The Importance of Cultural Adaptation within Business Relationships for the Trust Development

Work-in-Progress

Marina Weck
Department of Industrial Engineering and Management
Helsinki University of Technology, Finland
marina.weck@hamk.fi

Maria Ivanova
School of Business and Economics
Åbo Akademi University, Finland
mivanova@abo.fi

ABSTRACT

The importance of trust in establishing and sustaining long-term business relationships has been convincingly stressed in the academic literature. Trust is seen as even more critical in intercultural business relationships between firms across national borders as these relationships imply greater uncertainty and risks originated essentially from differences in business culture. It has also been acknowledged, that business culture has an impact on the behaviour of firms and individuals, who are the actors within business relationships.

Development of trust within a business relationship occurs through the interpersonal interaction process. Nevertheless interpersonal interaction is more effective when parties have a better understanding and a higher level of acceptance of each other’s culture. Thus, developing trust within inter-cultural business relationships may initially require cultural adaptation. By cultural adaptation within business relationships we mean the process of adjusting to culturally dissimilar backgrounds and behaviours of partner firms resulted from their societal norms held by their individuals in order to maintain the relationship development between these partners.

In conjunction to these issues, the overall aim of the research is to reveal how trust develops between partner firms in the context of intercultural business relationships and how understanding of the business culture of a partner firm and adaptation to it can be a driving force for the beginning and maintaining of trust development process with that partner. The study employs a multiple case study strategy and semi-structured interviews with relationship managers in selected case companies as the primary method of data gathering.

Key words: cultural adaptation, trust development, business relationship, Russia, Finland

INTRODUCTION

The fundamental role of trust in management of business relationships has been repeatedly emphasised in the marketing literature. Although the importance of trust in business relationships has been widely acknowledged, the process of its development and functioning has received little theoretical attention (McAllister, 1995, Sako 1998). A little academic research has also attempted to empirically document the factors affecting trust in marketing relationships (Anderson & Weitz, 1989; Dwyer, Schurr & Oh 1987, Dyer & Chu 2000). During last decades the increased globalisation led to a growth in cross-border economic activities and forced building business relationships with partners from other countries. Therefore, trust is seen even more critical for relationships between firms across national borders as these relationships imply greater uncertainty and risks. Central to these arguments is the fact that these business relationships are essentially determined by people with different cultural backgrounds participating in the interactions. Handling these business relationships *"will depend to a large extent on the ability of people who think differently to act together"* (Hofstede 1980, 9). Hofstede mentioned these words in his seminal work "*Culture's Consequences: International Differences in Work Related Values"*, which has been widely quoted as well as criticized to a big extent and is not to be used as a base for this particular study. However, this quote from Hofstede (1980, 9) reflects the idea that people in business relationships are surely different, and their actions, attitude towards each other, as well as trust, depends on their way of thinking, which in turn depends on their cultural background. It is therefore important to consider the cultural aspect in establishing and sustaining the development of business relationships across national borders, as business culture has an impact on behaviour of firms and individuals, who are the actors within business relationships.

Several authors emphasised that trust depends on culture, although cultural influence on trust was regarded in terms of national culture (Doney, Cannon & Mullen 1998, Zaheer & Zaheer, 2006). Within the IMP group, which is focused on the study of business relationships and networks, the role of culture was not sufficiently acknowledged. Though claiming to be international, IMP to a major extent applies western views, which are predominantly ethnocentric (c.f. Lowe 2001). Perhaps basing research exclusively on western views was more applicable during the beginning of IMP group functioning, when business had more geographical borders and restraints. Nowadays business is conducted between the both sides of the world and as a consequence cultural aspects are crucial to consider. The neglect of multilayered character of culture, ubiquitous application of Hofstede's (1980) national culture dimensions and treating culture as a natural aspect of international business relationships lead IMP group to a diminished and inappropriate use of this crucial concept in their studies (c.f. Holden 2004, Ellis, Lowe & Purchase 2006). A new approach to studies of culture in business relationships is needed. This could be done by implying a symbolic interactionism perspective on culture and considering business culture concept as a major one.

Finnish-Russian business relationships

Trade between Finland and Russia, at that time USSR, started after World War II. The trade was to a big extent based on agreements between the governments, thus it could be viewed as a state reinforced obligation. However, the significant growth of business activities of Finnish firms in Russia was a result of the radical political and economic reforms there during last decades, which have opened lots of opportunities for foreign business sectors. To take full advantage of these opportunities, an understanding of cultural differences in management of business relationships must be developed as it is commonly recognised as being crucial in the modern globalised marketplace.

However, only few studies emphasizing the importance of cultural aspects were conducted in the context of Finnish-Russian business relationships (e.g. Vinokurova et al. 2009). Vinokurova et al. (2009) in their research on round wood trade between Russia and Finland found that along with language barrier, there have been some cultural based difficulties in interaction and communication, and misunderstanding between Finnish and Russian managers. As it has been acknowledged in the literature, significant cultural differences made the Russian business environment even more demanding.

For example, existing under planning system for a long time led Russian business to mainly use vertical integration (Tretyak & Sheresheva 2004), which is slowly disappearing nowadays, but still an abundance of companies aren't as horizontally integrated as are most companies in West. Managers in Russia are being opportunistic (Salmi 1996), while on West they are entrepreneurial and the goal is improving market performance and profits and thus they actively seek for developing relationships in order to benefit from them (Huber & Wörgötter 1998). Also it would be critical to note that dyadic relationships still prevail in Russia (Kouchtch & Afanasiev 2004), while Western business is more network relationship oriented (Jansson, Johanson & Ramström 2007).

