Abstract
The purpose of this contribution is to develop a framework for understanding the divergences in expectations and relationship norms in cross-cultural business relationships among SMEs. We ground our efforts in comparative institutional theory and establish a framework of five dimensions from the B2B literature for addressing these divergences. We then further explore these dimensions using data from an ongoing field study of global sourcing practices in Danish SMEs. Our material consists primarily of case studies from Danish SMEs sourcing in China, but includes also interviews with local Chinese sourcing companies, suppliers and experts. We demonstrate that the expectations of Danish buyers and Chinese suppliers diverge with respect to frequency, scope and quality of communications, role specifications and coordination of work, nature of planning horizons, sources of trustworthiness and adaptation and problem-solving orientation. We trace these divergences back to the institutional contexts of Danish buyers and Chinese suppliers. In the concluding part of the paper, we discuss our findings and outline implications for management and academia.

Key Words: SMEs, Global Sourcing, Buyer-supplier relationship norms, Cross-cultural business relationships
Diverging relational expectations of Danish and Chinese SMEs: A matter of Business contexts and Relationship Norms

Introduction
China is fast growing into the world’s largest sourcing hub, as still more companies turn to Chinese suppliers for components and manufactured goods (Jagersma & van Gorp, 2003). Increasing competition paired with information technology leverage, steeply decreasing communication and coordination costs across vast distances fuels this process. In particular, in the wake of the sourcing activities in China primarily led by the activities of large multinational companies, an increasing number of small and medium-sized enterprises (SMEs) source components and subcontracted goods from China. In its turn, this shift induces a strong increase in the internationalisation of production activities, leading to an overall increasing globalisation of production networks (Castells, 1996); (Dicken, 2003). Unlike their large counterparts which more often rely on the establishment of local sourcing units and concerting a portfolio of often large Chinese suppliers, the sourcing activities of Danish SMEs typically involves establishing international buyer-supplier relationships with particular Chinese SMEs, suggesting that the sourcing activities of SMEs represents a distinctive sourcing case.

For most firms, including SMEs, initiating sourcing activities in China presents a learning challenge as initial expectations often differ from realized outcome. Several researchers have addressed this issue broadly in terms of the cultural divergences facing companies from US and Europe entering China, stemming from diverging values vested in the greater society to which these actors belong (Chen & Partington, 2004) (Hung, 2004). Although this literature is well developed, little attention has been paid to how such learning challenges unfold in cross-cultural buyer-seller relationships of SMEs. We believe that a deeper understanding can be reached, by addressing the forces and mechanisms influencing the constitution and governance of buyer-supplier relationships more directly.

Supplier relationship practices have been formed in a particular business context, which may only partly or not at all reflect the relationship norms to which they are transferred. We suggest that an important issue for understanding the learning challenges of companies sourcing internationally is reflected in divergent expectations towards buyer-supplier relationship conduct (Kotabe & Omura, 1989). In order to understand this we must address how diverging expectation of buyers and sellers towards exchange reflect broader institutionalized norms of the societies to which these firms belong (Meyer & Rowan, 1977); (Whitley, 1992). Relational expectations are formed prior to and are brought into business relationships (Dwyer, Schurr, & Oh, 1987). They are distinctively formed in particular business contexts, reflecting overall patterns of business organisation (Hofstede, 1983).

The purpose of this paper is to develop a conceptual model for addressing the divergences in expectations among Danish industrial buyers and Chinese suppliers. Our approach is explorative-integrative, seeking to develop a consistent understanding of how surface phenomena such as expectation divergence are rooted in specific institutional contexts and to understand the dynamic interplay of these contexts. For this purpose, we iterate between grounded data and existing theory (Orton, 1997). Throughout the discussion, we use interviews from an ongoing study of Danish buyers on their interaction with Chinese suppliers to illustrate or further extend and develop the points made. Our focus is therefore on understanding relational expectations rather than on experiences generated from ongoing relationships and how divergences in these can account for the experiences of managers. Our empirical study is biased towards the experiences of Danish managers, although we include interviews with Chinese SMEs and industry experts as well. We use institutional theory for addressing the underpinnings of social rules and regulations in a society, producing taken-for-granted assumptions on expected behaviour patterns that actors only recognize on a deep level of consciousness. Parallel to the idea of habitus, rules and norms are internalized in the dispositions of managers and often they are unaware of business practices being social constructs rather than universal laws of business conduct (Nash, 2003; (Zucker, 1987); (Nightingale, 2003). We seek to understand the deeper roots of these divergences and their dynamics as they evolve by nesting them in dominant values of their institutional context, using the concept of business recipes as a theoretical construct for addressing the business and market exchange patterns ruling in a specific nation-state (Whitley, 1999). We use the relationship marketing literature on norms in business relationships to flesh out the dimensions where expectations manifest themselves as internalized managerial assumptions.

We begin by presenting our conceptual model which will guide us in outlining the literature on expectations and relationship norms, based on a review of the business marketing literature. Next, we vest the constitution and reproduction of these norms in the wider institutional context of national business
systems and finally, we use this framework for understanding how socio-cultural divergences unfold across dimensions of behavioural norms important for buyer-seller relationship governance.

Relational expectations, institutional contexts and relationship norms: A conceptual model
As we see it, the behavioural expectations of suppliers and buyers are vested in socio-institutional contexts (DiMaggio, 1997). Institutions are the shared heuristics, values and norms of a given collective. They contain a cognitive dimension (what is believed as objectively and universally true by a dominant group of actors), a normative dimension (describing legitimate means-end relationships between objectives and actions) and a regulative dimension (reflected in laws and other legal measures) (Scott, 1995). The socio-economic dynamics shaping the heuristics, values, and norms affecting buyer-supplier relationships operates at multiple societal levels, providing a rich array of potential analytical perspectives including societies, business networks, dyads and management, as shown in figure 1. The analytical focus is typically on one of these levels, linking other levels. Previous studies which can be associated with this approach includes for instance studies of divergences in societal institutions and how they influence buyer-seller relationships (Whitley, 1992) and studies of diverging business network practices rooted in different societies and how they evolve (Jansson & Ramstrom, 2005).

![Figure 1: Institutional contexts and behavioural expectations – analytical levels](image)

The present study is focusing on the management level shown in figure one, and is drawing on the other levels for extracting the root causes of management "habitus" (see Bordieu, 1990 for the theoretical origins of this concept). Through their habitus, managers have internalized the dispositions making them able to translate structural principles of the culture into lived practice. In this sense internalized prior experiences of managers is the mediating mechanism embodying the strategic contours imposed by the structures of the field and hereby reproducing practice (Nash, 2003).

Our analytical focus in the present study is on the relationship-specific norms of the managers involved in buyer-seller relationships. As far as we know from reviewing the literature, studies has been made on the role of psychic distance in business relationships (Conwau & Swift, 2000: Hallén & Wiedersheim-Paul, 1984). However, based on an extensive literature survey, addressing divergences in institutional underpinnings and how they impact on relationship norms is to our knowledge a novel approach towards understanding exchange behavior in cross-cultural buyer-supplier relationships. The conceptual model guiding our present discussion is shown in the figure two below, which also outline our stipulated relationship between institutional contexts, behavioral expectations and relationship specific norms. As we see it, these norms provide guidelines for the initial probes that potential exchange partners may make toward each other (Scanzoni, 1979). Such norms are embedded in social contexts beyond the individual firm and may even involve typifications of the behaviour of foreign suppliers and buyers, guiding expectations and corresponding behaviour (Crookes & Thomas, 1998). In the business marketing literature, research on how country of origin acts as an important cue to form buyer expectations has verified that divergent expectations toward buyers and suppliers based on their nationality are found in particular business contexts (Andersen & Chao, 2003). For instance, in a study of Swedish and German buyers and suppliers, it was demonstrated
that expectations regarding the role of the buyer and the supplier differed significantly across business contexts (Håkansson, 1986). Moreover, the institutionalized norms governing particular buyer-supplier relationship arrangement differ across business contexts, reflecting the distinctive forms of business organization found in particular business systems (Whitley, 1992). Managers develop expectations as they accumulate experiences and engage in trial and error learning processes in relationships with buyers and suppliers. As partners initiate and develop exchange relationships, this gives reason to the development of relationship-specific norms as the relationship involves. Subsequently, as a part of the ongoing learning process of managers, such norms developed in specific buyer-seller relationships may affect their belief systems and contribute in molding future expectations towards exchange parties.

