

Identifying Differences in Foreign Customers' Relational Behavior: An Exploratory Study Using Multidimensional Scaling

Identificando diferenças no comportamento relacional de clientes estrangeiros: um estudo exploratório utilizando o escalonamento multidimensional

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Abstract

Most industrial companies sell their products and services to domestic and non-domestic customers. Many foreign sales transactions are conducted in the context of ongoing buyer-seller relationships. The extant literature hints to important differences between long-term domestic and export relationships in general. However, little is known about variations between selling relationships with customers from different export markets. This study focuses on customers' relational behavior as one aspect of international business relationships. Using multidimensional scaling we examined the dimensions of German export managers' perceptual space. The results indicate that two major aspects permit to differentiate cross-cultural business behavior, namely "coordination" and "social vs. efficiency orientation".

Key-words : *relational behaviour ; multidimensional scaling ; cross-cultural business behaviour ; foreign sales transaction.*

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Resumo

A maioria das empresas industriais vende seus produtos e serviços para clientes domésticos e não-domésticos. Muitas transações de vendas estrangeiras são conduzidas no contexto dos relacionamentos comprador-vendedor em andamento. A literatura existente aponta para diferenças importantes entre relações domésticas e de exportação a longo prazo. No entanto, pouco se sabe sobre as variações entre relações de venda com clientes de diferentes mercados de exportação. Este estudo focaliza o comportamento relacional dos clientes, considerando-o como um aspecto das relações de negócios internacionais. Utilizando o escalonamento multi-dimensional, examinamos as dimensões do espaço de percepção dos gerentes de exportação alemães. Os resultados indicam que dois aspectos permitem diferenciar o comportamento trans-cultural de negócios, a saber: “coordenação” e “orientação social vs. orientação eficiente”.

Palavras-chave: relações comportamentais; escala multidimensional; comportamento transcultural em negócios; relações de vendas internacionais.

INTRODUCTION

Introducing an article on relationship marketing by stressing the tremendous importance of long-term business relationships (LTBR) for marketing theory and practice has become a commonplace. In the extant literature, many important aspects of LTBR, such as relationship outcomes (e.g. relationship quality, customer satisfaction) [1, 2, 3], antecedents (e.g. power, trust, commitment) [4, 5, 6] or the structure of relationships (e.g. processes, organizational approaches) [7, 8] have been intensely discussed and empirical studies conducted.

However, certain other issues have received less attention. Evaluating the research conducted on international LTBR until 1992, Douglas and Craig [9] state: «While the management of buyer-seller relationships has become an increasingly important issue (...), the complexity of buyer-seller relationships in an international context has been sadly neglected». A recent meta-analysis [10] shows that, although new contributions to the field have been published, the appreciation made by Douglas and Craig remains valid. This outcome may at least be qualified as astounding, given that the results of existing studies reveal important effects of the international setting on LTBR, e.g. they show that, as compared to domestic LTBR, in international LTBR:

- the frequency and intensity of contacts between buyers and suppliers are lower [11, 12, 13],
- the social distance between the parties to a relationship is higher [14],
- the willingness for adaptation and investments into the relationship is lower [15, 16, 17],
- the average duration of buyer-seller relationships is lower [18],
- the level of governance (market governance as well as trust) is lower [19].

All of these studies focus on differences between, on the one hand, domestic LTBR and, on the other, LTBR with partners from a selected foreign country. The underlying assumption appears to be that a customer's or supplier's non-domestic origin exerts an important influence on LTBR, whereas his specific nationality shows only little impact.

Research treating the parties' origin as a simple 0/1 variable (foreign/domestic) has led to general insights on the difficulties of relationship management with foreign partners. Nevertheless, current contributions to the field of relationship marketing suggest that, in order to conduct an effective management of international LTBR, marketers need to take into account the specific national culture of their customers [20, 21, 22]. Moreover, it has also been shown that marketers are well aware of such international differences in relationship management practices and that they develop personal preferences for certain cultures' relational behaviors [23]. However, which criteria international marketers use when they evaluate or classify their foreign business partners remains an unanswered question.

My main purpose in this article is to present the results of an exploratory study which had the aim to identify such criteria along which export managers compare their foreign customers' relational behavior in LTBR. In the remainder of this article I first describe the research approach chosen for this purpose. Next, I present and discuss the results of a survey conducted among German export managers using multidimensional scaling. These results comprise the initial MDS configuration, property fitting, and the determination of the extracted dimensions' relative weights. Finally, limitations of the study are discussed and possible future extensions presented.

