CULTURAL SENSITIVITY, INFORMATION EXCHANGE, AND RELATIONSHIP QUALITY: THE CASE OF VIETNAMESE EXPORTERS AND THEIR ASIAN VS EUROPEAN IMPORTERS

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Abstract

Research has shown that, to achieve successful long-term business relationships, firms should be sensitive to foreign partners' cultures and must be willing to share information with their partners. Despite the importance of this issue, little research has been undertaken, firstly, to examine the relationships among these two factors and relationship quality, and secondly, in the context of foreign partners' differing cultural backgrounds. To bridge this gap, this research attempts to examine the relationships between cultural sensitivity, information exchange and relationship quality between Vietnamese exporters and their foreign importers. In addition, the research investigates the strengths of these relationships for two groups of importers, Asian and European. A model hypothesising the relationships between these factors and relationship quality was developed. A random sample of 288 Vietnamese exporting firms, of which 134 were doing business with Asian importers and 154 with European importers, were surveyed to test the model via multi-group analysis in structural equation modelling. The results show that the model has an acceptable fit to the data and all the hypotheses were supported. The results also indicate that there is no difference in terms of the strengths of the relationships between Asian and European importers. Implications for business firms and directions for future research are also addressed.

Introduction

A firm's competitive advantage can be created through maintaining long-term relationships with customers (Ganesan 1994) because loyal customers will bring more profits to firms than the price-sensitive and deal-prone switcher (Reicheld 1996). As a result, many firms are moving from transactional discrete exchanges to relational ones. The emergence of this trend indicates that many firms are beginning to formally realise the importance of relationship quality between them and their customers. Understanding how to initiate, develop, and maintain high quality buyer-seller relationships in international markets is critical to successful export involvement (Styles & Ambler 1994). Consequently, the role of market relationships has emerged as a top priority for most business firms around the world. However, research on inter-firm relationships, particularly research on relationship quality, has largely focused on developed countries, e.g., the United States and others (Leonidou & Kaleka 1998). This research attempts to investigate the impacts of two key antecedents, i.e. cultural sensitivity and information exchange, on relationship quality of Vietnamese exporters and their foreign importers. Also, it seeks to determine if there is any difference in terms of the strengths of the relationships between Asian (high context cultures) and European (low context cultures) and their Vietnamese exporters (Hall 1973).

Relationship quality

Relationship quality can be defined as "an overall assessment of the strength of a relationship and the extent to which it meets the needs or expectations of the parties based on a history of successful or unsuccessful events" (Smith 1998, 78). Relationship quality can be viewed as comprising four dimensions, i.e. trust, commitment, minimal opportunism, and satisfaction. This conceptualisation has received strong empirical support in the relationship marketing literature (e.g., Dorsch et al. 1998). In addition, these dimensions have been widely adopted in studies related to relationship quality (Dwyer & Oh 1987; Dorsch et al. 1998).

Rapidly increasing competitive environments are forcing business firms to seek more creative and flexible means for coping with competitors. Building collaborative relationships with customers is a means for lessening such severe competition (Doney & Cannon 1997). Such collaborative relationships are likely to rely on the quality of relationships, characterised by high levels of trust, commitment, satisfaction, and minimal opportunism. A high quality relationship enables a firm and its partners to enjoy the long-term benefits of the relationship, ultimately leading to strengthened competitiveness and reduced transaction costs (Noordewier et al. 1990). This makes it easier for the firm to satisfy the customer than its competitors, leading to an increase in customer loyalty. Therefore, the firm may have better opportunities for improved performance in terms of sales and profitability in the long-run (Crosby et al. 1990).

Cultural sensitivity, information exchange, and relationship quality

Several researchers have attempted to investigate possible predictors of relationship quality. For example, salesperson's expertise and relational selling behaviour have been found to have a positive impact on relationship quality between salespersons and customers in the life insurance industry (Crosby et al. 1990). Dwyer & Oh (1987) found that the quality of channel relationships is affected adversely by the degree of partners' bureaucratization. Procedural fairness has been determined to have a positive impact on relationship quality (Kumar et al. 1995), while environmental uncertainty has a negative effect on relationship quality. Smith (1998) indicated that relational bonds have a positive effect on relationship quality. Following this stream of research, this paper examines the impact of two factors, i.e. cultural sensitivity and information exchange on relationship quality.