**Institutional contexts and norms**

Research on business networks, relationship governance and norms often treat forms of economic organisation as pertaining to universal laws (Jansson & Ramström, 2005). However, a growing proportion of scholars find that universal models of economic organisation seldom square with empirical realities, as rationality – seen as the process by which humans individually and collectively seeks to master or make sense of reality – is the production of internalized value, rather than a result of universal evolution of the human mind (Redmond, 2004). Rather, rationalization is subjected to human sense-making, by which actors’ dis- and reconnects their conception of utility with specific wants as they learn and change their exchange preferences. Hence, plural and diverging forms of rationality are to be expected, as explained by Austrian economics, and are indeed found across socio-cultural contexts ((Whitley, 1992);(Aguilera & Jackson, 2003)). Instead of seeing the rationality of agents and their corresponding organization of economics as a result of Newtonian like laws, Collective rationales are socially constructed and institutionalized (Whitley, 1999); (Redmond, 2004). As social constructivists explains (Berger & Luckmann, 1967), different constituents in society jockey for position and seek to frame the conception of social reality most favourable to them, suggesting that theory about economic organisation is never really detangled from specific conceptions of the political interests of economic actors (Aguilera et al., 2003). Consequently, a fruitful conceptualization of our role as business researchers is not to understand and explain permanent laws of economic governance, but to outline what forces constitute the emergence and consistency of specific forms of organization and to understand how they differs across social contexts. For instance, we may be less interested in studying transaction cost economics per se than finding out under which contextually dependent circumstances, transaction costs reasoning makes perfect sense (Nooteboom, 1992).

From an institutional perspective, social rules and norms forms a normative pressure towards organizational conduct enabling and constraining practices. Firms chiefly internalize values, heuristics and norms through three processes of socialization: Normative transmissions of practice (such as by employing managers educated in business schools) by mimicking the behaviour of others or by adhering to social reality in order to become legitimate (DiMaggio & Powell, 1983) (Meyer et al., 1977). Institutions therefore strongly influence individual firm behaviour by defining ground rules for the business enterprise. Such institutionalisation processes co-evolve with and reflects background institutions vested in the shaping forces, norms regulations and rules of the socio-political system (Whitley, 1992). Both researchers of the economic and the sociological variety have given homage to the idea of linking the diversity of business organisations with that of institutional or socio-cultural context. Even Oliver E. Williamson (Williamson, 1993)
Previous research suggests that socio-cultural contexts play a strong role in guiding exchange and calls for strong variations across business environments (Griffiths & Zammuto, 2005). They are embedded as values, heuristics and norms carried by those business actors, which are socialised into and contributes to sustaining a particular business practice. Quite often, these values, norms and rules are vested in the regulative and normative institutional foundations of the nation state, outlining laws and practices for such fundamental aspect as capital flows and the transfer of property rights (Whitley, 1992). For instance, the Danish financial system supporting SMEs is strongly based on access to banks offering long-term credit loans to companies and playing a significant role in their governance by being on the board of directors (Høpner, 1999). In comparison, the Chinese financial system related to SMEs strongly rest on kinship communities such as families supporting the start up of business and monitoring activities, linking them with other commercial activities in their often widespread operations. In other countries financing of enterprises may chiefly be based on short-term credit systems such as the stock market in the US. Yet in other economies such as Japan, the financial sponsors are chiefly the Japanese Sogo Shosha, which includes banking operation in their vast networks of business enterprises (Yoshino & Lifson, 1986). This provides diverging expectations to the role and influence of managers in daily operations as well as in the execution of strategic decisions across socio-cultural contexts, and affects the very constitution of what the role of a manager is and does in a specific societal context.

Values, heuristics and norms are important for understanding market processes as they provide safeguarding mechanisms for conducting exchange, reducing the overall costs of contracting and controlling behaviour of counterparts (North, 1991). They enact specific orders or shared codes in particular settings such as for instance regions (Dei Otatti, 1994) industries (Spender, 1989), societies (Hofstede, 1984) or the norms shared by members of professional networks and supply chains (Berthona et al, 2003). Following the latter approach, Whitley (Whitley, 1994) uses differences in configurations of institutional influences to distinguish particular business systems. Business systems are defined as relatively stable ways of ordering market and firm relationships that develop interdependently with social — often nationally organized — institutions (Whitley, 1994) (Griffiths & Zammuto, 2005). Business systems reflect specific recipes for doing business. Recipes can be understood as dominating rationalities found in a specific institutional field, such as an industry (Spender, 1989). They are shared patterns of managerial perspectives, judgement or notions of what comprise “good managerial practice” or industry logics, closely linked the shared ideas or cognitions developed in a specific context, by business actors frequently interacting and through their actions, co-creating and institutionalizing a shared idea of reality. They may influence all aspects of business practice such as the guiding norms for purchasing, marketing, human resource management, customer relationships, production technologies, etc, providing heuristics that enable managers to create meaning in equivocal contexts (Weick, 1979). Often the origin or the very logic of these practices is not consciously acknowledged by actors (DiMaggio, 1997). They exist as uncodified norms and practices, which occasionally are challenged by entrepreneurs in the industry, acting as rule breakers (Hamel, 1996). Hence, business recipes are stable but not static and they evolve over time in an endless game of creative strategizing (Mathews, 2006). Consequently, we also believe that there are influences from buyer-seller relationships feeding back from buyer-seller relationships into the institutional context, as shown in figure two. However, in the present context our focus is on the linkages from institutional contexts to behavioural expectations. In addition, the habitus of SME managers often differ from their larger constituents, based on the smaller degree of formalization and specialization in management tasks. In cases where managers are also owners, a strong degree of identification is at play. SMEs are said to be extensions of the owner/managers personality (Brytting, 1991).

In the following, we focus on the institutional contexts in which Chinese and Danish SMEs are embedded. In terms of values and challenges they represent two fairly cohesive segments of companies which both reflect the social institutions, which particularly have influenced its genesis. Previous research in Denmark as well as in China has already suggested the viability of these categorizations (see for instance (Kristensen, 1995) and (Poutziouris, Wang, & Chan, 2002)). In order to do so, we start with the idea of business recipes as a shared rationality among SMEs, using Whitley’s concept as our reference. We particularly focus on the regulatory institutional underpinnings specifying rules and norms of (capital) ownership and property rights, firm and interfirn coordination and the role and scope of managerial discretion and control. These dimensions have attracted interest among scholars interested in understanding how organization and governance of economic entities differ across institutional contexts (Griffiths et al., 2005), (Lane, 1989); (Whitley, 1992).
Forms of capital and ownership rights are based on the rules and norms associated with the property rights of capital owners. Interesting questions here concern whether these constituents are predominantly ruled by short-term interests for financial liquidity or strategically oriented towards taking control over particular aspects of the economic sector in which they are involved, and how they involve themselves, as discussed earlier in relation to divergences in how financial systems are constituted across socio-cultural contexts. What, then, are the traits of business recipes typically found among Danish and Chinese SMEs? By typical we do not mean in average as the large diversity in business structures makes this meaningless. Rather, we use the term typical in the sense of a “real type” of firm in terms of providing an image of a representative business enterprise, based on the actual existing conformities represented in the business context. Hence, we reject the ideas of over-socialisation and mental programming found in aspects of the literature and acknowledges that there are variations among firms in the business context. However, we also believe that there is a predominance of the behavioural patterns described that meaningfully can be described as recipes or logics followed by actors in order to achieve legitimacy and resource access (Scott, 1995). A summary of our characteristics of the business recipes of Danish and Chinese SMEs are outlined below in table 1 and further elaborated in the following sections.