THE RESEARCH APPROACH

The choice of multidimensional scaling

Identifying the criteria along which an object is being classified implies discovering the dimensionality of the judging individual's perceptual space [24]. Globally, two alternative methods exist for perceptual mapping, factor analysis and multidimensional scaling (MDS) [25, 26]. Whereas the objective of *confirmatory factor analysis* is to verify whether a factor structure posited on the basis of deductive theoretical reasoning corresponds to the structure of empirical data, *exploratory factor analysis* verifies whether it is possible to reduce the dimensionality of a set of items characterizing an object to a lower number of factors representing the original items. In both

cases, the researcher needs to dispose of some certitude concerning the characteristics that adequately describe an object. Whenever this is not the case, to provide respondents to a survey with characteristics describing an object may lead to incorrect results (factor structures) because the characteristics given may not cover all relevant aspects. *MDS*, on the other side, does not require any *ex ante* specification of items describing the object(s) studied [27]. It is based on global similarity judgements a respondent makes about a given number of objects. In the method's purest version, the criteria on which the respondent bases his judgements remain concealed.

In the context of international LTBR, undoubtedly a large number of characteristics potentially underlying export managers' perception of their foreign customers (e.g. their trustworthiness, their flexibility, their planning behavior, or their role integrity) exist. However, to the best of our knowledge, even in a domestic setting no comprehensive set of items describing customer behavior in LTBR is available. Existing operationalizations of the construct 'relational behavior' differ considerably [28, 29, 4]. Furthermore, no empirical research examining cross-cultural variations in the dimensions of relational behavior exist. Hence, the character of our study is exploratory. Accordingly, we opted for the method which exerts the least *ex ante* influence possible on the potential outcome of our study. For this reason, an approach based upon *MDS* has been chosen.

The design of the study

In order to detect the implicit dimensions along which international salesmen perceive their foreign customers' relational behavior we conducted a written survey among German export managers. The research setting chosen for the study comprised 5 industries in which German companies hold strong positions on export markets: electronics, machine building, pharmaceuticals, food processing, and chemical products. These groups were selected in order to capture a sufficient variety of selling relationships. Our sampling frame consisted of a list of companies with their headquarters located in Germany. The companies were contacted by telephone in order to identify qualified respondents who had sufficient experience in selling relationships with customers from all countries included in

the study and in order to solicit their participation. It was also required that participants be of German nationality in order to exclude potential bias. The final response (after followup) comprised 130 questionnaires. Of these questionnaires, 121 proved to be usable.

The managers were asked to evaluate the similarity of business-to-business relationships with customers from 10 selected countries. The nationalities included in the study cover Germany's main trading partners on four continents: Sweden, Poland, Italy, France, USA, Brazil, South Africa, Japan, and the People's Republic of China. Domestic relationships with German customers were included as a tenth object to obtain a reference point. Respondents were asked to make pairwise similarity judgements about the behavior a typical customer from each country shows in LTBR, attributing ranks from 1 = very similar to 7 = very dissimilar (see appendix 1). The number of similarity judgements required in a complete questionnaire is $n \cdot (n - 1) / 2 = 45$. Hence, the administration of the sole similarity section of the questionnaire represented a time consuming task for respondents with obvious consequences on the samples willingness to participate in the study.

THE RESULTS OF THE BASIC MDS SOLUTION

The main advantage of MDS in its most basic form is the easy presentation of data, displaying interrelationships among stimuli [30]. MDS is based on an iterative process with the aim of mapping objects in a space of low dimensionality in which the perceived dissimilarity between two stimuli is represented by a corresponding distance. In the final solution, more similar objects will be located closer to each other than more dissimilar objects [31]. The main task for the researcher is to determine the dimensionality of the perceptual space which best fits the data.

Data analysis has been conducted using nonmetric MDS in SPSS. For the aggregation of individual similarity judgements, the replicated MDS technique (RMDS) has been applied. RMDS is considered to lead to relatively exact solutions as compared to alternative approaches. It offers the additional advantage that (based upon programs like e.g. INDSCAL) the individual weights

attributed to the dimensions in the final solution by respondents may be represented. This method is called weighted MDS (WMDS) [32].

In order to determine the dimensionality of German managers' perceptual space, solutions for 1 to 6 dimensions have been calculated using WMDS. For each solution, the stress value is represented in table 1. The stress measure permits to evaluate the coherence between an n-dimensional configuration and the original data. The lower the stress measure, the better the configuration. The stress measure may be reduced by a modification of the configuration or by increasing the number of dimensions. Based upon figure 1, a 3-dimensional solution appears to best represent the data on the lowest possible dimensionality.

figure 1 about here

A second criterion applied to the determination of a perceptual space's dimensionality is coefficient Q. Q permits to evaluate the level of compression the data suffers through the process of iteration. It is calculated by dividing the number of similarities by the number of output data. A common rule is that Q should be equal or superior to a value of 2 [33] Figure 2 shows the values of coefficient Q for 1- to 6-dimensional configurations. Based upon this criterion, a maximum of two dimensions should be extracted from the data.

figure 2 about here

A third and last criterion to be applied to the determination of the optimal dimensionality of an MDS configuration is the interpretation the solution can be given. Only those dimensions which can be interpreted contribute to the aim of MDS. Or, as Schiffmann, Reynolds, and Young put it: "(...) dimensions that cannot be interpreted probably do not exist" [32]. Accordingly, a configuration may

represent a 'good' solution despite of high stress values [34]. Anticipating the following section, the introduction of an additional third dimension to the configuration did not lead to an improved interpretability. Hence, the two-dimensional space appears to best fit the empirical data collected on German managers' perception of their foreign customers' relational behavior. This solution is presented in figure 3.