Several studies suggest that the exchange of information is an essential part of both traditional industrial selling and relationship marketing (eg., Dwyer et al. 1987). Information exchange is a prerequisite to parties in a relationship learning from each other, and for preventing and correcting failures. It expresses a bilateral expectation that parties will proactively provide information useful to the respective partner (Heide & John 1992). Thus, information exchange can be seen as a safeguard to exporters in the sense that buyers can be expected to provide unforeseen information that may affect exporters. It lowers buyers' perceived risks and improves suppliers' credibility (Hakansson 1982).

Open and prompt communication among partners is viewed as an indispensable characteristic of trusting relationships (Larson 1992), because it provides the basis for continued interaction, from which partners further develop common goals and values. By fostering shared values, and mutual support, collaborative communication can lead to an improvement of trust, satisfaction, and commitment between exporters and importers. Information exchange between firms fosters more confidence in the continuity of the relationship and reduces dysfunctional conflict (e.g., Dwyer et al. 1987). Information exchange, therefore, is likely to resolve the potential conflicts in operations and enhance a satisfactory working relationship. This is because effectively exchanging information between partners will enable the partners to anticipate and respond to each other's needs. Also, the fulfilment of each other's needs can be expected to lead to an increase in the level of satisfaction (Ahmed & Al-Motawa 1997).

Cultural sensitivity is the second factor that is likely to have an impact on relationship quality. There is general agreement that cultural sensitivity entails awareness, cultural understanding, and reduction of cultural bias (e.g., LaBahn & Harich 1997). Cultural

sensitivity can be defined as a firm's learning and adaptation to its exchange partner's national business practices (LaBahn & Harich 1997). LaBahn & Harich (1997) also suggest that little systematic empirical research has been undertaken to examin how cultural differences combine with theories of relationship marketing in the international business setting. Johnson et al. (1996) identified the role of cultural sensitivity in relation to information exchange, but this still remains unexplored in the context of international business relationships.

Acquisition of sufficient information on foreign markets is crucial for a firm's export expansion (Leonidou & Katsikeas 1996). The quality and quantity of information is not only relatively limited in export firms but also relatively expensive and unavailable (Welch & Luostarinen 1993), especially in the case of developing country-based exporters. In developing countries, the underdevelopment of, and high cost of, communication methods make it difficult for the exporter to frequently exchange information with its foreign importers. In addition, the uncertainty surrounding international markets is higher in comparison with that of the domestic market. Due to firms' limited knowledge regarding foreign market characteristics, the uncertainty becomes higher in developing country markets. Menon & Varadarajan (1992) noted that greater environmental instability will lead to greater use of information. Due to uncertainties inherent in international markets, developing country-based exporters often lack adequate information. Therefore, firms can reduce such uncertainties by interacting more intensively and effectively with foreign customers to enhance a mutual understanding between them. Ahmed & Al-Motawa (1997) also suggest that more frequent contacts and visits between two partners may enable them understand each other's way of doing business.

The theory of internationalisation (e.g., Ford 1998) suggests that culturally distant exporters need to allocate more effort across all relationship-building activities than in the case where exporters are closer to the focal customers. Therefore, enhancing the understanding of and adapting to differences in culture in the foreign country helps exporters reduce the "distance" between parties in their export relationships. Consequently, it can be argued that an exporter that is sensitive to its partner's culture will face a lesser barrier to communication.

Culture is inseparably tied to communication. This is because partners communicate with each other based on the "programming of a cultural mindset" (Hofstede, 1984, 21). In other words, people have culturally-determined styles and ways of doing business, acquired primarily through their national culture, but also through their business activities. It is widely acknowledged that it is easier to communicate with partners who share the same view of the world (Tornroos et al. 1993). This is consistent with reception theory. This theory postulates that people use some general patterns or codes that make it easier for them to interpret each other's behaviour (Langhoff 1997) because the codes of a given culture delimit the range of conceivable possibilities. It means that cultural sensitivity helps people to understand the behaviour or communication of others. More directly, cultural sensitivity allows exporters to more easily obtain and interpret information on foreign markets.