### Table 1: An overview of business recipes governing Danish and Chinese SMEs

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Chinese SMEs</th>
<th>Business recipes</th>
<th>Danish SMEs</th>
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<tbody>
<tr>
<td>Forms and interests of capital and ownership right holders</td>
<td>Family interests directly involved in developing synergies among business activities within ownership network in order to establish generation of wealth</td>
<td>Owner/manager interests together with leading financial institutions in ensuring survival and long-term growth of the single SME</td>
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<tr>
<td>Firm organization</td>
<td>Coordination or intra-organizational activities highly formalized hierarchical organization, strongly rule based</td>
<td>Organization hierarchies are flat denoting and informal and flexible decision-making process</td>
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<tr>
<td>Interfirm coordination</td>
<td>Interfirm coordination strongly depending on kinship ties and personal trust of family members as vouchers for establishing and maintaining long term inter-firm relationships</td>
<td>Interfirm coordination depending on trust generated from previous interactions and on the evolution of user-producer learning</td>
<td>Interfirm coordination depending on trust generated from previous interactions and on the evolution of user-producer learning</td>
</tr>
<tr>
<td>Scope of managerial discretion and control</td>
<td>Salaried managers executing tight supervision on the operational level while having little control over strategic decisions</td>
<td>SME managers often recruited from shop floor ensuring easy access to management level – large degree of delegation of responsibilities and strong influence on strategizing efforts</td>
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Denmark and China may be contrasted as representatives of two very different business systems and corresponding recipes. China denotes a centrifugal business system characterized by weak institutional support from providers of capital and law (Steinfeld, 2001). Correspondingly they are characterized by low levels of institutionalised trust, where entrepreneurs are largely self-reliant on developing and maintaining a supportive structure of external resource providers, trough processes of Guanxi, describing interpersonal or interfirm obligations to repay favours, which may substitute the protective role of formal institutional support such as the rule of law in governing exchange (Xin & Pearce, 1996). This reflects the strong reliance on paternalistic management behaviors found in other studies of Chinese companies. The organization of operations in Chinese firms is often highly formalized, involving close supervision and a tight set of business rules (Ng, 1998). It is rare for them to encourage self-management practices and empowerment (Pun, Chin, & Lau, 2000). In contrast, Denmark on the other represents an example of a partitioned business system with high levels of institutionalized differentiation and pluralism calling for excessive personal coordination.
but also with considerable levels of institutional support beyond personal networks. Danish companies are characterized by managerial informality and a widespread delegation of responsibilities to other actors inside and outside of their business, suggesting that many directives go unsaid, as suppliers are expected to conform to existing conducts of practice, leaving the detailing of solutions to the supplier’s own initiative, which is expected to understand the needs of customers and react according to them in terms of quality levels, delivery times, etc. Trust constitutes an important coordination mechanism in both cases. However, there seem to be rather diverging conceptions of trust in the business system. Whereas the Chinese business system primarily seem to be reliant on a form goodwill trust, inferring an expectation towards toward trustees not behaving opportunistically, the Danish business system is more adequately described as demonstrating competence-based trust; inferring an expectation that trustees are able to solve the problem of the party issuing trust. Taken together, these differences in business recipes may help in explaining the diverging expectations of buyers and suppliers with respect to trustworthiness, role specification and joint problem solving.

The evolution and constitution of business recipes guiding the typical Chinese SME

The development of the Chinese SME sector has been hard-wired to the Socialist planning model, which up till 1960 heavily depended on the financial aid and advice from Soviet economists and advisors. The USSR helped building up a heavy industry structure. Later, the economic reforms of chairman Deng Xiaoping who introduced the socialist market model, allowed foreign capital inflows as well as an expanded room for private initiative. In the late 1980s, establishment of private companies were approved by the 13th Congress of the Chinese Communist Party. Since then, individually owned enterprises (IOEs) – typically funded by overseas Chinese families – have become the fastest growing type of company in China. Currently, more than 8 million IOEs are operating in China, primarily in the 14 coastal provinces. These IOEs receive little or no institutional support. They are owned by the family, with a salaried manager running the daily operations of the firm. The family is the revolving agent in the evolution of private capitalism in China. Although some, such as Hofstede (Hofstede, 1984) would claim that the Chinese society is collectivist in orientation, the Chinese primarily are foremost loyal to their families and the role sets provided in this social structure. Limited commitment are found outside this realm, and must be understood in relation to the family’s interests (Hamilton, 1990). The Chinese family typically operates a range of small, specialized units, which are interwoven in the family “bamboo” network (Redding, 1995; Poutziouris et al., 2002). The division of work among the family and the salaried managers suggests a personal and paternalistic decision making style, with limited delegation of authority to the management level (Wong, 1985). This means that only operational matters such as issues pertaining to cost cutting and competitive pricing are left to the salaried manager, whereas all strategic business issues are family matters (Tsang, 1996). This is also indicated in a study by (Wiley, Wilkinson, & Young, 2006), comparing relationship initiation among suppliers in China and three European countries. Here the results show that group head quarters play a comparatively much stronger role in initiating relationships. Given the weak institutional support from for instance merchant banks it is important for family to retain financial flexibility to the greatest extent possible – focusing on flexible and short-term investments, which can be easily created and abandoned. The family owners therefore emphasize flexibility and responsiveness to environmental change and can react fast and flexible on the network level (Redding, 1995). This, however, leaves only little room to strategic manoeuvring within the single SME. Its purpose is mainly to mass produce a limited range of standardised products – often in a labour-intensive production process, keeping the investments in specialised equipment at a minimum. Within the Chinese SME, Tayloristic principles are followed for optimizing work flows and reducing costs, including detailed instructions and work scripts (Ng, 1998). Chinese management is characterized by considerable power distance among employees and managers and a strong and paternalistic - subordination to management (Pun et al., 2000). This is also reflected in (Hofstede, 1983) who identifies that strong power distance (concerning societal acceptance of inequalities in terms of power and wealth among individuals and the centralization of authority) resides in both Hong Kong and in Taiwan.

The evolution and constitution of business recipes guiding the typical Danish SME

In comparison, two – rather fragmented - business recipes can be found within the Danish business systems, which both reflect the social institutions, which particularly have influenced the structuring of the Danish business system (Kristensen, 1995). The first recipe, which generated some of the single most dominant business actors in Denmark, includes the concentration of political and economical power surrounding a small group of commercial banks established in the midst of the 19th century and the owners behind it. They founded some of the largest Danish trading houses, shipping merchants and shipyards, which became (and to some extent still is) the backbone of large Danish companies. In opposition to the
Structuring of wealth in the Copenhagen area, farmers established cooperatives in order to take control of an increasing part of the value-adding activities. The establishment of cooperative dairies was the beginning of the structuring of the second business recipe in Denmark also led to specific patterns of craftsmanship-based organisations, resting on excess labour in farmer towns. The SMEs are supported individually from large companies through a developed and self-sustained network of local venture capital banks, craftsmanship-oriented schooling systems etc, contributing to the reproduction of the Danish SMEs (Kristensen, 1995).