figure 3 about here

In this configuration, a clear distinction between, on the one hand, 'the western world' in a broad sense of the term, and on the other, the two Asian countries included in the study, Japan and the P.R. of China, appears. Obviously, German managers perceive a wide gap between the relational behavior of these two groups of customers. The horizontal axes of the configuration is the one which accounts for this variance. Clearly, western customers merely differ on this dimension. However, dimension two is the one which permits to differentiate between the (culturally very heterogeneous) countries in this group. The visual impression that two groups, one situated in the southern hemisphere and comprising romaine cultures such as France and Brazil, one located in the northern hemisphere and comprising anglo-germanic and slave cultures, has been tested using cluster analysis. The results confirmed the three cluster solution.

Although this configuration hints to some important variation between the relational behaviors of foreign customers with different national backgrounds, it does not grant us with any information on how to interpret the two dimensions. This shortcoming of traditional MDS may be overcome by including information about typical characteristics of the stimuli into the analysis. Such an approach is called property fitting. The results of the property fitting analysis conducted are presented in the next section of this article.

INTERPRETATION USING PROPERTY FITTING

In order to facilitate the interpretation of the final MDS configuration, the questionnaire comprised additional scales to measure to what extent respondents considered specific properties to be characteristic for their foreign customers' relational behavior. A total of eight properties was included in the questionnaire. The respective statements were derived from existing studies on cultural dimensions [33, 36, 37]. The scales measuring the properties are included in appendix 2. The properties cover the following aspects: Formalization, frequency of contacts, importance of context in communication, improvisation, self-assertion, importance of private contacts, individual vs. collective decision making, and time orientation.

Based upon these data, property-fitting was conducted. Since not all properties included in the questionnaire dispose of natural ideal points, an ideal vector model was chosen for this part of the analysis. In addition, a comparison of F-values showed higher significance of the ideal vector as compared to the ideal point model. The calculation of the property vectors was conducted on the basis of regression analysis [33]. The resulting property vectors were then compared with the two dimensions extracted in the initial MDS analysis. The positions of the eight property vectors allow the following interpretation of the two-dimensional configuration (figure 4).

figure 4 about here

The horizontal dimension discriminates between two types of business cultures. On the one hand, LTBR with nationalities located toward the left extreme are characterized by high formalization, self-assertion and the importance of context for communication. Customers from Japan and the P.R. China represent this relational style. German export managers consider them to concentrate rather on their own interests than on mutuality, they feel that numerous explicit and implicit rules govern relationships in these two countries, and, when communicating with their sellers, the verbal content

of Japanese and Chinese customers' messages is often accompanied and completed by contextual information, such as gestures, status, or timing.

On the other hand, we find the nationalities located toward the right of the horizontal dimension. They comprise all non-Asian business cultures included in our study. Properties characterizing this group are improvisation, frequent contacts and individual decision making. Businessmen from countries such as the USA, France or Italy are considered to be able and willing to show flexibility when new situations arise. Hence, German managers consider their relational style to be characterized by a talent for adaptation or improvisation. Finally, the correspondents feel that, in business relationships with partners from these countries, contacts take place frequently and on diverse levels. Based upon the proximity between the six properties discussed and the horizontal dimension it appears that the central aspect it grasps is the way the continuous cooperation between buyer and seller takes place. Hence, we name this dimension "cooperation".

The second dimension spans between the extremes efficiency orientation vs. social orientation. Sweden, Germany, Poland, and the USA are situated on the efficiency side of this dimension. German export managers feel that the attitude of their customers from these countries is best described by the statement "time is money". Accordingly, close personal interaction or friendship are not attributed high importance. Rather, their customers expect a convincing quality / cost ratio and value timely and correct execution of orders. In LTBR with countries like Italy, South Africa, France, and Brazil, on the other hand, close personal relationships with the respective partners play an important role. In some cases, like for example China, personal relationships are not so much the result of, but may often constitute a prerequisite for repeated economic transactions.

Weights and preferences

As the above presented results show, two dimensions, cooperation and efficiency vs. social orientation, structure the respondents perceptual space. However, the configuration does not give any indications as to how much importance export managers attribute to these distinct aspects of

relational behavior. The WMDS method used for analysis also calculates the subjective weights each individual attributes to the dimensions. These weights are represented in figure 5. Each subjective weight represents the end of a vector starting at the point of intersection of the two dimensions.

