany. This indicates at least a pre-set intention of entering the market and it is assumed that some form of market research must have taken place. This research could be more of an informal way, for example by relying on experiences from friends or business colleagues. As indicated by one of the firms; *we had the knowledge how business is conducted in Germany* even though the expansion to Germany was their first international experience (4.2.2.1). This assumes that they had employees that were somehow related to Germany. Even though the degree of knowledge about the foreign market is uncertain in this case, this attitude could indicate under-estimation of the whole process of internationalization. The two Swedish firms that attended the trade-fairs must have investigated the regulations concerning exporting to Germany, the attending companies of the trade fairs and, depending on whether they were exhibiting or just visiting, they must have prepared their product offer for this particular event.

Even though no thorough research was made, it still corresponds to Conway and Swift's (2000) assumption that during the internationalization process the importance of gathering prior knowledge about the new market and internal communication as well as internal preparations may become necessary before entering a new relationship (Conway & Swift, 2000). These preparations can be included to establish a customer-oriented business culture within the firm (Cann, 1998).

It was indicated by S2 that they realized that they had a lack of insight in the German market since they conducted market research in order to explore expansion possibilities and strategies (4.2.2.2). This can be seen as a learning-by-doing approach which is assumed to be more typical for SMEs than for larger firms, since SMEs can react more flexible in their actions and decision-making. As the literature (e.g. Hollensen, 2004) indicates, smaller firms tend to approach close markets first, both in terms of geographical, but also psychological, proximity. Since cultural differences potentially can hinder an expansion to foreign markets, most firms start their internationalization process by going to those markets which they can most easily understand. This makes it easier for them to recognize opportunities and their perceived market uncertainty is low (Morosini et al, 1998 cited in Conway & Swift, 2000). All firms but one (S2) indicated that they had previous experiences in other foreign markets, mostly in Europe (e.g. United Kingdom, Switzerland, France) and very often in Scandinavia (e.g. Finland, Norway) (4.2.2.1). The spread of the firms' international expansions confirms the preference to enter geographically close markets first, as well as in the case of Scandinavian countries, psychologically close markets. This may be due to the assumption that there may be fewer barriers concerning culture and communication in psychologically closer markets. The SMEs' choice of entering geographically close markets as a first step can be explained by the often limited financial resources of smaller enterprises.

5.1.2 German Buyers

5.2 Early Stage

The Early Stage is characterized by first cross-cultural interaction between the two parties where initial customer satisfaction becomes important (Conway & Swift, 2000) but no commitment of either party exists during these first contacts (Ford et al, 1998). Potential outcomes of the interaction and motives of the parties are still rather unclear and certain kinds of distances, such as social distance, cultural distance or technological distance, may reduce the understanding of each other. It is important to acknowledge that this stage presents a critical step for the further development of the relationship as most relationships fail during this stage due to a lack of cultural empathy (Conway & Swift, 2000).

5.2.1 Swedish Sellers

In this stage the first personal contact takes place. As described by the Swedish respondents, trade fairs or existing business contacts were the most common ways to initiate contact with the German buyers. Even though Steenkamp (2001) stresses, that omitting to take cultural differences between countries into account can lead to business failure, all Swedish firms mastered to establish a relationship with their German counterparts, although none of them particularly prepared for possible cultural differences at forehand. This may be evidence that there is something else which is more important than the social interactions within this stage, possibly the product offer.

Proper **Communication** enables the seller to understand and respond to customer needs, which is especially important when beginning to collaborate, and by doing so initial customer satisfaction is created (Boles et al, 1996). Yet, particularly during cross-border interactions psychic distance which is characterized by differences in language and culture may disturb the information flow between the two firms especially in the Early Stage (Hollensen, 2004). To counteract this problem, it is critical for the initializing company to be open-minded and to be able to listen to the foreign party's needs. One seller takes this claim even further by arguing that if the ability to listen is apparent, it can replace the necessity for prior internal preparations (S1; 4.2.2.2). When studying the data, one can find that the respondents have experienced communication problems as result of language barriers and cultural differences, especially in the Early Stage of the relationship (4.2.3.3). However, these communication barriers were minor and could be overcome during the development process, which might one of the reasons why all of the firms still are collaborating with the foreign firms. Typically, initial problems in understanding occurred rather to the different interpretations of words related to different cultural backgrounds (4.2.3.3).

The development of a relationship is about people, about social and personal interactions. Therefore, the ability and willingness of both parties to communicate the core assumptions and principles of a relationship such as trust and commitment is crucial (Harwood & Garry, 2006). Bowen et al. (1989, cited in Cann, 1998) emphasize that a relationship is warranted only when there exist certain goal congruence between the business partners and definition of common goals is, according to Blois (1998), a prerequisite for the firms to be willing to invest in the future of the relationship from start. As can be seen from the findings, profit maximization, as well as market expansion, are the overall goals practiced (4.2.4.1). Firms express differently how this can be achieved, one mentioning for example engaging in long term collaboration with specific firms (S4; 4.2.4.1). Other goals for the sellers include establishing routines and the wish to *develop and improve products together*. Further, the development of the relationship to long-term and close interaction is frequently mentioned as objective (4.2.4.1) and aspired outcomes are to *create a relationship worth investing in and contributing to a good working environment and business climate* (S3; 4.2.4.1).

Typically, a lack of **trust** and concern about the other party's **commitment** exists in this stage. Consequently, demonstrating commitment is critical at this point in time in order to earn the trust of the future partner and necessary for a further development of the relationship (Ford et al, 1998). Since the parties seldom have gotten to know each other on a personal level at this stage, it is especially hard for a seller to demonstrate that he is trustworthy and reliable. Therefore, **communication** including spoken language and body language comprises a major mean of creating first favorable impressions on the counterpart.

As S3 states, commitment is a definite pre-requisite for the seller to be willing to invest anything *extra* into the relationship, and it must be already apparent in the beginning in order that the relationship can develop *into something deeper* (4.2.4.6). He identifies *dedication* as a sub-category for commitment expressed through conducting business with *body and soul*. This demonstrates that not only profits and sales matter but that personal aspects are possibly equally important in relationship building. This kind of social bonding between the buyer and the seller generates additional value because it creates a comfortable and trusting atmosphere to do business in (Cann, 1998). Yet, the question which party should start with committing to the early relationship, thus taking the risk of failure, naturally differ between the parties.