In spite of the long history of trading between Finland and Russia, building successful business relationships has often been problematic and still creates challenges. Thus, culturally based misunderstandings still seem to be a vital issue to consider. Although Russia now embraces liberal free-market principles, the market institutions and infrastructure in Russia are still underdeveloped. It means that foreign firms operating in Russia have to rely extensively on trust in building their business relationships with local partners, while trust is often considered as a substitute for underdeveloped market institutions (e.g. Peng & Heath, 1996). Therefore, while building trust, the understanding and adaptation to partner's business culture could be the primary way to meet relationship challenges. This provides a key focus for the present study. The aforementioned factors also make the Finnish-Russian business relationships context of a particular interest to the study.

Aims of the study

This study aims to extend the research body in the area of trust development process in the business relationships and the importance of cultural adaptation for the trust development. Trust development is embedded in business relationships development. The level of trust may rise or fall depending on how certain relationships episodes are handled. The development of trust, as well as business relationships development would not occur without bilateral interaction of parties. Interaction is seen as prerequisite to obtain knowledge on other party, which is free from stereotypes. Cultural adaption based on stereotypes free knowledge can lead to better handling of relationships episodes, thus improving the level of trust and quality of business relationships.

In the following sections the concept of trust as regarded in this paper will be defined. After which trust development and cultural perspective on business relationships will be reviewed. Further, the influence of cultural adaptation on trust development in the context of business relationships will be conceptually analyzed. A conceptual framework of trust development on the basis of Dwyer, Schurr and Oh (1987) relationships development phases and cultural adaptation is to be developed and empirically tested.

CONCEPTUAL BACKGROUND

Trust Development within Business Relationships

Over the past four decades, the concept of trust has been a focus of many scientists in multiple disciplines, and a variety of trust definitions has been proposed. In relationship marketing literature, definitions of inter-organisational trust mainly concern a belief that relationship partners will interact in the best interests of the other (Wilson 2000). An example of this is the following definition of Anderson and Narus (1986) which is behind the theoretical reasoning on inter-firm trust in this paper: *"the firm's belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm*" (Anderson & Narus 1986, 326). It must be emphasised, in this paper, the terms such *'inter-organisational trust'*, *'inter-firm trust'* and *"trust in business relationships"* are used interchangeably and denote trust in relationships between cooperative firms.

A number of different conditions for the development of successful long-term relationships between co-operative partners has been identified by researchers, but *"virtually all scholars have agreed that one especially immediate antecedent is trust"* (Smith, Carroll & Ashford 1995, 10). Alternatively, Smyth (2008) stresses the importance of relationship in the development of trust, saying that these concepts are not separable in reality. *"Trust is embedded and developed within relationships, so that while it is conceptually distinct as a conceptual category, hence relationships provide part of the context for development."* (Smyth 2008, 143) In reality, trust only makes sense and is mobilised within a relationship.

Considering what makes interactions between two actors in a market become a relationship, Håkansson and Snehota (1995, 26), suggested, *"relationship is a result of an interaction process where connections have been developed between two parties that produce a mutual orientation and commitment"*. Thus, business relationship between two organisations requires a process that *"form strong and extensive social, economic, service and technical ties over time, with the intent of lowering total costs and/or increasing value, thereby achieving mutual benefits"* (Anderson & Narus 1991, 96).

The relationship exchanges between organisations are exchanges between individuals or small groups of individuals (Barney & Hansen, 1994; Nooteboom Berger & Noordhaven 1997). Individuals provide the relationship mechanism across organisational boundaries, therefore relationships are interpersonal first and then inter-organisational. The increasing economic integration of the world leads to a growth in cross-border business activities and forces building relationships with partners from other countries. Thus, in this paper, **business relationship** between two partner firms across national borders is considered as a result of the interaction process between individuals on behalf of their firms with the aim to achieve some competitive advantage. In this context, interaction process occurs between two groups of individuals that possess cultures of different societies.

Business relationships can generally be considered as evolving gradually over time through certain phases from establishment to end (Ford 1980, Dwyer, Schurr & Oh 1987). Dwyer, Schurr and Oh (1987) structuralised a relationship development into five main phases: 1. '*Awareness'*, 2. '*Exploration'*, 3. '*Expansion'*, 4. '*Commitment'*, and 5. '*Dissolution'.* These

phases could be shortly characterised as follows (Dwyer, Schurr & Oh 1987):
1. Awareness phase: *recognising a feasible relationship partner, no actual interaction,* 2. Exploration phase: *beginning to consider benefits, burdens and obligations related to the possible relationship,*
3. Expansion phase: *increase in benefits obtained by partners and their interdependence,*
4. Commitment phase: *investing substantial resources in the relationship maintenance,*
5. Dissolution phase: *evaluating of the dissatisfaction with the partner and concluding the costs of partnership continuation outweigh benefits.*

Trust as an important coordination mechanism (Bradach & Eccles 1989) supports the development of business relationships. Therefore, trust may have different forms or dimensions in different stages of relationships deriving from the calculus of gains and losses to emotional reactions based on attachments and identifications between individuals (Rousseau et al. 1998). It means that personal relationships among key actors of the partner firms play significant role in the process of trust development between these firms, and it has been emphasised by many scholars (e.g. Gulati 1985, Gulati & Gargulio 1999, Zaheer, McEvily and Perrone 1998). Moreover, as Blois (1999) deduced, due to the affective element of trust, an organisation itself cannot trust. It is possible to think of *'organizations trusting each other'* only because organisations are established and managed by individuals (Aulakh, Kotabe & Sahay 1996) as well as relationships between organisations. Thus, since trust existing in interactions between cooperative firms is performed by individuals, distinctive concepts of interpersonal and inter-firm trust are interrelated. *"This means that the more one trusts the supplier representative with whom one deals, the more one's organization trusts the supplier organization"* (Zaheer, McEvily & Perrone 1998, 153).