The graphic representation clearly indicates that the way foreign customers cooperate in an LTBR is attributed higher importance by respondents than the question if the customer emphasizes personnel interaction and friendship. Note that this result, at least as much as the basic configuration, may be culturally biased. German export managers come from a culture which, on the customer side, is considered to attribute low importance to social aspects of business relationships. As a consequence, it is not astounding, that an efficient and frictionless coordination of transactions with foreign customers is more important to them than the degree of human exchange their customers seek. We would expect that the distribution of subjective weights would be different from the one in this study if it was to be repeated in a different cultural setting, e.g. in countries such as the P.R. of China or Brazil.

figure 5 about here

In addition to the scales measuring certain properties of relational behavior, the marketers participating in our study were asked to rank the different nationalities according to their preferences for specific national relationship styles (see appendix 3). Again, a choice had to be made between the ideal point and the ideal vector model. A comparison of F-values indicated that the vector model would be more appropriate. In addition, 14 ideal points calculated proved to be anti-ideals, rendering their interpretation difficult. The individual preference vectors of the participants are represented in figure 6.

figure 6 about here

In fact, only three managers show preferences differing from the prevailing attitude represented by the field of vectors directed toward the right of the figure. The majority of German export managers clearly appreciate customers whose interaction behavior is characterized by flexibility, frequent contacts and individual decision making.

An assumption made in certain schools of thought [38, 39] is that preferences for certain cultures exert an impact on the importance attributed to transactions with economic actors from the respective countries. In order to examine whether this assumption could be verified on the basis of our sample we also asked respondents to give the relative annual turnover they made with customers from each of the countries integrated in the study. The results are represented in table 1.

Country	Correlation coefficient (Spearman-Rho)	Level of significance
Brazil	0,394	0,05
P.R. of China	0,438	0,05
France	0,088	non significant
Italy	0,167	non significant
Japan	0,350	0,05
Poland	0,104	non significant
Sweden	0,413	0,01
South Africa	0,151	non significant
USA	0,085	non significant

Table 1: correlation between preferences for LTBR with customers from specific countries and the total annual turnover realized with the country.

On the basis of these data, the hypothesized relationship can not be confirmed. A general influence of the preference for a specific “customer-country-of-origin” obviously does not exist. In the light of the fact that export managers only dispose of a limited degree of freedom concerning the choice of their customers and their economic success with certain customers, these results appear to be realistic. In fact, the global sales strategy of a company is only partly influenced by the single marketer. His role is to execute strategic imperatives, irrespective of his personal likes and dislikes.

Also, only few sales managers would refuse selling products to a customer for the sole reason of a subjective cultural distance. On the other hand, even if the export manager feels culturally close to his customer, a broad set of other factors (such as product quality, product range, prices and conditions, timely delivery, the customers' financial situation and many more) will also influence the overall economic success with customers from a specific country. The relative importance of cultural closeness seems to exert only reduced influence. However, these results might be somewhat different if the correlated outcome variable represented facets of perceived relationship quality, such as trust or commitment.

CONCLUDING REMARKS

Summary and limitations of the study

The initial observation made in the introduction of this article was that today, despite considerable emphasis given to relationship marketing in management practice and theory, the literature about the impact of national culture on relational behavior in LTBR is merely developed. Hence, we attempted to contribute to the development of empirical evidence on international LTBR.

Our study analyzes whether export managers perceive their foreign customers' relational purchasing practices to vary systematically. Particularly, we attempted to detect those dimensions along which this relational behavior varies. Summarizing our results, international LTBR prove not to be all alike. Export managers distinguish between different national relationship styles.

Two major dimensions have emerged from our study. The first dimension distinguishes between relationships with customers from cultures showing a rather formalized, distant, and egoistic relational style. The second dimension differentiates between, on the one side, those cultures which are relatively more content oriented, focusing on the core business and following a "time is money" mentality and, on the other, those cultures in which private contacts play a more important role

when conducting business. The German export managers constituting our sample clearly attribute more importance to the first dimension. In addition, they show a clear preference for the relational styles of their western customers as compared to customers from the Asian countries included in our study. When examining the link between these preferences and the relative economic importance of customers from different countries, no relationship could be detected.

Obviously, the generalizability of the results from this study is restricted. Given the exploratory character of our analysis, various limitations need to be highlighted.

First, the empirical basis of our study is relatively restricted. On the basis of a sample of 121 respondents, we were able to conduct all intended analysis. Nevertheless, compared to many other empirical studies in the field of relationship marketing, this sample size is situated toward the lower end of the size continuum. However, the requirements concerning potential respondents were exceptionally high. Particularly, the export managers initially contacted needed to have a substantial experience in conducting business with customers from 9 different countries. These countries are located on four different continents and their economic and cultural background is very heterogeneous. Given the often prevailing regional organization of foreign sales and export departments, only few managers actually work with customers world-wide throughout their carrier. Hence, it was difficult to identify a large number of competent respondents. Given this situation, we consider our sample to be of a reasonable, if not completely satisfactory size for this type of study.

Second, concerning the origin of the respondents, our study has a clear mono-national focus. In fact, the sample is exclusively made up of German export managers. Again, this situation is based upon a deliberate decision to restrict the scope of the study. The nature of this work is exploratory. Hence, we considered it appropriate to focus on respondents from only one country. The concentration on a single nationality allowed us to control for cultural bias in the data gathered.