Based on the above discussion, the following hypotheses are proposed (see Figure 1):

> *H1: There is a positive relationship between information exchange and relationship quality.*

H2: There is a positive relationship between cultural sensitivity and relationship quality.
H3: There is a positive relationship between cultural sensitivity and information exchange.

Figure 1: Relationships between cultural sensitivity, information exchange and relationship quality
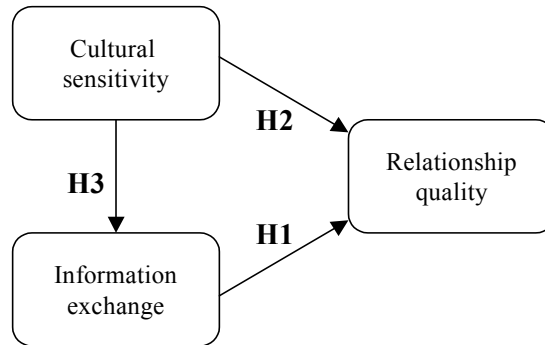
Method

Sample

A systematic sample of 288 Vietnamese exporting firms in Ho Chi Minh City, was surveyed to test the theoretical model. The sample consisted of 134 firms doing business with Asian importers, and 154 firms doing business with European importers. Ho Chi Minh City was selected because it is the largest commercial centre in Vietnam where many exporting firms conduct their main business activities and have representative offices. Respondents were managers who have been in charge of exporting activities in firms. Partial self-administered questionnaires were mailed to the respondents and then collected by interviewers.

Measurement

Cultural sensitivity (denoted by CSEN) was measured by using LaBahn & Harich's (1997) scale. CSEN consists of 8 items. Four items of information exchange (INFEX), developed by Heide and John (1990), were used. Finally, relationship quality (RQUAL) is a high-order construct comprising four dimensions, i.e. trust (TRT), commitment (COM), satisfaction (SAT), and minimal opportunism (MOP). Twenty two items of trust, i.e. honesty (hon, 12 items) and benevolence (ben, 10 items), developed by Kumar et al. (1995), were used. Commitment (COM) was measured by using Kim and Frazier's (1997) scale. Commitment comprises 3 components, i.e., continuance commitment (con, 6 items), behavioural commitment (beh, 10 items), and affective commitment (aff, 7 items). The satisfaction scale (SAT), developed by Gaski and Nevin (1985), was used. The satisfaction scale consists of seven items. Minimal opportunism (MOP) was measured by using Lee's (1998) scale. This scale comprised 13 items. The questionnaire was initially prepared in English and then translated into Vietnamese by an academic who is fluent in both languages. Back translation was undertaken to ensure the equivalence of meanings.

Results in the overall sample

Data was analysed by using the multi-group method in structural equation modelling via the AMOS_4 program. All measures were first refined via Cronbach's alpha and exploratory factor analysis, and then tested by confirmatory factor analysis. The results show that all these measures achieve satisfactory levels of validity (reliability, unidimensionality, convergent, and discriminant validity). Some items of these measures (TRT, MOP, and COM scales) were deleted due to low factor loadings in the exploratory analysis. Summates was used to run the structural equation models[1]. The results of the overall sample indicated that the proposed model had a good fit to the data (Chi-square = 59.81, df = 58, p = .41, GFI = .970, GFI = 999, RMSEA = .010). In addition, it revealed that all of the hypotheses were supported (see Figure 2).

Figure 2: Structural results (overall sample, standardised estimates)