Zaheer, McEvily and Perrone (1998) explored empirically distinctions between interpersonal and inter-organisational trust. According to Zaheer, McEvily and Perrone (1998) inter-organisational trust can be seen as having two components or directions: (1) the trust of the trustor in a particular trustee in the partner organisation, and (2) the trust of the trustor in the partner organisation as a whole. The authors define interpersonal trust as *"the degree of a boundary-spanning agent's trust in her counterpart in the partner organization"* and inter-organisational trust as *"the extent of trust placed in the partner organization by the members of a focal organization"* (Zaheer, McEvily & Perrone 1998, 142). Thus, interpersonal trust refers to the trust between individuals, whereas inter-firm trust refers to the trust collectively held by members of one firm towards another – the aggregation of individual relationships between the firms. Noteworthy, Zaheer, Loftrom, & George (2002, 348) claim that *"individuals at different organisational levels view their perspective worlds from different perspectives ... individuals at higher and lower hierarchical levels ... each see the world in qualitatively different ways".* These differences are particularly connected with the individuals' perception of uncertainty level (Ireland et al., 1987), which is closely related to trust (e.g. Mayer et al., 1995; Morris and Moberg, 1994).

To sum up foregoing discussion, in this paper, **inter-firm trust or trust in business relationships refers to the perception of an individual or the aggregation of individuals representing one firm towards the trust of other firm has for and exhibits in the dyadic relationship under conditions of uncertainty and risks.** This statement encapsulates both the extent of the intentions of the other firm to be trustworthy and the evidence of trustworthiness. Behaviour and action provide the evidence to the parties, who will form their perceptions based upon their personal and organisational propensity to trust other parties based upon personal history and organisational reputation. These aspects in the dyadic relationship combine to form the extent of inter-firm trust.

The wide stream of literature focuses on the creation of trust in the relationships between partner organisations (e.g. Bradach & Eccles 1989, Doney & Cannon 1997, Dwyer, Schurr and Oh 1987, Håkansson 1982, Morgan & Hunt 1994, Moorman, Deshpandé & Zaltman 1993). According to Håkansson and Snehota (2000) trust develops over time through the social interaction between cooperative partners whereby they learn, step by step, to trust each other. Psychologist Blau (1964) is also pointed to social aspects in trust development process: *"Parties can gradually build trust in each other through social exchange demonstrating a capacity to keep promises and showing commitment to the relationship"* (cited in Blomqvist, 1997, 273). Apparently, interpersonal trust is a central to trust development between partner firms, whilst individuals play the primary role in establishing and developing trust. Van de Ven and Ring (2006) stated that development of interpersonal trust "*requires careful and systematic attention to the concrete processes by which personal relationships emerge between transacting parties"* (Ring & Van de Ven 1994, 93). Nevertheless, it is worthy to stress, that according to Dodgson (1993) trust based on the individual level is not enough due to possible problems in communication between individuals and labour turnover. Dodgson claims that trust should be developed on a broader basis, integrated into organisational routines, values, and norms. In addition, Inkpen and Currall (1997, 311) pointed out, that "*alliance managers can foster trust by building one-to-one relationships with partner organisations and by developing a familiarity with the partner's strategy, organization, and culture"*.

Business Culture and Cultural Adaptation

Nowadays the world is constantly moving towards globalization. People increasingly engage in interaction with people from other cultures, which requires making adjustments in their culture and way of doing things. It is especially evident in the business world where for doing business at large escaping from interacting with other cultures is hardly possible. Interaction is defined as a communicative process, which takes place in a specific context (Medlin & Törnroos 2006). Francis (1991) summarizes that communication problems between two cultures can arise on the basis of two types of problems. The first one is linked to the norms of behaviour, which are seen as acceptable in different countries, the other problem is rooted in differences in worldviews and expectations between people from different cultures. Thus understanding business culture of the partner could help the other side of the dyad to avoid cultural shock, misunderstandings and misinterpretation of the behaviour. Following the influential article by Swidler (1986, 273) this paper regards culture as *"a 'tool-kit' of symbolic vehicles such as stories, language, ritual practices, beliefs and world-views, which people may use in varying configurations to solve different kinds of problems".* These symbolic vehicles can be viewed as **cultural elements**, in this paper. When talking about business relationships it would be more relevant to talk about business culture. Business culture can be defined as ways of doing business within a particular country (Törnroos 2000). **Business culture** definition is reinterpreted in symbolic terms as "*a loose complex of symbols said to define how people from a given nation do business*" (Moore 2004, 186).

Culture is often explained with *'rules of a game'* metaphor in which *'game'* equals here to life. This can lead to a misconception that these rules are *'written in stone'* as it is in most of the games**.** Culture is dynamic and its representation is constantly re-adapted depending on a given life situation. The widely acknowledged anthropologist Bronislaw Malinovski wrote in his work (1959, 127): *"The true problem is not to study how human life submits to rules - it* *simply does not; the real problem is how the rules become adapted to life".* Malinowski was a structural-functionalist and culture within functionalist paradigm is seen as stable variable, rather than changeable, dynamic metaphor. The problem is not simply in knowing how the rules are adapted *to* life, but how they are adapted *in* different life situations. In this way the adaptation of *'rules'* is not a onetime act, as it could seem from the interpretation of Malinowski quote, but a dynamic process.