Third, only a limited number of target markets or “customer-country-of-origins” has been included in this study. We restricted our questionnaire to ten large foreign trading partners of Germany

covering four continents and very heterogeneous cultural backgrounds. Of course it would have been desirable to obtain results about perceived cultural similarities or distances for a larger number of countries, like for example in the large scale work conducted by Hofstede [35] which covers over 50 countries, describing each national culture through five dimensions. However, a conflict exists between the method chosen for this study, multidimensional scaling, and the number of nationalities that can be studied. MDS is based upon similarity judgements individuals make about given stimuli. Different approaches exist in order to collect the similarity judgements required [40]. The approach chosen in our case, pairwise similarity judgements, necessitates the lowest possible number of similarity judgements. In our case including ten nationalities, a total of 45 similarity judgements was required from each respondent. Thus, the sole similarity judgements in the questionnaire were time consuming and respondents needed to concentrate on each pair to be compared. With each additional stimulus included, the number of required similarity judgements increases progressively, limiting both the sample frame's willingness to participate in the study and the reliability of the respondents' judgements. On the other hand, given the current state of theoretical knowledge and the aim of our study, we wanted to benefit from the relative openness of the MDS approach as compared to factor analysis. Clearly, in order to include a larger set of stimuli, a switch from the purely exploratory approach MDS represents to factor analysis will be inevitable. Nevertheless, we believe that for the purpose of this study, MDS has proven to be a helpful analysis instrument.

Research directions

As highlighted at the beginning, the character of this study is exploratory. Hence, it is meant to provide first insights into a potential field of research. From our results as well as the limitations of our work, different research directions emerge.

First, since the sample was only constituted by German export managers, our study should be replicated in different national contexts. Reliable and valid results about the dimensions that structure the perceptual space of e.g. American, French or Japanese export managers will allow to

verify whether the dimensionality of the space and the denomination of the dimensions are alike in different cultures or not. If so, then a matrices containing the distances export managers perceive between them and their foreign customers might be constituted.

Second, in an inverse perspective, it would be interesting to study the perceptions of customers about their foreign sellers' relational behavior. This way, the results of the studies on the selling side might be validated. Also, it could be verified whether the dimensions underlying purchasing managers' perceptions are identical with the ones identified among their sellers.

Moreover, additional countries will have to be looked at. Depending upon the export market studied, different nations constitute important trading partners. Even if similar studies to this one will not cover all potential target markets on earth, at least more major industrialized and emerging markets should be studied.

Finally, the relationship between the preference for specific national relational styles and important outcome variables in relationship market should be studied using other performance measures than turnover. Particularly, idiosyncratic relationship outcomes, such as trust, commitment or loyalty might be focused upon. In addition, these variables would more appropriately be measured on the customer than on the seller side of the dyade.

On this basis, future studies in the field of international LTBR, e.g. in the area of export management, might integrate relationship styles into their analysis by considering the similarity of relational behaviors between buyer and seller. Behavioral distances might prove to be an important explaining variable for different key constructs in relationship marketing, such as relationship quality or customer satisfaction. Currently, Hofstede's cultural dimensions are usually drawn upon in order to represent cultural distance. However, it may be doubted whether these universally used and recognized characteristics of national culture are the most appropriate descriptors of the gap between the relational behaviors of an export manager from country A and his customer from country B. A more relationship-focused set of descriptors might prove to be a useful tool for studies

in the field of international LTBR. However, we are far from disposing of even a sketch of what these descriptors might be. The purpose of this study is to contribute some first insight into what relational descriptors might look like.

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Appendix 2

Scales for the measurement of properties characterizing different nationalities' relational behavior.

- To what extent does “time is money” appropriately characterize the behavior of customers from the following countries? (7-point scales for each country, 1 = completely correct, 7 = absolutely not)
- Sometimes in business, *what* is said is less important than *how*, *where*, and *by whom* it is said. Does this appropriately describe your business relationships with the following countries? (7-point scales for each country, 1 = completely correct, 7 = absolutely not)
- To what extent would you say that business relationships with customers from the following countries are formalized? (7-point scales for each country, 1 = very formalized, 7 = not formalized at all)
- To what extent would you say that customers from the following countries seek frequent personal contacts in an ongoing purchasing relationship? (7-point scales for each country, 1 = very frequently, 7 = very rarely)
- To what extent do customers from the following countries make decisions on an individual basis? (7-point scales for each country, 1 = only individuals make decisions, 7 = only the group decides)
- In situations of conflict, do customers from the following countries rather seek to impose their own interests or do they seek a solution that fits both parties? (7-point scales for each country, 1 = impose own interest, 7 = seek mutually beneficial solution)
- To what extent do customers from the following countries typically show flexibility in new or unexpected situations? (7-point scales for each country, 1 = completely flexible, 7 = absolutely not flexible)
- To what extent are private contacts and a close personal relationship with you important to customers from the following countries? (7-point scales for each country, 1 = very important, 7 = not important at all)

Appendix 3

Question for the measurement of preferences

With customers from which countries do you prefer to collaborate? Please attribute ranks from 1 (preferred country) to 9 (least preferred country).