A typical Danish SME is owned and managed by the same person, although it is established as a shareholder company (in order to separate private and corporate ownership). The manager is typically a person with a craft-education, technical or practical background, and the company is often making a living as a part- or full time subcontractor (Maskell, 1992). The company produces in relatively small scale, often batch or series production with considerable value added. It has a rather simple organisational structure, with a functionally based organisation form (Kristensen, 2005). Often, a significant part of the workers have a craft-based education, whereas engineers are less common, particular in smaller companies.

Management and decision-making styles are characterized by being informal and flexible, decision making is often carried out by the owner-manager and/or he or she is consulted. There is a widespread delegation of operational responsibility to middle managers, shop stewards and even workers and only few control systems implemented (Lund & Gjerding, 1996); (Fivelsdal & Schram-Nielsen, 1993). Personal networks play a strong role in conducting marketing and sourcing activities, and marketing is very often externalised or reduced to a minimum, as sales activities are concentrated on initiating and developing business relationships with a selected group of key customers. Suppliers are heavily involved in product and process innovation of SME buyers (Christensen & Kristensen, 1994). Moreover, it is the development of shared cognitions of the technical problems at hand and how to solve them that forms the relationship among buyers and sellers. Therefore, involving in buyers’ product development activities is seen as a marketing investment conducted in order to ensure possibilities for future business by increasing the buyer’s dependence on them. Hence, like their Chinese counterparts, Danish SMEs are also network-oriented, but enact a substantially different role to suppliers and buyers in the network, as they base their trust relations on a very different conception than their Chinese counterparts.

**Behavioural expectations in business exchange relationships**

We now move from the general level of business recipes formed in diverging institutional contexts into how these recipes motor specific behavioural expectations of buyers and suppliers and how the diverging conceptualizations of these unfold as managers of Danish SMEs initiate sourcing activities in China, using the general traits of the business recipes to explain how specific divergences unfold as the representatives holding a set of taken-for-granted assumptions interact.

Although the concept of relationship norms were introduced into the business relationship literature only recently (Dwyer et al., 1987), the concept of norms is a central concept in a wide range of social studies, including political, science, social psychology and economics (Heide & John, 1992a). Also Wroe Alderson, recognized the importance of behavioural norms in his seminal contribution on marketing channels as behavioural systems with the need for normative structures (Alderson, 1954).

Some research contributions have been made into understanding the role of norms in shaping and governing business exchange relationships. A literature review reveals that in the buyer-supplier relationship literature, relationship norms usually are defined as expectations about behaviour shared by a group of members in a social unit (Heide et al., 1992a) Berthon et al, 2003; (Spekman, Salmon, & Lambe, 1997); (Campbell, 1997): (Dwyer et al., 1987). (Gibbs, 1981) content that a norm “is a belief shared to some extent by members of a social unit as to what conduct ought to be in particular situations or circumstances” (cf. (Gibbs, 1981). Like the concept of trust, relation-specific norms apply to issues of predictability and are shaped through ongoing interactions with exchange partners. Norms however differs from the concept of trust in several important ways. In comparison with the concept of trust, norms are more directly related to behaviour as they stipulate detailed and applied behavioural expectations for situations and circumstances and therefore more directly reflects managerial habitus toward exchange partners. Moreover, norms may apply in exchange situations, where exchange activities are not governed by trust or where trust is absent or be the precursor to evolution of trust, as buyer-sellers gradually learn about each other’s expectations (Redmond, 2004). For instance, buyers and sellers may have norms for non-collaboration (Spekman et al., 1997) or may even see avoidance of intimacy with suppliers and buyers as an important norms (OTA, 1989).
The marketing literature on relationship norms\textsuperscript{1} in a buyer-seller context makes a distinction between relationship specific and internalized norms (Campbell, 1997) (Dwyer et al., 1987). Relationship-specific norms are behavioural expectations formed through repeated exchange episodes and critical events, which tests, and occasionally modify expectations on an ongoing basis (Dwyer et al., 1987). As a feature of ongoing relationships, norms align expectations and actions as they guide the behavior of actors (Spekman et al., 1997). However, prior to the initiation of a buyer-seller relationship, internalized norms that shape expectations toward the exchange partner exists as buyers develop general expectations about the behaviour of buyers and suppliers including the activities and roles to be taken on by them (Scanzoni, 1979). For managers, such typifications of buyers and supplier categories act as a sense-making mechanism, helping them to evoke a specific set of actions when engaging in interaction with them (Weick, 1995). They may be explicated as specific procedures, routines and guidelines for suppliers (and procurement officers) to follow or be quite implicit, embedded as non-codified routines which more or less consciously are followed by managers. Hence, rather than being formed on a partner-to-partner basis, ex ante expectations concerning partnership behaviour reflect managerial mental maps on how interfirm relationships interact with the general business activities of the firm (Campbell, 1997). In this sense they form the governance backbone of the relationship. They specify expectations on permissible limits on behaviour and smooth inter-partner coordination. We here see behavioural norms as vested in the individual company representing the general expectations of buyers and sellers respectively towards their own role and the roles of others, whereas relationship norms concerns the particular expectations emerging in the business relationship. In the present context, as our point of departure is the interplay of business recipes of Danish and Chinese SMEs our focus is primarily on expectations formed prior to engaging in the buyer-seller relationships.

**Dimensions of buyer-Seller Relational expectations**

Research in buyer-supplier relationships has pointed to a range of dimensions and characteristics relevant for understanding partner expectations on inter-partner behaviour. In general, a review of the literature reveals that the characteristics relating to partnership expectations centres around the extent of mutuality and collaboration in the exchange relationship. A survey of contributions to this field presents a broad range of relationship characteristics that are linked to aspects of behavioural expectations. Not all relationship characteristics relate specifically or directly to behaviour and some of the characteristics and definitions are partly overlapping. For instance, in an interesting study, Spekman, Salmon & Lambe (Spekman et al., 1997) speak of recognition of interdependence, which definitely influences expectations, but does directly address expectations as such. Other studies focus specifically on the development of norms within the relationship (i.e. bonding behaviour) and pay little attention to the norms brought into the exchange (Heide & John, 1988). Based on our literature survey a set of five dimensions has been extracted, which links directly to the formation of buyer-seller relational expectations in a cross-cultural setting (see figure two for an overview of dimensions).

- **Communication processes** has been described as the glue that binds inter-organisational relationships together (Mohr & Nevin, 1990) (Duncan & Moriarty, 1998). Buyers and sellers holds expectations with respect to the exchange of information in relationships (Joshi & Arnold, 1997). Communication ties in with organisational functioning in buyer-seller relationships and is strongly linked to their behavioural attributes (Heide et al., 1992a). Expectations regarding the quality, frequency and scope of the partners’ communication efforts are therefore important (Mohr, Fisher, & Nevin, 1996). By communication quality and frequency we refer to the minimum expected levels regarding timeliness, accuracy and credibility of the information received from their exchange partner. **Scope of communication** relates to expectations regarding the breadth and richness of the information supplied. Because communication may be more or less focused and more or less rich on detail, expectations on what is considered as an adequate scope of communication may differ. The literature on cross-cultural communication suggests that different cultures may have different information sharing strategies (Rosenbloom & Larsen, 2003). Hall (Hall, 1976) pointed to the role of communication in low and high context cultures, referring to the amount of implicit and explicit information contained in a message as compared to the cues specific in the context.