Several definitions of adaptation can be found within IMP literature (e.g. Håkansson 1982, Hallen, Johanson & Seyed-Mohamed 1991, Brennan, Turnbull & Wilson 2003). Brennan, Turnbull and Wilson (2003, 1639) defined adaptation as "*behavioral or organizational modifications at the individual, group or corporate level, carried out by one organization, which are designed to meet the specific needs of one other organization*". Regarding cultural adaptation, it can be viewed as an attempt to accommodate the perceived foreignness of the other culture participant by altering communication style and adjusting to practices, behavioural norms, and differences in beliefs (Ellingsworth 1983, Francis 1991, Pornpitakpan 1999). In the study by Ward and Kennedy (1999) among several items of sociocultural adaptation scale, such items as understanding of jokes and humour, the local accent/language, local political system, the local's worldview, cultural differences can be listed. From an organizational perspective *'understanding local accent/language'* can be re-interpreted as *'understanding professional language'* of the organization. Apart from understanding these basic things, which are applied to human in general, in the business world it is pivotal to understand how business in the company is done, its business rituals, beliefs. For the purposes of this study **cultural adaptation** within business relationships is considered as a process of adjusting to culturally dissimilar backgrounds and behaviours of partner firms resulted from their societal norms held by their individuals in order to maintain the relationship development between these partners.

BUILDING A CONCEPTUAL FRAMEWORK

Cultural adaptation occurs within business relationships, which, as already stressed earlier, cannot be separated from trust development. With regard to the purpose of this study, which is to shed more light on the importance of cultural adaptation for trust development process, phases such as *'commitment'* and *'dissolution'* were identified as not sufficiently relevant. Therefore, in the following sections, Dwyer, Schurr and Oh (1987) *'awareness'*, *'exploration'* and *'expansion'* phases will be taken as a base for the review on how cultural adaptation will influence trust development in the process of relationships evolution.

Awareness stage: gathering knowledge on the partner and his culture

The awareness phase of relationships development is based on information, which is gained without interaction with the partner. Attitude towards trustworthiness is based on the cultural background of an individual. For example Whitener et al. (1998) state that cultures that practice open communication, sharing of information, discussing issues openly will also encourage and reward trustworthy behaviour. The external assessment of partner's business culture and its influence on trust can be seen on the initial stages of trust development, when trust is based on '*calculus*' (e.g. Doney, Cannon & Mullen 1998). At the awareness phase of relationships the development of trust to a high extent grounds on reputation or as McKnight, Cummings and Chervany (1998) call it **'second-hand knowledge'**.

Basing trust on external assessment of culture, without interacting, can lead to stereotypical assessment of the party, which can lead to expectancy violations (c.f. Burgoon, 1993). In other words, information on other's culture obtained without interacting can lead to false expectations and images. Reputation can be a result of stereotypical assessment. At the awareness phase of relationship between parties, when prior history of working together is non-existent, reputation becomes a very valuable factor and has a clear role in determining trust between these parties. Still reputation is a *'second-hand knowledge'* (McKnight, Cummings & Chervany 1998), which transfers very easily among firms in an industry through words and actions (Doney & Cannon 1997). A firm's reputation can also be interpreted as a reputation for reliability (Weigelt & Camerer 1988) and trustworthiness (Milgrom & Roberts 1992, Ring & Van de Ven 1992). Chiles and McMackin (1996) define a party's reputation for trustworthiness as an asset which is based on its prior history of trustworthy behaviour. Reputation is based on third-party experience is the only source of knowledge about the potential partner. However, information acquired needs to be critically evaluated in order to avoid the problem of false.

The business culture side of reputation can be seriously biased, as culture is not a 'hard' concept, as for example technology, thus even sincere assumptions of the third party can appear to be wrong. Applying this false information in the actual interaction process with the partner can seriously harm the level of trust. This can concern the level of trust of both parties. For example representatives of firm A gained some information on the business culture of firm B from external sources. When interacting, the representatives of firm A will try to behave according their knowledge. Supposedly the information obtained was stereotypical and false, then it will cause misunderstandings of their behaviour in the eyes of firm B representatives. Due to behaviour misinterpretations, the level of trust can lower. On the other side representatives of firm A have their own image of firm B based on the gathered knowledge. Having faced the reality, expectations of firm A representatives will not be met and trust towards firm B based on external information may falter. This is an example of **stereotypical adaptation**, which is done on the basis of 'second-hand' knowledge and can possibly lead to misinterpretations and misunderstandings. Thus it is decisive that knowledge on another party and its culture is learned through interaction.

Within this study trust is not seen as stable variable, which is presumed by cultural background of an individual or a group. It is assumed that the level of trust can be raised through the medium of getting familiar to each other, understanding the appliance of one's cultural elements in different key events. As emphasised by Blois (1999) "*Trust evolves through the process of a growth of knowledge and understanding of the people with whom we interact plus the actual experience of working with them*" (Blois 1999, 206). **'First-hand knowledge'** and understanding of the partner, as well as experience can be gained by interacting with him. Interaction with the partner, according to Dwyer, Schurr and Oh (1987) business relationships development framework, starts within the exploration phase.

Exploration phase: learning through interaction

There is a bidirectional relationship between culture and interaction. A person brings his cultural background with him when starting to interact and applies different cultural elements to different interaction events, in this way interaction occurs in a cultural context. On the other hand cultural learning in the process of interaction allows people to adapt their culture and the way they use its elements towards a specific partner, thus interaction influences culture.