In reality this may not a significant problem since each relationship is exclusive and the parties start with each having distinct characteristics which eventually match in the relationship building process. It is possible that the party who feels more secure in its position automatically starts with making a contribution which in turn will be recognized and appreciated by the other party. When this contribution is returned, mutual commitment is perceived by the firms to exist.

Satisfaction, as defined by one seller (S1, 4.2.4.5.), is indicated when the buyer shows his loyalty by re-ordering. This, in turn, will lead to the seller being satisfied in the Early Stage. If the buyer stays with the supplier, the seller is likely to demonstrate some kind of service in return which enhances the buyer's loyalty, thus a mutual commitment is starting to exist (4.2.4.5).

5.2.2   German Buyers

Within the Relationship Development Process the first crucial moment for a relationship to be established is when two companies meet each other for the first time. The first contact can be initialized by either the seller or the buyer. The interviews reveal that most German buyers meet potential business partners at trade fairs related to the textile industry in Germany. During these trade fairs it is not pre-determined who initializes the contact - whichever party is interested approaches the other. Both parties get a first impression of each other and have the first possibility to discuss the product, basic terms and paying conditions. If the first impression is positive and the product appealing, it can be the case that German business buyers place their order directly at the fair without first engaging in a pre-set meeting (4.3.2.4).

It frequently happens that suppliers take the initiative and approach potential customers through e-mails, telephone calls, sample shipments or come directly into the shops (4.3.2.2). Most of the respondents found this way rather disturbing and indicated that the probability to buy from an unannounced sales representative is low (4.3.2.2.). Only one firm (B1) indicated that they actively search for new suppliers by means other than trade fairs. Existing contacts can help in recommending possible business partners or interesting product segments and business trips to foreign countries enable firms to find new suppliers abroad (4.3.2.2). Relating these findings to cultural aspects, one can say that German buyers are more reserved and like to have time to consider a purchase without feeling pressure. Meeting at a neutral place, e.g. a trade fair, offers some sort of security and flexibility for both sides and enhances the willingness to buy. E-mails from unknown suppliers seem to be ineffective when establishing initial contact, due to large numbers of e-mails received daily by the purchaser. The likelihood that they will be answered is low, as indicated by one respondent (4.3.2.2). In most cases a first business meeting followed the initial contact. The pre-condition naturally is that the supplier's products, prices and business conditions appeal to the purchaser in the first place.

Within the Early Stage, actions of each party are critical since no trust exists between the parties yet (Ford et al, 1998). It is very much dependent on the seller to make a favorable impression and create positive feelings towards his/her firm and products on the buyer's side. Initially, this positive impression depends to a great extent on the product offer itself in terms of quality and price (4.3.2.3.; 4.3.2.5). Additionally, the respondents indicated that the seller must have *good product knowledge* and should appear *competent*, *credible* and *friendly*.

Moreover, he/she must communicate to be able to provide *continuity* for future interactions which means that the purchaser is not interested in short-term interactions but wants to build up a longer-term commitment with a supplier which lasts for more than one season (4.3.2.3). Since relational exchanges are social interactions, as indicated by Conway and Swift (2000), satisfaction could also be enhanced by establishing social bonds between the companies through e.g. arranging social events with the aim to better getting to know the other party on a more personal level. Thus, social events can potentially help the relationship to advance.

Even though **commitment** is described as an investment into a relationship which both partners make (Conway & Swift, 2000), the German respondents thought less of how they could demonstrate commitment and put more emphasis on how the supplier can demonstrate commitment to them within the Early Stage and throughout the collaboration. Customer commitment can be demonstrated by extraordinary efforts of the salesperson (Cann, 1998), where the need for extra attention and understanding of customer can be obtained by showing interest in the product development in the customer's store (B3, B5, 4.3.2.3). Also, offering additional services, such as replacement of goods not proven to be attractive to the market (B2, B3, 4.3.2.3.) and to be supportive if extra service is needed is also regarded as important (B2, 4.3.2.3). Further, an important way of showing commitment can be seen in supporting the customer with the sale of the products in the customer's store. This is mutual beneficial since both parties profit from excellent product sales (B3; 4.3.4.3). Additionally, an important indicator for commitment according to the respondents is flexibility (4.3.4.3).

One possible explanation why customer commitment was mentioned by the German buyers exclusively may be that one's own commitment is reduced in the Early Stage because distance still exists between the parties. In addition, it can also be a cultural peculiarity which differs between countries or even industries. Germans according to one Swedish seller are cautious and suspicious *before the relationship has developed to a more personal one* (S4; 4.2.4.9). This, in turn, relates to the **trust** issue and demonstrates that trust can be a pre-condition for increased commitment, as indicated by Conway and Swift (2000)

A necessary pre-condition for striving after common goal realization is the definition of relationship goals by both parties within an Early Stage, supported by Blois (1998) and highlighted by companies B2 and B5 (4.3.4.5). Benchmarking with other suppliers is used by one company as a tool to specify the common goals with a new business partner (B1; 4.3.4.5). Typical operation-related goals, named by the respondents, were profit and sales maximization which are derived from the assumption that everybody wants to sell, regardless of industry or country the business is located in (4.3.4.5). More intangible goals were to create a business with each other and to build up a mutual beneficial partnership, where the two companies can grow with each other and benefit from *symbiotic success* (B2; 4.3.4.5). Moreover, strive for the development of close and long-term partnerships became apparent with the mentioning of catchphrases like: *develop partnership concepts* and *long-term collaborations* (B2), *close relationships* (B1) and *developing a basis for mutual trust* (B5, 4.3.4.1).

In order for the relationship to progress to the Developing Stage, the other party's expectations must be understood and catered for. Again, the need to communicate these expectations appropriately is apparent. The German buyers' expectations towards a mutual beneficial relationship reflect the in their attitudes and perceptions regarding the categories Trust, Satisfaction and Commitment and add sub-categories.