- **Role specification and coordination of work** concerns the degree to which business partners expect the buyer or supplier to follow a pre-specified set of obligations and benefits agreed upon prior to the

\footnote{We use the concept relationship norms to mean the same as relational norms, which is used in part of the marketing literature}
initiation of exchange activities (sometimes enforced by detailed contracts as in franchising agreements) or whether buyers or sellers expect each other to take actively part in shaping the exchange activities over time and adapt their activities to that of the exchange party (Achrol & Gundlach, 1999). These expectations are co-dependent on the expectations regarding the coordination of activities, since specific forms of role specification induces expectations on particular coordination schemes (Thompson, 1967). Role theory purports that national cultures differ with respect to how they guide individuals' enactment of roles (DiMaggio, 1997); (Biggs & Watkins, 1996).

Consequently, actors from different cultures may be more or less inclined to proactively assume role taking or role making in a buyer-seller relationship. Whereas role taking refers to understanding behavioural expectations of others, role making refers to forming the expectations through one’s own acts.

- **Nature of planning horizons** concerns the expectations concerning the longevity of the exchange, ranging from virtually non-existent as in the case of discrete transactions to formalized contingency plans, implying joint procedures to forego possible external and internal events (Heide, 1994). In a similar vein, Heide & Miner (Heide & Miner, 1992b) developed the concept of extendedness as the degree to which partners anticipate that relationships will continue into the future with an indeterminate end point. This is an important dimension of expectation as it links to the mutual concern for a common good (Gundlach, Achrol, & Mentzer, 1995) and to willingness to engage resources in the relationship (Nielson, 1998). The expectations on compatibility of goals vary with the level of mutual commitment and functional interdependence (Frazier, Spekman, & O’Neal, 1988). For instance, commitment of specialised resources in supplier relationships reflect expectations that business dealings will continue into the future (Nielson, 1998). According to Hofstede, the nature and role planning horizons differ across cultural contexts, relating to uncertainty avoidance (Hofstede, 1984)

- **Trustworthiness** is widely seen as a critical component of successful partnerships among researchers of buyer-seller relationships. However, there is little consensus regarding the definition of the concept. For instance, some refers to trust as governance mode: the belief or expectation that a party’s word or promise is reliable (Dwyer et al., 1987), others pair trust with specific behavioural intentions, suggesting that trust reflects exchange acts in accordance with mutual long-term interests (Anderson & Narus, 1990). In a similar vein, Gundlach & Achrol (Achrol et al., 1999) discuss solidarity as a relational norm, inferring that exchange partners show loyalty to each other. We here distinguish between goodwill trust, which includes the notion of personal solidarity (which involves a judgement of personal character and expecting somebody to align actions with your interests, “because of who they are”) (Ali & Birley, 1998) and competence-based trust, which both include expectations towards suppliers technical skills with respect to production and processing performance as well as commercial competences, dealing the ability organize and perform commercially viable transactions (Ford, 1984). Expectations regarding what activities and actions trust can be relied upon may differ substantially across institutional contexts. In the present context we are concerned with expectations toward exchange partners, whether these are non-collaborative or collaborative in orientation. We discuss this in terms of trustworthiness, describing the degree to which partners expect they can rely on each others’ words and promises as a sufficient guarantee for reaching agreements on which they can plan future events. In particular, we are interested in how actors signal and also recognize and evaluate acts of trustworthiness.

- **Adaptation and problem solving orientation** concerns the degree to which buyers and suppliers expect their partner to participate actively and can rely on and draw in exchange partners in mutual problem solving and adjustments of activities (Anderson & Weitz, 1992) and a focus on comprise in solving potential conflicts (Gundlach et al., 1995). This dimension also includes what elsewhere is discussed as the norm of flexibility, i.e. willingness to assume multiple roles and responsibilities in the relationship (Achrol et al., 1999). Expectations may vary regarding the extent to which partners are expected proactively to provide or anticipate problems and act in accordance with these or whether mutual problem solving is beyond the boundaries of cooperation. Moreover, they may vary regarding whether mutual partners expect mutual problem solving to be proactive and preventive or a reaction to problems as they have occurred (Frazier et al., 1988). Previous research suggests that actors’ orientation towards adaptation and mutual problem solving orientation differ across national cultures with respect to both the time horizon of problem-solving and their willingness to adapt to
specific business practices of others (Hofstede, 1983) (Anderson et al., 1992); (Newman & Nollen, 1996).

Methodology and data
Using the theoretical perspective outlined here, we turn to our field data in order to explore, validate or detail these arguments further. Our research approach is - inspired from the German tradition of interpretive sociology - explorative-integrative, seeking to expand and further develop theoretical models using case study data (Hitzler, 2005). Rather than assuming a stance of pure empirical induction, we allow our theoretical dispositions to be externalized and challenged by theory, much in the tradition of Heidegger's notion of theoretical pre-understanding. The notion is that these perspectives equip us with the ability to conduct disciplined imagination in our theory-building efforts, as suggested by Weick (1989).

Our data consists of interviews conducted with Danish SME managers sourcing in China and to a lesser extent interviews (conducted with interpretation) with suppliers in China during 2003-2005. In addition, we draw on research materials on global sourcing in Denmark, carried out by Mandag Morgen, a private consultancy firm (Erhvervsråd, 2004). We base our elaboration on these issues on existing literature and illustrative examples primarily from an ongoing study of the international sourcing activities of nine Danish SMEs. Interviews have been conducted as semi structured interviews or informal talks with managers of these companies. In some cases, where the respondent or the situation did not allow for taping and transcribing the interviews, follow-up or telephone calls have been made in order to validate our version of the story, analogous to the validity criteria stipulated by Kvale (1996). Appendix one provides an overview of the firms interviewed. Since our data material is mainly derived from managers of Danish SMEs the view we present here is clearly biased towards understanding their conceptions and expectations towards the relationship with Chinese SME suppliers. Notwithstanding these limitations, we believe our data material is adequate for our purpose: to explore and further ground our theoretical framework and hereby preparing the way for more comprehensive variance or process oriented empirical studies.

Behavioural expectations to exchange relationships: Danish and Chinese firms compared
A contrasting overview of the behaviour expectations of Chinese suppliers and Danish buyers is provided in table 2 below and is discussed in the following.

<table>
<thead>
<tr>
<th>Key dimensions of relational expectations</th>
<th>Danish Buyers’ expectations toward suppliers</th>
<th>Chinese Suppliers’ expectations toward buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality, frequency and scope of communication</td>
<td>Problem-oriented information, limited in detail, strongly relying on shared knowledge with regard to materials and technology Communication through templates such as component samples</td>
<td>Detailed information, provided from personal interaction, strong need for explicit communication of expectations Communication through interpersonal socialisation and frequent and ongoing face-to-face meetings</td>
</tr>
<tr>
<td>Role specification and coordination of work</td>
<td>Explicit or relational contracts, coordination of work vested in interorganisational routines developed gradually through processes of trial and error</td>
<td>Role specification through personal interaction, limited mutual adjustments, exchange vested mainly in spot contracts</td>
</tr>
<tr>
<td>Nature of planning Horizons</td>
<td>Short-term planning of a broad variety of components to meet the needs of a diverse range of customers</td>
<td>Long-term planning within the single business unit of production schedules, with some flexibility in production time and batch series</td>
</tr>
<tr>
<td>Trustworthiness</td>
<td>Trustworthiness is based on credible commitment and sanctioning mechanisms relating to social capital in the community</td>
<td>Trustworthiness is linked to personal interaction and the ability to monitor actions of others</td>
</tr>
<tr>
<td>Adaptation and problem solving orientation</td>
<td>Adaptation and problem-solving skills of suppliers is integral in the relationship</td>
<td>Adaptation is limited. Problem-solving orientation in terms of co-production and innovation contribution is seen as external to buyer-supplier relations</td>
</tr>
</tbody>
</table>