Learning is prerequisite for understanding the business culture of a party and for cultural adaptation to it. On the exploration phase interaction with the partner begins and thus learning process is extensive. It should be also noted that organizational learning as merely every other field of business studies is rooted in the concept of individual actor. Cook and Yanow (1993) mention two approaches in organizational learning theories and in both these approaches the understanding of organizational learning is based on the cognitive activity of individual learning. The problem that arises here is that it is hard to see cognition taking place in the actions of organizations (Cook & Yanow 1993). Thus, when learning culture it will be definitely hard to grasp the level of values and assumptions (c.f. Schein 1992). Referring once again to Schein (1992) the level of artifacts seems easier to grasp. Although one should make a distinction between artifacts and symbols. It is how the individual interprets the information that forms the basis of organizational learning. Thus, symbolic vehicles of culture and symbolic meanings seem to be more appropriate to study, as artifacts cannot stand for any meaning themselves. A symbolic interactionism perspective on culture seems to be relevant in this case, as it sees interaction as mediated by the use of symbols, by interpretation, or by ascertaining the meaning of one another's actions (Blumer 1969) and pertains to culture in interaction.

On the phase of exploration trust is in its initiation-growth stage and cultural adaptation is still needed in order to improve trust and raise it to a maturity stage. As it was said earlier, learning represents itself a basis for adaptation. Brennan and Turnbull (1997) summarize that adaptations are integral to the development of buyer/seller relationships. In their earlier paper Brennan and Turnbull (1996) draw parallels with biological sciences and state that adaptation is central to the process of evolution, which in turn is synonymic to development. It is within the process of interaction that people influence each other and adaptations are made. Adaptation can be observed to a bigger extent on the phase of business relationships expansion, when sufficient *'first-hand knowledge'* has been obtained through interaction.

Expansion phase: increase in adaptation employing "first-hand" knowledge

Regarding cultural adaptation and its influence on trust, it could be found that the issues of similarity are critical as well. Drawing a parallel with husband wife relationships, it is said that when relationships evolve the husband and wife become more alike and as it said in one Russian proverb "*Husband and wife - one Satan"* and implies to the similarity of views and actions of the marriage relationships actors. As in the male female relationships, during long-term business relationships development, adaptation could lead to similarity of views, perceptions towards the aspects of the relationships, and positively influence trust growth.

Thus, deducing from the arguments above, there is a positive relationship between cultural similarity and trust, moreover cultural similarity eases interpersonal contact and communication (Child & Mollering 2003, Kramer & Cook 2004). Child and Mollering (2003) state that the reason for a positive relationship between cultural similarity and trust is that we are more *'fluent'* in reading the trust-relevant signals, symbols, and patterns of our own culture than others and as a result, actors trust others more freely if their cultural background is similar. Nevertheless it is presumable that even in long-term relationships the parties will not have an identical or highly similar cultural background. The crucial factor is that over-time the parties will be able to obtain relevant knowledge on each others' cultural background through the interaction process and *'fluently'* read it, which will ease their business relationships and interaction. By means of interaction the parties will be able to obtain reciprocity in the way of doing business with each other.

A final remark should be made that cultural adaptation should not be equalled to imitation. Retaining own culture is crucial for both parties. Francis (1991) in her study observed three levels of adaptation - moderate, substantial and no adaptation on the example of American-Japanese and American-Korean business negotiations. On the basis of Francis (1991) study it could be said that **moderate adaptation** can be described as partial adaptation to other's business culture, which also considers retaining one's own culture. **Substantial adaptation** can be defined as integral adaptation, which could be equalled to imitation of other's culture. It was found that only moderate adaptation had a positive effect on negotiations, while substantial adaptation was seen by parties as a threat towards group distinctiveness (Francis, 1991). Parties seek to preserve their cultural identity and attempts of imitating, instead of adapting to other's culture could be assessed as violation of their '*cultural space'*. Thus, substantial adaptation can lower the trust level and force the party to return to the previous phase of its relationships in order to learn more on the world view and behaviour of the partner and to reconsider how adaptation could be improved. In the worst-case scenario, a relationship can be terminated due to inability or unwillingness to adjust to cultural differences. Whereas, moderate adaptation allows raising the trust level and reaching some level of commitment.

Proposed Conceptual Framework

The conceptual framework was constructed on the basis of the literature review on the research concepts (see Figure 1). Focusing on the main research concepts and excluding many others, critical relationships were determined for the empirical analysis of the study. Thus, this framework is a simplification of the relationships between the main research concepts, which provides a basis for the assessment of knowledge available and its compliance with empirically gained data. It also depicts the purpose of the study.

Regarding the framework the general argument is that a relationship will continue from one phase to another as long as the cooperative partner is able to rely on trust and an increase in trust occurs during interactions. Since business relationships develop along different phases, it is assumed that types of adaptation within interactions and its influence on trust between cooperative partners change across the phases of business relationship development. Further, because the nature of knowledge sources varies in different relationship phases, the manner in which adaptation is conducted will also be different. Learning process will not discontinue with the beginning of expansion phase, although on exploration phase it is more extensive. The framework also shows that trust development as well as relationships development is not linear, returning to previous phases can occur.

As already stressed in the earlier section, learning partner's business culture and understanding how its elements are applied in various situations should be a prime concern of managers involved in the relationship development. Knowledge and understanding of these issues should be obtained in the process of interaction. This will help to adapt management actions in order to meet the needs and expectations of the other party and as a consequence develop trust.

Figure 1 depicts a conceptual framework of trust development in the process of cultural adaptation, developed as a result of foregoing discussions.