According to the respondents, trust comprises reliability (B1, B2,), honesty (B2) (4.4.4.1). The long-term strive and collaboration aspect is indicated by the expressions *partnership* (B1, B2) and *continuity* (B3; 4.3.2.3). Others refer to the capability of the other party including *flexibility, capacity, speed* (B5; 4.3.4.1), *effectiveness* (B3; 4.3.4.1) and *efficiency* (B1; 4.3.4.1). One respondent even states that the product offer itself is the most important component of a relationship where especially the combination of product and price (cost-benefit-ratio) is looked at (B1; 4.3.4.1). If the supplier manages to fulfill these expectations in the process, this will eventually lead to customer satisfaction in the later stages of the relationship building (Anderson & Narus, 2001).

5.3   Developing Stage

During the Developing Stage, Trust and Commitment can develop between the two parties which is facilitated by a greater level of mutual understanding and empathy (Conway & Swift, 2000). One way of showing commitment and building trust is the willingness to make adaptations for example by showing flexibility and the ability to make short-noticed agreements in case of e.g. changes (Ford et al, 1998).

5.3.1   Swedish Sellers

For Moorman et al (1992, cited in Wilson, 1995) trust presents a willingness to rely on an exchange in which one has confidence. Trust in economic exchanges is the *"expectation that parties will make a good faith effort to behave in accordance with any commitments, be honest in negotiations and not to take advantage of the other even when the opportunity is available"* (Hosmer, 1995 cited in Conway & Swift, 2000, p. 1394). In other words, trust can be build by meeting commitments, being honest and not acting opportunistically. In the findings, **trust,** as indicated by the sellers, is based on honesty, openness and reliability. The respondents have all defined trust slightly differently, but no significant variations are found. It is a component which *develops over time* (S1), *evolves through acting in predicted patterns* (S2) and involves the process of learning (4.2.4.3). The collected perception is that *trust is a time consuming state to reach and maintain, involving, fulfilling obligations and acting honestly and constructively through an open communication.* The existence of trust has also been expressed in the findings as a necessity for the relationship to work and develop, since it is connected to a feeling of safety. Further, the respondent argued that if the partner firm does not return this feeling of safety, he indicates short term intentions and redistribution of attention in favor of those who show long-term thinking is likely to happen (4.2.4.2.). This connection between trust and long-term collaboration is verified by another seller who claims that trust between the parties must be present in order for the relationship to develop into a more personal relationship (4.2.4.2.) This suggests that trust not only is especially important to communicate in the beginning of a relationship, but also central later in the process when the relationship advances. S3 also agrees that trust helps to develop and contribute to internal benefits as better working environment and business climate (4.2.4.2).

Almost all of the respondents highlighted that, for trust between the parties to exist, it is critical to utilize an open **communication**/dialogue (4.2.4.3). This goes along with the opinion of Wren and Simpson (1996) who suggest that bi-directional or two-way communication enhances interaction outcomes. Further, trust is seen as a pre-condition for increased commitment and loyalty to the relationship (4.2.4.3). When there is a physical distance the firms accept that face-to-face meetings are to a large extent replaced by the use of e-mails and telephone calls, as verified by the respondents.

All five firms have stated that e-mail is used to maintain the day-to-day collaboration, whereas telephone calls/ telephone meetings are used by firms to answer questions from their buyers and use telephone to receive orders (4.2.3.1). One firm, despite the geographical distance, thought of personal relationship so important that all meetings of significance are held face-to-face (4.2.3.1). This supplier also seemed particularly pleased with their collaboration. As suggested by the theory, combining the means of communication in a way that fits both firms' organization leads to mutual benefit from a continuous flow of information (Wren & Simpson, 1996), possibly explaining these minor variations in how the contact is maintained.

Trust can be seen as a pre-condition for increased **commitment** by the parties (Conway & Swift, 2000). Moorman et al. (1992, cited in Wilson, 1995) describe commitment as the enduring desire to maintain a valued relationship which is in correspondence to our findings that commitment is something that is of high importance for a successful business relation (4.2.4.5). Within the Developing Stage, the significance of commitment remains but the way of demonstrating commitment seems to alter, away from the one-sided customer commitment to mutually made contributions by both parties. One indication for the depth of commitment is the extent of investments, in terms of time, money and/or resources which both partners put into the relationship. Greater investments represent greater commitment (Conway & Swift, 2000). There are, however, some minor differences in how the respondents describe commitment. However, most firms have quite a similar perception of what is most important, and describe commitment as when both parties work hard to fulfill the pre-set goals. Thus, sharing the mutual believe that it is worth investing in. This verifies Christopher's et al. (1991) findings that dedication and mutual give-and-take situations between the firms will lead to a long-term relation. Further, Bole's et al (1996) claim that the seller's commitment increases when the seller perceives the buyer as committed, thus a *give and take* situation is achieved (4.2.4.4.). As one respondent answered, true commitment is when you set the bar higher to enhance the relationship (S3; 4.2.4.4). Furthermore, S1 sees the existence of commitment as clear statement for the existing relationship (4.2.4.3). -The more commitment you show, the more trust is created and the more will the partners open up and invest into the relationship (S1; 4.2.4.4). One of the respondents explains this by stating a full commitment is reached when one of the partners delivers that extra service, which will improve the relation (4.1.4.4). He further argues that *what goes around, comes around*, relating to Barksdale & Johnson's (1996) thoughts that a business relation improves when the seller receives the businesses partners full support.

Some of the findings suggest that **satisfaction** is increases as the seller perceives the buyer to be satisfied with the overall exchange, by frequently placing new orders and handling the transaction in accordance to what has been agreed upon. The higher the levels of satisfaction, the more likely are the firms to trust each other, which in turn potentially increases the level of satisfaction. This way, it enforces itself through the actions of the parties. As one of the respondents claim; *re-buys and large orders means that the customer is satisfied, which makes us satisfied* (S3, 4.2.4.5). Even though this is a fairly simple picture of satisfaction, it is supported by other respondents' answers (S1, S5; 4.2.4.5). Satisfaction can be regarded as closely related to trust. As one seller depicts: If *you keep what you promise* (i.e. you are reliable), *I am satisfied* (S4; 4.2.4.5).