Brazil
China
France
Italy
Japan
Poland
Sweden
South Africa
USA

Figure 1

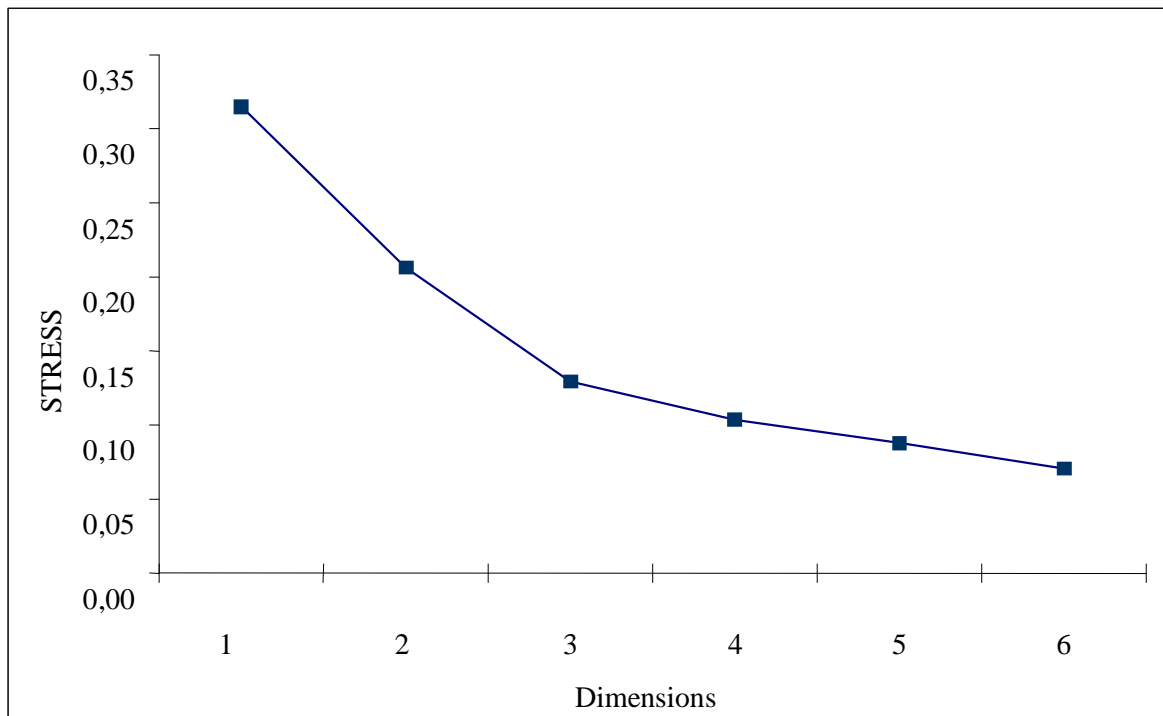