Chi-square = 59.81, df = 58, p = .41
GFI = .970, CFI = .999, RMSEA = .010
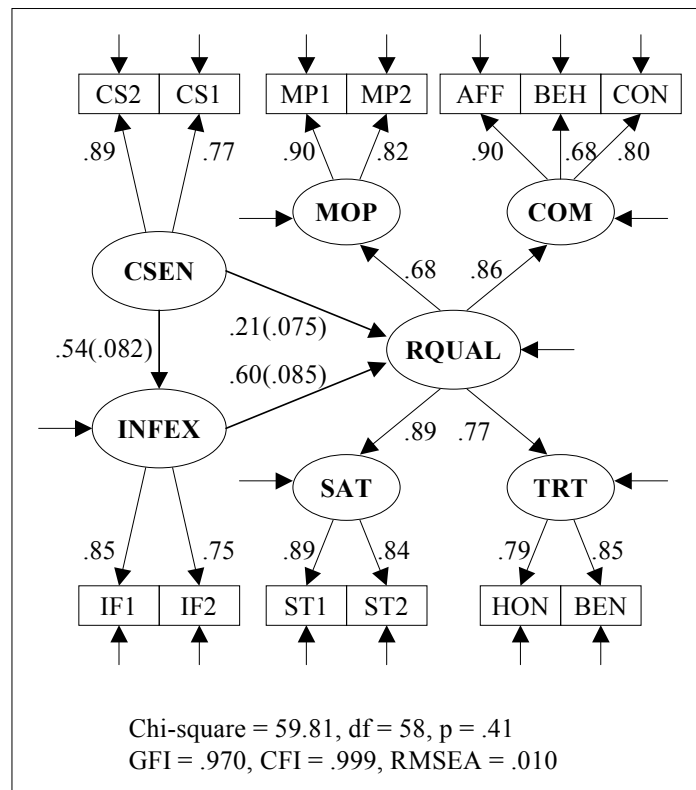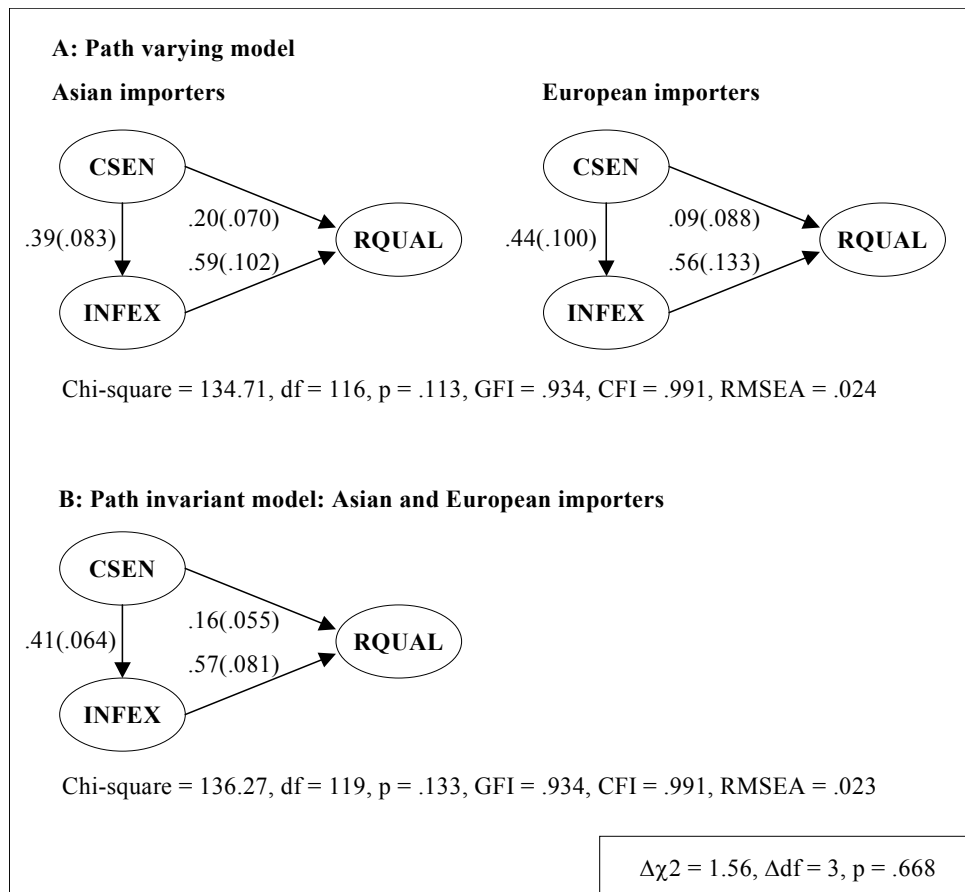
Results by multi-group analysis

In order to compare the structural relationships in the model between the two groups of importers, i.e. Asian vs. European, the multi-group analysis in structural equation modelling was utilised. Two steps of analysis were conducted. Firstly, these two samples were used to estimate the paths in the model with no structural paths constrained (model

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[1] Detailed analysis, the items, and the covariance/correlation matrix will be provided if requested.