5.3.2 German Buyers

When asked to define what **trust** means to the five German respondents, all of them stated that is important that the supplier does not make false promises and, more drastically, that he does not betray them, e.g. by delivering lower quality products than actually agreed on. This will sooner or later come out and represents a substantial reason for at least one of the respondents to end the relationship instantly (B4; 4.3.4.2), also confirmed by Ford et al (1998). Therefore, trust can be directly related to honesty. In the textile retail industry, it is very common that agreements are made orally without a legal contract to back them up (4.3.4.2), thus trust represents an indispensable component to a high-quality partnership. This corresponds to Ford (1984) who argues that not all aspects of a relationship can be legalized, thus highlighting the necessity for trust. Even though this differs for each relationship, one respondent indicated that it takes about six to nine months to develop the basis for trust (B3; 4.3.4.2). The findings show two components that depend on rather personal characteristics, thus challenging the salesperson competences which are; understanding of customer needs and demonstration of service-mindedness (4.3.4.2). As indicated by one buyer, the importance of trust depends on the degree of dependability on the supplier. If large quantities are purchased from a single supplier the level of trust towards this particular seller must be greater than if only a few products are purchased from a supplier (B3; 4.3.4.2).

As suggested by the findings, **Commitment** must be apparent throughout the whole Development Process and naturally must be transferred from the Early Stage to this Developing Stage. After the parties could create some trust, they will be more likely to commit to the relationship in the form of investments. This is necessary since business relationships are often complex constructs, involving frequent interaction and information exchange which might require both parties to adapt a number of aspects of their activities (Ford et al, 2001). This can include the adaptation/development of internal processes, even though it was not explicitly mentioned by the respondents.

Satisfaction with a relationship is the outcome of trust and commitment (B1; 4.3.4.4), and the buyers indicated that they are satisfied if the supplier acts in the customer's best interest, as well as being reliable and credible (4.3.4.4). As mentioned by Anderson and Narus (2001), satisfaction is most commonly looked at from a customer's point of view and described as the combined evaluation of a firm's market offering. Customer expectations, perceived quality and perceived value are forming the overall level of customer satisfaction. One respondent describes satisfaction as the combination of numerical and intangible aspects. The numerical aspects can be easily measured e.g. as a result of sales performance and profits (B1) and, according to B1, a high profit margin increases satisfaction (4.3.4.4). Moreover, the importance of constant product quality was mentioned a number of times as well as the perceived value of the relationship expressed in the cost-benefit-ratio (4.3.4.4). Grönroos (2000) emphasizes that customer satisfaction contributes to the formation of bonds between the two parties. If this is true, it is likely to have a favorable effect on the strength of the relationship and will make it easier for the two parties to enter the Stable Stage.

5.4 Stable Stage

During this stage, the mutual benefits of the relationship are at their greatest (White, 2000) and the firms have optimally reached a state of mutual loyalty. This refers to their learning processes and mutual risk taking, but also to their long term investments in the relationship and their high degree of commitment. The purchase of the product/service has become a routine, standard operating procedures are established and former uncertainties have more or less completely been overcome (Ford et al, 1998). At this stage the degree of commitment made by the parties should be more or less equal.

5.4.1 Swedish Sellers

One respondent has identified that trust, expressed in mutual strive for "win-win" and open communication, is a key source to relationship building and helps to establish routines. He further argues that this, in turn, helps creating a more cost efficient organization in terms of time and money. Relating back to theory, Ford et al. (1998) has identified that development of routines is an indication that the business relationship has reached the Stable Stage, thus has reached a certain level of stability. Additionally, developing routines and making adjustments to processes results in increased interdependency that has developed between the parties throughout the existing relationship (Dwyer et al, 1987).

During this stage it is suggested that the defined goals will optimally be realized. One of the most frequently mentioned goals of the respondents, besides maximizing profit, is the realization of a close and long-term partnership. Long-term partnerships have the benefit that it is generally cheaper for a supplier in the long run to keep an existing customer than to attract new ones (Grönroos, 2001; Cann, 1998). In addition, a long-term customer can provide feedback on existing products, he becomes a part of the selling team through creating good word-of-mouth and he can encourage new business (Cann, 1998). In addition, satisfaction seen from a customer's point of view will lead to customer loyalty (Anderson & Narus, 2001), which is supported by the findings (S5, 4.2.4.7). The gain of cultivating a loyal customer base can be seen in the realization of long-term relationships which is the outcome they aim for. Communication is especially important in the Stable Stage to maintain the levels of trust and commitment, which at this stage have become the most important relationship criteria (Conway & Swift, 2000). The initial level of psychic distance which mainly involves differences in language, culture and political systems (Hollensen, 2004) could be reduced to large extents and the partners experience some kind of familiarity. Another benefit is that a close relationship usually creates switching barriers for the buyer and thus provides a competitive advantage for the seller (Cann, 1998). This incentive to strive towards reaching the Stable Stage is confirmed by S5 (4.2.4.1) who claims that it also enables you to fight off competition and to secure market shares.

It is important to remember that, even though the companies have reached the Stable Stage, they should still maintain a persistency to make efforts for improvement. As one of the respondents points out, it is important to make every effort for constant improvements and constantly pushing and supporting each other in becoming better. Thus, when the Stable Stage is reached, a special bond is created between the firms, leading to mutual satisfaction (4.2.4.5).

5.4.2 German Buyers

The buyers' potential benefits of reaching the Stable Stage are, according to Cann (1998), reduced uncertainty, increased exchange efficiency and social satisfaction. It is within the Stable Stage, that the intensity of trust and commitment are at their greatest level. As depicted by one buyer, the existence of trust can result in very positive outcomes for both parties e.g. granting the sales representative greater freedom in decision-making what the product choices concerns. This can result in decreased levels of stress and an improved working comfort for both partners and create a comfortable and trusting atmosphere, as mentioned by Cann (1998). For this particular case, the buyer describes that if he has sufficient trust to a supplier, this person can stock up his items in the shop after own preferences and ideas of what sells best. I.e. the buyer does not need to stand next to the sales representative, exercising constant control over his actions and both can benefit from a more comfortable atmosphere (B3; 4.3.4.2).