Figure 2

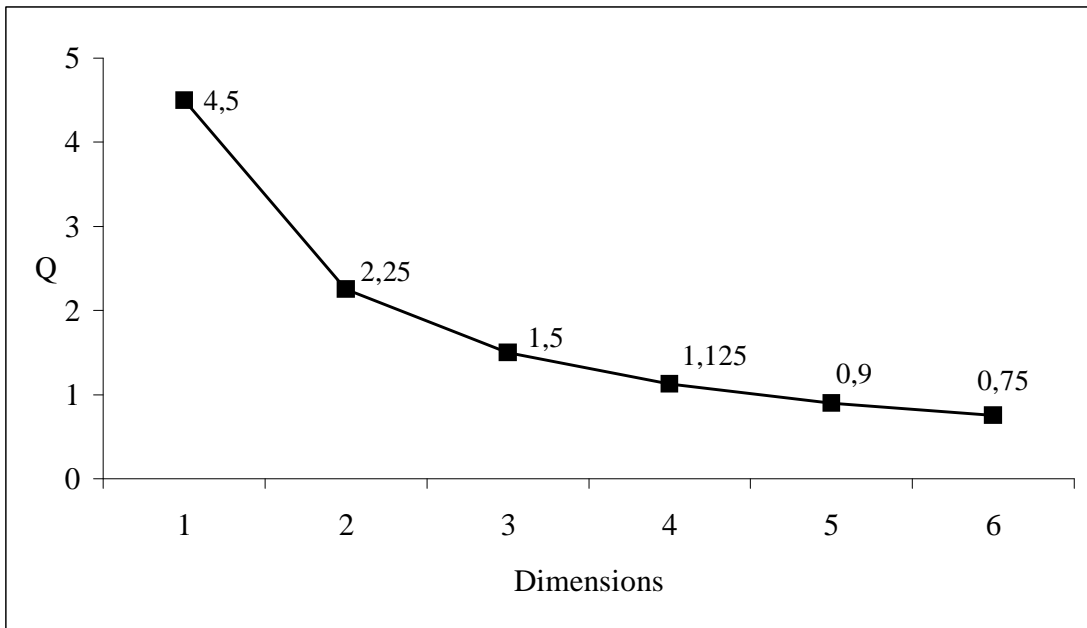


Figure 3

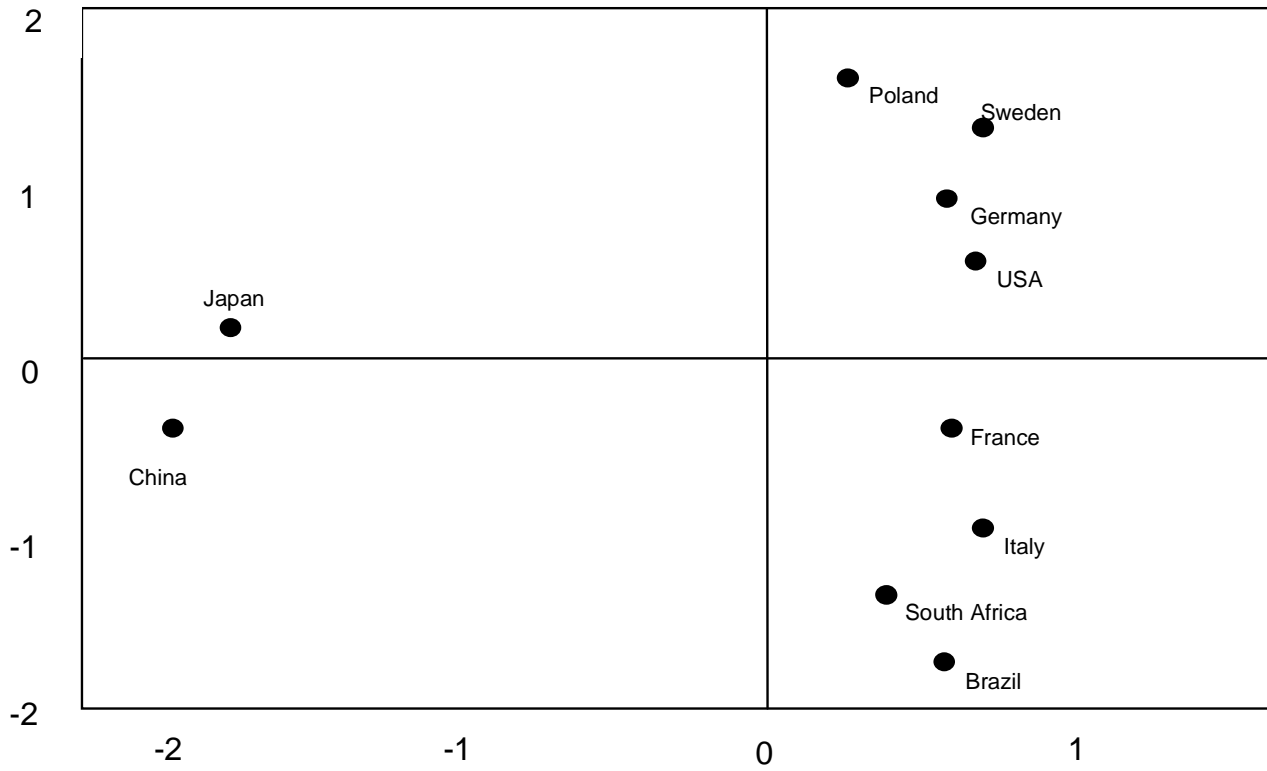