Quality, frequency and scope of communication
First, cases studies suggests that divergence regarding the expectations toward the quality, frequency and scope of interaction among Danish buyers and Chinese suppliers plays an important role for understanding the difficulties of Danish SMEs in pursuing global sourcing. From our interviews with Danish managers, we
have learned that Danish companies sourcing in China are often surprised by the need for explicit and continuous personal communication in order to further activities. One example of diverging expectations towards the frequency and scope of interaction is found in the following quote from the expatriate manager of Jupiter Metals, a Danish SME with a representative office in Shanghai, who were helping a colleague procuring two large industrial heaters. He (a colleague from Denmark) was supposed to stay here for ten days. He was with me in Shanghai a couple of days where we talked things through. After this, I took him down to Nan Thong, where we stayed a couple of days, in order to brief him about our operations and dealings with the supplier. He was supposed to stay here for ten days, but he stayed here for a whole month...it did not matter what we did or said; if I asked them to change something and afterwards referred to it, they had not done it. They might have done some alterations, but never according to our initial specifications. In the end I lost my temper and told them, that if they did not follow our instructions carefully, we would not buy these ovens...I had to make these kinds of threats, because everything was chaotic. That seemed to help a little. (Lasse Jensen, Jupiter Metals). Similarly, in talks with Chinese suppliers and locally based sourcing specialists, it has been pointed repeatedly, that Chinese suppliers often find the information provided by Danish buyers in lack of sufficient technical and operational detail. Chinese suppliers request detailed specifications of their instructions for close supervision regarding quality procedures. This has been demonstrated in a number of Danish companies investigated as well as in a recent survey of global sourcing activities (Industri, 2004). As pointed out by Søren N. Olesen manager in Danilift, a producer of hydraulic equipment from his experiences from sourcing components in China: Outsourcing to and collaboration with Chinese suppliers requires much better documentation than we are used to. You get exactly what you order – no more and no less. This experience is in line with experiences of several other managers interviewed and demonstrates that Chinese suppliers pays much stronger attention to detail than Danish buyers. It coincides well with buyers from other countries’ experience of the expectations of Chinese suppliers (Ting, 2004). As pointed out by Director Kenneth Rand, Flexi Metal in one interview: Even though the hourly wage is much lower in China than in Denmark, it is prohibitively expensive to establish a smooth operation of activities in these countries. There are too many problems regarding quality inspection, delivery schedules, organisation, management and transportation. Interestingly, according to Hall (Hall, 1976) both Denmark and China are high context countries, assuming much of the information in the ongoing communication to be implicit rather than explicit. For the Chinese suppliers on the other hand, production is often on a large-scale basis; the challenge is to maintain a smooth production flow and ensure reduction of wait and machinery set-up times, rather than to adjust flexibly to the often rather diverse and changing demands from small scale producers such as Danish buyers, which are trying to push over some of their need for flexibility to suppliers.

**Role specification and coordination of work**

In order for the Chinese management model to work, they demand detailed instructions that can be directly and clearly delivered to those supervising and carrying out the manufacturing activities. Like in the case of any other buyer, Chinese suppliers expect Danish SMEs to be willing and able to instruct them carefully and help them to develop their abilities to meet coordination and role specification requirements. If the Chinese subcontractor finds ambiguity or unforeseen situations in the interactions and contracts they tend to neglect the written agreements or renegotiate the conditions of the deal. This is also reflected in a comment offered by Yuan Ye, a Chinese manager in Sinoscan, a Danish owned sourcing firm, who said that Danish buyers and Chinese subcontractors often hold diverging expectations regarding the valour of price quotas: Chinese suppliers are often quite optimistic with respect to delivery dates and price quotes and see these as statements of their intent rather than promises obligating them. In particular, if the buyer does not frequently follow up on these demands, they tend to be down prioritized to more demanding customers. Hence one of the most important roles of a Chinese based sourcing firm is actually to follow up on local suppliers and in this sense act as a mediator between the diverging expectations and behavioural norms of Danish buyers and Chinese suppliers.

Danish SMEs on the other hand, initiating global sourcing for the first time, have formed their typologies and expectations about supplier behaviour from interacting with primarily Danish suppliers. Here, it is common that suppliers need little more than a sketchy specification of a component and some idea of what the component is intended for in order to deliver the desired output. Orally presenting the problem needed to be solved while writing sketchy component specifications “on the back of a paper towel” is a common expression among Danish SME managers when explaining how they communicate with suppliers regarding the delivery of a particular component. SME managers sourcing in China and not taking the Chinese suppliers’ expectations towards the quality, frequency and scope of communication into account therefore may become suspicious with the respect to the amount of information demanded by the Chinese supplier, suspecting from all the warnings he or she previously have been given that the supplier is trying to
obtain directions in order to imitate the product or component themselves. Similar experiences were found in a study of Finish companies sourcing in China (Salmi, 2005). These divergences with respect to communication frequency and scope in relationships are chiefly linked to the differences in hierarchical status of managers interacting. Whereas the Danish business recipe delegates large degrees of responsibility to boundary spanners interacting with other firms, the possibilities for accommodating and negotiating substantial changes are severely more restricted in the Chinese firm. Hence, whereas Danish managers assumptions are about the content of the dialogue and the consequences of it are rooted in a Danish context, the representatives of the Chinese firm – given the established practice of their business context - are often uncertain with respect to who they are dealing, with and whether Danish the firm representative has the influence he or she claims to have.

With regard to role specification and coordination, Danish SMEs sourcing in China are often surprised by the demands of their Chinese counterparts with regards to coordination and role specifications. From a foreigner's viewpoint establishing an understanding of the norms and expectations of Chinese partners is a resource-demanding investment, which may prolong the payback period from gaining access to low cost production or even lead to a negative cash flow. The framing strategies of both Danish and Chinese SMEs reflect and underlying search for aligning the prospect exchange relationship with their existing portfolio of activities. But as these activities are vested in very different business recipes, they are likely to differ. Danish buyers expect from their suppliers to be able to solve problems that the buyer did not know they had, due to their lack of knowledge within the field where the supplier is believed to be an expert. The capabilities of the supplier are an important cue in the Danish companies' quality perception toward suppliers. Hans Jørgen Dalum, manager of HD Design, puts it this way: *Chinese suppliers do not have the same understanding of quality as Danish companies, both with regard to written agreements and norms pertaining to specific standards, nor with regard to the unwritten standards and rules. Everything which is not made explicit to Chinese suppliers they will try to avoid to be made responsible for.* Chinese firms on the other hand, seeking to fulfill their customer's needs as required expect their trading partners to be rather clear in their demands towards them and expect frequent interaction and interference from their trading partners. For Chinese managers, previous research has pointed out the important role context orientation. Generally speaking, Chinese managers seek to gain an understanding of the situation before acting upon it (Hsu, 1981). Chinese, in practicing situational behavioural styles, are conditioned by Confucian ethics and are therefore likely to wait until their roles are clarified before acting. Framing the situation in terms of power relationships is important so they can adopt appropriate behaviours. This is linked to the idea of social appearance or “face” as an important aspect for understanding how roles are played out in interaction with buyers. In western societies face relates to the protection of self, whereas in a Chinese context, face is a group phenomenon and care must be taken in order to protect the face of others (including the prospect buyer) in the collective (Babcock & Babcock, 2000). Chinese suppliers expect buyers to be parenting the project, and take responsibility for all major decisions to be made with regard to the product – and their competence is measured with respect to their ability to be attentive to details (Chen et al., 2004). This is also reflected by comments given by the manager of ASIA Base; a Danish-Chinese firm specialized in mediating sourcing relationships between Danish buyers and Chinese suppliers.