5.5 Comments on the Stage Analysis

It is important to acknowledge that the stages of the Relationship Development Process are combined and their boundaries overlap, as can be seen from the findings. It is often not possible to attribute a certain component like trust or commitment exclusively to one stage, because those are elements that evolve at some point in time and develop throughout the whole process. Since each relationship is individual and evolves out of a different context, it is very difficult to draw a general picture on the order flow of the single relationship factors. However, trends can be found. Communication is one crucial element that must be apparent in all stages, thus influencing and channeling all other components. During the study it became apparent that there exist differences in the assigned order between the Swedish sellers and the German buyers.

The two figures below illustrate the how the Relationship Development Process potentially looks like for each party. The Pre-Stage will be kept in the model even though it was not explicitly mentioned by the five Swedish and the five German respondents. In our understanding, this stage presents an important starting point for a business relationship to develop and should not be neglected by the companies.
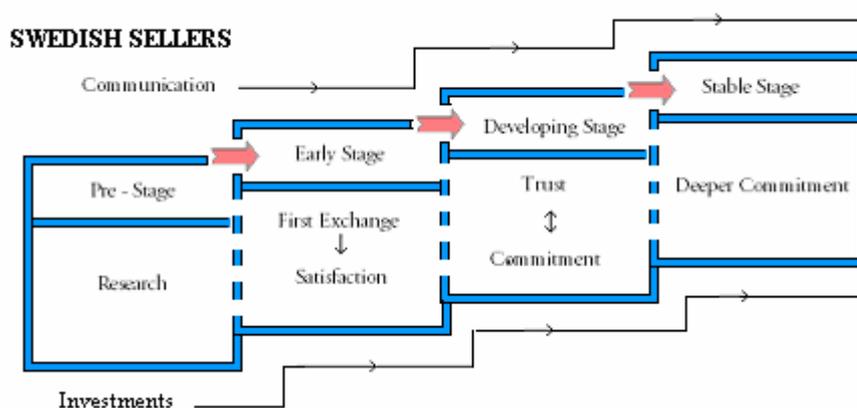

Figure 5-1 Factors of Buyer-Seller Relationship- Swedish Sellers

Judging from the Swedish findings, Trust, Commitment and Satisfaction need to be **communicated** during the entire Relationship Process. The steps in creating loyalty, thus securing the relationship in the Stable Stage, is that the selling firm start by researching the market and the buying company at hand. Once this has been done, the first contact is established and, by the use of communication (which, as mentioned, make the foundation for the relationship throughout the entire process) the firm awakens the buying firm's interest of the product and the first order is placed (if not placed no relationship is established). Since the firms have not collaborated enough yet, little or no trust can have developed and the first purchase is seldom one of significance in terms of quantity. If both parties are **satisfied** with the first collaboration and exchange (overall handling of payment, service, delivery and quality of product, et cetera), which is expressed by re-orders and the firms' **trust** increases compared to before the deal was done. If this is obtained, the buying firm is likely to make re-buys of greater value leading to increased mutual **commitment** on both sides. The relationship has entered the Developing Stage. This stage is probably the one that takes most time to develop into the more advanced level (the Stable Stage) where the firms show clear indications of **deeper commitment** and interest in cooperating more long term. The cooperation has now developed into a more personal one and the firms are confident that the relationship is worth continuing investing in and continue working together towards mutual improvement.
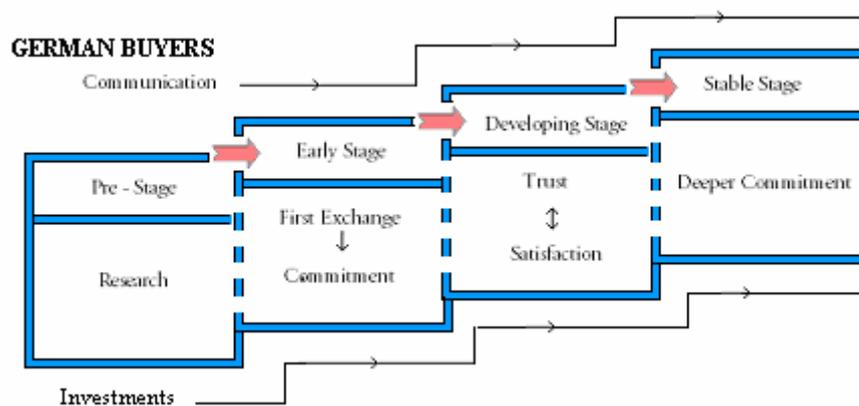

Figure 5-2 Factors of Buyer-Seller Relationship- German Buyers

From the German findings, one can retrieve that communication must be apparent in all stages, similar to the Swedish findings. After the first contact it is crucial that the seller demonstrates some sort of customer commitment e.g. by providing service-mindedness and showing understanding for the customers needs. The product offer itself (including the tangible product, service quality, order and delivery processing) was found to be the most critical factor within this Early Stage. The demonstration of commitment by the seller, leads to increasing trust from the buyers side. Commitment and trust in combination with the product offer, as identified by several respondents, will lead to customer satisfaction which in turn leads to mutual satisfaction with the relationship. The presence of satisfaction and trust in the Developing Stage will enable the relationship to enter the Stable Stage which is characterized by mutual trust and increased commitment from both parties.

Common goals, cooperatively determined in the Early Stage, direct the way of the relationship. In addition, one buyer answered that Capability and Efficiency, followed by Satisfaction and Trust, are the most important factors in relationship building.

5.6 Comparative Analysis

In this section the Swedish perspective and the German perspective will be compared with the aim of identifying differences and similarities of the two cultures in terms of business practices. It includes a substantial share of culture-related aspects such as differences in personal behaviors, communication and relationship expectations.

5.6.1 Business Culture

German business people seem to be very rational when it comes to conducting business and handling their business relationships. This can be supported by the answers of the German respondents, indicating that operational figures such as cost-benefit-ratio and standards in quality, processing and delivery play a crucial role in terms of their over-all level of satisfaction with the relationship. The Swedish interview respondents, which all had experiences with German customers between two and twenty years, characterized them as very strict, organized and disciplined when it comes to their approach to business. In addition, they are very taken by punctuality matters which are exemplified in the German respondents' answers on the significance of timely deliveries.