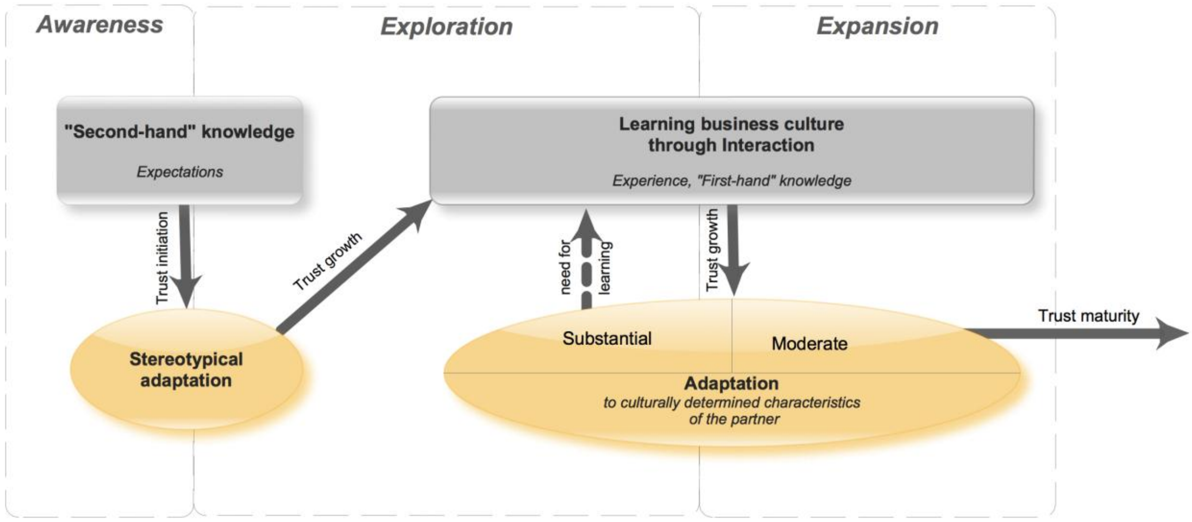

Figure 1 Influence of cultural adaptation on trust development

METHODOLOGY

Foremost this study has an explanatory character, as it aims to explain the important role of cultural adaptation in the process of trust development within business relationships. It must be emphasised that the aim is not to achieve statistically generalizable results but to build a conceptual framework that is created through theoretical reasoning and the comparison of existing theoretical knowledge with the empirical evidence. Since the general aim is to explain complex processes and provide more in-depth knowledge to the research questions analysing in detail the importance of cultural adaptation for trust development and make sense of things that are happening in business relationships, it may be argued that the **qualitative approach** is most applicable in the course of this research (Eisenhardt 1989; Yin 1989). While the pre-structured qualitative approach is chosen for this study, and an *'a priori'* framework (see Figure 1) was generated from the existing theoretical literature, the selection of strategy needs to reflect it. Thus, case study is an appropriate strategy for this study, as according to Yin's (1989, 30) notion, following theoretical propositions that *"direct attention to something that should be examined within the scope of study"* is the most preferable strategy to conduct a case study (Yin 1989, 30).

The study population was defined as the Finnish SMEs representing machinery and metal construction industries, developing business relationships on the Russian market. The selection of five cases for the study was carried out of the pre-specified population with the aim of identifying diverse cases, i.e. cases of both small and medium-sized firms with different nature of products and the extent of experience in the Russian market.

While qualitative methodological approach was applied in the course of this research, semi-structured interviews are chosen as the primary source for data collection to provide a more qualitative insight into the research questions. Interviews were conducted face-to-face with the purpose to ensure a high response rate and data reliability. The choice of respondents was made based on the representativeness of different tasks in management of business relationships.

REFERENCES

Anderson, JC & Narus, JA 1986, 'Toward a better understanding of distribution channel working relationships', in K Backhaus & D Wilson (eds.), *Industrial marketing: A German-American perspective*. Springer-Verlag, Inc., Berlin, pp. 320-336.

Anderson, JC & Narus, JA 1991, 'Partnering as a focused market strategy', *California Management Review*, vol. 33, no. 3, pp. 95-113.

Anderson, E & Weitz, B 1989, 'Determinants of continuity in conventional industrial channel dyads', *Marketing Science*, vol. 8, pp. 310-323.

Aulakh, PS, Kotabe, M & Sahay, A 1996, 'Trust and performance in cross-border marketing partnerships: a behavioral approach', *Journal of International Business Studies*, vol. 27, no. 5, pp. 1005-1032.

Barney, JB & Hansen, MH 1994, 'Trustworthiness as a source of competitive advantage', *Strategic Management Journal*, vol. 15, pp175-190.

Blau, PM 1964, *Exchange and power in social life*, Wiley, New York.

Blois, KJ 1999, 'Trust in business-to-business relationships: an evaluation of its status', *Journal of Management Studies*, vol. 36, no. 2, pp197-217. Blomqvist, K 1997, 'The many faces of trust', *Scandinavian Journal Management*, vol. 13,
no. 3, pp. 271-286.

Blumer, H 1969, *Symbolic interactionism: Perspective and method,* Prentice-Hall, Englewood Cliffs, NJ.

Bradach, J & Eccles, R 1989, 'Price, authority, and trust: From ideal types to plural forms', *Annual Review of Sociology*, vol. 15, pp. 97-118.

Brennan, R & Turnbull, PW 1996, 'The process of adaptation in inter-firm relationships' *Proceedings of the 12th IMP Conference,* Industrial Marketing and Purchasing Group, Karlsruhe, Germany.

Brennan, R & Turnbull, PW 1997, Antecedents to adaptation in buyer-seller relationships, *Proceedings of the 13th IMP Conference,* Industrial Marketing and Purchasing Group, Lyon, France.