**Nature of planning Horizons**

Expectations toward the length and the nature of planning horizons also differ substantially between Chinese and Danish firms. Whereas Danish firms often rely on being flexible providers of a broad range of solutions, and rely on their suppliers ability to support them in their efforts, Chinese companies are strongly relying on establishing and maintaining long-term production schedules. If long-term schedules are not possible they will likely typify Danish suppliers as acting on a spot market, unlikely to commit themselves to any specific Chinese supplier, and adopt their expectations and behaviours accordingly. Take the case of Logitrans, a medium-sized Danish producer of a high-quality specialized lifting program, which decided to expand its global sourcing activities for a component of a pump to China. Using a Chinese supplier would bring down the costs considerably for this particular component and still concur with Logitrans’ overall quality standards. In their efforts to find a subcontractor, Logitrans managed to find a Chinese component supplier, which lived up to their explicit criteria. Like the Danish subcontractors normally used by Logitrans, this subcontractor was an SME. However, as negotiations started with the Chinese supplier, it became clear, that delivery policy requested by Logitrans matched poorly with the mass production principles of the Chinese supplier. Whereas Logitrans typically would buy a broad range of components in small batches and stock as little as possible themselves, interacting with the supplier on a short term delivery basis to ensure flexibility toward their customers in the spirit of lean manufacturing principles, the business logic of their Chinese supplier was considerably different. Even though they were an SME just as Logitrans, their operation principles differed
radically. They were more to be likened with a production unit in a web of family-controlled enterprises; each highly specialized in a fixed mass production schedule rather than in a regime of flexible specialization. Their core interest was to identify customers with a need for large volume production of identical parts so that they were able to structure their production schedules on a long-term basis. Only after considerable adjustments and prolonged negotiations, Logitrans managed to settle a partnership with their Chinese supplier that was mutually satisfactory. The Chinese supplier agreed to take on product adaptation obligations whereas Logitrans agreed to use their distribution network to market a range of standardized products for the Chinese supplier. These divergences in expectations reflect differences in conceptualization of flexibility found in the Danish and the Chinese business system. Whereas SME flexibility in the Chinese context chiefly is linked to reaction speed and capacity flexibility, it is linked to variability in customer demands in the Danish business system.

Trustworthiness
Developing and maintaining trustworthiness is an important aspect in doing business for both Danish and Chinese firms. However, the events creating trust and distrust and the consequences of differ substantially among them, as also pointed out in other investigations (Coote, Forrest, & Tam, 2003). For Chinese suppliers, the concept of Guanxi is important for understanding Chinese suppliers’ expectations with respect to trading partners’ trustworthiness. Guanxi may be defined as a friendship with implications of continued exchange of favors (Xin et al., 1996). According to others, Guanxi is closely related to renqing (favor), and li (etiquette, propriety, and rules of conduct) in regulating relationships (Ghauri & Fang, 2001). In short, Guanxi concerns the cultivation of sustained personal relationships. Guanxi provides assurance to business actors that they are high priority to their exchange partners, that their business partners have the needed ability to satisfy their needs, and that exchange partners will not behave opportunistically (Dickson & Zhang, 2004). Danish SMEs’ notion of trust differs from this conception of trustworthiness. In the Danish SME recipe, trust is strongly linked to the demonstrated capability of the supplier in solving their problems, reflecting successful past dealings in an exchange relationship. Hence, trustworthiness has emergent qualities and Danish SMEs would expect that Chinese suppliers are loyal to them, in terms of not supplying to potential competitors in the interest of establishing such a relationship. They expect that Chinese suppliers would help them protecting their products and technologies from imitations as an act of good faith, implicitly expecting them to behave in accordance with Danish business recipe norms. As pointed out by Michael Brock, administrative director in B-K Medical: The loyalty of particularly Chinese manufacturers is rather limited.

Knowledge spills over to competitors, and this can be very expensive over time. However, for the Chinese supplier, this may not be seen as directly linked to opportunism; rather the supplier is demonstrating their ability and willingness to learn and utilize what they have learned elsewhere. Given the weak regulatory institutional context in China, there is little reason for not utilizing these skills and as this is the established practice, Chinese companies do not regard this as a sign of especially opportunistic behavior. Clearly, piracy production is an entirely different manner, since this is clearly illegal. Contrary to what many Danish managers of SMEs seem to believe, these differences are well understood among Chinese managers.

One important issue concerns the role of written, formalized contracts a protective device to support trust-building efforts. Danish suppliers expect contracts to be important documents, signifying the agreements made between companies, which have a binding quality as they can be reinforced by law. Chinese suppliers on the other hand view the contract as a statement of expectations – like a marriage certificate - and see it as a vantage point for starting negotiations. A case in point is Jupiter Metals, who negotiated a contract with a Chinese supplier on the delivery of steel components. The managers in the company complemented themselves for striking a deal in writing with the Chinese supplier, which was most favourably to them. In fact they had difficulties understanding how the Chinese supplier was able to earn a profit from this business deal. When Jupiter Metals returned to collect their items, they realized that the contract was not really the end of negotiations but rather the beginning of them, and that the Chinese managers paid little interest to the contract formed. The behaviour and diverging expectations with respect to the significance of a written contract is consistent with previous research on bargaining behaviour among Chinese managers, who sees intensive bargaining as the norm for striking any business deal until the entitlement of goods and money actually have been exchanged (Shenkar & Ronen, 1987). Danish managers on the other hand are not unlikely to engage in bargaining, but expect that any negotiations over prices are settled with a contract signature and may implicitly have formed an expectation from dealing with suppliers in the Danish business context that commercial contracts are trustworthy, since they are enforceable by law and that significant penalty applies for breaking them. This links directly to the diverging priorities of face to face interaction found among firms belonging to the Danish and the Chinese business system as a provider of commitment.
Adaptation and problem solving orientation

Danish and Chinese companies hold diverging expectations with regard to adaptation and problem-solving. Whereas Danish companies expect a proactive involvement and that Chinese suppliers take responsibility for solving particular technical issues or understands the importance of the component supplied to the functionality or quality perception of the finalized product, Chinese suppliers finds this to be in the hands of the buyers, to which they provide their services. Danish buyers, who expect that they can push this responsibility over to suppliers, are often surprised with respect to the Chinese suppliers’ lack of understanding or interest in the context where a particular component is to be applied. As an example in point, Albatros Travels, a Danish adventure travel agent ordered a range of posters and other outdoor signs from a Chinese supplier located in Beijing and specified that they were to be used for an Extreme Marathon travel event in Greenland. Albatros implicitly assumed that the supplier would accommodate his supplies to meet the requirements of the harsh environmental conditions in Greenland, specifying the need of wind holes and nylon. However, shortly before the Marathon event, Albatros travel received a set of posters and outdoor signs fabricated in laminated paper which, according to the manager from Albatros did not last for longer than 5 minutes in the hailing winds. A similar experience is reflected by the following comment by Director Per Lykke Jensen, Flexa Furniture: Chinese suppliers are not used to take responsibility over production tasks. As a consequence we have learned to slow down our outsourcing activities. Similar experiences have been made by Poul Henningsen, technical Director in Jamo, a medium-sized Danish manufacturer of speakers which have outsourced almost all of its production activities: We tried to involve the engineers from our suppliers in developing a new design for a speaker series. Given their knowledge about the characteristics of the plastic material used, we wanted them to participate in sharpening our design from a given range of prototypes. They either simply did not understand their role in this process or had no intention in taking it; instead after having been presented with some sketches for prototypes, they simply asked which model to take with them home for producing.

Consistent with Confucian thinking, Chinese suppliers expect their customer to be superior in the exchange relationship in terms of knowing best what the end-customer want. From a Chinese supplier perspective a valid question could be posed: If the Danish buyer does not have superior knowledge on all accounts, why does their customer trust them? And if we have superior and critical knowledge compared to our contractor, why is it not us, rather than our Danish partner who is handling the deal?