Moreover, this can be analyzed with Hofstede's dimension of Uncertainty Avoidance (UAI) which explains a society's level of tolerance towards the ambiguous and the unpredictable. A society has different ways of handling uncertainty for example by developing rituals, rules and tighter structure. Germany ranks higher on UAI (Rank 43) compared to Sweden (Rank 70-71). A low UAI rank shows a high level of anxiety, a higher rank the opposite. This indicates a greater strive towards preventing ambiguous situations and incorporating greater structure within the German society (Hofstede & Hofstede, 2005). This demonstrates a greater strives towards preventing uncertain situations and incorporating additional structure within the German organizations. As confirmed by the study, the German sense of punctuality and the bureaucracy are indicators of need for structure. Swedish business men and women, as indicated by one Swedish respondent, like to socialize and connect on a personal level when conducting business.

Small-talk also makes an important part of communication and getting to know the counterpart on a more personal level in the Swedish business culture. As one Swede expressed himself the German business culture is more concentrated on getting things done related to business, than to socialize and connect on a personal level (4.3.1.9). When German interviewees were asked about their associations with Swedish business culture, they described Swedes as very pragmatic, open-minded, and uncomplicated, which is related to the Swedish flexibility, as mentioned before. German and Swedish societies differ considerably on Hofstede's masculinity index with Sweden ranking low on MAS (Ranks 74) and Germany ranking high (Rank 11-13). The lower the rank, the more masculine is the country, where Sweden ranks last and, therefore lowest, on masculinity of all countries in the study. Masculine countries stress opportunity for high earnings, appropriate work recognition, possibility for job advancement, and challenging work tasks.

Feminine countries prefer good working relationships with direct superior, cooperation, desirable living area, and employment security. Exaggeratedly, it can be said that masculine cultures "live in order to work" and feminine cultures "work in order to live" (Hofstede & Hofstede, 2005).

Concerning the language, the study found no significant barriers between Swedish and German business people. On the German side, all respondents indicated to be able to speak English. The same counts for the Swedish firms. Moreover, using the services of German sales agency diminishes possible language problems. To conclude, both the Swedish and the German respondents have identified communication as highly important and are aware that it can create problems that hinder the relationship. However, these barriers can easily be over come by recruiting personnel with the right knowledge, using an agent, or simply use different communication means depending on the situation, to minimize risk and save resources at the same time.

For a more complete impression of the perceptions which both sides have of each other, see the glossary below. These perceptions have been extracted from the respondents' answers, thus do not represent personal reflections from the authors.

Swedish sellers as perceived by German buyers:

- Pragmatic
- Relaxed
- Informal/ Start with saying "you" much earlier
- Uncomplicated
- Very professional
- Reliable
- Do not care about outward appearance, instead social skills, values and competences are more important.
- Nice
- Well-behavior
- Open-Minded
- Happy personality
- Optimistic (Positive)
- Life lovers

German buyers as perceived by Swedish sellers:

- Consider them-selves to be the best in every aspect.
- Strict and disciplined
- Impersonal way of doing business
- Not very flexible
- Bureaucratic
- Difficulties to trust somebody, especially foreign business partners
- Cautious and suspicious
- Advance planners
- Keep their time table/very punctual

- Well organized
- Reliable, stand for what the say
- Careful about saying something that they do not know if they are able to perform

Naturally, business people from different cultures bring their own backgrounds with them when they interact and they tend to look at the foreign culture from a self-referencing point of view (Varner, 2000). Swedes see Germans as less flexible and stricter, whereas Germans see Swedes as pragmatic and more relaxed. *Cultural distance* as described by Ford et al. (1998, p.30) is the *"degree to which norms and values of the two companies differ because of their place of origin. When the two companies don't know each other well, this distance will often show up in national stereotypes"*. The answer of one German buyer, where the respondent describes the differences in the relationship with German companies compared to foreign firms, shows that stereotyping exists, that people think in categories and cannot act completely free of prejudices even when it comes to business where rational thinking is one of the key components to success (B5; 4.3.4.7)

5.6.2   Relationship Expectations

When analyzing the interviews, the first section concerns the expectations of the Swedish and the German respondents towards a successful business relationship, similarities but also differences could be discovered. Both cultures seem to agree when it comes to the more critical factors. They expect their counterpart to be trustworthy and to trust them. They share the common goal of increasing or maximizing profits and most of them want to build up a long-term partnership. Trust, as defined by the respondents, infers reliability, honesty and open dialogue from both sides. Swedish firms wish to gain expertise and experience from their relationship partner as well as to create communication and dialogue and put greater emphasis on developing personal contacts and social relationships. Germans, on the other hand, demand high degrees of flexibility, expect timely delivery and highly value stability and continuity. Their suppliers are evaluated in terms of performance, capacity and effectiveness. Compared, German companies seem to have a more stringent way regarding business behavior.

When Swedish sellers were asked how they want their counterparts to meet previously mentioned expectations the following could be identified. Setting up common goals must be accepted and embraced by the buyer to return the level of commitment to the seller, thus helping the relationship to advance. Connecting to the German findings this is a mutual interest, since Germans regard defining and specifying the common relationship goals as critical for a successful cooperation. Moreover, Swedish firms stated that they request their business partner to be willing to open up towards their relationship, to take the initiative right from the beginning and share valuable information with them. Swedes could face possible problems when this is addressed towards German companies. This is mainly due to the reason that German people were described to be rather cautious and suspicious when it comes to unfamiliar situations, by the Swedish respondents.

One example for this could be directly experienced during the process of identifying potential German interview partners for the thesis. At least four of the approached companies said that they were not willing to participate out of the fear of revealing company related data, although they where offered anonymity. One company explicitly said that they do not want to reveal sensitive information possibly to competitors.

This was especially a concern since the caller was company external and unfamiliar to them, which can be related to the fierce competitive situation in the German market. This caution usually diminishes when trust in the counterpart is established. This barrier was also identified by some of the Swedish sellers who mentioned it as one of the main incentives to work with an agent in order to be accepted by the German buyers. In comparison, the Swedish sellers also wanted to be discrete and welcomed to be anonymous in the study. However, the problems of acquiring Swedish firms to the interviews were not that they did not want to participate, rather that they did not fulfill the pre-set criteria to fit to the study.