Burgoon, JK 1993, 'Interpersonal expectations, expectancy violations, and emotional communication', *Journal of Language and Social Psychology,* vol. 12, no. 1-2, pp. 30-48.

Child, J & Mollering, G 2003, 'Contextual confidence and active trust development in the chinese business environment', *Organization Science*, vol. 14, no. 1, pp. 69-80.

Chiles, TH & McMackin, JF 1996, 'Integrating variable risk preferences, trust, and transaction cost economics', *Academy of Management Review*, vol. 21, pp. 73-99.

Cook, SDN & Yanow, D 1993, 'Culture and organizational learning', *Journal of Management Inquiry,* vol. 2, no. 4, pp. 373-390.

Dodgson, M 1993, 'Learning, trust, and technological collaboration', *Human Relations,* vol. 46, no. 1, pp. 77-95.

Doney PM & Cannon, JP 1997, 'An examination of the nature of trust in buyer-seller relationships', *Journal of Marketing*, vol. 61, no. 2, pp. 35-51.

Doney, PM, Cannon, JP & Mullen, MR 1998, 'Understanding the influence of national culture on the development of trust', *The Academy of Management Review*, vol. 23, no. 3, pp. 601-620.

Dwyer, FR, Schurr, PH & Oh, B 1987, 'Developing buyer-seller relationships', *Journal of Marketing*, vol. 51, no. 2, pp. 11-27.

Dyer, JH & Chu, WC 2000, 'The determinants of trust is supplier auto-maker relationships in the U.S., Japan and Korea', *Journal of International Business,* vol. 31, no. 2, pp. 259-285.

Eisenhardt, KM 1989, 'Building theories from case study research', *Academy of Management Review,* vol. 14, no. 4, pp. 532–550.

Ellis, N, Lowe, S & Purchase, S 2006, 'Towards a re-interpretation of industrial networks: A discursive view of culture', *IMP Journal,* vol. 1, iss. 2, pp. 20-40.

Ford, D 1980, 'The development of buyer-seller relationships in industrial markets', *European Journal of Marketing*, vol. 14, no. 5/6, pp. 339-353.

Francis, JNP 1991, 'When in Rome? The effects of cultural adaptation on intercultural business negotiations', *Journal of International Business Studies,* vol. 22, no. 3, pp. 403-428.

Gulati, R 1995, 'Social structure and alliance formation patterns: a longitudinal analysis', *Administrative Science Quarterly*, vol. 40, pp. 619-652.

Gulati, R & Gargiulo, M 1999, 'Where do inter-organizational network come from?', *American Journal of Sociology*, vol. 104, no. 5, pp. 177-231.

Håkansson, H 1982, *International marketing and purchasing of industrial goods: An interaction approach*, John Wiley & Sons, Chichester, UK.

Håkansson, H & Snehota I 1995, 'Analyzing business relationships', in H Håkansson & Snehota, I eds., *Developing relationships in business networks*. Routledge, London.

Håkansson, H & Snehota I 2000, 'The IMP perspective: Assets and liabilities of business relationships', in JN Sheth & A Parvatiyar (eds.), *Handbook of relationship marketing*, Sage Publications, Thousand Oaks, pp. 69-93.

Hofstede, G 1980, *Culture's consequences: International differences in work-related values*, Sage Publications, Newbury Park, CA.

Holden, N 2004, 'Why marketers need a new concept of culture for the global knowledge economy', *International Marketing Review*, vol. 21, no. 6, pp. 563-572.

Huber, P & Wörgötter, A 1998, 'Political Survival or Entrepreneurial Development? Observations on Russian Business Networks', *Post-Soviet Affairs*, Vol. 14, №1, pp. 81-91.

Inkpen, AC & Currall, SC 1997, 'International joint venture trust: An empirical examination', in PW Beamish & JP Killing (eds.), *Cooperative strategies: vol. 1. North American perspectives*, New Lexington Press, San Francisco, pp. 308-334.

Janowicz, M & Noorderhaven, N 2006, 'Levels of inter-organizational trust: conceptualization and measurement', in R Bachmann & A Zaheer (eds.), *Handbook of trust research*, Edward Elgar Publishing, Cheltenham, UK, pp. 264-279.

Jansson, HA, Johanson, M & Ramström, J 2007, 'Institutions and Networks. Business Networks in the Chinese, Russian, and West-European Institutional Contexts', *Journal of Industrial Marketing Management*, vol. 36, iss. 7, pp. 955-967.

Johanson, J & Vahlne, J-E 1977, 'The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments', *Journal of International Business Studies*, vol. 8, no. 1, pp. 23-32.

Kramer, RM & Cook, KS (eds.) 2004, *Trust and distrust in organizations: dilemmas and approaches*, Russell Sage Foundation, New York.

Kouchtch, S. & Afanasiev, A 2004, 'Marketing Aspects of Inter-firm Networks: the Russian Practice', *Russian Management Journal*, vol. 2, no. 1, pp. 33-52.

Lowe, S 2001, 'In the kingdom of the blind, the one-eyed man is king', *International Journal of Cross Cultural Management*, vol. 1, no. 3, pp. 313-332.

Malinowski, B 1959, *Crime and custom in savage society*, Littlefield, Adams, Paterson, N.J.

McAllister, DJ 1995, 'Affect- and cognition-based trust as foundation for interpersonal trust in organizations', *Academy of Managerial Journal*, vol. 38, no. 1, pp. 24-59.