Figure 4

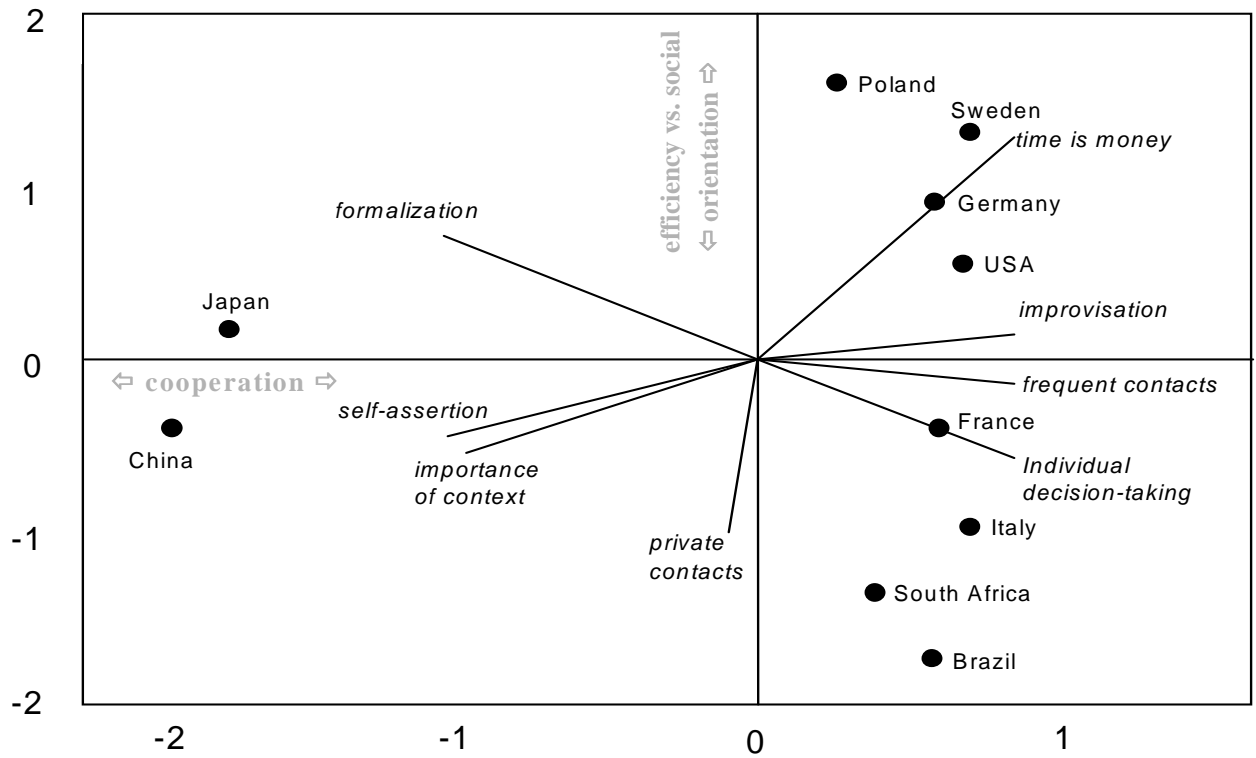


Figure 5

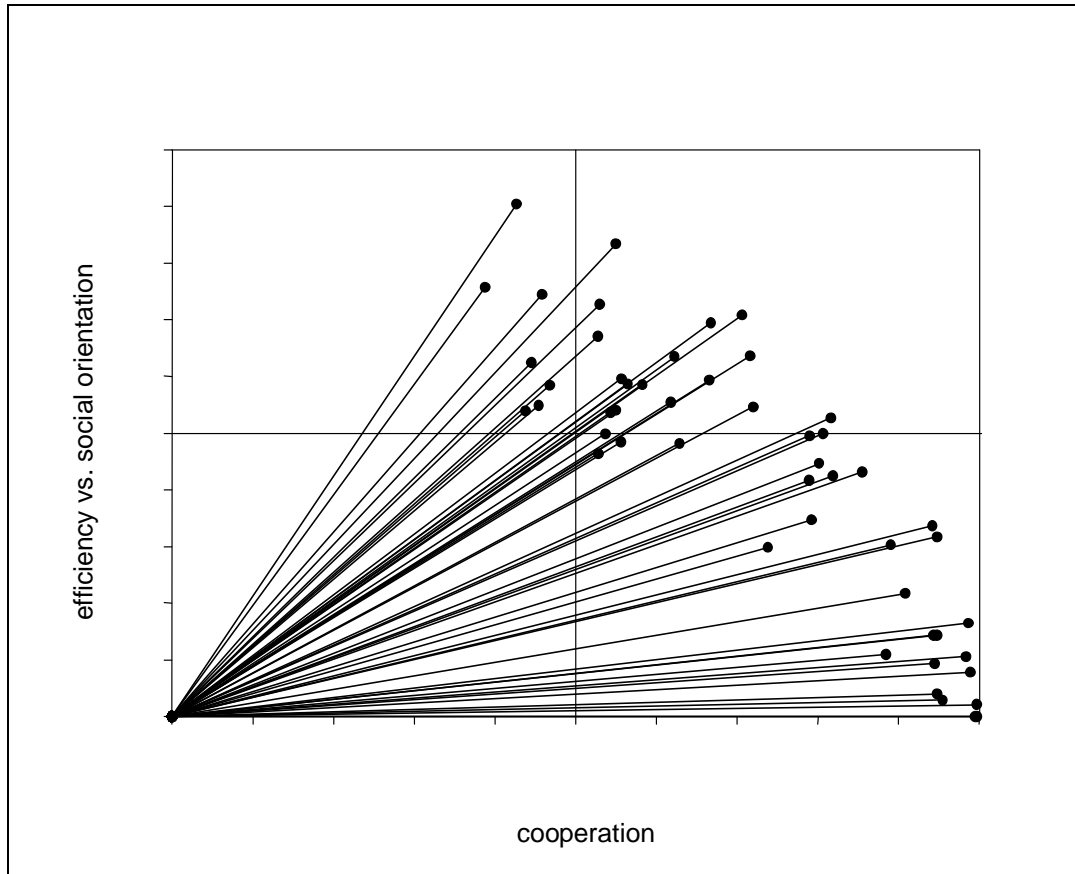


Figure 6