Other factors which Swedish firms demand of their business partners are a professional and flexible approach to doing business, speedy responses and excellent handling of payments. The last part complies very well with German expectations of their counterparts but flexibility and speed in response could cause slight problems. German firms are found to be more bureaucratic than Swedish companies which in turn may decrease the efficiency of the relationship. This is especially true for larger firms, having a somewhat hierarchical structure.

5.6.3   Trust

Both parts agree that trust is a central component for a successful relationship and that it can be build by keeping promises and sticking to agreements, in other words by being honest. Additionally, both recognize that trust is a concept that evolves over time. For the German business side, trust can be created through the supplier by providing continuous timely delivery and constant quality standards whereas the Swedish firms emphasized having an open dialogue as central for trust formation. As one Swedish seller experienced, it was critical to have a German sales representative whom the German customers could contact in case of questions regarding delivery, product or order-making. As he stated, his German business partners insisted on having such a close contact, otherwise they would not engage in a business deal. Analyzing this particular case, one can see that Germans seek security, support and professionalism but this also exemplifies a rather demanding nature of Germans. Yet, this can be related to trust issues, meaning that due to their cautious behavior against new situations, they feel more secure in their own culture and therefore seem to prefer conducting business with German sales agencies. This is especially the case for the German Small and Medium sized Enterprises as shown by the interview (B2 and B3). The benefit of a German sales agent can be seen in the physical proximity (i.e. he can be faster present in case of a problem in the store), prevent/solve language barriers and a similar way of acting and attitude towards business with regards to the already mentioned trust issues.

5.6.4   Commitment

When analyzing this section, one has to keep in mind that German respondents evaluated more on the concept of customer commitment provided by the seller, while Swedish firms defined commitment in a more general way but also evaluated how they can demonstrate commitment towards their customers. According to the Swedish sellers commitment must be balanced and provided by both parties for a relationship to develop. They are confident that they can show commitment by always making the best efforts and striving for perfection. German business customers, on the other hand, regard additional services and support, availability as well as showing interest for their customer concerns as possible actions for a supplier to demonstrate contribution.

Additionally, German firms expect their foreign counterparts to be flexible. This appears somewhat controversial since almost all of the Swedish interviewees stated that they perceive their German business partners as less flexible than their Swedish. It can be the case that Germans expect capabilities that they do not provide themselves, thus having too high expectations towards their business partners. If this is true, foreign companies must be aware of this in order to prepare for German expectations. However, it could also be the case that Swedish firms are overly flexible and expect the same of their foreign partners. This is a typical example for the different perceptions of culture that have an affect on foreign business relations.

Both Swedish and German companies understand the importance of common goals, which still the buyers and the sellers emphasize, is the generation of profit. Some Swedish respondents believe that maximizing profit can be related to having a close collaboration with their customers by developing and improving products and processes together. This is an indication that the Swedish sellers value teamwork, communication and close partnerships. German respondents also realize that mutual growth and cooperation with a small number of suppliers can increase their sales and profit margins.

5.6.5 Satisfaction

It is important to take the differing roles of the interview candidates, Swedish representing the sellers and German the buyers, into consideration when reflecting on how they define satisfaction. Swedish sellers are in general satisfied when they receive re-orders which gives them feedback that their buyers are satisfied. For the German buyers, in turn, reliability, trust and seller commitment but also quality and punctual deliveries lead to satisfaction.

This can be seen as circular dependability, meaning that if the Swedish companies fulfill the German expectations for satisfaction this will lead to the German customers, fulfilling the Swedish goals for satisfaction by re-ordering their products. High levels of satisfaction will turn customers into loyal partners, emphasized by Anderson and Narus (2001). Loyal customers can be expected to provide the supplier firm with better feedback which is an additional source of satisfaction as stated by one of the respondents.

6   Conclusion

In this part we will conclude our findings by answering the purpose and present what the main contribution is of the investigation.

Business relationships aim at creating value for both parties. The literature identifies this to be achieved through intangible components as **Communication, Trust, Satisfaction,** and **Commitment** and acknowledges that these are to large extents interrelated.

The findings of the comparative study between Swedish sellers and German buyers confirm previous research that **communication**, **trust**, **satisfaction**, and **commitment** are the most vital factors in B2B relationship building. The analysis discovered the most important sub-components of the above. In addition, a number of different aspects could be found. The findings show that all of these factors need to be actively communicated during the entire relationship process to various extents.

Communication has been confirmed to be the foundation and a tool for the relationship to be established and excel. The findings show that language barriers as part of communication exist in particular in the Early Stage and can lead to potential difficulties. All Swedish sellers perceived these initial barriers to be overcome during the process. This was confirmed by the German buyers who stated that if the incentives to start a relationship are sufficient (i.e. the product offer is appealing), there will be always ways to overcome communication barriers. Communication in the succeeding stages is essential to develop and secure cooperation between the parties and can contribute to a positive and well-working business atmosphere. It has a critical influence on the building of trust and satisfaction and supplements the actions of commitment shown by the parties.

Communicating **Trust** involves showing one's willingness to rely on an exchange and is therefore one of the most (if not *the* most) critical components of a business partnership. Business transactions in the textile industry, as illustrated by the respondents, profoundly rely on trust issues because orally made agreements occur frequently. For the Swedish trust involves open dialogues, mutual understanding, honesty, reliability and evokes a feeling of safety. According to the German buyers trust encompasses reliability (e.g. by providing constant product quality and timely delivery), honesty and credibility (e.g. deliver what you promised). Trust is critical to develop a deeper relation with regards to long-term collaborations to fulfill common goals. One of the main issues for Swedish sellers must be to communicate trust to their German business partners because of the existing initial caution of German business people, observed by the Swedish respondent.

Satisfaction was found to consist of two parts; the total market offer and the additional, more intangible gains of business relationships. Satisfaction as defined by the Swedish sellers, origins as result of customer satisfaction and is expressed by re-orders and increased collaboration between the partner firms. For the German respondents it is an outcome of commitment, trust and profitability (i.e. the greater the profits, the greater the satisfaction). In order to satisfy German customers the seller needs to focus on presenting the best offers, handling in the customer's best interest and always meeting commitments.