A). Next, constraints were imposed for the structural paths for both groups, i.e. the relationships between cultural sensitivity and relationship quality, between cultural sensitivity and information exchange, and between information exchange and relationship quality were set to be equal for both groups - Asian and European importers (model B). It is noted that no constraints were set for the measurement models (partial invariance).

The results of the multi-group analysis (see Figure 3) showed that model B was selected over model A. This was because model A consumed three degrees of freedom but made no significant improvement of fit (p = .668), i.e. there was no significant difference in terms of strengths of the relationships among cultural sensitivity, information exchange, and relationship quality between Asian and European importers.

Figure 3: Structural results: Asian vs. European partners

A: Path varying model

Asian importers

CSEN
RQUAL
INFEX
.20(.070)
.39(.083)
.59(.102)

European importers

CSEN
RQUAL
INFEX
.09(.088)
.44(.100)
.56(.133)

Chi-square = 134.71, df = 116, p = .113, GFI = .934, CFI = .991, RMSEA = .024

B: Path invariant model: Asian and European importers

CSEN
RQUAL
INFEX
.16(.055)
.41(.064)
.57(.081)

Chi-square = 136.27, df = 119, p = .133, GFI = .934, CFI = .991, RMSEA = .023

$\Delta\chi2 = 1.56, \Delta df = 3, p = .668$

Conclusions and implications

The hypotheses tested were derived from earlier research undertaken on relationship quality – primarily between firms within developed countries. This present research has tested these hypotheses in the context of exporters in a developing country and their primarily developed-country importers. The results of this study have a number of implications. Firstly, the significant linkages between information exchange, cultural sensitivity, and relationship quality are important for exporters. The exporter's efforts to satisfy a partner

would be expected to result in the partner's belief that the exporter is expert in performing its obligations and behaves in the best interests of its import partner. Therefore, the import partner is likely to trust and commit to a working relationship with the exporter. Secondly, information exchange positively influences the quality of relationships between exporters and importers. Frequent information exchange allows the partners to understand each other's goals and resources, as well as each other's limitations. The expectation of obtaining information in an ongoing relationship enables both partners to cope better with internal processes and external market conditions (Heide & John 1992). Thirdly, information exchange can be improved through partners being sensitive to foreign cultures. However, knowledge of a foreign culture is easily attainable, but adaptation requires practice and a willingness to change one's behaviour. Thus, exporters should be prepared to adapt to foreign cultures in order to improve the exchange of information with foreign partners and to enhance the quality of the relationship. More importantly, the results suggest that a firm, whether doing business with partners in low or high culturally distant countries, should develop strategies to become, firstly, more sensitive to partners' cultures, and secondly, to improve the exchange of information. Such strategies can then be expected to lead to the development of higher quality relationships.

The finding that no significant difference exists between Asian and European importers could, perhaps, be explained by the fact that this reflects the relationships between the constructs (not the means of the constructs). For example, the relationship between cultural sensitivity and relationship quality was the same for both groups (Asian vs. European importers). However, the mean of cultural sensitivity may be different for both groups. A detailed analysis of the relevant mean structures, therefore, needs to be conducted to help clarify this finding. A qualitative study could also be expected to shed some further light on the issue, as might a survey of both the export and import partners.

This study has a number of limitations. Firstly, generalisability of the findings to other settings must be undertaken with the utmost caution because only one city in one developing country was sampled. Replication and extension to other developing countries is a direction for future research. Secondly, limitations relate to the examination of the relationship from only one side of the dyad, the exporters. Establishment of the validity of the hypotheses is limited by the single model viewed from only the exporter side. Future research should also consider the use of dyad information. Finally, the cross-sectional design employed inhibits strong inference regarding the direction of the causal relationships of the constructs. Longitudinal research designs would better enable researchers to make inferences about the causal sequence.

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