Managerial and research implications and avenues for further research

‘If you truly want to succeed in taking a human being to another place, you must first and foremost take care to find him where he is and depart from there.

Søren Kierkegaard (1859):

Derived from the citation from the Danish philosopher Søren Kierkegaard, it is a popular phrase that knowing others is the best way to get to know your own dispositions. SMEs from various European contexts and from the US, which beliefs and expectations about buyer-supplier relationships are strongly rooted in their own business context faces a problem of ethnocentric taken for granted assumptions, when entering a specific business context (Perlmutter, 1969). As a consequence, they are facing a learning challenge as they initiate global sourcing activities in China and elsewhere. For SME managers in both recipient and sourcing countries this is an important lesson to be learned, which may help managers to understand their motives and beliefs guiding their partners and thus help in structuring effective buyer-seller partnerships, which are in tune with their respective institutional contexts. Particularly, we believe that managers must adjust expectations to meet with the business recipes of their counterparts and seek to take advantage of the positions of these partners rather than attempting to form suppliers and buyers in their own image. This is a lesson that has already been learned by many Danish SME managers sourcing in China. More specifically, there are important lessons for SME managers operating or initiating sourcing operations in Greater China, which may also be helpful for SME managers initiating sourcing.

First of all, it is important to understand that for SMEs, global sourcing – like any other internationalisation process – calls for extensive learning and represents a heavy investment in knowledge generation and organisational skill development. Eventually, such learning processes may have fundamental consequences for the organisation, strategy and management of the firm. One of the operational areas where the skill gap is noticed first, is perhaps in the context of communication. As a first rule, given the
institutional predispositions of buyer and sender of messages, communication almost always breaks down when crossing from one cultural context to another (Brennan, 2005). This has only little to do with business partners speaking the same language – which more and more seldom represents an important problem. Developing the ability to understand how the content of any message reflects deeply rooted institutional norms and vary as it crosses from one context to another is a key aspect of developing intercultural competence, which is a sine qua non for successfully developing global sourcing competencies. In addition to this, it is important to realize, that supplier capabilities reflect specific strongholds, and although suppliers and buyers may develop relationships that transforms the strategic capabilities of exchange partners over time, the vantage point of such relationships are the competencies of these suppliers as they mirror the strongholds of the business system they represent. Hence, rather than trying to “domesticate” a supplier or a buyer to follow one’s specific standards, a smarter move may be to realize how leverage can be taken from the strengths of the particular exchange partner in question. Simply focusing on the dimensions developed for addressing relationship-specific contexts in this paper may be one way to go, as one of the authors learned from using this framework to evoke debate during a workshop with Danish Buyers and Chinese suppliers. The process of labelling and reflecting on expectations with respect to specific dimensions may hold actionable power in itself, as pointed out by action researchers (Chad & Gummesson, 2004).

Turning to implications for academia, it has not been possible to find any studies which directly compare to the present study. However, numerous studies have carried out in related fields, including international buyer-seller relationships and behaviour in international marketing channels (Rosenbloom et al., 2003), on supplier behaviour in China (Wiley et al., 2006) and on divergences between Chinese and European managers (Tung & Worm, 1997). Several researchers find that many foreign managers in China fail to manage business relationships properly in China. (Davies, Leung, Luk, & Wong, 1995) To begin with, our study concurs with studies made on psychic distance in buyer-supplier relationships, which concurs, that there “is the possibility that universal prescriptions for relationship marketing may fail in a firm’s foreign markets, where a buyer-seller relationship means something quite different from it meaning in the same firm’s domestic markets” (c.f. Conway & Swift, 2000). In our view, relational expectations depict a particular subset of the complex network of attitudes and beliefs that forms managers’ perception of psychic distance. Turning to studies on supplier behaviour in China as compared to that of European suppliers, we believe, that the divergences found, reflect well on the notion of business recipes and habitus around how exchange relationship are structured. As pointed out in an interesting comparative study by (Wiley et al., 2006), there are profound differences with respect to suppliers’ relationship behaviour in Chinese and Western European business contexts. We believe that several of these differences are consistent with the diverging business recipes portrayed in this contribution.

There are interesting routes to following pursuing how relationship norms impact on the initiation and further development of business relationships. First, empirical work that involves studying relational expectations in buyer-seller dyads is an important addition to this research agenda. Research strategies may be both of the variance and the process kind. In terms of variance testing, the dimensions stated and the divergences among them can be transformed into empirically testable propositions, using management attitudes and opinions in the operationalization. Moreover, more longitudinal studies of how such relational expectations evolve, not only in the specific dyad under study, but in terms of the network positions of each actor would also be an interesting approach. Clearly, interaction among buyers and suppliers may lead to the construction of norms, heuristics and values which reflect for instance industry standards to an equal or perhaps even higher degree than they do reflect those of the national business system. One case in point is highly globalized industries, where powerful players may enact standards towards their suppliers, gradually enforcing such standards upon them to become a dominant recipe. The automobile industry may be a case in point, as suggested by (Womack, Jones, & Roos, 1991). Moreover, developing a research framework for linking diverging buyer-supplier expectations of various institutional contexts is another interesting possibility, which is to be explored further in future research.

References


### Appendix 1: Case companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Business area</th>
<th>Established</th>
<th>Number of employees (2006)</th>
<th>Interview person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albatros Travel</td>
<td>Organizer of travel adventures, events and sport travels, office in Beijing</td>
<td>1986</td>
<td>25</td>
<td>Jan Christensen (Project and destination manager)</td>
</tr>
<tr>
<td>Asia Base</td>
<td>Sourcing and consultancy firm located in China (Suzhou), office in Denmark</td>
<td>1998</td>
<td>75</td>
<td>Peter Rasmussen (Owner and Administrative director)</td>
</tr>
<tr>
<td>B-K Medical</td>
<td>Diagnostic equipment for medical use</td>
<td>1992</td>
<td>217</td>
<td>Michael Brock (Administrative director)</td>
</tr>
<tr>
<td>Danilift</td>
<td>Supplier of hydraulic lift components and equipment for trucks</td>
<td>1986</td>
<td>30</td>
<td>Søren N. Olesen (Manager)</td>
</tr>
<tr>
<td>Flexa Furniture</td>
<td>Furniture for children</td>
<td>1993</td>
<td>108</td>
<td>Per Lykke Jensen (Administrative Director)</td>
</tr>
<tr>
<td>Flexi Metal</td>
<td>Miscellaneous stainless steel products and components</td>
<td>1998</td>
<td>16</td>
<td>Kenneth Rand (Director)</td>
</tr>
<tr>
<td>HD Design</td>
<td>Office Equipment</td>
<td>1998</td>
<td>53</td>
<td>Hans Jørgen Dalum (Manager)</td>
</tr>
<tr>
<td>Jamo</td>
<td>Loudspeakers and hi-fi equipment, office in Shanghai</td>
<td>2004</td>
<td>129</td>
<td>Poul Christensen (Head of development)</td>
</tr>
<tr>
<td>Jupiter metals</td>
<td>Component supplier, office in Shanghai</td>
<td>1992</td>
<td>34</td>
<td>Lasse Christensen (Head of Chinese operations)</td>
</tr>
<tr>
<td>Logitrans</td>
<td>Equipment for storing and lifting heavy materials</td>
<td>1974</td>
<td>109</td>
<td>Svend Andersen</td>
</tr>
<tr>
<td>Sinoscan</td>
<td>Engineering and sourcing company based in both China (Shanghai) and in Denmark (Copenhagen)</td>
<td>2001</td>
<td>150</td>
<td>Yuan Ye</td>
</tr>
</tbody>
</table>