Commitment is demonstrated by setting up common goals, but also to invest time and engage in mutual benefits for the companies. The findings show that it can be experienced quite differently by the individual respondents. Swedish sellers identified commitment as always showing best efforts and striving for improvements and working hard to fulfilling the pre-set goals. For German buyers, favored ways of showing commitment as a seller are; demonstrating interest and understanding of customer needs, service-mindedness and service-quality including the provision of additional services, and the assurance of fast availability in case of unexpected situations. Commitment appeared to have an ambiguous correlation with trust, meaning that commitment increases when trust exists and that trust can be created through demonstrating commitment.

The study identified that as anticipated, profit maximization and developing long-term relationships with close interactions were found to be the most central common goals for the respondent groups. In addition, it was found that the product offer itself plays a role especially in the Early Stage where trust, commitment and satisfaction had no chance to develop yet. Even though important throughout the entire relationship process, it is essential to maintain the strive for constant improvements when reaching the Stable Stage and to motivate each other in doing so, in order not to come to a halt, but continue to develop in order to realize the greatest possible gains for both partners.

When it comes to influence of **national culture** on the relationship process, it occurred that differences in business cultures between Sweden and Germany exist. The study revealed that it is important to understand the foreign customer's business culture in order to avoid the most obvious mistakes that can be made with respect to new and foreign partnerships. For Germans, the most important parts of relationship building seem to be honesty, reliability and timely processing of transactions. Other characteristics for example bureaucracy, existing regulations and character traits, e.g. the more demanding and strict personality of Germans as compared to Swedes must be acknowledged by Swedish firms. Educating and training sales staff with regards to the foreign business culture seems inevitable for this.

6.1 Recommendations to Swedish Sellers

The following bullets conclude the main issues that can be of value for Swedish SMEs when approaching German buyers in the textile industry, as well as maintaining and developing existing relationships. Note that, although many of the findings might appear to be obvious, the study shows that these are *especially important in comparison with other common practices and business behavior*, thus the following should be taken into *extra* consideration when preparing market entries, marketing efforts and other strategies.

Prior to entering the German market, Swedish SMEs should:

- Be willing to adapt to the German business culture and practices
- Not be too pushy when trying to promote their product
- Attend trade-fairs in Germany in order to initiate the first contact
- Put great effort in stressing the benefits of the product-offering itself in terms of revenue

- Concentrate marketing efforts to communicate commitment, in terms of service-mindedness and understanding of customer needs, in the Early stage of the relationship

6.2 Further Studies

This comparative study has investigated the major factors in relationship building in international business settings. The research method used has been a qualitative approach where all findings have been collected by respondents from the respective countries. In order to deepen the understanding of how to analyze and adapt what factors influence the Relationship Development Process, we suggest that research in the following areas needs to be made: The Stage Model used in this report has not been specific in what criteria needs to be fulfilled in order for a relationship to belong to a specific stage. A quantitative study could help to more precisely define to what extent Trust, Commitment and Satisfaction is valued in the relationship by the sellers and the buyers, respectively. Additionally, further insights on how this should be demonstrated for the relationship to advance according to the above mentioned criteria, would enable the suppliers to adapt their presentation and sales strategies. The buyers, on the other hand, would benefit from further insights on how they best can present their firms to attract sellers who are willing to invest in long-term relationships by making it a part of their risk management- and marketing programs. As a reminder, this thesis has investigated the Relationship Development Process between Swedish sellers and German buyers in the textile industry. Thus, the findings can by no means be generalized, i.e. further research needs to be adapted to the specific countries, industries and parties that are of interest to that specific purpose.

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8   Appendix

8.1   SWEDISH SELLER'S PERSPECTIVE

Facts

- Company
- Number of employees
- Position
- How long have you been employed at the company?
- How long have you been working in the sales department?
- Since when do you have business contacts to German companies / buyers?
- How did you / they initialize the first contact?

Preparations/Previous Experience

- Did your firm have any experience doing business with foreign companies before collaborating with the German company?
- Was there a need to make internal preparations or organizational changes before you partnered with the German company?
- What internal resources did you already have, which were especially useful when partnering/establishing the relationship?

Communication

- What means do you use to communicate?
- In which language(s) do you communicate?
- Did you experience any communication difficulties during the first contact?

Relationship

- What do you expect from a successful buyer-seller relationship?
- What do you perceive as the actual gains of business relationships?
- How do you want your counterpart to act in order to meet these expectations?
- How would you define *trust*?
- How do you define *commitment*?
- How do you define *satisfaction*?
- What makes you satisfied with your business relationship / partner?
- What could be typical common goals for you and you foreign counterparts?
- Do you experience differences in the relationships with Swedish companies compared to foreign companies?
- Did you encounter any problems when partnering with German firms?
- What would you regard as typical personal German buyer characteristics?
- How satisfied are you with the relationship to your German business partners? (Scale 1-10)

8.2   GERMAN BUYER'S PERSPECTIVE

- Company name
- Number of employees
- What is your exact position?
- How long have you been employed at the company?
- How long have you been working in the purchase department?

Buyer-Seller Relationships

- How do you normally get in contact with new suppliers?
- What is important for you that the seller demonstrates after the first contact?
- Do you normally have a business meeting?
- Which aspects do you regard as important during the first actual meeting?
- Which expectations do you have towards a buyer-seller relationship?
- How would you define *trust*?
- How would you define *commitment*?
- How would you define *satisfaction*?
- Could you please name some typical common goals for your business relationship?

Foreign business relations and communication

- Do you currently have business relationships to foreign suppliers?
  If yes, from which countries do they come?
- Did you encounter any difficulties concerning culture, language or the like?
  Please specify.
- Do differences exist in business relationships with German firms compared to foreign firms? Which ones?
- How much did the foreign business culture influence your relationship?
- Which communication means do use when communicating with your foreign business partners?
- In which languages do you communicate with your foreign business partners?
- Have you had business contacts with a Swedish supplier?
- If you have not had contact with a Swedish firm, which associations do you combine with Sweden: its people, business etc.?