McKnight, DH, Cummings, LL & Chervany, NL 1998, 'Initial trust formation in new organizational relationships', *Academy of Management Review*, vol. 23, no. 3, pp. 473–490.

Medlin, CJ & Törnroos, J-Å 2006, 'Interfirm interaction from a human perspective', *Proceedings of the 22nd IMP Conference*, Industrial Marketing and Purchasing Group, Milan, Italy.

Milgrom, P & Roberts, J 1992, 'Predation, reputation, and entry deterrence', *Journal of Economic Theory*, vol. 27, pp. 280-312.

Moore, F 2004, ‘Symbols of organization: Informal ways of negotiating the global and the local in MNCs’, *Global Networks*, vol. 4, iss. 2, pp. 181-198.

Moorman, C, Deshpandé, R & Zaltman, G 1993, ‘Factors affecting trust in market research relationships’, *Journal of Marketing*, vol. 57, no. 1, pp. 81-101.

Morgan, RM & Hunt, SD 1994, ‘The commitment-trust theory of relationship marketing’, *Journal of Marketing*, vol. 58, no. 3, pp. 20-38.

Nooteboom, B, Berger, H & Noordhaven, NG 1997, ‘Effects of trust and governance on relational risk’, *Academy of Management Journal*, vol. 40, no. 2, pp. 308-338.

Peng, M. & Heath, P. 1996, ‘The growth of the firm in planned economies in transition: Institutions, organizations and strategic choice’, *Academy of Management Review*, vol. 21, no. 2, pp. 492–528.

Ring, PS & Van de Ven, AH 1992, ‘Structuring cooperative relationships between organizations’, *Strategic Management Journal*, vol. 13, pp. 483-498.

Ring, PS & Van de Ven, AH 1994, ‘Development process of cooperative interorganisational relationships’, *Academy of Management Review*, vol. 19, no. 1, pp. 90-118.

Rousseau, DM, Sitkin, SB, Burt, RS & Camerer, C 1998, ‘Not so different after all: A cross-discipline view of trust’, *The Academy of Management Review*, vol. 23, no. 3, pp. 393-404.

Sako, M 1998, ‘Does trust improve business performance?’, in C Lane & R Bachmann (eds.), *Trust within and between organizations: conceptual issues and empirical applications*, Oxford University Press, New York, pp. 88-117.

Salmi, A 1996, ‘Russian Networks in Transition: Implications for Managers’, *Industrial Marketing Management,* vol. 25, iss. 1, pp. 37-45.

Schein, EH 1992, *Organizational culture and leadership*, Jossey-Bass, San-Francisco.

Smith, K, Carroll, S & Ashford, S 1995, ‘Intra- and inter-organisational co-operation: towards a research agenda’, *Academy of Management Journal*, vol. 38, no. 1, pp. 7-23.

Smyth, H 2008, ‘Developing trust’, in H Smyth & S Pryke (eds.) *Collaborative relationship in construction: developing frameworks & networks*, Blackwell Publishing, Chichester, UK, pp. 129-160.

Swidler, A 1986, ‘Culture in action: Symbols and strategies’, *American Sociological Review*, vol. 51, no. 2, pp. 273-286.

Törnroos, J-Å 2000, ‘Challenging internationalisation theory: Some new trends forming the international and global business’, *Proceedings of the 16th IMP-conference,* Industrial Marketing and Purchasing Group, Bath, U.K.

Tretyak O & Sheresheva M 2004, ‘Developing Relationships with Suppliers in Russia: A network perspective’, *Proceedings of the 20th IMP-conference,* Industrial Marketing and Purchasing Group, Copenhagen, Denmark.

Van de Ven, AH & Ring, PS 2006, ‘Relying on trust in cooperative inter-organisational relationships’, in R Bachmann & A Zaheer (eds.), *Handbook of trust research,* Edward Elgar Publishing, Cheltenham, pp. 144-164.

Vinokurova, N, Ollonqvist, P, Viitanen, J, Holopainen, P, Mutanen, A, Goltsev, V & Ihalainen, T 2009, ’Russian-Finnish roundwood trade – Some empirical evidence on cultural based differences’, *Working Papers of the Finnish Forest Research Institute,* Joensuu research unit.

Ward, C & Kennedy, A 1999, ‘The measurement of sociocultural adaptation’, *International Journal of Intercultural Relations*, vol. 23, no. 4, pp. 659-677.

Weigelt, K & Camerer, C 1988, ‘Reputation and corporate strategy’, *Strategic Management Journal*, vol. 9, pp. 443-454.

Whitener, EM, Brodt, SE, Korsgaard, MA & Werner, JM 1998, ‘Managers as initiators of trust: An exchange relationship framework for understanding managerial trustworthy behavior’, *The Academy of Management Review*, vol. 23, no. 3, pp. 513-530.

Wilson, D 2000, ‘An integrated model of buyer-seller relationships’, in JN Sheth & A Parvatiyar (eds.), *Handbook of relationship marketing*, Sage Publications, Thousand Oaks, pp. 245-270.

Yin, RK 1989, *Case study research: Design and methods* (2nd ed.), Sage Publications, Newbury Park, CA.

Zaheer, A, McEvily, B & Perrone, V 1998, ‘Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance’, *Organization Science*, vol. 9, no. 2, pp. 141-146.

Zaheer, A, Loftrom, S & George, V 2002, Interpersonal and interorganizational trust in alliances, in FJ Contractor and P Lorange (eds.), *Cooperative Strategies and Alliances*, Amsterdam, Pergamon, pp. 347-377.

Zaheer, S & Zaheer, A 2006, ‘Trust across borders’, Journal of International Business Studies vol. 37, pp. 21–29.